

Helping Keep Americans Connected

The USAC Connection High Cost & Low Income monthly newsletter will give you information about upcoming program deadlines, tips to help you ensure timely and proper filings, and other timely information.

High Cost/Low Income Training Session in Dallas

USAC is holding a one-day training event in Dallas for companies that participate in the High Cost and Low Income Programs. The training provides guidance on program rules, audits, and payment calculations. Training will be held **November 19, 2008** in [Dallas, TX](#). While this session is full, you can sign up to be on a waiting list if you still wish to attend. USAC will hold four training sessions in 2009. USAC will post the dates and locations on our website and in the newsletter once they are established.

More details on who should attend, topics covered, training registration, and hotel accommodations can be found at [High Cost Training Events](#) or [Low Income Training Events](#).

High Cost Program

Rural and Non-Rural Certifications Due on or before October 1, 2008

All eligible telecommunications carriers (ETCs) - rural, non-rural, and competitors - are subject to component-specific certification requirements that have a direct impact on those carriers' receipt of High Cost support.

State regulatory commissions typically submit ETC certifications for rural, non-rural, and competitive carriers that are eligible to receive High Cost support for High Cost Loop, High Cost Model, Local Switching Support, Safety Net Additive, or Safety

IMPORTANT DATES AND REMINDERS

October 1—State Commissions must file Rural and Non-Rural Use Certifications with USAC and the FCC. ETCs not subject to state jurisdiction must file directly with USAC and the FCC.

October 1—Rural ILECs serving 50,000 or fewer lines must file LSS projected data for 2009.

Valve Support in the form of a letter to USAC and the FCC. These are **due annually on or before October 1**.

(Continued on page 2)

Low Income Program

Audit Findings Related to the Low Income Program

USAC has identified some common errors made by ETCs in the Low Income Program that auditors have deemed to be audit findings. Over the next few months, we will highlight these common audit findings so that companies can review their practices to ensure they are in compliance with FCC rules.

Common Audit Finding: ETC is not maintaining accurate records

Prior to the 2004 *Lifeline and Link Up Order* ([FCC 04-87](#)), an ETC was required to maintain "accurate records of the revenues it forgoes in providing Lifeline" in a manner determined by USAC. The Order categorized what types of documentation should be retained and how long records should be kept. Below

(Continued on page 3)

High Cost Program

ETCs should work with their state commissions to ensure they are included in the certifications. Failure to timely file October 1 certifications affects ETC support as indicated in the table on the next page.

State Commission Certification Requirements

In order for ETCs within a state to receive High Cost support (including HCL, HCM, LSS, SNA or SVS), the appropriate state public utilities commission must file an annual certification, by October 1 each year, with USAC and the FCC.

The certification must state that all federal High Cost support provided to rural and/or non-rural carriers and competitive ETCs within the state will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. The certification must also reference CC Docket No. 96-45. If a state fails to certify an ETC, that ETC will not be eligible to receive support in the first quarter of the following calendar year.

Components	Certification filed by:	ETC Eligible For Support:
High Cost Loop Safety Net Additive Safety Valve Support Local Switching Support High Cost Model	October 1	January 1 to December 31 of the following calendar year
	January 1	Second, third, and fourth quarters of the same year
	April 1	Third and fourth quarters of the same year
	July 1	Fourth quarter of the same year
	After July 1	No support for the same year

The [Rural Use Certifications](#) page on USAC's website explains certification filings that state commissions make for **rural ETCs** and **competitive ETCs** providing service in the areas of these companies.

The [Non-Rural Use Certifications](#) page on USAC's website explains certification filings that state commissions make for **non-rural ETCs** and **competitive ETCs** providing service in the areas of these companies.

If an ETC is not subject to state jurisdiction, it must file a self-certification directly with USAC and the FCC. See [Filing requirements](#).

Addresses for Filing October 1 Use Certifications and Self-Certifications

Karen Majcher
Vice President, High Cost & Low Income Division
Universal Service Administrative Company
2000 L Street, NW, Suite 200
Washington, DC 20036

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Check if Your Certification was Received by USAC

To see if USAC has received your October 1 Use Certification, visit the [certification checklist](#).

Local Switching Support Projection Filings for Rural ILECs Due on or before October 1, 2008

Rural incumbent local exchange carriers (ILECs) serving 50,000 or fewer lines may submit a projection filing for Local Switching Support (LSS). LSS projections **are due on October 1 each year** for support in the following calendar year.

A "cost company" serving 50,000 lines or fewer must submit the *Local Switching Support Reporting Worksheet for Cost Companies* (Form LSSc) in order to qualify for local switching support. An "average schedule" company must submit the *Local Switching Support Reporting Worksheet for Average Schedule Companies* (Form LSSa) in order to qualify for LSS. The forms can be found on the [High Cost Forms](#) page.

(Continued on page 4)

Low Income Program

is an overview of the types of records that auditors may request.

- Evidence of compliance with state and federal Lifeline rules (retain for **three years**)
 - State orders and rules
 - Tariff pages or price lists related to Lifeline, Link Up or TLS
 - Policies and procedures related to Lifeline, Link Up or TLS administration
 - Enrollment
 - Terminations
 - Certifications
 - Appeals
 - Verifications
 - TLS cost studies
 - Advertising related to Lifeline, Link Up or TLS
 - Applications, brochures, TV, newspaper, radio ads, screenshots, etc. that include accurate eligibility criteria for the time period
 - Data used to populate FCC Form 497
 - Subscriber listings
 - Billing records
 - Customer bills
 - Lifeline resale agreements
 - Call Center scripts related to Lifeline, Link Up and TLS

- Consumer documentation (retain for **as long as the consumer is a Lifeline customer**)
 - Complete self-certifications or applications
 - Signed
 - Accurate eligibility criteria
 - Number of household members if the customer is qualifying based on income
 - Complete verification forms
 - Signed if customers were instructed to complete the forms themselves
 - Documentation from third party administrator or human service office if verification was outsourced
 - List of eligible or ineligible consumers
 - Documentation from any third party administrator that conducts application, certification or verification processes
 - Carriers **SHOULD NOT** retain customers' personal information such as Medicaid cards, EBT (food stamp) cards, tax forms, etc.

USAC CONNECTION is published monthly by the Universal Service Administrative Company, 2000 L Street, NW, Suite 200, Washington, DC 20036 Phone (202) 776-0200 Fax (202) 776-0080

You may download and print copies of USAC Connection on USAC's website. You may [subscribe](#) to or [unsubscribe](#) from this newsletter. For program information, please visit the USAC website at www.usac.org. Feel free to forward this newsletter to any interested parties.

Please do not reply to this email directly, as it was sent from an unattended mailbox.
© 1997-2008, Universal Service Administrative Company, All Rights Reserved.

High Cost Program

LSS filings can be sent:

Via **Mail:** USAC, 444 Hoes Lane, Piscataway, NJ 08854

Via **Fax:** (866) 873-4695

Via **E-Mail:** hcfilings@hcli.universalservice.org

Note: If the National Exchange Carrier Association (NECA) files LSS data on a carrier's behalf, the carrier does not need to file the data directly with USAC.

If you have any questions, call our Customer Service Center at 877-877-4925.

Understanding the Universal Service Fund Audit Process

There are two types of audits that are conducted for recipients of Universal Service Fund (USF) High Cost program support: USAC audits and outsourced audits. USAC audits are conducted and managed by the Universal Service Administrative Company's Internal Audit Division (USAC IAD). Outsourced audits are conducted by external accounting firms, managed by USAC IAD, but are directed by the Federal Communications Commission's Office of Inspector General (FCC OIG).

USAC audits can be random or targeted audits that are requested from USAC management, the FCC, or selected via an IAD risk assessment. These audits are performance audits conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). The audit reports consist of an opinion (e.g., compliant, generally compliant, not compliant) as to the recipient's compliance with FCC rules.

Outsourced audits are randomly selected using a statistical model as required by the Improper Payments Information Act (IPIA). These audits are also conducted in accordance with GAGAS. Unlike USAC audits, outsourced audits are compliance attestation examinations, which means the accounting firms are responsible for performing the procedures necessary for them to render an opinion (e.g., unqualified, qualified, adverse, disclaimer) stating whether management assertions are fairly stated.

For both types of audits, the recipient will receive the opportunity to respond to the findings. USAC management will then prepare a response to determine what corrective action, if any, is required.

For outsourced audits, the FCC OIG determines: the audit type (compliance attestation examination); the schedule; and the number and identity of audits in each program area. These audits are conducted under an aggressive schedule because IPIA results are due to the FCC July 31 each year.

Two types of results data collected from Round 1 of Outsourced Audits

The first type of result data was the rate of compliance to FCC Rules. These are known as assertions. Assertions identify non-compliant companies; distinguish between material and non-material non-compliance; and identify the causes for non-compliance.

The second type of result data was the improper or erroneous payment data for IPIA purposes. Improper payments include both over and under payments. The results data also include material and non-material improper payments reported. The lack of supporting documentation may translate to 100% of the affected disbursement being considered improper. The improper payment rates in the audited population are extrapolated to the population of all USF participants in each program area to arrive at the percentage of improper payments as defined by IPIA.

Next month we will talk about audits and the FCC's record retention guidelines.