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August 13, 2014

VIA ELECTRONIC DELIVERY

Steven King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
PO Box 47250
Olympia, WA 98504

Re: i-wireless, LLC Compliance Filing
Docket No. UT-101640

Dear Mr. King:

Pursuant to Condition #18 in Appendix A of the Washington Utilities and Transportation Commission's Order 02 in Docket UT-101-640, i-wireless, LLC hereby files a copy of the Independent Auditor's Report on I-Wireless, LLC's Compliance with Low Income Support Mechanism Rules (USAC Audit No. LI2013BE028).

THE ATTACHED INDEPENDENT AUDITOR'S REPORT ON I-WIRELESS, LLC'S COMPLIANCE WITH LOW INCOME SUPPORT MECHANISM RULES (USAC AUDIT NO. LI2013BE028) IS HIGHLY CONFIDENTIAL AND I-WIRELESS, LLC RESPECTFULLY REQUESTS CONFIDENTIAL TREATMENT PURSUANT TO WAC 480-07-160.

If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me at 770-232-9200 or kchow@telecomcounsel.com.

Respectfully submitted,

/s/ Kasey Chow

Kasey Chow
Associate at Lance J.M. Steinhart, P.C.
Attorneys for i-wireless, LLC

Attachment



CONFIDENTIAL

To: Karen Majcher, Vice President, High Cost and Low Income Division

From: Wayne Scott, Vice President, Internal Audit Division

Date: May 21, 2014

Re: Independent Auditor's Report on I-Wireless, LLC's Compliance with Low Income Support Mechanism Rules (USAC Audit No. LI2013BE028)

Introduction

The Universal Service Administrative Company (USAC) Internal Audit Division (IAD) performed an audit of I-Wireless, LLC (Beneficiary), study area code 319029, for compliance with the regulations and orders governing the Low Income Support Mechanism (also known as the Lifeline Program), set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. USAC IAD's responsibility is to express a conclusion on the Beneficiary's compliance with the Rules based on our audit.

The Beneficiary is a competitive eligible telecommunications carrier (ETC) that operates in Michigan.

Purpose and Scope

The purpose of our audit was to determine whether the Beneficiary complied with the Rules. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision).¹ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. Our audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

¹ See U.S. Government Accountability Office, *Government Auditing Standards*, GAO 12-331G, ¶ 6.56 (Rev. Dec. 2011).

CONFIDENTIAL PER WAC 480-07-160

The following chart summarizes the Lifeline Program support the Beneficiary received based on its FCC Form 497 (Form 497) for August 2013 (the audit period):

	Number of Subscribers	Amount of Support
Lifeline		
Tribal Link Up		
Toll Limitation		
Total		

Note: The amount of support reflects disbursements as of the commencement of the audit.

Our procedures were performed to determine whether the Beneficiary complied with the Rules. For the purposes of this report, a finding is a condition that shows evidence of noncompliance with the Rules.

Conclusion

[REDACTED]

Findings

[REDACTED]

Exceptions Taken and Recovery Action

Findings	Monetary Effect of Findings	USAC Management Recovery Action
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[REDACTED]

Audit Procedures, Findings, and Responses

A. General Procedures

We obtained and reviewed the ETC designation order to determine whether the Beneficiary was designated as an ETC in the study area prior to receiving Lifeline Program support.

B. Advertising

We obtained and examined the Beneficiary's evidence of advertising to determine whether it publicized the availability of the Lifeline Program in a manner reasonably designed to reach those likely to qualify for the service.

C. Form 497

We obtained and examined the Beneficiary's Form 497 for accuracy by comparing the amounts reported against the Beneficiary's data files and related tariffs.

D. Certification Process

We obtained an understanding of the Beneficiary's enrollment and certification processes relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. We also obtained and examined 44 subscriber certification forms to determine whether the subscribers were eligible to receive low-income discounts.

E. Subscriber Listing

We obtained and examined the Beneficiary's subscriber listing and used computer assisted auditing techniques to analyze the data files and perform the following procedures:

- Compared the total number of subscribers to what was reported on the Form 497.
- Verified that the data file did not contain duplicate telephone numbers/addresses.
- Verified that the data file did not contain blank telephone numbers/addresses or business names/addresses.
- Verified that no Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Verified that no Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

F. Subscriber Discounts

We obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 45 subscribers.

G. Form 555

We obtained and examined the Beneficiary's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported against the Beneficiary's data files.

H. Non-Usage Process

We obtained an understanding of the Beneficiary's non-usage process relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. We also examined documentation to determine whether the Beneficiary properly validated its low-income subscribers' continued use of the supported service.

Our audit findings, as well as the responses to the findings are provided below. We have evaluated the validity of the Beneficiary's responses to our findings and our position on the issues remains unchanged.

Finding #1

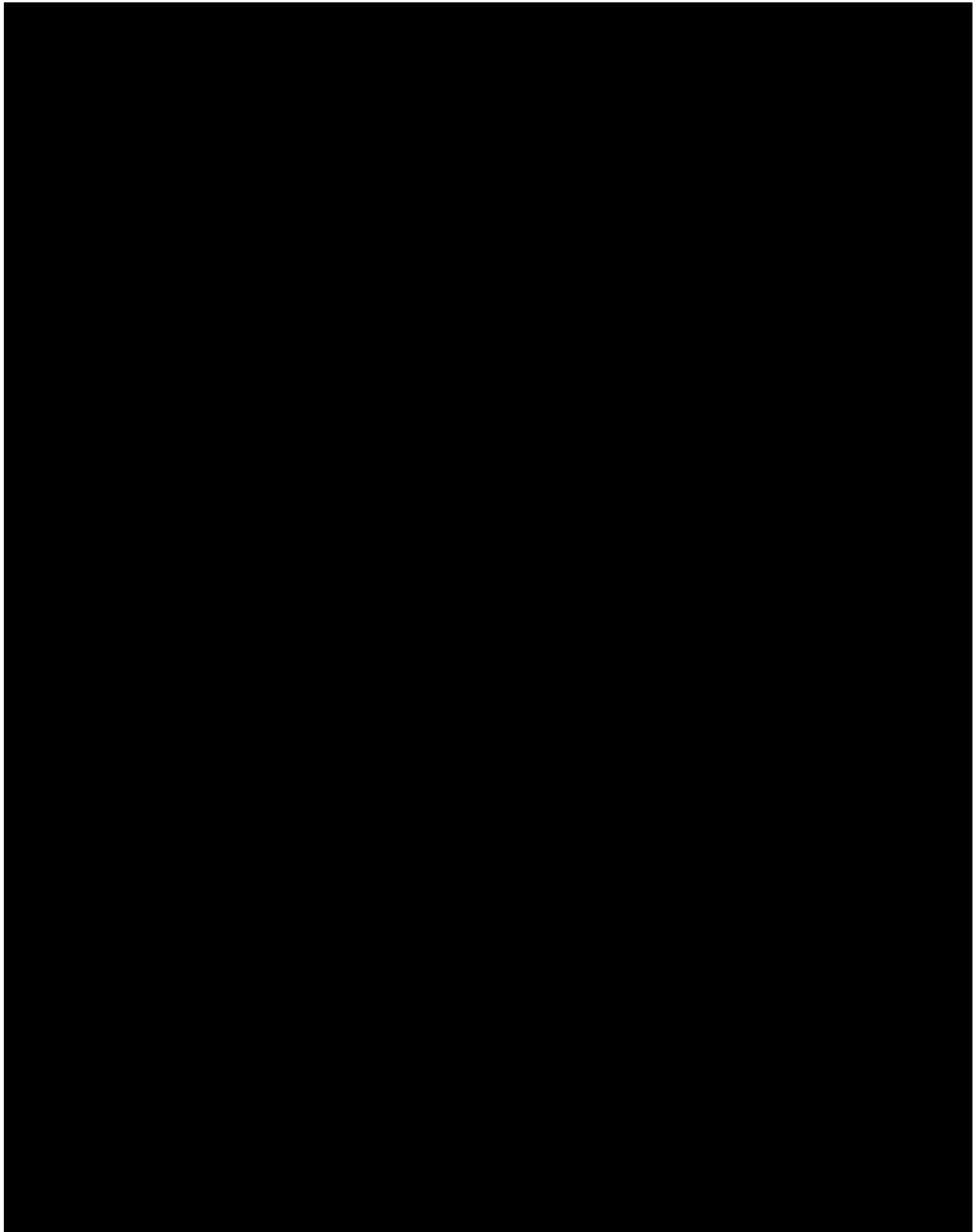
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Criteria

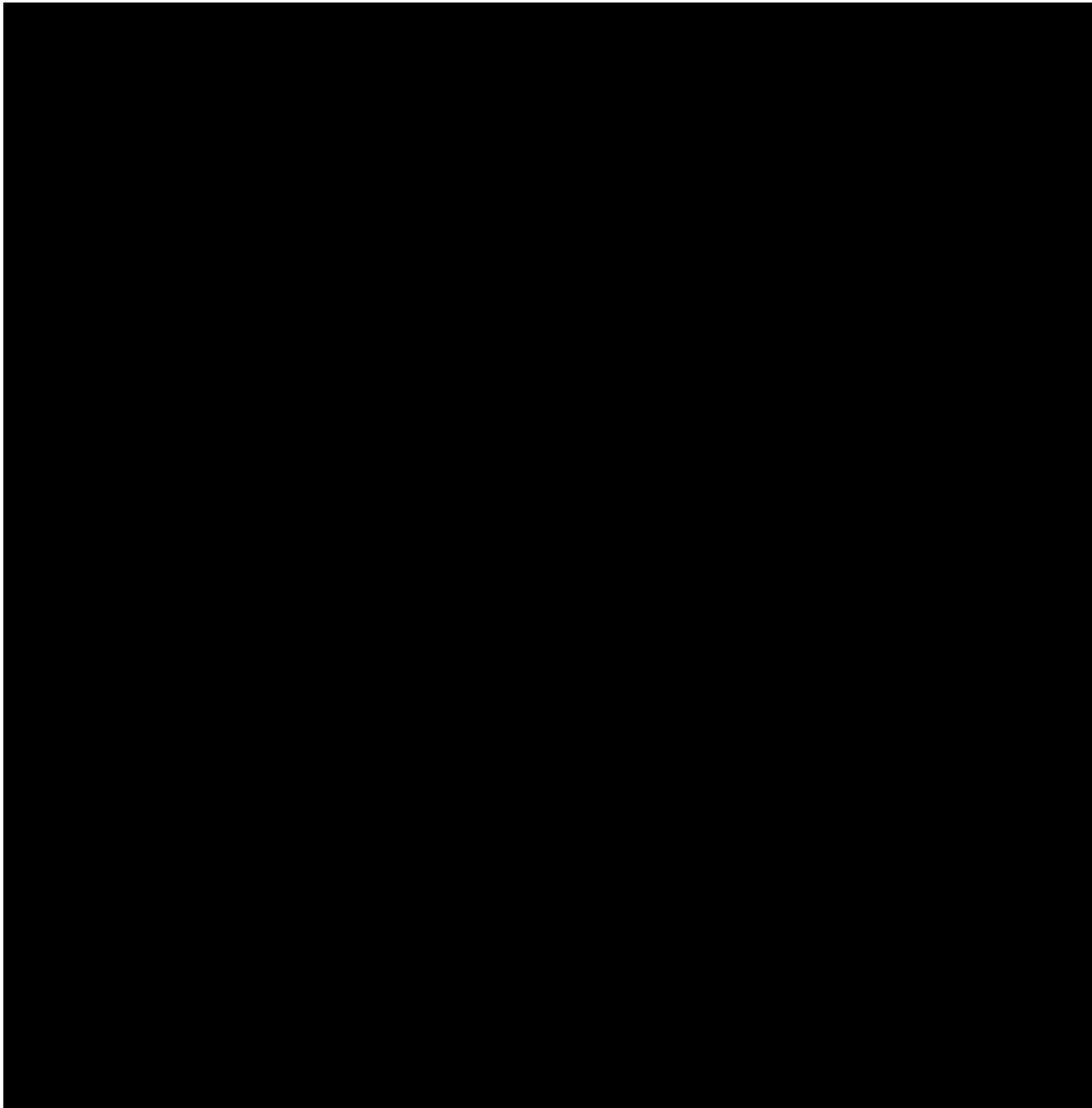
1. “Eligible telecommunications carriers shall report to the Commission annually the number of subscribers de-enrolled for non-usage under this paragraph. This de-enrollment information must be reported by month and must be submitted to the Commission at the time an eligible telecommunications carrier submits its annual certification report pursuant to [47 C.F.R.] § 54.416.” 47 C.F.R. § 54.405(e)(3) (2012).
2. “All eligible telecommunications carriers must annually provide the results of their re-certification efforts, performed pursuant to [47 C.F.R.] § 54.410(f), to the Commission and the Administrator.” 47 C.F.R. § 54.416(b) (2012).
3. “Column C: Report the number of Lifeline subscribers the ETC contacted directly to obtain re-certification of eligibility. Enter zero if the ETC relied solely on methods other than direct contact with consumers (e.g., consulting a state database or relying on a Lifeline administrator) to re-certify eligibility.” FCC Form 555 Instructions, OMB 3060-0819 (Nov. 2012), at 3 (Form 555 Instructions).
4. “Column D: Report the number of Lifeline subscribers that responded to the ETC’s request to re-certify their eligibility for Lifeline. This number could be equal to the number in Column C (if every consumer contacted responded) or less than the number reported in Column C (if not every consumer contacted responded).” Form 555 Instructions, at 3.
5. “Section 4 requires certain ETCs to report by month the number of Lifeline customers de-enrolled as a result of non-usage. 47 C.F.R. § 54.405(e)(3) requires ETCs that do not assess or collect a monthly fee from their subscribers to de-enroll subscribers who do not use their Lifeline service for 60 consecutive days plus a 30 day period after notice of potential de-enrollment for non-use is provided. ETCs that do not assess or collect a monthly fee from their Lifeline customers must complete Section 4.” Form 555 Instructions, at 5.
6. “Column N: Report the number of subscribers de-enrolled for non-usage by month.” Form 555 Instructions, at 5.

Condition

[REDACTED]



² Beneficiary responses to audit inquiries, received Jan. 17, 2014.



³ *In the Matter of Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training*, WC Docket Nos. 03-109, 11-42, 12-23, CC Docket No. 96-45, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11, 27 FCC Rcd at 6656, 6781, ¶¶ 286-87 (2012) (*Lifeline Reform Order*).

⁴ *Id.* at 6785, ¶ 298 (2012).

Finding #2

[REDACTED]

Criteria

1. “To constitute a qualifying low-income consumer: (1) A consumer’s household income as defined in [47 C.F.R.] § 54.400(f) must be at or below 135% of the Federal Poverty Guidelines for a household of that size; or (2) [t]he consumer, one or more of the consumer’s dependents, or the consumer’s household must receive benefits from one of the following federal assistance programs: Medicaid; Supplemental Nutrition Assistance Program; Supplemental Security Income; Federal Public Housing Assistance (Section 8); Low-Income Home Energy Assistance Program; National School Lunch Program’s free lunch program; or Temporary Assistance for Needy Families; or (3) [t]he consumer meets additional eligibility criteria established by a state for its residents, provided that such-state specific criteria are based solely on income or other factors directly related to income.” 47 C.F.R. § 54.409(a)(1)-(3) (2012).
2. “A consumer who lives on Tribal lands is eligible for Lifeline service as a ‘qualifying low-income consumer’ as defined by [47 C.F.R.] § 54.400(a) and as an ‘eligible resident of Tribal lands’ as defined by [47 C.F.R.] § 54.400(e) if that consumer meets the qualifications for Lifeline specified in paragraph (a) of this section or if the consumer, one or more of the consumer’s dependents, or the consumer’s household participates in one of the following Tribal-specific federal assistance programs: Bureau of Indian Affairs general assistance; Tribally administered Temporary Assistance for Needy Families; Head Start (only those households meeting its income qualifying standard); or the Food Distribution Program on Indian Reservations.” 47 C.F.R. § 54.409(b) (2012).
3. “§54.409 *Consumer qualification for Lifeline.* §54.409 discusses consumer qualification requirements for Lifeline eligibility. The wording in §54.409(a) regarding consumer qualification for Lifeline has changed. §54.409(a) now reads:

To constitute a qualifying low-income consumer: (1) A consumer’s household income as defined in §54.400(f) must be at or below 135% of the Federal Poverty Guidelines for a household of that size; or (2) The consumer, one or more of the consumer’s dependents, or the consumer’s household must receive benefits from one of the following federal assistance programs: Medicaid; Supplemental Nutrition Assistance Program; Supplemental Security Income; Federal Public Housing Assistance (Section 8); Low-Income Home Energy Assistance Program; National School Lunch Program’s free lunch program; or Temporary Assistance for Needy Families; or (3) The

consumer must meet eligibility criteria established by a state for its residents, provided that such state-specific criteria are based solely on income or factors directly related to income.

Because the eligibility standards in [Michigan Compiled Laws] (MCL) 484.2316 are based solely on income, Michigan will maintain the eligibility criteria of 150% of the Federal Poverty Guidelines or participation in one of the above-mentioned programs.” *In the Matter, on the Commission’s Own Motion, to Confirm Michigan’s Lifeline Program to New Federal Requirements Adopted in Federal Communications Commission Order 12-11 with regard to Lifeline Reform, Case No. U-17019, Order (Michigan Public Service Commission 2012).*

Condition

[REDACTED]

- [REDACTED]

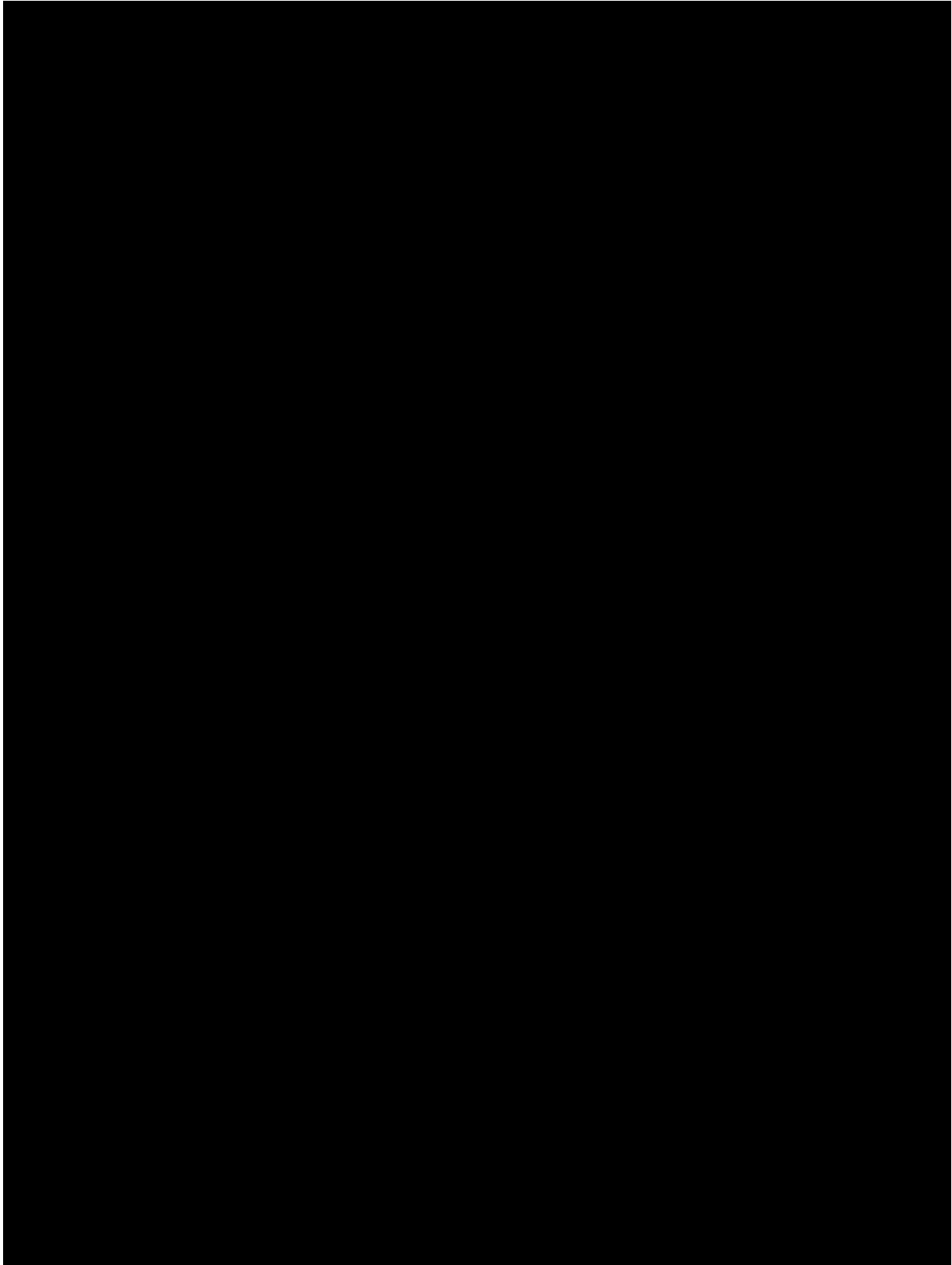
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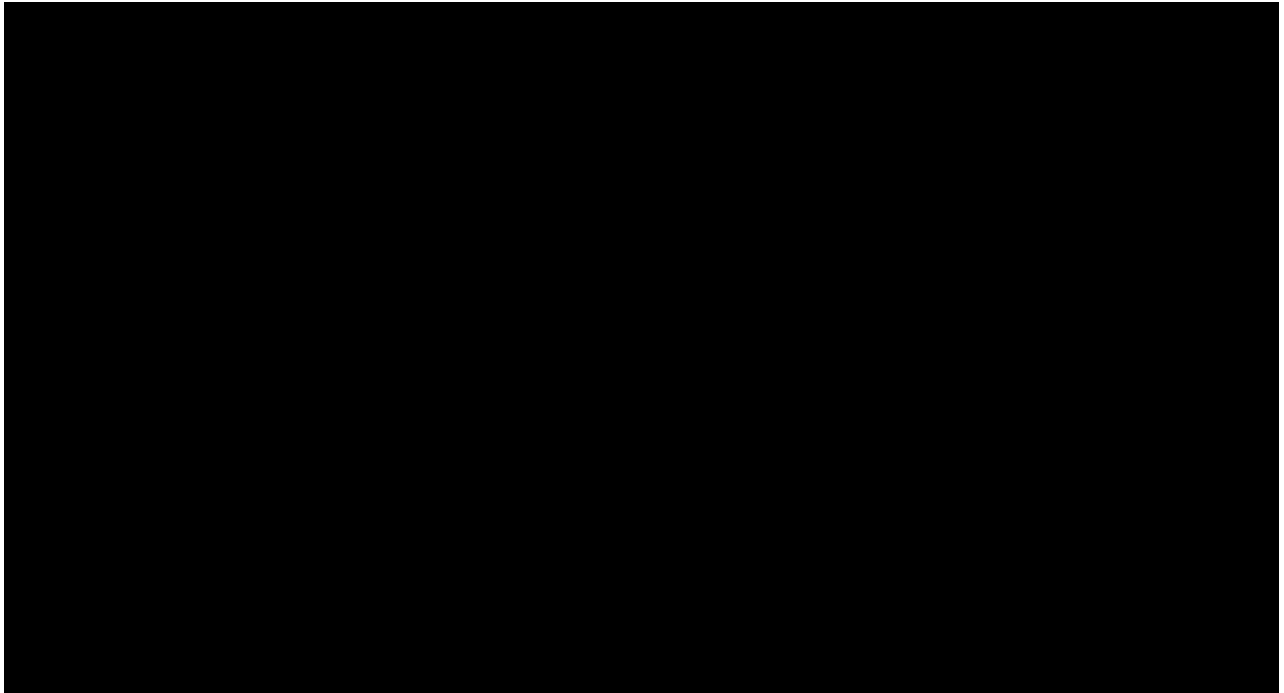
- [REDACTED]

- [REDACTED]

- [REDACTED]

[REDACTED]





⁵ *Lifeline Reform Order*, 27 FCC Rcd at 6785, ¶ 298.

⁶ *Id.*

Finding #3

[REDACTED]

Criteria

1. “*De-enrollment for failure to re-certify.* Notwithstanding paragraph (e)(1) of this section, an eligible telecommunications carrier must de-enroll a Lifeline subscriber who does not respond to the carrier’s attempts to obtain re-certification of the subscriber’s continued eligibility as required by [47 C.F.R.] § 54.410(f)... Prior to de-enrolling a subscriber under this paragraph, the eligible telecommunications carrier must notify the subscriber in writing separate from the subscriber’s monthly bill, if one is provided using clear, easily understood language, that failure to respond to the re-certification request within 30 days of the date of the request will trigger de-enrollment. If a subscriber does not respond to the carrier’s notice of impending de-enrollment, the carrier must de-enroll the subscriber from Lifeline within five business days after the expiration of the subscriber’s time to respond to the re-certification efforts.” 47 C.F.R. § 54.405(e)(4) (2012).

Condition

[REDACTED]

Cause

[REDACTED]

Effect

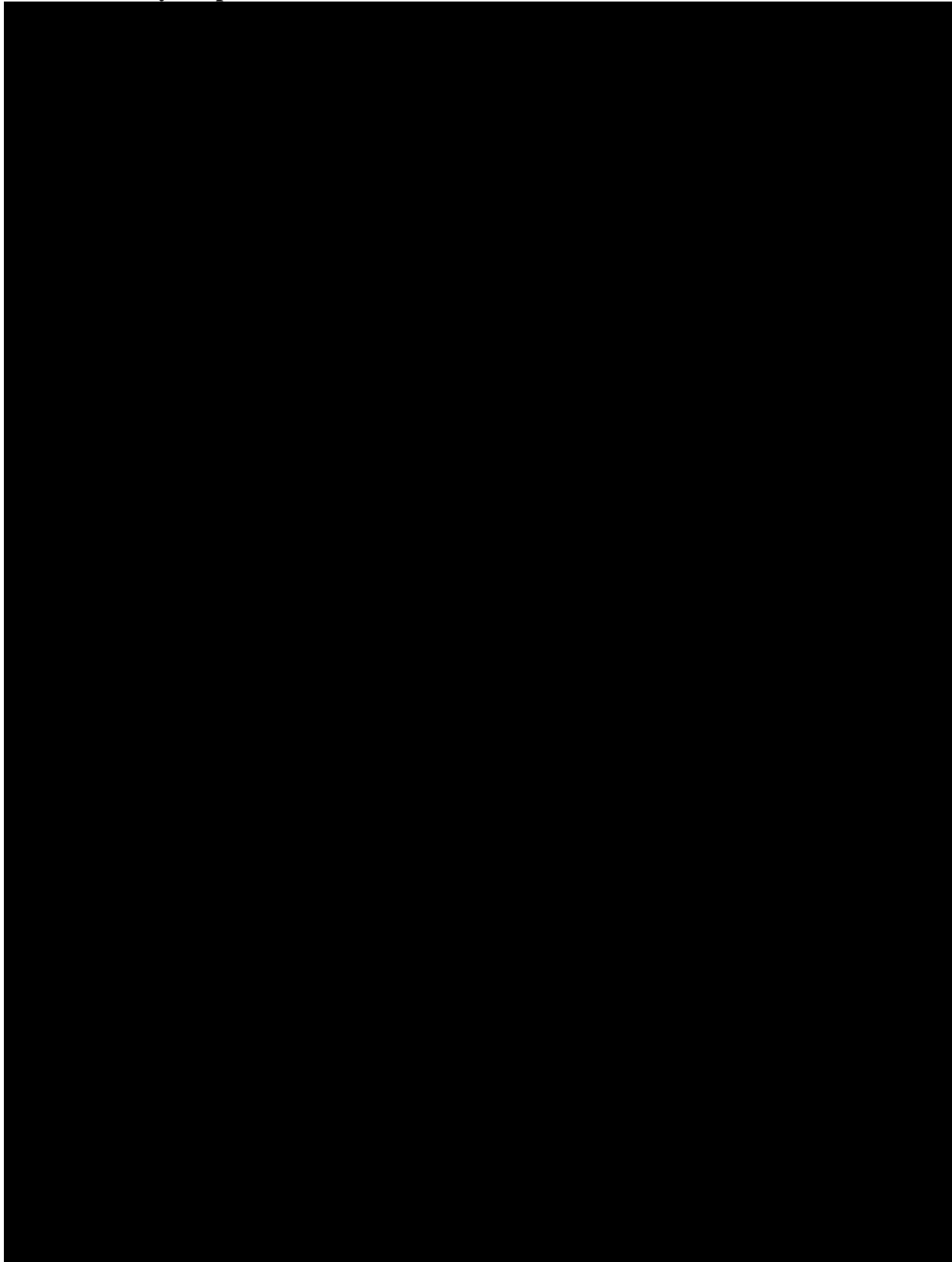
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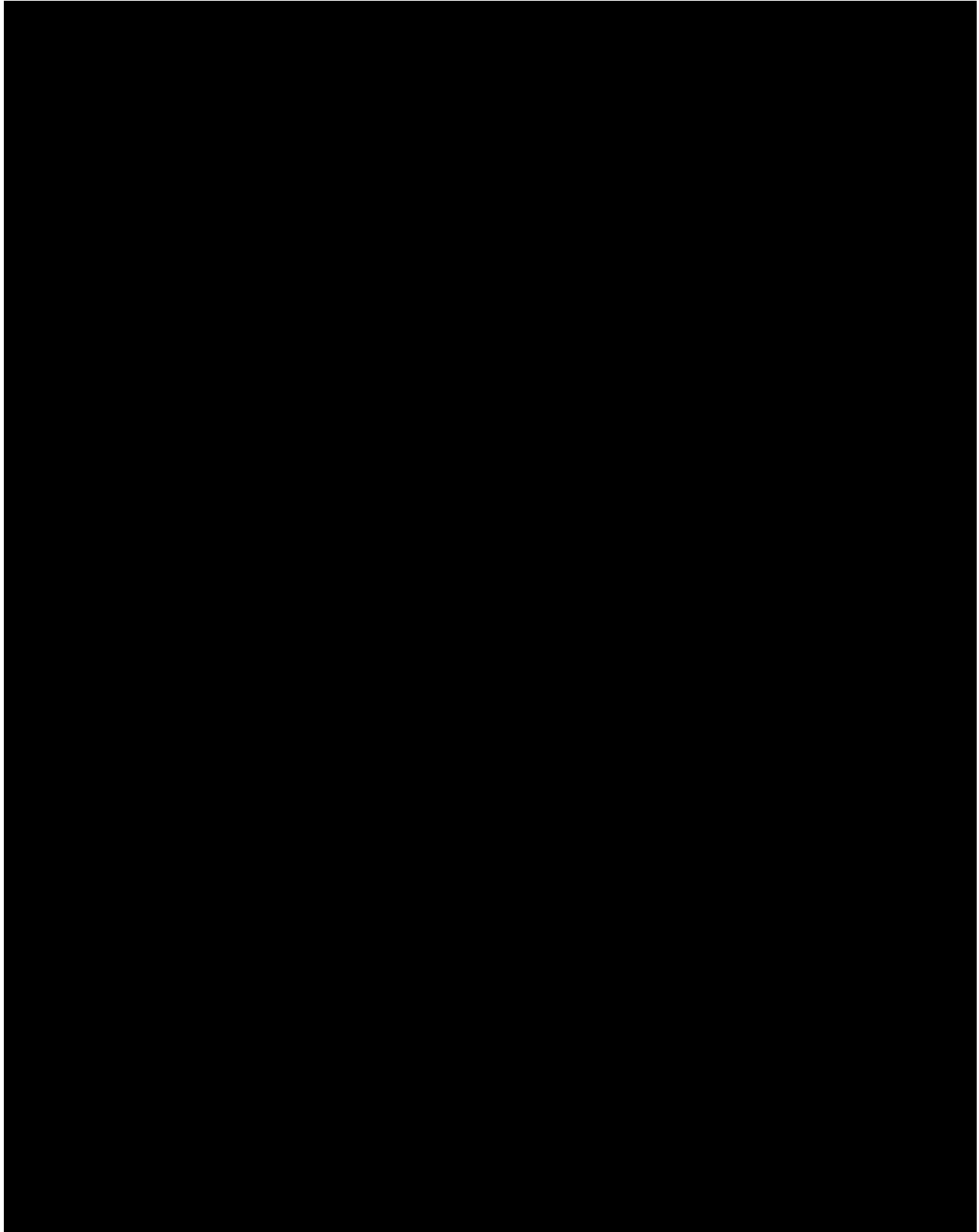
Recommendation

[REDACTED]

⁷ Beneficiary responses to audit inquiries, received Dec. 17, 2013.

Beneficiary Response





⁸ *Lifeline Reform Order*, 27 FCC Rcd at 6817, ¶ 383.

⁹ *Id.*. See also 47 C.F.R. § 54.504(e)(4).



¹⁰ *Lifeline Reform Order*, 27 FCC Rcd at 6785, ¶ 298.

Section 214(e)(2) of the Communications Act of 1996, Case No. U-16465, at 5 (Michigan Public Service Commission, 2011) (ETC Designation Order).

Condition

[REDACTED]

- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

Cause

[REDACTED]

Effect

[REDACTED]

Recommendation

[REDACTED]

Beneficiary Response

[REDACTED]

