

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the Matter of an Investigation to Determine)
the Assessment Rate for the Eighteenth Year of) Docket No. 14-GIMT-105-GIT
the Kansas Universal Service Fund, Effective)
March 1, 2014.)

**ORDER ACCEPTING GVNW'S KUSF YEAR 18 AUDIT SELECTIONS, PROPOSED
REVISIONS TO SELECTION CRITERIA AND AUDIT REVIEW PROCEDURES**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records and being duly advised in the premises, the Commission makes the following findings:

1. K.S.A. 66-2010(b)(1) provides that the Kansas Universal Service Fund (KUSF) administrator is responsible for “[c]ollecting and auditing all relevant information from all qualifying telecommunications public utilities, telecommunications carriers or wireless telecommunications service providers receiving funds from or providing funds to the KUSF.” The current KUSF administrator is GVNW Consulting, Inc. (GVNW).¹

2. Through a series of Commission orders, the Commission has determined that the KUSF administrator will conduct sixteen (16) annual audits of carriers contributing to or receiving funds from the KUSF.² The audits will be conducted in accordance with certain selection criteria and audit procedures adopted by the Commission.

¹GVNW Consulting, Inc. was selected through competitive bid as required under K.S.A. 66-2010(a).

²See Order, Docket No. 94-GIMT-478-GIT (Oct. 30, 1998); Order Accepting NECA's Final Audit Report and Recommendations, Docket No. 94-GIMT-478-GIT (Oct. 14, 1999).

3. GVNW sent a letter to the Commission on June 26, 2015, identifying sixteen (16) carriers that it proposes to audit for KUSF Year 18 purposes. GVNW also enclosed two attachments to its letter. Attachment A contained the criteria relied upon to select the companies and a proposed modification to the selection criteria. The modification would allow the KUSF administrator to audit companies affiliated with the selected carrier at the same time the selected carrier is audited to help reduce travel costs and resources necessary to conduct the audit. Attachment B contained the carrier audit review procedures used to perform the audits. Attachment B also contained proposed modifications to reflect statutory amendments enacted through HB 2201, the correct audit period, the approved KUSF assessment rate, and other minor clarifications.

4. Commission Staff submitted a Report and Recommendation to the Commission dated June 29, 2015, attached hereto and made a part hereof by reference. Staff reviewed GVNW's proposed audit selections for KUSF Year 18 and the proposed modifications to the selection criteria and audit procedures contained in Attachments A and B, respectively. Staff found that the audit selections were made in accordance with existing Commission policy and several affiliates were selected pursuant to proposed modifications to the selection criteria in Attachment A. Staff also found that the proposed carrier audit review procedures contained in Attachment B were made to recognize changes that occurred and impacted KUSF Year 18. Staff recommended that the Commission accept GVNW's audit selections and open a separate docket for each of the sixteen (16) companies to be audited. Staff also recommended that the Commission accept the proposed revisions to the carrier audit selection criteria and audit review procedures enclosed as Attachments A and B, respectively, to GVNW's letter.

5. The Commission finds Staff's findings and recommendations to be reasonable and hereby adopts the same.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission accepts and approves GVNW's selection of the sixteen (16) carriers identified by GVNW for KUSF Year 18 audits. A separate docket shall be opened for each KUSF audit. The Commission further accepts and approves Attachments A and B to GVNW's transmittal letter of June 29, 2015, containing modified carrier selection criteria and carrier audit review procedures, respectively.

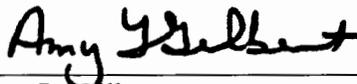
B. Parties have 15 days, plus three days if service is by mail, from the date this Order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118b; K.S.A. 77-529(a)(1).

C. The Commission retains jurisdiction over the subject matter and parties for the purpose of issuing such further order, or orders, as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: JUL 07 2015



Amy L. Gilbert
Secretary

EMAILED

JUL 07 2015

MRN

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Pat Apple

FROM: Sandy Reams, Assistant Chief of Telecommunications
Christine Aarnes, Chief of Telecommunications
Jeff McClanahan, Director of Utilities

DATE: June 29, 2015

SUBJECT: Docket Number: 14-GIMT-105-GIT
In the Matter of An Investigation to Determine the Assessment Rate for the Eighteenth Year of the Kansas Universal Service Fund, Effective March 1, 2014.

EXECUTIVE SUMMARY:

On June 26, 2015, GVNW Consulting, Inc. (GVNW), the Kansas Universal Service Fund (KUSF) administrator, filed a letter identifying the sixteen companies recommended to be audited for KUSF Year 18 (March 2014 through February 2015). Enclosed with GVNW's letter are Attachment A, containing the criteria used to select the sixteen companies, and Attachment B, containing the carrier audit review procedures to be used to perform the audits. GVNW suggests the selection criteria be modified to allow companies affiliated with a carrier required or selected to be audited to be audited at the same time to reduce audit costs and resources. GVNW also recommends that the audit review procedures be modified to reflect the Kansas Telecommunications Act amendments adopted in House Bill (HB) 2201,¹ the KUSF Year 18 assessment rate, the Year 18 audit period, and other minor clarifying changes.

Staff recommends that the Commission accept GVNW's recommendation for the sixteen identified companies to be audited for KUSF purposes for KUSF Year 18 and the revised selection criteria contained in Attachment A and the revised audit review procedures contained in Attachment B. Staff recommends that the Commission open a separate docket to address each carrier's audit.

¹ HB 2201 was signed into law on April 17, 2013.

BACKGROUND:

On August 27, 2013, the Commission opened Docket No. 14-GIMT-105-GIT to address the KUSF assessment rate for KUSF Year 18. On January 23, 2014, the Commission issued an Order adopting a 6.05% assessment rate for KUSF Year 18.

K.S.A. 66-2010(b)(1) provides that the KUSF administrator is responsible for “[c]ollecting and auditing” the information submitted by companies receiving funds from, or contributing funds to, the KUSF.

On October 30, 1998, the Commission issued an Order addressing numerous KUSF-related issues, including the KUSF administrator’s statutory responsibilities.² The Commission determined that the statute requires the KUSF administrator to perform audits of carriers to ensure their compliance with their KUSF obligations.

The first carrier audit Dockets were opened by the Commission in May 1999. On October 14, 1999, the Commission adopted the National Exchange Carrier Association (NECA) audit report and recommendations.³ The Commission determined it would continue to audit sixteen carriers per year, allow desk audits of companies that do not have any KUSF assessable revenues, and allow the audits to be conducted over a 12 month period.

Historically, the Commission has opened a separate docket to address the KUSF audit of each selected company. After completing the annual audits, the KUSF administrator submits an annual Summary Audit Report to: (1) identify the companies audited that year; (2) summarize the audit findings; and (3) identify any audit selection criteria or procedure that GVNW believes should be modified.

In its June 26, 2015, letter, GVNW identified sixteen carriers that it proposes be subject to audit for KUSF Year 18 purposes and enclosed two Attachments, as follows:

- Attachment A contains the criteria relied on to select the companies to be audited. GVNW proposes to modify the selection criteria to allow an affiliated company(ies) of a carrier required to be audited or selected for audit, to also be audited at the same time. GVNW states this should help reduce travel costs and resources necessary to conduct the audit; and
- Attachment B contains the carrier audit review procedures to be used to perform the audits. GVNW proposes to modify the carrier audit review procedures to reflect statutory amendments enacted through HB 2201, the correct audit period, the approved KUSF assessment rate, and other minor clarifications.

² *In the Matter of a General Investigation into Competition Within the Telecommunications Industry in the State of Kansas*, Docket 94-GIMT-478-GIT (Docket 94-478), October 30, 1998, Order. NECA was the initial KUSF Administrator.

³ *Id.*, October 14, 1999, Order Accepting NECA's Final Audit Report and Recommendations.

ANALYSIS:

Staff's review of GVNW's proposed audit selections indicates the Companies GVNW proposes be audited for KUSF Year 18 fall within the selection criteria for each relevant group. GVNW's selection letter indicates that several carriers subject to audit are affiliated companies and by auditing the affiliated Companies at the same time, as proposed in the selection criteria, contained in Attachment A, travel costs and resources expended by GVNW and the companies will be reduced. The proposed carrier audit review procedures, contained in GVNW's Attachment B, were modified to recognize changes that occurred and impacted KUSF Year 18.

RECOMMENDATION:

Staff recommends that the Commission accept GVNW's audit selection and open a separate docket for each of the sixteen companies to be audited. Staff also recommends that the Commission accept the proposed revisions to the carrier audit selection criteria and audit review procedures enclosed as Attachments A and B, respectively, to GVNW's letter.



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www.gvnw.com

June 26, 2015

Ms. Amy Gilbert, Secretary
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

RE: Docket No. 14-GIMT-105-GIT
In the Matter of an Investigation to Determine the Assessment Rate for
Eighteenth Year of the Kanas Universal Service Fund, Effective March 1, 2014.

Subject: Kansas Universal Service Fund (KUSF) Operating Year 18
Submission of March 2014 through February 2015 KUSF Year (Operating Year
18) Selections for KUSF Carrier Reviews, Revised Selection Criteria, and Audit
Procedures

Dear Ms. Gilbert:

Based on the Kansas Corporation Commission's (KCC or Commission) approved Selection
Criteria,¹ GVNW Consulting, Inc. (GVNW) proposes that the Kansas Universal Service Fund
(KUSF) contributors listed below be subject to a review for KUSF Operating Year 18:

Stratification Group No.	Company Code	Carrier Name	Selection
1	5186	Cox Kansas Telecom LLC dba Cox Communications	Required Audit
2	1411	United Telephone of Kansas d/b/a CenturyLink	Required Audit
2	7065	TWC Digital Phone LLC	KCC Staff Selection - Affiliate of #s 4922, 6356 & 7065
2	5705	Nex-Tech Wireless LLC	FY 13 Follow-up Audit - Affiliate of #s 5705, 4859, 1300, & 5751
3	4859	Nex-Tech Inc.	Selected - Affiliate of #s 5705, 4859, 1300, & 5751
3	3220	CenturyLink Communications, LLC	Selected Affiliate of #s 1411, 1412 & 3220
3	1300	Rural Telephone Service Co Inc. dba Nex-Tech	Selected Affiliate of #s 5705, 4859, 1300, & 5751

¹ Docket No. 12-GIMT-168-GIT (Docket 12-168), July 16, 2013, Order Accepting and Approving GVNW Selection
Criteria.

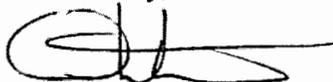
Stratification Group No.	Company Code	Carrier Name	Selection
3	4852	McLeod USA Telecommunications Services LLC	Random Selection
3	5837	Consumer Cellular Inc.	Random Selection
3	6356	Time Warner Cable Business LLC	KCC Staff Selection - Affiliate of #s 4922, 6356 &7065
3	1440	Wamego Telecommunications Co Inc.	Random Selection - Affiliate of # 5176
3	5970	GreatCall Inc.	Random Selection
3	5176	WTC Communications Inc.	Selected Affiliate of # 1440
3	5751	Rural Telephone Service Co Inc. dba Nex-Tech	Selected Affiliate of #s 5705, 4859, 1300, & 5751
3	1412	United Telephone of Kansas d/b/a CenturyLink	Selected Affiliate of #s 1411, 1412 & 3220
4	4922	Time Warner Cable Information Services LLC	KCC Staff Selection - Affiliate of #s 4922, 6356 &7065

The sixteen (16) selected carriers account for approximately \$7.99 million, or 15.27%, of the total \$52.3 million KUSF Operating Year 18 contribution base. GVNW will begin preliminary audit work (contacting companies, preparing audit packets, including questionnaires, a request for information, etc.) and commence actual audit work upon the Commission's issuance of orders. GVNW will complete the reviews as expeditiously as possible, and file audit reports no later than June 30, 2016.

Enclosed with this letter are the following attachments:

- a. The Selection Criteria (Attachment A) contains the applicable selection criteria, modified to reflect the applicable audit period data. GVNW proposes to modify the Selection Criteria to recognize that companies affiliated with carriers required to be audited or affiliated with carriers that are randomly selected for audit may be included in the proposed selection to decrease audit travel and resources.
- b. The KUSF Carrier Review Procedures (Attachment B) provides the proposed KUSF carrier audit plan for the KUSF Year 18 audits. The procedures have been modified to reflect the audit period modifications to reflect the statutory provisions enacted via House Bill (HB) 2201 that impact the carrier audits and other minor clarifying changes.

Sincerely,



David G. Winter
Senior Consultant

Enclosures

KANSAS UNIVERSAL SERVICE FUND
Selection Criteria for Retail Revenue Reviews
KUSF Operating Year 18 (Operating Year 18)
(March 1, 2014, to February 28, 2015)

Objective: The following criterion is used as a basis of creating a level of certainty and accuracy about contributors' payments into the KUSF. Emphasis is on companies that represent the largest portion of the KUSF contributions. Based on the auditor's and the Commission's experience of an error rate in each group, the groupings, as well as the number and frequency of audits, may be adjusted.

Timing: Consistent with the Commission's policies,¹ the audit selections for the most recently closed KUSF year should begin as close to July 1 of each year to allow the audits to commence as soon as possible after the close of the KUSF Year.

Relevant Orders:

- July 17, 2014, Order, Docket No. 13-GIMT-130-GIT (Operating Year 17)
- July 16, 2013, Order, Docket No. 12-GIMT-168-GIT (Operating Year 16)
- August 29, 2013, Order, Docket No. 11-GIMT-201-GIT (Operating Year 15)
- June 5, 2013, Order, Docket No. 10-GIMT-188-GIT (Operating Year 14)
- April 10, 2012 Order, Docket No. 09-GIMT-272-GIT (Operating Year 13)
- October 15, 2010 Final Audit Report for Year 12, Docket No. 08-GIMT-315-GIT (Operating Year 12)
- January 11, 2010, Order Audit Report, Docket No. 07-GIMT-276-GIT (Operating Year 11)
- May 12, 2009 Order, Docket No. 09-GIMT-639-AUD (Operating Year 10)
- July 25, 2008 Order, Docket No. 08-GIMT-1045-GIT (Operating Year 9)
- September 10, 2007 Order, Docket No. 08-GIMT-100-GIT (Operating Year 8)
- December 9, 2005 Order, Docket No. 06-GIMT-458-AUD (Operating Year 7)
- October 13, 2004 Order, Docket No. 05-GIMT-003-AUD (Operating Year 6)
- November 2, 2003 Order, Docket No. 04-GIMT-254-AUD (Operating Year 5)
- October 31, 2002 Order, Docket No. 03-GIMT-281-AUD (Operating Year 4)
- September 18, 2001 Order and October 25, 2001 Order, Docket No. 02-GIMT-116-AUD (Operating Year 3)
- November 7, 2000 Order on Year 2 Audits, Docket No. 00-GIMT-1175-AUD (Operating Year 2)
- October 14, 1999 Order, Docket No. 94-GIMT-478-GIT (190,492-U) (Operating Year 1)

Section Process:		
Group 1	<p>Companies whose gross contributions comprise more than 5% of the yearly KUSF receipts.</p> <p>No company will be audited in two consecutive years. Companies in Group 1 that have been audited within the past two years with no major findings shall be excluded from selection list. Such carriers <u>will be audited</u> at least every four years. Carriers with material findings may be selected for an audit three years after the prior audit to ensure that corrections to audit findings were implemented.²</p>	<p>100% every four years. 1-3 companies each year, unless significant findings</p>

¹ July 30, 2004, Order, Docket No. 05-GIMT-003-AUD.

² For example, two Group 1 companies, Company A and Company B, were both audited in Operating Year 17. Company A had no significant findings; however, Company B had several significant findings. Both Company A and Company B are excluded from audit selection for Operating Year 18. Company A could be selected for audit for Operating Years 20 and 21, but is required to be audited no later than Operating Year 21. Company B could be audited in Operating Year 19, but should be audited for Operating Year 20. If, for some reason, Company B cannot be audited for Operating Year 19 or 20, it must be audited for Operating Year 21.

Section Process (Cont'd):		
Group 2	<p>Companies whose gross contributions represent the next 50% of the yearly KUSF receipts after removing Group 1.</p> <p>No company will be audited in two consecutive years. Companies in Group 2 that have been audited within the past two years with no major findings shall be excluded from the selection list. Such carriers <u>will be audited</u> at least every five years. Carriers with material findings may be selected for an audit three years after the prior audit to ensure that corrections to audit findings were implemented.</p>	1-3 companies each year
Group 3	<p>All remaining companies paying into the Fund.</p> <p>No company will be audited in two consecutive years. Companies in Group 3 that have been audited within the past two years with no major findings shall be excluded from the selection list and are <u>eligible</u> for an audit every three years. Carriers with material findings will be selected for an audit in two or three years after the prior audit to ensure that corrections to audit findings were implemented.</p>	8-13 companies each year (The KCC and/or the KUSF Administrator may judgmentally substitute carriers in place of a randomly selected carrier)
Group 4	<p>Companies reporting zero Kansas intrastate retail revenue to the Fund</p> <p>No company will be audited in two consecutive years. Companies in Group 4 that have been audited within the past two years, with no major findings, shall be excluded from the selection list. If it is determined that the carrier should have been reporting revenue, the company may be moved to Group 3, or if the carrier had a material finding, it may be selected for an audit two or three years after the prior audit to ensure that corrections to audit findings were implemented.</p>	1 company each year

For Operating Year 18, carriers in Groups 1 and 2 reported approximately \$731.6 million of the \$865.3 million revenue, or approximately 85% of total revenue reported to the KUSF. All of the carriers in Groups 1 and 2 paid a combined \$44.3 million of the \$51.5 million, or approximately 86%, of total KUSF contributions. The carriers in Group 1 and 2 selected for audit reported \$109.2 million of revenue and paid \$6.6 million in KUSF contributions to the KUSF in Operating Year 18.

Group 3, with 381 carriers, comprise the largest population of companies reporting to the Fund. Emphasis is placed on the Group 3 audits in an effort to maximize the rotation of audited carriers, supporting the goal that all carriers will eventually be audited. In total, Group 3 carriers reported \$133,626,138.20 in revenue and paid \$8,084,564.86 in assessments to the KUSF. The carriers selected for Group 3 audits reported \$22.9 million of revenue and paid \$1.4 million in assessments to the KUSF in Operating Year 18.

Group 4 audits focus on substantiating that the Company did not have Kansas customers or Kansas revenues. This group does not include companies that have not reported to the KUSF. Companies that have not reported to the KUSF, but are required to do so, are considered delinquent and will be pursued by the KUSF Administrator and/or the KCC for non-compliance with Commission rules.

This schedule represents 16 audits each year. The selected companies reported \$132.1 million of the total revenues and paid \$8 million, or 15.3 %, of the Operating Year 18 contributions. The sample size is held constant so that if the KCC selects certain companies for audit, the randomly selected sample of companies shall be correspondingly reduced. For instance, KUSF reporting abnormalities or significant discrepancies between KUSF reported revenues and the KCC or public reports may raise questions regarding the accuracy of a particular company's KUSF report. Therefore, the KCC, KCC Staff, or GVNW may judgmentally substitute randomly selected companies with the aforementioned.

KANSAS UNIVERSAL SERVICE FUND CARRIER REVIEW PROCEDURES
For Kansas Operating Year 18 (March 1, 2014 through February 28, 2015)
(Revised June 26, 2015)

- I. **Objective.** To provide an administrative control over all qualifying telecommunications public utilities, wireless providers, Interconnected Voice over Internet Protocol (VoIP), and other carriers receiving funds from or providing funds to the Kansas Universal Service Fund (KUSF) in accordance with K.S.A. 66-2010 and Kansas Corporation Commission (KCC) orders. The review program will be revised annually to reflect any changes in procedures adopted by the KCC. The obligation of each review is to verify that the selected Company met its statutory obligation to: (1) accurately report revenues to the KUSF; (2) accurately report and pay assessments and; (3) collected from customers no more than an amount equal to or less than the Company's assessment owed to the fund, pursuant to K.S.A. 66-2008(b).
- II. **Definitions.**
- A. Review Period: March 1, 2014, through February 28, 2015 (KUSF Operating Year 18).
- B. The KUSF percentage assessment rate in effect for KUSF Operating Year 18 was 6.05%.¹
- C. The Incumbent LECs local service Per Line Assessment for KUSF Operating Year 18 was:²
- | | | |
|----|-------------|--------|
| 1. | SWBT | \$2.49 |
| 2. | CenturyLink | \$1.79 |
| 3. | Rural LECs | \$1.44 |
- III. **Pre-Audit and General Information.**
- A. Obtain copies and review all relevant Kansas statutes³ and KCC documentation related to administration of the KUSF, including KCC orders and correspondence to obtain an understanding of the KUSF process. Relevant documentation includes, but is not limited to:
1. K.S.A. 66-2006 (Lifeline) and 66-2008 through 66-2010.

¹ Docket No. 14-GIMT-105-GIT (Docket 14-105), January 23, 2014, Order, *In the Matter of an Investigation to Determine the Assessment Rate for the Eighteenth Year of the Kansas Universal Service Fund, Effective March 1, 2014.*

² *Ibid.*

³ Kansas Statutes, K.S.A. 66-2001 - K.S.A. 66-2010 may be viewed at:
http://www.kslegislature.org/li/b2013_14/statute/066_000_0000_chapter/066_020_0000_article/

2. Lifeline eligibility and supporting orders: K.S.A. 66-2006; December 27, 1996, Order, Docket No. 94-GIMT-478-GIT; January 21, 2003, Order, Docket No. 00-GIMT-910-GIT; May 19, 2005, Order, Docket 05-GIMT-1039-GIT; Docket No. 07-GIMT-1039-GIT; Docket 10-GIMT-658-GIT; and Docket No. 11-GIMT-635-GIT. (See also, Additional Lifeline data, Attachment A);
3. Orders creating the KUSF (See December 27, 1996, and February 3, 1997, Orders, Docket No. 94-GIMT-478-GIT);
4. Orders directing KUSF Administrator to perform the carrier audits (See October 30 and December 11, 1998, Orders, Docket No. 94-GIMT-478-GIT);
5. Order(s) listing reportable revenues (Reportable Revenues) for the Audit Period:
 - a. Each Company is assessed on its own revenue: November 30, 1999, Order, Docket No. 99-GIMT-784-GIT;
 - b. Revenue from jurisdictionally-mixed services, recurring charges, bundled service plans; September 2 and October 9, 2003, Orders, Docket No. 03-GIMT-932-GIT;
 - c. Wireless, Cellular, Paging revenues: August 13 and September 27, 1999, Orders, Docket No. 94-GIMT-478-GIT; January 22, 2002, Order, Docket No. 02-GIMT-161-GIT; September 8, 2006, Order, Docket No. 06-GIMT-322-GIT; and September 7, 2006, Order, Docket No. 06-GIMT-943-GIT. Effective March 1, 2006, wireless revenues are assessed based on customer's primary place of usage. See also December 22, 2011, Order, Docket No. 11-GIMT-842-GIT, and February 1, 2012, Order, Docket No. 12-GIMT-168-GIT.
 - d. Interconnected VoIP revenue reporting, September 22, 2008, Order, Docket No. 07-GIMT-432-GIT and February 1, 2012, Order, Docket No. 12-GIMT-168-GIT;
 - e. Treatment of uncollectibles: August 13 and September 27, 1999, Orders, Docket No. 94-GIMT-478-GIT; April 14, 2000, Order, Docket No. 00-GIMT-236-GIT; and December 30, 2010, Order, Docket No 10-TMCZ-076-KSF;
 - f. Carrier Remittance Worksheet (CRW) Instructions for Review Period, including those related to period subject to follow-up audit and from audit fiscal year to current;

- g. Order setting the KUSF assessment rates and per line flow-through for the Review Period: January 23, 2014, Order; Docket No. 14-GIMT-105-GIT;
- h. Carrier Review Procedures and Selection Criteria;
 - i. KUSF Operating Year 17 (FY 13/14): July 17, 2014, Order Accepting Report, Docket No. 13-GIMT-130-GIT;
 - ii. KUSF Operating Year 16 (FY 12/13): July 16, 2013, Order Accepting Report, Docket No. 12-GIMT-168-GIT;
 - iii. KUSF Operating Year 15 (FY 11/12): August 29, 2013, Order Accepting Report, Docket No. 11-GIMT-201-GIT;
 - iv. KUSF Operating Year 14 (FY 10/11): June 5, 2013, Order Accepting Report, Docket No. 10-GIMT-188-GIT;
 - v. KUSF Operating Year 13 (FY 09/10): February 23, 2011, Order Adopting Year 13 Carrier Selection for Carrier Reviews and Proposed Revised Selection Criteria and Audit Procedures, Docket No. 09-GIMT-272-GIT;
 - vi. KUSF Operating Year 12 (FY 08/09): October 10, 2010, Final Audit Report, Docket No. 08-GIMT-315-GIT;
 - vii. KUSF Operating Year 11 (FY 07/08): January 11, 2010, Order Accepting Audit Report Docket No. 07-GIMT-276-GIT;
 - viii. KUSF Operating Year 10 (FY 07/07): May 12, 2009, Order Accepting Audit Report, Docket No. 09-GIMT-639-GIT;
 - ix. KUSF Operating Year 9 (FY 05/06): July 25, 2008, Order Accepting Audit Report, Docket No. 08-GIMT-1045-GIT;
 - x. KUSF Operating Year 8 (FY 04/05): September 10, 2007, Order Accepting Audit Report, Docket No. 08-GIMT-1000-AUD);
 - xi. KUSF Operating Year 7 (FY 03/04): December 9, 2005, Order Accepting Audit Recommendations, Docket No. 06-GIMT-458-AUD;
 - xii. KUSF Operating Year 6 (FY 02/03): October 13, 2004, Order Accepting Audit Recommendations, Docket No. 05-GIMT-003-AUD;
 - xiii. KUSF Operating Year 5 (FY 01/02): November 3, 2003, Order Accepting Audit Recommendations, Docket No. 04-GIMT-254-AUD;
 - xiv. KUSF Operating Year 4 (FY 00/01): October 31, 2002, Order on Staff's Motion to Accept Audit Report and Consider Recommendations, Docket No. 03-GIMT-281-AUD;
 - xv. KUSF Operating Year 3 (FY 99/00): September 18, 2001, Order Addressing Recommendations and Comments, and

- xvi. October 25, 2001 Order on Petition for Clarification and/or Reconsideration , Docket No. 02-GIMT-116-AUD; KUSF Operating Year 2 (FY 98/99): November 8, 2000, Order 2 on KUSF Audit Recommendations, Docket No. 00-GIMT-1175-GIT; and
 - xvii. KUSF Operating Year 1 (FY 97/98): October 15, 1999, Order Accepting NECA's Final Report and Recommendations, Docket No. 94-GIMT-475-GIT;
 - xviii. Annual Report filed with the KCC, for the year ended December 31, 2012 and Annual Interrogatory for the year ended December 31, 2013.
- i. Kansas Universal Service Fund, March 1, 2014 – February 28, 2015 (FY 18) Frequently Asked Questions.

6. Select a three (3) month sample from the Review Period.

Note: Wireless, paging, and interconnected VoIP providers are not required to file Annual Reports with the KCC. Effective for the year ended December 31, 2013, only the Incumbent Local Exchange Carriers (ILECs) are required to file an Annual Report with the Commission. All other carriers are to file an Annual Interrogator (HB 2201, amending K.S.A. 66-1,188, 66-1,191, 66-1,195, 66-2002, 66-2003 and 66-2007 and K.S.A. 2012 Supp. 66-1,187, 66-2005, 66-2006, 66-2008, 66-2009 and 75-7224 and repealing the existing sections).

- B. After the sample of companies is selected (See Attachment A), KUSF administration personnel will verify that each selected Company is currently reporting to the KUSF and included as an active company in the Master Files. If the selected Company is not listed as an active company in the Master files, administration personnel will work with KCC Staff as necessary to determine if the Company has ceased doing business, merged with another Company, changed Company names, etc. *Note: If the selected Company has merged with another Company, changed names, etc., the audit will cover the selected sample Company's, or, if applicable, the successor or merged Company's books for the audit period. It may be necessary to call the contact person of current Company to determine where the notification letter should be sent.*
- C. Obtain copies of the selected Company's KUSF Operating Year 18 CRWs, including revised CRWs and True-up Forms filed with the KUSF administrator.
- D. Obtain copies of the selected Company's KUSF Operating Year 17 and KUSF Operating Year 19 CRWs, filed to date, including revisions and True-Ups. Review and compare the operating KUSF Operating Year 18 to the KUSF Operating Year 17 and KUSF Operating Year 19 data to determine if the reported revenues and contributions are similar or if significant variances exist. Receive confirmation from Administration personnel regarding whether the

Company is current with its KUSF obligations (CRWs, account balance, Attachment B, etc.). If the Company is not current with all KUSF obligations, request administration personnel provide the following information: follow-up with Company regarding obligations; delinquent reports; delinquent balance, and monthly revenue and/or contribution variances.

- E. Review the most recent KUSF carrier audit docket, to include: KCC Orders, the carrier Audit Report, company responses and other pleadings in the Docket, all revised CRWs, and Audit True-ups to gain an understanding of prior issues to review for compliance. Review a sample of CRWs filed between the end of the prior audit and the current audit period.
- F. Review recommendations adopted by the Commission in the prior audit and verify compliance with the recommendations in the current audit report. Determine additional information that will be necessary for such verification, to include:
 - 1. If the prior audit found that the Company over-collected from customers, request and review a sample of customer bills issued between when the Company states it provided refunds and the current period to verify the practice ceased and refunds were issued.
 - 2. If the prior audit found that the Company underpaid or overpaid assessments, review Company documentation to verify that the Company corrected the reporting process and whether additional assessments are owed or refunds owed to Company
- G. Obtain and review copies of the selected Company's Annual Report and Annual Interrogatories submitted to the KCC for the two most recent calendar years ending December 31 from the KCC for comparative analysis. Obtain an explanation for material variances between the Annual Report, the Annual Interrogatory, and the CRWs/Annual True-Up data. *Note: Wireless, paging, and VoIP providers are not required to file Annual Reports with the KCC; therefore, this data may be unavailable. Effective July 1, 2014, only the Incumbent Local Exchange Carriers (ILECs) are required to file an Annual Report with the Commission. All other carriers are to file an Annual Interrogatory.*
- H. Contact KUSF Administrator to obtain an initial Company Point of Contact (POC). Email the Company's POC to request the following information:

POC Name - who will be the POC to receive the audit packet to include:

 - 1. Email Address;
 - 2. Phone number(s); and
 - 3. Physical mailing address.

Prepare and send the Initial Audit Packet, comprised of the following, to selected Company:

1. Opening notification letter (appropriate on-site or desk-review letter);
2. KUSF Data Request No. 1 (Attachment A);
3. Revenue reportable to the KUSF by category (Attachment B);
4. Confidential Material Information (Attachment C);
5. Data Request (DR) Process Information (Attachment D); and
6. Identification of the Company's contact on file with GVNW, with a request for the Company to provide any necessary updates for the point of contact or the KCC Docket service list.

The Audit Packet should be sent to the Company's KUSF POC and the designated Company representatives on the Docket Service list. The Company's response to the questionnaire must be confirmed in writing, with verification signed by the appropriate Company personnel responsible for such data. The Initial Audit Packet letter should also include a summary overview of the DR process included in Attachment D. The summary overview should advise that if requested information cannot be provided by the due date, the Company must request, in writing, an extension from the auditor, identify the information that cannot be provided, and explain why the information cannot be provided and when the information will be available

- I. Any audit information, including the Audit Packet, may be provided via e-mail, US Postal Service, or overnight delivery, unless otherwise specified by the Commission and/or Staff (e.g. certified mail). GVNW should maintain a copy of the written documentation to support that the Company received the information (e.g. delivery of audit packet via e-mail will be accompanied by a "Read or Receipt Notification," delivery confirmation for overnight delivery, etc.)
- J. Obtain, through a Data Request, written confirmation for any information to be relied on by the auditor for the audit findings. Confirmation must be obtained for: (a) additional information requested; (b) information informally agreed upon that the Company will provide; (c) the timing of when such information will be provided; and (4) etc. All substantive information or material relied on for audit findings must be confirmed in writing in a signed, verified DR.
- K. A week before the Initial Audit Packet DR or other DR is due, a reminder email should be sent to the Company.
- L. A Company may request the auditor for an extension of time in which to provide data that it does not believe can be provided by the due date. If the Company does not provide the data by the due date and has not requested an extension, the auditor should contact the Company to inquire if the information will be provided and if a second extension of time is appropriate. The auditor may offer a limited extension in writing. The auditor should advise the Company that if the

data is not provided by the extended deadline, the auditor may file a Motion to Compel to the Commission. The Motion to Compel should include: (1) information pertaining to emails or letters that identify the original due date the agreed-upon extended due date(s); and (2) the information that has not been provided. Include a copy of the DR(s) with the Motion to Compel. Provide a draft of the Motion to Compel to Staff and/or the Staff attorney assigned to GVNW.

NOTE: If the Company informs the auditor that it does not have time for the audit, the Company is responsible for asking the Commission for Reconsideration of its Order Opening the docket. KUSF Administration and Audit Personnel and Staff do not have the authority to waive the audit.

- M. Arrange to contact the appropriate party(ies) to plan the timing of the on-site visit, if required. *Note: KUSF Administration personnel's role with respect to the audit should be limited to providing the audit division with a list of carriers, revenues, and contributions for the auditor to use to select the companies for audit, providing CRWs and True-ups, and any information relevant to the audit, including the Company's current status. The auditor needs to ensure that Administrative personnel are apprised of any issues that will affect the Company's KUSF obligations, including refunds, True-ups, and other follow-up issues.*

IV. For the selected months.

- A. Review the Company's internal written KUSF reporting policies or instructions, if available. If written procedures do not exist, ask the Company to put its procedures for the audit period in writing. Compare the Company's procedures to the KUSF Remittance Worksheet Instructions and KCC Orders for the KUSF Operating Year 18 Review Period to determine if discrepancies exist. *Note: Identify any such Company discrepancies, items that need to be updated or changed to ensure correct compliance reporting, and discuss with the Company. The lack of internal written KUSF procedures should be an audit finding and recommendation.*
- B. If the audited Company is an incumbent LEC, verify the number of access lines reported to the KUSF for the selected test months. In addition, confirm revenues reported to the KUSF in accordance with the audit procedures below. The revenues reported to the KUSF are evaluated as part of the KCC Staff's annual development of the KUSF surcharge and per-line assessment rate.
- C. Review the monthly billing summaries and journals, and sample bills for the selected three (3) months.
- D. Trace retail revenues reported to the KUSF Administrator on the CRWs to details provided in the Company's records (i.e., billing summaries, journals, ledgers, etc.).

1. Ensure that the intrastate retail revenues reported to the Administrator include all the following revenues billed for the three (3) months:
 - a. Intrastate local services, intrastate vertical services, mobile services, intrastate private line services, intrastate presubscribed IXC change charges, directory assistance and directory listings, tariffed access lines, and intrastate calls made through credit cards, third-party billing, and collect calls. The gross monthly service charge for a Lifeline subscriber's service should be reported. Promotional revenue discounts may be "netted" for the initial 90-day period, after which, the full service rate revenue should be reported. Revenue related to other discounts (not promotions) should be reported. If the service is part of a bundle, the regulated voice service revenue must be imputed at the stand-alone price. Flat-rate monthly service charges and combined plan revenues should be reviewed to determine the revenues are reported in accordance with the KCC's September and October 2003 Orders, Docket No. 03-GIMT-932-GIT (See Attachment E);
 - b. Intrastate long distance service and inter-city special access billed to end users;
 - c. Miscellaneous charges, including: late payment charges, customer fees, non-recurring, and installation;
 - d. All other revenues listed on the approved Revenues Reportable to the KUSF for the review period;
 - e. Wireless companies, including paging: Revenues from comparable services billed by wireless providers to Kansas customers; including monthly, usage and roaming charges billed to the customer, and intrastate long distance charges. Wireless customers are billed the KUSF assessment based on their primary place of usage. (September 7, 2006, Order, Docket 06-GIMT-943-GIT). For the audit period, the wireless carrier safe harbor was 62.9% intrastate. The Safe Harbor for paging was 88% and for analog SMR providers, 99%.

Companies may directly assign revenue or use a Company-specific traffic factor, provided these are filed with the KCC. A pleading to elect either the direct assignment or traffic study methodology, accompanied by an affidavit signed by an officer of the Company, must be submitted and approved by the KCC prior to the Company using the methodology for KUSF purposes. Verify that the Company has provided updates to its methodology and allocation

factors at least annually, even if such pleading verifies that no change has occurred. (January 24, 2012, Order, Docket No. 12-GIMT-168-GIT; September 8, 2006, Order, Docket No. 06-GIMT-332-GIT; and January 27, 2003, Order, Docket No. 04-GIMT-331-GIT, Attachment G).

- f. Interconnected VoIP providers: Revenues from all VoIP services billed to a Kansas customer with a primary service location in Kansas (as identified by customer), and similar to those for services from wireline and wireless providers, should be identified for KUSF purposes. For the audit period, the interconnected VoIP safe harbor was 35.1% intrastate.

Companies may elect to directly assign revenue or allocate revenue based on a Company-specific traffic study, provided these are filed with the KCC. A pleading to elect either the direct assignment or traffic study methodology, accompanied by an affidavit signed by an officer of the Company, must be submitted and approved by the KCC prior to the Company using the methodology for KUSF purposes. Verify that the Company has provided updates to its methodology and allocation factors at least annually, even if such pleading verifies that no change has occurred. (January 24, 2012, Order, Docket No. 12-GIMT-168-GIT; and September 22, 2008, Order, Docket 07-GIMT-432-GIT).

- E. If not specifically identified above, verify that all revenues listed on the Reportable Revenues Schedules or specifically identified in KCC orders are treated, pursuant to the applicable KCC orders. (See Section VII).
- F. For sample months selected, request the Company to provide copies of the rates charged to end-users to verify the correct rates were charged and reported to the KUSF. Note: Effective July 1, 2013, *only the Incumbent LECs are required to file tariffs with the Commission. For all other carriers, the Company may have hard copies of its rates or may have them available via its website. The following information may be used for verification purposes for companies other than an Incumbent LEC:*
1. Tariffs: Review to verify the rates cited in tariffs are those charged to end-users.⁴ Tariffs are available to the public generally; however, exceptions to filed tariffs in docket systems are as follows:

⁴ Pursuant to HB 2201, signed by Governor Brownback April 17th, 2013, and the Commission's June 13, 2013, Order Opening Docket and Soliciting Comments, Docket No. 13-GIMT-726-GIT, effective July 1, 2013, Local Exchange Carriers (LECs) offering local exchange service and all companies offering intrastate access services must have tariffs on file with the Commission. All other tariffs will no longer be effective. Companies should, however, have approved tariffs for the period of March 2013 through June 30, 2013. The Commission has maintained tariffs for KUSF audit purposes for KUSF Operating Year 18.

2. **Promotional Offerings:** Pursuant to K.S.A. 66-2005(1), a LEC may offer promotions within an exchange or group of exchanges, with the promotion provided to the Commission and cannot be unjust, unreasonably discriminatory, or unduly preferential. When offering a promotion, the Company submits a copy to the KCC, but the offering is not docketed into the Commission's system. Promotions typically should be for a period not to exceed 90-days, and should be tariffed if the offering will be in effect longer than 90-days, to prevent circumvention of price offerings for resale services. A promotion is to be for a 90-day period; however, there is no set timeframe for how often a promotion can be offered (i.e., a promotion could end today, not be offered tomorrow, and then reoffered for another 90-day period.)
 3. **Rate-Range Pricing/Individual Customer Pricing:** Rate-range pricing allows all similarly-situated customers to opt into the same rates.⁵ Pursuant to K.S.A. 66-2005(o), the Commission adopted guidelines and procedures for a LEC to request rate range pricing. The ILEC's rate range prices are tariffed and apply to all customers, in a nondiscriminatory manner, in an exchange or group of exchanges. Competitive LECs and IXCs are price-deregulated and may also have rate-range pricing, often via Individual Case Basis (ICB) Contracts. See December 27, 1996 Order, Docket No. 190, 492-U (94-GMT-478-GIT).
- G. **Contracts:** Pursuant to K.S.A. 66-1,189 and 66-1,190, all rates, services, charges, etc. are to have just and reasonable rates. Incumbent LECs are required to file contracts with the Commission. See Individual Customer Pricing (ICP) procedures adopted in Docket No. 02-GIMT-555-GIT.⁶
- H. Verify that the uncollectibles written off and reflected in the KUSF reporting agree with Company records, and that the methodology used is in compliance with KUSF and KCC approved guidelines. If a Company has not reported uncollectibles, verify that the Company understands that it is allowed to report gross and uncollectible revenues, resulting in the Company being assessed on net revenues. Companies are to report gross revenues, uncollectibles, and net revenues on their CRWs. However, a Company using the cash basis of accounting would not recognize revenue until cash is received and, thus, would not recognize any uncollectibles.
- I. If the selected Company claimed Lifeline credits during KUSF Operating Year 18, or indicates that it should have claimed such credits, review a sample of at least three (3) Lifeline customers' eligibility documentation for each of the three (3) sample selection months. If the selected Company is an incumbent LEC, the

⁵ <http://estar.kcc.ks.gov/estar/ViewFile.aspx/19961227124828.pdf?Id=5eac70cd-b911-4ef3-bcdf-75d1837f4413>

⁶ <http://estar.kcc.ks.gov/estar/ViewFile.aspx/20040811080345.pdf?Id=fbf47714-5439-4c69-af50-c4300ada53b2>

supporting data should include a total of all access lines sold to other companies at the discounted Lifeline rate, as stated in the relevant interconnection agreement.

- J. **LECS only:** Verify the access line counts reported on the monthly CRW through a comparison to source documents since a LEC's KUSF assessment is based on the number of lines reported times the maximum per line assessment amount approved by the KCC. *Note: a Company is authorized, but not required to collect all, or any, of its assessments from Customers.*
- K. Review the Company's billing system and sample customer invoices or billing images to determine what customer revenues the Company assesses and collects the KUSF surcharge from.

V. General Principals for Reviewing Company Revenue Data and Remittance Worksheets.

- A. Retail revenues (See Reportable Revenues Schedules, Attachment E) do not include revenues derived from the following sources:
 - 1. Franchise tax pass-on charges.
 - 2. Local, state, or federal taxes.
 - 3. Interstate revenues, including PIC charges, long distance, special access services, and Federal End-User Line Charges.
 - 4. State or federal high-cost support, e-Rate, or Schools & Libraries payments.
 - 5. Intrastate revenues derived from wholesale operations, such as UNE revenues.
 - 6. Wireline deregulated revenues, such as terminal equipment and inside wire maintenance, and comparable wireless/paging/VoIP revenues (roadside assistance, text messaging, Internet Broadband only services, etc.).
- B. For wireline providers, the local calling area takes precedence over state and intrastate jurisdiction. A call is classified via its origination and terminating points, not the route of the call.
- C. Verify that Federal and KUSF Lifeline reimbursements have not been "netted" against reportable revenues by the Company
- D. Verify if the Company has deducted any customer discounts from its reportable revenues to the KUSF.
- E. For wireline providers, long distance revenues are considered intrastate revenues when both parties are within Kansas, regardless of call routing.

- F. KUSF assessments due to the KUSF are to be calculated on the selected Company's actual revenues, net of uncollectibles. For CLECs, verify that the assessment paid was not based on a per line assessment calculated for a specific Incumbent LEC. Verify that the revenues reported on the CRW are the same as those booked or reconcile any discrepancies. *Note: Some companies incorrectly "back" into the revenues they report by determining the KUSF assessment collected and then dividing that amount by the assessment rate to arrive at reportable revenues. This is a finding. The auditor should attempt to determine the actual revenue that should have been reported, and provide the overall impact on the KUSF in the Audit Report. If the "calculated" revenue and assessments exceed the amounts actually owed, the Company likely collected more in assessments from customers than it owes, and a refund would be due to both the Company and customers.*

VI. KUSF Assessment Collected from Customers.

- A. K.S.A. 66-2008(b) authorizes, but does not require, a Company to collect its assessment from customers. The Company may collect an amount equal to, or lesser than, its assessment.
1. Review the Company's CRWs to determine whether the Company reported any KUSF surcharge collected from customers in "Box C". If an amount reported in Box C equals the actual assessment calculated on the CRW(s), determine if the Company reported calculated revenues. If the amount listed in Box C is substantially more than the assessment paid by the Company for the Audit Period, determine how much was over collected from each subscriber, if possible, to determine if a refund is required and inform Company that it has collected more than its assessment, which is not statutorily allowed.
 2. Review customer bills/billing images to verify the Company collected its KUSF surcharge through a separate line item.
 3. Review the Company's KUSF billing matrix to determine if the Company is properly charging KUSF surcharge for the appropriate services.
 4. Review the KUSF assessment billed to Kansas customers and verify that the per line assessment (for Incumbent LECs/electing carriers only) or the percent billed to the customers is equal to or less than the rate approved by the KCC. Companies should be line itemizing the KUSF assessment on its bills. Gain an understanding of the Company's calculations to arrive at the billed surcharge.

5. Recalculate and verify that the total amount billed to/collected from customers equals or is less than the monthly assessment calculated and paid based on reported revenues.
6. Verify the account to which the Company records the total monthly KUSF collected from customers.
7. Discuss variances with Company. If the variance is due to the Company collecting more from its customers than it remitted to the KUSF, a refund, via an equal bill credit to affected customers, is appropriate. (See August 13 and September 27, 1999, Orders, Docket No. 94-GIMT-478-GIT; and April 14, 2000, Order, Docket No. 00-GIMT-236-GIT, Attachments I, J and K). If the auditor is unsure as to whether a credit should be recommended, he/she should discuss this with KCC Staff personnel.

B. Verification of Compliance with Commission-Adopted Recommendations

1. Review written confirmation regarding the Company's implementation of the Commission's adopted recommendations submitted in the previous audit Docket. Note: Written confirmation may be in the form of an affidavit signed by an officer of the Company, Company documentation filed with the KCC, a verification letter from the Company, an updated Audit Report from the Administrator, etc.
2. If any recommendation was not implemented, obtain an understanding as to why they were not.
3. Address each prior recommendation adopted by the Commission in the current Audit Report, identify whether the recommendation was implemented by the Company or if not, explain why not and impact to KUSF.

VII. On-Site Review Procedures.

- A. Prior to the on-site visit, review the documentation and materials requested in the opening letter and determine the source and location of any additional information necessary to complete the review. All substantive information or material relied on for audit findings should be confirmed in writing, with verification signed by the appropriate Company personnel. This should be done through follow-up DRs.
- B. Obtain copies of the Kansas tariffs in effect during the three (3) test months to verify the correct KUSF assessment rates were billed. *Note: A Company is authorized, but not mandated, to collect an amount up to the approved assessment from its customers. A Company may choose to collect an amount*

less than that approved or may choose not to collect any KUSF assessment from its customers; however, the Company must pay the calculated assessment. (K.S.A. 2006 Supp. 66-2008(b)).

- C. Conduct an open meeting with the appropriate Company personnel and discuss the objectives and scope of the on-site review. The discussion should include a description of the review process, identification of Company personnel who should be available during the review, discussion of how questions and findings will be handled, and the procedures for issuing the final audit report.
- D. Obtain an understanding of the Company's billing system and accounting processes and review the underlying company financial documentation that supports the intrastate retail revenues reported to the KUSF. This should include, but not limited to:
 - 1. Determine if the Company uses the cash or accrual method of accounting.
 - 2. Gain an understanding of when and how revenues are received and recorded, when journal entries occur, and if the books reflect revenues received, billed, or earned (adjusted to monthly calendar period). Review how revenue is accrued and collected for billing cycles that are not on a calendar basis. Review the Billing System to determine how Intrastate and Interstate revenues are classified and treated in billing summaries.
 - 3. Review the Company's KUSF revenue reporting procedures, if available, to gain assurance that all reportable revenues were reported in accordance with those procedures, including all revenue category/account codes the Company includes in its reportable revenues. Compare the revenue/account codes used by the Company to the KCC approved Reportable Revenues to determine if any discrepancies may exist. If the KCC approved reportable revenues were modified at any time during the Review Period, verify with Company personnel that they were aware of the change and that the change had been implemented in accordance with the Order(s).
 - 4. Gain an understanding of the Company's write-off/bad debt procedures for KUSF purposes (i.e. is the uncollectible amount listed on the KUSF worksheet the actual write-offs taken during that month or are they associated with previous month's activities?), and request a written copy of the Company's policy. If a written policy does not exist, ask for written confirmation of the auditor's understanding of the general policy. Request a copy of the Company's aging of accounts, if applicable.
 - 5. Gain an understanding of the Company's billing process, including the number of billing cycles, and by business and residence if available, the number of monthly bills issued to Kansas customers.

6. Review the Company's internal controls to ensure reporting of Kansas intrastate retail revenues, KUSF flow-through assessments, and uncollectible;
 - a. Examine computer batch total reviews, supervisory reviews and approvals, internal policies and written procedures.
 - b. Examine controls in the accounting process (i.e. preparing and booking journal entries, recording revenues and write-offs, etc.) that ensure correct reporting to the Administrator.

7. For each sample month reviewed, select a representative sample of at least 10 residential and 10 business customer bills whether in paper or electronic format, or billing images to use in evaluating billing summaries and verifying rates applied (20 bills/sample month x 3 month sample = total of 60 bills).
 - a. Many telecommunications service providers, especially resellers, use a billing aggregator for billing and collection purpose and claim they cannot provide the KUSF auditor with customer bills or billing images.
 - b. When GVNW receives a response of this nature from a Company, the following procedures will be followed:
 - i. For companies stating they have an agreement with CenturyLink, GVNW will issue a follow-up DR to the Company and copy CenturyLink on the Dr. CenturyLink's POC is John Idoux, email: john.idoux@CenturyLink.com.
 - ii. For companies stating they have an agreement with AT&T, GVNW will issue a follow-up DR to the Company and copy AT&T on the DR. AT&T's POC is Ms. Janet Arnold, email: js0746@att.com.
 - iii. In each of these situations, Staff of the KCC should be copied.

VIII. Lifeline.

All wireline carriers are required to advertise and offer Lifeline service to customers. All wireless ETCs must also advertise and offer Lifeline to customers. Wireline carriers that provide service using their own facilities, including Local Wholesale Complete (LWC), which allows for the purchase of Unbundled Network Elements (UNEs), are eligible to receive Lifeline credits directly from the KUSF. Wireless providers must be granted Eligible Telecommunications Carrier (ETC) designation for Lifeline purposes. Effective

July 1, 2013, a carrier may elect to cease offering Lifeline service upon 90-day's notice to the Commission. K.S.A. 66-2006(d).

If the wireline Company resells another carrier's service, the reselling Company purchases lines at a discounted Lifeline rate from the underlying carrier and is not eligible for Lifeline credits on its CRW. Instead, the underlying Company (wholesaler) treats the lines as its own and receives the Lifeline credit on its CRW. For example, a competitive LEC purchases resale service from Southwestern Bell Telephone Company d/b/a AT&T Kansas (SWBT) and resells the service to its customers. SWBT is the wholesale carrier and is eligible to receive the Lifeline credit from the KUSF. In turn, SWBT flows the Lifeline credit through to the reseller through a discount on the Lifeline line rate.

IX. Desk Audits.

- A. If the selected Company is a Group 3 or 4 Company, it may be eligible for a Desk Audit if the carrier's annual retail revenue is \$50,000 or less or the carrier reports on a quarterly, semi-annual, or annual basis. These carriers should be included as "desk audits", unless further information comes to the auditor's attention that indicates an on-site review is necessary. For carriers with more than \$50,001, but less than \$250,000 in annual retail revenue, consideration should be given to the carrier's payment and reporting history when considering if a desk is appropriate. The following information should be requested from the Company:
 1. For a Company reporting zero revenues:
 - a. Inquire as to whether the Company has ever or is currently doing business in the state of Kansas. If the Company is not doing business in the state, the auditor should inform the Company that instead of filing CRWs, it has the option to submit a Company Identification and Operations form (Attachment B) to GVNW's administrative personnel to identify that the Company is not generating any revenues in the state of Kansas. Provide the Company with GVNW administrative personnel contact information. Request a notarized Affidavit from an officer of the Company stating that the Company did not have any Kansas subscribers or Kansas intrastate retail revenues required to be reported to the KUSF during the Audit Period;
 - b. Billing Records and/or any other applicable records the Company is able to provide to ensure that no Kansas customers are contained within the Company's billing records.

2. For other Companies subject to a desk audit:

- a. Review detailed data comparable to what would be reviewed if the review were performed on-site.

X. Current KUSF Status.

Contact KUSF Administration personnel to determine if the Company is current with all CRWs and payments or has other outstanding account issues. Include a "Current Outstanding Issues" in the draft audit report.

XI. Treatment of Preliminary Review Findings.

- A. If the review finds a material discrepancy between items reported and/or assessed, (i.e., a Company reported revenues that were "calculated" versus actual Company revenues), additional sample months should be reviewed to allow a greater degree of confidence regarding the actual balance due to the KUSF or the credit owed to the Company. When the review is expanded, the auditor should use his/her professional judgment to select another three (3) months of information to be reviewed. The auditor may determine it is appropriate to review items subsequent to the audit period to determine if the Company implemented corrections it stated it made. If the review of these three (3) months' data shows a discernible pattern of material discrepancies, the review may need to be expanded to the entire Audit Period.
- B. If the review is expanded, determine what additional information is needed, when it will be provided to the author, and obtain written verification that the information was requested and provided (if applicable).
- C. Review findings should be annualized to estimate any balance owed or credit due. The Company must file revised worksheets with the Administrator for the review period, to claim credits due from or submit balances owed to the KUSF.

XII. Exit Interview.

- A. Review any additional information the Company has agreed to provide to the reviewer and when such data will be provided, and inform the Company that the auditor will issue a follow-up with a Data Request to receive written confirmation of the information. Determine a timeline for such confirmation.
- B. Discuss preliminary review results and recommendations with the appropriate Company personnel.
- C. If preliminary findings indicate the Company needs to file Audit True-Ups, advise the Company that the auditor will request the Administration personnel to send a True-up form to the Company for the applicable period(s).

- D. Inform the Company that it will need to provide written management responses for any findings where the management disagrees to be incorporated into the Final Review Report. Remind Company personnel that the Order opening the docket states the Company has 10 days from the date the Report is filed with the Commission in which to file a response to the Report. Ask the Company to send written confirmation of who is to receive a copy of the Draft Report and a copy of the Final Report. Such written confirmation may be via e-mail.
- E. Provide a general description of information contained in the Review Report and that only a Public Report will be issued unless the Company designates specific information, such as revenues, as proprietary or confidential. Discuss with Company personnel what information they deem to be proprietary or confidential. Inform the Company that the overall net balance due/credit owed to the KUSF will be included in the Public Review Report. Inform the Company that documentation deemed to be confidential must be in compliance with Kansas Administrative Regulation (K.A.R.) No. 82-1-221a, (See Attachment L), and request that the Company provide a written explanation stating what information is "Confidential" and why. If the auditor believes the Company has not appropriately designated information as confidential, the auditor should work with KCC Staff and/or Legal division to determine what information may appropriately qualify for confidential treatment and work with the Company to resolve any issues.
- F. Advise Company of any current outstanding issues (i.e., delinquent CRWs, payments, etc.) and that any unresolved issues remaining at the time the audit report is filed with the KCC will be included in the audit report.

XIII. Documentation Procedures for On-Site and Desk Audits.

- A. Issue follow-up DRs for additional data needed or to confirm understanding of data provided on-site (especially data provided verbally).
- B. If the Audit Report recommendations include Company filing Audit True-ups and/or CRWs, ask Administration personnel to populate the Audit True-up form for the applicable periods. Administration personnel can provide the populated form to the auditor for the auditor to provide to the appropriate Company personnel.
- C. Review additional data, draft report.

XIV. Report Review.

- A. If the Company has appropriately designated information as proprietary or confidential, both a Public Review Report and a Confidential Review Report will be drafted. The Confidential Report will contain all information, including that

designated as proprietary or confidential by the selected Company. The Public Report will contain the same information, except that any specific information designated as proprietary or confidential will be denoted as "***Confidential**".

- B. Audit Dates: Include the "Date Report Sent to Company". If an on-site audit occurred, separately identify and list the date(s) of the on-site audit.
- C. The "Audit Summary" of the Report should contain bulleted findings plus the net impact of the findings.
- D. Findings: For each initial finding, send a confirming DR to the Company to verify the auditor has understood the information relied on to identify the finding. For each finding included in the final audit report, include a cite to the reference where the "Standard" was established. For minor findings (e.g., lack of written internal procedures), include a cite to the documentation (DR No.) the auditor relied on to validate the finding. For material findings and any finding to which the Company disagrees, include a copy of the documentation the auditor relied on to validate the finding.
- E. For each finding, include a recommendation for the Company to come into compliance with KUSF obligations. Identify the specific time frame impacted and when the Company implemented new procedures or corrected the deficiency, if known. Review documentation to verify, if available.
- F. For each finding, include the management's response or action taken to come into compliance with the finding. This may include the Company filing revised CRWs and audit True-ups, providing documentation to verify a change in billing systems or reporting methodologies, etc.
- G. Follow-Up Compliance: Include a section to address the prior audit findings, as well as the Company's compliance with such findings. Identify the audit docket, each finding and recommendation, as well as the Company's compliance. Include cites to documentation the auditor relied on to determine the Company has or has not complied with the Commission-adopted recommendations.
- H. The Report should include "Current Outstanding Issues" section to address any outstanding KUSF issues at the time the draft report is sent to the Company and/or filed with the KCC. This section should include a listing of any delinquent CRWs, outstanding balance, etc. Any outstanding KUSF obligation at the time the Audit Report is filed will be identified in the Audit Report;
- I. Provide a copy of the draft Report(s), via e-mail to the KCC Staff and via e-mail to the Company, summarizing the review work performed and any findings noted. The draft(s) should be provided to Staff and the requested Company within 60 days of review completion, but no later than June 15, 2016, to allow ample time for revisions, should any concerns arise. The draft audit report will be sent to the

Company's primary audit contact(s), and the designated Company representatives on a Docket Service list. The Company must provide written confirmation that a Draft Report was provided to the Company. Provide a written reminder to the Company that it needs to provide written management responses for any findings the Company does not agree with. Request that the Company provide these to the auditor within a set time period (i.e., 2 weeks, 30 days, etc., based on auditor's schedule).

- J. Discuss with KCC Staff and/or the Company any revisions or concerns regarding the review. If necessary, request that the Company provide any additional information that may be needed. Finalize the Draft Report(s).
- K. If it is determined that the Audit Report cannot be filed by the time specified by the Commission, GVNW must file a "Motion for Extension of Time" with the KCC, substantiating the need for an extension of time and requesting the length of the extension. *Note: If at any time the auditor is having problems getting information, the auditor should notify both KUSF Administrative personnel and KCC Staff.*

XV. Filing of Report.

- A. Each Final Review Report will have an attached cover letter, which shall clearly designate the Report as either the Public or Confidential version. If no proprietary or confidential information is contained within the Report, only a Public Report should be filed with the KCC. In this instance, the attached cover letter should clearly state that no proprietary or confidential information is contained within the Report; therefore, no Confidential Report will be filed. If a Confidential Report is filed, the Company must provide a statement to the auditor to file with the Final Report, stating what information is deemed "Confidential" and why. (See Kansas Administrative Regulation (K.A.R.) No. 82-1-221a), (See Attachment L).
- B. Include a copy of relevant supporting documentation relied on for the findings. This may include verified company responses to DRs, the audit program, etc.
- C. Each Report should be filed with the KCC through the Commission's E-Filing Express system (<https://puc.kcc.ks.gov/e-filing/e-express/>). GVNW is responsible for providing a copy of each Filed Report, Motion, or other pleading filed with the Commission to the Company. The final audit report will be sent to the Company's primary audit contact(s) and the designated Company representatives on the Docket Service list. The "Service List" for each docket is located within each docket on the KCC's website. Obtain documentation supporting that a copy of each pleading was provided to the appropriate Company personnel.

Via Electronic Service

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
ROSE MULVANY HENRY, ATTORNEY BRADLEY ARANT BOULT CUMMINGS LLP 1600 DIVISION ST STE 700 PO BOX 340025 NASHVILLE, TN 37203-0025		
DELLA SMITH CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
SHONDA SMITH CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
DAVID SPRINGE, CONSUMER COUNSEL CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
KARLY WERNER, DIRECTOR, GOVERNMENT & REGULATORY AFFAIRS COMCAST PHONE OF KANSAS LLC D/B/A COMCAST DIGITAL PHONE 10 RIVER PARK PLAZA ST. PAUL, MN 55107		
JILL LEONETTI CONSUMER CELLULAR, INC. 7204 SW DURHAM RD STE 300 PORTLAND, OR 97224-7574		
CURT STAMP, DIRECTOR REGULATORY AFFAIRS - OK/KS/AR COX COMMUNICATIONS, INC. 6301 WATERFORD BLVD STE 200 OKLAHOMA CITY, OK 73118		
SUSAN B. CUNNINGHAM, ATTORNEY DENTONS US LLP 7028 SW 69TH ST AUBURN, KS 66402-9421		

EMAILED

JUL 07 2015

The Docket Room hereby certified that on this day of , 20 , it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
THOMAS E. GLEASON, JR., ATTORNEY GLEASON & DOTY CHTD PO BOX 6 LAWRENCE, KS 66049-0006		
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RON COMINGDEER, ATTORNEY RON COMINGDEER & ASSOCIATES PC 6011 N ROBINSON AVE OKLAHOMA CITY, OK 73118		

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NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
BRUCE A. NEY, GENERAL ATTORNEY SOUTHWESTERN BELL TELEPHONE CO. D/B/A AT&T KANSAS 220 SE 6TH AVE RM 505 TOPEKA, KS 66603-3596		
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STEPHANIE CASSIOPPI, LEGAL AND REGULATORY AFFAIRS U.S. CELLULAR 8410 W BRYN MAWR CHICAGO, IL 60631		
TORRY R. SOMERS, ASSOCIATE GENERAL COUNSEL UNITED TELEPHONE CO. OF KANSAS D/B/A CENTURYLINK 6700 VIA AUSTI PKWY LAS VEGAS, NV 89119		

EMAILED

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