

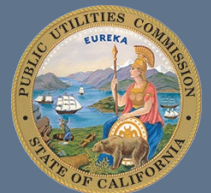


# CALIFORNIA LIFELINE PROGRAM PERFORMANCE AUDIT

Telrite Corporation, dba Life Wireless  
(U-4442-C)

July 1, 2021, through June 30, 2022

Utility Audits, Risk and Compliance Division  
Utility Audits Branch  
January 30, 2024



## **MEMBERS OF THE TEAM**

**Angie Williams, Director**

**Masha Vorobyova, Assistant Director**

**Sharmin Wellington, Program and Project Supervisor**

**Thong Thao, Lead**

**Catlin Ha, Staff**

**A digital copy of this report can be found at:**

[Audit Reports by Industry \(ca.gov\)](#)

**You can contact our office at:**

**California Public Utilities Commission  
Utility Audits, Risk and Compliance Division  
400 R Street, Suite 221  
Sacramento, CA 95811**

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

January 30, 2024

Reginald McFarland, CEO  
Telrite Corporation  
4113 Monticello St  
Covington, GA 30014

Dear Reginald McFarland:

**Final Report Transmittal Letter—Audit of Telrite’s California LifeLine Program for the period of July 1, 2021, through June 30, 2022**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its audit of California LifeLine program claims reported by Telrite Corporation (Telrite) for the period of July 1, 2021, through June 30, 2022. The final audit report is enclosed.

Our audit disclosed no findings requiring a response; therefore, we are issuing the report as final. We will post the final audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry)

We appreciate Telrite’s assistance and cooperation during the engagement. If you have any questions regarding this report, please contact Sharmin Wellington, Program and Project Supervisor, at (916) 928-9838 or [Sharmin.Wellington@cpuc.ca.gov](mailto:Sharmin.Wellington@cpuc.ca.gov).

Sincerely,

*Angie Williams*

Angie Williams, Director  
Utility Audits, Risk and Compliance Division

cc: Brian Rathman, Chief Technology Officer., Telrite Holdings  
Leah Gsell, Director of Compliance, Telrite Holdings  
Braton DeHaven, Field Operations Manager, Telrite Holdings  
Rachel Peterson, Executive Director, CPUC  
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC  
Robert Osborn, Director, Communication Division, CPUC  
Masha Vorobyova, Assistant Director, UAB, CPUC  
Sharmin Wellington, Program and Project Supervisor, UAB, CPUC  
Thong Thao, Senior Management Auditor, UAB, CPUC  
Catlin Ha, Senior Management Auditor, UAB, CPUC

# TABLE OF CONTENTS

---

EXECUTIVE SUMMARY.....	1
AUDIT REPORT.....	2
Background.....	2
Audit Authority.....	3
Objective and Scope.....	3
Methodology.....	4
Conclusion.....	7
Follow-up on Prior Audit Findings.....	7
Views of Responsible Officials.....	7
Restricted Use.....	7

## EXECUTIVE SUMMARY

---

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a performance audit of the California LifeLine program claims reported by Telrite Corporation (Telrite) for the audit period of July 1, 2021, through June 30, 2022.

Our audit objectives were to determine whether Telrite's claims from the California LifeLine Fund were accurate, properly supported, for eligible consumers, and for allowable costs and activities; and to determine whether Telrite applied the applicable California LifeLine discount, in accordance with General Order (GO) 153 sections 5 and 9, applicable Public Utilities (PU) Code sections, CPUC Decisions (D.) 14-01-036 and D.10-11-033, and other applicable California LifeLine program's rules, regulations, and requirements.

Based on the procedures performed, samples tested, and evidence gathered, we found that Telrite's California LifeLine program claims for reimbursement totaling \$2,985,975 were accurate, properly supported, for eligible consumers, and for allowable costs and activities; and Telrite applied the applicable California LifeLine discount in compliance with applicable criteria as outlined above for the audit period of July 1, 2021, through June 30, 2022.

# AUDIT REPORT

---

## Background

### *California LifeLine Program*

In 1987, CPUC created the Universal LifeLine Telephone Service program (now known as the California LifeLine program) pursuant to the Moore Universal Service Telephone Act, which was intended to offer high quality basic telephone service at affordable rates to California residents. The goal of the California LifeLine program (LifeLine) is to make high-quality telephone service affordable to all qualified California households through discounts on eligible telecommunications services. Only one California LifeLine discounted phone is allowed per household (except for teletypewriter (TTY) users and for Deaf and Disabled Telecommunications program participants). The program is funded by a surcharge on all end-user customer billings for intrastate telecommunication services<sup>1</sup>, except for those enrolled in the LifeLine program. The Universal LifeLine Telephone Service Trust Administrative Committee Fund in part is a repository of California LifeLine surcharge monies used to reimburse Service Providers for the costs associated with the provision and administration of the California LifeLine program.

The CPUC's GO 153 provides rules and procedures for the administration and implementation of the California LifeLine program that applies to all LifeLine Service Providers operating in California. Service Providers apply the eligible discounts on LifeLine services to eligible customers and subsequently submit reimbursement claims to the CPUC. Discounts offered include, but are not limited to, monthly cell phone service discount, service connection discount, and discount from paying the public purpose program surcharges, CPUC's user fees, and certain taxes associated with phone service. Each program participant receives up to a set amount of discount from the California LifeLine program in addition to a set amount from the federal LifeLine program. The CPUC's Communications Division (CD) resets the Specific Support Amount (SSA) annually, effective January 1 of each year, which is the rate that Service Providers use to compute and file claims for reimbursement. The Service Providers file reimbursement claims monthly to CD for review and determination of whether claims should be paid. A California LifeLine Service Provider may recover from the California LifeLine Fund up to the SSA per each eligible subscriber claimed, LifeLine non-recurring charges, applicable taxes/surcharges, interest, and administrative costs as set forth in the GO.

### *Third-Party Administrator*

CPUC is responsible for the oversight of the California LifeLine program and maintaining an independent third-party administrator (TPA) to provide clearinghouse services for the LifeLine program. CPUC contracted with Maximus as the TPA during the audit period. The role of the TPA is to qualify new applicants and to verify the continued eligibility of existing LifeLine subscribers. To remain eligible to participate in the LifeLine program, each calendar year, all subscribers must verify that they are still eligible for the program.<sup>2</sup> In addition to qualifying and verifying continued eligibility of California LifeLine subscribers, Maximus collected, maintained, and provided important information such as the California LifeLine subscriber weighted average counts, new connection counts, and disconnection and de-enrollment counts for eligible telecommunication carriers to prepare and submit

---

<sup>1</sup> CPUC's D.22-10-021 amended the surcharge methodology effective April 1, 2023, to assess, collect, and remit California's Public Purpose Program surcharges pursuant to the access line flat rate surcharge mechanism.

<sup>2</sup> In May 2020, the CPUC approved D. 20-05-043 which temporarily suspended the LifeLine renewal process and other actions to address the COVID-19 emergency and to ensure continued access to affordable communications services during the COVID-19 emergency.

their monthly California LifeLine reimbursement claims to CPUC for the costs of providing discounted services to LifeLine subscribers. UAB reviewed the information provided by the TPA; however, we did not audit the TPA.

### **Telrite Corporation dba Life Wireless (Telrite)**

Telrite is a subsidiary of Telrite Holdings Inc. and provides services under several brands. Life Wireless brand offers California LifeLine services and provides mobile phone service to eligible low-income Californians. Life Wireless is supported by the California LifeLine program through the federal Lifeline program, which was created in 1985 to ensure that all Americans have access to quality telephone service. Life Wireless is based in Covington, Georgia and operates as a reseller of commercial mobile radio service (CMRS) to the public in California. When a Life Wireless subscriber qualifies for LifeLine, the subscriber receives a free smartphone with unlimited talk, text and 6GB of data every month, depending on the state and qualifying plan.

Telrite claimed and was reimbursed a total of \$2,985,975 in subsidy from the California LifeLine Fund in the audit period of July 1, 2021, through June 30, 2022, for subscribers ranging approximately between 18,100 to 21,600 per month. Expenses claimed for reimbursement are based on specific service recovery cost categories as shown in the table below:

<b>Service Recovery Cost Categories</b>	<b>Amounts Claimed</b>
Allowable SSA Federal and CA	\$ 2,370,707
Allowable SSA CA-only eligibility	151,447
Connection Charges Federal and CA	348,231
Connection Charges CA-only eligibility	3,939
Incremental Administrative Expenses	111,651
<b>Total Claimed and Reimbursed</b>	<b>\$ 2,985,975</b>

### **Audit Authority**

UAB conducted this audit under the general authority outlined in the PU Code sections 270-274, 314.5, 314.6, 581, 582, and 584. Furthermore, pursuant to CPUC's D.14-01-036, UAB is authorized to verify the California LifeLine program claims for the purposes of ensuring regulatory compliance of the LifeLine program.

### **Objective and Scope**

Our audit objectives were to determine whether Telrite's claims from the California LifeLine Fund were accurate, properly supported, for eligible consumers, and for allowable costs and activities; and to determine whether Telrite applied the applicable California LifeLine discount, in accordance with GO 153 sections 5 and 9, applicable PU Code sections, CPUC D.14-01-036 and D.10-11-033, and other applicable California LifeLine program's rules, regulations, and requirements.

The scope of our audit covered Telrite's claims from the California LifeLine Fund totaling \$2,985,975 for the audit period of July 1, 2021, through June 30, 2022. The scope did not include the TPA Maximus.

## Methodology

In planning our audit, we gained an understanding of the California LifeLine program and Telrite's operations and identified relevant criteria by reviewing Telrite's policies and procedures, relevant PU Code sections, rules, regulations, CPUC decisions, resolutions, orders, directives, and interviewing Telrite's personnel.

We conducted a risk assessment, including evaluating whether Telrite's key internal controls relevant to our audit objectives were properly designed, implemented, and operating effectively. Our assessment included conducting interviews, observing processes, or performing walkthroughs, and testing transactions. Deficiencies in internal control, if identified during our audit and determined to be significant within the context of our audit objectives, would have been included in this report.

Additionally, we assessed the reliability of the data extracted from Telrite's subscriber database. Our assessment included examining extracted reports, tracing data between differing report formats to verify completeness, and tracing report data to source documents. We determined the data to be sufficiently reliable to address the audit objectives.

We developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. To achieve our audit objectives, we did the following:

- Reviewed applicable CPUC decisions, resolutions, orders, and advice letters to gain an understanding of the LifeLine program, including the eligibility criteria and claim filing process.
- Reviewed Telrite's background information including its policies and procedures to gain an understanding of the nature of the utility and its responsibility over the LifeLine program.
- Obtained an understanding of the TPA's weighted average reports (WAR) and connections reports which are provided to and used by Service Providers when submitting claims for reimbursement.
- Assessed significance by performing analyses of reimbursement claims data and evaluating program requirements.
- Obtained an understanding of Telrite's key internal controls relevant to the LifeLine program, such as reviewing the subscriber enrollment and eligibility processes, administrative expenses, and reimbursement claims, and assessed the design, implementation, and operating effectiveness of selected controls that are significant to the audit objectives by:
  - interviewing key personnel and administering an internal control questionnaire;
  - reviewing Telrite's policies and procedures, and specifically assessing the recording and reporting of LifeLine claims data;
  - performing walkthroughs of the subscriber enrollment system and administrative claims; and
  - tracing selected transactions to source documents.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.



- Selected a sample of subscriber data information for four out of the twelve months and used data analytics tools to perform analytical procedures on Telrite's subscriber data information for the months of July 2021, November 2021, March 2022, and April 2022. In analyzing the subscriber data, we:
  - searched for duplicative information;
  - verified whether a single subscriber was associated with a duplicate address;
  - selected 50 subscribers with duplicate addresses and reviewed completed household forms to determine whether they met the multiline consumer household eligibility criteria;
  - verified the weighted average subscriber count Telrite claimed per month to compute the service connection/activation reimbursement rate to ensure it matched the number of subscribers included in the TPA's connections report;
  - validated Telrite's eligibility to receive up to a maximum SSA or a prorated amount per month by recomputing the claimed subscribers' number of days active divided by a constant of 30 days.
  - compared subscriber data retrieved from the TPA's WAR and connections reports to Telrite's customer data reports to identify any variances within the data; and
    - selected 200 subscribers and validated LifeLine program eligibility by reviewing and verifying that each subscriber's LifeLine application and supporting documentation, such as benefits identification card or medi-cal card, met the eligibility criteria.
- Traced Telrite's claims for reimbursement for July 2021, October 2021, April 2022, and June 2022 for SSA and connection charges to the TPA's WAR and connection reports to reconcile the TPA's WAR count.
- Reconciled Telrite's claims weighted average count to the TPA's WAR by selecting a non-statistical sample of subscriber data included in TPA's WAR and reconciling it to the monthly claims weighted average count for July 2021, October 2021, April 2022, and June 2022, as listed in the table below:

Months Tested	Allowable SSA Federal and CA	Allowable SSA CA Only	Connection Charges Federal and CA	Total
July 2021	\$ 245,672	\$ 15,283	\$ 15,951	
October 2021	272,635	13,724	25,818	
April 2022	155,967	10,794	38,220	
June 2022	157,546	9,907	31,785	
Total Evaluated	831,821	49,707	111,774	993,302
Total Claimed**	\$ 2,370,323	\$ 151,447	\$ 351,936	\$ 2,873,706
Percent Evaluated*	35.09%	32.82%	31.76%	34.57%

\*For the selected samples, errors found, if any, were not projected to the intended (total) population.

\*\*Total claimed amounts above do not include tribal cost of \$618 and administrative costs of \$111,651.

- Selected 25 subscribers from Telrite's disenrollment list and assessed whether subscribers who were disenrolled from the LifeLine program were removed from the program in a timely manner based on the subscribers' customer data reports.
- Performed testing of the claimed Incremental Administrative Expenses by selecting a non-statistical sample of significant transactions for July 2021, October 2021, April 2022, and June 2022 as shown in the table below:

Months Tested	Incremental Administrative Expenses
July 2021	\$ 10,809
October 2021	9,405
April 2022	8,504
June 2022	8,489
Total Tested	37,207
Total Claimed	\$ 111,651
Percent Tested*	33.32%

\*For the selected samples, errors found, if any, were not projected to the intended (total) population.

- For the sampled Incremental Administrative Expenses, we performed the following:
  - traced sampled transactions to supporting invoices to ensure amounts were accurate and properly supported; and
  - evaluated the administrative expenses claimed to ensure they were equal to the administrative rate allowable.

We did not audit Telrite's financial statements. Our audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that Telrite's claims from the California LifeLine Fund were accurate, properly supported, for eligible consumers, and for allowable costs and activities, and whether Telrite applied the applicable LifeLine discounts in accordance with the applicable criteria. We considered Telrite's internal controls only to the extent necessary to plan the audit and achieve our audit objectives.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). GAGAS standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Conclusion**

Based on the procedures performed, samples tested, and evidence gathered, we found that Telrite's California LifeLine program claims for reimbursement totaling \$2,985,975 were accurate, properly supported, for eligible consumers, and for allowable costs and activities; and Telrite applied the applicable California LifeLine discount in compliance with applicable criteria as outlined in this report for the audit period July 1, 2021, through June 30, 2022.

## **Follow-up on Prior Audit Findings**

We have not previously conducted an audit of Telrite's California LifeLine program claims. Furthermore, Telrite did not identify any prior engagements that are significant within the context of our audit objectives that would require us to determine if appropriate corrective actions have been taken to address potential findings and recommendations.

## **Views of Responsible Officials**

We discussed the audit results with Telrite representatives at an exit conference held on January 11, 2024. At the exit conference, we stated that the final report will include the views of responsible officials. Because there were no audit findings requiring a response, we are issuing the report as final.

## **Restricted Use**

This audit report is intended solely for the information and use of Telrite 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 this audit report, which is a matter of public record and is available on the CPUC website at [Audit Reports by Industry \(ca.gov\)](#).

*Angie Williams*

---

Angie Williams, Director  
Utility Audits, Risk and Compliance Division