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Kent Blickensderfer  
State Legislative Affairs Director



August 16, 2017

Mr. Darrell Nitschke  
Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard Avenue, 12<sup>th</sup> Floor  
Bismarck, ND 58505-0480



Dear Mr. Nitschke:

Pursuant to C.F.R. § 54.420 of the Federal Communications Commission's ("FCC") rules, CenturyLink hereby provides a copy of its Lifeline Biennial Audit Report as issued and filed with the FCC on August 10, 2017. This report covers the audit period of January 1, 2015 through December 31, 2015.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Kent Blickensderfer".

Kent Blickensderfer  
State Legislative Affairs Director

KB/bardm

Enclosure

**CERTIFICATE OF SERVICE**

I hereby certify that on this 16th day of August, 2017, the original and seven copies of CenturyLink's Lifeline Biennial Audit Report were served upon the following party:

Mr. Darrell Nitschke  
Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard Avenue, 12<sup>th</sup> Floor  
Bismarck, ND 58505-0480

and copies sent electronically, addressed to the following:

Kent P. Blickensderfer  
State Legislative Affairs Director  
CenturyLink  
220 North 5<sup>th</sup> Street  
Bismarck, ND 58501



Dianne Barthel



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## Independent Accountants' Report On Applying Agreed-Upon Procedures

To the Managements of CenturyLink, Inc. ("CenturyLink"),  
the Universal Service Administrative Company ("USAC"), and  
the Federal Communications Commission ("FCC" or "Commission"):

We have performed the procedures enumerated in Attachment A, which were agreed to by the FCC's Wireline Competition Bureau ("Bureau") and Office of Managing Director ("OMD") in the Lifeline Biennial Audit Plan or as otherwise directed by the Bureau,<sup>1</sup> solely to assist you in evaluating CenturyLink's compliance with certain regulations and orders governing the Low Income Support Mechanism (also known as the Lifeline Program) of the Universal Service Fund, set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the "Rules") detailed in the Lifeline Biennial Audit Plan for the year ended December 31, 2015. CenturyLink's management is responsible for compliance with the Rules. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and by Generally Accepted Government Auditing Standards ("GAGAS") issued by the Government Accountability Office (2011 Revision).<sup>2</sup> The sufficiency of these procedures is solely the responsibility of the Bureau and OMD. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

Specific procedures and related results are enumerated in Attachment A to this report. In compliance with the Lifeline Biennial Audit Plan, this report does not contain any personally identifiable information or individually identifiable customer proprietary network information.<sup>3</sup>

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on CenturyLink's compliance with the Rules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of CenturyLink, USAC, and the FCC, and is not intended to be and should not be used by anyone other than these specified parties. This report becomes a matter of the public record upon filing of the final report with the FCC. The final report is not confidential.

**KPMG LLP**

July 31, 2017

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<sup>1</sup> See *Wireline Competition Bureau Announces Release of Final Lifeline Biennial Audit Plan*, WC Docket No. 11-42, Public Notice, DA 14-450 (rel. Apr. 2, 2014) and Attachment A to the *Lifeline Program Biennial Audit Announcement Letter* sent to ETCs dated August 10, 2016.

<sup>2</sup> See U.S. Government Accountability Office, *Government Auditing Standards*, GAO 12-331G (rev. Dec. 2011).

<sup>3</sup> See 18 U.S.C. § 1028(d)(7) (definition of means of identification) and 47 U.S.C. § 222(h)(1) (definition of customer proprietary network information).



Attachment A enumerates the agreed-upon procedures for CenturyLink, the associated results, and any management responses obtained in relation to the exceptions identified.

**Objective 1: Carrier Obligation to Offer Lifeline**

***Procedure 1***

KPMG inquired of CenturyLink management on February 27, 2017 and obtained CenturyLink's policies and procedures for offering Lifeline service to qualifying low-income consumers.

KPMG inspected CenturyLink's policies and procedures, and compared those policies and procedures, as well as management's responses to our inquiries, to the Rules set forth in 47 C.F.R. § 54.405, noting no exceptions.

***Procedure 2***

KPMG inspected ten examples of carrier marketing materials describing the Lifeline service (i.e., print, audio, video and web materials used to describe or enroll new subscribers in the Lifeline service offering, including standard scripts used when enrolling new subscribers, application and certification forms).

KPMG noted the inspected marketing materials contained the following information, as required by the Rules set forth in 47 C.F.R. § 54.405, noting no exceptions:

- i. The service is a Lifeline service, which is a government assistance program;
- ii. The service is non-transferable;
- iii. Only eligible subscribers may enroll;
- iv. Only one Lifeline discount is allowed per household; and
- v. CenturyLink's name is used to market the service.

***Procedure 3***

KPMG inquired of CenturyLink management on February 27, 2017 and obtained CenturyLink's policies and procedures for how subscribers notify the carrier of the subscriber's intent to cancel service or give notification that s/he is no longer eligible to receive Lifeline service and when de-enrollment for such notification occurs.

KPMG inspected CenturyLink's policies and procedures, and compared those policies and procedures, as well as management's responses to our inquiries, to the Rules set forth in 47 C.F.R. § 54.410, noting no exceptions.

KPMG called the customer care numbers provided by CenturyLink management and numbers included within the marking materials provided during fieldwork. For each of the six telephone numbers dialed, each telephone number was operational, utilized an interactive voice response ("IVR") system, and allowed an individual to reach a live customer care operator. No exceptions noted.



***Procedure 4***

KPMG inquired of CenturyLink on February 27, 2017 and obtained CenturyLink's policies and procedures for de-enrollment from the program, including when the Eligible Telecommunications Carrier ("ETC") will de-enroll subscribers based on lack of eligibility, duplicative support, non-usage and failure to recertify.

KPMG inspected CenturyLink's policies and procedures, and compared those policies and procedures, as well as management's responses to our inquiries, to the Rules set forth in 47 C.F.R. § 54.405, noting no exceptions.

**Objective 2: Consumer Qualification for Lifeline**

***Procedure 1***

KPMG inquired of CenturyLink's management on February 27, 2017 and obtained CenturyLink's policies and procedures for limiting Lifeline support to a single subscription per household.

KPMG inspected CenturyLink's policies and procedures, and compared those policies and procedures, as well as management's responses to our inquiries, to the Rules set forth in 47 C.F.R. § 54.409, noting no exceptions.

***Procedure 2***

KPMG inquired of CenturyLink's management on February 27, 2017 to discuss the policies and procedures in place to ensure it has accurately completed the FCC Form 497 "Lifeline Worksheet".

KPMG inspected CenturyLink's policies and procedures, and compared those policies and procedures, as well as management's responses to our inquiries, to the Rules set forth in 47 C.F.R. § 54.409, noting no exceptions.

***Procedure 3***

KPMG obtained the subscriber list and CenturyLink's FCC Form 497 for each study area in the selected states (Colorado, Florida and New Mexico) as of May 31, 2015. KPMG compared the number of subscribers reported on the Form 497s to the number of subscribers contained on the subscriber list for each study area, noting no exceptions.

***Procedure 4***

KPMG conducted computer-assisted audit techniques and inspected the subscriber list obtained in Procedure 3 above for duplicate addresses with different subscribers receiving Lifeline support, noting no exceptions.



***Procedure 5***

KPMG requested copies of the one-per-household certification form for any duplicate addresses identified in Procedure 4 above. KPMG inspected the certification forms to determine whether the selected subscribers certified to only receiving one Lifeline-supported service in his/her household using the one-per-household worksheet, noting no exceptions.

**Objective 3: Subscriber Eligibility Determination and Certification**

***Procedure 1***

KPMG inquired of CenturyLink's management on February 27, 2017 and obtained CenturyLink's policies and procedures for ensuring that its Lifeline subscribers are eligible to receive Lifeline services.

KPMG inspected CenturyLink's policies and procedures, and compared those policies and procedures, as well as management's responses to our inquiries, to the Rules set forth in 47 C.F.R. § 54.410.

KPMG noted no exceptions between CenturyLink's policies and procedures, management's responses to our inquiries, and the Rules. KPMG noted that CenturyLink does not retain copies of subscribers' proof of income or program-based eligibility documentation. KPMG also noted CenturyLink's policies require eligibility verification of each low-income customer prior to providing Lifeline service to that customer.

***Procedure 2***

KPMG inquired of CenturyLink's management on February 27, 2017 and obtained CenturyLink's policies and procedures for training employees and agents for ensuring that the ETC's subscribers are eligible to receive Lifeline services.

KPMG inspected CenturyLink's policies and procedures, and compared those policies and procedures, as well as management's responses to our inquiries, to the Rules set forth in 47 C.F.R. § 54.410, noting no exceptions.

KPMG noted all employees responsible for evaluating subscriber eligibility are required to complete Lifeline specific training as part of their CenturyLink employee on-boarding process. KPMG viewed an online training module that all employees responsible for evaluating subscriber eligibility must participate in prior to the on-site training. All on-site training is conducted at CenturyLink's support centers, which includes a two-week "shadow" period of a senior or experienced staff. Any additional training or updated information specific to Lifeline is communicated to the assigned employees and managed through the employee portal. The trainings or updates are conducted online, and the results are monitored by the employee's supervisor and CenturyLink management.



KPMG noted that CenturyLink operates in states which participate in the National Lifeline Accountability Database (“NLAD”) as well as NLAD opt-out states. CenturyLink developed and deployed training materials for employees to use and interact with the NLAD. CenturyLink requires all employees responsible for verifying eligibility in states that participate in the NLAD to complete the training. The employee’s compliance is monitored by the employee’s supervisor and CenturyLink management. Additionally, KPMG noted that access to the NLAD is limited to employees who are responsible for verifying eligibility of subscribers in states which participate in the NLAD. CenturyLink has also developed policies for verifying the subscriber has completed all forms necessary to receive service and only subscribers that have been vetted by the NLAD are eligible for the Lifeline discount.

For the employees responsible for verifying subscriber eligibility in the NLAD opt-out states, KPMG noted CenturyLink trains its employees to use and interact with state administrators and/or databases. CenturyLink limits access to any state databases to the individuals who are responsible for verifying eligibility of subscribers with state administrators and/or databases. Additionally, CenturyLink has developed policies for verifying the subscriber has completed all forms necessary to receive service and only subscribers vetted by a state administrator are eligible for the Lifeline discount.

***Procedure 3***

KPMG obtained the subscriber list for each study area in the selected states (Colorado, Florida and New Mexico) as of May 31, 2015. KPMG randomly selected 100 subscribers from the subscriber list that were enrolled in the Lifeline program.

KPMG inspected the subscriber’s certification and recertification forms (where applicable) and compared the subscriber eligibility criteria on the certification and recertification forms to the federal eligibility criteria set forth in the Rules, noting no exceptions. KPMG verified the subscribers completed all required elements as required by the Rules and initialed or signed where applicable, noting no exceptions. KPMG inspected the forms to validate the initial certification form was dated prior to or on the same day as the Lifeline start date per the subscriber list, noting no exceptions. KPMG verified that CenturyLink’s forms require subscribers to certify to residing on Tribal lands, as applicable, noting no exceptions. KPMG reviewed the list of data sources or documentation CenturyLink reviewed to confirm the subscriber’s eligibility to verify the data sources were eligible per the Rules set forth in 47 C.F.R. § 54.410, noting no exceptions.

Additionally, the sample of subscribers did not contain Tribal residents and as such, the procedure related to certification to residing on Tribal lands was not applicable.

**Objective 4: Annual Certification and Recordkeeping by ETCs**

***Procedure 1***

KPMG inquired of CenturyLink’s management on February 27, 2017 and obtained CenturyLink’s policies and procedures for ensuring that the carrier has made and submitted the annual certifications required under the Rules set forth in 47 C.F.R. §§ 54.416 and 54.422.

KPMG inspected CenturyLink's policies and procedures, and compared those policies and procedures, as well as management's responses to our inquiries, to the Rules set forth in 47 C.F.R. §§ 54.416 and 54.422, noting no exceptions.

***Procedure 2***

KPMG requested CenturyLink's FCC Form 555s "Annual Lifeline Eligible Telecommunications Carrier Certification Form" that were filed in January 2016 for the study areas within the selected states of Colorado, Florida and New Mexico, which represented the subscribers recertified during the calendar year 2015.

KPMG inspected the FCC Form 555s filed for the study areas in the selected states (Colorado, Florida and New Mexico) and reviewed the certifications completed by an officer of CenturyLink, noting no exceptions.

KPMG noted an officer of CenturyLink made all certifications on the FCC Form 555s as required by the Rules. KPMG noted in instances where CenturyLink confirmed consumer eligibility by relying on income or eligibility databases, CenturyLink attested as to what specific data source was used to confirm eligibility.

***Procedure 3***

KPMG requested CenturyLink's organizational chart in order to verify that the certifying officer on the FCC Form 555s was an officer of CenturyLink per the organizational chart.

KPMG noted the certifying officer on the FCC Form 555s for the study areas within the selected states (Colorado, Florida and New Mexico) was an officer of CenturyLink per the organizational chart.

***Procedure 4***

KPMG obtained the FCC Form 555s filed in January 2016 for the selected states (Colorado, Florida and New Mexico) and the respective Form 497s filed in February 2015.

KPMG verified the subscriber count per each FCC Form 555 agreed with the total subscriber count per the respective Form 497 for the selected states of Colorado, Florida and New Mexico, noting no exceptions.

***Procedure 5***

KPMG requested the recertification records for the states of Colorado, Florida and New Mexico to verify the recertification results agreed to the data reported on the FCC Form 555s, in response to Item 9 of Appendix A (subscriber list of subscribers reported on the February FCC Form 555 for January 1, 2015 through December 31, 2015 for Colorado, Florida and New Mexico).

KPMG reviewed the recertification results of the individual subscribers reported on the FCC Form 555s filed in January 2016 for the selected states (Colorado, Florida and New Mexico). KPMG



verified that the data reported on the FCC Form 555 for each of the selected states agreed with the detailed recertification results, noting no exceptions.

***Procedure 6***

KPMG noted that CenturyLink is not subject to the non-usage rules (as CenturyLink does not provide cellular based Lifeline Services) as required by the Rules set forth in 47 C.F.R. § 54.407.

KPMG verified CenturyLink is not required to track or report non-usage for subscribers as required by the Rules, as CenturyLink collects a monthly fee from all Lifeline subscribers. As such, this procedure is not applicable.

***Procedure 7***

KPMG obtained CenturyLink's FCC Form 481s "Carrier Annual Reporting Data Collection Form" filed in July 2015 for the selected states (Colorado, Florida and New Mexico) to verify the ETC reported all the information and made all the certifications required by 47 C.F.R. § 54.422(a) and (b).

KPMG verified CenturyLink reported all the information and made all the certifications required by 47 C.F.R. § 54.422(a) and (b) in its Form 481s, noting no exceptions.

***Procedure 8***

KPMG requested copies of the supporting schedules from CenturyLink related to the annual ETC certifications for the selected states (Colorado, Florida and New Mexico).

KPMG reviewed the supporting schedules related to the selected states' annual ETC certifications and verified that the data reported on the certifications agrees with the supporting schedules, noting no exceptions.

***Procedure 9***

KPMG inquired of CenturyLink's management on February 27, 2017 and obtained CenturyLink's policies and procedures for maintaining records that document compliance with the Rules set forth in 47 C.F.R. § 54.417.

KPMG inspected CenturyLink's policies and procedures, and compared those policies and procedures, as well as management's responses to our inquiries, to the Rules set forth in 47 C.F.R. § 54.417, and verified that CenturyLink maintains records that document compliance with the Rules for the required time periods, noting no exceptions.