

GAO Highlights

Highlights of [GAO-17-805T](#), a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Created in the mid-1980s, FCC's Lifeline program provides discounts to eligible low-income households for home or wireless telephone and, as of December 2016, broadband service. Lifeline reimburses telephone companies that offer discounts through the USF, which in turn is generally supported by consumers by means of a fee charged on their telephone bills.

This testimony is based on GAO's May 2017 report and discusses steps FCC has taken to measure Lifeline's performance in meeting goals; steps FCC and USAC have taken to enhance controls over finances, subscribers, and providers; and any weaknesses that might remain.

For the May 2017 report, GAO analyzed documents and interviewed officials from FCC and USAC. GAO also analyzed subscriber data from 2014 and performed undercover tests to identify potential improper payment vulnerabilities. The results of this analysis and testing are illustrative, not generalizable.

What GAO Recommends

In its May 2017 report, GAO made seven recommendations, including that FCC ensure plans to transfer the USF from the private bank to the Treasury are finalized and implemented expeditiously. FCC generally agreed with all the recommendations.

View [GAO-17-805T](#). For more information, contact Seto Bagdoyan at (202) 512-6722 or bagdoyans@gao.gov.

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TELECOMMUNICATIONS

Additional Action Needed to Mitigate Significant Risks in FCC's Lifeline Program

What GAO Found

In its May 2017 report GAO found the Federal Communications Commission (FCC) has not evaluated the Lifeline program's (Lifeline) performance in meeting its goals of increasing telephone and broadband subscribership among low-income households by providing financial support, but it has recently taken steps to begin to do so. FCC does not know how many of the 12.3 million households receiving Lifeline as of December 2016 also have non-Lifeline phone service, or whether participants are using Lifeline as a secondary phone service. FCC revamped Lifeline in March 2016 to focus on broadband adoption; however, broadband adoption rates have steadily increased for the low-income population absent a Lifeline subsidy for broadband. Without an evaluation, which GAO recommended in March 2015, FCC is limited in its ability to demonstrate whether Lifeline is efficiently and effectively meeting its program goals. In a March 2016 Order, FCC announced plans for an independent third party to evaluate Lifeline design, function, and administration by December 2020.

FCC and the Universal Service Administrative Company (USAC)—the not-for-profit organization that administers the Lifeline program—have taken some steps to enhance controls over finances and subscriber enrollment. For example, FCC and USAC established some financial and management controls regarding billing, collection, and disbursement of funds for Lifeline. To enhance the program's ability to detect and prevent ineligible subscribers from enrolling, FCC oversaw completion in 2014 of an enrollment database and, in June 2015, FCC adopted a rule requiring Lifeline providers to retain eligibility documentation used to qualify consumers for Lifeline support to improve the auditability and enforcement of FCC rules.

Nevertheless, in its May 2017 report, GAO found weaknesses in several areas. For example, Lifeline's structure relies on over 2,000 Eligible Telecommunication Carriers that are Lifeline providers to implement key program functions, such as verifying subscriber eligibility. This complex internal control environment is susceptible to risk of fraud, waste, and abuse as companies may have financial incentives to enroll as many customers as possible. On the basis of its matching of subscriber to benefit data, GAO was unable to confirm whether about 1.2 million individuals of the 3.5 million it reviewed, or 36 percent, participated in a qualifying benefit program, such as Medicaid, as stated on their Lifeline enrollment application. FCC's 2016 Order calls for the creation of a third-party national eligibility verifier by the end of 2019 to determine subscriber eligibility. Further, FCC maintains the Universal Service Fund (USF)—with net assets of \$9 billion, as of September 2016—outside the Department of the Treasury in a private bank account. In 2005, GAO recommended that FCC reconsider this arrangement given that the USF consists of federal funds. In addition to addressing any risks associated with having the funds outside the Treasury, FCC identified potential benefits of moving the funds. For example, by having the funds in the Treasury, USAC would have better tools for fiscal management of the funds. In March 2017, FCC developed a preliminary plan to move the USF to the Treasury. Until FCC finalizes and implements its plan and actually moves the USF funds, the risks that FCC identified will persist and the benefits of having the funds in the Treasury will not be realized.