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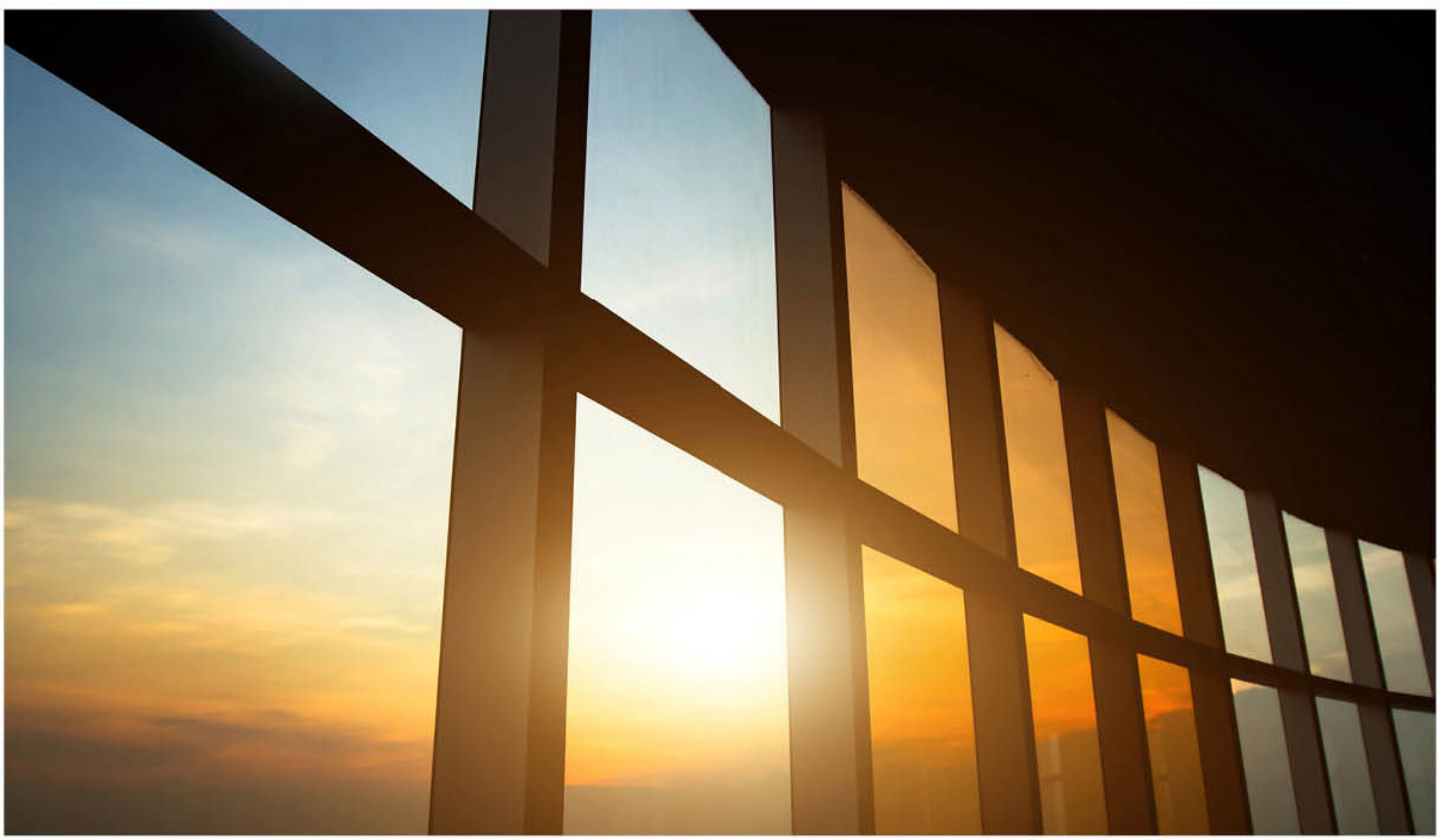
Performance Audit of Assurance Wireless California LifeLine Program

August 30, 2024



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August 30, 2024

Tami Shwonek, Director, Tax-Finance
Assurance Wireless

Dear Ms. Shwonek:

Final Report Transmittal Letter - Audit of Assurance Wireless' California LifeLine Program for the period of July 1, 2021, through June 30, 2022

Crowe LLP (Crowe) was contracted by the California Public Utilities Commission (CPUC) to conduct a performance audit of Assurance Wireless (Assurance), 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, 2021 through June 30, 2022.

The results of our tests indicated that Assurance did not meet Objectives 1 and 4 in all significant respects for the period of July 1, 2021 through June 30, 2022. Assurance met Objectives 2, 3, 5, 6, and 7 in all significant respects. We identified two (2) 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 Assurance Wireless (Assurance), 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, 2021 through June 30, 2022. The objectives of the audit are described on pages eight (8) through ten (10) and evaluate whether Assurance's claims from the California LifeLine Fund for fiscal year 2021-22 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 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 Assurance 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 Assurance did not meet Objectives 1 and 4 in all significant respects for the period of July 1, 2021, through June 30, 2022. Assurance met Objectives 2, 3, 5, 6, and 7 in all significant respects.

Crowe LLP

Crowe LLP

Sacramento, CA
August 30, 2024

Executive Summary

Crowe LLP (Crowe) conducted a performance audit of Assurance 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 Assurance's claims from the California LifeLine Fund for the period of July 1, 2021 through June 30, 2022 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.

Crowe identified two (2) 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. Insufficient documentation was provided to confirm proof of eligibility	*Significant Deficiency and Noncompliance*	1, 4
2. Insufficient retention of records related to reimbursement claims	*Deficiency and Noncompliance*	1

Project Background

<u>California LifeLine Program</u>

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)

[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.

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)[3] per each eligible subscriber claimed, LifeLine non-recurring charges, applicable taxes/surcharges, interest, and administrative costs as set forth in GO 153.

Assurance

Assurance claimed and was reimbursed a total of $47,579,126 in subsidy from the California LifeLine Fund during the audit period of July 1, 2021 through June 30, 2022. Monthly subscribers averaged 354,818 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
Assurance Wireless
Subsidy Amounts Claimed via Monthly Claim Forms
California LifeLine Program Reimbursement, by Expense Category
(July 1, 2021 to June 30, 2022)

Expense Category	Expense Amount Claimed
1. Allowable SSA for Flat Rate Service	$37,392,051
2. Allowable SSA for Flat Rate Service, California-only Eligibility	$3,431,444
3. Connection Charges	$11,838,216
4. Administrative Expense Cost Factor	$127,556
5. Other expenses, true-ups and credits	-$5,210,141
Total	**$47,579,126**

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 Assurance 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 Assurance 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 Assurance's claims from the California LifeLine Fund for fiscal year 2021-22 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 Assurance's 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 customer accounts such that 20 accounts were randomly selected from each of September, December, and March of the audit period. The monthly population averaged 354,818 subscribers.

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

2. **Determine if Assurance 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 July 1, 2021, through June 30, 2022.
   - 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 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 a schedule of administrative expenses, supporting invoices, and rationale for calculations.
- Determined that Assurance 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.

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 354,818 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 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 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 2021 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 354,818 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 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 354,818 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 354,818 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 two (2) 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.
- *Management Response* – 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. Insufficient documentation was provided to confirm proof of eligibility	$-
2. Insufficient retention of records related to reimbursement claims	$-
Total	**$-**

Views of Responsible Officials

We discussed the audit results with Assurance representatives at an exit conference held on June 28, 2024. 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 Assurance 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 – Insufficient Documentation was Provided To Determine Proof of Eligibility

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 354,818 subscribers. We requested proof of eligibility for the sampled accounts. Initially, we found that proof of eligibility was not provided for 17 of 60 sample accounts. An exit conference was held to discuss audit findings. As an outcome, Assurance requested, and was granted, an opportunity to furnish proof of eligibility for 17 sample accounts that were not provided initially. Assurance then provided proof of eligibility for 14 of the 17 outstanding sample accounts. Proof of eligibility was not provided for 3 of 60 sample accounts.

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."*

Cause

Assurance did not have procedures to confirm program eligibility. Additionally, Assurance stated that they do not have information related to subscribers who applied for LifeLine directly through the TPA or were otherwise transferred by the TPA to Assurance from another provider. Further, Assurance states that the TPA – not Assurance – would presumably have the documentation for those subscribers. Although Assurance requested information from the TPA that Assurance did not have in its possession, proof of eligibility for 3 of 60 sample accounts was not furnished.

Effect

Assurance is not able to properly verify program eligibility of such subscribers. This may result in in-eligible persons receiving CA LifeLine benefits.

Recommendation

Assurance should contact the TPA to request copies of the LifeLine eligibility documents used to determine eligibility of the 3 sample accounts identified in this finding and retain the documents according to the records-retention requirements listed in the criteria section above. Going forward, Assurance should implement a process to validate program eligibility. If proof of program eligibility is submitted to the TPA, Assurance should obtain and review that documentation from the TPA to ensure the subscribers meet eligibility requirements. This should include an assessment of renewals, as program eligibility can change year-over-year.

Views of Responsible Officials

Assurance's response to Finding 1 begins on the following page. Assurance's full response is provided in Appendix B.

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agents and/or website and to otherwise maintain that data.[6] To that end, and as clarified below, Assurance provided Crowe with copies of the Household Worksheets which were maintained by Solix in the normal course. It also provided Crowe with *a* copy provided by the TPA per the post-Exit Conference request.

- Requesting Information from the TPA. As noted above and on prior occasions, certain documentation – e.g., eligibility documentation for applicants that enroll directly with the TPA – is not provided to Assurance (or any other provider) in the normal course. The only way to obtain such information, to the extent it exists, is to make such a request to the TPA (which Assurance did per Crowe's direction at the Exit Conference).

II. FINDING NO. 1

Finding No. 1 of the Second Draft Report is based on a fundamental misunderstanding of how eligibility determinations are made and what documentation is in Assurance's possession in the normal course and what documentation is available even upon request.

A. **Eligibility Determinations**. In particular, in response to Assurance's attempts to provide Crowe with eligibility documentation as requested, Finding No. 1 asserts that "Assurance did not have procedures to confirm program eligibility"[7] and that "going forward, Assurance should implement a process to validate program eligibility" including a review of "documentation from the TPA to ensure the subscribers meet eligibility requirements."[8]

These assertions are unfounded and directly conflict with General Order 153 and the well-established practices of the LifeLine Program. As Assurance has repeatedly noted, and as recognized by the Commission, the TPA and all LifeLine providers, *the TPA is the only entity that is authorized – and otherwise has access to sufficient information – to determine eligibility*. Assurance simply has no means or authorization to confirm, validate,

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[6] Per its prior Responses and as discussed during the initial Exit Conference, this is not an obligation imposed by the LifeLine Program as the need for such Worksheets is a matter within the sole discretion of the TPA. Assurance collects these Worksheets proactively in order to facilitate the application process and expedite the provision of service to eligible subscribers as determined by the TPA. *See also* Section III.B, below.

[7] *See Second Draft Report*, Finding # 1 at 12 (citing the first sentence of the "Cause" section).

[8] *Id.* at 12, Recommendation (which provides in part as follows: "Going forward, Assurance should implement a process to validate program eligibility. If proof of program eligibility is submitted to the TPA, Assurance should obtain and review that documentation from the TPA to ensure the subscribers meet eligibility requirements. This should include an assessment of renewals, as program eligibility can change year-over-year.")

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reject, or assess the eligibility determination made by the TPA in any way. To suggest otherwise would require reimagining the entire LifeLine program.

In addition, General Order 153 imposes no such obligations on, or authority to, providers. To the contrary, the General Order explicitly provides as follows:

> "The role of the California LifeLine Administrator is to qualify new Applicants and to verify the continued eligibility of existing California LifeLine Subscribers."[9]

The Second Draft Report references Section 5 of the General Order but that section does not require, or authorize, providers to confirm program eligibility. Instead, it prohibits providers from "knowingly" enrolling an ineligible applicant or allowing them to remain in the program.[10] It does not address program eligibility determinations which again, are matters for the TPA exclusively.

Moreover, the fallacy underlying Finding No. 1 is exemplified by the Second Draft Report's purported concern that "ineligible persons [are] receiving CA LifeLine benefits" because "Assurance is not able to verify program eligibility of such subscribers."[11] Assurance provides services only to those subscribers who are deemed eligible by the TPA and – as confirmed by the Audit – its claims have been reviewed and determined to be valid as such.

B. **Documentation Retention**. Finding No. 1 also seems to suggest that Assurance should somehow retain and provide eligibility documentation that is not – and never was - in its possession (prior to making a special request to the TPA in the course of this audit) and in some cases – simply does not exist. Assurance submits that such a requirement would be illogical, and it is unclear how either would be possible.

As an initial matter, it is undisputed that Assurance provided eligibility documentation for 43 of the 60 sample subscribers in its Initial Response to the Data Request C11. That was

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9 General Order 153 at § 6.1.1; *see also, id.* at § 6.1.2 (describing the schedule the TPA must adhere to in making eligibility determinations), § 6.3.3. (TPA obligation to provide service providers with a daily update on eligibility, ineligibility, and renewal determinations), and §§ 5.9 & 5.10 (describing an applicant's right to dispute the *TPA's determination of ineligibility*).

10 Assurance complies fully with Section 5 as well as the rest of the General Order. Leaving aside the fact that providers cannot "enroll" any applicant in the Program as that is an exclusive TPA matter, Assurance has internal processes to check for, among other things, potential duplicate applications within *its customer base* using social security numbers. It otherwise relies exclusively on the TPA's eligibility determinations (through information generally provided by the TPA in the Daily Return File) to know whether it can provide LifeLine service to any particular subscriber.

11 *See Second Draft Report* at 12 ("Effect Assurance is not able to properly verify program eligibility of such subscribers. This may result in in-eligible persons receiving CA LifeLine benefits.").

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the only eligibility documentation in its possession and it properly maintained – and produced – the same to Crowe.

Assurance was simply and indisputably not in possession of any eligibility documentation for the other 17 sample subscribers who either (a) enrolled directly through the TPA – in which case Assurance never received any eligibility documentation - or (b) identified SNAP as the basis for their eligibility on their LifeLine applications and thus provided no eligibility documentation with their applications.[12] Assurance could not maintain or produce documentation it never had or which never existed.

Nonetheless, per our conversation at the Exit Conference, *Assurance made a special outreach to the TPA* to try and collect whatever eligibility documentation it could from the TPA for these 17 subscribers. The TPA was able to provide some form of documentation for 13 of those subscribers – *documentation which was never previously in Assurance's possession* – which Assurance in turn passed on to Crowe.[13]

As for the other 4 sample subscribers that seem to be the new focus of the Second Draft Report, *the TPA did not provide* any documentation for those subscribers initially and Assurance informed Crowe accordingly.[14] Upon receipt of the Second Draft Report, however, Assurance revisited this issue with the TPA. In turn, the TPA confirmed *that no such documentation existed for 3 of the 4 subscribers.* It was, however, able to provide the CalFresh Portal dip confirmations (referred to as a System Generated Supporting Document) for Sample Subscriber 53, a copy of which is attached as Confidential Exhibit C.[15]

In sum, Assurance maintained all eligibility documentation as required by the General Order and otherwise responded fully to Crowe's requests. In addition, and in an effort to facilitate the timely conclusion of the Audit, it reached out to TPA on multiple occasions to obtain (and then produce) documentation that was in the *TPA's sole possession* and/or to confirm that no such documentation existed. To characterize Assurance's efforts as some type of deficiency would appear to be both punitive and unwarranted.

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[12] Assurance previously noted that the TPA was unable to provide any eligibility documentation for those 4 subscribers as they had been identified by the TPA as renewals for whom no such documentation existed. See Supplemental Response 1t 7 – 8, nn. 7 & 8. As noted above, the TPA was able to locate some eligibility documentation for one of the 4 subscribers per Assurance's most recent request.

[13] *See* Supplemental Response at Confidential Attachment E01 - Supplemental.

[14] Moreover, as noted above and in Assurance's Supplemental Response, the TPA does not disclose the basis of its eligibility determinations – or the documentation it collects from applicants who enroll/renew directly with the TPA. *See* Supplemental Response at 8; *see also* n. 5, *supra*, and Exhibit B.

[15] *See also* Exhibit B (email from the TPA with the most recent information from the TPA regarding these 4 sample subscribers which indicated for the first time that such documentation existed for Sample Subscriber 53).

Crowe Rebuttal

Assurance's response to this finding addresses two distinct elements within the finding including 1) Eligibility Determinations and 2) Document Retention. Regarding eligibility determinations, Assurance incorrectly asserts that the finding is related to Assurance making eligibility determinations. Crowe understands that the TPA is responsible for making eligibility determinations for the CA LifeLine Program. The finding specifically states that Assurance should confirm or validate eligibility through a review process after the TPA makes the eligibility determination. Assurance has a responsibility to confirm eligibility to comply with GO 153 Section 5.3 which 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."

Regarding document retention, federal and state regulations state that service providers must retain eligibility documentation. According to 47 CFR 54.410(c), service providers are required to retain documentation demonstrating the consumer's qualification for Lifeline for as long as the consumer receives Lifeline service from the provider. Furthermore, GO 153 section 12.9 states that the service provider must maintain records of all Lifeline customers for three years. Documentation provided by Assurance in its response to the finding also clearly states that service providers are required to collect eligibility documentation[5]. Additionally, in an e-mail from the TPA to Assurance the TPA states that the TPA would have provided AW an image of the most recently approved certification or renewal form for two of the three sampled accounts that were missing documentation. This documentation was not furnished to Crowe. The finding remains unchanged.

[5] California LifeLine Program Evaluation prepared by the Consensus and Collaboration Program and Institute for Social Research California State University, Sacramento (Figure 13 on page 37).

Finding #2 – Insufficient Retention of Records Related to Reimbursement Claims

Deficiency and Noncompliance

Condition
Assurance did not collect and retain all records related to its LifeLine claims as required by GO 153 section 12.9 and 47 Code of Federal Regulations (CFR) section 54.410(c). Assurance was unable to furnish documentation related to proof of eligibility and household worksheets when initially requested. Assurance was required to request documentation from the TPA.

Criteria
General Order (GO) 153 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."*

Cause
Assurance states that the TPA determines proof of eligibility and whether household worksheets are required and that the TPA processes all associated paperwork; accordingly, Assurance understands that such information would be in the custody, possession, or control of the TPA.

Effect
Assurance was not able to provide supporting documentation requested during the audit and was required to request documentation from the TPA delaying the audit process.

Recommendation
Assurance should obtain and retain all records related to its LifeLine claim as required by GO 153 section 12.9 and 47 Code of Federal Regulations (CFR) section 54.410(c). Assurance should store records in accordance with records retention requirements and have documentation readily available for inspection if requested by state or federal regulators.

Views of Responsible Officials
Assurance's response to Finding 2 begins on the following page. Assurance's full response is provided in Appendix B.

III. FINDING NO. 2

Finding No. 2 reflects a similar misunderstanding of the LifeLine Program. Finding No. 2 asserts that "Assurance did not collect and retain all records related to its LifeLine claims as required" and thus was "unable to furnish documentation related to proof of eligibility and household worksheets when initially requested."[16] It then asserts that Assurance "was required to request the documentation from the TPA delaying the audit process."[17] Once again, these statements are unfounded.

A. **Collect and Retain Eligibility Documentation**. As discussed in detail above, Assurance maintained – and provided – all of the eligibility documentation with respect to the sample subscribers that enrolled directly through Assurance. That was the only such documentation in its possession and it informed Crowe of the same from the outset.

The eligibility documentation for the remaining 17 sample subscribers, to the extent it existed, was in the sole possession of the TPA. As recently reconfirmed by the TPA, this information is not made available to providers in the normal course by the TPA[18] but Assurance made special requests in order to facilitate the audit process. It was not – and cannot – be required to maintain information it did not have in the first place, nor should it be subject to reprimand for trying to assist the auditors in collecting information in the TPA's possession.

B. **Collect and Retain Household Worksheets.** As Assurance explained on several prior occasions, the TPA is the only entity that has the authority (and the information available) to make a determination about whether a Household Worksheet is required to determine eligibility and whether the application is consistent with the one line per household rule. Assurance further notes that in the normal course, in those instances where *the TPA determines* a Worksheet is required, it will go *directly to the subscriber* – not the provider – to obtain the information. Thus, as a general matter, LifeLine providers would not be expected to directly obtain – or retain - Household Worksheets from these subscribers as those are collected by the TPA.

As previously noted, however, Assurance's practice is to require applicants who apply directly through its website or its street agents to complete a Household Worksheet as part of the application. This practice – which is not required by either the General Order or the TPA - is designed to facilitate the application process as it provides the TPA with a Worksheet for every such applicant. Thus, in the event the TPA determines that a Worksheet is required for any of the customers than enroll directly through Assurance, it already has one as part of the

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16 *Id.* at 14.

17 *Id.*

18 *See* Exhibit B.

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application.[19] Of the 60 Sample Subscribers, Assurance understands that the TPA determined that it needed a Household Worksheet for seven (7) applicants to process these applications.

Contrary to the assertions in the Second Draft Report, however, Assurance reiterates that it maintained copies of the Household Worksheets for all those subscribers in the normal course and indeed produced them to Crowe in the context of this audit as requested.[20]

Assurance's decision to *also* reach out to the TPA for copies of the relevant Household Worksheets was motivated by a desire to expedite the production requested. It was not borne out of any failure to maintain copies of the relevant Household Worksheets. In the end, as Crowe is aware, Assurance produced copies both of the Household Worksheets it maintained *as well* as those it received directly from the TPA per its special request.[21] To characterize those efforts as some type of "deficiency" would be, at best, misguided..

C. **Audit Process Delay.** The Second Draft Report's assertion that Assurance's efforts to reach out to the TPA to obtain documentation in the TPA's sole possession caused some type of undue delay in the audit process is simply unwarranted. As noted above, Assurance maintains – and produced – all requested information in its possession; it did not fail to retain any such documentation. Moreover, it explicitly informed Crowe that certain information was in the sole possession of the TPA to the extent it existed. The fact that Assurance offered to reach out to the TPA to obtain that documentation cannot now be characterized as some type of undue delay. Finally, Assurance's efforts to seek certain documentation from the TPA (i.e., Household Worksheets) at the same time it tried to locate its own records did not cause any delay; it was merely an effort intended instead to expedite the audit process.

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[19] *See* Supplemental Response at 9 and at n. 13. Assurance understands that the TPA can always require the subscriber to provide a new Household Worksheet if it finds the initial submission incomplete or inadequate. In addition, the TPA separately identifies those applicants deemed eligible who otherwise were required to provide Household Worksheets.

[20] *See* Supplemental Response at 9, n. 13; *see also id.* at Confidential Attachment G02 (Household Worksheets for the seven (7) subscribers obtained from the application files maintained by Solix for those subscribers who enrolled directly through Assurance). Assurance notes that it has recently discovered that Sample Subscriber 32 enrolled directly through Assurance; not through the TPA as previously indicated. *See* Supplemental Response at Confidential Attachment E03 - Supplemental. Accordingly, the Household Worksheet for Sample Subscriber 32 provided by Assurance in Confidential Attachment G02 was obtained, as was the case for the other six subscribers noted above, from the application documentation otherwise submitted by Assurance to the TPA as part of the enrollment process.

In addition, Assurance notes that it provided Crowe with the Household Worksheet data for the other sample subscribers who enrolled directly through Assurance but *were not* required by the TPA to provide such worksheets for purposes of these applications). *See also* Amendment to Supplemental Response (July 24, 2024) at Confidential Attachment G03 (corrected Household Worksheets for Sample Subscribers 18, 21 and 44).

[21] *See* Supplemental Response at 8; *see also* Confidential Attachment G01.

Crowe Rebuttal

Federal and state regulations state that service providers must retain eligibility documentation. According to 47 CFR 54.410(c), service providers are required to retain documentation demonstrating the consumer's qualification for Lifeline for as long as the consumer receives Lifeline service from the provider. Furthermore, GO 153 section 12.9 states that the service provider must maintain records of all Lifeline customers for three years. Documentation provided by Assurance in its response to the finding also clearly states that service providers are required to collect eligibility documentation[6]. Additionally, in an e-mail from the TPA to Assurance the TPA states that the TPA would have provided AW an image of the most recently approved certification or renewal form for two of the three sampled accounts that were missing documentation. This documentation was not furnished to Crowe. The finding remains unchanged.

[6] California LifeLine Program Evaluation prepared by the Consensus and Collaboration Program and Institute for Social Research California State University, Sacramento (Figure 13 on page 37).

Appendix A – List of Records Examined

1. Third-Party Administrator (TPA) Weighted Average Reports (WAR).
2. California LifeLine Claim Forms submitted by Assurance for reimbursement.
3. Written policies and procedures related to the Assurance's California LifeLine Program administration.
4. California LifeLine Program customer applications.
5. Customer proof of eligibility documents.
6. 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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August 30, 2024

VIA EMAIL & Crowe Portal (w/attachments)

Aaron Coen
Garrett Gallagher
Crowe LLP on behalf of the Utility Audits Branch
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Assurance Wireless USA, L.P.'s Response to Crowe LLP's Second Draft LifeLine Performance Audit Report for Fiscal Year July 1, 2021 – June 30, 2022

Dear Messrs. Coen and Gallagher:

Attached please find Assurance Wireless USA, L.P. dba Assurance (U-4327-C) Response to Crowe LLP's Second Draft Lifeline Performance Audit Report for Fiscal Year July 1, 2021 – June 30, 2022, which was forwarded by email from Crowe to Assurance on August 21, 2024 (the "Second Draft Report").

As an initial matter, Assurance appreciates Crowe's efforts to incorporate the information and data it has provided with respect to the California LifeLine program. Assurance's systems and procedures are designed to facilitate compliance with all relevant state and federal directives and to otherwise provide prompt, reliable and robust wireless service to eligible California subscribers. With respect to the current audit, Assurance has attempted to provide Crowe with all requested information – even when it involved obtaining documentation in the exclusive possession of the TPA - and to clarify some of the unique features of the LifeLine program which may not be immediately apparent to third-parties who are not intimately involved with the Program.

That said, the Second Draft Report, like the initial draft report we discussed at the Exit Conference, continues to reflect some fundamental misunderstandings regarding how the LifeLine program operates as well as some apparent confusion about the information provided by Assurance to date. Assurance respectfully requests that Crowe review the previously submitted data, as well as the clarifications offered below, and revise the Draft Report accordingly. Assurance also suggests that a second Exit Conference could be useful to clear up any further questions or concerns. Please let us know what dates and times you would be available for such a meeting.

In the meantime, we hope the following clarifications will be helpful.

I. Overview

The Second Draft Report includes two findings of alleged deficiencies in Assurance's implementation of the LifeLine program, both of which are premised on a number of persistent misimpressions about how the LifeLine program operates. In particular, the Second Draft Report's findings seem to rest on the following mistaken conclusions: (i) Assurance has the authority, the information or the obligation to confirm program eligibility for applicants, (ii) Assurance failed to maintain or provide eligibility documentation for some sample subscribers, (iii) Assurance failed to maintain or provide household worksheet documentation for some sample subscribers and (iv) Assurance was compelled to request allegedly missing documentation it should have retained from the TPA.

As discussed briefly below, each of those conclusions are incorrect and contrary to the way the LifeLine program operates as well as the information provided by Assurance in the course of this audit.

- Program Eligibility: Whether an applicant is eligible to participate in the LifeLine program, or eligible to renew, are matters in the sole discretion of the TPA. Assurance's role in the enrollment process is to provide the TPA with the relevant eligibility documentation it collects from applicants and pass it on to the TPA. Applicants may alternatively submit their documentation directly to the TPA to establish eligibility instead of through Assurance, and in those instances, Assurance would have no visibility into, or record of, submitted eligibility documentation

  In all instances, however, *the TPA – and the TPA alone – determines subscriber eligibility for LifeLine*. Assurance further notes that the Commission's recently released LifeLine Program Assessment confirms the same.[1]

  Eligibility Documentation: As a general matter, eligibility documentation is collected by Assurance for applicants that enroll directly through Assurance (either through their street agents or via the website).[2] For applicants that

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1 *See California LifeLine Program Assessment & Evaluation* at Figure 13 (submitted in R.20-02-008, May 20, 2022). A copy of Figure 13 is attached to this Response as Exhibit A. A link to the full Assessment is found at https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M478/K367/478367564.PDF

2 Some applicants do not provide eligibility documentation as they rely on their participation in other approved programs (e.g., SNAP) as the basis for their eligibility. As previously indicated, for those subscribers, Assurance understands that the TPA can do a direct dip into California's CalFresh Confirm portal – or otherwise contact certain county services regarding CalFresh participation - to confirm eligibility. *See* Assurance Wireless Supplemental Response to Crowe LLP's Draft LifeLine Performance Audit Report for Fiscal Year July 1, 2021 – June 30, 2022 & Data Requests C11 and C12 (July 19, 2024) (the "Supplemental Response) at 7.

enroll directly with the TPA – or otherwise renew – that documentation is collected only by the TPA and is not shared in the normal course with providers. Indeed, as noted in Assurance's Supplemental Response, in the normal course, the TPA does not disclose the basis of its eligibility determinations for any applicant – or the documentation it collects from applicants who enroll/renew directly with the TPA – with providers.[3]

The only way to obtain eligibility documentation, to the extent it exists (*e.g.,* no such documentation exists for most renewals),[4] is through a separate request to the TPA which *Assurance has now done on two occasions* in an effort to provide information to Crowe in the context of this audit. The TPA has recently reconfirmed for Assurance that the basis for eligibility determination is not disclosed to the provider in the course of standard data exchanges.[5]

- Household Worksheets: As noted at the Exit Conference and in its prior Responses, the TPA is the only entity that has the authority (and the information available) to make a determination about (a) whether a Household Worksheet is required to determine eligibility and (b) whether the application is consistent with the one line per household rule. In the normal course, in those instances where *the TPA determines* a Worksheet is required, it will go *directly to the subscriber* – not the provider – to obtain the information. Thus, as a general matter, LifeLine providers would not receive Household Worksheets from applicants.

  As previously noted, however, Assurance's practice is to collect and submit Household Worksheets for all applicants who enroll directly through its street

In addition, Assurance notes that applicants who utilize the Assurance website can upload documentation directly. If the applicant fails to upload documentation (or if they do upload documentation and the TPA determines it is insufficient), they will be contacted directly by the TPA and instructed to provide documentation directly to the TPA; the subscriber does not provide that documentation to Assurance.

3 *See id.* at 7-8.

4 The TPA recently confirmed that renewal eligibility is based on self-attestation of eligibility except for subscribers whose eligibility can be confirmed by CalFresh Confirm. In any case, the TPA does not provide images of eligibility documentation except upon request.

5 As the Senior Manager of the TPA, James Graettinger, noted in response to a recent inquiry from Assurance, " A key misunderstanding common with auditors is about eligibility documentation. For California LifeLine, the TPA provides Service Providers images of enrollment application and renewal forms. The TPA does not provide Service Providers images of the eligibility documentation upon which eligibility decisions were based." *See* Exhibit B (copy of email response from Graettinger to Michell dated August 21, 2024, regarding sample subscribers and eligibility documentation).

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agents and/or website and to otherwise maintain that data.[6] To that end, and as clarified below, Assurance provided Crowe with copies of the Household Worksheets which were maintained by Solix in the normal course. It also provided Crowe with *a* copy provided by the TPA per the post-Exit Conference request.

- Requesting Information from the TPA. As noted above and on prior occasions, certain documentation – e.g., eligibility documentation for applicants that enroll directly with the TPA – is not provided to Assurance (or any other provider) in the normal course. The only way to obtain such information, to the extent it exists, is to make such a request to the TPA (which Assurance did per Crowe's direction at the Exit Conference).

II. FINDING NO. 1

Finding No. 1 of the Second Draft Report is based on a fundamental misunderstanding of how eligibility determinations are made and what documentation is in Assurance's possession in the normal course and what documentation is available even upon request.

A. **Eligibility Determinations**. In particular, in response to Assurance's attempts to provide Crowe with eligibility documentation as requested, Finding No. 1 asserts that "Assurance did not have procedures to confirm program eligibility"[7] and that "going forward, Assurance should implement a process to validate program eligibility" including a review of "documentation from the TPA to ensure the subscribers meet eligibility requirements."[8]

These assertions are unfounded and directly conflict with General Order 153 and the well-established practices of the LifeLine Program. As Assurance has repeatedly noted, and as recognized by the Commission, the TPA and all LifeLine providers, *the TPA is the only entity that is authorized – and otherwise has access to sufficient information – to determine eligibility*. Assurance simply has no means or authorization to confirm, validate,

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6 Per its prior Responses and as discussed during the initial Exit Conference, this is not an obligation imposed by the LifeLine Program as the need for such Worksheets is a matter within the sole discretion of the TPA. Assurance collects these Worksheets proactively in order to facilitate the application process and expedite the provision of service to eligible subscribers as determined by the TPA. *See also* Section III.B, below.

7 *See Second Draft Report*, Finding # 1 at 12 (citing the first sentence of the "Cause" section).

8 *Id.* at 12, Recommendation (which provides in part as follows: "Going forward, Assurance should implement a process to validate program eligibility. If proof of program eligibility is submitted to the TPA, Assurance should obtain and review that documentation from the TPA to ensure the subscribers meet eligibility requirements. This should include an assessment of renewals, as program eligibility can change year-over-year.")

reject, or assess the eligibility determination made by the TPA in any way. To suggest otherwise would require reimagining the entire LifeLine program.

In addition, General Order 153 imposes no such obligations on, or authority to, providers. To the contrary, the General Order explicitly provides as follows:

> "The role of the California LifeLine Administrator is to qualify new Applicants and to verify the continued eligibility of existing California LifeLine Subscribers."[9]

The Second Draft Report references Section 5 of the General Order but that section does not require, or authorize, providers to confirm program eligibility. Instead, it prohibits providers from "knowingly" enrolling an ineligible applicant or allowing them to remain in the program.[10] It does not address program eligibility determinations which again, are matters for the TPA exclusively.

Moreover, the fallacy underlying Finding No. 1 is exemplified by the Second Draft Report's purported concern that "ineligible persons [are] receiving CA LifeLine benefits" because "Assurance is not able to verify program eligibility of such subscribers."[11] Assurance provides services only to those subscribers who are deemed eligible by the TPA and – as confirmed by the Audit – its claims have been reviewed and determined to be valid as such.

B. **Documentation Retention**. Finding No. 1 also seems to suggest that Assurance should somehow retain and provide eligibility documentation that is not – and never was - in its possession (prior to making a special request to the TPA in the course of this audit) and in some cases – simply does not exist. Assurance submits that such a requirement would be illogical, and it is unclear how either would be possible.

As an initial matter, it is undisputed that Assurance provided eligibility documentation for 43 of the 60 sample subscribers in its Initial Response to the Data Request C11. That was

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9 General Order 153 at § 6.1.1; *see also, id.* at § 6.1.2 (describing the schedule the TPA must adhere to in making eligibility determinations), § 6.3.3. (TPA obligation to provide service providers with a daily update on eligibility, ineligibility, and renewal determinations), and §§ 5.9 & 5.10 (describing an applicant's right to dispute the *TPA's determination of ineligibility*).

10 Assurance complies fully with Section 5 as well as the rest of the General Order. Leaving aside the fact that providers cannot "enroll" any applicant in the Program as that is an exclusive TPA matter, Assurance has internal processes to check for, among other things, potential duplicate applications within *its customer base* using social security numbers. It otherwise relies exclusively on the TPA's eligibility determinations (through information generally provided by the TPA in the Daily Return File) to know whether it can provide LifeLine service to any particular subscriber.

11 *See Second Draft Report* at 12 ("Effect Assurance is not able to properly verify program eligibility of such subscribers. This may result in in-eligible persons receiving CA LifeLine benefits.").

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the only eligibility documentation in its possession and it properly maintained – and produced – the same to Crowe.

Assurance was simply and indisputably not in possession of any eligibility documentation for the other 17 sample subscribers who either (a) enrolled directly through the TPA – in which case Assurance never received any eligibility documentation - or (b) identified SNAP as the basis for their eligibility on their LifeLine applications and thus provided no eligibility documentation with their applications.[12] Assurance could not maintain or produce documentation it never had or which never existed.

Nonetheless, per our conversation at the Exit Conference, *Assurance made a special outreach to the TPA* to try and collect whatever eligibility documentation it could from the TPA for these 17 subscribers. The TPA was able to provide some form of documentation for 13 of those subscribers – *documentation which was never previously in Assurance's possession* – which Assurance in turn passed on to Crowe.[13]

As for the other 4 sample subscribers that seem to be the new focus of the Second Draft Report, *the TPA did not provide* any documentation for those subscribers initially and Assurance informed Crowe accordingly.[14] Upon receipt of the Second Draft Report, however, Assurance revisited this issue with the TPA. In turn, the TPA confirmed *that no such documentation existed for 3 of the 4 subscribers*. It was, however, able to provide the CalFresh Portal dip confirmations (referred to as a System Generated Supporting Document) for Sample Subscriber 53, a copy of which is attached as Confidential Exhibit C.[15]

In sum, Assurance maintained all eligibility documentation as required by the General Order and otherwise responded fully to Crowe's requests. In addition, and in an effort to facilitate the timely conclusion of the Audit, it reached out to TPA on multiple occasions to obtain (and then produce) documentation that was in the *TPA's sole possession* and/or to confirm that no such documentation existed. To characterize Assurance's efforts as some type of deficiency would appear to be both punitive and unwarranted.

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[12] Assurance previously noted that the TPA was unable to provide any eligibility documentation for those 4 subscribers as they had been identified by the TPA as renewals for whom no such documentation existed. See Supplemental Response 1t 7 – 8, nn. 7 & 8. As noted above, the TPA was able to locate some eligibility documentation for one of the 4 subscribers per Assurance's most recent request.

[13] *See* Supplemental Response at Confidential Attachment E01 - Supplemental.

[14] Moreover, as noted above and in Assurance's Supplemental Response, the TPA does not disclose the basis of its eligibility determinations – or the documentation it collects from applicants who enroll/renew directly with the TPA. *See* Supplemental Response at 8; *see also* n. 5, *supra*, and Exhibit B.

[15] *See also* Exhibit B (email from the TPA with the most recent information from the TPA regarding these 4 sample subscribers which indicated for the first time that such documentation existed for Sample Subscriber 53).

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III. FINDING NO. 2

Finding No. 2 reflects a similar misunderstanding of the LifeLine Program. Finding No. 2 asserts that "Assurance did not collect and retain all records related to its LifeLine claims as required" and thus was "unable to furnish documentation related to proof of eligibility and household worksheets when initially requested."[16] It then asserts that Assurance "was required to request the documentation from the TPA delaying the audit process."[17] Once again, these statements are unfounded.

A. **<u>Collect and Retain Eligibility Documentation</u>**. As discussed in detail above, Assurance maintained – and provided – all of the eligibility documentation with respect to the sample subscribers that enrolled directly through Assurance. That was the only such documentation in its possession and it informed Crowe of the same from the outset.

The eligibility documentation for the remaining 17 sample subscribers, to the extent it existed, was in the sole possession of the TPA. As recently reconfirmed by the TPA, this information is not made available to providers in the normal course by the TPA[18] but Assurance made special requests in order to facilitate the audit process. It was not – and cannot – be required to maintain information it did not have in the first place, nor should it be subject to reprimand for trying to assist the auditors in collecting information in the TPA's possession.

B. **<u>Collect and Retain Household Worksheets.</u>** As Assurance explained on several prior occasions, the TPA is the only entity that has the authority (and the information available) to make a determination about whether a Household Worksheet is required to determine eligibility and whether the application is consistent with the one line per household rule. Assurance further notes that in the normal course, in those instances where *the TPA determines* a Worksheet is required, it will go *directly to the subscriber* – not the provider – to obtain the information. Thus, as a general matter, LifeLine providers would not be expected to directly obtain – or retain - Household Worksheets from these subscribers as those are collected by the TPA.

As previously noted, however, Assurance's practice is to require applicants who apply directly through its website or its street agents to complete a Household Worksheet as part of the application. This practice – which is not required by either the General Order or the TPA - is designed to facilitate the application process as it provides the TPA with a Worksheet for every such applicant. Thus, in the event the TPA determines that a Worksheet is required for any of the customers than enroll directly through Assurance, it already has one as part of the

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16 *Id.* at 14.

17 *Id.*

18 *See* Exhibit B.

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application.[19] Of the 60 Sample Subscribers, Assurance understands that the TPA determined that it needed a Household Worksheet for seven (7) applicants to process these applications.

Contrary to the assertions in the Second Draft Report, however, Assurance reiterates that it maintained copies of the Household Worksheets for all those subscribers in the normal course and indeed produced them to Crowe in the context of this audit as requested.[20]

Assurance's decision to *also* reach out to the TPA for copies of the relevant Household Worksheets was motivated by a desire to expedite the production requested. It was not borne out of any failure to maintain copies of the relevant Household Worksheets. In the end, as Crowe is aware, Assurance produced copies both of the Household Worksheets it maintained *as well* as those it received directly from the TPA per its special request.[21] To characterize those efforts as some type of "deficiency" would be, at best, misguided..

C. **Audit Process Delay.** The Second Draft Report's assertion that Assurance's efforts to reach out to the TPA to obtain documentation in the TPA's sole possession caused some type of undue delay in the audit process is simply unwarranted. As noted above, Assurance maintains – and produced – all requested information in its possession; it did not fail to retain any such documentation. Moreover, it explicitly informed Crowe that certain information was in the sole possession of the TPA to the extent it existed. The fact that Assurance offered to reach out to the TPA to obtain that documentation cannot now be characterized as some type of undue delay. Finally, Assurance's efforts to seek certain documentation from the TPA (i.e., Household Worksheets) at the same time it tried to locate its own records did not cause any delay; it was merely an effort intended instead to expedite the audit process.

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[20] *See* Supplemental Response at 9, n. 13; *see also id.* at Confidential Attachment G02 (Household Worksheets for the seven (7) subscribers obtained from the application files maintained by Solix for those subscribers who enrolled directly through Assurance). Assurance notes that it has recently discovered that Sample Subscriber 32 enrolled directly through Assurance; not through the TPA as previously indicated. *See* Supplemental Response at Confidential Attachment E03 - Supplemental. Accordingly, the Household Worksheet for Sample Subscriber 32 provided by Assurance in Confidential Attachment G02 was obtained, as was the case for the other six subscribers noted above, from the application documentation otherwise submitted by Assurance to the TPA as part of the enrollment process.

In addition, Assurance notes that it provided Crowe with the Household Worksheet data for the other sample subscribers who enrolled directly through Assurance but *were not* required by the TPA to provide such worksheets for purposes of these applications). *See also* Amendment to Supplemental Response (July 24, 2024) at Confidential Attachment G03 (corrected Household Worksheets for Sample Subscribers 18, 21 and 44).

[21] *See* Supplemental Response at 8; *see also* Confidential Attachment G01.

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IV. CONCLUSION

For the reasons discussed above, Assurance respectfully requests that the Second Draft Report be modified to delete Finding Nos. 1 and 2 and to otherwise reflect that all the Audit Objectives – including Objectives 1 and 4 in particular - have been "met in all significant respects."

Thank you again for your continued attention to this Audit; we look forward to meeting with you again soon to discuss this Response to the Second Draft Report.

Sincerely,

/s/

Leon M. Bloomfield

cc: Lyndsey Mitchell (via email w/o attachments)
Tami Shwonek (via email w/o attachments)
Rosenna Tse (via email w/o attachments)