

# **TAG MOBILE, LLC**

Independent Accountant's Report

## **CALIFORNIA LIFELINE PROGRAM**

*July 1, 2015, through June 30, 2016*



**BETTY T. YEE**  
California State Controller

December 2019



**BETTY T. YEE**  
California State Controller

December 16, 2019

Z. Ed Lateef, Founder  
TAG Mobile, LLC  
1330 Capital Parkway  
Carrollton, TX 75006

Dear Mr. Lateef:

The State Controller's Office has completed an examination of TAG Mobile, LLC's (TAG Mobile) compliance with the rules, regulations, and requirements of the California LifeLine Program (California LifeLine) solely related to California LifeLine costs and activities for the period of July 1, 2015, through June 30, 2016. Our examination included reviewing the reimbursement claims that TAG Mobile filed with the California Public Utilities Commission (CPUC) to verify that it complied with all applicable CPUC and federal laws and regulations, including, but not limited to, General Order (GO) 153.

We identified material noncompliance with the rules, regulations, and requirements of California LifeLine, including GO 153, applicable to TAG Mobile during the period of July 1, 2015, through June 30, 2016. TAG Mobile did not comply with GO 153 and other applicable requirements to support and justify costs recovered from the California LifeLine Fund (Fund) during the examination period and retain all records related to California LifeLine claims for a period of five years after submitting its claims. TAG Mobile was out of compliance with requirements because it did not provide requested subscriber data supporting material amounts of the costs it claimed from the Fund during the examination period. In addition, we found that TAG Mobile's reimbursement claims contained errors relating to the weighted average number of subscribers. Therefore, TAG Mobile's reimbursement claims contained misstatements that are material, but not pervasive. We also identified two internal control deficiencies that we considered to be significant deficiencies in internal control.

Our report also includes additional information as requested by the CPUC.

If you have any questions, please contact Jim Venneman, Audit Manager, Compliance Audits Bureau, by telephone at (916) 322-9887.

Sincerely,

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

JLS/as

cc: Jonathan Lakritz, California LifeLine Manager  
California Public Utilities Commission

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## BETTY T. YEE California State Controller

### INDEPENDENT ACCOUNTANT'S REPORT

Z. Ed Lateef, Founder  
TAG Mobile, LLC  
1330 Capital Parkway  
Carrollton, TX 75006

The State Controller's Office has examined TAG Mobile, LLC's (TAG Mobile) compliance with the rules, regulations, and requirements of the California LifeLine Program (California LifeLine) solely related to California LifeLine costs and activities for the period of July 1, 2015, through June 30, 2016. Our examination included reviewing the reimbursement claims that TAG Mobile filed with the California Public Utilities Commission (CPUC) to verify that it complied with all applicable CPUC and federal laws and regulations, including, but not limited to, General Order (GO) 153. Management of TAG Mobile is responsible for TAG Mobile's compliance with the specified requirements. Our responsibility is to express an opinion on TAG Mobile's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether TAG Mobile complied with the rules, regulations, and requirements of California LifeLine. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on TAG Mobile's compliance with specified requirements.

Our examination disclosed the following material noncompliance with the rules, regulations, and requirements of California LifeLine, including, but not limited to, GO 153, applicable to TAG Mobile during the period of July 1, 2015, through June 30, 2016. TAG Mobile did not comply with GO 153 and other applicable requirements to support and justify costs recovered from the California LifeLine Fund (Fund) during the examination period or retain all records related to California LifeLine claims for a period of five years after submitting its claims. TAG Mobile was out of compliance with requirements because it did not provide requested subscriber data supporting all costs it claimed from the Fund during the examination period. In addition, we found that TAG Mobile's reimbursement claims contained errors relating to the weighted average number of subscribers. Therefore, TAG Mobile's reimbursement claims contained misstatements that are material, but not pervasive. These issues are described more fully in Findings 1 and 4.

In our opinion, except for the material noncompliance described in the preceding paragraph, TAG Mobile complied in all material respects with the aforementioned requirements for the period of July 1, 2015, through June 30, 2016.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on TAG Mobile's compliance with the rules, regulations, and requirements of California LifeLine; any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether TAG Mobile complied with the rules, regulations, and requirements of California LifeLine related to California LifeLine costs and activities for the period of July 1, 2015, through June 30, 2016, and not for the purpose of expressing an opinion on the internal control over compliance with the rules, regulations, and requirements of California LifeLine or on compliance and other matters; accordingly we express no such opinion. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*; those findings are described in Findings 2 and 3.

This report is intended solely for the information and use of TAG Mobile, the CPUC, and the SCO, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

Sacramento, California

December 16, 2019

# Executive Summary

The California Public Utilities Commission (CPUC) contracted with the State Controller's Office (SCO) to conduct an examination of TAG Mobile, LLC's (TAG Mobile) compliance with the rules, regulations, and requirements of the California LifeLine Program (California LifeLine) solely related to California LifeLine costs and activities for the period of July 1, 2015, through June 30, 2016. Our examination included reviewing the reimbursement claims that TAG Mobile filed with the CPUC to verify that it complied with all applicable CPUC and federal laws and regulations, including, but not limited to, General Order (GO) 153. We based our examination on 17 specific objectives identified by the CPUC, which we describe in the Examination Purpose, Scope, and Objectives section of this report.

During our examination, we identified four instances where TAG Mobile did not comply with GO 153 and other applicable requirements to support and justify costs recovered from the California LifeLine Fund (Fund) during the examination period. The noncompliance relates to Examination Objectives 5, 6, and 16. We also identified two internal control deficiencies that we considered to be significant deficiencies in internal control.

The following is a summary of our findings:

- TAG Mobile improperly claimed reimbursements totaling \$247,344 during the examination period for the monthly Specific Support Amounts (SSA) applicable to pre-paid telephone service provided to California LifeLine subscribers. The reimbursements are unallowable because TAG Mobile:
  - Claimed reimbursements totaling \$14,320 for costs incurred before the later of a subscriber's approval notification date or the date on which the subscriber activated service by making a first call. We found subscribers appearing in the Weighted Average Reports (WAR) system based on their final approval date for service, although their first call occurred on a later date. These subscribers were ineligible to receive the California LifeLine discount during this period (Objective 6);
  - Claimed reimbursements totaling \$363 for costs incurred for subscribers that it did not support with subscriber database information (Objective 6);
  - Claimed reimbursements totaling \$232,642 for subscribers who remained in the WAR system after 90 consecutive days of service inactivity. These subscribers were no longer eligible to receive the California LifeLine discount (Objective 16);
- Due to the instances of over-claimed California LifeLine support identified during our examination, accumulated interest of \$14,810 is also due to the Fund from the date that payments were made to the examination report date (Objective 4);

- TAG Mobile did not consistently follow through with the California LifeLine Administrator (CLA) to ensure its compliance with GO 153 sections 5.17 through 5.19 to detect and prevent multiple California LifeLine subscribers in the same economic unit (household) (Objective 2). Multiple subscribers to the California LifeLine Program within the same economic unit (household) may have caused an overstatement of weighted averages and reimbursements received by TAG Mobile from the Fund during the examination period; and
- TAG Mobile did not consistently follow through with the CLA to ensure compliance with Title 47, U.S. Code of Federal Regulations (CFR), section 54.405(e)(3). This regulation requires wireless carriers to notify subscribers after detecting 60 consecutive days of non-usage. If subscribers fail to use California LifeLine services during the 30-day notification period, the carrier is required to remove the inactive subscriber from California LifeLine (Objective 3). TAG Mobile's failure to remove inactive subscribers from California LifeLine allowed them to remain in the CLA's WAR system. This may have caused an overstatement of weighted averages and reimbursements received by TAG Mobile from the Fund during the examination period.

We determined that TAG Mobile complied with Examination Objectives 1, 5, 7, 8, 11, and 12. We also determined that Examination Objectives 9, 10, 13, 14, 15, and 17 did not apply to TAG Mobile during the examination period.

## **Background**

### California LifeLine Program

California LifeLine is a state program, established by the CPUC, that provides discounted home telephone and cellular telephone services to eligible households. The discounted services help consumers reduce the costs associated with their telephones. Only one discount per household is allowable (except for teletypewriter users and for the Deaf and Disabled Telecommunications California LifeLine subscribers). Each household must choose whether to receive the discount on a traditional landline telephone or a cellular telephone; households may not receive discounts on both. The CPUC contracts with the CLA (a third-party administrator) to determine eligibility of potential beneficiaries of wireless free-telephone services.

GO 153 provides rules and procedures for the administration and implementation of California LifeLine, which is intended to provide low-income households with access to affordable basic telephone service. The order applies to both wireline and wireless telephone service providers. A contractual agreement between the CPUC and the SCO authorizes the SCO to conduct examinations of wireless carriers selected by the CPUC for their participation in California LifeLine.

Service providers apply the discount to their eligible customers and submit reimbursement claims to the CPUC. Service providers are responsible for supporting and justifying all costs and lost revenues that they seek to recover from the Fund. A wireless carrier may recover from the Fund the



reasonable costs that it incurs to provide California LifeLine to the extent that such costs are:

- Directly attributable to California LifeLine;
- Not otherwise incurred in the absence of California LifeLine;
- Not recovered from other sources, such as the rates and charges paid by California LifeLine subscribers, the utility's general rates, or subsidies from the Federal LifeLine Program (Federal LifeLine); and
- Specified in GO 153 sections 9.3 and 9.4.

The CLA receives and processes customer applications for California LifeLine services and determines applicants' eligibility. The CLA also performs recertification services. Conduent is the CLA contracted by the CPUC, and was also contracted during the examination period.

#### TAG Mobile, LLC

TAG Mobile's main office is located in Carrollton, Texas. The company operated its wireless system in 20 states, using the underlying networks of Sprint, T-Mobile, and Verizon Wireless. The CPUC approved TAG Mobile as a reseller of commercial mobile radio telephone service in California in June 2011, and approved the company's entry into California LifeLine in June 2014. The CPUC subsequently approved three different wireless plans that the company offered to customers under California LifeLine.

We conducted an entrance conference on December 12, 2017, at TAG Mobile headquarters in Carrollton, Texas. TAG Mobile representatives included its Chief Executive Officer, Vice President of Finance, Information Technology Manager, Project Manager, and Regulatory and Compliance Manager.

During the period of July 1, 2015, through June 30, 2016, TAG Mobile claimed reimbursement for a subscriber base ranging from 62,489 subscribers in July 2015 to 96,792 subscribers in September 2015. TAG Mobile ended the period with 59,939 subscribers in June 2016. TAG Mobile submitted claims totaling \$14,394,126 and received the same amount in reimbursements from the Fund.

## **Examination Purpose, Scope, and Objectives**

#### Purpose and Scope

The purpose of our examination was to provide reasonable assurance that TAG Mobile complied with the rules, regulations, and requirements of California LifeLine solely related to California LifeLine costs and activities for the period of July 1, 2015, through June 30, 2016. Our examination included reviewing the reimbursement claims that TAG Mobile filed with the CPUC, to verify that it complied with all applicable CPUC and federal laws and regulations, including GO 153.

### Objectives

Our examination included the following 17 objectives:

1. Determine whether TAG Mobile included in its claims only those subscribers who were approved by the CLA as meeting the eligibility criteria for obtaining and retaining California LifeLine benefits.
2. Determine whether TAG Mobile had effective monitoring controls in place to identify obvious instances of incorrectly claiming reimbursement for costs of providing the California LifeLine discount to more than one economic household at the same address.
3. Identify and document the internal control processes used by TAG Mobile to ensure timely compliance with California LifeLine requirements for disconnecting inactive accounts and subscribers.
4. If the examination reveals overclaimed amounts of California LifeLine support from the Fund, then describe each occurrence, state the overclaimed amount, and calculate interest from the date of payment to the issuance date of the final examination report.
5. Determine the fiscal effect of TAG Mobile incorrectly claiming reimbursement of \$39 from the Fund for connection or conversion charges of California LifeLine subscribers who failed to qualify for, or were removed from, California LifeLine.
6. Determine the fiscal effect of TAG Mobile incorrectly claiming reimbursement for the discount applicable to the pre-paid telephone service discount before the later of approval notification or the date on which California LifeLine service was activated.
7. Determine whether TAG Mobile correctly claimed reimbursement for providing California LifeLine discount on recurring charges.
8. Determine whether TAG Mobile correctly claimed reimbursement of \$39 per subscriber for providing California LifeLine discount on connection and activation charges.
9. Determine whether TAG Mobile incorrectly claimed reimbursement for the public-purpose California LifeLine surcharges, CPUC user fee, federal excise tax, local franchise taxes, and State 911 tax on subscribers' intrastate California LifeLine billing, which California LifeLine subscribers were exempt from paying.
10. Determine whether TAG Mobile paid the appropriate taxing authorities the applicable taxes, fees, and surcharges reimbursed from the Fund if it received reimbursement from the Fund for federal excise tax, local taxes, fees and surcharges pertaining to the California LifeLine discount; and whether TAG Mobile claimed that it had paid these taxes, fees, and surcharges on behalf of its California LifeLine subscribers.
11. Determine whether TAG Mobile claimed reimbursement for administrative expenses that were clearly not incremental expenses.
12. Determine whether TAG Mobile offered plans approved by the CPUC.

13. Determine whether TAG Mobile correctly provided a discount on its nonrecurring service connection charge for the initial activation of a single wireless telephone connection for the approved California LifeLine subscribers.
14. Determine whether, before providing the California LifeLine discount, TAG Mobile charged the same nonrecurring and recurring service rates for both California LifeLine subscribers and other retail customers.
15. Determine whether TAG Mobile correctly provided discounts for recurring charges on its qualifying wireless telephone service plans for California LifeLine subscribers.
16. Determine the fiscal effect for the examination period if TAG Mobile did not disconnect subscribers who did not use their California LifeLine service during a consecutive 60-day period, who were notified of such non-usage, and who failed to use California LifeLine services during the 30-day notice period.
17. Determine whether TAG Mobile incorrectly charged California LifeLine subscribers for the public-purpose California LifeLine surcharges, the CPUC user fee, federal excise tax, local franchise taxes, and State 911 tax on subscribers' intrastate California LifeLine billing, which California LifeLine subscribers were exempt from paying.

Objectives 9, 10, 13, 14, 15, and 17 did not apply to TAG Mobile because its reimbursement claims did not include the items identified.

To achieve our examination objectives, we:

- Reviewed the California LifeLine reimbursement claims that TAG Mobile filed during the examination period to determine whether it complied with all applicable CPUC and federal laws and regulations, including GO 153;
- Completed an internal control questionnaire by interviewing key TAG Mobile staff members. Discussed the claim preparation process with key staff members to determine what information was obtained, who obtained it, and how it was used;
- Reviewed the eligibility of claimed costs;
- Reviewed TAG Mobile's existing internal controls and tested them to determine whether they adequately ensured compliance with California LifeLine rules and regulations;
- Reviewed the eligibility of TAG Mobile's California LifeLine subscribers; and
- Performed a detailed review of all California LifeLine claims submitted by TAG Mobile to determine whether they were properly prepared and mathematically correct.

To address the examination objectives, we used various reports and records obtained from TAG Mobile, the CPUC, and the CLA, as detailed in Appendix A—List of Records Examined (by Objective).

## **Examination Approach, Including Detailed Risk Assessment**

### Risk Assessment

We conducted a risk assessment to identify and discuss risks of material misstatement, and to determine whether we needed to perform additional examination work to mitigate such risk. We based our initial risk assessment on the provided documentation, as well as interviews and inquiries with the CLA, the CPUC, TAG Mobile's Regulatory and Compliance Manager. We reviewed our risk assessment and updated it as we gained more knowledge. We based our risk assessment on analysis and data in the following areas that potentially posed a high risk for this examination:

- Lack of a reliable eligibility process, which may allow creation of fraudulent applications and manipulation of qualifying data;
- Overstatement of the weighted average number of subscriptions;
- Duplicate subscriptions and unqualified subscribers included in reimbursement calculations;
- Unsubstantiated incremental administrative expenses;
- Unapproved service plans;
- Lack of previous audits of TAG Mobile's compliance with California LifeLine requirements; and
- Other considerations based on information provided by TAG Mobile that could indicate other potential high-risk areas or the potential for fraud.

### *Other Risk Considerations*

We remained alert and watchful for any indications of high risk in other areas while carrying out fieldwork. Our fieldwork included discussions with TAG Mobile staff and reviews of documentation provided by TAG Mobile staff.

### Audit Reports

CPUC officials informed us that no CPUC audits of TAG Mobile had been conducted for the wireless portion of its business relating to the examination period. In addition, there have been no external audits of TAG Mobile's administration of California LifeLine relating to the examination period. TAG Mobile officials informed us that, to their knowledge, no audits had ever been conducted that could have affected TAG Mobile's compliance with CPUC and federal rules related to California LifeLine for the examination period.

### Review of Internal Control Questionnaire

To determine the adequacy of TAG Mobile's internal controls over compliance with California LifeLine requirements, we requested that TAG Mobile complete our internal control questionnaire. The questionnaire inquired about TAG Mobile's processes for the activities of:

- Compiling and submitting California LifeLine subscriber information to the CPUC;

- Compiling, calculating, reviewing, and recording the California LifeLine claim form; and
- Receiving and recording California LifeLine claim payments.

TAG Mobile's Regulatory and Compliance Manager (Manager) completed our internal control questionnaire. The Manager's responses indicated that TAG Mobile relied on CGM, a consulting firm, to draft the monthly California LifeLine claims. The Manager reviewed and approved the claims and sent them to TAG Mobile's Chief Executive Officer for final approval and signature. The Manager also identified key controls by asserting that TAG Mobile:

- Maintained supporting records for reimbursement claims filed with the CPUC;
- Maintained written enrollment procedures for new applicants;
- Provided training to inform company representatives involved with applicants and the enrollment process about California LifeLine eligibility rules;
- Monitored company representatives to ensure that they complied with California LifeLine enrollment guidelines;
- Required valid unexpired identification and proof of specific government services or income from California LifeLine applicants to submit to the CLA for consideration for California LifeLine;
- Worked with the CLA to provide subscriber information, including names, addresses, dates of birth, and last four digits of subscriber Social Security numbers;
- Maintained call logs for each subscriber;
- Maintained written procedures to identify inactive subscribers;
- Maintained written procedures to ensure that, after identification, inactive subscribers were reported to the CLA and disconnected;
- Measured the turnaround time between identification of inactive subscribers and service disconnection;
- Required someone other than the preparer to review the reimbursement claim forms for accuracy;
- Reviewed the data included in the "Subscriber Statistics" report obtained monthly from the CLA for reasonableness;
- Maintained a process for handling any discrepancies between the carrier's records and the CLA's records;
- Maintained supporting documentation for all administrative expenses included on the reimbursement claim forms;
- Maintained a customer service department to address any subscriber inquiries or complaints; and
- Maintained a process to report instances of fraud and/or abuse to the CPUC.

### Initial Review of the Monthly California LifeLine Claim Forms

We reviewed all of the monthly California LifeLine claims submitted by TAG Mobile for the period of July 1, 2015, through June 30, 2016, to determine whether TAG Mobile filed its California LifeLine claim forms in a timely manner, and whether the claims contained all of the necessary elements and were mathematically accurate.

We also reviewed the applicable supplemental documentation supporting the claims, and interviewed TAG Mobile officials to determine how the company calculated the costs claimed during the examination period.

Our initial review of the monthly California LifeLine claim forms provided by TAG Mobile and the CPUC showed no variances in the forms.

### Review of Compliance with Enrollment and Related Requirements

We reviewed TAG Mobile's California LifeLine enrollment processes and procedures to determine whether they complied with subscriber enrollment requirements, including service elements offered and various notifications to subscribers. We interviewed TAG Mobile officials to obtain additional information and clarification regarding the subscriber enrollment process and notifications to subscribers and the CLA. In addition, we obtained computerized records, written processes and procedures related to subscriber enrollment, and monitoring information provided by TAG Mobile employees to prospective subscribers.

## **Sampling and Methodology**

To complete our procedures for the stated examination objectives, we used non-statistical judgmental sampling. We started by examining all of TAG Mobile's reimbursement claims for the examination period to determine whether they were filed in a timely manner, contained all of the necessary elements, and were mathematically accurate. We judgmentally selected applicable reports from various months and judgmentally selected subscriber information sufficient to complete our examination procedures. We detailed the populations of records that we used for these tests in Appendix A—List of Records Examined.

### Sampling Risk

Sampling risk occurs whenever an evaluation involves a population subset instead of the entire population. Sampling risk represents the possibility that an auditor's conclusion based on the testing of a sample would be different if the auditor had evaluated the entire population such that the auditor:

- Concludes that there were significant errors when in fact there were none; or
- Concludes that there were no significant errors when in fact there were some.

We mitigated the sampling risk by:

- Adhering to attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation examinations contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and
- Ensuring that our examination procedures were adequate and accounted for the potential of misinterpreted results from sample testing. These procedures included, but were not limited to, adequate communication with TAG Mobile, the CLA, and CPUC officials.

### **Views of Responsible Officials**

We issued a draft report on June 21, 2019. Robert Yaquinto Jr., trustee in bankruptcy for TAG Mobile, LLC, responded by letter dated July 23, 2019, disagreeing with the examination results except for Finding 4 (now Finding 3).

### **Restricted Use**

This report is solely for the information and use of TAG Mobile, the CPUC, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of the final report, which is a matter of public record and will be available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

Sacramento, California

December 16, 2019

# Findings and Recommendations

**FINDING 1—  
Unallowable  
Service Support  
Amount for  
pre-paid telephone  
service  
(Objectives 6 and  
16)**

Condition

TAG Mobile improperly claimed reimbursements during the examination period totaling \$247,344 for the monthly SSA applicable to pre-paid telephone service provided to California LifeLine subscribers. The reimbursements are unallowable because TAG Mobile:

- Claimed reimbursements totaling \$14,320 for costs incurred before the later of a subscriber's approval notification date or the date on which subscribers activated their service by making a first call. Subscriber database information revealed that these subscribers incorrectly became eligible for California LifeLine based on their final approval notification date, but did not make a call to become eligible for California LifeLine until a later date. These subscribers were ineligible to receive the California LifeLine discount during this period (Objective 6);
- Claimed reimbursements totaling \$363 for costs incurred for subscribers that TAG Mobile did not support with subscriber database information. As a result, we could not verify that these subscribers ever made a first call to activate their California LifeLine service (Objective 6); and
- Claimed reimbursements totaling \$232,642 for costs incurred for subscribers who remained in the CLA's WAR system because the carrier did not disconnect them after 90 consecutive days of service inactivity. These subscribers were no longer eligible to receive the California LifeLine discount after such inactivity (Objective 16).

Effect

The weighted average number of subscribers each month provides the basis for California LifeLine reimbursement claims and supports a material amount of the costs claimed from the Fund during the examination period. By overstating the weighted average number of eligible subscribers in its claims, TAG Mobile overstated its reimbursement claims, totaling \$247,344 during the examination period.

Cause

Internal controls established by TAG Mobile failed to prevent ineligible subscribers from appearing in the monthly WARs, which serve as the basis for SSA reimbursements in California LifeLine claims.

Criteria

PUC section 581 states, in part:

Every public utility shall furnish to the commission in such form and detail as the commission prescribes all tabulations, computations, and all other information required by it to carry into effect any of the provisions of this part, and shall make specific answers to all questions submitted by the commission.



In addition, PUC section 582 states:

Whenever required by the commission, every public utility shall deliver to the commission copies of any or all maps, profiles, contracts, agreements, franchises, reports, books, accounts, papers, and records in its possession or in any way relating to its property or affecting its business, and also a complete inventory of all its property in such form as the commission may direct.

CPUC's GO 153, section 9.11.1 states that California LifeLine Service Providers have the burden of supporting and justifying any costs and lost revenues that they seek to recover from the Fund.

Objective 6 – CPUC's Rulemaking D. 14-01-036, section 4.19 [Prequalification Exemption for Pre-Paid Wireless Telephone Services] and Conclusion of Law No. 41 in that rulemaking state, in part, that "The discount for the pre-paid telephone service shall begin with the date of approval notification or the date California LifeLine or Federal LifeLine service is activated, whichever is later."

Objective 16 – 47 CFR 54.405(e)(3) [Carrier Obligation to Offer Lifeline – De-enrollment for non-usage] states:

Notwithstanding paragraph (e)(1) of this section, if a Lifeline subscriber fails to use, as "usage" is defined in § 54.407(c)(2), for 60 consecutive days a Lifeline service that does not require the eligible telecommunications carrier to assess or collect a monthly fee from its subscribers, an eligible telecommunications carrier must provide the subscriber 30 days' notice, using clear, easily understood language, that the subscriber's failure to use the Lifeline service within the 30-day notice period will result in service termination for non-usage under this paragraph. If the subscriber uses the Lifeline service within 30 days of the carrier providing such notice, the eligible telecommunications carrier shall not terminate the subscriber's Lifeline service. Eligible telecommunications carriers shall report to the Commission annually the number of subscribers de-enrolled for non-usage under this paragraph. This de-enrollment information must be reported by month and must be submitted to the Commission at the time an eligible telecommunications carrier submits its annual certification report pursuant to § 54.416.

47 CFR 54.405(e)(3) was amended to change the non-usage requirement from 60 days to 30 days and to change the customer notice period from 30 days to 15 days.

### Recommendation

We recommend that TAG Mobile:

- Reimburse the CPUC \$247,344 for unallowable SSA reimbursements applicable to the examination period; and
- Improve its internal control procedures to ensure that it claims reimbursement of the SSA only for subscribers that qualify for the California LifeLine discount.

### TAG Mobile's Response

During the Audit period, July 1, 2015 to June 30, 2016, TAG Mobile transitioned its billing from one third party platform to another. During this transition, some of the functions that the billing third party performed were not working as designed and unfortunately were not immediately caught by TAG Mobile team members. TAG Mobile has since implemented system updates and processes to ensure all subscribers claimed for reimbursement meet the requirements for usage defined by the [California] Public Utilities Commission in Rulemaking D. 14-01-036, section 4.19 and the Federal Communications Commission in 47 [CFR] 54.405(e)(3). During the review of additional data provided by the auditors, TAG Mobile discovered incorrectly generated initial first call dates within our billing system. The billing system transition began in July 2015 and all first call dates for [subscribers] that were moved from our previous billing system were inadvertently set to July 1, 2015. The incorrect default date in the new billing system indicated to the auditors that the subscribers did not make a first call until July 1, 2015, when in fact, their first call was made once the subscriber was approved for Lifeline. In addition to these default first call dates, TAG Mobile also discovered that in some instances, disconnection and last call dates were provided for the incorrect subscribers. This occurred due to TAG Mobile recycling telephone numbers after a time and our billing system pulling dates from the incorrect subscriber. TAG Mobile is providing files to the auditors with the corrected information.

During this transition, records that normally would have been retained by TAG Mobile, were lost, preventing TAG [Mobile] from providing some of the requested information. Upon receiving this audit, TAG Mobile made every attempt to retrieve the lost records, however, in some cases; our underlying carriers had not retained the records. TAG Mobile has taken steps to ensure that all records are transferred to TAG [Mobile] and automatically placed on a TAG Mobile server so that this data will be available in the future to meet the requirements set forth in GO 153 and Public Utilities Code (PUC) sections 581 through 582.

### SCO Comment

We revised the finding amount related to Objective 6 from \$834,756 to \$14,683, a reduction of \$820,073. Subsequent to issuance of the draft report, TAG Mobile provided additional subscriber information that it obtained from its underlying wireless service providers (T-Mobile and Sprint). This information supplanted the missing or incorrect information originally provided by TAG Mobile from its previous billing system.

**FINDING 2—  
Shared internal  
control deficiency –  
Identifying  
multiple  
subscribers at the  
same service  
address  
(Objective 2)**

### Condition

During our examination of TAG Mobile's internal controls, we found instances of duplicate subscribers at the same service address receiving California LifeLine benefits.

Although TAG Mobile had formal internal control procedures in place to ensure that it allowed only one California LifeLine benefit for each economic unit (household), our testing indicated that the carrier did not consistently follow through with the CLA to ensure compliance with California LifeLine requirements.

### Effect

TAG Mobile and the CLA may have allowed unqualified applicants to become California LifeLine subscribers. This may have caused an overstatement of weighted averages and reimbursements received by TAG Mobile from the Fund during the examination period.

### Cause

TAG Mobile used the CGM Platform (Data Processing Services) to enroll potential subscribers. The CGM Platform has built-in edit checks to identify applicants currently receiving a California LifeLine benefit at an address that already exists in the subscriber database. The system then communicates this information to the CLA.

The CLA's responsibility is to review all applications, determine California LifeLine eligibility, and block possible duplicate accounts from receiving California LifeLine discounts. The CLA generates a Head of Household Worksheet (HHWS) when its system identifies an address that is already in use by another subscriber. However, the CLA only informs TAG Mobile about duplication indirectly, by sending status codes indicating that it has sent an HHWS to a subscriber after the fact. The CLA stated that it does not review an HHWS for content or qualification; it only verifies that an HHWS has the required signatures. The CLA does not rely on subscribers' answers to the questions on the HHWS when verifying addresses, in order to prevent carriers from providing California LifeLine discount to more than one household at the same service address. We discussed this issue with the CPUC, and recommended that the CPUC consider adopting more robust policies and procedures for the CLA to use in preventing one household from receiving more than one California LifeLine benefit.

We reviewed a report provided by the CLA for January 2016 containing the names and addresses of TAG Mobile's 68,594 subscribers for that month. We identified 511 groups of subscribers receiving at least five California LifeLine discounts at the same service address, ranging in size from five to 72 subscribers. We selected 15 of the 511 groups for testing, consisting of 125 individual subscribers. We requested copies of the HHWS from the CLA to determine whether each subscriber correctly filed an HHWS. We found that 25 of these subscribers (20%) did not complete an HHWS.

Our review also identified 25 residential addresses with 10 or more subscribers and one apartment address with more than five subscribers. We reviewed these instances to determine if there was a reasonable explanation for multiple subscribers at the same service address,—such as an office or business assisting low-income individuals, a homeless shelter, or retirement center. Of the 26 addresses that we examined, four had no reasonable explanation. In addition, one of the addresses examined had 51 subscribers at the same service address in a three-bedroom, one-bath home in a residential neighborhood.

### Criteria

CPUC's GO 153, sections 5.1.7 through 5.1.9 state that no member of a subscriber's family, residence, or household who resides with the subscriber is eligible for California LifeLine benefits. A subscriber is eligible to receive two California LifeLine lines only if:

- The subscriber meets all California LifeLine eligibility criteria;
- A member of the subscriber's household is disabled and has immediate and continuous access within the household to a telecommunications device for the deaf (TTD); and
- The Deaf and Disabled Telecommunications California LifeLine issues the TTD or submits a medical certificate indicating the household member's need for a TTD.

All California LifeLine rules and regulations that apply to the one California LifeLine line must apply equally to the second California LifeLine line provided to a subscriber.

### Recommendation

We recommend that TAG Mobile adopt additional procedures, as appropriate, to prevent multiple subscribers from receiving the California LifeLine discount at the same service address, unless they meet the requirements for receiving two California LifeLine lines.

In addition, we recommend that the CPUC consider strengthening existing procedures for the CLA's role of preventing multiple subscribers at the same service address, and reviewing HHWS forms for proper completion.

### TAG Mobile's Response

Subscribers that enroll with TAG Mobile using an In-Person enrollment method, TAG [Mobile] collects data from the subscriber and checks are [performed] using CGM to ensure that there is only one TAG [Mobile] account per economic household. TAG Mobile requires any subscriber that is living in a multi household residence to complete a Head of Household worksheet. For subscribers that apply for California LifeLine with TAG Mobile using a non-In-Person enrollment method, eligibility documentation is not collected by TAG Mobile but provided directly to the Third Party Administrator by the applicant. In non-In-Person enrollments, TAG Mobile is reliant on the Third Party Administrator to ensure that all information is correct and that a Head of Household worksheet has been completed.

### SCO Comment

We revised the wording of the finding and recommendation to place more emphasis on the fact that this issue involves a shared responsibility between the wireless carrier and the CLA. We also changed the finding from an internal control deficiency affecting only TAG Mobile to a shared internal control deficiency involving TAG Mobile and the CLA.

**FINDING 3—  
Shared internal  
control deficiency –  
Identifying and  
removing inactive  
California LifeLine  
subscribers  
(Objective 3)**

Condition

During our examination of TAG Mobile’s internal controls, we found instances in which TAG Mobile subscribers who were no longer eligible to receive California LifeLine benefits due to inactivity remained in the WAR system. TAG Mobile relied on edit checks within its third-party billing system as internal control procedures to ensure that it reported inactive subscribers to the CLA and removed them from California LifeLine after it: 1) detected 60 consecutive days of non-usage, 2) notified the subscriber, and 3) the subscriber continued such non-usage during a 30-day notice period.

However, our testing indicated that TAG Mobile did not consistently follow through with the CLA to ensure compliance with applicable federal requirements.

Effect

TAG Mobile and the CLA did not consistently identify and disconnect subscribers who no longer qualified for the California LifeLine discount. Failure to remove inactive subscribers from the California LifeLine allowed them to remain in the CLA’s WAR system. This may have caused an overstatement of weighted averages and reimbursements received by TAG Mobile from the Fund during the examination period. In addition, our testing for Objective 16, as identified in Finding 1, revealed improper reimbursements for subscribers no longer eligible for California LifeLine.

Cause

TAG Mobile’s Compliance and Regulatory Manager explained that TAG Mobile’s “VCare” billing system tracks subscriber non-usage to alert the subscribers as required by regulations, and automatically remove them from California LifeLine if the subscribers continue such non-usage for the requisite number of days. However, our testing revealed that the system allowed subscribers who did not meet usage requirements to remain in California LifeLine.

We tested TAG Mobile’s internal control process for disconnecting subscribers with 60 consecutive days of non-usage who continued not using California LifeLine services during the 30-day notice period. We selected a sample of 105 subscribers from the CLA’s January 2016 TrueUp Report for TAG Mobile subscribers. We found that 14 of the 105 subscribers did not meet the required usage requirements and remained in the WAR system beyond 90 days from their last call date.

Our test of the 105 subscribers revealed the following:

- 43 of the subscribers who failed to meet California LifeLine usage requirements were properly removed from the WAR system within the required timeframe;
- 48 of the subscribers were either not approved by the CLA for California LifeLine service, never appeared in the WAR system, or did not have last call date information provided by the carrier; and

- 14 of the subscribers did not meet California LifeLine usage requirements but remained in the WAR system more than 90 days after their last call dates.

#### Criteria

47 CFR 54.405(e)(3) [Carrier Obligation to Offer Lifeline – De-enrollment for non-usage] states:

Notwithstanding paragraph (e)(1) of this section, if a Lifeline subscriber fails to use, as “usage” is defined in § 54.407(c)(2), for 60 consecutive days a Lifeline service that does not require the eligible telecommunications carrier to assess or collect a monthly fee from its subscribers, an eligible telecommunications carrier must provide the subscriber 30 days’ notice, using clear, easily understood language, that the subscriber’s failure to use the Lifeline service within the 30-day notice period will result in service termination for non-usage under this paragraph. If the subscriber uses the Lifeline service within 30 days of the carrier providing such notice, the eligible telecommunications carrier shall not terminate the subscriber’s Lifeline service. Eligible telecommunications carriers shall report to the Commission annually the number of subscribers de-enrolled for non-usage under this paragraph. This de-enrollment information must be reported by month and must be submitted to the Commission at the time an eligible telecommunications carrier submits its annual certification report pursuant to § 54.416.

As previously noted, 47 CFR 54.405(e)(3) has been amended four times, beginning on June 22, 2015, to change the non-usage requirement from 60 days to 30 days and to change the customer notice period from 30 days to 15 days.

#### Recommendation

We recommend that TAG Mobile either strengthen existing procedures or adopt additional procedures to prevent claiming reimbursements for ineligible subscribers.

#### TAG Mobile’s Response

During the Audit period, July 1, 2015 to June 30, 2016, TAG Mobile transitioned its billing from one third party platform to another. During this transition, some of the functions that the billing third party performed were not working as designed. Unfortunately, some of these errors were not immediately caught by TAG Mobile. Since the audit period, TAG Mobile has implemented additional processes and checks to ensure that subscribers are removed from the California LifeLine program as soon as certain criteria are met.

#### SCO Comment

We revised the wording of the finding and recommendation to place more emphasis on the fact that this issue involves a shared responsibility between TAG Mobile and the CLA. Eligible Telecommunications Carriers (ETCs) and the CLA have a joint responsibility to ensure compliance with applicable requirements regarding subscriber eligibility to receive California LifeLine benefits, especially when ETCs benefit economically from having subscribers who are ineligible to receive benefits included in the WAR system.

**FINDING 4—  
Interest due for  
over-claimed  
California LifeLine  
support  
(Objective 4)**

Condition

During our examination, we found instances in which TAG Mobile over-claimed California LifeLine support. These instances totaled \$247,344, as described in Finding 1 of this report. As a result of these findings, accumulated interest totaling \$14,810 is also due to the Fund. We based our interest calculations on interest rate information obtained from the website of the Board of Governors of the Federal Reserve System.

Effect

To the extent that our examination revealed that the CPUC overpaid TAG Mobile during the examination period, interest is due to the Fund from the date(s) that payments were made to the examination report date based on the Three-Month Commercial Paper Rate. Based on the examination results, we found that such accumulated interest totals \$14,810.

Cause

Our examination disclosed over-claimed California LifeLine support totaling \$247,344. In accordance with applicable CPUC regulations, we calculated applicable interest due from the date of payment to the engagement report date.

Criteria

CPUC's GO 153 section 13.4 states:

California LifeLine Service Providers that promptly reimburse the California LifeLine Fund for an overpayment of California LifeLine claims found by a Commission audit shall pay interest on the amount of overpayment based on the Three-Month Commercial Paper Rate.

Recommendation

We recommend that TAG Mobile reimburse the Fund \$14,810 for interest due based on overpaid California LifeLine support during the examination period.

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## **Appendix A— List of Records Examined July 1, 2015, through June 30, 2016**

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### **Objective 1**

- CGM's Real Time Review Web Portal Training Tool for TAG Mobile LLC (TAG Mobile) Sales Agents (obtained from TAG Mobile)
- Reimbursement Claims for July 1, 2015, through June 30, 2016 (obtained from the California Public Utilities Commission [CPUC])
- Detailed Weighted Average Reports (WAR) system data for July 1, 2015, through June 30, 2016 (obtained from the third-party California LifeLine Administrator [CLA])
- TrueUp Reports for July 1, 2015, through June 30, 2016 (obtained from the CLA)
- California LifeLine California LifeLine Renewal Forms for selected subscribers (obtained from the CLA)
- One hundred five subscriber enrollment packages (obtained from TAG Mobile). These packages included the subscribers':
  - Enrollment application;
  - Photo ID;
  - Proof of eligibility; and
  - Usage reports for July 1, 2015, through June 30, 2016.

### **Objective 2**

- TrueUp Reports for July 1, 2015, through June 30, 2016 (obtained from the CLA)
- Head of Household Worksheets for selected subscribers (obtained from the CLA)

### **Objective 3**

- TrueUp Reports for July 1, 2015, through June 30, 2016 (obtained from the CLA)
- Detailed WAR system report for July 1, 2015, through June 30, 2016 (obtained from the CLA)
- Usage reports for July 1, 2015, through June 30, 2016 (obtained from TAG Mobile)

### **Objective 4** – N/A

### **Objective 5**

- New Connection Reports for January 1, 2016, through June 30, 2016 (obtained from the CLA)
- First call dates for all subscribers included in the WAR system for the examination period (obtained from TAG Mobile)
- Detailed WAR system report for July 1, 2015, through June 30, 2016 (obtained from the CLA)



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## Appendix A (continued)

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### **Objective 6**

- First call dates and CGM Platform (Data Processing Services) approval dates for all subscribers included in the WAR system for the examination period (obtained from TAG Mobile)
- Detailed WAR system report for July 1, 2015, through June 30, 2016 (obtained from the CLA)

### **Objectives 7 and 8**

- Reimbursement Claims for July 1, 2015, through June 30, 2016 (obtained from the CPUC)
- Summary WAR system report for July 1, 2015, through June 30, 2016 (obtained from the CLA)
- Detailed WAR system report for July 1, 2015, through June 30, 2016 (obtained from CLA)
- New Connection Reports for January 1, 2016, through June 30, 2016 (obtained from the CLA)

### **Objectives 9 and 10** – N/A

### **Objective 11**

- Monthly Cost Study for July 1, 2015, through June 30, 2016 (provided by TAG Mobile) that included the following expense categories:
  - Data Processing
  - Customer and Subscriber Notifications
  - Accounting
  - Service Representative Costs and Real-Time Review Costs
  - Legal/Regulatory Services
- Reimbursement Claims, specifically lines 6 and 7, for July 1, 2015, through June 30, 2016 (obtained from the CPUC)
- Six invoices from the company's Cost Study (obtained from TAG Mobile)
- Six Money Transfer Detail documents (obtained from TAG Mobile)

### **Objective 12**

- List of rate plans approved by the CPUC for TAG Mobile during the examination period of July 1, 2015, through June 30, 2016 (obtained from the CPUC)
- TAG Mobile Advice Letter approved by the CPUC for the examination period of July 1, 2015, through June 30, 2016 (obtained by TAG Mobile)

### **Objectives 13, 14, and 15** – N/A

### **Objective 16**

- Detailed WAR system report for July 1, 2015, through June 30, 2016 (obtained from the CLA)
- Last call dates and disconnection dates for all subscribers included in the WAR system for the examination period (obtained from TAG Mobile)

### **Objective 17** – N/A

## Appendix B— Summary of Examination Procedures July 1, 2015, through June 30, 2016

Examination Objectives and Criteria	Examination Procedures	
<p><b>Objective 1</b> – Determine whether the wireless carrier included in its claims only those subscribers who were approved by the California LifeLine Administrator as meeting the eligibility criteria for obtaining and retaining California LifeLine benefits. (California Public Utilities Commission’s [CPUC] General Order [GO] 153, section 5 [Eligibility Criteria for Obtaining and Retaining California Lifeline])</p>	<p><u>Internal Control Testing</u> – Document the carrier’s process to ensure subscriber eligibility and detect/prevent ineligible subscriptions. Select a sample of active subscribers and test controls.</p>	<p><u>Substantive Testing</u> – Identify subscribers with renewal dates within the examination period and verify that they were appropriately renewed/recertified. Determine impact of subscribers incorrectly remaining active.</p>
<p><b>Objective 2</b> – Determine whether the wireless carrier had effective monitoring controls in place to identify obvious instances of incorrectly claiming reimbursement for costs of providing the California LifeLine discount to more than one economic household at the same address. (CPUC’s GO 153, section 5.1.7 [Eligibility Criteria for Obtaining and Retaining California LifeLine])</p>	<p><u>Internal Control Testing</u> – Document carrier’s process for detecting/preventing more than one eligible subscriber at the same service address. Use third-party administrator reports to identify five or more subscribers at the same address and test for properly filed Head of Household Worksheets. Identify any egregious exceptions found.</p>	<p><u>Substantive Testing</u> – None</p>
<p><b>Objective 3</b> – Identify and document the internal control processes used by the wireless carrier to ensure timely compliance with California LifeLine requirements for disconnecting inactive accounts and subscribers. (Title 47, U.S. Code of Federal Regulations (CFR), section 54.405(e)(3) [Carrier Obligation to Offer Lifeline – De-enrollment for non-usage])</p>	<p><u>Internal Control Testing</u> – Document carrier’s process for ensuring that active subscribers meet usage requirements and inactive subscribers are removed from calculations of the weighted average number of subscribers. Test carrier’s process for disconnecting inactive subscribers.</p>	<p><u>Substantive Testing</u> – None</p>
<p><b>Objective 4</b> – If the engagement reveals overclaimed amounts of California LifeLine support from the California LifeLine Fund, then describe each occurrence, state the overclaimed amount, and calculate interest from the date of payment through the issuance date of the final examination report. ([CPUC’s GO 153, section 13.4 [Audits and Records])</p>	<p><u>Internal Control Testing</u> – None</p>	<p><u>Substantive Testing</u> – Determine interest owed on any overclaimed amounts from the date(s) that payment was made by the CPUC.</p>

## Appendix B (continued)

Examination Objectives and Criteria	Examination Procedures	
<p><b>Objective 5</b> – Determine the fiscal effect for the examination period of incorrectly claiming reimbursement of \$39 from the Fund for connection or conversion charges of California LifeLine subscribers who failed to qualify for, or were removed from, California LifeLine. (CPUC’s Rulemaking Decision [D.] 14-01-036 Conclusion of Law No. 41)</p>	<p><u>Internal Control Testing</u> – None</p>	<p><u>Substantive Testing</u> – Review new connection reports and identify qualifying subscribers. Request the first call date for these subscribers. For those subscribers who did not make a first call, determine the impact on the claims filed.</p>
<p><b>Objective 6</b> – Determine the fiscal effect for the examination period of incorrectly claiming reimbursement for the discount applicable to pre-paid telephone service before the later of the date of approval notification or the date California LifeLine service was activated. (CPUC’s Rulemaking D. 14-01-036, section 4.19 [Prequalification Exemption for Pre-Paid Wireless Telephone Services], and Conclusion of Law No. 41)</p>	<p><u>Internal Control Testing</u> – None</p>	<p><u>Substantive Testing</u> – Compile a list of all unique subscribers from the examination period’s Weighted Average Reports (WAR) system data. Compare the first call date to the approval date and determine which is later. Calculate the correct weighted average for the month based on the later date and determine any overages. Also calculate all weighted average amounts claimed prior to the determined latest date. Calculate the overage amounts and impact on filed claims.</p>
<p><b>Objective 7</b> – Determine whether the wireless carrier correctly claimed reimbursement for providing the California LifeLine discount on recurring charges. (CPUC’s Rulemaking D. 14-01-036, Ordering Paragraphs [OP] 7 and 8, and Specific Support Amount Administrative Letter dated October 26, 2015).</p>	<p><u>Internal Control Testing</u> – Document carrier’s process for preparing reimbursement claims. Review all claim forms for the examination period to verify that all required elements were properly completed.</p>	<p><u>Substantive Testing</u> – Determine whether the carrier correctly claimed reimbursement for providing the California LifeLine discount for recurring charges.</p>
<p><b>Objective 8</b> – Determine whether the wireless carrier correctly claimed reimbursement of \$39 per subscriber for providing the California LifeLine discount on connection and activation charges. (CPUC’s Rulemaking D. 14-01-036, OP 10).</p>	<p><u>Internal Control Testing</u> – None</p>	<p><u>Substantive Testing</u> – Determine whether the carrier claimed reimbursement of \$39 for connection and activation charges only for subscribers that made a first call.</p>

## Appendix B (continued)

Examination Objectives and Criteria	Examination Procedures	
<p><b>Objective 9</b> – Determine whether the wireless carrier incorrectly claimed reimbursement for the public-purpose California LifeLine surcharges, CPUC user fee, federal excise tax, local franchise taxes, and State 911 tax on subscribers’ intrastate California LifeLine billing, which California LifeLine subscribers were exempt from paying. (CPUC’s Rulemaking D. 14-01-036, section 4.12 [Taxes and Surcharge Exemption, page 85] and CPUC’s GO 153, section 8.1.9 [California Lifeline Rates and Charges])</p>	<p>This test is N/A for TAG Mobile.</p>	<p>This test is N/A for TAG Mobile.</p>
<p><b>Objective 10</b> – Determine whether the wireless carrier paid the appropriate taxing authorities the applicable taxes, fees, and surcharges reimbursed from the Fund if it received reimbursement from the Fund for federal excise tax, local taxes, fees, and surcharges pertaining to the California LifeLine discount and if it claimed that it had paid these taxes, fees, and surcharges on behalf of its California LifeLine subscribers. (CPUC’s GO 153, section 8.1.9.2 [California Lifeline Rates and Charges])</p>	<p>This test is N/A for TAG Mobile.</p>	<p>This test is N/A for TAG Mobile.</p>
<p><b>Objective 11</b> – Determine whether the wireless carrier claimed reimbursement for administrative expenses that were clearly not incremental expenses. (CPUC’s Rulemaking D. 14-01-036, section 4.4 [Monthly Service Rate Caps and Maximum Monthly Reimbursement Amounts for California Lifeline Wireline], Footnote 22 and the CPUC’s Rulemaking D. 10-11-033, OP 18)</p>	<p><u>Internal Control Testing</u> – If the carrier claimed incremental administrative expenses, determine the process for claiming such expenses. Ask the carrier to list what it considers to be administrative costs and compare to CPUC guidelines for qualified administrative expenses.</p>	<p><u>Substantive Testing</u> – Confirm that the carrier claimed allowable or actual incremental administrative costs. Select a sample of claims and review documentation from the carrier to determine whether administrative expenses claimed are reasonable and appropriate. If not, compare the calculated cost per subscriber to the claimed amount and determine the impact on claims filed.</p>

## Appendix B (continued)

Examination Objectives and Criteria	Examination Procedures	
<p><b>Objective 12</b> – Determine whether the wireless carrier offered plans approved by the CPUC. (CPUC’s Rulemaking D. 14-01-036, section 4.7 [Comparing the Current California LifeLine Program and the Next Stage California LifeLine Program Adopted in this Decision]; OP 18; and OP 24, subparagraph [b][iii])</p>	<p><u>Internal Control Testing</u> – Obtain from the CPUC a list of all plans approved for the wireless carrier for the examination period and obtain from the wireless carrier a list of all plans offered to subscribers during the examination period. Compare the two lists and note any discrepancies.</p>	<p><u>Substantive Testing</u> – None</p>
<p><b>Objective 13</b> – Determine whether the wireless carrier correctly provided a discount on its nonrecurring service connection charge for the initial activation of a single wireless phone connection for approved California LifeLine subscribers per the CPUC’s Rulemaking D. 14-01-036, Conclusions of Law Nos. 29 and 41, and CPUC’s GO 153, section 8.1.1 [California LifeLine Rates and Charges]</p>	<p>This test is N/A for TAG Mobile.</p>	<p>This test is N/A for TAG Mobile.</p>
<p><b>Objective 14</b> – Determine whether, before providing the California LifeLine discount, the wireless carrier charged the same nonrecurring and recurring service rates for both California LifeLine subscribers and other retail customers. (CPUC’s GO 153, section 8.4 [California Lifeline Rates and Charges])</p>	<p>This test is N/A for TAG Mobile.</p>	<p>This test is N/A for TAG Mobile.</p>
<p><b>Objective 15</b> – Determine whether the wireless carrier correctly provided discounts for recurring charges on its qualifying wireless telephone service plans for California LifeLine subscribers. (CPUC’s Rulemaking D. 14-01-036, section 4.10 [California LifeLine Wireless Reimbursement Amounts and Methodology])</p>	<p>This test is N/A for TAG Mobile.</p>	<p>This test is N/A for TAG Mobile.</p>

## Appendix B (continued)

Examination Objectives and Criteria	Examination Procedures	
<p><b>Objective 16</b> – Determine the fiscal effect for the examination period if wireless carriers that did not disconnect subscribers with inactivity (no service used) during a consecutive 60-day period, who were notified of such non-usage, and who failed to use California LifeLine services during the 30-day notice period. (47 CFR 54.405(e)(3) [Carrier Obligation to Offer Lifeline – De-enrollment for non-usage])</p>	<p><u>Internal Control Testing</u> – None</p>	<p><u>Substantive Testing</u> – Using the monthly WAR system reports, identify all subscribers with a disconnection date more than 90 days after their last call date. Recalculate the correct WAR system amount for these subscribers and determine any overages based on the amounts claimed. Calculate the total for all subscribers and determine the impact on filed claims.</p>
<p><b>Objective 17</b> – Determine whether the wireless carrier incorrectly charged California LifeLine subscribers for the public-purpose program surcharges, CPUC user fee, federal excise tax, local franchise taxes, and State 911 tax on subscribers’ intrastate California LifeLine billing, which California LifeLine subscribers were exempt from paying. (CPUC’s Rulemaking D. 14-01-036, Conclusion of Law No. 32)</p>	<p>This test is N/A for TAG Mobile.</p>	<p>This test is N/A for TAG Mobile.</p>

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