CLAIRE McCASKILL
MISSOURI

717 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-6154
FAX: (202) 228-6326
http://mccaskill.senate.gov

# United States Senate

WASHINGTON, DC 20510

COMMITTEES:
ARMED SERVICES
COMMERCE, SCIENCE AND TRANSPORTATION
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
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December 9, 2011

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street, S.W., Room 8-B201
Washington, D.C., 20554

Dear Chairman Genachowski,

I write to bring to your attention to serious concerns I have with the Lifeline program, which the Federal Communications Commission (FCC) oversees. I am aware that the FCC has begun to scrutinize the Lifeline program closely and will soon be issuing a rule to increase controls on the program. However, I remain troubled by the expansive potential for the program to be abused, especially since Americans contribute to the program through their monthly phone bills.

I urge you to give the Lifeline program your personal attention to ensure all possible actions are being undertaken by the FCC to prevent it from becoming a prominent source of fraud, waste and abuse. In the days ahead, I will also be exploring a range of options to increase oversight of the program, including launching a new Congressional investigation, seeking a Government Accountability Office review and pursuing expanded reviews by the FCC Inspector General. I would like to work with you on these options so that we can address the problems that Lifeline faces.

As you know, Lifeline is a program under the Universal Service Fund that has traditionally provided discounts for wireline phones to qualified, low-income customers. In 2008, Lifeline was expanded to provide prepaid wireless phones and discounts for wireless phone services. Since the expansion of Lifeline to the provision of wireless services in 2008, there has been a substantial increase in disbursements from the Universal Service Fund (USF). Startlingly, the annual level of disbursements on the program has increased from $800 million in 2008 to approximately $1.3 billion in 2010 and is expected to exceed $1.5 billion in 2011. In my home state of Missouri, the disbursements have more than doubled from $8.05 million in 2008 to $17.1 million in 2011. I recognize that the poor economy has likely resulted in more people using the program, resulting in some of the increase in disbursements. However, these two factors may not alone account for a near doubling of the expenditures in the program in just three years.

The FCC and individual states designate private telephone carrier companies to administer and enroll individuals in Lifeline. The private carriers are responsible for verifying the eligibility of any individual seeking to participate in Lifeline. However, the current requirements to determine eligibility often do not require customer documentation for participation in Lifeline, which may result in individuals receiving phones who should not be. In particular, once users receive cell phones, there is little ability to control what is done with the phones. A user can potentially sell or trade the phone in a barter transaction, putting the Lifeline phones into the hands of those for

555 INDEPENDENCE
ROOM 1600
CAPE GIRARDEAU, MO 63703
(573) 651-0964
FAX: (573) 334-4278

915 EAST ASH STREET
COLUMBIA, MO 65201
(573) 442-7130
FAX: (573) 442-7140

4141 PENNSYLVANIA AVENUE
SUITE 101
KANSAS CITY, MO 64111
(816) 421-1639
FAX: (816) 421-2562

5850 DELMAR BOULEVARD
SUITE A
ST. LOUIS, MO 63112
(314) 367-1364
FAX: (314) 361-8649

324 PARK CENTRAL WEST
SUITE 101
SPRINGFIELD, MO 65806
(417) 868-8745
FAX: (417) 831-1349

whom they are not intended. This leaves the intended recipient in the same scenario they were before they received a phone, thereby completely undercutting the intent of the Lifeline program. This scenario is troubling. It is among the key reasons why the Lifeline program demands scrutiny, along with intense controls, in order to prevent fraud, waste and abuse.

As you likely know, on October 28, 2010, the Government Accountability Office (GAO) issued a report on the status of the low-income phone provision programs overseen by the FCC and funded by the USF. The report stated that the FCC has limited insight on the intent of the programs, does not have proper goals and performance measures and has not taken steps to address the eligibility problems that are occurring. This report underscores the concerns I am raising with Lifeline and the state of the FCC's controls on it.

I know that the FCC issued a Notice of Proposed Rulemaking (NPRM) in February, 2011, regarding the Lifeline program in an effort to prevent abuse and improve the program's performance measures. The proposed rule would require better documentation for eligibility in the program, increased controls to ensure households receive only one phone, and the establishment of a national database to better track customers. A final order is due in the near future.

I am pleased that the FCC is moving forward with the proposed rule. However, I fear that the pending Order does not fully address the scope of fraud, waste and abuse that may be occurring in Lifeline. I request that the FCC provide the following information to me so that I can further explore the nature of the challenges facing Lifeline:

- The growth in the number of carriers participating in Lifeline since the wireless expansion;
- The amount of duplication and the number of ineligible customers the FCC has discovered in the last three years;
- The number and scope of audits that have been conducted by the FCC since the wireless expansion and details of the audit findings;
- The internal processes that the FCC has implemented to administer Lifeline and prevent fraud, waste and abuse in the program.

As I consider options to expand oversight of the Lifeline program and to determine if changes to the program are required, I look forward to working with you to ensure this program is not subject to expansive fraud, waste and abuse.

Sincerely,

Claire McCaskill
United States Senator