

**Virgin Mobile USA, LP**  
**(d/b/a Assurance Wireless)**

Lifeline Assistance Program

January 1, 2017 to December 31, 2017

Independent Accountants' Report  
on Applying Agreed-Upon Procedures

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

Virgin Mobile USA, LP (d/b/a Assurance Wireless) ("Carrier"),  
the Universal Service Administrative Company ("USAC")  
and the Federal Communications Commission ("Commission"):

We have performed the procedures enumerated in the Lifeline Biennial Audit Plan, which were agreed to by the Commission's Wireline Competition Bureau ("Bureau") and Office of Managing Director ("OMD") in the Lifeline Biennial Audit Plan or as otherwise directed by the Bureau, (the specified parties), related to the Carrier's compliance with certain regulations and orders governing the Low Income Support Mechanism (also known as the Lifeline Program) of the Universal Service Fund, set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the "Rules") detailed in the Lifeline Biennial Audit Plan during the calendar year ended December 31, 2017. The Carrier's management is responsible for compliance with the Rules. This agreed-upon procedures engagement was conducted in accordance with U.S. generally accepted government auditing standards as established by the Government Accountability Office, which incorporate attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility the Bureau and OMD. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Specific procedures and related results are presented below. In compliance with the Lifeline Biennial Audit Plan, this report does not contain any personally identifiable information or individually identifiable customer proprietary network information.

The procedures and associated findings are as follows:

### **Objective I: Carrier Obligation to Offer Lifeline:**

#### ***Procedure 1***

Clark Schaefer Hackett ("CSH") inquired of Carrier management and obtained Carrier policies and procedures for making Lifeline service available to qualifying low-income consumers as provided by the Carrier in response to Item 4 of Appendix A (Requested Documentation) of the Lifeline Biennial Audit Plan. CSH read and compared the Carrier policies and procedures, including any management responses, with the Commission's Lifeline rules set forth in Appendix F of the Lifeline Biennial Audit Plan.

Results: No exceptions noted.

## ***Procedure 2***

CSH inspected ten examples of Carrier marketing materials describing the Lifeline service (i.e. print, audio, video and Internet materials used to describe or enroll in the Lifeline service offering, including standard scripts used when enrolling new subscribers, and application and certification forms), as provided in response to Items 4, 6 and 7 of Appendix A of the Lifeline Biennial Audit Plan to determine if they included the following:

- a. The service is a Lifeline service, which is a government assistance program;
- b. The service is non-transferable;
- c. Only eligible subscribers may enroll;
- d. Only one Lifeline discount is allowed per household; and
- e. The Carrier's name or other brand names used to market the service.

Results: No exceptions noted.

## ***Procedure 3***

CSH read the Carrier's responses to the background questionnaire regarding the Carrier's policies for (1) how subscribers notify the Carrier of the subscriber's intent to cancel service or give notification that s/he is no longer eligible to receive Lifeline service and (2) when de-enrollment for such notifications occurs. Read these policies to determine they are designed to (1) allow subscribers to make the notifications required by 47 C.F.R. §§54.410(d)(3)(ii) and (iv) and (2) prevent the Carrier from claiming ineligible subscribers on the FCC Form 497 or subscribers who wish to cancel service.

CSH called the customer care numbers provided in response to Item 8 of Appendix A of the Lifeline Biennial Audit Plan, as well as any customer care numbers identified in the marketing materials provided in response to Item 6 of Appendix A of the Lifeline Biennial Audit Plan, or on the websites provided in response to Item 7 of Appendix A of the Lifeline Biennial Audit Plan. CSH documented in the report whether (1) each telephone number is operational and (2) if it involves the use of an interactive voice response (IVR) system, that it is possible for an individual to reach a live customer care operator.

Results: CSH called the customer service numbers and found they were all operational and CSH was able to reach a live customer care operator for each number provided.

## ***Procedure 4***

CSH read applicable policies and procedures regarding de-enrollment from the program, including when the Carrier will de-enroll subscribers based on lack of eligibility, duplicative support, non-usage, and failure to recertify, as further described below.

CSH read the Carrier's policy and procedures for de-enrollment where the Carrier has information indicating that a Lifeline subscriber no longer meets the criteria to be considered a qualifying low-income consumer under 47 C.F.R. §54.409, as provided in response to Item 4 of Appendix A of the Lifeline Biennial Audit Plan, as well as de-enrollment letters provided in response to Item 11 of Appendix A of the Lifeline Biennial Audit Plan. CSH noted whether the policy and procedures

detail the process for communications between the subscriber and the Carrier regarding de-enrollment, including, but not limited to:

- a. Notifying subscribers of impending termination of service;
- b. Allowing subscriber to demonstrate continued eligibility; and
- c. Termination of service within 30 days for failure to demonstrate eligibility.

CSH read the Carrier's policy and procedures for de-enrolling subscribers that are receiving Lifeline service from another eligible telecommunications carrier or where more than one member of a subscriber's household is receiving Lifeline service (duplicative support). CSH noted if the policy and procedures state that the Carrier will de-enroll subscribers within five business days of receiving notification from USAC program management that a subscriber or a subscriber's household is receiving duplicative Lifeline support, as required by section 54.405(e)(2) of the Commission's rules.

CSH read the Carrier's policy and procedures for de-enrolling subscribers for non-usage (i.e., where a Lifeline subscriber fails to use Lifeline service for 30 consecutive days), including the process of how the Carrier monitors and identifies subscribers who are non-users of Lifeline service but enrolled in the program as well as non-usage termination notifications provided in response to Item 18 of Appendix A of the Lifeline Biennial Audit Plan. CSH read the policy and procedures and non-usage termination notifications to determine if the termination notifications explain that the subscriber has 15 days following the date of impending termination notification to use the Lifeline service. If applicable, CSH noted any areas that are not in compliance with section 54.405(e)(3) of the Commission's rules.

CSH read the Carrier's policy and procedures for de-enrolling a Lifeline subscriber that does not respond to the Carrier's attempts to obtain recertification, as part of the annual eligibility recertification process as well as recertification requests provided in response to Item 19 of Appendix A of the Lifeline Biennial Audit Plan. CSH read the policy and procedures and recertification requests to determine if the communications explain that the subscriber has 60 days following the date of the notice to demonstrate continued eligibility or the Carrier will terminate the subscriber's Lifeline service. In addition, CSH read the recertification requests and the Carrier's responses to the background questionnaire and determined that the recertification requests were sent by a method separate from the subscriber's bill. If applicable, CSH noted any areas that are not in compliance with section 54.405(e)(4) of the Commission's rules.

Results: No exceptions noted.

## **Objective II: Consumer Qualification for Lifeline:**

### ***Procedure 1***

CSH read procedures the Carrier has in place to ensure it has accurately completed the FCC Form 497. CSH determined if the procedures or process included the following:

- a. The name and position title of the person responsible for obtaining data for the FCC Form 497;

- b. The name and position title of the person responsible for certifying the FCC Form 497 and whether this individual is a corporate officer of the eligible telecommunications carrier;
- c. The billing system name used to generate completion of the form;
- d. The process for determining which subscribers should be included monthly in the FCC Form 497. Documented whether the procedures include cut-off or billing cycle dates, subscribers active as of the start or end of the month, etc.;
- e. The process for completing each portion of the FCC Form 497, including, as applicable, non-Tribal Lifeline, Tribal Lifeline, and Tribal Link Up; and
- f. That a verification process exists to perform an independent review; that is, the person reviewing or validating the form's data is different from the person completing the form.

Results: No exceptions noted.

#### ***Procedure 2***

Procedure not performed in accordance with the waiver granted by FCC Order DA 19-169.

#### ***Procedure 3***

Procedure not performed in accordance with the waiver granted by FCC Order DA 19-169.

#### ***Procedure 4***

CSH inquired of management and obtained the Carrier's policies and procedures for limiting Lifeline support to a single subscription per household as provided by the Carrier in response to Item 4 of Appendix A of the Lifeline Biennial Audit Plan. CSH read and compared the Carrier's policies and procedures, including any management responses, with the Commission's Lifeline rules set for in 54.409(c) (Appendix F). CSH noted any discrepancies between the policies and procedures and the Commission's rule.

Results: No exceptions noted.

#### ***Procedure 5***

CSH used computer-assisted techniques and created a combined subscriber list and noted if there are any duplicate addresses with different subscribers.

Results: CSH created a list of subscribers with duplicate address for testing in Procedure #6.

#### ***Procedure 6***

From the list created in Procedure #5, above, CSH randomly selected 30 subscribers from the list and requested copies from the Carrier of the one-per-household certification form for each of the selected subscribers using Appendix D of the Lifeline Biennial Audit Plan. CSH determined that the provided one-per-household documentation included the following requirements and the selected subscribers certified to only receiving one Lifeline-support service in his/her household:

- a. An explanation of the Commission's one-per-household rule;

- b. A check box that an applicant can mark to indicate that he or she lives at an address occupied by multiple households;
- c. A space for the applicant to certify that he or she shares an address with other adults who do not contribute income to the applicant's household and share in the household's expenses or benefit from the applicant's income; and
- d. The penalty for a consumer's failure to make the required one-per-household certification (i.e. de-enrollment).

Results: No exceptions noted.

**Objective III: Subscriber Eligibility Determination and Certification:**

***Procedure 1***

CSH inquired of management and obtained the Carrier policies and procedures for ensuring that its Lifeline subscribers are eligible to receive Lifeline services as provided by the carrier in response to Item 4 of Appendix A of the Lifeline Biennial Audit Plan. In addition, obtained the Carrier's policies and procedures for training employees and agents for ensuring that the Carrier's Lifeline subscribers are eligible to receive Lifeline services, including any policies regarding how the company ensures employees and agents have completed the training. CSH read and compared the policies and procedures, including any management responses, with the Commission's Lifeline rules set for in sections 54.409 and 54.410 (Appendix F).

CSH read the Carrier's policies and looked for evidence as to whether it includes a policy or procedure that the Carrier must verify the eligibility of each low-income consumer prior to providing Lifeline service to that consumer or providing that consumer with an activated device intended to enable access to Lifeline service.

CSH read the Carrier's policies to determine the process for ensuring subscribers are eligible to receive Lifeline services and have completed all forms necessary to receive the service.

CSH read the Carrier's policies for information regarding the timing, frequency and evidence of completion of the initial and any subsequent Lifeline subscriber eligibility and certification trainings required of the ETC's employees.

CSH read the Carrier's policies regarding training requirements and Carrier policies for ensuring employees and agents are trained on the use and interaction with the NLAD, including limiting access to NLAD to select individuals and the process for ensuring only subscribers vetted by NLAD are claimed for reimbursement on the FCC Form 497.

Results: No exceptions noted.

***Procedure 2***

Procedure not performed in accordance with the waiver granted by FCC Order DA 19-169.

## **Objective IV: Annual Certifications and Recordkeeping by Eligible Telecommunication Carriers:**

### ***Procedure 1***

CSH inquired of management and obtained carrier policies and procedures for ensuring that the carrier has made and submitted the annual certifications require under sections 54.416 and 54.422 of the Commission's rules, as provided by the Carrier in response to Item 4 of Appendix A of the Lifeline Biennial Audit Plan. CSH read and compared the Carrier policies and procedures, including any management responses, with the Commission's Lifeline rules set forth in sections 54.416 and 54.522 (Appendix F).

Results: No exceptions noted.

### ***Procedure 2***

CSH read the Carrier's FCC Form 555 that was filed the January following the audit period (January 2018) provided by the Carrier in response to Item 12 of Appendix A of the Lifeline Biennial Audit Plan. CSH determined if the Carrier made all of the following certifications. An officer of each eligible telecommunications company must certify that he or she understands the Commission's Lifeline rules and requirements and that the carrier:

- a. Has policies and procedures in place to ensure that its Lifeline subscribers are eligible to receive Lifeline services;
- b. Is in compliance with all federal Lifeline certification procedures; and
- c. In instances where the Carrier confirms consumer eligibility by relying on income or eligibility databases, as defined in 47 CFR § 54.410(f)(2)(i)-(ii) or by relying on a state Lifeline administrator, as defined in 47 CFR § 54.410(f)(3), the representative must attest annually as to what specific data sources the Carrier used to confirm eligibility.

Results: No exceptions noted.

### ***Procedure 3***

CSH read the Carrier's organizational chart provided by the Carrier in response to Item 5 of Appendix A of the Lifeline Biennial Audit Plan. CSH determined if the certifying officer on the FCC Form 555 is an officer per the organizational chart or other publicly available documents.

Results: No exceptions noted.

### ***Procedure 4***

Procedure not performed in accordance with the waiver granted by FCC Order DA 19-169.

### ***Procedure 5***

Procedure not performed in accordance with the waiver granted by FCC Order DA 19-169.

**Procedure 6**

Procedure not performed in accordance with the waiver granted by FCC Order DA 19-169.

**Procedure 7**

CSH read the Carrier's Form 481, as provided by the Carrier in response to Item 13 of Appendix A of the Lifeline Biennial Audit Plan. CSH determined if the Carrier reported all the information and made all the certifications required by 47 CFR § 54.422(a)(b).

Results: No exceptions noted.

**Procedure 8**

CSH read supporting schedules related to the Carrier's FCC Form 481, as provided by the Carrier in response to Items 16 and 17 of Appendix A of the Lifeline Biennial Audit Plan. CSH compared the data reported on the FCC Form 481 with the supporting schedules.

Results: No exceptions noted.

**Procedure 9**

CSH inquired of management and obtained the Carrier policies and procedures for maintaining records that document compliance with the Lifeline program rules, as provided by the Carrier in response to Item 4 of Appendix A of the Lifeline Biennial Audit Plan. CSH read and compared the policies and procedures, including any management responses, with recordkeeping rules set forth in 47 CFR § 54.417.

Results: No exceptions noted.

We were not engaged to and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the Rules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the managements of Virgin Mobile, USAC, and the Commission, and is not intended to be, and should not be, used by anyone other than those specified parties. This report becomes a matter of public record when the final report is filed with the Commission. The final report is not confidential.

*Clark, Schaefer, Hackett & Co.*

Columbus, Ohio  
March 26, 2020