



**COMMONWEALTH OF MASSACHUSETTS**  
**DEPARTMENT OF TELECOMMUNICATIONS AND CABLE**

D.T.C. 09-9

February 9, 2010

TracFone Wireless, Inc., Annual Verification of SafeLink Wireless Lifeline Subscribers

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**FIRST SET OF INFORMATION REQUESTS OF THE DEPARTMENT OF  
TELECOMMUNICATIONS AND CABLE TO TRACFONE WIRELESS, INC.**

Pursuant to 220 C.M.R. § 1.06(6)(c), the Department of Telecommunications and Cable (“Department”) submits to TracFone Wireless, Inc. (“TracFone”) the following information requests:

Instructions

1. Each request should be answered in writing on a separate page with a recitation of the request, a reference to the request number, the docket number of the case, and the name of the person responsible for the answer.
2. This request should be treated as a rolling information request. Do not wait for all answers to be completed before supplying answers. Provide each answer to the Department as soon as it is available.

3. These requests shall be deemed continuing so as to require further supplemental responses if TracFone or its witness receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
4. The term “provide complete and detailed documentation” means:  
  
Provide all data, assumptions, and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports, and planning documents from which data, estimates, or assumptions were drawn and support for how the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting workpapers.
5. The term “document” is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, press releases, handwritten and/or typed notes, records, reports, bills, checks, articles from journals and/or other sources, e-mails, SMS text messages, blog postings, RSS feeds, web pages, social media postings such as Facebook and Twitter, and/or other data compilations from which information can be obtained and all copies of such documents that bear notations or other markings that differentiate such copies from the original.
6. If any one of these requests is ambiguous, notify the Department so that the request may be clarified prior to the preparation of a written response.
7. File an original and three copies of the responses with Catrice C. Williams, Secretary of the Department not later than the close of business on February 23, 2010.

### Requests

- D.T.C. 1-1 TracFone provided results for annual verification audits for 14 states, however, as of the third quarter of 2009 TracFone was certified as an ETC in 4 additional non-federal default states: Illinois, Ohio, Texas, and Wisconsin, as well as 2 federal default states: Delaware and New Hampshire.
- A. In which of these states has TracFone begun providing service?
  - B. For those 4 additional non-federal default states, if TracFone has not yet begun providing service, what certification or verification procedures will be used in each state?

- C. Has TracFone received ETC certification in any additional states? If so, indicate whether those states are federal default states. For all non-federal default states, indicate what certification or verification procedures will be used in those states.
- D.T.C. 1-2 TracFone provided results for annual verification audit statistics for 14 states.
- A. For each of those 14 states, provide a detailed summary of the audit conducted in that state. Include versions of the documents provided in Attachment 3 of the instant audit, including the individual breakdown of subscriber responses.
  - B. Has TracFone conducted an audit in any additional states since filing the instant audit? If so, provide the results of those audits and a detailed summary of those audits, as requested above in part A of this request.
  - C. For states in which TracFone has conducted an audit, for how many of these states was it the first annual audit?
  - D. If it was not the first annual audit for any of the states, provide the audit results from the previous years. Also, for any previous audits, what was the percentage of customers found ineligible compared to the total number of surveyed? If any of those audits resulted in a “P” value (previously estimated proportion of SafeLink Lifeline customers inappropriately taking SafeLink Lifeline service) higher than 0.06 (the maximum “P” value as defined by the FCC), how were the audits implemented in the following years?
  - E. For states for which TracFone has conducted only one audit, what is TracFone’s anticipated sample size for the following year, based on its results? Explain how TracFone calculated the anticipated sample size and provide citations to any relevant authority.
  - F. For states where TracFone offers SafeLink Lifeline service and where an annual verification audit has been done, have any states opened proceedings or investigations?
- D.T.C. 1-3 Provide a list of all states in which TracFone:
- A. Currently offers SafeLink Lifeline service.
  - B. Has been designated an ETC. Provide the docket number for the relevant proceeding.
  - C. Is presently seeking ETC designation. Provide the docket number for the relevant proceeding.

- D. Has been denied ETC designation. Specify the reasons for denial and provide the docket number for the relevant proceeding.
  - E. Has withdrawn a petition for ETC designation. Specify the reasons for withdrawal and provide the docket number for the relevant proceeding.
  - F. Has had its ETC designation rescinded or revoked. Specify the reasons for the rescission or revocation and provide the docket number for the relevant proceeding.
  - G. Has requested a stay in an ETC designation proceeding. Specify the reasons for the requests and indicate whether that stay has been granted or denied, as well as the reasons for that decision and provide the docket number for the relevant proceeding.
- D.T.C. 1-4 What is TracFone’s current certification and verification procedure in federal default states? Are the procedures uniform across all federal default states?
- D.T.C. 1-5 For each non-federal default state where SafeLink Lifeline is presently offered:
- A. What is the certification procedure?
  - B. What is the annual verification procedure?
- D.T.C. 1-6 On September 8, 2005, the FCC released an order, conditionally granting TracFone’s petition that the FCC forbear from the requirement that a carrier designated as an ETC must provide services, at least in part, over its own facilities. The FCC stated “[s]pecifically, as a further condition of this grant of forbearance and in addition to all other required certifications under the program, we require that TracFone require its Lifeline customers to self-certify under penalty of perjury upon service activation and then annually thereafter that they are the head of household and only receive Lifeline-supported service from TracFone.” 20 F.C.C.R. 15095, 15103 (Sept. 8, 2005) (“Forbearance Order”). Also in that order, the FCC ordered TracFone to file a plan outlining the measures that TracFone would take to implement the conditions of that order.
- A. Provide the sections of that plan, as submitted to the FCC at that time, that relate to either the service activation certification or annual verification.
  - B. Provide documentation of any subsequent changes to that plan, and citations to any relevant authority for those changes.
  - C. Explain how the conditions required by the Forbearance Order apply to TracFone’s provision of SafeLink Lifeline service in Massachusetts and specify

what conditions are applicable to Massachusetts. Provide citations to any relevant authority.

- D. Does TracFone interpret the conditions in the Forbearance Order relating to the forbearance from the facilities requirement as binding upon regulatory authorities in Massachusetts? Explain in detail.
  - E. Absent the Forbearance Order from the FCC regarding the facilities requirement, would state commissions have had the authority to designate TracFone as an ETC? Provide citations to any relevant authority.
- D.T.C. 1-7 On April 27, 2009, TracFone filed a petition with the FCC, seeking to modify the condition of the FCC's grant of forbearance from the facilities requirement of verification via annual self certification by their SafeLink Lifeline customers. In that petition, TracFone sought instead to perform annual verifications on a statistically valid sample of those customers. What impact, if any, would a decision on that petition have upon the procedures that TracFone uses in Massachusetts? Provide citations to any relevant authority.
- D.T.C. 1-8 How many SafeLink Lifeline customers did TracFone have in Massachusetts as of 12/31/2009? How many SafeLink Lifeline customers does TracFone have in Massachusetts as of the date of the response to this question?
- D.T.C. 1-9 Regarding the results of the Massachusetts audit, how does TracFone characterize the customers who did not respond? Explain TracFone's basis for this position and provide citations to any relevant authority.
- D.T.C. 1-10 Under the FCC's audit guidelines, based upon this year's audit results for Massachusetts:
- A. What percentage of customers are improperly receiving service in Massachusetts? Explain the basis for this calculation.
  - B. How large would the sample size be for next year's audit? Provide citations to any authority as well as any calculations used to determine projected sample size.
- D.T.C. 1-11 Based on the results of TracFone's audit:
- A. What percentage of customers were deemed ineligible? Provide citations to any relevant authority as well as any calculations used to determine this percentage.
  - B. If this percentage was applied to TracFone's entire Massachusetts customer base, as of the date of the audit, how many of the customers would be deemed ineligible? Provide any calculations used to reach this figure.

- C. If this percentage was applied to TracFone’s entire Massachusetts customer base as of 12/31/2009, how many of the customers would be deemed ineligible? Provide any calculations used to reach this figure.
  - D. If this percentage was applied to TracFone’s entire Massachusetts customer base as of the date of this response, how many of the customers would be deemed ineligible? Provide any calculations used to reach this figure.
  - E. Does TracFone believe that an audit of a statistically valid sample of customers is still an effective means of identifying ineligible customers and preventing fraud? Explain in detail.
  - F. Explain whether TracFone has any concerns about these results and the eligibility of its customers for SafeLink Lifeline service.
- D.T.C. 1-12 Provide an estimate of the total SafeLink Lifeline USAC reimbursements TracFone received for its Massachusetts customers for each month during the calendar year 2009.
- D.T.C. 1-13 Applying the percentage of customers deemed ineligible according to the audit to the total USAC reimbursements received in 2009, how much of these funds would be associated with ineligible customers? Provide any calculations used to reach this figure.
- D.T.C. 1-14 In Attachment 1 of the audit, TracFone breaks the customers in the sample into 3 groups: 22 as verified, 20 as not verified, and 1 as ineligible. Attachment 1 defines “not verified” as meaning “those subscribers in the sample who TracFone attempted to contact, but did not respond to TracFone’s request for documentation.” Attachment 3, however, lists 22 customers as verified, 1 as having the wrong documentation, 5 as de-enroll (defined as proof sent by customer being invalid), and 15 as no documentation. Explain the discrepancies in these two Attachments.
- D.T.C. 1-15 In the materials provided in Attachment 3 to the audit, the table titled “Random Sample Summary” lists 22 customers as verified, 1 as having the wrong documentation, 5 as de-enroll (defined as proof sent by customer being invalid), and 15 as no documentation. A second chart, which breaks the results down by individual customer indicates that:
- D.T.C. 1-16 Of the 5 “de-enrolls”, 2 were based on customer request. Explain what is meant by “customer request” in regards to these two individuals, and provide any other information TracFone has regarding those customers or their eligibility.

- D.T.C. 1-17 Of the 5 “de-enrolls”, 3 were labeled “fraud.” Explain specifically what was meant by “fraud” regarding these three customers, and provide any additional information TracFone has regarding these customers, their eligibility, or their fraudulent subscription to the service.
- D.T.C. 1-18 Of the “no docs received” category, one customer indicated that s/he had SafeLink Lifeline service at home already, and cancelled the service. Explain why this customer was characterized as “no docs received” and should not instead have been labeled “de-enroll” or “fraud” or “ineligible”.
- D.T.C. 1-19 Explain the difference between the customer listed as having the wrong documentation and those that sent in invalid proof (who were labeled de-enroll), for the purposes of this audit.
- D.T.C. 1-20 In Attachment 4 to the audit documents, TracFone provided the customer verification forms as submitted by the customers verified as eligible. Customers were required to submit documentation proving that they participate in any one of six programs which render them eligible for SafeLink Lifeline service. The audit documents did not include this proof of program documentation for any of the verified customers. Explain this omission and provide complete documentation of each verified customer.
- D.T.C. 1-21 In TracFone’s opinion, what is the reason for the high percentage of ineligible customers in the current audit results?
- D.T.C. 1-22 In TracFone’s opinion, what can be done to improve the audit results?
- D.T.C. 1-23 Does TracFone do any internal audits or tracking of customer/applicant eligibility? Provide copies of any such audits or tracking reports.
- D.T.C. 1-24 On page 3 of Attachment 5, TracFone indicates that the certification procedures outlined in that document do not contain the processes for “fraud/loss prevention” which are documented in other policies. Provide documentation of any internal policies used to prevent or detect fraud or loss.
- D.T.C. 1-25 Regarding TracFone audits or screening of applicants for eligibility:
- A. Describe the staff and resources allocated to audit or screen applicants for eligibility.
  - B. Specify whether the staff performing these functions for TracFone SafeLink Lifeline service in Massachusetts is dedicated solely to performing that function in Massachusetts, or if they perform that function for any other, or all other states where the service is offered.

- C. How many staff does TracFone use to audit or screen applicants? What are the job titles of these employees? Do these staff have any other responsibilities at TracFone other than eligibility verification, and if so, what are these responsibilities? What percentage of their time is spent on verifying SafeLink Lifeline applicant/customer eligibility?
  - D. In light of the results, does TracFone believe that this is adequate or that additional resources should be allocated to improve the eligibility verification process?
- D.T.C. 1-26 Has TracFone either made or contemplated making any changes to its certification or verification procedures in light of the results of this audit? If not, explain why not.
- D.T.C. 1-27 If any changes have been made in response to question 22 above relating to TracFone's certification or verification procedures, what are the changes and when were they implemented? If not, explain why not.
- D.T.C. 1-28 Of the 43 customers in the audit sample:
- A. For how many did TracFone terminate service?
  - B. What categories of customers, per the chart in Attachment 3 that detailed audit results by customer, were terminated?
  - C. Provide a timeline for terminations as a result of the audit, including the date of each contact or attempted contact, as well as the date that any documents proving ineligibility were received.
  - D. Explain how TracFone calculates the amount billed to USAC for these terminated customers, as it relates to the events in the timeline requested above in part C of this request. Specify the date that such customers were removed from the customer counts for the purposes of billing USAC.
- D.T.C. 1-29 For customers determined to have not been eligible for SafeLink Lifeline service during any point while they received SafeLink Lifeline service, does TracFone reimburse USAC for any funds received by TracFone for these ineligible customers? Describe how such reimbursements, if any, are calculated.
- D.T.C. 1-30 On page 24 of Attachment 5, TracFone states that "TracFone will not bill USAC for customers who reach the two month OTA pending and have no minutes of usage threshold." Does this mean that TracFone does not bill USAC for the two months of non-usage prior to termination? Explain.

- D.T.C. 1-31 Describe how TracFone handles customers who are de-enrolled for non-usage who seek to reactivate their service. Specify how TracFone bills USAC for these customers.
- D.T.C. 1-32 TracFone states on page 5 of Attachment 5 that the process for reimbursement by USAC is described in a separate accounting policy. Provide complete documentation of that policy.
- D.T.C. 1-33 For each state in which TracFone offers SafeLink Lifeline service:
- A. Indicate how many minutes are provided to customers per month at no cost to the customer. Are these minutes subject to expiration? If so, provide details.
  - B. Indicate the price at which SafeLink Lifeline customers may purchase minutes additional to those provided at no cost. Are these minutes subject to expiration? If so, provide details.
- D.T.C. 1-34 TracFone was required to obtain certification of its compliance with E911 obligations from the PSAPs in Massachusetts, and did receive such certification from the State 911 Department. The letter from the State 911 Department accompanying the certification, dated November 18, 2008, stated that Massachusetts did not at that time “have a mechanism in place to collect surcharge funds from prepaid wireless services” but indicated that regulations would be promulgated in 2009 enabling the State 911 Department to collect those surcharges. The letter stated that TracFone would “be subject to any and all applicable prepaid wireless E911 surcharges when such regulations go into effect.” Indicate whether TracFone is currently paying these surcharges, and, if not, why not. Provide citation to any relevant authority.
- D.T.C. 1-35 TracFone currently has an obligation to file quarterly reports on its SafeLink Lifeline service in Florida.
- A. Are there any other states in which TracFone has this obligation?
  - B. Is this obligation a part of the certification or verification processes? Provide complete documentation of these processes.
- D.T.C. 1-36 Has TracFone received any communication from USAC in regards to the results of its audits in any state where TracFone has performed an audit of its SafeLink Lifeline service? Describe any such communications. If any such communication is in written form, provide a copy of the communication.
- D.T.C. 1-37 In Massachusetts, TracFone provides 80 free minutes per month to SafeLink Lifeline subscribers. Provide the basis for setting the level of minutes provided at

this level. Include all figures and calculations used in setting this quantity of minutes per month.

- D.T.C. 1-38 TracFone's ETC status in Ohio is conditioned upon contribution to the state 911 fund.
- A. Does TracFone presently contribute to that fund in Ohio? Specify the contributions made and how they are calculated.
  - B. Do any other states in which TracFone is designated as an ETC make this same or any similar requirement?
  - C. Have any other states indicated that contribution to the state 911 fund would be a condition of ETC designation for TracFone?
  - D. Does TracFone contribute to the 911 funds in any other states?