

September 19, 2013

The Honorable Mignon Clyburn
Acting Chairwoman
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Dear Acting Chairwoman Clyburn:

I am writing in response to recent reports highlighting recurring and blatant waste within the Lifeline program, which is overseen by the Federal Communications Commission (FCC). On September 17, 2013, Scripps Howard News Service (Scripps) reported that former sales agents from two Lifeline service providers, TerraCom Inc. and YourTel America Inc., admitted to fabricating and signing enrollment documents at the request of their superiors. Fifty individuals listed on these applications said they had never seen or signed the forms.

In light of these details, the FCC should promptly refer the matter to federal prosecutors at the Department of Justice (DOJ) to determine whether criminal violations have occurred. Knowingly providing false information to a government agency for profit must be investigated. If these companies are found in violation of federal law, I expect the DOJ will prosecute those responsible to the fullest extent of the law.

As you know, the Lifeline program has proven ripe for fraud, waste and abuse, particularly since the program was expanded under the administration of President George W. Bush. Initially established under President Ronald Reagan, Lifeline had provided discounts for wireline phones for qualified, low-income customers, but was expanded to also providing prepaid wireless phone services in 2008. The program cost \$800 million in 2008 and ballooned to \$2.2 billion in 2012. Exacerbating the situation, unlike other Universal Service Fund programs, the Lifeline program lacks a spending cap.

The FCC's actions to control spending and address abuse in the Lifeline program have been utterly lacking. While the FCC took action in 2012 to improve controls in the program, they have proven badly insufficient. Furthermore, the FCC has failed to conduct serious oversight or undertake adequate enforcement actions. In fact, the FCC has taken only a single enforcement action since it expanded controls, assessing a total of \$1 million in fines. Notably, those fines were assessed to the same two companies whose continued wrongdoing has been exposed by Scripps. The \$1 million in fines stands in stark contrast to the approximately \$3 billion in expenditures under Lifeline during this same period. The FCC's failures in oversight

and enforcement are unacceptable and inexplicable. The FCC must drastically improve its oversight of the Lifeline program, or face the likelihood that lawmakers, like myself, whom are deeply troubled with both the structure and activities of the Lifeline program will be able to garner adequate support to terminate it.

In addition to referring the allegations made against TerraCom and YourTel to the Department of Justice, I expect the FCC will aggressively pursue its own enforcement actions against the two companies. The fact that these companies were bold enough to continue to violate the law with impunity, even after they were previously fined for wrongdoing, highlights the shortfalls of FCC enforcement. The FCC should fine both companies the maximum permissible amount under the Lifeline program of \$1.5 million and bar them from further participation in Lifeline and other USF programs.

The Scripps reporting should not be thought to reflect isolated wrongdoing. Other recent media reports have exposed additional fraud, waste and abuse, including providers signing up individuals ineligible for the program and subscribing multiple individuals in the same household. Inadequate requirements for applicants to prove eligibility, over-stringent privacy controls that make auditing Lifeline providers difficult, and permitting providers to pay their staff on a commission basis all contribute to fraud, waste and abuse. The FCC must also act to address these problems.

The FCC cannot allow Lifeline providers in the program to perpetuate fraud, waste and abuse of taxpayer dollars with impunity. I am prepared to work with you should you feel you need additional statutory authority to address the many shortcomings in the Lifeline program. However, I am equally prepared to aggressively pursue legislation to terminate the Lifeline program if the FCC continues to prove it cannot control the program.

Sincerely,

A handwritten signature in blue ink, appearing to read "Claire McCaskill", with a stylized, cursive script.

Claire McCaskill
United States Senator

CC: Attorney General Eric Holder