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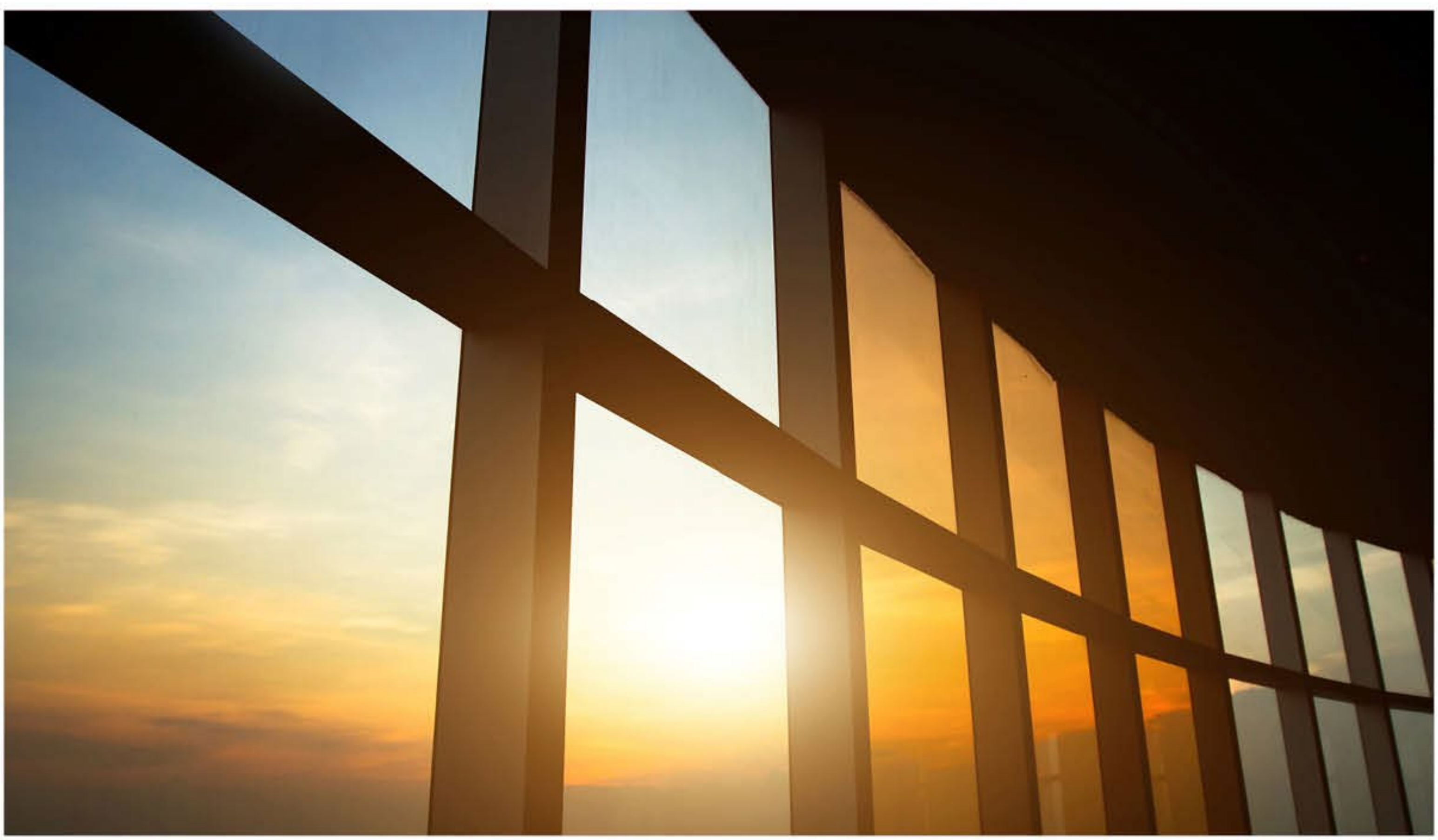
# Performance Audit of Excess Telecom California LifeLine Program

April 11, 2025



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April 11, 2025

John Ripley, President
Excess Telecom

Dear Mr. Ripley:

**Final Report Transmittal Letter - Audit of Excess Telecom's California LifeLine Program for the period of June 1, 2023 through May 31, 2024**

Crowe LLP (Crowe) was contracted by the California Public Utilities Commission (CPUC) to conduct a performance audit of Excess Telecom (Excess), 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 June 1, 2023 through May 31, 2024.

The results of our tests indicated that Excess did not meet Objectives 1, 2, and 4 in all significant respects for the period of June 1, 2023 through May 31, 2024. Excess met Objectives 3, 5, 6, and 7 in all significant respects. We identified three (3) findings in the Performance Audit Results section of this report. The final audit report will be available on the CPUC website[1].

Sincerely,

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 Excess Telecom (Excess), 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 June 1, 2023 through May 31, 2024. The objectives of the audit are described Performance Audit Approach section of the report and evaluate whether Excess' claims from the California LifeLine Fund for the period of June 1, 2023 through May 31, 2024 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 findings and conclusions based on our audit objectives. Our audit was limited to the objectives listed in the Performance Audit Approach section of this report.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of Excess 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 opinion on the internal control.

The results of our tests indicated that Excess did not meet Objectives 1, 2, and 4 in all significant respects for the period of June 1, 2023 through May 31, 2024. Excess met Objectives 3, 5, 6, and 7 in all significant respects.

Crowe LLP

Crowe LLP

Sacramento, CA
April 11, 2025

# Executive Summary

Crowe LLP (Crowe) conducted a performance audit of Excess in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the U.S. General Accountability Office (GAO). The goal of the audit was to determine whether Excess' claims from the California LifeLine Fund for the period of June 1, 2023 through May 31, 2024 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 in the Performance Audit Approach section 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.

Crowe identified three (3) findings, which are presented in **Exhibit 1**. Significant findings are defined as those items that are significant to the audit objectives and important enough to merit attention by those in charge of governance and should be prioritized for remediation. Further details of the findings are presented in the Performance Audit Results section of this report.

In performance audits, a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis.

**Exhibit 1**
**Finding and Control Evaluation**

| Finding | Control Evaluation[2] | Audit Objective Impacted |
|---|---|---|
| 1. Unsupported Subscribers Claimed for Reimbursement | *Significant Deficiency and Noncompliance* | 1, 2, 4 |
| 2. Untimely Update of Subscriber Data Resulting in Inconsistent Data Between Sources | *Deficiency and Noncompliance* | 1 |
| 3. Inaccurate Transmission of Data Resulting in Ineligible Subscriber's Approval to Program | *Deficiency and Noncompliance* | 1 |

[2] Where "significant deficiency" is a control deficiency that is significant to the audit objectives and "deficiency" in control is not considered significant to the audit objectives, but auditors otherwise wish to communicate to those in charge of governance.

# 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)
- Temporary Assistance for Needy Families (TANF)
    - California Work Opportunity and Responsibility to Kids (CalWORKs)
    - Stanislaus Work Opportunity and Responsibility to Kids (Stan Works)
    - Welfare-to-Work (WTW)
    - 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. Service 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)[3] per each eligible subscriber claimed, LifeLine non-recurring charges, applicable taxes/surcharges, interest, and administrative costs as set forth in GO 153.

Excess Telecom

Excess claimed and was reimbursed a total of $11,848,400 in subsidy from the California LifeLine Fund during the audit period of June 1, 2023 through May 31, 2024. Monthly subscribers averaged 20,744 per month. **Exhibit 2** provides service recovery expense categories and amounts claimed for reimbursement for the audit period.

[3] The rate that Service Providers use to compute and file claims for reimbursement.

**Exhibit 2**
**Excess Telecom**
**Subsidy Amounts Claimed via Monthly Claim Forms**
**California LifeLine Program Reimbursement, by Expense Category**
**(June 1, 2023 to May 31, 2024)**

| Expense Category | Expense Amount Claimed |
|---|---|
| 1. Allowable SSA for Flat Rate Service | $8,117,415 |
| 2. Allowable SSA for Flat Rate Service, California-only Eligibility | $216,505 |
| 3. Connection Charges | $3,584,880 |
| 4. Administrative Expense Cost Factor | $7,036 |
| 5. Other expenses, true-ups and credits | -$77,436 |
| **Total** | **$11,848,400** |

# 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 Excess 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 conducted an internal controls assessment to obtain an understanding of Excess' 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 Excess' claims from the California LifeLine Fund for the period of June 1, 2023 through May 31, 2024 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 Excess' internal controls over operations related to its administration of the California LifeLine Program were operating effectively.**

   ***Procedures***

   - 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 that controls were operating effectively through our sampling and detailed procedures in Objectives 2 through 7. The sample selection was comprised of a random selection of sixty (60) customer accounts such that 15 accounts were randomly selected from each of July, November, February, and May of the audit period. The monthly population averaged 20,744 subscribers.

   *Conclusion: Objective not met in all significant respects. See Findings 1, 2, and 3.*

2. **Determine if Excess utilized accurate subscriber counts in the Claim Forms submitted to the CPUC for reimbursement during the audit period.**

   ***Procedures***

   - Requested and obtained all third-party administrator (TPA) Weighted Average Reports (WAR) for each month of the audit period of June 1, 2023, through July 31, 2024.
   - For each data source, calculated the weighted average subscriber count by the attribute profile related to each reimbursement amount. Subscriber attributes include: service description, funding type, rate group, service type, tribal indicator, teletypewriter (TTY) indicator, and federal broadband standard indicator.
   - Extracted the weighted average subscriber count from each Claim Form.
   - Compared the weighted average subscriber counts, attribute profile, per the 1) WAR and 2) Claim Forms.

   *Conclusion: Objective not met in all significant respects. See Finding 1.*

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 a schedule of all administrative expenses claimed for reimbursement during the audit period and the rationale for related calculations.
   - Determined that Excess claims reimbursement for administrative expense cost factor, which, per the California LifeLine Program policy, allows carriers to claim reimbursement for eligible expenses in the amount of $0.03 per weighted average subscriber.
   - Analyzed counts of monthly weighted average subscribers to verify that the requested reimbursement per subscriber did not exceed $0.03 throughout each month of the audit period.

   *Conclusion: Objective met in all significant respects.*

4. **Determine if customers included in Claim Forms provided proof of eligibility.**

   ***Procedures***

   - Randomly selected a non-statistical sample of sixty (60) accounts. The population averaged 20,744 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. If the subscriber was a first-time applicant, determined if proof exhibited participation in a qualifying public assistance program (e.g., Medi-Cal, Social Security Income, Women, Infants, and Children Program, etc.). If the subscriber was not a first-time applicant, determined if the Renewal Form included a self-certification of participation in a qualifying public assistance program.
   - Reviewed and calculated the federal poverty threshold by household size, per the 2023 Federal Poverty Guidelines.
   - For those first-time applicants 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. If the subscriber was not a first-time applicant, determined that self-reported annual gross income did not exceed 150% of the federal poverty threshold.

   *Conclusion: Objective not met in all significant respects. See Finding 1.*

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

   ***Procedures***

   - Randomly selected a non-statistical sample of sixty (60) accounts from the subscriber data. The monthly population averaged 20,744 subscribers.
   - Requested invoices for the sampled accounts during the audit period to verify that benefit amounts claimed for reimbursement were related to active accounts and correctly applied to outstanding balances.

   *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***

- Selected a non-statistical sample of 12 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 20,744 monthly subscribers during the 12-month audit period.
- Requested 1) the date of de-enrollment, 2) the reason for de-enrollment, and 3) the date in which program ineligibility was determined for the sampled accounts.
- Compared the date of de-enrollment to the date of program ineligibility, or the date in which de-enrollment from the program was otherwise determined to be necessary, to assess the timeliness of de-enrollment. For the purpose of this audit, Crowe defines timely as within 30 calendar days or by the end of the calendar month such that the customer was not included in the following month's claims form.

*Conclusion: Objective met in all significant respects.*

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

***Procedures***

- Randomly selected a non-statistical sample of sixty (60) accounts from the subscriber data. The monthly population averaged 20,744 subscribers.
- Requested household worksheets for all 60 sampled accounts to verify that subscribers with duplicate address met the multiline consumer household eligibility.

*Conclusion: Objective met in all significant respects.*

# Performance Audit Results

Our performance audit resulted in three (3) findings as presented. Findings include a recommendation to correct the issue, and are organized into the following six (6) components:

- *Condition* – includes the error observed based on facts revealed from the examination.
- *Criteria* – the basis for our evaluation; in this case a specific policy, procedure, or leading practice.
- *Cause* – the underlying reason for why the non-compliance or error occurred.
- *Effect* – the impact on the organization and/or the ratepayer from the error.
- *Recommendation* – a suggested action to correct the deficiency; or what can be done to address both the cause and condition.
- *Views of Responsible Officials* – an opportunity for the company to provide its response to the finding and/or recommendation.

Findings and recommendations from this performance audit are provided beginning on the next page. In **Exhibit 3** below we summarize each finding and related costs for prudency review.

**Exhibit 3**
**Summary of Findings**

| Description of Finding | Questioned Costs |
|---|---|
| 1. Unsupported Subscribers Claimed for Reimbursement | $70,035.98 |
| 2. Untimely Update of Subscriber Data Resulting in Inconsistent Data Between Sources | - |
| 3. Inaccurate Transmission of Data Resulting in Ineligible Subscriber's Approval to Program | - |
| **Total** | **$70,035.98** |

### Views of Responsible Officials

We discussed the audit results with Excess representatives at an exit conference held on 2/14/2025. At the exit conference, we stated that the final report will include the views of responsible officials.

### Restricted Use

This audit report is intended solely for the information and use of Excess 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[4].

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

## Finding #1 – Unsupported Subscribers Claimed for Reimbursement

*Significant Deficiency and Noncompliance*

**Condition**

Crowe randomly selected a non-statistical sample of 60 accounts that were active during the audit period. The monthly population averaged 20,744 subscribers. We requested proof of application and proof of eligibility for the sampled accounts. We found that applications and proof of eligibility were not provided for 4 of 60 sampled accounts. Further inquiry revealed that the 4 accounts are part of a unique subset of 142 subscribers that were assigned by CPUC to Excess from another service provider. This subset of subscribers was not successfully transferred to Excess' new operating system during a system migration occurring in February, 2022.

Excess does not have in its possession applications or proof of eligibility for any of the 142 subscribers. Further, Excess did not monitor or confirm program eligibility for any of the 142 subscribers from the time of system migration through the end of the audit period — the period of February, 2022 through May, 2024. Total claimed reimbursement for the 142 subscribers during this period was $70,035.98.

Based on the total questioned costs of $70,035.98, the associated interest penalty incurred is $3,144.62 as of December 9, 2024. CPUC's Communications Division (CD) will update the interest penalty amount as of the date of the remittance of the overclaimed LifeLine Funds.

**Criteria**

General Order (GO) 153 sections 5.3 and 12.9 include Service Provider's responsibilities for the CA LifeLine Program.

Section 5.3 states the following regarding service providers responsibility to confirm enrollee eligibility:

*"No California LifeLine Service Provider shall knowingly enroll into California LifeLine an Applicant who does not meet the California LifeLine eligibility criteria. No California LifeLine Service Provider shall knowingly allow a Subscriber to remain in California LifeLine who does not meet the California LifeLine eligibility criteria."*

Section 12.9 states the following regarding carriers' responsibility to retain all records related to a claim:

*"Utilities shall retain all records related to a ULTS claim, including a true-up claim, for a period of five calendar years following the year in which the ULTS claim or true up claim is submitted, unless all or part of such records must be kept for a longer period of time pursuant to requirements promulgated elsewhere (e.g., record-retention requirements set forth in the uniform system of accounts). The records that utilities must retain for five calendar years include (i) customer certification and re-certification forms, (ii) ULTS Claim Forms and workpapers supporting the claim forms, and (iii) other documents and information on which the ULTS Claim Forms and workpapers are based."*

47 Code of Federal Regulations (CFR) section 54.410(c) states, in part, that:

*"An eligible telecommunications carrier must securely retain all information and documentation provided by the state Lifeline administrator or other state agency consistent with § 54.417."*

GO 153, section 13.4, states, in part, that:

*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, unless there is malfeasance on the part of such entity, in which case the rate of interest shall depend on the law and circumstances existing at the time the malfeasance is discovered.*

**<u>Cause</u>**
Excess underwent a migration to a new operating system. The migration occurred in February, 2022. The 142 subscribers identified were not successfully transitioned due to unique characteristics including non-standard enrollment identifiers. Excess did not have procedures in place to identify or validate subscribers that were assigned to Excess.

**<u>Effect</u>**
Excess is not able to properly verify program eligibility of such subscribers. This may result in ineligible persons receiving CA Lifeline benefits, Excess being reimbursed for ineligible subscribers, or Excess being reimbursed for services that weren't provided.

**<u>Recommendation</u>**
Excess should de-enroll such subscribers to prevent their inclusion in future claims forms for reimbursement. Going forward, Excess should implement and/or refine its process to monitor and verify program eligibility of subscribers on a monthly basis.

Further, Excess should work with CPUC's CD to reimburse $70,035.98 of overpaid LifeLine funds, in addition to the associated interest penalty, to the CPUC.

**<u>Views of Responsible Officials</u>**
Excess states the following regarding Finding #1:

"Finding #1 erroneously holds that Excess Telecom overclaimed LifeLine Funds in the amount of $70,035.98 because it enrolled subscribers, or allowed subscribers to remain enrolled, in California LifeLine that were not eligible to receive California LifeLine service. As the Auditor states in the Project Background, the Third Party Administrator (TPA) determines eligibility for California LifeLine service, and verifies the continued eligibility of LifeLine subscribers, not LifeLine service providers such as Excess Telecom. The TPA determined the 142 subscribers were eligible for California LifeLine service, and the Auditor did not confirm such eligibility with or receive information questioning that eligibility from the TPA. Therefore, the Auditor has no basis on which to determine that the 142 subscribers were not eligible for California LifeLine and no basis upon which to recommend that Excess Telecom reimburse $70,035.98 to the California Public Utilities Commission (CPUC).

Finding #1 of the Performance Audit alleges that Excess Telecom violated Sections 5.3 and 12.9 of GO 153 because the Auditor finds that "Excess Telecom does not have in its possession applications or proof of eligibility for…the 142 subscribers" and "Excess is not able to properly verify program eligibility of such subscribers." Excess Telecom does not have the application or proof of eligibility records because the 142 subscribers had their LifeLine benefits transferred from another LifeLine provider to Excess Telecom pursuant to a bulk benefit transfer process overseen by the CPUC. Regardless of whether Excess Telecom would have access to such documents it never collected (as it was not the provider that submitted an application or any additional documentation to the CPUC), the Company agrees with the Auditor's apparent conclusion that the issue of whether a redundant set of records sits in the possession of an entity other than the TPA has no bearing on the eligibility of subscribers or disbursement claims made in the wake of providing discounted LifeLine services to those subscribers. Indeed, the Auditor's recommendation that Excess Telecom reimburse $70,035.98 in "overpaid LifeLine funds" is based on its clearly erroneous allegation that Excess Telecom violated Section 5.3 of GO 153 because the 142 subscribers were not eligible to receive California LifeLine service.

Section 5.3 states, "No California LifeLine Service Provider shall knowingly enroll into California LifeLine an Applicant who does not meet the California LifeLine eligibility criteria. No California LifeLine Service Provider shall knowingly allow a Subscriber to remain in California LifeLine who does not meet the California LifeLine eligibility criteria." The question then is – who is responsible for determining which applicants" meet the California eligibility criteria" and conducting the annual eligibility verification? According to the Performance Audit's Project Background, "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 Auditor is correct – the TPA is responsible for determining whether LifeLine applicants are eligible for California LifeLine and whether they remain eligible through annual verifications. Here, there is no dispute that the TPA determined that the 142 subscribers were eligible for California LifeLine and that they remained eligible through annual verifications. Therefore, the 142 subscribers were eligible and Excess Telecom did not violate Section 5.3 of GO 153.

The Project Background of the Performance Audit states, "we obtained and assessed the information provided by the TPA; however, we did not audit the TPA." The Auditor apparently did not request the applications and proof of eligibility for the 142 subscribers from the TPA. Therefore, it did not obtain and assess the information necessary to make a determination that the subscribers were not eligible for California LifeLine. Consequently, the Auditor has no basis on which to conclude that the 142 subscribers were not eligible for California LifeLine or to recommend that Excess Telecom reimburse $70,035.98 to the CPUC. Accordingly, there is no basis to support Finding #1."

**Crowe Rebuttal**

Crowe maintains that the finding should remain as written. Crowe agrees that the TPA is responsible for making eligibility determinations for the CA LifeLine Program. However, the finding states that Excess did not confirm or monitor eligibility through a review process after the TPA made the eligibility determination. Excess has a responsibility to confirm eligibility to comply with GO 153 Section 5.3. Once eligibility is confirmed, Excess additionally has a responsibility to retain all documentation related to a claim for reimbursement to comply with GO 153 section 12.9.

# Finding #2 – Untimely Update of Subscriber Data Resulting in Inconsistent Data Between Sources

*Deficiency and Noncompliance*

**Condition**

Crowe randomly selected a non-statistical sample of 60 accounts that were active during the audit period. The monthly population averaged 20,744 subscribers. We requested proof of application and proof of eligibility for the sampled accounts. For 1 of 60 accounts, an application was provided that listed an address and phone number that did not match the address and phone number reported in the WAR.

**Criteria**

General Order (GO) 153 section 6.3.2 states:

"*All California LifeLine Service Providers must provide the California LifeLine Administrator with all California LifeLine Subscriber / Applicant activities initiated by the California LifeLine Service Providers by the end of the next business day after the service order completion date."*

**Cause**

Excess stated the subscriber may have called directly to update their address on their application, but this change had not been made to the WAR.

**Effect**

Accounts with differing attributes between program application and WAR (i.e., different address, phone number, etc.) result in inconsistent information across data sources and program administration records. This presents the potential for the inability to properly verify and monitor the ongoing program eligibility of such subscribers. For instance, a subscriber may have the opportunity to submit an application with an intentionally incorrect home address, as a means to circumvent the multiline household eligibility requirement, only to change their home address of record once approved. This may result in ineligible persons receiving CA Lifeline benefits.

**Recommendation**

Excess should implement and/or refine its process to make timely updates to subscriber information and facilitate timely communication of such subscriber information to the CPUC and TPA. Further, Excess should implement procedures to verify that subscriber information updates made to internal systems are also successfully communicated to the TPA and processed in its systems. Excess should perform reconciliations or review exceptions reports to confirm that subscriber information agrees across internal systems, such as internally-maintained subscriber attribute tables, and reporting generated by external sources, such as the WAR.

**Views of Responsible Officials**

Excess states the following regarding Finding #2:

"Finding #2 erroneously holds that Excess Telecom failed to update a single subscriber's information resulting in inconsistency in data between sources. While Excess Telecom understands the importance of timely updating the TPA with changes in subscriber information, in this instance Excess Telecom had no update to provide, as the subscriber at issue did not change any account information with Excess Telecom."

**Crowe Rebuttal**

Crowe maintains that the finding should remain as written. Excess asserts that it did not have an obligation to provide the California LifeLine Administrator information related to changes to a customer account because it did not have record of a customer contacting them regarding the change. However, the fact remains that a change to customer information occurred and was processed, resulting in variances in customer information between the internal records of Excess and the TPA.

# Finding #3 – Inaccurate Transmission of Data Resulting in Ineligible Subscriber's Approval to Program

*Deficiency and Noncompliance*

**Condition**

Crowe randomly selected a non-statistical sample of 60 accounts that were active during the audit period. The monthly population averaged 20,744 subscribers. We requested invoices for the sampled accounts to determine that subscribers were active and received LifeLine discounts that accurately reduced their outstanding balances for services. Excess did not provide an invoice for 1 account sampled.

Upon further inquiry, Crowe found that inaccurate data related to this subscriber was transmitted to the CPUC and TPA. This subscriber was erroneously included in the WAR for the months of June, 2023, July, 2023, and August, 2023.

Excess did not include this subscriber in its claims for reimbursement. As a result, Crowe did not assess a questioned cost.

**Criteria**

General Order (GO) 153 section 5.3 states the following regarding service providers' responsibility to disallow ineligible subscribers from remaining in the Program:

*"No California LifeLine Service Provider shall knowingly enroll into California LifeLine an Applicant who does not meet the California LifeLine eligibility criteria. No California LifeLine Service Provider shall knowingly allow a Subscriber to remain in California LifeLine who does not meet the California LifeLine eligibility criteria."*

**Cause**

The order for this account was denied internally by Excess. But, due to a system error and internal control deficiency, was transmitted to the CPUC and TPA. The order subsequently received approval by the CPUC and/or TPA and was included in the WAR.

**Effect**

Inaccurate subscriber data was provided to the CPUC and TPA. This control failure resulted in a subscriber, initially determined to be ineligible by Excess, being admitted to the program. Future instances of this control failure could result in additional subscribers being granted program approval despite being denied internally by Excess. If so, Excess may be awarded reimbursement for subscribers who are not eligible for program benefits or for services not provided.

**Recommendation**

Excess should communicate all identified system errors with its vendor to resolve functionality issues. Further, Excess should implement controls to prevent and detect incorrect data from being transmitted to the CPUC and the TPA. Upon transmitting data, Excess should generate and review exceptions reports to identify variances between the dataset prior to transmission and the actual dataset received by CPUC and the TPA. Excess will have the opportunity to correct exceptions in real-time, potentially avoiding the erroneous inclusion of information in the WAR and claims forms. Excess should monitor monthly reporting activity on an ongoing basis to verify that internal records agree to records maintained by CPUC and the TPA.

**Views of Responsible Officials**

Excess states the following regarding Finding #3:

"Finding #3 erroneously holds that Excess Telecom inaccurately transmitted data resulting in a single "Ineligible Subscriber's Approval to the Program." The Auditor provides no basis to support its conclusion that the subscriber at issue was ineligible for Lifeline. As explained in the Company's Response to Finding #1, the Auditor would need to access and review information in possession of the TPA to make that determination and it did not. In this case, the subscriber's application was routed for manual review by the TPA. On the same day, a second subscriber was enrolled from the same address. The second subscriber was automatically approved by the TPA. For this reason, Excess Telcom denied the first subscriber's application to avoid the potential of multiple members of the same household enrolling at the same address. Regardless, the Auditor correctly recognizes that no claim was made with respect to the first subscriber. For this reason, there is no claim to recover."

**Crowe Rebuttal**

Crowe maintains that the finding should remain as written. Excess originally communicated to Crowe that the subscriber in question was denied service internally, but, due to a system error, was transmitted to the TPA. Excess acknowledged the system error and communicated to Crowe that the system error had been reviewed by its software company and that they have since implemented a check to prevent the error from happening again. Excess now indicates that the subscriber was intentionally routed to the TPA for manual review but then subsequently denied by Excess. Regardless of this sequencing of events, the subscriber was included in WAR reports for three months, indicating that a proper de-enrollment from the program did not occur in a timely manner.

# Appendix A – List of Records Examined

1. Third-Party Administrator (TPA) Weighted Average Reports (WAR).
2. California LifeLine Claim Forms submitted by Excess for reimbursement.
3. Written policies and procedures related to Excess' California LifeLine Program administration.
4. California LifeLine Program customer applications.
5. Customer proof of eligibility documents.
6. Customer household worksheets.
7. Customer de-enrollment records.
8. Customer invoices.
9. General Order (GO) 153 Sections 5 and 9, Public Utilities Code Section 878, Decision (D.) 14-01-036 and D.10-11-033.

# Appendix B – Views of Responsible Officials

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February 24, 2025

**Via E-mail**

Bert Nuehring
Crowe LLP
400 Capitol Mall, Suite 1400
Sacramento, California 95814-4434

RE: Performance Audit of Excess Telecom; California LifeLine Program

Dear Mr. Neuhring:

Our client, Excess Telecom, Inc. (Excess Telecom or the Company) is in receipt of Crowe LLP's (the Auditor's) final draft Performance Audit of Excess Telecom for the California LifeLine Program (Performance Audit). Excess Telecom, through its undersigned counsel, hereby provides its response to your draft Findings in the Performance Audit.

**Finding #1**

**Finding #1 erroneously holds that Excess Telecom overclaimed LifeLine Funds in the amount of $70,035.98 because it enrolled subscribers, or allowed subscribers to remain enrolled, in California LifeLine that were not eligible to receive California LifeLine service.**[1] As the Auditor states in the Project Background, the Third Party Administrator (TPA) determines eligibility for California LifeLine service, and verifies the continued eligibility of LifeLine subscribers, not LifeLine service providers such as Excess Telecom.[2] The TPA determined the 142 subscribers were eligible for California LifeLine service, and the Auditor did not confirm such eligibility with or receive information questioning that eligibility from the TPA. Therefore, the Auditor has no basis on which to determine that the 142 subscribers were not eligible for

[1] *See* Performance Audit, 13-14.

[2] *See id.*, 6.

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California LifeLine and no basis upon which to recommend that Excess Telecom reimburse $70,035.98 to the California Public Utilities Commission (CPUC).

Finding #1 of the Performance Audit alleges that Excess Telecom violated Sections 5.3 and 12.9 of GO 153 because the Auditor finds that "Excess Telecom does not have in its possession applications or proof of eligibility for…the 142 subscribers" and "Excess is not able to properly verify program eligibility of such subscribers."[3] Excess Telecom does not have the application or proof of eligibility records because the 142 subscribers had their LifeLine benefits transferred from another LifeLine provider to Excess Telecom pursuant to a bulk benefit transfer process overseen by the CPUC. Regardless of whether Excess Telecom would have access to such documents it never collected (as it was not the provider that submitted an application or any additional documentation to the CPUC), the Company agrees with the Auditor's apparent conclusion that the issue of whether a redundant set of records sits in the possession of an entity other than the TPA has no bearing on the eligibility of subscribers or disbursement claims made in the wake of providing discounted LifeLine services to those subscribers. Indeed, the Auditor's recommendation that Excess Telecom reimburse $70,035.98 in "overpaid LifeLine funds" is based on its clearly erroneous allegation that Excess Telecom violated Section 5.3 of GO 153 because the 142 subscribers were not eligible to receive California LifeLine service.

Section 5.3 states, "No California LifeLine Service Provider shall knowingly enroll into California LifeLine an Applicant who does not meet the California LifeLine eligibility criteria. No California LifeLine Service Provider shall knowingly allow a Subscriber to remain in California LifeLine who does not meet the California LifeLine eligibility criteria."[4] The question then is – who is responsible for determining which applicants "meet the California eligibility criteria" and conducting the annual eligibility verification? According to the Performance Audit's Project Background, "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."[5] The Auditor is correct – the TPA is responsible for determining whether LifeLine applicants are eligible for California LifeLine and whether they remain eligible through annual verifications. Here, there is no dispute that **the TPA determined that the 142 subscribers were eligible for California LifeLine and that they remained eligible through annual verifications**. Therefore, the 142 subscribers were eligible and Excess Telecom did not violate Section 5.3 of GO 153.

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[3] *See* Performance Audit, 13-14.

[4] *See id.*, 13 (citing GO 153, 5.3).

[5] *Id.*, 6 (emphasis added).

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The Project Background of the Performance Audit states, "we obtained and assessed the information provided by the TPA; however, we did not audit the TPA."[6] The Auditor apparently did not request the applications and proof of eligibility for the 142 subscribers from the TPA. Therefore, it did not obtain and assess the information necessary to make a determination that the subscribers were not eligible for California LifeLine. Consequently, the Auditor has no basis on which to conclude that the 142 subscribers were not eligible for California LifeLine or to recommend that Excess Telecom reimburse $70,035.98 to the CPUC. Accordingly, there is no basis to support Finding #1.

**Finding #2**

**Finding #2 erroneously holds that Excess Telecom failed to update a single subscriber's information resulting in inconsistency in data between sources.** While Excess Telecom understands the importance of timely updating the TPA with changes in subscriber information, in this instance Excess Telecom had no update to provide, as the subscriber at issue did not change any account information with Excess Telecom.

**Finding #3**

**Finding #3 erroneously holds that Excess Telecom inaccurately transmitted data resulting in a single "Ineligible Subscriber's Approval to the Program."** The Auditor provides no basis to support its conclusion that the subscriber at issue was ineligible for Lifeline. As explained in the Company's Response to Finding #1, the Auditor would need to access and review information in possession of the TPA to make that determination and it did not. In this case, the subscriber's application was routed for manual review by the TPA. On the same day, a second subscriber was enrolled from the same address. The second subscriber was automatically approved by the TPA. For this reason, Excess Telcom denied the first subscriber's application to avoid the potential of multiple members of the same household enrolling at the same address. Regardless, the Auditor correctly recognizes that no claim was made with respect to the first subscriber. For this reason, there is no claim to recover.

Respectfully submitted,

John J. Heitmann
Joshua T. Guyan

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[6] *Id.*

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