



**Federal Communications Commission
Office of the Managing Director
Washington, D.C. 20554**

August 10, 2018

The Honorable Ron Johnson
Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Johnson:

The Federal Communications Commission (FCC or Commission) is writing to you to follow up on the results of the audit by its Office of Inspector General of the FCC's compliance with Improper Payments Elimination and Recovery Improvement Act (IPERIA) reporting requirements for Fiscal Year (FY) 2017.

The Universal Service Fund's Lifeline Program (Lifeline) was determined to be out of compliance with the improper payment reporting requirements for the FY 2017 reporting year. The Inspector General's auditors reported the estimated gross improper payment amount for the Lifeline program to be \$336.39 million per year with an improper payment rate of 21.93%. This improper payment rate exceeded the limit of less than 10 percent of the program's gross outlay as described in the Office of Management and Budget's (OMB) guidance on compliance reporting in Appendix C of OMB Circular A-123. Per the reporting requirements for agencies on non-compliance contained in OMB Circular A-123, below please find information from the FCC on its efforts to bring the agency back into compliance.

1. Measurable milestones to be accomplished in order to achieve compliance for each program or activity;

To better strengthen controls to prevent improper payments within the Lifeline Program, the FCC has taken or is taking the following corrective actions. It is anticipated that these actions will significantly reduce the current improper payment rate.

- To prevent payments for deceased subscribers, the FCC and the Universal Service Administrative Company (USAC) implemented an up front, automated validation check in November 2017 to prevent deceased subscribers from being enrolled in the Lifeline program;
- To prevent payments for phantom subscribers, the FCC and USAC made changes to the calculation of carriers' claims for Lifeline reimbursement in January 2018, so that USAC now calculates claims based on subscribers that have been fully validated by the National Lifeline Accountability Database (NLAD), rather than on carriers' self-validated claims;

- To prevent payments for improperly certified subscribers, the FCC and USAC developed standard forms for the Lifeline program’s certification, re-certification, and one-per-household worksheets. The FCC and USAC took the necessary steps to ensure this corrective action was well underway even before the Inspector General’s report was issued. As a result of this corrective action, beginning July 1, 2018, all service providers are required to use these forms;
 - The FCC and USAC deployed the Lifeline National Eligibility Verifier Database that will confirm subscribers’ eligibility to participate in the Lifeline program and prevent duplicate enrollments. Six states are implemented as part of the National Verifier as of June 18, 2018, with additional states forthcoming;
 - As part of the Lifeline Safeguards Plan and as recommended by the Office of the Inspector General, the FCC and USAC are implementing a sales agent registry to better track the activity of carrier employees using systems to conduct Lifeline transactions; and
 - The USAC Lifeline program integrity team, along with the FCC, instituted new review procedures in alignment with USAC’s Lifeline Safeguards Plan. These procedures include additional risk-based reviews of various data points.
2. *The designation of a senior agency official who shall be accountable for the progress of the agency in coming into compliance for each program or activity; and*

Mark Stephens, Managing Director, has been designated as the accountable official for FCC compliance. The Managing Director oversees the FCC’s operations group, which includes the Chief Financial Officer.

3. *The establishment of an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the senior agency official in leading agency efforts to achieve compliance for each program and activity.*

The FCC is committed to continually improving and strengthening the program integrity of its operations and the programs that it oversees. The Managing Director’s performance plan will be modified to include measures related to strengthening program integrity and assuring compliance with improper payment related laws and guidance.

Please feel free to contact me at 202-418-0817 if you have any questions about this correspondence.

Sincerely,



Mark Stephens
Managing Director