

Performance Audit of Global Connection of America
California LifeLine Program

July 31, 2023





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July 31, 2023

Peter Einisman
Global Connection of America dba StandUp Wireless
842 Monmouth Street
Newport, KY 41071

Dear Mr. Einisman:

Final Report Transmittal Letter—Audit of Global Connection of America’s California LifeLine Program for the period of July 1, 2020, through June 30, 2021

Crowe LLP (Crowe) was contracted by the California Public Utilities Commission (CPUC) to conduct a performance audit of Global Connection of America dba StandUp Wireless (GCA or StandUp Wireless), in accordance with General Order (GO) 153 Sections 5 and 9, Public Utilities Code Section 878, Decision (D.) 14-01-036 and D.10-11-033, and other applicable California LifeLine Program rules, regulations, and requirements for the period of July 1, 2020 through June 30, 2021.

The results of our audit disclosed no findings requiring a response and therefore, we are issuing the report as final. The final audit report will be available on the CPUC website¹.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bert Nuehring".

Bert Nuehring, Partner
Crowe LLP

¹ <https://www.cpuc.ca.gov/about-cpuc/divisions/utility-audits-risk-and-compliance-division/utility-audits-branch/audit-reports-by-industry>

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Independent Auditor's Report

Crowe LLP (Crowe) conducted a performance audit of Global Connection of America dba StandUp Wireless (GCA or StandUp Wireless), in accordance with General Order (GO) 153 Sections 5 and 9, Public Utilities Code Section 878, Decision (D.) 14-01-036 and D.10-11-033, and other applicable California LifeLine Program rules, regulations, and requirements for the period of July 1, 2020 through June 30, 2021. The objectives of the audit are described on pages eight (8) through ten (10) and evaluate whether GCA's claims from the California LifeLine Fund for fiscal year 2020-21 are accurate, properly supported, for eligible customers, and for allowable costs and activities.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the conclusions based on our audit objectives. Our audit was limited to the objectives listed on pages 8 through 10 of this report.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of GCA to determine the audit procedures that were appropriate for the purpose of providing a conclusion on the audit objectives, as specified, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that GCA met Objectives 1 through 7 in all significant respects.

This audit report is intended solely for the information and use of GCA and the CPUC; 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 audit report, which is a matter of public record and will be available on the CPUC website at Audit Reports by Industry (ca.gov).



Crowe LLP
Sacramento, CA
July 31, 2023

Executive Summary

Crowe LLP (Crowe) conducted a performance audit of Global Connection of America dba StandUp Wireless (GCA or StandUp Wireless) in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the U.S. General Accountability Office (GAO). Crowe conducted the audit on behalf of the CPUC under the authority outlined in the PU Code sections 274 and 314.5. The main objective of the audit was to determine whether GCA's claims from the California LifeLine Fund for the period of July 1, 2020 through June 30, 2021 are accurate, properly supported, for eligible customers, and for allowable costs and activities, in accordance with General Order (GO) 153 Sections 5 and 9, Public Utilities Code Section 878, Decision (D.) 14-01-036 and D.10-11-033, and other applicable California LifeLine Program's rules, regulations, and requirements.

The audit objectives, shown on pages eight (8) through ten (10) of this report, were developed based on the requirements set forth in General Order (GO) 153 Sections 5 and 9, Public Utilities Code Section 878, Decision (D.) 14-01-036 and D.10-11-033.

The results of our tests indicated that GCA met Objectives 1 through 7 in all significant respects.

Project Background

California LifeLine Program

The California Public Utilities Commission (CPUC) created the Universal LifeLine Telephone Service program (now known as the California LifeLine program) pursuant to the Moore Universal Service Telephone Act. The California LifeLine Program (LifeLine) is a state program that provides discounted home phone and cell phone services to eligible households. General Order 153 (GO 153) implements the LifeLine program and provides guidance on the procedures for administration of the LifeLine program for telecommunications carriers operating in California.

LifeLine discounts help consumers lower the cost of their phone bills by offering discounts to qualified customers. Only one discount per household is allowed (except for teletypewriter users and for Deaf and Disabled Telecommunications Program participants). Each household must choose to apply the discount either on a home phone or on a cell phone, but not on both. Households must only receive the discount from one carrier and may lose eligibility for the discount if the one discount per household rule is violated.

A household includes adults and children who are living together at the same address as one economic unit. An economic unit consists of all adults (persons at least 18 years old unless emancipated) contributing to and sharing the household's income and expenses. To qualify for the LifeLine program, California consumers must have a total gross annual income that does not exceed 150 percent of the Federal Poverty Guidelines or must be a participant in one of the following public assistance programs:

- Medi-Cal
- Women, Infants, and Children Program (WIC)
- Supplemental Security Income (SSI)
- National School Lunch Program (NSLP)
- Low Income Home Energy Assistance Program (LIHEAP)
- Cal Fresh, Food Stamps, or Supplemental Nutrition Assistance Program (SNAP)
- Federal Public Housing Assistance, or Section 8
- Federal Veterans and Survivors Pension Benefit Program
- Tribal Temporary Assistance for Needy Families (TANF)
- Head State Income Eligible (Tribal Only)
- Bureau of Indian Affairs General Assistance
- Food Distribution Program on Indian Reservations (FDPIR)
- TANF, California Work Opportunity and Responsibility to Kids (CalWORKs), Stanislaus Work Opportunity and Responsibility to Kids (Stan Works), Welfare-to-Work (WTW), or Greater Avenues for Independence (GAIN)

The CPUC is responsible for the oversight of the LifeLine program and maintaining an independent third-party administrator (TPA) to provide clearinghouse services for the LifeLine program. The role of the TPA is to qualify new applicants and to verify the continued eligibility of existing LifeLine subscribers. Subscribers must verify eligibility annually to remain qualified to participate in the LifeLine program by submitting proof of eligibility to the TPA. The TPA collects, maintains, and provides important information such as the LifeLine subscriber weighted average counts, new connection counts, and disconnection and de-enrollment counts for Service Providers to prepare and submit their monthly LifeLine reimbursement claims to the CPUC. Service Providers submit reimbursement for the costs of providing services to LifeLine subscribers. We obtained and assessed the information provided by the TPA; however, we did not audit the TPA.

Service Providers apply discounts on LifeLine services to qualified customers on a monthly basis. Service Providers then submit reimbursement claims to the CPUC. Providers file reimbursement claims monthly to CPUC's Communications Division for review and approval. Service Providers may recover from the California LifeLine Fund up to the Specific Support Amount (SSA)² per each eligible subscriber claimed, LifeLine non-recurring charges, applicable taxes/surcharges, interest, and administrative costs as set forth in GO 153.

Global Connection of America dba StandUp Wireless (GCA or StandUp)

Founded in 1998, GCA is a telecommunications provider of household phone and broadband services. StandUp Wireless is a provider of the California LifeLine, a government benefit program. Qualifying individuals enrolling in LifeLine with StandUp Wireless receive free minutes, text, and data³.

All LifeLine subscriber enrollments are processed and managed in GCA's Enrollment Compliance Platform (ECP). ECP is a compliance centric, SAAS solution to help wireless and broadband companies participate in the federal Affordable Connectivity Program (ACP) and Lifeline Program. The ECP allows representatives performing enrollments in-person to conduct multiple layers of compliance screening, such as duplicate address validation, and electronically receive customer LifeLine Certification forms. Once the enrollment is complete, the ECP forwards the TPA all required eligibility documentation (program or income and identity) for final review and eligibility determination.

GCA claimed and was reimbursed a total of \$16,917,782 in subsidy from the California LifeLine Fund during the audit period of July 1, 2020 through June 30, 2021. Monthly subscribers averaged 85,969 per month. **Exhibit 1** provides service recovery expense categories and amounts claimed for reimbursement for the audit period.

² The rate that Service Providers use to compute and file claims for reimbursement.

³ <https://standupwireless.com/lifeline/>

Exhibit 1**Global Connection of America, dba StandUp Wireless
Subsidy Amounts Claimed via Monthly Claims Forms
California LifeLine Program Reimbursement, by Expense Category
(July 1, 2020 to June 30, 2021)**

Expense Category	Expense Amount Claimed
1. Allowable SSA for Cellular	\$13,408,194
2. Allowable SSA for Cellular, California-only Eligibility	\$339,006
3. Connection Charges	\$2,661,789
4. Connection Charges, California-only Eligibility	\$41,223
5. Administrative Expense Recovery	\$467,569
Total	\$16,917,781

Performance Audit Approach

Crowe developed our audit plan and procedures to meet specific objectives identified by the CPUC. In developing this audit plan, among other factors, we primarily considered the requirements of the California LifeLine Program, as set forth by GO 153 Sections 5 and 9, Public Utilities Code Section 878, D.14-01-036 and D.10-11-033.

Objectives, Procedures and Conclusion

Crowe submitted several data requests to GCA which were progressively more focused throughout the engagement as we obtained more detailed data and information on the company's administration of the LifeLine Program. We interviewed management to understand GCA's use of supporting information systems, such as its enrollment platform, Enrollment Compliance Platform (ECP). We conducted an internal controls assessment to obtain an understanding of GCA's internal controls as they related to enrolling, tracking, and monitoring customer program eligibility. Finally, we developed workpapers to document results of the performance audit.

The audit included seven (7) objectives, which we list with detailed procedures. The objectives of the audit were developed based on CPUC's request for Crowe to determine whether GCA's claims from the California LifeLine Fund for fiscal year 2020-21 are accurate, properly supported, for eligible customers, and for allowable costs and activities, in accordance with General Order (GO) 153 Sections 5 and 9, Public Utilities Code Section 878, Decision (D.) 14-01-036 and D.10-11-033, and other applicable California LifeLine Program's rules, regulations, and requirements.

Objectives:

1. Determine if GCA internal controls over operations related to its administration of the California LifeLine Program were operating effectively.

Procedures

- Obtained an understanding of GCA's Enrollment Compliance Platform (ECP), the SAAS platform that allows for enrollment, monitoring, and management of California LifeLine customer accounts.
- Requested and obtained copies of documented policies and procedures related to governance of California LifeLine Program operations.
- Documented controls relevant to the California LifeLine Program.
- Tested to verify whether controls were operating effectively through our sampling and detailed testing in Objectives 2 through 7. The sample selection was comprised of 60 customer accounts such that 5 accounts were randomly selected from each of the 12 months of the audit period. The monthly population averaged 85,969 subscribers.

Conclusion: Objective met in all significant respects.

2. Determine if GCA utilized accurate subscriber counts in the Claims Forms submitted to the CPUC for reimbursement during the audit period.

Procedures

- Requested and obtained all Third-Party Administrator (TPA) Weighted Average Reports (WAR) and Connections Reports from the CPUC for each month of the audit period of July 1, 2020 through June 30, 2021.
- For each data source, calculated the weighted average subscriber count by two funding types: (1) California-only and (2) Federal & California.
- Extracted the weighted average subscriber count from each Claims Form.
- Compared the weighted average subscriber counts, by funding type, per the 1) WAR, 2) Connections Reports, and 3) Claims Forms.

Conclusion: Objective met in all significant respects.

3. Determine if claimed administrative expenses were allowable in accordance with General Order (GO) 153 Sections 5 and 9, Public Utilities Code Section 878, Decision (D.) 14-01-036 and D.10-11-033, and other applicable California LifeLine Program's rules, regulations, and requirements.

Procedures

- Requested and obtained entire population of invoices related to administrative expenses for every month of the audit period.
- Allocated total GCA expenses to the California LifeLine Program by multiplying total expenses by the California-only subscriber count as a percentage of total GCA subscribers.
- Calculated the rate of invoiced amount per California subscriber.
- Calculated the rate of reimbursement amount per California subscriber.
- Analyzed the calculated per-California subscriber rates to verify that the requested reimbursement per California subscriber did not exceed the lesser of the invoiced amount per California subscriber and \$0.50 per California subscriber, per the California LifeLine Program policy.
- Confirmed all expenses included in requests for reimbursement did not fit the description of any unallowable expense claims as described in GO 153, section 8.4.
- Requested and obtained all vendor invoices related to administrative expenses for every month of the audit period.
- Reviewed GO 153, section 8.4 to establish which types of expenses are considered allowable for reimbursement.
- Reviewed each invoice to determine the nature of service rendered and compared the service to allowable cost categories.

Conclusion: Objective met in all significant respects.

4. Determine if customers included in Claims Reports provided proof of eligibility.

Procedures

- Randomly selected a non-statistical sample of sixty (60) accounts and judgmentally selected twenty-one (21) additional accounts from the subscriber data. The total number of accounts selected for testing equaled 81. The population averaged 85,969 monthly subscribers during the 12-month audit period.
- Requested and obtained proof of California LifeLine Program eligibility.
- Reviewed proof of eligibility for each sampled account and determined if proof exhibited participation in a qualifying public assistance program (e.g., Medi-Cal, Social Security Income, Women, Infants, and Children Program, etc.).
- Reviewed and calculated the federal poverty threshold by household size, per the 2021 Federal Poverty Guidelines.
- For those using annual income to qualify for the program, determined that the customer's total annual gross income did not exceed 150% of the federal poverty threshold.

Conclusion: Objective met in all significant respects.

5. Determine if California LifeLine credits were accurately applied to customer accounts.**Procedures**

- Judgmentally selected a non-statistical sample of 60 accounts from the subscriber data. 5 accounts were randomly selected from each of the 12 months of the audit period. The monthly population averaged 85,969 subscribers.
- Requested and obtained invoices for the sampled accounts during the audit period.
- Reviewed each invoice to determine that charges related to the California LifeLine Plan were accurate.
- Reviewed each invoice to determine that credits related to the California LifeLine Plan were applied accurately and properly netted against the California LifeLine Plan charge.

Conclusion: Objective met in all significant respects.

6. Determine if those customers who de-enrolled from the California LifeLine Program were removed from the Program in a timely manner.**Procedures**

- Judgmentally selected a non-statistical sample of 10 accounts from the subscriber data that de-enrolled from the California LifeLine Program. Accounts in this sample were randomly selected such that no more than one selection was derived from any particular month. De-enrolled accounts are a subset of the overall population that averaged 85,969 monthly subscribers during the 12-month audit period.
- Requested and obtained proof of program de-enrollment for the sampled accounts.
- Reviewed proof of de-enrollment to determine the date of de-enrollment request.
- Reviewed proof of de-enrollment to determine the date of de-enrollment.
- Reviewed proof of de-enrollment to determine the reason for de-enrollment.
- Crowe observed that de-enrollments occurred on the same day of the request for each sampled account, which Crowe determined as timely.

Conclusion: Objective met in all significant respects.

7. Determine if subscribers with duplicate addresses met the multiline consumer household eligibility.**Procedures**

- Judgmentally selected a non-statistical sample of 32 accounts from the subscriber data that had duplicate addresses. The accounts in this sample were identified due to the high volume of occurrences of their associated addresses in the dataset. Accounts with duplicate addresses are a subset of the overall population that averaged 85,969 monthly subscribers during the 12-month audit period.
- Requested and obtained Household Worksheets for the sampled accounts.
- Reviewed Household Worksheets to verify that customers certified that there were multiple households at the service address.

Conclusion: Objective met in all significant respects.

Performance Audit Results

The results of our tests indicated that GCA met Objectives 1 through 7 in all significant respects.

Views of Responsible Officials

We discussed the audit results with GCA representatives at an exit conference held on June 28, 2023. At the exit conference, we stated that the final report will include the views of responsible officials. Because there were no audit findings requiring a response, we are issuing the report as final.

Restricted Use

This audit report is intended solely for the information and use of GCA and the CPUC; 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 audit report, which is a matter of public record and will be available on the CPUC website⁴.

⁴ <https://www.cpuc.ca.gov/about-cpuc/divisions/utility-audits-risk-and-compliance-division/utility-audits-branch/audit-reports-by-industry>

Appendix A – List of Records Examined

1. Third-Party Administrator (TPA) Weighted Average Reports (WAR).
2. New Connections Reports.
3. California LifeLine Claims Forms submitted by GCA for reimbursement.
4. Written policies and procedures related to the GCA's California LifeLine Program administration.
5. Written policies and procedures related to the enrollment of customers in the Enrollment Compliance Platform (ECP).
6. Meeting minutes for each ULTS Administrative Committee Meeting during the audit period.
7. GCA subcontractor invoices related to administrative expenses submitted for reimbursement.
8. Invoices/billings/statements to customers.
9. California LifeLine Program customer applications.
10. Customer proof of eligibility documents.
11. Customer Household Worksheets.
12. Information systems utilized.
13. General Order (GO) 153 Sections 5 and 9, Public Utilities Code Section 878, Decision (D.) 14-01-036 and D.10-11-033.