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Report to Congressional Requesters

October 2010

TELECOMMUNICATIONS

Improved Management Can Enhance FCC Decision Making for the Universal Service Fund Low-Income Program

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GAO-11-11

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Highlights

Highlights of GAO-11-11, a report to congressional requesters

Why GAO Did This Study

The Federal Communications Commission's (FCC) Low-Income Program, administered by the Universal Service Administrative Company (USAC) and supported by the Universal Service Fund (USF), provides low-income households with discounts on installation costs for new telephone service and monthly charges for basic telephone service. In this requested report, GAO examined (1) how program participation and support payments have changed over the last 5 years (2005-2009), and factors that may have affected participation; (2) the extent to which goals and measures are used to manage the program; and (3) the extent to which mechanisms are in place to evaluate program risks and monitor controls over compliance with program rules. GAO surveyed state public utility commissions; reviewed key policies, procedures, and rules; and interviewed agency officials and stakeholders.

What GAO Recommends

FCC should (1) clearly define performance goals and develop quantifiable measures that can be used to determine the program's success, (2) conduct a needs assessment and develop implementation and evaluation plans for the proposed low-income pilot programs, (3) conduct a robust risk assessment, and (4) implement a systematic process to consider audit results. FCC agreed with GAO's recommendations.

View GAO-11-11 or key components. View the results of the GAO survey online at GAO-11-13SP. For more information, contact Lorelei St. James, (214) 777-5719, St.JamesL@gao.gov.

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Improved Management Can Enhance FCC Decision Making for the Universal Service Fund Low-Income Program

Low-Income Program participation and support payments have increased since 2005 due to many factors. Program participation was stable from 2005 to 2008, from 6.9 million to 7.1 million participants, but increased to 8.6 million in 2009. Likewise, support payments were relatively stable from 2005 to 2008, from $802 million to $823 million annually, before increasing to approximately $1 billion in 2009. The increases in 2009 were primarily due to the addition of a prepaid wireless service option in certain states, which allows program participants to obtain a free wireless handset and an allotment of free minutes each month. The Low-Income Program has no funding cap and USAC officials project its support payments to reach $1.4 billion in 2010. They said participation and payments will likely continue to increase beyond 2010 as prepaid wireless service options become available in additional states.

FCC has taken limited steps to develop performance goals and measures for the Low-Income Program, however, these steps do not fully align with useful practices for developing successful goals and measures. While performance goals and measures specific to the Low-Income Program would enable FCC to more effectively manage the program and determine its success, FCC has not made developing such measures a priority and, as a result, has limited insight on the intent of the program and what it is accomplishing. FCC might conduct pilot programs as it considers expanding the Low-Income Program to include broadband service (high-speed Internet access), as proposed by the National Broadband Plan. For the broadband pilot programs, if conducted, it is important that FCC develop a needs assessment and implementation and evaluation plans to increase confidence in the results. If implemented properly, the pilot programs would enable FCC to improve its data collection for low-income households and could help facilitate program and policy decisions for the Low-Income Program in the future.

Although FCC and USAC have some mechanisms in place to identify and evaluate risks and monitor compliance with program rules, the Low-Income Program lacks key features of effective internal controls. FCC and USAC primarily use audit findings to monitor compliance with program rules. However, the number and scope of USAC's audits have been limited and there is no systematic process in place to review the findings of those audits that are conducted. Further, FCC and USAC have not conducted a risk assessment specific to the Low-Income Program that includes consideration of all program vulnerabilities, such as the possibility that multiple carriers may claim support for the same telephone line and that households may receive more than one discount, contrary to program rules. According to GAO standards, FCC should identify all risks to meeting the program's goals and objectives and have a process to systematically consider audit findings when assessing the effectiveness of its internal controls. Without these mechanisms, FCC and USAC may not be capturing and addressing programmatic risks and collecting information that could be leveraged to assess compliance with program rules and strengthen internal controls.

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Abbreviations

1996 Act	Telecommunications Act of 1996
APA	Administrative Procedure Act
Commission	Federal Communications Commission
E911	Enhanced 911
ETC	eligible telecommunications carrier
FCC	Federal Communications Commission
FFMIA	Federal Managers' Financial Integrity Act of 1982
IPIA	Improper Payments Information Act of 2002
Joint Board	Federal-State Joint Board on Universal Service
OMB	Office of Management and Budget
PSAP	Public Safety Answering Point
TLS	Toll Limitation Service
USAC	Universal Service Administrative Company
USF	Universal Service Fund

Telecommunications: Survey of State Public Utility Commissions (GAO-11-13SP), an e-supplement to GAO-11-11

GAO
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United States Government Accountability Office
Washington, DC 20548

October 28, 2010

The Honorable Henry A. Waxman
Chairman
The Honorable John D. Dingell
Chairman Emeritus
The Honorable Joe Barton
Ranking Member
Committee on Energy and Commerce
House of Representatives

The Honorable Bart Stupak
Chairman
The Honorable Michael Burgess
Ranking Member
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
House of Representatives

The Honorable Greg Walden
House of Representatives

For many decades, federal policy has called for making affordable residential telephone service available to the greatest possible number of Americans—a policy known as "universal service." This policy is carried out through the Federal Communication Commission's (FCC or the Commission) universal service programs which are funded through the Universal Service Fund (USF), and include the Low-Income Program.[1] This program was created in the mid-1980s to promote telephone

[1]The other programs supported by the USF are: (1) the High-Cost Program, which assists customers living in high-cost, rural, or remote areas through financial support to telecommunications carriers that operate in such areas; (2) the Schools and Libraries Program (commonly referred to as "E-rate"), which assists eligible schools and libraries in procuring telecommunications and Internet services, as well as internal connections and basic maintenance for such services; and (3) the Rural Health Care Program, which assists health care providers located in rural areas through discounts for telecommunications and Internet access services. Combined, the four USF programs provided about $7 billion in support payments in 2009. While this report focuses on the Low-Income Program, we also have an ongoing review of the Rural Health Care Program. See related GAO products at the end of the report.

subscribership among low-income households. In 2009, the Low-Income Program provided approximately $1 billion in support payments.

Traditionally, universal service policy and access to telecommunications services for low-income subscribers has centered on landline residential telephone service throughout the United States. However, telecommunications technology has advanced and new ways to access telecommunications services have been developed. For example, consumers today have more options to access telephone service than in the past, including cable, wireless, and broadband.[2] To expand the availability of Lifeline, which discounts local service, and to provide additional consumer choice, FCC has allowed certain prepaid wireless providers,[3] to be granted limited designation as eligible telecommunications carriers (ETC)[4] for the Low-Income Program in their licensed service areas. As new technologies continue to develop, the universal service policy will be challenged to define "access" to telecommunications services for low-income consumers. In particular, in 2009, FCC was mandated to develop a broadband plan that would "ensure that all people of the United States have access to broadband capability…"[5] An FCC task force issued the plan in March 2010, with recommendations, among many other things, on how to reform the USF and modify the Low-Income Program to support broadband service.[6] FCC

[2]The term "broadband" commonly refers to high-speed Internet access. Broadband enables consumers to receive information much faster than a dial-up connection and provides an "always on" connection to the Internet. Consumers can receive a broadband connection through a variety of technologies such as cable modem, digital subscriber line service, fiber, and satellite.

[3]Prepaid wireless service is any wireless telecommunications service that is activated in advance by payment for a finite dollar amount of service or for a finite number of minutes that terminate either upon use by any person or within a certain period of time following the initial purchase or activation, unless an additional payment is made.

[4]The Communications Act of 1934, as amended, provides that only an entity designated as an ETC shall be eligible for universal service low-income support. An ETC is a telecommunications carrier that is eligible to receive universal service support throughout the service area for which the designation is received. ETCs must offer the services supported by universal service using their own facilities or a combination of their own facilities and resale of another carrier's services to each customer in its designated service area. 47 U.S.C. § 214(e)(1); 47 C.F.R. § 54.201(d)(1).

[5]American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115, § 6001(k) (codified at 47 U.S.C. § 1305(k)).

[6]Federal Communications Commission, *Connecting America: The National Broadband Plan* (rel. Mar. 16, 2010) (National Broadband Plan).

has also initiated efforts to identify the legal approach that will best support its efforts to ensure universal access to affordable, high quality broadband services.[7]

We have previously reported on oversight and internal control mechanisms used by FCC to oversee other USF programs. For example, in our reviews of the USF E-rate program, we found weaknesses in the administration and operational framework and have recommended corrective actions to reduce fraud, waste, and abuse in the program.[8] To begin addressing these and other concerns, FCC has taken preliminary steps, such as initiating a Universal Service Working Group, to assist in FCC's efforts to modernize and reform all universal service programs.

Given the importance of the USF to the nation's telecommunications policy, significant advances in telecommunications technology, and potential USF reform efforts, you asked us to review issues surrounding all the USF programs. This report focuses on the Low-Income Program and our objectives were to review (1) how program participation and support payments have changed in the last 5 calendar years (2005-2009) and what factors may have affected program participation, (2) the extent to which FCC uses performance goals and measures to manage the program, and (3) the extent to which the program has mechanisms in place to evaluate program risks and monitor controls over compliance with program rules.

To respond to these objectives, we reviewed key orders, reports, and program assessments from FCC and the Universal Service Administrative Company (USAC), the not-for-profit corporation that administers the Low-Income Program under a Memorandum of Understanding with FCC,[9] and interviewed officials from both organizations and other stakeholders with knowledge of the program. The stakeholders were identified from a variety of sources and include academicians and think tanks,

[7]See *Framework for Broadband Internet Service*, Notice of Inquiry, 25 FCC Rcd 7866 (2010).

[8]See GAO, *Telecommunications: Greater Involvement Needed by FCC in the Management and Oversight of the E-Rate Program*, GAO-05-151 (Washington, D.C.: Feb. 9, 2005); GAO, *Telecommunications: Long-Term Strategic Vision Would Help Ensure Targeting of E-rate Funds to Highest-Priority Uses*, GAO-09-253 (Washington, D.C.: Mar. 27, 2009); and GAO, *Telecommunications: FCC Should Assess the Design of E-Rate Program's Internal Control Structure*, GAO-10-908 (Washington, D.C.: Sept. 29, 2010).

[9]Memorandum of Understanding Between the Federal Communications Commission and the Universal Service Administrative Company, (September 2008).

telecommunications providers, third parties contracted to administer the program and related committees, and trade and industry groups. To develop an understanding of how the program works in specific locations, we conducted site visits in California, the District of Columbia, Florida, and Iowa. We chose these locations based on criteria such as the telephone subscribership rate of low-income households and the participation rate of eligible low-income households. During the visits, we interviewed officials from state public utility commissions, ETCs (wireline and wireless), consumer advocates, and other entities as applicable, as well as obtained pertinent documentation. In addition, we analyzed participation and disbursement data from USAC and identified key trends. We conducted testing to ensure the reliability of the data and reviewed the methodology used by USAC to estimate program participation rates. As a result, we determined that the data were sufficiently reliable for the purposes of this report. We also conducted a Web-based survey to gather information from state public utility commissions on how, if at all, roles and responsibilities vary by state; barriers to program participation, if any; advertising and outreach activities by state public utility commissions and ETCs; and internal control procedures. The survey was available online to officials in the 50 states and the District of Columbia on a secure Web site and our response rate was 100 percent. This report does not contain all the results from the survey. The survey and a more complete tabulation of the results can be viewed at GAO-11-13SP.

Finally, we reviewed the program's performance goals and measures and the mechanisms used by FCC and USAC to evaluate risk and monitor compliance with program rules. We compared this information against our guidance on useful practices for developing successful goals and measures and our standards for internal controls in the federal government, as well as Office of Management and Budget (OMB) guidance on internal controls.[10]

We conducted this performance audit from October 2009 through October 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for

[10]GAO, *Agency Performance Plans: Examples of Practices That Can Improve Usefulness to Decisionmakers*, GGD/AIMD-99-69 (Washington, D.C.: Feb. 26, 1999); GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999); and Office of Management and Budget, *Management's Responsibility for Internal Control*, Circular No. A-123 (Washington, D.C., Dec. 21, 2004).

our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. See appendix I for more information about our scope and methodology.

Background

The Nation's Universal Service Policy and the Low-Income Program Developed Over Time

The idea that communication services should be available "so far as possible, to all the people of the United States,"— has been a goal of telecommunications regulation since Congress enacted the Communications Act of 1934.[11] Efforts by FCC, state regulators, and industry to promote universal service generally began in the 1950s. Traditionally, universal service has meant providing residential customers with affordable access nationwide to basic telephone service.

In the mid-1980s, FCC changed the way local telephone companies recovered fixed costs and implemented a federal fee for telephone service paid by the subscriber. Though FCC found no evidence this fee would cause low-income consumers to cancel telephone service, it was nevertheless concerned about the below-average telephone subscribership rates of low-income households—80 percent compared to 92 percent for all households in 1984—and their ability to afford telephone service.[12] As a result, FCC initiated two programs to make telephone service affordable for low-income households: Lifeline, which discounts monthly service, and Link Up, which discounts the connection charges associated with telephone service installation.

Congress codified the nation's commitment to universal service and made significant changes to universal service policy through the telecommunications Act of 1996 (1996 Act).[13] The 1996 Act provided

[11]47 U.S.C. § 151.

[12]The first Lifeline program was instituted because of the concern that the new fee might drive low-income subscribers to cancel service. However, the focus of the program soon changed to an emphasis on active expansion, rather than mere preservation, of telephone service among low-income households. See Common Carrier Bureau, FCC, *Preparation for Addressing Universal Service Issues: A Review of Current Interstate Support Mechanisms* (1996).

[13]Pub. L. No. 104-104, 110 Stat. 56 (1996).

explicit statutory support for federal universal service policy and directed FCC to establish a Federal-State Joint Board on Universal Service (Joint Board) to make recommendations to FCC on implementing universal service provisions of the 1996 Act.[14] The 1996 Act also described universal service as an evolving level of telecommunications services the Commission should periodically review, taking into account advances in telecommunications and information technologies and services.[15] In accordance with its definition of universal service, FCC found that basic telephone service must include, among other things, local usage, access to emergency service such as 911, access to operator services, access to long distance service, access to directory assistance, and toll limitation for qualifying low-income consumers.[16]

Further, the 1996 Act stated that every telecommunications carrier providing interstate telecommunications services was required to contribute to federal universal service, unless exempted by FCC. The contributions were to be equitable, nondiscriminatory, and explicit. In addition, FCC was authorized to require any other providers of interstate telecommunications to contribute if the public interest so required.[17] Contributions are deposited into the USF, which was established by FCC in 1997 to meet the specific objectives and principles contained in the 1996 Act.[18] Each quarter, FCC calculates a contribution rate for all contributors based on the needs of the universal service programs and assesses it as a percentage of the carriers' interstate revenue. In the second quarter of 2010,[19] the contribution rate was a historically high 15.3 percent of

[14]47 U.S.C. § 254.

[15]47 U.S.C. § 254(c).

[16]See *Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd 8776 (1997) (1997 Universal Service Order); 47 C.F.R. § 54.101(a).

[17]47 U.S.C. § 254 (d).

[18]FCC had originally created a Universal Service Fund in 1983 to help keep telephone rates reasonable in high-cost areas. See *MTS and WATS Market Structure*, Third Report and Order, 93 FCC 2d 241 (1983).

[19]In the third quarter of 2010, the contribution rate was 13.6 percent and it is projected to be 12.9 percent in the fourth quarter of 2010. See *Federal Universal Service Support Mechanisms Fund Size Projections for the Third Quarter 2010*, available at http://www.universalservice.org/overview/ filings (filed April 30, 2010) (USAC Filing for Third Quarter 2010 Projections) and *Federal Universal Service Support Mechanisms Fund Size Projections for the Fourth Quarter 2010*, available at http://www.universalservice.org/overview/ filings (filed August 2, 2010) (USAC Filing for Fourth Quarter 2010 Projections).

carriers' interstate end user revenue. Carriers generally pass the cost of the USF contribution on to their customers, typically in the form of a line item on the monthly telephone bill. The Low-Income Program is one of two significant parts of the USF that remains uncapped, meaning that there is no limit to its growth.

Specific to the Low-Income Program, the 1996 Act expressed the principle that telephone rates should be affordable and that access should be provided to "low-income consumers" in all regions of the nation.[20] As a result, in its 1997 Universal Service Order, FCC made Lifeline and Link Up available in all states regardless of whether the states provided matching funds, required all ETCs to offer Lifeline service, and included toll limitation service.[21]

Since the passage of the 1996 Act, FCC has taken actions aimed at increasing participation in the Low-Income Program.

- In June 2000, FCC released the Tribal Order, which enhanced the federal Lifeline and Link Up programs to better serve residents living on or near federally recognized tribal lands and reservations.[22]
- With its April 2004 order, and consistent with the Joint Board's recommendations, FCC aimed to increase participation in the Low-Income Program by expanding the federal default eligibility to include an income-based criterion of 135 percent of the federal poverty guidelines and

[20]In the 1996 Act, Congress articulated a national goal that consumers in all regions of the nation, including low-income consumers, should have access to telecommunications and information services at rates that are reasonably comparable to rates charged for similar services in urban areas. 47 U.S.C. § 254 (b)(2), (3). See also *1997 Universal Service Order*, 12 FCC Rcd 8776, 8955, para. 335 (1997).

[21]Prior to 1996, the Lifeline discount was only available to residents of states that provided an intrastate discount that was then matched by a federally administered discount. Toll limitation was added to address the Joint Board observation that studies demonstrated that a primary reason subscribers lose access to telecommunications services is failure to pay long distance bills. See *1997 Universal Service Order*, 12 FCC Rcd 8776, 8980, para. 385 (1997). The U.S. Court of Appeals for the Fifth Circuit found that the Commission lacked jurisdiction to prohibit ETCs from disconnecting Lifeline customers for failure to pay toll charges. T*exas Office of Public Utility Counsel v. FCC*, 183 F.3d 393, 421-25 (5th Cir. 1999).

[22]See *Federal-State Joint Board on Universal Service; Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas*, Twelfth Report and Order, Mem. Op. and Order, and Further Notice of Proposed Rulemaking, 15 FCC Rcd 12208 (2000) (*Tribal Order*).

additional means tested programs.[23] According to FCC, at that time only one-third of eligible households were enrolled in Lifeline. In a staff analysis, included as an appendix to the order, FCC estimated that adding the income-based criterion could increase participation in Lifeline by approximately 1.2 million to 1.3 million households. The order also included outreach guidelines and revised verification and certification procedures.[24]

- In 2005, FCC granted TracFone forbearance from the facilities requirement for ETC designation for Lifeline support only.[25] TracFone is a nonfacilities based, commercial mobile radio services (wireless) provider offering prepaid service. While FCC found that TracFone's universal service Lifeline offering (known as SafeLink Wireless) would provide a variety of benefits to Lifeline-eligible consumers including increased consumer choice, program participation, high-quality service offerings, and mobility, FCC did not quantify or estimate potential increases in participation and support payments for the Low-Income Program.[26]

  The Commission required TracFone to meet several conditions regarding access to 911 and enhanced 911 (E911). In addition, TracFone had to require its customers to self-certify at the time of service activation and annually thereafter that they are the head of household and receive Lifeline-supported service only from TracFone; establish safeguards to prevent its customers from receiving multiple TracFone Lifeline subsidies

[23]See *Lifeline and Link Up*, Report and Order and Further Notice of Proposed Rulemaking, 19 FCC Rcd 8302 (2004).

[24]The order required all consumers in all states qualifying under an income-based eligibility to provide supporting documentation and self-certify by signing a statement, under penalty of perjury, the number of individuals in the household and that the presented documentation accurately represents their annual household income. Eligible consumers in federal default states are required to self-certify by signing a statement, under penalty of perjury, that they are eligible for the Lifeline and Link Up programs based on their participation in a qualifying public assistance program. States that provide intrastate support for the Lifeline program are allowed to devise stricter measures as they deem appropriate. See 19 FCC Rcd at 8317, 8319-8322, paras. 23, 27-31 (2004).

[25]Forbearance is relief from a provision of the 1996 Act or a commission rule if certain statutory criteria are met. See 47 U.S.C. § 160(c). Section 214(e) of the 1996 Act requires that ETCs offer service using its own facilities or a combination of its own facilities and resale of another carrier's services.

[26]See *Federal-State Joint Board on Universal Service, Petition of TracFone Wireless, Inc. for Forbearance from 47 U.S.C. § 214(e)(1)(A) and 47 C.F.R. § 54.201(i)*, Order, 20 FCC Rcd 15095 (2005) (*TracFone Forbearance Order*).

at the same address; and file with the Commission a plan outlining the measures TracFone would take to implement these conditions.[27]

- In 2008, TracFone submitted its plan to meet the conditions for ETC designation status and was approved by FCC as an ETC in its licensed service areas for the purpose of receiving Lifeline support.[28] FCC later modified a condition imposed on TracFone regarding certification requirements to confirm that it provides customers with access to basic and E911 service.[29]

- In a May 2010 order, the Commission asked the Joint Board to review the Commission's eligibility, verification, and outreach rules for the Lifeline and Link Up universal service programs, given among other things, the

[27]Specifically, FCC required TracFone to: (1) provide its Lifeline customers with 911 and E911 access regardless of activation status and availability of minutes; (2) provide its Lifeline customers with E911-compliant handsets and replace, at no additional charge to the customer, noncompliant handsets of existing customers who obtain Lifeline-supported service; (3) comply with conditions (1) and (2) as of the date it provides Lifeline service; (4) obtain a certification from each public-safety answering point (PSAP) where the carrier provides Lifeline service confirming that the carrier provides its customers with 911 and E911 access or self-certify that it does so if certain conditions are met; (5) require each customer to self-certify at time of service activation and annually thereafter that he or she is the head of household and receives Lifeline-supported service only from that carrier; (6) establish safeguards to prevent its customers from receiving multiple Lifeline subsidies from that carrier at the same address; (7) deal directly with the customer to certify and verify the customer's Lifeline eligibility; and (8) submit to the Wireline Competition Bureau a compliance plan outlining the measures the carrier will take to implement these conditions. See T*racFone Forbearance Order*, 20 FCC Rcd at 15098-99, 15104, paras. 6, 19.

[28]The service areas were Alabama, Connecticut, Delaware, the District of Columbia, Massachusetts, New Hampshire, New York, North Carolina, Pennsylvania, Tennessee, and Virginia. According to FCC, the relevant state commissions in these states lacked the jurisdiction to designate TracFone as an ETC. See *Federal-State Joint Board on Universal Service*, *TracFone Wireless*, *Inc. Petition for Designation as an Eligible Telecommunications Carrier in the State of New York et al.*, *Order*, *23 FCC Rcd 6206 (2008)* (*TracFone ETC Designation Order)*. In states that have the jurisdiction to designate TracFone as an ETC, TracFone must file petitions for ETC designation with the relevant state commissions and is required to meet any of their conditions.

[29]In March 2009, FCC modified a forbearance condition imposed on TracFone. Specifically, TracFone must request a certification from each PSAP where it provides Lifeline service confirming that TracFone provides its customers with access to basic and E911 service; however, if, within 90 days of TracFone's request a PSAP has not provided the certification and the PSAP has not made an affirmative finding that TracFone does not provide its customers with access to 911 and E911 service within the PSAP's service area, TracFone may self-certify that it meets the basic and E911 requirements. See *TracFone Forebearance Modification Order*, 24 FCC Rcd 3375 (2009).

potential expansion of the Low-Income Program to broadband, as recommended in the National Broadband Plan.[30]

Low-Income Program is Implemented Through Three Mechanisms

The Low-Income Program provides support for low-income consumers through three mechanisms: (1) Lifeline, (2) Link Up, and (3) Toll Limitation Service.

- Lifeline reimburses ETCs for discounting eligible customers' monthly bill for basic telephone service. The discount is available for only one telephone connection per household.[31] Lifeline support is distributed in four tiers with varying discounts.[32] According to our survey responses, in 2010, the maximum monthly Lifeline discount available to consumers—federal and intrastate discount combined—ranged from $7 to $38.50 per month; the average maximum discount was $14.43 per month.[33]

- Link Up reimburses ETCs for discounting either wireline or wireless service connection charges incurred when an eligible consumer starts service for the first time or at a new address.[34] An eligible consumer may

[30]See *Federal-State Joint Board on Universal Service Lifeline and Link Up*, Order, 25 FCC Rcd 5079 (2010) (*Referral Order*). The Joint Board has sought comments on the questions presented in the Referral Order. See *Federal-State Joint Board on Universal Service Seeks Comments on Lifeline and Link Up Eligibility Verification, and Outreach Issued Referred to Joint Board*, Public Notice, 25 FCC Rcd 7551(2010).

[31]See 47 C.F.R. § 54.403; see also *Lifeline and Link Up*, 19 FCC Rcd at 8306, para. 4 (2004) (specifying that support for Lifeline subscribers is for "a single telephone line in their principal residence"); *1997 Universal Service Order*, 12 FCC Rcd at 8957, para. 341.

[32]Tier 1 support is available to all eligible Lifeline subscribers and is equal to the incumbent ETC's actual federal tariffed subscriber line charge. The subscriber line charge and, therefore, Tier 1 support, is capped at $6.50. Tier 2 support is equal to $1.75 per month and is available if the carrier certifies that it will pass the full amount to its qualifying low-income consumers and if the carrier has received any nonfederal regulatory approvals necessary to implement the required rate reduction. Tier 3 support is equal to one-half the amount of any intrastate provided support or one-half the amount of any support provided by the carrier. Tier 3 support is capped at $1.75 per month. Tier 4 support is available to eligible residents of tribal lands and may not exceed $25 or bring the local residential telephone rate below $1 per month. 47 C.F.R. § 54.403.

[33]States with tribal populations included the tribal subsidy when reporting for this question. At the same time, some states provide more than the $3.50, which would maximize the Tier 3 "matched" portion of the discount.

[34]Link Up discounts cannot be applied to the cost of purchasing a wireless phone, prepaid wireless phone, or wiring inside a home.

only receive the Link Up discount once, unless that consumer moves to a new residence; consecutive discounts at the same address are not allowed. Eligible consumers pay one-half of the customary telephone connection charge with a maximum discount amount of $30; an additional discount is available to eligible residents of tribal lands. Further, all eligible consumers can pay the balance of the connection fee on a deferred payment schedule.[35]

- Toll Limitation Service (TLS) reimburses ETCs for providing toll blocking or toll control to eligible consumers at no cost to the customer. Toll blocking allows consumers to order a service that prevents the completion of outgoing toll calls. Toll control allows consumers to specify a limit on the amount of toll charges that can be incurred per billing cycle.[36]

To provide Lifeline and Link Up, carriers must be designated as ETCs by their state commissions or FCC.[37] States have the primary responsibility for designating ETCs. In a situation where the telecommunications carrier is not subject to the jurisdiction of a state commission, FCC may designate the carrier as an ETC. In the states that do not have or choose not to assert jurisdiction over wireless carriers, FCC has the authority to designate wireless carriers as ETCs.

Low-Income Program Administration and Eligibility

FCC, USAC, state public utility commissions, and ETCs all have responsibilities in the administration of the Low-Income Program. Table 1 summarizes the general responsibility of each entity.

[35] 47 C.F.R. § 54.411.

[36] 47 C.F.R. § 54.403(c).

[37] See 47 U.S.C. § 214(e); 47 C.F.R. § 54.201.

Table 1: General Responsibilities of Entities Involved in Low-Income Program Administration

Entity	Description
FCC	Set policy
	Make and interpret rules
	Provide oversight and outreach for the program
	Conduct and oversee audits of companies receiving money from the USF
	In the states with no intrastate Lifeline support, set eligibility criteria and develop certification and verification procedures
	Designate carriers as ETC
USAC	Day-to-day administration of the federal USF
	Bill and collect contributions from carriers
	Disburse payments
	Conduct audits of contributors and recipients
	Report to FCC at regular intervals with financial and programmatic information
State public utility commission	Designate carriers as ETCs
	In the states that provide intrastate Lifeline support, set eligibility criteria and develop certification and verification procedures
ETC	Submit forms for reimbursement of discounts offered to Low-Income Program recipients
	Advertise the availability of the program
	Certify applicant eligibility in some states
	Verify the continued eligibility of Lifeline subscribers

Source: GAO analysis of FCC and USAC information.

States that choose not to provide intrastate Lifeline support must adhere to eligibility criteria and administrative processes developed by FCC and are referred to as "federal default states."[38] FCC authorized states that provide intrastate support to develop their own eligibility criteria and administrative processes—including reviewing applications, certifying eligibility, and verifying recipients' continued eligibility for the Lifeline program.[39] As a result, eligibility criteria and the entity responsible for handling the administrative processes vary across states. (See app. II for more detail on Lifeline eligibility criteria and administrative processes and responsibilities.)

[38]States that provide intrastate Lifeline support but choose to use the eligibility criteria and administrative processes developed by FCC are also referred to as "federal default states."

[39]See e.g., 47 C.F.R. §§ 54.409 (consumer qualification for Lifeline), 54.410 (certification and verification of consumer qualification for Lifeline), 54.415 (consumer qualification for Link Up), 54.416 (certification of consumer qualification for Link Up). States must base eligibility criteria solely on income or factors directly related to income. 47 C.F.R. §§ 54.409(a), 54.415(a).

Lifeline Service Options and Restrictions

Lifeline service options for low-income households vary across states. According to our survey, as of June 2010, wireless ETCs were eligible to offer Lifeline discounts in 48 states. However, in 13 of the 48 states with wireless ETCs, the state only provides the intrastate funded benefit to wireline customers, meaning that wireless customers in those states may receive a smaller discount than wireline customers. Additionally, at least one prepaid Lifeline option is available in 25 of the 48 states where wireless ETCs are eligible to participate in Lifeline.

Restrictions regarding the application of the Lifeline discount also vary across states. For instance, in some states, recipients of Lifeline support may not purchase additional telecommunications features, such as call-waiting or voicemail service, and continue to receive the Lifeline discounts. In addition, according to our survey, Lifeline recipients in 14 states may not apply the Lifeline discount to a bundled service offering[40] or other package that includes telephone service.

Program Participation and Support Payments Have Increased Primarily Due to the Addition of Prepaid Wireless as an Eligible Service, but Barriers to Participation Remain

[40]For the purposes of this report, a bundled service offering is one that allows consumers to subscribe to packages that combine telephone service with internet access and/or television service.

While Program Participation and Payments Were Relatively Stable from 2005 to 2008, both Increased in 2009

Both participation in Lifeline (which we used as an indicator of overall participation in the Low-Income Program),[41] and support payments to ETCs increased in 2009. As shown in figure 1, from calendar years 2005 through 2008, the total number of Lifeline participants was relatively stable—between 6.9 and 7.1 million annually—but increased to 8.6 million in 2009.[42] Likewise, Low-Income support payments to ETCs were relatively stable from 2005 to 2008—between approximately $802 and $823 million annually.[43] However, due to increased program participation, support payments in 2009 increased to approximately $1.025 billion, or 25 percent more than 2008 (see fig.1). USAC projects Low-Income support payments to reach approximately $1.4 billion in 2010; this would result in a single-year 36 percent increase.[44] According to USAC, the Low-Income Program is currently the fastest growing universal service support program.

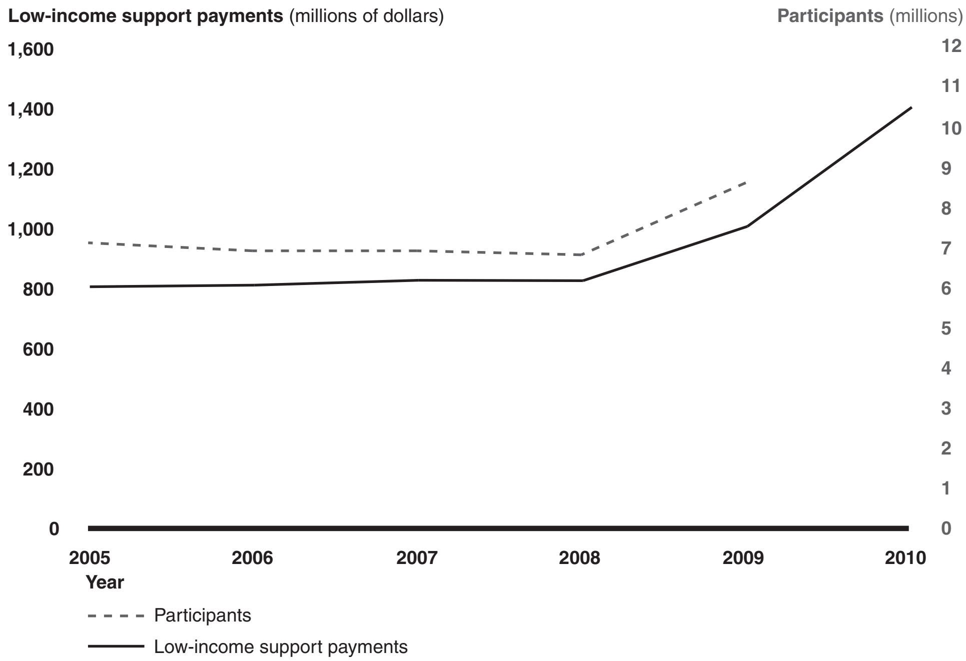
[41]We used Lifeline as an indicator of overall participation because it is the largest of the three Low-Income Program mechanisms and recurs on a monthly basis.

[42]For program participation data for years 2005-2008, see *Universal Service Monitoring Report*, prepared for the Federal-State Joint Board on Universal (Data through August 2009), (Washington, D.C., 2009). Available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-295442A1.pdf (Sept. 10, 2010). For 2009 data, see Universal Service Administrative Company, *FCC Filings 2010, Third Quarter Appendices, LI08 - Lifeline Subscribership by State or Jurisdiction*.

[43]For support payments for years 2005–2006, see *Universal Service Monitoring Report*, Prepared for the Federal-State Joint Board on Universal (Data through August 2009), (Washington, D.C., 2009). Available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-295442A1.pdf. (Sept. 10, 2010) For years 2007-2008, see Universal Service Administrative Company, *FCC Filings 2010, Fourth Quarter Appendices, LI07 – Low-Income Support Distributed by State*.

[44]For 2009 support payments, see Universal Service Administrative Company, *FCC Filings 2010, Fourth Quarter Appendices, LI07 – Low-Income Support Distributed by State*. For the 2010 projection, see Universal Service Administrative Company, *First Quarter, Second Quarter, Third Quarter, and Fourth Quarter Appendices, LI01 – Low-Income Support Projected by State by Study Area 4Q2010*.

Figure 1: Total Number of Low-Income Support Payments and Lifeline Participants, Calendar Years 2005 – 2010[a]



Source: GAO analysis of USAC data.

[a]Support payments projected by USAC for 2010; participation data were not available for 2010.

The estimated participation rate, or the percentage of eligible households believed to be receiving Lifeline support,[45] also increased from 28.6 percent in 2008 to 31.9 percent in 2009.[46] During that year, the estimated participation rate increased in 31 states and the District of Columbia. The following 11 states and the District of Columbia had increases of greater than 10 percent: Alabama, Alaska, Florida, Georgia, Louisiana, Massachusetts, Michigan, New Jersey, North Carolina, Tennessee, and Virginia.[47]

[45]USAC uses census data and other publicly available data to estimate the number of eligible households in each state, based on the state's eligibility criteria.

[46]Historically, participation rates have varied across states. See app. III for participation rates across states in 2009.

[47]Conversely, estimated participation rates declined in 19 states.

The Addition of Prepaid Wireless as an Eligible Service Was the Primary Factor to Increased Participation and Payments in 2009

According to USAC and FCC officials and other stakeholders, such as the Florida Public Service Commission, increases in Lifeline in 2009 were primarily due to the addition of free, prepaid wireless cell service by TracFone. Instead of discounting a monthly telephone bill for Lifeline service, TracFone's Lifeline service (SafeLink Wireless) converts the total amount of the USF subsidy into an allotment of free minutes each month. The company provides a free handset and offers an option of three calling plans that provide from 68 to 250 usage minutes per month with no contracts, recurring fees, or monthly charges.[48] Consumers may purchase additional usage minutes for $0.20 per minute.[49]

In 2009, TracFone provided Lifeline service in 19 states and the District of Columbia, all of which experienced an increase in their estimated Lifeline participation rate. In addition, TracFone served 9 of the 12 states (including the District of Columbia) that had a more than 10 percent increase in their estimated Lifeline participation rate. During 2009, TracFone received $189.7 million in Low-Income support payments, accounting for approximately 18 percent of total Low-Income support payments and more than 90 percent of the increase in disbursements from 2008 to 2009.[50] According to TracFone officials, the company has always considered low-income consumers its customer base and, thus, has experience advertising and marketing to this population. They also told us that while other ETCs may advertise the availability of Lifeline services to comply with the program's requirements, TracFone's participation in the Lifeline program is an integral part of the company's business model and

[48]TracFone's SafeLink program offers eligible consumers a choice of three monthly plans: (1) 68 minutes per month with carryover, short message service, and international long distance to more than 80 countries; (2) 125 minutes with carryover, short message service, and no international long distance; or (3) 250 minutes, short message service, no carryover and no international long distance. Some stakeholders said prepaid wireless offerings for Lifeline provide a viable option for eligible low-income households. Other stakeholders expressed concerns that because prepaid wireless offerings for Lifeline have a finite number of minutes, they do not provide the same quality of service as wireline and other wireless Lifeline offerings with unlimited minutes.

[49]TracFone has committed to provide additional minutes for $0.10 per minute to SafeLink customers in South Carolina and Washington D.C., when service is launched in those states. The number of additional minutes purchased by SafeLink Wireless customers is not tracked by FCC or USAC.

[50]Universal Service Administrative Company, *FCC Filing 2010, Fourth Quarter Appendix, LI05-Annual Low-Income Support Amounts by State and Company-2007 through 1Q 2010.*

enrolling low-income customers is in the company's interest.[51] Therefore, the company aggressively advertises SafeLink Wireless. According to TracFone officials, the company spent approximately $2.4 million to advertise its Lifeline service in January 2010.

Overall, USAC officials expect Low-Income Program participation and support payments to continue to increase beyond 2010 because (1) TracFone is actively seeking ETC designation in additional states[52] and (2) other companies, such as Virgin Mobile Wireless, are following the TracFone model and seeking regulatory authority from FCC and states to become eligible to participate in the Low-Income Program.[53]

State Officials Attributed Some Participation Increases to Targeted Advertising and Outreach Efforts

State officials attributed some of the increase in program participation to their state's targeted advertising and outreach. Of the locations we visited, the state public utility commissions in California, Washington, D.C., and Florida take an active role in advertising and conducting outreach activities for the program. California officials attributed the state's high Lifeline participation, in part, to targeted outreach to low-income households. According to Florida officials, its outreach efforts are having a positive impact on program participation. Table 2 lists selected activities in each state we visited.

[51]FCC requires carriers to publicize the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service. See 47 C.F.R. §§ 54.405(b); 54.411(d). See also 47 U.S.C. § 214(e)(1)(B).

[52]As of July 2010, TracFone had obtained ETC status to provide Lifeline in 25 states.

[53]In 2009 FCC forbore from applying the facilities requirement to Virgin Mobile and granted Virgin Mobile limited designation as an ETC to receive universal service Lifeline support in its licensed areas in New York, North Carolina, Tennessee, and Virginia. See *Virgin Mobile Forebearance and Limited ETC Designation Order*, 24 FCC Rcd 3381 (2009). In 2010, FCC forbore from applying the facilities requirement to i-wireless; Head Start Telecom; Consumer Cellular, Inc.; Line Up, LLC; and Midwestern Telecommunications (FCC denied Midwestern's request to extend forbearance to Link Up). See, *i-wireless Forebearnance* Order, 25 FCC Rcd 8784 (2010); *Head Start Telecom; Consumer Cellular, Inc.; Line Up, LLC; and Midwestern Telecommunications Forebearance Order*, 25 FCC Rcd 10510 (2010); *Conexions Forbearance* Order, FCC 10-178, 2010 FCC LEXIS 5963 (rel. Oct. 1, 2010) (FCC denied Conexions request to extend forbearance to Link-Up).

Table 2: Selected Advertising and Outreach Activities by States We Visited

State	Selected advertising and outreach activities
California	California requires ETCs to send all customers an annual notice that contains information about Lifeline. Since 2006, the state has hired a contractor to do marketing and outreach for the Lifeline program, which includes print, radio, and television advertisements for the program.
District of Columbia	District of Columbia requires ETCs to provide outreach information. In addition, the D.C. Department of the Environment is given a total of $40,000 from the D.C. Universal Service Trust Fund to advertise the availability of Lifeline and three other utility discount programs.
Florida	Florida requires ETCs to advertise Lifeline in telephone directories and an annual bill supplement. In addition, ETCs must provide brochures, pamphlets, or other materials to each state and federal agency providing benefits to persons eligible for Lifeline.
Iowa	As a state that does not provide matching support (federal default state), Iowa is not heavily involved in advertising or outreach for the program.

Source: GAO analysis of state program information.

According to our survey of state public utility commissions, states and ETCs advertise in various ways, as shown in table 3.

Table 3: Advertising and Outreach Methods Used by States and ETCs

Advertising and outreach method	Number of states that reported using the advertising or outreach method	Number of states that reported ETCs using the advertising or outreach method
Print advertisements (pamphlets, bill inserts, posters, billboards)	28	44
Press releases	26	24
Outreach to community groups	25	32
Partnerships with nonprofit organizations	19	26
Newspaper	12	36
Radio	9	28
Television	7	25
Other	11	8

Source: GAO survey.

In addition to the efforts of states and ETCs, FCC and USAC also provide advertising and outreach assistance for the Low-Income Program. FCC developed outreach guidelines for states and ETCs to help improve program participation. To further address low estimated participation rates, USAC developed outreach activities that are targeted to states and ETCs and include speaking and exhibiting at industry events; information in Web site postings; training sessions for ETCs; newsletters, brochures, outreach letters, and e-mail updates; and site visits to states.

Some Program Characteristics, Such as Automatic Enrollment, Expanded Eligibility Criteria, and Higher Discounts May Have Increased Participation

Some states and other stakeholders reported that automatic enrollment increases participation in Lifeline. Automatic enrollment uses an electronic interface between a state agency and a carrier to automatically enroll low-income individuals in Lifeline following enrollment in a qualifying public assistance program such as Medicaid or Supplemental Security Income. According to the research of one stakeholder we interviewed, automatic enrollment procedures are effective ways to increase program participation.[54] Through our survey, nine states reported using automatic enrollment for their Lifeline programs and two reported that plans were under way to develop an automatic enrollment system. According to Florida officials, implementation of the automatic enrollment process has had a significant impact on increased enrollment and provides the potential to reach greater numbers of eligible customers. In its 2004 order, FCC declined to require states to adopt automatic enrollment, in part, because of potential administrative, technological, and financial burdens on states and ETCs.[55] FCC is revisiting this issue and has asked the Joint Board whether automatic enrollment should be required in all states.[56] Further, the National Broadband Plan recommends FCC should encourage state agencies responsible for Lifeline and Link Up programs to coordinate with other low-income support programs to streamline enrollment for benefits using processes such as automatic enrollment.

Further, expanded eligibility criteria for Lifeline can potentially increase participation. For example, The Patient Protection and Affordable Care Act expands Medicaid in 2014 to a new nationwide eligibility threshold of 133 percent of the poverty level.[57] This is likely to expand the number of eligible consumers in some states, such as Montana, that have more restrictive criteria and use Medicaid as a qualifying program. In all states,

[54]Daniel Ackerberg, Michael Riordan, Gregory Rosston, Bradley Wimmer, *Low-Income Demand for Local Telephone Service: Effects of Lifeline and Link Up*, August 2009.

[55]See *Lifeline and Link Up, Report and Order and Further Notice of Proposed Rulemaking*, 19 FCC Rcd at 8318-8319, paras. 25-26 (2004).

[56]See *Federal-State Joint Board on Universal Service Lifeline and Link Up*, Order, 25 FCC Rcd at 5086, para. 19 (2010) (*Referral Order*).

[57]Pub. L. No. 111-148, 124 Stat. 119 (2010).

eligibility is linked to participation in one or more programs, such as Medicaid or the Supplemental Nutrition Assistance Program. Some researchers found that states that use a higher number of qualifying programs—meaning they provide more options for consumers to qualify for the program—have higher participation in Lifeline.[58] FCC has asked the Joint Board to review and recommend any necessary changes to the combination of federal and state rules that govern which consumers are eligible to receive Lifeline and Link Up discounts.[59]

Higher discounts may also increase participation in the Lifeline program. According to FCC, states that have provided a relatively high level of Lifeline support[60] for telephone service for low-income consumers experienced an average increase in subscribership of 4.6 percentage points for low-income households from March 1997 to March 2009.[61] In contrast, states that provided a relatively low level of Lifeline support experienced an average increase of 2.9 percentage points in telephone subscribership rates for low-income households over the same time period.[62] Additionally, the Public Utility Research Center at the University of Florida found that greater Lifeline support led to higher participation rates.[63]

[58]Mark Burton, Jeffrey Macher, and John Mayo, "Understanding Participation in Social Programs: Why Don't Households Pick up the Lifeline?" *The B.E. Journal of Economic Analysis and Policy*, vol. 7, no. 1, (2007).

[59]See 25 FCC Rcd 5079 (2010) (*Referral Order*).

[60]FCC defined "full or high assistance" states as those that provided at least \$3.00 of state support to get federal matching support of at least \$1.50 per line per month. "Intermediate assistance" states were defined as those that provided between \$0.50 and \$3.00 of state support and receiving between \$0.25 and \$1.50 federal matching support per line per month. Finally, "basic or low assistance" states were defined at those that provided less than \$0.50 of state support, and receiving less than \$0.25 federal matching support per line per month.

[61]See Industry Analysis and Technology Division, Wireline Competition Bureau, FCC, *Telephone Penetration By Income By State (Data through March 2009)*, (Washington, D.C., 2010).

[62]See Industry Analysis and Technology Division, Wireline Competition Bureau, FCC, *Telephone Penetration By Income By State (Data through March 2009)*, (Washington, D.C., 2010).

[63]Lynne Holt and Mark Jamison, *Making Telephone Service Affordable for Low-Income Households: An Analysis of Lifeline and Link Up Telephone Programs in Florida*, University of Florida, Department of Economics, Public Utility Research Center Working Paper, (2006).

FCC's Proposed Addition of Broadband Service Could Increase Future Participation and Payments

Advantages and Disadvantages to FCC's Proposed Addition of Broadband Service to the Low-Income Program

Most states responding to our survey indicated that providing low-income consumers access to broadband would provide such benefits as improved access to the following:

- educational opportunities;
- employment opportunities; and
- social services.

However, states responding to our survey and other stakeholders we interviewed also indicated that there were disadvantages associated with adding broadband to the Low-Income Program. For instance, most states and other stakeholders responded that the following additional costs to the program or consumers would be a disadvantage.

- Carrier contributions to the USF, which are generally passed on to consumers, are likely to increase.
- Monthly service charges to consumers for broadband are higher compared to phone.
- The cost of obtaining hardware would remain a barrier for some low-income households.
- Program costs can grow indefinitely because there is no funding cap.

Further, some states indicated that adding broadband service to the Low-Income Program might present more potential for fraud, waste, and abuse in the program. One state reported that many states have limited oversight of broadband service which could increase the potential for the misuse of funds by ETCs. Another state reported that the inclusion of broadband service could provide customers with increased opportunities to abuse Lifeline discounts. The Joint Board also collected comments from interested parties regarding potential recommendations related to program eligibility, verification, and outreach for the Lifeline and Link Up programs and how the potential expansion of these programs to broadband would affect any of its potential recommendations. See *Federal-State Joint Board on Universal Service Lifeline and Link Up Order,* 25 FCC Rcd 5079, (2010) *(Referral Order).*

If broadband service were added to the Low-Income Program, participation and support payments might increase further. An FCC task force, through the National Broadband Plan, recommended extending low-income universal service support to broadband. Most states and other stakeholders, such as trade and industry groups, that we interviewed told us that the proposed addition of discounted broadband to the Low-Income Program may increase participation by making broadband more affordable for low-income households. However, an important consideration is that with no funding cap, Low-Income Program support payments can grow indefinitely.

FCC, USAC, and States Also Identified Factors That May Have Created Barriers to Participation

Despite the advertising and outreach efforts in place, according to FCC, USAC, and states, some eligible households may not be aware of the Low-Income Program. According to FCC officials, this is in part due to the transitory lifestyle of some of the target population and the lack of specific advertising rules for ETCs to follow. While ETCs are required to advertise the program, FCC, as recommended by the Joint Board, elected not to require specific advertising and outreach procedures so states and ETCs could adopt specific standards and engage in outreach as they see fit. USAC officials told us that they are aware of instances in which some ETCs do not comply with FCC's general requirement to advertise the program.[64] In response to our survey of 51 state public utility commissions, 39 commissions reported lack of awareness as a barrier to enrolling eligible households in the program. California officials told us that even though information about the program is available in seven languages, the state has difficulty reaching and engaging some non-English-speaking populations.

Further, while FCC developed advertising guidelines for states and ETCs, the guidelines are not always aligned with our key practices for consumer education (see app. IV for more detail). For example, the guidelines do not address defining the goals and objectives of outreach efforts or establishing process and outcome metrics to measure the success of the effort. FCC has recognized the importance of effectively publicizing the programs and issued an order in 2010 asking the Joint Board to review Lifeline and Link Up, including the appropriateness of various outreach and enrollment programs.[65] However, the extent to which further FCC guidelines would have an effect on the program is unclear because while ETCs are required to comply with FCC's general requirement to advertise the program, states and ETCs are not required to follow FCC's advertising guidelines and the degree to which they use the guidelines is unknown.

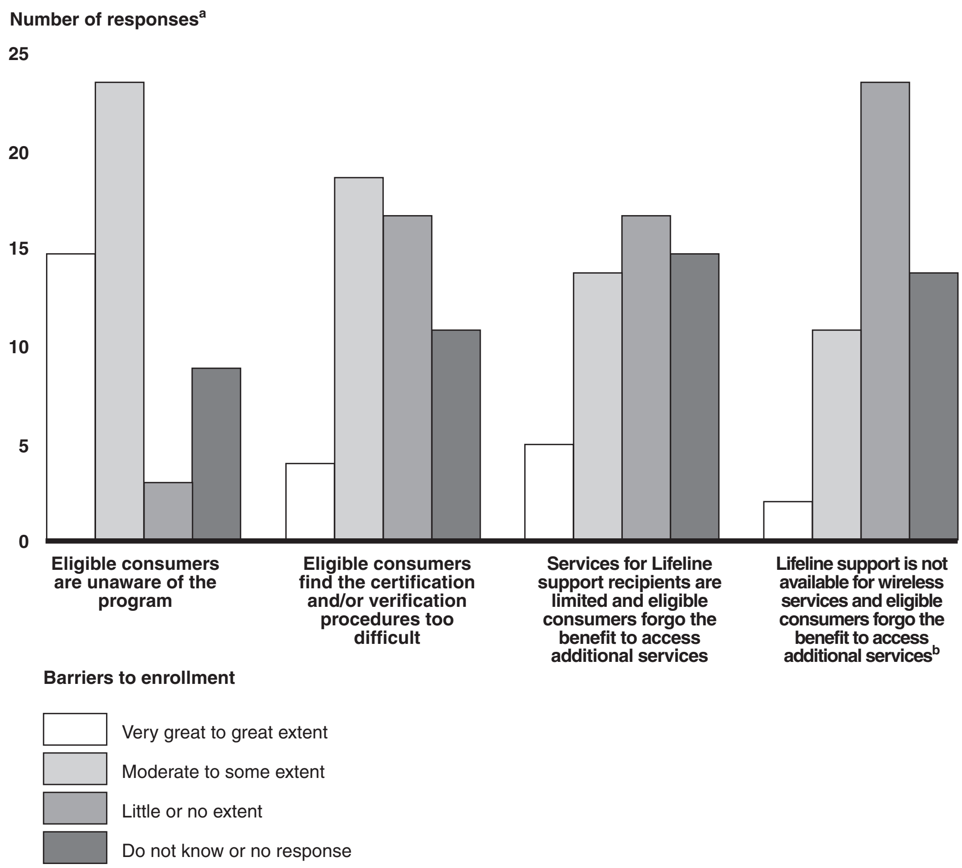
In addition to the lack of program awareness, in response to our survey the state public utility commissions also reported other barriers, though the extent varied, as shown in figure 2. Overall, the other stakeholders we

[64]According to FCC officials, when USAC learns that carriers are not advertising the program, it generally contacts the carrier to remind it of FCC's advertising requirement and includes an article in a monthly newsletter to try and reinforce to all ETCs the requirement for carriers to advertise the Lifeline and Link Up programs.

[65]See 25 FCC Rcd 5079, (2010) (*Referral Order*).

interviewed generally cited the same barriers as the state public utility commissions.

Figure 2: State Public Utility Commission Views on the Barriers to Enrolling Eligible Households in Lifeline



Source: GAO analysis of survey responses.

[a]Additional responses under “other” included pride and stigma with receiving government assistance.

[b]Wireless and prepaid wireless services are eligible for Lifeline support is some states, but not in others.

FCC Lacks Performance Data to Manage the Program, but Pilot Programs, if Properly Implemented, Could Provide Improved Data to Make Critical Program and Policy Decisions in the Future

FCC Has Taken Limited Steps to Develop Performance Goals and Measures for the Low-Income Program

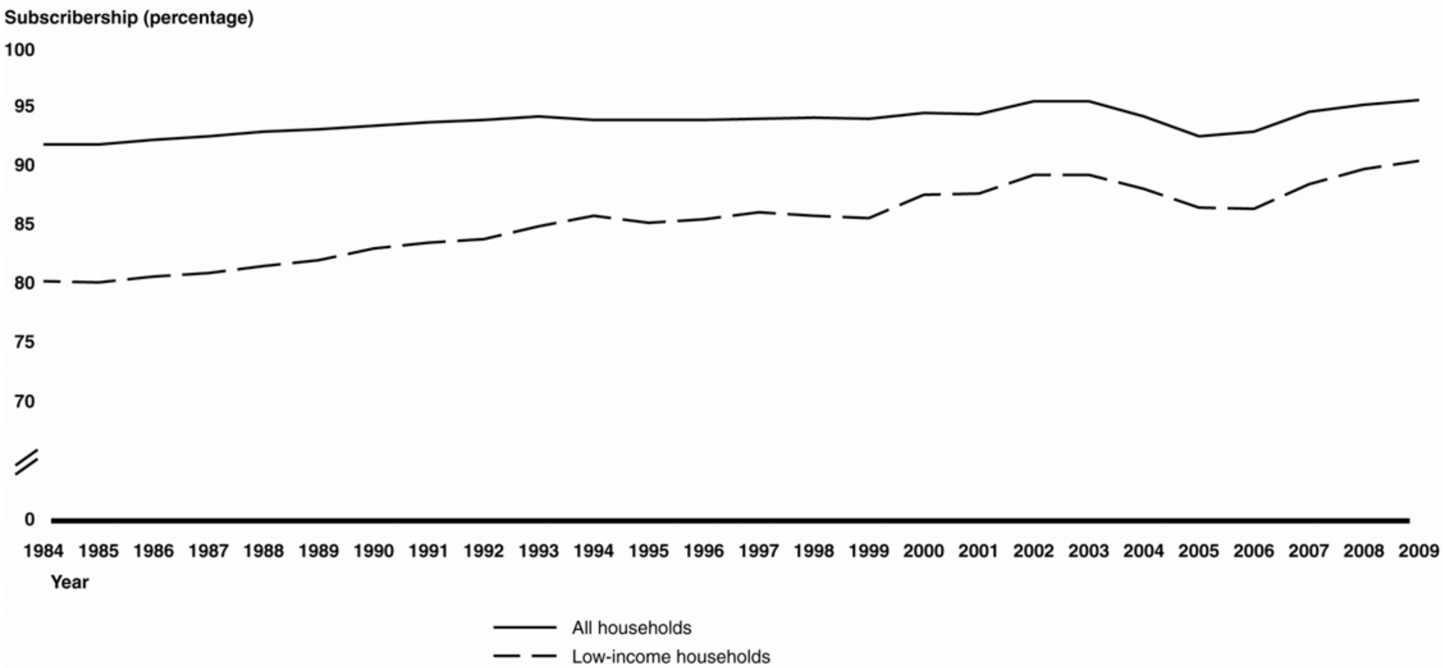
FCC's overarching goal for the Low-Income Program is to increase telephone subscribership among low-income consumers, but it has not quantified this goal.[66] As discussed in the following, FCC has taken some limited steps toward developing performance measures for its overarching goal and the program.

- FCC's annual report on telephone penetration by income, by state, which was first issued in 1998, also includes a related performance measure. To help evaluate the effects of federal and state Lifeline support mechanisms, the report includes telephone subscribership levels on a state-by-state basis for various income categories. The report is based on data from the Current Population Survey, which is conducted by the United States Commerce Department's Bureau of the Census. According to FCC, subscribership among low-income households has grown from approximately 80 percent in 1984, the year before FCC first established

[66]See *Federal-State Joint Board on Universal Service, Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight*, Report and Order, 22 FCC Rcd. 16372, 16394-16395, para. 50. *(2007 Comprehensive Review Order)*.

Lifeline, to 90 percent in 2009, as shown in figure 3.[67] However, this measure is not linked to a quantitative goal regarding low-income subscribership and there is no understanding of how the Low-Income Program has contributed to the increase.

Figure 3: Telephone Subscribership of Low-Income Households Compared to All Households, 1984 – 2009



Source: GAO analysis of FCC data.

- In June 2005, FCC issued a Notice of Proposed Rulemaking in which it sought comment on establishing useful outcome, output, and efficiency measures for each of the universal service programs, including the Low-Income Program.[68] In the August 2007 Report and Order, FCC developed

[67]Low-income households were defined as those households with an income below $10,000 in March 1984 dollars. See Industry Analysis and Technology Division, Wireline Competition Bureau, FCC, *Telephone Penetration By Income By State (Data through March 2009)*, (Washington, D.C., 2010). In addition, one research report estimated that low-income telephone subscribership would be 4.1 percentage points lower without Lifeline and Link Up. See Ackerberg, Riordan, Rosston, and Wimmer.

[68]See *Comprehensive Review of Universal Service Fund Management, Administration, and Oversight, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking*, 20 FCC Rcd. 11308 (2005).

output and efficiency measures for the program which it collects from USAC on a quarterly basis, such as the number of connections supported (program participation).[69] FCC officials reported that it would continue to review this area and evaluate the effectiveness of the measures adopted. However, as of August 2010, FCC had not developed outcome measures or taken any action to review and evaluate the effectiveness of the output and efficiency measures because it noted that it did not have sufficient historical data from the measures to establish goals for them.

- FCC's *Fiscal Year 2009 Annual Performance Report*[70] and *Fiscal Year 2009 Summary of Performance and Financial Results*[71] include accomplishments, such as taking steps to reduce improper payments, related to improving the administration and operation of the fund. Nevertheless, these accomplishments do not specifically address the Low-Income Program or how they have impacted the provision of universal service.

FCC's Efforts Provide Limited Insight to the Low-Income Program's Performance

Although FCC has a single overarching goal and has made efforts to develop measures, it has not developed and implemented specific outcome-based performance goals and measures for the program. Such performance goals and measures would be very beneficial to FCC in that they would enable FCC to assess changes, such as the addition of prepaid wireless, and more effectively manage the current and future direction of the program. FCC's Chairman says modernizing universal service programs to bring the benefits of broadband to all Americans is one of FCC's top priorities, but developing clear performance goals and measures for the Low-Income Program does not appear to be a priority. Furthermore, table 4 demonstrates that, to date, FCC's efforts generally do not align with useful practices we have identified for developing successful performance goals and measures.

[69]The output and efficiency measures include number of program beneficiaries (ETC); number of low-income customers for each ETC receiving low-income support; number of connections supported; time to process support payments and authorize disbursements; average dollar amount awarded and median dollar amount awarded, per carrier; Low-Income Program data, on a quarterly basis, in Excel format, with total amounts rolled up; and total amount disbursed. See *2007 Comprehensive Review Order*, 22 FCC Rcd. 16372 (2007).

[70]FCC, *Fiscal Year 2009 Annual Performance Report (October 1, 2008 – September 30, 2009)*, (Washington, D.C., 2010).

[71]FCC, *Fiscal Year 2009 Summary of Performance and Financial Results*, (Washington, D.C., 2010).

Table 4: Alignment of FCC Efforts with Useful Practices for Developing Successful Performance Goals and Measures

Practices to enhance performance goals	FCC's efforts	How FCC's efforts align with practice
Create a set of performance goals and measures that address important dimensions of a program's performance and balance competing priorities.	An overarching goal for the Low-Income Program exists—to increase subscribership among low-income consumers—but explicit performance goals and measures for how this is to be achieved and measured have not been established.	FCC's efforts do not align with this practice.
Use intermediate goals and measures to show progress or contribution to intended results.	FCC has begun to collect output data to develop performance measures for the Low-Income Program, such as the number of connections supported (program participation) and total amounts disbursed, but it has not yet determined the specific outcome-based goals of the program. Therefore, it is unclear how these output data will illustrate progress in meeting performance goals.	FCC's efforts do not align with this practice.
Include explanatory information on the goals and measures.	No effort reported.	FCC's efforts do not align with this practice.
Develop performance goals to address mission-critical management problems.	FCC issued a Report and Order in August 2007 which adopted measures to improve the management, administration, and oversight of the USF, including actions specific to the Low-Income Program, such as the number of connections supported (program participation) and total amounts disbursed. However, no performance goals were developed.	FCC's efforts somewhat align with this practice.
Show baseline and trend data for past performance.	While FCC began collecting quarterly data in August 2007, to establish a baseline for performance measures, because the Low-Income Program is in its 25th year, it is unclear if this data collection will adequately demonstrate past performance trends.	FCC's efforts somewhat align with this practice.
Identify projected target levels of performance for multiyear goals.	No targets reported.	FCC's efforts do not align with this practice.
Link the goals of component organizations to departmental strategic goals.	FCC's *Fiscal Year 2009 Annual Performance Report* and *Fiscal Year 2009 Summary of Performance and Financial Results* include accomplishments related to enhancing universal service, such as taking steps to reduce improper payments, but does not specifically address the Low-Income Program, or how it has impacted the provision of universal service.	FCC's effort somewhat align with this practice.

Source: GAO analysis of FCC efforts measured against key practices we have previously identified (GAO/GGD/AIMD-99-69).

FCC is considering restructuring the USF and expanding the Low-Income Program to include broadband service, as recommended by the National Broadband Plan. In the plan, the FCC task force acknowledged that "there is a lack of adequate data to make critical policy decisions regarding how to better utilize funding to promote universal service objectives…as it moves forward on reforms in the plan, it should enhance its data collection [regarding universal service objectives] and reporting to ensure that the nation's funds are being used effectively to advance defined programmatic goals."[72] Further, FCC has acknowledged that as changes such as expanding the Low-Income Program to include broadband service are made to the USF, it may be necessary to develop new metrics for measuring the success of universal service policies.[73] Clearly articulated performance goals and measures are important to help ensure the Low-Income Program meets the guiding principles set forth by the Congress. These guiding principles include access to telecommunications and information services for all consumers. Outcome-based performance goals and measures will help illustrate to what extent, if any, the Low-Income Program is fulfilling the guiding principles set forth by the Congress.

Because there is limited information available on what the Low-Income Program in its current form is intended to accomplish, what it is accomplishing, and how well it is doing so, it remains unclear how FCC will be able to make informed decisions about the future of the program without this information. Moreover, as new technologies are developed and "access and strategies for affordability" are continually redefined, the performance and effectiveness of existing programs is important so that decision makers can design and target future programs to effectively incorporate new technologies, if appropriate.

[72]FCC, *Connecting America: The National Broadband Plan*, (Washington, D.C., 2010), p. 144.

[73]See Industry Analysis and Technology Division, Wireline Competition Bureau, FCC, *Telephone Penetration By Income By State (Data through March 2009)*, (Washington, D.C., 2010) p. 2.

FCC Might Conduct Broadband Pilot Programs to Help Facilitate Future Decisions

The National Broadband Plan recommended extending low-income universal service support to broadband.[74] The plan also recommended that FCC facilitate pilot programs for low-income consumers that will "produce actionable information to implement the most efficient and effective long-term broadband support mechanism."[75] The plan suggested that upon completion of the pilot programs, FCC should "report to Congress on such issues as whether hardware [such as computers] subsidies are a cost-effective way to increase adoption. After evaluating the results by looking at outputs such as total cost per subscriber, subscriber increases, and subscriber churn rate, FCC should begin full-scale implementation of a Low-Income Program for broadband."[76]

FCC's efforts to develop the proposed pilot programs are in the beginning stages.

- In support of the National Broadband Plan, an FCC task force conducted a survey of 5,005 Americans in October and November 2009 in an effort to understand the state of broadband adoption and use, as well as barriers facing those who do not have broadband at home.[77] The subsequent report includes results and analysis specific to nonadopters among low-income households. This information was used in the National Broadband Plan to help support the recommendation to extend low-income universal service support to broadband.
- In June 2010, FCC's Wireline Competition Bureau hosted a roundtable discussion to enable interested parties to discuss the design of pilot programs that would provide subsidies for broadband access to low-income consumers. Discussion topics included long-term goals for Lifeline

[74]FCC, *Connecting America: The National Broadband Plan*, Recommendation 9.1 (Washington, D.C., 2010) p. 172. Some interested parties have questioned the need to subsidize broadband. For example the Pew Research Center's Internet & American Life Project reported that by a 53 percent to 41 percent margin, Americans do not believe that the spread of affordable broadband should be a major priority and that non-Internet users are less likely than current users to say that the government should place a high priority on the spread of high-speed connections. See Aaron Smith, *Home Broadband 2010*, Pew Internet & American Life Project, (Washington, D.C., August, 2010).

[75]FCC, *Connecting America: The National Broadband Plan*, Recommendation 9.1 (Washington, D.C., 2010). p. 172.

[76] FCC, *Connecting America: The National Broadband Plan* (Washington, D.C., 2010) p. 173.

[77]John Horrigan, *Broadband Adoption and Use in America (OBI Working Paper Series No. 1)*.

and Link Up for broadband, existing data and information sources, and scope and duration of the pilot programs.

- FCC asked the Joint Board to consider how the potential expansion of the Low-Income Program to broadband would affect any of its potential recommendations regarding program eligibility, verification, and outreach.[78] The review is to be completed by November 2010.

It is too early to assess FCC's efforts to develop the proposed pilot programs for low-income consumers. However, it is not too early to focus on two fundamental tools related to leading practices that we and others have identified as key to developing successful programs.

First, a needs assessment is important to both the design of new programs and the assessment of existing programs.[79] A primary purpose of a needs assessment is to identify services that may be lacking relative to some generally accepted standard. By establishing measures of comparison, program administrators can more accurately determine how well their programs are doing in meeting the needs of the targeted population of the program. We have previously reported that needs assessments should include the following characteristics:

- benchmarks to determine whether needs have changed or emerged,
- a framework to interpret the meaning of the needs assessment results,
- a plan to determine how needs assessment results will be prioritized in supporting resource allocation decisions, and
- integration of information on other resources available to help address the need.[80]

Second, when conducting pilot programs, our past work has shown that agencies should develop sound implementation and evaluation plans. These plans should include data needs as part of the design of the pilot

[78]See 25 FCC Rcd 5079 (2010) (*Referral Order*).

[79]P.H. Rossi, M.W. Lipsey, and H.E. Freeman, *Evaluation: A Systematic Approach*, (Thousand Oaks, Calif., 2004).

[80]GAO, *Military Personnel: Actions Needed to Achieve Greater Results from Air Force Family Needs Assessments*, GAO-01-80, (Washington, D.C.: Mar. 8, 2001).

itself and before implementation to increase confidence in results and facilitate decision making about broader application of the pilot program.[81] Specifically, we have reported that well-developed implementation and evaluation plans include, at a minimum, the following key features

- identification of the necessary resources, including the responsible parties;
- well-defined, clear, and measurable objectives;
- criteria or standards for determining pilot program performance;
- clearly articulated methodology and a strategy for comparing the pilot results with other efforts;
- a clear plan that details the type and source of data necessary to evaluate the pilot, methods for data collection, and the timing and frequency of data collection;
- benchmarks to assess pilot success;
- detailed evaluation time frames, roles and responsibilities, and report planning;
- a detailed data-analysis plan to track the program's performance and evaluate the final results of the program; and
- data reliability plan to ensure the integrity of data collection, entry, and storage.[82]

The broadband pilot programs, if conducted, provide FCC with an opportunity to improve its information on the telecommunication needs of and data collection for low-income households. Data on cost-effectiveness, such as cost per subscriber, will be especially important as

[81]GAO, *Limitations in DOD's Evaluation Plan for EEO Complaint Pilot Program Hinder Determination of Pilot Results*, GAO-08-387R (Washington, D.C.: February 2008).

[82]See GAO, *Equal Employment Opportunity Commission, Sharing Promising Practices and Fully Implementing Strategic Human Capital Planning Can Improve Management of Growing Workload*, GAO-08-589 (Washington, D.C.: June 23, 2008), GAO, *Equal Employment Opportunity: DOD's EEO Pilot Program Under Way, but Improvements Needed to DOD's Evaluation Plan*, GAO-06-538, (Washington, D.C.: May 5, 2006), and GAO-08-387R.

the Low-Income Program is not capped and program participation and support payments are expected to continue to increase. A well-developed and documented evaluation plan would help FCC evaluate the telecommunication needs of low-income households and ensure that its evaluations will yield methodologically sound results to support effective program and policy decisions as FCC considers transitioning the program to broadband.

The Low-Income Program Has Established Some Mechanisms to Identify and Evaluate Risks and Monitor Compliance; However the Program Lacks Two Key Features of Effective Internal Controls

The Low-Income Program Has Some Mechanisms to Identify and Evaluate Risks and Monitor Compliance

USAC has assessed some of the risks and monitors compliance with some of the internal controls of the USF's four programs, including the Low-Income Program. These efforts are for the purposes of providing FCC and USAC management with information on the design and effectiveness of internal controls related to the balances and activities reported in its annual financial statements and include consideration of controls over programmatic operations and regulatory reporting and compliance. The risk assessments that have been performed and other control processes, such as reviews of each claim for reimbursement before payment is made, provide important information on vulnerabilities that exist in the internal control over program activities as well as opportunities for designing and implementing countermeasures to the identified risk.

In 2008, USAC hired an independent public accounting firm to review its internal control processes to comply with FCC's directive that it implement an internal control structure consistent with the standards and guidance contained in OMB Circular A-123, Management Responsibility for Internal Control.[83] The review focused primarily on USAC's internal controls related to financial reporting for the USF. In September 2010, USAC officials told us that an internal team recently completed a review of key controls with respect to the Low-Income Program. These officials stated that a report on the results of this work was expected to be provided to management for review in the fall of 2010. In addition, since 2007, as part of their annual financial statement audit process, FCC and USAC have completed an annual risk assessment to identify areas of vulnerability to financial statement misstatement due to fraud and consider whether additional fraud countermeasures are required. In 2010, FCC identified 17 control measures to address the following risk categories related to the Low-Income Program: beneficiary fraud and disbursement and invoicing errors.

According to FCC officials, program risks are also identified and assessed through the rulemaking process under the Administrative Procedure Act.[84] When developing, modifying, or deleting a rule, FCC relies on public input collected during the rulemaking process. According to FCC officials, it was through this process that FCC identified and addressed the program risks associated with ETCs' failure to collect and preserve certification documents for Lifeline support recipients.

USAC also monitors program risks through various other processes and control activities, including review of each ETC claim submission and analysis of monthly payment data. For example, USAC reviews each ETC

[83]The OMB Circular No. A-123 provides guidance to executive agencies on evaluating and reporting on their systems of internal controls, consistent with the requirements of section 3512(c), (d) of title 31, U.S. Code (commonly referred to as the Federal Managers' Financial Integrity Act of 1982 (FFMIA), which requires agencies to establish and maintain effective internal control. The agency head must annually evaluate and report on the control and financial systems that protect the integrity of its federal program. Circular No. A-123 relies on GAO's standards for internal control in the federal government, which are promulgated pursuant to FFMIA. Office of Management and Budget, *Management's Responsibility for Internal Control*, Circular No. A-123 (Washington, D.C., Dec. 21, 2004).

[84]FCC implements policy initiatives through the rule making process, a governmentwide process for creating rules or regulations that implement, interpret, or prescribe law or policy. The Administrative Procedure Act (APA) is the principal law governing how agencies make rules. Most federal rules are promulgated under the APA-established informal rule making process, which requires agencies to provide public notice of proposed rule changes, as well as to provide a period for interested parties to comment on the notices. 5 U.S.C. § 551 et seq.

claim submission and compares the information submitted to information provided with previous claims to identify possible errors that impact the claim payment. USAC also prepares memoranda each month from processed claim submissions that summarize and analyze payment data to, among other things, identify ETCs with substantial month-over-month changes in the amount of reimbursement requested.[85]

In addition, USAC relies on audits as a key management tool to review carrier processes for compliance with program rules and to review the data underlying the carrier's reimbursement claims to test whether the carrier claimed the correct amount.[86] For example, through audits, USAC identified instances where ETCs were claiming the incorrect amount for providing toll limitation services. From 2003 to 2008, 41 performance audits were completed specific to the Low-Income Program.[87] Also, 60 audits were conducted in 2006 and 2007[88] that were used to develop a statistical estimate of error rates under the Improper Payments Information Act of 2002 (IPIA).[89]

[85]In its October 14, 2010, response to a draft of this report, USAC stated that it also conducts data validations of ETC's receiving program support in which staff obtain and review supporting documentation for amounts paid to selected carriers. In our subsequent discussions with USAC, we were told that this process was first completed in 2005 and is continuing in 2010—with 30 reviews under way; however, no reviews were conducted in 2007 or 2008.

[86]In the September 2008 Memorandum of Understanding between FCC and USAC, FCC directed USAC to implement a comprehensive audit program (1) to ensure that USF monies were used for their intended purpose; (2) to verify that all USF contributors made the appropriate contributions; and (3) to detect and deter waste, fraud, and abuse. To this end, with regard to the Low-Income Program, USAC conducts performance audits of ETCs that receive monies from the Low-Income Program. Audits are conducted by USAC's Internal Audit Division.

[87]These audits exclude four that were limited scope audits and three that assessed the ETC's compliance with FCC's Hurricane Katrina Order, *Federal-State Joint Board on Universal Service*, Order, 20 FCC Rcd 16883 (2005).

[88]These audits exclude one audit where the auditor was unable to reach a conclusion on the ETC's compliance with program rules.

[89]Pub. L. No. 107-300; 116 Stat. 2350 (Nov. 26, 2002), as amended by the Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010). The IPIA requires federal agencies to review programs and activities they administer and identify those that may be susceptible to significant improper payments. For those programs or activities determined to be susceptible to significant improper payments, the agency must conduct an estimate, report the estimate to Congress, and, for programs and activities with estimated improper payments exceeding $10 million, report on corrective actions taken to address the improper payments.

The Low-Income Program Lacks a Risk Assessment that Considers All Program Vulnerabilities and a Systematic Process for Considering Audit Results When Assessing Internal Controls

Although the assessments and activities described above provided mechanisms to identify some risks related to the Low-Income Program, FCC and USAC have not conducted a risk assessment specific to the Low-Income Program that includes consideration of all program vulnerabilities and associated consequences that could help identify opportunities to mitigate those risks. For example, FCC has not addressed a number of risks to the Low-Income Program, four of which are described below.

- In comments to FCC, USAC has stated that the current version of the form used by ETCs to make reimbursement claims from the USF does not provide USAC with enough information to perform validations crucial to preventing mistakes and abuse.[90] In raising this issue, it cited instances where both the wholesaler and reseller of a telephone connection made a claim for reimbursement from the USF, at which point, the USF is paying two companies for the same customer. Currently, USAC considers the existing program safeguards as insufficient to identify duplicate reimbursements. Consequently, to determine if this is occurring, USAC would have to audit the records of the two companies.

- Another risk is that consumers may be simultaneously receiving Lifeline discounts on a wireline and wireless phone, which is contrary to the program rules that specify one discount per household.[91] In 2008, during a Low-Income Program-related performance audit of a wireless company, USAC for the first time compared the wireless carrier's subscriber list to the major wireline ETCs serving the area. USAC found several hundred instances of consumers receiving Lifeline support for both wireless and wireline accounts. USAC has sought guidance from FCC regarding how to recover the related disbursements and handle these findings. However, as of September 2010, FCC has not provided guidance on this issue.[92] To determine the extent to which this is occurring on an ongoing basis, USAC would have to audit the records of the two companies because the ETCs do not have such information. According to our survey, 8 states have access to information that could help ensure that the household is receiving only one Lifeline subsidy. Representatives from 21 states

[90]See Comments of the Universal Service Administrative Company in WC Docket No. 05-195 (*Comprehensive Review of the Universal Service Fund Management Administration*, Notice of Inquiry, 20 FCC 13583 (dated Nov. 13, 2008)), pp. 106-107.

[91]See *1997 Universal Service Order*, 12 FCC Rcd at 8957, para. 341.

[92]FCC referred the issue of duplicate claims for support to the Joint Board in May 2010, and will await recommendations from the Joint Board before deciding how best to address the issue. See 25 FCC Rcd 5079 (2010) (*Referral Order*).

indicated that they were somewhat or very concerned about consumer fraud in the Lifeline program. In comments, several states indicated that there were limited controls in place to enforce the program requirement that households only receive one Lifeline discount.

FCC has asked the Joint Board to recommend changes regarding effective and efficient verification of customer eligibility, both at initial sign-up and periodically thereafter.[93] Further, The National Broadband Plan recommended that FCC consider the creation of a national centralized database as a mechanism to minimize fraud, waste, and abuse in the Low-Income Program. Five of the 8 states in which the entity that verifies consumers' continued eligibility have access to information to help ensure that the household is only receiving one Lifeline discount use a database.

- In comments to the FCC, the Florida Public Service Commission reported that the inclusion of prepaid wireless options in the Lifeline program presents the risk that these companies, which do not bill their customers monthly, can claim support for all subscribers without confirming that the person is still in possession of and is using the phone.[94] For example, in June 2010, there were several postings on Craigslist, the electronic bulletin board known for free local classified listings, advertising the sale of SafeLink products—the Lifeline service offered by TracFone. One state we visited is attempting to address this risk. In Florida, the state commission instituted a 60-day inactivity policy in which the prepaid wireless carrier in the state must contact the customer, via text message, voicemail, or letter, to confirm that the customer is still active and eligible for Lifeline support. If no response is received, the account must be deactivated. In the third quarter of 2009, one year after the prepaid wireless company was certified as an ETC in the state, approximately 8 percent or 33,000 customer accounts were deactivated due to 60-day inactivity. While a good first step, this mechanism still does not prevent the phone or minute allotment from being sold to ineligible consumers. As previously mentioned, FCC has asked the Joint Board to recommend changes regarding effective and efficient verification of customer eligibility.[95]

[93]See *Federal-State Joint Board on Universal Service; Lifeline and Link Up*, Order, 25 FCC Rcd 5079, (2010) (*Referral Order*).

[94]See Comments of the Florida Public Service Commission in CC Docket No. 96-45 and WC Docket No. 03-109 (*Federal-State Joint Board on Universal Service*, Public Notice, 25 FCC Rcd 7551 (2010)), (dated July 15, 2010).

[95]See *Federal-State Joint Board on Universal Service; Lifeline and Link Up*, Order, 25 FCC Rcd 5079, (2010) (*Referral Order*) p. 9.

- Another risk is that the results of ETC audits may not be adequately considered in assessing internal controls. FCC officials told us that completion in 2008 of the initial OMB Circular A-123 based internal control review of USAC's controls of the USF's four programs, including the Low-Income Program, was the equivalent to a comprehensive risk assessment. The 2008 review was focused primarily on financial reporting controls, and considered some aspects of programmatic operations and regulatory reporting and compliance of the four USF programs. However, the initial review was not specific to the Low-Income Program and was not designed to identify all risks to meeting the program's objectives. The update that is expected to be reported on in the fall of 2010 was also not designed to consider all aspects of the program's internal controls. For example, the report on the results of the 2008 review acknowledged that there are program risks associated with ETCs' self-certification of key information, such as subscriber eligibility and the accuracy of amounts claimed for reimbursement that were not addressed in the internal control review. The report also stated that ETC audits were the mechanism used by the USF programs, including the Low-Income Program, to mitigate these risks. Further, USAC's update of the 2008 review did not, among other things, consider the nature, scope, and extent of ETC audits or the results from these audits in assessing internal control.

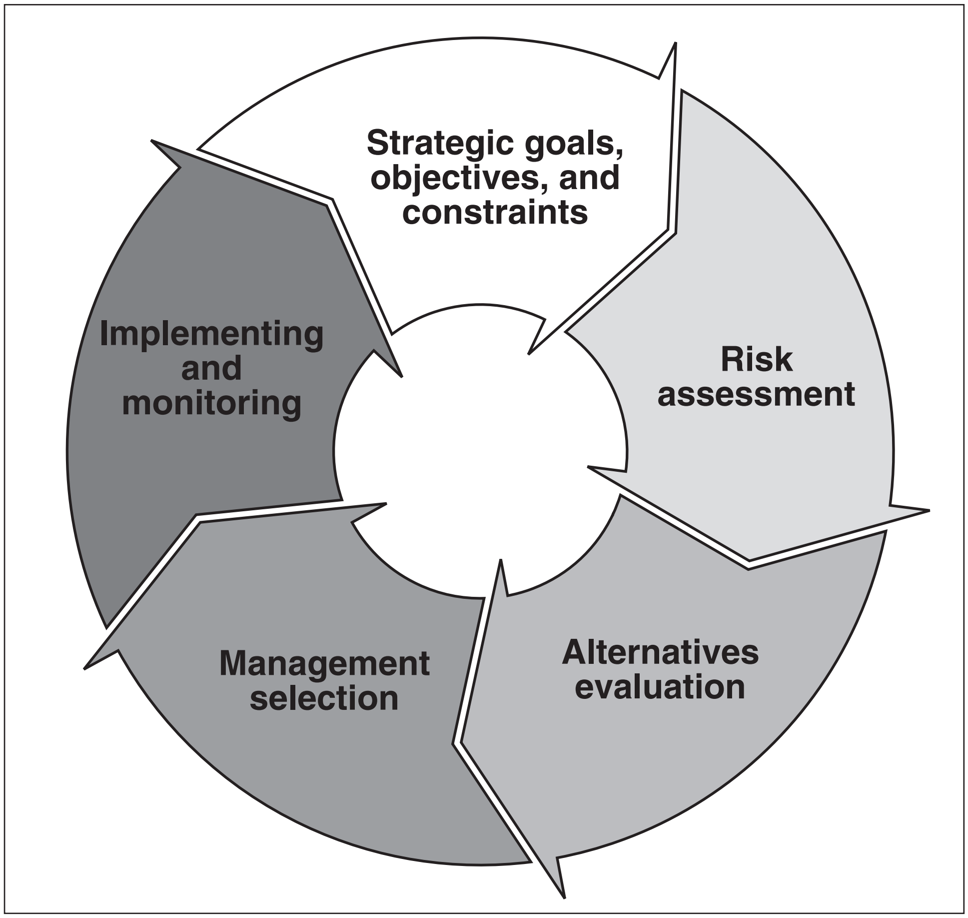
According to our standards for internal control, FCC should identify all risks to meeting the program's objectives and should consider all significant interactions between itself and other parties as well as internal factors at both the entity and activity level.[96] Without a risk assessment specific to the Low-Income Program that considers all vulnerabilities and consequences, some programmatic risks may not be identified, analyzed, and addressed. Moreover, managing risks can help target limited resources. We have previously described the purpose of risk management as identifying potential problems before they occur to mitigate adverse impacts.[97] Figure 4 depicts a risk management cycle representing a series of analytical and managerial steps, which are sequential, that can be used to assess risk, assess alternatives for reducing risks, choose among those alternatives, implement the alternatives, monitor their implementation, and continually use new information to adjust and revise the assessments

[96]GAO/AIMD-00-21.3.1.

[97]GAO, *Digital Television Transition: Increased Federal Planning and Risk Management Could Further Facilitate the DTV Transition*, GAO-08-43 (Washington, D.C.: Nov. 19, 2007).

and actions, as needed. The approach is dynamic and can be applied at various organizational levels.

Figure 4: Risk Management Framework



Source: GAO.

The limitations identified above increase the importance of the periodic audits of ETCs to provide after-the-fact detection information on ETC compliance with program rules and the effectiveness of USAC's internal controls. Audits conducted on ETCs have identified instances of noncompliance with program rules, including improper payments when ETCs sought reimbursement for discounts that were either calculated incorrectly, could not be adequately supported, or were provided to potentially ineligible subscribers. For example, we found that 76 percent of the 41 performance audits reported findings of more than one claim for low-income support per household, which is contrary to program rules.

We analyzed reported audit findings and identified instances of repeat audit findings at ETCs that had been audited more than once from 2003 through 2008. According to USAC officials, each audit report is reviewed and the extent and causes of audit findings are analyzed.[98] However, USAC officials stated that they do not have a systematic process for considering the results of ETC audits when assessing the program's internal controls. As described above, each of the internal control reviews performed have, by design, excluded consideration of ETC audits in assessing internal control. A systematic process that considers ETC audits could help identify opportunities for improving internal controls. For example, improvements to controls could include modifications to the process used to identify questionable support claims; modifications to the nature, extent, or scope of ETC audits; and changes to the information required from ETCs for review prior to payment of claims.

We also analyzed payment data by state/territory and ETC to determine the scope of audit coverage accomplished by the audits performed[99] (see Figure 5). For our analysis we used support payments claimed by ETCs from 2002 to 2007—the period covered by the ETC audits that were performed.[100] We found that, considering the reliance placed on ETC audits and the results of those audits conducted to date, the number and scope of the ETC audits has been limited. For example, the 97 ETCs that have been audited represent approximately 5 percent of the more than 1,800 ETCs that participated in the Low-Income Program from 2002 to 2007.[101] Further, the payments that were audited represented about 10 percent of the $4.6 billion in payments during this 6-year period. In fact, more than 90 percent of the payments audited were made to only 14 of the

[98]USAC summarized and analyzed the results of the 60 audits conducted in 2006 and 2007 that were used to develop a statistical estimate of error rates under the Improper Payments Information Act of 2002, but did not do the same for the other 41 performance audits conducted from 2003 through 2008.

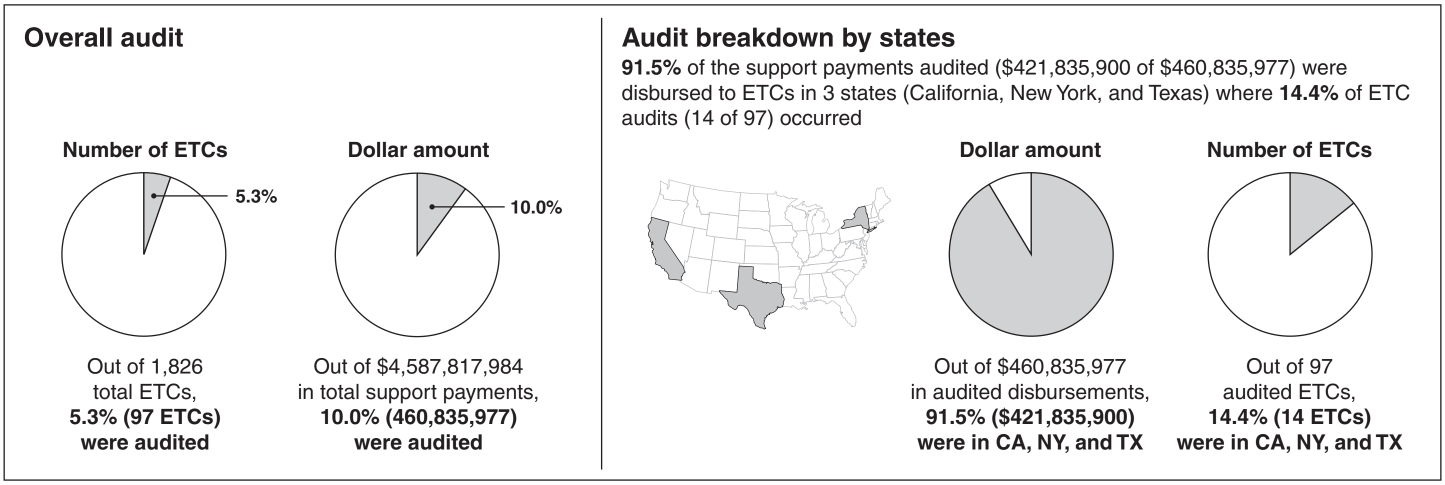
[99]Included in our state-by-state analysis are the following U.S. territories: American Samoa, District of Columbia, Guam, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

[100]USAC performed 101 audits on 97 ETCs from 2003 to 2008.

[101]The number of unique ETCs that participated in the Low-Income Program between 2002 and 2007 was 1,826; the number of ETCs participating in any single year during this period ranged from 1,418 to 1,804.

97 ETCs audited.[102] Moreover, 19 states and territories with approximately 220 ETCs have never been audited.[103]

Figure 5: Analysis of ETC Support Payments and Audit Coverage, 2002 - 2007



Source: GAO analysis of USAC data.

According to our internal control standards, audit findings should be considered when assessing the effectiveness of internal controls, including: determining the extent to which the continued effectiveness of the internal control is being monitored; assessing if appropriate policies and procedures exist; and assessing if they are properly maintained and periodically updated. Further, consideration should be given to potential program risks when establishing the scope and frequency of audits. Without a systematic process to analyze findings from audits that are of sufficient quantity and scope and appropriately targeted based on risk, FCC and USAC may not have information that could be leveraged to adequately assess compliance with program rules and strengthen the program's internal controls. As described in this report, there are vulnerabilities at the ETC, state, and program level for which a systematic process for conducting audits and considering audit results could help to identify.

[102]These 14 ETCs were in the three states with the largest amount of support payments for this period—California, New York, and Texas.

[103]These ETCs received payments totaling approximately 8 percent of total Low-Income support payments during this period.

As of July 2010, USAC was in the process of implementing a new audit and improper payment assessment approach for all of the USF programs. The new approach is designed to include separate programs for compliance audits and improper payment assessments. According to USAC officials, the compliance audits will be designed solely to evaluate USF beneficiary compliance with FCC rules and a separate process will be implemented for improper payment assessments to estimate the rate of improper payment associated with each of the USF programs. While we have not assessed the new approach, according to FCC officials, it will continue to enable FCC and USAC to identify program risks based on random selections of beneficiaries and payments stratified based on the amount of payments. However, it will be important for USAC to have a process for considering the results of these audits and assessments to identify opportunities for modifying the program's internal controls, including modifying the nature, extent, and scope of audits and improper payment assessments.

Conclusions

Clear and consistent program goals and performance measures, risk assessments, and the systemic consideration of audit results are key management tools to effectively manage any program, including the Low-Income Program. These tools help ensure that collective program funds are effectively targeted to meet the needs of the intended recipients. In the case of the Low-Income Program, effective use of the funds is particularly important given the rapid increases in technology that are redefining the options that consumers have to access telecommunication services. Not identifying the most cost-effective option may leave less funding that could be used to increase access for other low-income consumers, which is the underlying intent of universal service. Moreover, without key management information, FCC may be making current and future policy decisions without being fully informed on the performance of current programs and without information on the potential performance of broadband and future technologies as they become available. Lacking information on performance goals and measures may also limit FCC's ability to demonstrate that the program is helping to provide access to affordable telecommunication and information services to low-income consumers in all regions of the nation, one of the principles for universal service articulated in the 1996 Act. Furthermore, without setting performance goals and measures, particularly as new technologies are developed to access telephone services, FCC will not have information to judge the impact of these options on telephone subscribership rates for low-income households.

The National Broadband Plan recommended the addition of broadband as an eligible service for the Low-Income Program. FCC has initiated a Universal Service Working Group to assist in its efforts to modernize and reform all universal service programs to better support broadband and has taken initial steps to develop potential low-income pilot programs. A needs assessment and implementation and evaluation plans are critical elements for the proper development of pilot programs. Such assessments and plans will provide information on the telecommunication needs of low-income households, identify the most cost-effective options for low-income consumers, and help FCC effectively target funds based on data-driven information. The Low-Income Program has no funding cap and the addition of broadband and other future telecommunications technology without key management information and evaluation tools has the potential to further increase the cost to consumers who pay for the program through their telecommunications bills.

Recommendations for Executive Action

To improve the management and oversight of the Low-Income Program, we recommend that the Chairman of the FCC take the following three actions:

- clearly define specific performance goals of the program and subsequently develop quantifiable measures that can be used by Congress and FCC in determining the program's success in meeting its goals,
- conduct a robust risk assessment of the Low-Income Program, and
- implement a systematic process for considering the results of ETC audits and improper payment assessments in evaluating internal controls of the Low-Income Program.

If FCC conducts pilot programs as it considers adding broadband to the Low-Income Program, we recommend that the Chairman of the FCC take the following two actions:

- conduct an assessment of the telecommunication needs of low-income households to inform the design and implementation of the pilot programs, and
- develop implementation and evaluation plans for the pilot programs.

Agency Comments and Our Evaluation

We provided a draft of this report to FCC and USAC for their review and comment. Their full comments are reprinted in appendix V and appendix VI, respectively. In its written comments, FCC agreed with our recommendations. Specifically, FCC agreed that more work is needed to define specific performance goals of the program and develop quantifiable measures that can be used in determining the program's success. FCC recognized that the potential modification of the Low-Income Program to include broadband would be a significant change to the existing program and stated that the 2008 Performance Measures Notice of Inquiry[104] record may need to be updated so that quantifiable performance measures related to broadband-supported services under the Low-Income Program could be examined consistent with practices for developing successful performance goals and measures. With respect to the proposed Low-Income pilot programs, FCC recognized the importance of conducting an appropriate needs assessment accompanied by a sound implementation and evaluation plan consistent with the criteria we identified. FCC also stated that the Low-Income Program's internal controls would benefit from a risk assessment in which all vulnerabilities and consequences are considered and that it is committed to developing a systematic approach for considering the results of ETC audits and improper payment assessments in evaluating the program's internal controls. FCC stated that it intends to work closely with USAC to implement a risk assessment, as we recommended, and ensure that clear policies and procedures addressing a systematic review of internal controls based on audit findings are incorporated into USAC's written audit policies, procedures, and procurement.

In its written comments, USAC noted that it appreciated our recognition of the internal controls it has in place and that it will work with FCC to implement any orders or directives it may issue to implement our recommendations. USAC also provided additional information—that we reflected in our report—on processes used to validate, on a test basis, certain information provided by selected carriers.

USAC did not fully concur with our conclusion that FCC and USAC have not conducted a risk assessment specific to the Low-Income Program that considers all vulnerabilities. Among other things, USAC stated that the

[104] *Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight*, Notice of Inquiry, 23 FCC Rcd 13583 (2008) (*2008 Performance Measures NOI*).

review performed by an independent public accounting firm in 2008 did assess and test specific internal controls for the Low-Income Program. We agree that some Low-Income Program internal controls were, in fact, assessed and tested; however, we determined that the review focused on the risks associated with financial reporting and not the Low-Income Program or its programmatic aspects. With respect to the internal control assessment that is being conducted by USAC's own staff and is in process as of October 2010, as stated in our report, this assessment also was not designed to identify and address specific Low-Income Program risks and vulnerabilities. No risk assessment that USAC has undertaken to date has been the type of risk assessment that we envision under the related recommendation we make in this report. Such an assessment would consider the existing design of the Low-Income program as a whole, including the roles of FCC, USAC, beneficiaries, and service providers; whether the design and mix of preventive and detective controls already in place for the Low-Income Program are appropriate; and whether there may be internal controls that are needed but not currently in place.

USAC also stated that it does not believe that the facts viewed in their full context support the conclusion that audit findings have not been used effectively by FCC and USAC to assess and modify internal controls used by USAC in administering the Low-Income Program. We disagree; and as stated in our report, we found that USAC does not have a formal systemic process in place to consider the results of audits when assessing the program's internal controls. We continue to believe that there are vulnerabilities at the ETC, state, and program level for which a systematic process for conducting audits and considering audit results could help identify. A systematic process to consider audit results is consistent with the objectives of internal controls in the federal government and FCC's and USAC's responsibilities to establish and maintain internal controls that appropriately safeguard program funding and resources. It will be important that efforts to implement the new audit approach that is now under way include processes for systematically considering the results of audits and assessments to identify opportunities for modifying the program's internal controls, including modifying the nature, extent, or scope of audits.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Chairman of the Federal Communications Commission, and the Acting Chief Executive Officer of the Universal

Service Administrative Company. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you have any questions about this report, please contact me at 214-777-5719 or stjamesl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are listed in appendix VII.

Lorelei St. James
Acting Director, Physical Infrastructure Issues

Appendix I: Scope and Methodology

To obtain background information on the administration of the program, we reviewed key orders, reports, and program assessments from the Federal Communications Commission (FCC) and the program's administrator, the Universal Service Administrative Company (USAC), and interviewed officials from both organizations regarding program and operational procedures; conducted a Web-based survey to gather information from each state public utility commission, including the District of Columbia; interviewed other stakeholders; and conducted site visits. The survey was available online to officials in the 50 states and the District of Columbia on a secure Web site and our response rate was 100 percent. This report does not contain all the results from the survey. The survey and a more complete tabulation of the results can be viewed at GAO-11-13SP. The stakeholders, listed in table 5, were identified from a variety of sources, including our previous work and by other experts in telecommunications. The site visits—to California, the District of Columbia, Florida, and Iowa—were chosen to provide detailed analyses of programs with varying characteristics. We chose these locations based on criteria such as the telephone subscribership rate of low-income households and the participation rate of eligible low-income households. During the site visits, we interviewed officials from the state public utility commission, the state consumer advocate, ETCs (wireline and wireless), and other entities as applicable. We also obtained pertinent supporting documentation.

Because this was not a sample survey, it has no sampling errors. However, the practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. For example, difficulties in interpreting a particular question, sources of information available to respondents, or data entry and analysis can introduce unwanted variability into the survey results. We took steps in developing the questionnaire, collecting data, and analyzing these data to minimize such nonsampling errors. For example, prior to administering the survey, a GAO survey specialist designed the questionnaire in collaboration with GAO subject matter experts. We also pretested the questionnaire with members of the Public Utilities Commission of three states and the District of Columbia. On the basis of the findings from pretests, we modified our questionnaire to ensure that the questions were relevant, clearly stated, and easy to comprehend. To ensure adequate response rates, we sent e-mail reminders and conducted follow-up telephone calls with nonrespondents. When the data were analyzed, a second independent data analyst checked all computer programs for accuracy. Since this was a Web-based survey, respondents entered their answers directly into the electronic questionnaires, eliminating the need to key data into a database, thereby minimizing errors.

To determine the extent to which program participation and expenditures have changed in the last 5 years and what factors may have affected program participation and support payments, we analyzed participation and disbursement data from USAC and identified key trends including projections for 2010. We conducted testing to ensure the reliability of the data and reviewed the methodology used by USAC to estimate program participation rates. As a result, we determined that the data were sufficiently reliable for the purposes of this report. In addition, we interviewed FCC and USAC officials, as well as other stakeholders. We conducted site visits, as described above, to obtain opinions regarding program elements associated with participation and barriers to participation, if any. We also obtained opinions regarding the effect, if any, of prepaid wireless options on program participation. In addition, we conducted a Web-based survey of state public utility commissions, as described above, to gather information about barriers to program participation, if any, and advertising and marketing activities by state commissions and ETCs. Finally, we compared FCC's guidelines for advertising the program and assessed them against our key practices for consumer education planning.

To determine FCC's performance goals and measures used to manage the program, we reviewed the Telecommunications Act of 1996 and other relevant legislation as well as FCC documentation, including rules, orders, strategic plans, performance and accountability reports, and FCC's Memorandum of Understanding with USAC. In addition, we interviewed FCC and USAC officials to determine how these goals and measures were developed. Finally, we reviewed FCC's performance goals and measures for the program and compared them with our guidance on key attributes of successful performance goals and measures.

To identify the mechanisms FCC and USAC used to identify and evaluate risk and monitor compliance with program rules, we reviewed relevant FCC and USAC documents, including comments for the record, fraud risk assessments, and audit reports, and interviewed officials from both entities. During our site visits and through our Web-based survey, we identified related program risks and processes used at the state level to certify and verify consumer eligibility and concerns. Finally, we compared FCC's and USAC's mechanisms to assess and evaluate risk and monitoring compliance with program rules against our internal control standards and Office of Management and Budget guidance on internal controls.

We conducted this performance audit from October 2009 through October 2010 in accordance with generally accepted government auditing standards. 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 audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Table 5: Individuals and Organizations Interviewed

Category	Name
Academicians and think tanks	John Mayo, Professor of Economics, Business and Public Policy
	Public Utility Research Center, University of Florida
	Stanford Institute for Economic Policy Research
	Technology Policy Institute
Federal and state entities	California Division of Ratepayer Advocate
	California Public Utilities Commission
	D.C. Department of the Environment, Energy Office
	D.C. Office of People's Counsel
	D.C. Public Service Commission
	Federal Communications Commission
	Florida Department of Children and Families
	Florida Office of Public Counsel
	Florida Public Service Commission
	Iowa Office of Public Counsel
	Iowa Public Utility Commission
Telecommunication providers	AT&T
	AT&T – California
	Fort Mojave Telecommunications, Inc.
	Gila River Telecommunications, Inc.
	Iowa Telecom (Windstream)
	Mescalero Apache Telecommunications, Inc.
	Qwest Communications
	Sebastian Corporation (holding company for Kerman Telephone and Forest Hill Telephone companies in California)
	South Slope Cooperative Communications Company
	Sprint/Nextel
	TracFone Wireless
	Verizon Communications

Category	Name
	Verizon Communications Florida—Regulatory Affairs
Third party administrators and related committees	Rolka Loube Saltzer Associates
	Solix (previously known as NECA)
	Universal Service Administrative Company
	USAC High Cost and Low Income Committee, Low Income Representative (Ellis Jacobs)
	USAC High Cost and Low Income Committee, State Consumer Advocates (Wayne Jortner)
	USAC High Cost and Low Income Committee, State Telecommunications Regulators Representative (Anne C. Boyle)
Trade and industry groups	CTIA - The Wireless Association
	National Association of Regulatory Utility Commissions
	National Telecommunications Cooperative Association
	National Tribal Telecommunications Association
	Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO)

Source: GAO.

Appendix II: Lifeline Eligibility Criteria and Administrative Processes and Responsibilities

FCC authorized states that provide intrastate Lifeline support to develop their own eligibility criteria and administrative processes for the program—including reviewing applications, certifying eligibility, and verifying recipients' continued eligibility for the Lifeline program. As a result, eligibility and administrative processes vary across states that provide intrastate Lifeline support.[1]

Of the 39 states that provide intrastate Lifeline support, 36 allow consumers to qualify for the Lifeline program based on participation in a low-income assistance program; the number of programs that confer eligibility for the Lifeline program varies by state. For instance, in Montana, the only program that confers eligibility for the Lifeline program is Medicaid. In Alaska, 10 programs confer eligibility, including Federal Public Housing Assistance, Supplemental Nutrition Assistance Program (formerly Food Stamps), Low Income Home Energy Assistance Program, Alaska Adult Public Assistance, and Head Start (under the income qualifying provision).

States that provide intrastate Lifeline support can also set the income eligibility threshold. Twenty-two of the 39 states that provide intrastate Lifeline support allow consumers to qualify for the program based on income alone.[2] In 8 states, households may earn up to 135 percent of the federal poverty guideline and be eligible for the Lifeline program.[3] In 2 states the income eligibility threshold is less than 135 percent of the federal poverty guidelines, and in 11 states it is greater.[4]

Further, FCC determined that states that provide intrastate support also have the discretion to determine their own administrative processes, which also vary across states (see table 6).

[1]See e.g., 47 C.F.R. §§ 54.409 (consumer qualification for Lifeline), 54.410 (certification and verification of consumer qualification for Lifeline), 54.415 (consumer qualification for Link Up), 54.416 (certification of consumer qualification for Link Up). States must base eligibility criteria solely on income or factors directly related to income. 47 C.F.R. §§ 54.409(a), 54.415(a).

[2]In New Jersey, only consumers 65 or over may qualify for the program based on income alone.

[3]In 2009, the federal poverty guideline for a family of three was $18,310.

[4]One state reported that it did not know the income eligibility threshold.

Table 6: Lifeline Administrative Processes in States that Provide Intrastate Lifeline Support

Administrative process	Number of states[a]
Process in place to certify eligibility based on program participation	32
Self-certification under penalty of perjury	16
Presentation of documentation of enrollment in a qualifying low-income assistance program	25
Automatic enrollment of eligible consumers	9
Process in place to certify eligibility based on income	19
Self-certification under penalty of perjury	6
Presentation of documentation of income	19
Automatic enrollment of eligible consumers	3
Verifying continued eligibility of Lifeline support recipients	
Random audits of Lifeline support recipients	14
Periodic submission of supporting documents (annual recertification or reverification)	20
Annual self-certification	12
Online verification system using databases of public assistance program participants or income reports	13
Verification of a statistically valid sample of Lifeline support recipients	17
Conduct Lifeline-related audits of eligible telecommunications carriers (ETC)	10

Source: GAO survey.

[a]Numbers do not sum to 39 because some states do not have a process in place and some states have more than one process in place.

In addition, for the same reason, the entity responsible for executing the process also varies across states as seen in table 7.

Table 7: Lifeline Program Administrative Responsibilities in States that Provide Intrastate Lifeline Support

	Responsible entity[a]			
Administrative process	State Public Utility Commission	ETC	Other state agency	Third-party administrator[b]
Processing Lifeline applications	7	23	12	4
Certifying applicants' eligibility on the basis of program participation	6	13	13	2
Certifying applicants' eligibility on the basis of income	2	10	7	4
Verifying that recipients continue to be eligible for the Lifeline program	4	26	10	4

Source: GAO survey.

[a]Numbers do not sum to 39 because some states do not have a process in place and some states have more than one entity responsible for a given process.

[b]Some states contract with third-party administrators to perform certain administrative processes of the program.

For those states that choose not to provide intrastate Lifeline support, FCC developed eligibility criteria and administrative processes for the Lifeline program to which these states must adhere. These states are referred to as "federal default states."[5] To be eligible for the Lifeline program in these states, consumers must participate in one of seven low-income assistance programs—Federal Public Housing Assistance, Supplemental Nutrition Assistance Program (formerly Food Stamps), Low Income Home Energy Assistance Program, Medicaid, National School Lunch Program's free lunch program, Supplemental Security Income, and Temporary Assistance for Needy Families—or have household income at or below 135 percent of the federal poverty guidelines.[6] Households living in tribal areas have an expanded list of tribal-based programs that also confer eligibility for the Lifeline program.

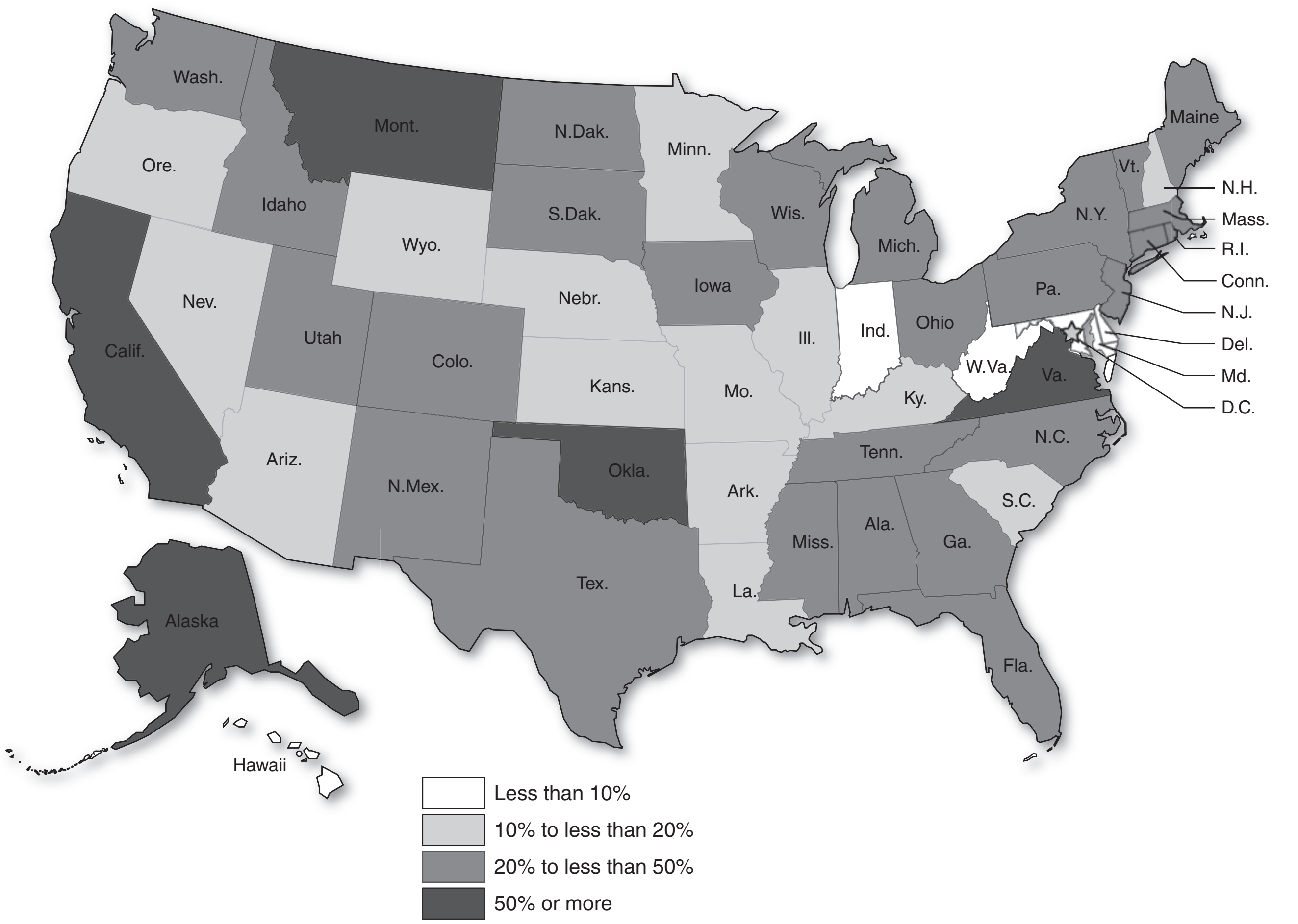
In federal default states, the ETC is responsible for processing applications, certifying applicants' eligibility for the program based on program and income criteria, and verifying the recipients' continued eligibility for the program.

[5]States that provide intrastate Lifeline support but choose to use the eligibility criteria and administrative processes developed by FCC are also referred to as "federal default states."

[6]See 47 C.F.R. § 54.409.

Appendix III: Estimated Lifeline Participation Rates Among Eligible Households by State in 2009

Figure 6: Estimated Lifeline Participation Rates Among Eligible Households by State in 2009



Source: USAC, Map Resources (map).

Appendix IV: Alignment of FCC Outreach Guidelines with Our Key Practices for Consumer Education

FCC requires ETCs to publicize the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service. In its 2004 Order, FCC adopted a recommendation from the Federal-State Joint Board on Universal Service[1] to provide outreach guidelines to states and ETCs to help improve program participation. Below is a summary of the guidelines:

- states and ETCs should utilize outreach materials and methods designed to reach households that do not currently have telephone service;
- states and ETCs should develop outreach advertising that can be read or accessed by any sizeable non-English speaking population within a carrier's service area; and
- states and ETCs should coordinate their outreach efforts with government agencies/tribes that administer any of the relevant government assistance programs.

While FCC has developed advertising guidelines for states and ETCs, the guidelines are not always aligned with our key practices for consumer education, as shown in table 8.

[1]See Lifeline and Link Up, *Report and Order and Further Notice of Proposed Rulemaking*, 19 FCC Rcd 8302 (2004) (*2004 Lifeline and Link Up Order*); Federal-State Joint Board on Universal Service, *Recommended Decision*, 18 FCC Rcd 6589 (2003) (*Recommended Decision*).

Table 8: Alignment of FCC Outreach Guidelines with Key Practices for Consumer Education

Key practice	Description	How FCC's guidelines align with practice
Define goals and objectives	Define the goals of the communication campaign, e.g., to increase awareness or motivate a change in behavior. Define the objective that will help the campaign meet those goals.	FCC's guidelines do not align with this practice. FCC's guidelines do not address defining the goals and objectives of outreach efforts of states and ETCs.
Analyze the situation	Analyze the situation, including any competing voices or messages, related market conditions, and key dates or timing constraints. Review relevant past experiences and examples to identify applicable "lessons learned" that may help guide efforts.	FCC's guidelines somewhat align with this practice. The guidelines are based on and include lessons learned that were identified by the Joint Board when it sought comment on whether more extensive consumer education and outreach efforts were necessary to increase participation in Lifeline/Link Up. However the guidelines do not suggest that states and ETCs analyze the situation, including any competing voices or messages, related market conditions, and key dates or timing constraints.
Identify stakeholders	Identify and engage all the key stakeholders who will be involved in communications efforts. Clarify the roles and responsibilities of each stakeholder, including which entities will lead overall efforts.	FCC's guidelines somewhat align with this practice. At the time FCC established its outreach guidelines, it identified several entities with which state commissions and ETCs should coordinate their outreach efforts, including social service agencies, community centers, public schools, and private organizations that may serve low-income individuals. However, the guidelines do not address clarifying the roles and responsibilities of each stakeholder, including which entities will lead overall efforts.
Identify resources	Identify available short- and long-term budgetary and other resources.	FCC's guidelines do not align with this practice. In its guidelines, FCC did not direct state commissions or ETCs to identify available short- and long-term budgetary and other resources available for outreach efforts.

Key practice	Description	How FCC's guidelines align with practice
Research target audiences	Conduct audience research, such as dividing the audience into smaller groups of people who have relevant needs, preferences, and characteristics, as well as measuring audience awareness, beliefs, competing behaviors, and motivators. Also, identify any potential audience-specific obstacles, such as access to information.	FCC's guidelines somewhat align with the practice. FCC recommended that states and ETCs develop outreach materials that can be accessed by a sizeable non-English speaking population within the carrier's service areas and establish a toll-free call center where questions could be answers in the consumers' native language. It also recommended that these materials and other outreach efforts be accessible to consumers with sight, hearing, and speech disabilities. However, in its guidelines, FCC did not suggest that state commissions or ETCs to undertake efforts to measure the target population's awareness of the program or to identify the beliefs, competing behaviors, or motivators of the target population.
Develop consistent, clear messages	Determine what messages to develop based on budget, goals, and audience research findings. Develop clear and consistent audience messages; test and refine them.	FCC's guidelines do not align with this practice. The guidelines do not address the development of clear and consistent messages based on budget, goals, and audience research findings nor testing and refining of the messages.
Identify credible messenger(s)	Identify who will be delivering the messages and ensure that the source is credible with audiences.	FCC's efforts align with this practice. FCC's guidelines suggest that states and ETCs coordinate their outreach efforts with governmental agencies/tribes that administer any of the relevant government assistance programs. Further, the guidelines state that cooperative outreach among those most likely to have influential contact with low-income individuals will help target messages about the program to the low-income community.
Design media mix	Plan the media mix to optimize earned media (such as news stories or opinion editorials) and paid media (such as broadcast, print, or Internet advertising). Identify through which methods (e.g., advertising in newsprint ads), how often (e.g., weekly or monthly), and over what duration (e.g., 1 year) messages will reach audiences.	FCC's efforts somewhat align with this practice. In its guidelines, FCC identified the various outreach methods and materials that could be used to reach households that do not currently have phone service. However, FCC did not suggest designing a plan of the appropriate media mix over any given period of time that would dictate when and how these methods would be used.

Key practice	Description	How FCC's guidelines align with practice
Establish metrics to measure success	Establish both process and outcome metrics to measure success in achieving objectives of the outreach campaign. Process metrics assure the quality, quantity, and timeliness of the contractor's work. Outcome metrics evaluate how well the campaign influenced the attitudes and behaviors of the target audience(s) that it set out to influence.	FCC's efforts do not align with this practice. FCC's guidelines do not address establishing process and outcome metrics to measure success in achieving objectives of an outreach campaign.

Source: GAO analysis of FCC's outreach guidelines measured against key practices we have previously identified.(GAO-08-43).

Appendix V: Comments from the Federal Communications Commission

Federal Communications Commission
Washington, D.C. 20554

October 14, 2010

Lorelei St. James
Acting Director, Physical Infrastructure
U.S. Government Accountability Office
Dallas Field Office
1999 Bryan Street, Suite 2200
Dallas, TX 75201

Dear Ms. St. James:

Thank you for the opportunity to review the draft Government Accountability Office (GAO) Report regarding assessment of the management of the Universal Service Fund Low-Income program. The Low-Income program is designed to promote the goals of section 254 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the Act), that telephone service be affordable to low-income consumers by providing universal service funds to reduce the price consumers pay for basic telephone service.[1] The Low-Income program accomplishes this in primarily two ways. First, the Commission's Lifeline program lowers the cost of monthly service for eligible consumers by providing support directly to service providers on behalf of consumer households.[2] Second, the Link Up program provides a one-time discount on the initial installation fee for telephone service.[3] As a result of this funding, the Low-Income program has helped increase low-income telephone subscribership from 80.1 percent in 1984 to 89.7 percent in 2008.[4] The Low-Income program continues to improve in reaching and assisting consumers who are unable to afford access to telephone service. In particular, the Commission expects to distribute approximately $1.29 billion in low-income support during calendar year 2010, which will assist over 9.5 million low-income consumers - an increase of almost 3 million in three years - in obtaining access to telephone service.[5]

The Commission is dedicated to achieving the universal service goals of section 254 of the Act, and therefore welcomes suggestions on making additional improvements to the Low-Income program. In its draft report, the GAO offers four recommendations to improve the Low-Income program. First, the GAO recommends that the Commission clearly define specific performance goals of the program and subsequently develop quantifiable measures that can be used in determining the program's success in meeting its goals.[6] Next, the GAO recommends the Commission conduct a robust risk assessment of the

[1] *See* 47 U.S.C. § 254(b)(1) ("Quality services should be available at just, reasonable and affordable rates").

[2] Generally, the Lifeline program provides eligible consumers with a discount on monthly charges for basic local landline or wireless telephone service. *See* 47 C.F.R. § 54.401.

[3] Generally, the Link Up program provides a reduction in the charge for initiating telecommunications service at a consumer's principal place of residence. *See* 47 C.F.R. § 54.411.

[4] *See Federal-State Joint Board on Universal Service, 2009 Universal Service Monitoring Report*, CC Docket Nos. 96-45, 98-62, at 2-2, available at http://www.fcc.gov/Daily_Releases/Daily_Business/2010/db0830/DOC-295442A4.pdf.

[5] *See* Universal Service Administrative Company, *Low-Income Receipt and Disbursement Report* (Sept. 2010); Universal Service Administrative Company, *Universal Service Fund Performance Measurements* (July 30, 2010).

[6] Government Accountability Office, *Improved Management Can Enhance FCC Decision Making for the Universal Service Fund Low-Income Program*, at 40 (Oct. 2010) (GAO Draft Report).

Low-Income program.[7] Third, the GAO recommends that the Commission implement a systematic process for considering the results of eligible telecommunications carrier (ETC) audits and improper payment assessments in evaluating internal controls of the Low-Income program.[8] In addition to these recommendations, the GAO also recommends that, if the Commission establishes any pilot programs to examine funding broadband under the Low-Income program, the Commission first conduct a needs assessment and develop implementation and evaluation plans.[9]

We appreciate GAO's recognition of the Commission's efforts to date in developing performance measures for the Low-Income program and agree more work is needed to define specific performance goals of the program and develop quantifiable measures that can be used in determining the program's success.[10] To build upon its efforts, in 2008, the Commission released a Notice of Inquiry (*2008 Performance Measures NOI*) seeking comment on whether the Commission should take steps to more clearly define the goals of the USF programs, including the Low-Income program.[11] In so doing, the Commission sought comment on whether it should develop specific quantifiable goals beyond the policies enumerated in section 254 of the Act.[12] In addition, the Commission sought comment on establishing long-term performance goals and whether such measures should be tied to implicit social welfare objectives.[13]

Since the record closed in response to the *2008 Performance Measures NOI*, other developments have occurred concerning potential changes in the policies and rules for the Low-Income program, which may warrant updating this proceeding. Specifically, in 2009, Congress directed the Commission to develop a National Broadband Plan to ensure every American has "access to broadband capability."[14] Congress also required that this plan include a detailed strategy for achieving affordability and maximizing use of broadband to advance "consumer welfare, civic participation, public safety and homeland security, community development, health care delivery, energy independence and efficiency, education, employee training, private sector investment, entrepreneurial activity, job creation and economic growth, and other national purposes."[15] The National Broadband Plan, released in March 2010, makes a variety of recommendations to change the Low-Income program, including modifying the Low-

[7] GAO Draft Report at 40.

[8] *Id.* at 41.

[9] *Id.*

[10] *See id.* at 24-27. For example, in the Commission's Memorandum of Understanding with the Universal Service Administrative Company (USAC), greater clarity in administration and management of the USF were established. *See* Memorandum of Understanding Between the Federal Communications Commission and the Universal Service Administrative Company, at 1 (Sept. 2008) (*FCC/USAC MOU*). As part of this, the Commission established performance measures and goals for the USF and USAC. For example, USAC is required to submit quarterly data concerning the number of Low-Income program beneficiaries, number of connections supported, average time it takes to process support payments, and average (mean) monthly dollar amount disbursed per eligible carrier. *FCC/USAC MOU* at 53.

[11] *In the Matter of Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight, Notice of Inquiry*, WC Dkt. No. 05-195, 23 FCC Rcd 13583, 13590, para. 22 (*2008 Performance Measures NOI*)

[12] *2008 Performance Measures NOI*, 23 FCC Rcd at 13590, para. 22.

[13] *2008 Performance Measures NOI*, 23 FCC Rcd at 13591, para. 25.

[14] *See Connecting America: The National Broadband Plan*, at xi (rel. Mar. 16, 2010) (National Broadband Plan), available at, http://www.broadband.gov/download-plan/.

[15] *See id.*

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Income program to fund broadband services in order to make these services more affordable for low-income households.[16]

Recognizing, among other things, that the potential modification of the Low-Income program to include broadband would be a significant change to the existing program, in May 2010, the Commission asked the Federal-State Joint Board on Universal Service (Joint Board) to review the Commission's eligibility, verification, and outreach rules for the Lifeline and Link Up universal service programs.[17] Specifically, the Commission asked the Joint Board to recommend any changes to these aspects of the Lifeline and Link Up programs that may be necessary, given significant technological and marketplace changes since the current rules were adopted, based on consideration of: (1) the combination of federal and state rules that govern which customers are eligible to receive discounts through the Lifeline and Link Up programs; (2) best practices among states for effective and efficient verification of customer eligibility, both at initial customer sign-up and periodically thereafter; (3) appropriateness of various outreach and enrollment programs; and (4) the potential modification of the Low-Income program to support broadband, as recommended in the National Broadband Plan.[18] In its May 2010 *Referral Order*, the Commission also asked the Joint Board to consider how the potential modification of the low-income program to support broadband would affect any of its recommendations regarding changes to the Commission's eligibility, verification, and outreach rules for the Lifeline and Link Up universal service programs. The Commission asked the Joint Board to submit its recommended decision within 6 months, by November 4, 2010.[19]

Accordingly, we believe the *2008 Performance Measures NOI* record may need to be refreshed in response to any future modification of the Low-Income programs to include broadband; the Joint Board's forthcoming recommendations to the Commission; and the Commission's actions in response to the Joint Board's recommendations. In doing so, quantifiable performance measures related to broadband supported services under the Low-Income program should be examined consistent with the "practices to enhance performance goals," as provided by GAO.[20]

We also welcome GAO's recognition of the Commission's conscientious efforts to date in developing internal control structures to safeguard the integrity of the Low-Income program.[21] Specifically, as GAO states, progress has been made in assessing risk in the program related to financial reporting pursuant to Office of Management and Budget Circular No. A-123, compliance with program rules, key program controls related to disbursement and invoicing, and Low-Income certification documents.[22] Despite these efforts, GAO has recognized that the internal control structure of the Low-Income program can be further improved. We agree. In particular, as GAO's recommendation suggests, the Low-Income program's internal controls would benefit from a holistic risk assessment in which the

[16] *Id.* at 172-173.

[17] *See Federal-State Joint Board on Universal Service Lifeline and Link Up*, CC Dkt. No. 96-45, Order, 25 FCC Rcd 5079, 5080, para. 30 (*Referral Order*); National Broadband Plan at 172-173.

[18] *Id.*

[19] The Federal-State Joint Board on Universal Service, established pursuant to the 1996 Act, provided recommendations to implement the universal service provisions and continues to provide recommendations regarding universal service at the Commission's discretion. The Joint Board is comprised of FCC Commissioners, State Utility Commissioners, and a consumer advocate representative. *See* 47 U.S.C. § 410(c), 254(a)(1).

[20] GAO Draft Report at 40.

[21] *See id.* at 18-19.

[22] *See id.* at 31-32.

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Commission considers all vulnerabilities and consequences.[23] Such a risk assessment should be designed to provide a critical examination of the entire Low-Income program to determine if modifications to business practices and internal controls are necessary to cost-effectively address programmatic risks.[24] As in the past, the Commission intends to work closely with the Universal Service Administrative Company (USAC) and provide the appropriate directives concerning the implementation of this risk assessment. Further, the Commission is committed to use this risk assessment to examine ways to improve the Low-Income disbursement and invoicing processes. For example, a robust risk assessment will provide the opportunity to ensure USAC is disbursing one discount per low-income household, as required under program rules.[25] The assessment could also provide an opportunity to improve program forms to ensure that both a wholeseller and reseller do not make dual claims for reimbursement for the same supported customer.[26]

As GAO recommends, the Commission is also committed to developing a systematic approach for considering the results of eligible telecommunications carrier (ETC) audits and improper payment assessments in evaluating internal controls of the Low-Income program.[27] Consistent with this recommendation, the Office of Managing Director (OMD) regularly reviews beneficiary audit findings per guidance set forth in the Office of Management and Budget Circular A-50 and the Commission's own internal directive.[28] This process includes: (1) reviewing USAC's management response to an audit; (2) reviewing USAC's planned corrective action and implementation plan; and (3) providing an OMD response and Wireline Competition Bureau response where necessary.[29] Also, in order for OMD to consider a finding closed, USAC provides OMD with supporting documentation to prove action has been taken. The corrective actions are summarized and monitored on a monthly basis and USAC provides OMD with a status update of all open findings and recommendations. Going forward, GAO's recommendations will support the Commission's efforts to make additional improvements in this area and to provide opportunities for modifying the program's internal control structures, including modifying the nature, extent, and scope of audits and improper payments.[30] OMD will work with USAC to ensure that clear polices and procedures addressing a systematic review of internal controls based on beneficiary audit findings are incorporated into USAC's written audit policies, procedures, and procurement. Further, OMD will renew its efforts to see that meaningful performance measures are developed for USAC's senior executives that reflect USAC leadership's responsibility for effectively and efficiently targeting and addressing risks in the Low-Income and other programs.

Finally, the National Broadband Plan recommended that the Commission facilitate Low-Income pilot programs to determine which parameters most effectively increase broadband adoption among low-income consumers.[31] As identified by GAO, the Commission is still contemplating this

[23] *See id.* at 36.

[24] Office of Management and Budget, *Management's Responsibility for Internal Control*, Circular No. A-123 (Dec. 21, 2004).

[25] *See Federal-State Joint Board on Universal Service,* Dkt. No. 96-45, Report and Order, 12 FCC Rcd 8776, at 8947, para. 341 (1997) (*Universal Service First Report and Order)*; GAO Draft Report at 33.

[26] *See* GAO Draft Report at 33.

[27] *See id.* at 41.

[28] *See* Office of Management and Budget, *Audit Follow-up*, Circular A-50 (Sept. 29, 1982); FCC Directive, *FCCINT*, 1013.1C.

[29] *See id.*

[30] *See* GAO Draft Report at 39.

[31] *See* National Broadband Plan at 173.

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recommendation.[32] As consideration of the recommendation evolves, the Commission recognizes the importance of conducting an appropriate needs assessment accompanied by a sound implementation and evaluation plan consistent with the criteria identified by GAO.[33]

Once again, we appreciate GAO's recommendations and look forward to working with you on this in the future.

Sincerely,

Steven VanRoekel
Managing Director

[32] *See* GAO Draft Report at 28.

[33] *See id.* at 28-29.

Appendix VI: Comments from the Universal Service Administrative Company

USAC
Universal Service Administrative Company

Karen Majcher
Vice President
High Cost and Low Income Division

Via Electronic Mail

October 14, 2010

Lorelei St. James
Acting Director, Physical Infrastructure Issues
U.S. Government Accountability Office
Dallas Field Office
1999 Bryan Street, Suite 2200
Dallas, TX 75201

Re: Response to Draft Report to Congressional Requestors on Management of the Universal Service Fund Low Income Program

Dear Ms. St. James:

This letter responds to the draft Government Accountability Office's (GAO's) Report, dated September 23, 2010, to Congressional Requestors, titled: "Improved Management Can Enhance FCC Decision Making for the Universal Service Fund Low-Income Program." The Universal Service Administrative Company (USAC) would like to recognize the professional work of the GAO staff on this project. USAC submits this response to the GAO draft report.

The federal Universal Service Low Income Program is administered by USAC. The Federal Communications Commission (FCC or the Commission) is responsible for the overall management, oversight and administration of the Low Income Program and the Universal Service Fund (USF), including all policy decisions.[1] The GAO's draft report focuses on the following issues: (1) the need for performance goals and measures for the Low Income Program; (2) a needs assessment and implementation plans for Low Income broadband pilot programs; (3) a robust risk assessment for the Low Income Program; and (4) a systematic process for evaluating Low Income Program audit results. The GAO found that its recommendations were necessary to ensure the integrity of the Low Income Program.

Low Income Program Performance Goals and Measures

GAO's first recommendation is that the Commission should clearly define performance goals for the Low income Program and develop quantifiable measures that can be used by Congress and the FCC to determine the program's success in meeting its goals. USAC,

[1] *See* 47 C.F.R. § 54.702.

2000 L Street, N.W. Suite 200 Washington, DC 20036 Voice 202.776.0200 Fax 202.776.0080 www.usac.org as the administrator of the Low Income Program, will work with the FCC to implement any orders or directives it may issue concerning Low Income Program performance goals and measures.

Low Income Broadband Pilot Programs

GAO's second recommendation is that the Commission should conduct a needs assessment of the telecommunications needs of low income households to utilize in the design and implementation of any broadband pilot programs focused toward low income households. The GAO also recommends the FCC develop implementation and evaluation plans for such proposed pilot programs that may be used to develop future policy decisions for the Low Income Program. USAC, as the administrator of the Low Income Program, will work with the FCC to implement any orders or directives it may issue concerning Low Income broadband pilot program(s).

Risk Assessment for the Low Income Program

GAO's third recommendation is that the Commission should conduct a robust risk assessment specific to the Low Income Program that considers all program vulnerabilities. The GAO's draft report states that the Commission and USAC have not conducted such a risk assessment and explains that such an assessment could help identify risks to the Low Income Program and provide opportunities for mitigating those risks. USAC partially concurs with this conclusion. USAC, as the administrator of the Low Income Program, will work with the FCC to implement to implement any orders or directives it may issue for a formal risk assessment of the Low Income Program.

USAC appreciates the GAO's recognition of the internal controls USAC has in place. USAC operates consistent with an extensive set of internal controls that are designed to safeguard the Low Income Program and the USF, promote administrative efficiency, and reduce the possibility of errors that could result in waste, fraud or abuse in the Low Income Program or the USF. It is important to note that USAC's internal controls primarily govern the internal procedures used by USAC to administer the Low Income Program. For example, USAC reviews each Low Income Program support claim filed on the FCC Form 497. USAC compares an ETC's current support claim to the information the company previously submitted to identify possible errors and substantial changes in the ETC's monthly support claims. USAC staff follows its internal procedures in reviewing and processing Low Income Program support claims. However, given the limited amount of data collected from ETCs on the current FCC Form 497, USAC's internal procedures cannot determine whether the ETC has claimed support for the appropriate number of Lifeline subscribers, or whether multiple ETCs have concurrently claimed Low Income Program support for the same subscriber. One way to verify this information would be to revise the FCC Form 497 to authorize USAC to collect additional information from ETCs.

USAC also believes that the GAO's conclusion that USAC has not conducted any risk assessments specific to the Low Income Program is too narrow. In 2008, the independent public accounting firm Grant Thornton, LLP (Grant Thornton) completed an extensive review of USAC's internal controls. Grant Thornton reviewed USAC's financial reporting internal controls to ensure compliance with OMB Circular A-123, Management Responsibility for Internal Control, and assessed and tested specific Low Income Program controls associated with the administration of the program. Grant Thornton identified only one control deficiency in USAC administration of the Low Income Program.[2] USAC's internal controls team recently completed (in 2010) an assessment of Low Income Program internal controls. The draft report is almost finalized and identifies no major control deficiencies in the Low Income Program.

USAC's role as administrator and auditor of the Low Income Program make it uniquely situated to identify significant risks, such as those cited in the GAO's draft report (*e.g.*, duplicate support claims made by wholesale and resale ETCs, duplicate support claims made by wireline and wireless ETCs), which were revealed as the result of USAC-conducted beneficiary audits. USAC has also conducted risk assessments to target risk factors associated with beneficiary compliance with Low Income Program rules. USAC and the FCC will work together to continue to identify and mitigate risks to the Low Income Program. As noted above, USAC will work with the FCC to implement any orders or directives it may issue for conducting a formal risk assessment for the Low Income Program.

Systematic Audit Review

The GAO's final recommendation is that the Commission should implement a systematic process for considering the results of ETC audits and improper payment assessments in evaluating internal controls of the Low Income Program. USAC partially concurs with this recommendation. USAC, as the administrator of the Low Income Program, will work with the FCC to implement any orders or directives it may issue for conducting a systematic review of audit findings and results.

USAC does not believe that the facts viewed in their full context support the conclusion that audit findings have not been used effectively by FCC and USAC to assess and modify internal controls used by USAC in administering the Low Income Program. USAC carefully reviewed and analyzed the audit findings after the conclusion of Round 1 of the FCC Office of Inspector General (OIG) USF audit program. The results of the analysis of the 60 FCC OIG USF audit program Round 1 Low Income Program beneficiary audits demonstrated that most of the non-compliant auditee findings were not the result of deficiencies in USAC's internal controls.

While the Low Income Program was not included in Rounds 2 or 3 of the FCC OIG USF audit program, USAC's Internal Audit Division (IAD) has continued to conduct targeted audits of Low Income Program beneficiaries, as it has done since 2003. Beginning in 2011, Low Income Program beneficiaries are scheduled to be included in USAC's new

[2] Grant Thornton found that there was no evidence of review of the quarterly High Cost and Low Income projections. USAC has rectified this by creating a checklist that shows that the projections have been reviewed.

Beneficiary Compliance Audit Program (BCAP). BCAP, developed in conjunction with the FCC, will be the next large scale audit initiative of beneficiaries receiving Low Income Program support. To complement BCAP, USAC also developed in conjunction with the Commission's Office of Managing Director a new Payment Quality Assurance (PQA) program. PQA is designed to review the accuracy of recent USF disbursements. This review identifies improper payments and is completed more expeditiously than the prior FCC OIG USF program audits. In addition, USAC regularly conducts in-depth data validations (IDVs) of ETCs receiving Low Income Program support in which staff obtains and reviews a carrier's underlying documentation to validate support claims submitted on the FCC Form 497.

Since 2006, all audit findings and follow-up actions (such as monetary recovery, admonishment, referral to the Commission, or appeal) are recorded in USAC's internal audit tracking system. USAC provides the Commission with reports on a regular basis so that the Commission is aware of audit findings and the action USAC took in response to the findings. USAC also carefully reviews findings identified in audits and the IDVs to determine common issues related to beneficiary compliance with the Commission's rules. USAC uses this information to target its education and outreach efforts. For example, USAC regularly addresses Low Income Program common audit findings in its monthly *High Cost and Low Income Newsletter*, its quarterly High Cost and Low Income regional training sessions, in webinars, and on USAC's website. In this manner, USAC attempts to make ETCs aware of the common errors and compliance issues that are identified through audits and IDVs and provides best practices and other tips to assist ETCs in avoiding these audit findings. Once the first year of BCAP audits are completed, USAC will conduct an assessment of the audit findings similar to the assessment performed on the FCC OIG USF audit program rounds and will use the data to further target its education and outreach efforts addressing beneficiary compliance.

USAC appreciates the opportunity to submit its response to GAO's draft report on the Low Income Program.

Sincerely,

Karen Majcher
Vice President, High Cost and Low Income Division

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the contact named above, Sally Moino and Robert Owens (Assistant Directors), Joanna Chan, Derrick Collins, Benjamin Gant, Natasha Guerra, Stuart Kaufman, Scott McNulty, Sara Ann Moessbauer, Josh Ormond, Amy Rosewarne, Mindi Weisenbloom, and Jessica Wintfeld made key contributions to this report.

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