

FCC Seeks Comment on Smith Bagley Petition for Partial Waiver on Biennial Audits

June 26, 2014

Yesterday, the FCC's Wireline Competition Bureau ("Bureau") released a [Public Notice](#) seeking comment by **July 25, 2014**, on Smith Bagley, Inc.'s ("SBI's") [Petition](#) for Partial Waiver (also attached) of the biennial audit requirement. The final Audit Plan requires the auditor to randomly select one month during the audit period (2013) and up to three states where the ETC is designated. (For those ETCs only serving one state, they would only be audited for that state.) SBI states that it is the only ETC subject to the biennial audit requirement (the requirement applies to large ETCs with \$5 million or more in reimbursements) that offers Lifeline service in exactly three states and therefore would be the only *multi-state* ETC to have its entire footprint audited. SBI asked that its auditor be instructed to select one of SBI's two largest states for audit.

The waiver request is based on the principle that the audit is supposed to be conducted on a sampling of an ETC's subscriber base. According to the petition, there are six other ETCs subject to the biennial audit this year that will also have their entire subscriber base subject to audit because they operate in only one state. However, each ETC must have at least one state audited so similar relief would be unlikely for those ETCs. Comments on the petition are due on **July 25, 2014**, and reply comments are due on **August 11, 2014**.

As a reminder, the final biennial audit attestation report must be filed by **April 2, 2015** (one year from the release of the final Audit Plan), which allows the audit to be conducted in 2014. ETCs should be choosing auditors and beginning the audit process soon in order to allow time for the draft reports and ETC comments. We are still expecting USAC to conduct training for independent auditors, but have not yet seen any announcements.