



GVNW CONSULTING, INC.

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December 16, 2014

Thomas A. Day, Acting Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

RE: Docket No. 15-BGRT-049-KSF, Big River Telephone Company, LLC

Dear Mr. Day:

In its August 12, 2014 order the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of Big River Telephone Company, LLC (Big River or Company) to ensure that the data submitted to the KUSF via the KUSF CRWs, the assessments paid, and the calculation and application of the flow-through surcharge billed to and collected from Big River's customers, if applicable, are appropriate and accurate.

The KCC directed GVNW to file two versions of the audit report with the KCC; one version containing confidential information and one version with the confidential data redacted for public disclosure. Big River's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Big River is being filed.

Copies of the supporting documentation, including GVNW's audit work papers and information provided by the company, are not included with the audit report, but are available from GVNW upon request.

Sincerely,

A handwritten signature in black ink, appearing to read "DW", with a large, stylized loop at the end.

David Winter
Senior Consultant

cc w/encl: Sandy Reams

DW/dc – Encl.

KANSAS UNIVERSAL SERVICE FUND AUDIT REPORT

Docket No: 15-BGRT-049-KSF
Big River Telephone Company, LLC

Prepared For: Kansas Corporation Commission
Kansas Universal Service Fund

Prepared By: David Winter
GVNW Consulting, Inc.

Audit Period: March 1, 2013 through February 28, 2014
Kansas Operating Year 17 (Operating Year 17)

Company Representatives: Joshua Campbell

Date of On-Site Visit: October 28, 2014

Date Submitted to Company: December 4, 2014

Audit Summary

Based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures for Operating Year 17,¹ GVNW Consulting, Inc. (GVNW) recommends that the KUSF issue a refund of \$83.40 to Big River Telephone Company, LLC (Big River or Company) to correct the following reporting deficiencies:

- Finding No. 1: Big River reports calculated revenue instead of actual revenue each month to the KUSF. The Company does not file a quarterly True-up; instead, it files an annual True-up that reflects the calculated revenue instead of the actual revenues. This resulted in over-reporting revenues and an over-payment of the related assessment to the KUSF. Therefore, the KUSF should refund \$83.40 to Big River.
- Finding No. 2: The KUSF surcharge collected from customers was not separately identified, but included as a single line item charge identified as "Phone Fees" that also included the Federal Universal Service Fund Surcharge (USF) and the 911 service fee. Big River will make the necessary billing system changes during its January 2015 billing cycle for customer invoices that will be sent to its customers starting February 1, 2015.

On December 1, 2014, Big River submitted Audit True-ups for Operating Year 17 and quarterly True-ups for the period March 2013 through September 2014 to reflect the correction of Audit Finding No. 1 and to support the refund recommended by GVNW.

¹ Docket No. 13-GIMT-130-GIT (Docket 13-130), July 17, 2014, Order Accepting and Approving GVNW Selection Criteria) provided in GVNW Consulting, Inc.'s Letter dated June 25, 2014, Attachment B (Carrier Audit Review Procedure).

With regards to Audit Finding No. 2, Big River states it will provide copies of customer bills to GVNW that clearly demonstrate the KUSF surcharge as a separate line item upon implementation of its billing system changes. Upon completion of the refund by the KUSF Administrator and GVNW's review of customer bills, GVNW will provide the Commission with an updated Compliance Report.

Current KUSF Obligations

Big River is current with its KUSF obligations.²

Background

Big River is a Competitive Local Exchange Carrier (CLEC) and an interexchange carrier (IXC) headquartered in Cape Girardeau, Missouri. The Company is required to report its revenues and pay the related assessments to the KUSF on a monthly basis.³ Big River is authorized to collect an amount equal to or less than its assessment from customers,⁴ and does so. Big River is a designated Eligible Telecommunications Carrier (ETC) in Kansas.⁵ As an ETC, the Company is required to offer and advertise Lifeline services to its customers and does so.⁶

Audit Findings

GVNW conducted the audit of Big River in accordance with the KUSF Carrier Review Procedures adopted by the KCC.⁷ Based on these procedures, GVNW identified the following audit findings and recommendations:

Audit Finding No. 1

Standard: Carriers are required to report actual revenues, and may report uncollectible revenues written off, to determine their KUSF assessment obligation.⁸ The Gross KUSF Assessment owed by the carrier is determined by multiplying the net intrastate retail revenues by the approved KUSF assessment rate. In Docket No. 10-GIMT-188-GIT (Docket 10-188), the Commission directed that carriers that are required to report and pay their KUSF obligations on a monthly basis, but due to internal processes, are

² Confirmed on December 4, 2014, with the KUSF Administrator.

³ Docket No. 06-GIMT-332-GIT (Docket 06-332), January 23, 2006, Order Setting the Kansas Universal Service Fund Assessment Rate For Year Ten and Establishing Reporting Requirements.

⁴ K.S.A. 66-2008.

⁵ Docket No.09-BGRT-213 ETC, October 28, 2009, Order Designating Big River as an Eligible Telecommunications Carrier and Authorizing Big River to Provide Local Exchange and Exchange Access in Certain Rural Areas.

⁶ Docket 94-478, December 27, 1996, Order.

⁷ Docket 13-130, July 17, 2014, Order.

⁸ Docket No. 94-GIMT-478-GIT, August 13, 1999, Order and Docket No. 10-188, November 2, 2006, Order.

unable to report actual revenues by the due date, are to submit quarterly True-ups to report their actual revenues.⁹

Finding: Big River did not report actual intrastate revenues, as recorded in the Company's internal financial documentation, on its monthly Carrier Remittance Worksheets (CRWs). Instead, Big River reported calculated revenues by dividing the total KUSF surcharge billed to customers by the approved KUSF assessment rate. Due to its internal accounting process (e.g., month-end close, year-end close, etc.), the Company states it is unable to report actual data by the due date. The Company files an annual True-up; however, the Company does not report the actual revenues on the annual True-Up. As a result, Big River over-reported its revenues and over-paid its assessments by \$83.40 for the period of March 2013 through September 2014. GVNW's audit indicated that there were no over-collections from Big River's customers and the over-payment to the KUSF is primarily related to billing system differences, including rounding.

Recommendation: This practice is not consistent with the Commission directive that the Company is to file Quarterly True-ups to report actual revenues¹⁰. GVNW suggests that the KCC direct Big River to comply with its orders on a going-forward basis. On December 1, 2014, Big River submitted Audit True-ups for Operating Years 17 and quarterly True-ups for the period March 2013 through September 2014 to correct this reporting deficiency. The KCC should direct the KUSF Administrator to refund \$83.40 to the Company. Upon completion of the refund by the KUSF Administrator to Big River, GVNW will provide the Commission with an updated Compliance Report.

Audit Finding No. 2

Standard: Any federal, state, local government and/or regulatory taxes, fees and/or surcharges, shall be itemized on a subscriber's bill and shall be clearly identified.¹¹

Finding: Big River did not clearly identify the KUSF surcharge on its customer's bills. The KUSF surcharge is included in the billing category entitled "Phone Fees" that also includes Federal USF and 911 service fees. Billing fees and surcharges are to be detailed and plainly listed on a customer's bill. The Company will correct this practice with its January 2015 billing cycle for customer invoices that will be sent to its customers starting February 1, 2015.

⁹ Docket No.10-GIMT-188-GIT, January 13, 2010, Order, In the Matter of a General Investigation to Determine the Assessment Rate for the Fourteenth Year of the Kansas Universal Service Fund Effective March 1, 2010.

¹⁰ Docket No. 10-GIMT-188-GIT (Docket 10-188), January 13, 2010, Order Setting the Kansas Universal Service Fund Assessment Rate for Year 14 and Canceling January 20, 2010 Technical Hearing.

¹¹ Billing Standards Order Section I.A.3.c. Docket No. 06-GIMT-187-GIT (06-187), July 16, 2010, Final Order (adopting new Billing Standards). Effective July 1, 2013, HB 2201 eliminated the Commission's Billing Standards; however, carriers must still comply with the Federal Communications Commission's (FCC) Truth In Billing Standards (47 CFR 64.2401) and the FCC's rules regarding recovery of FUSF fees (47 C.F.R. §54.712(a)).

Recommendations: GVNW recommends that the KCC direct Big River to provide copies of customer bills to GVNW that clearly demonstrate the KUSF surcharge as a separate line item. Once GVNW has received and reviewed the sample customer bills, GVNW will submit a Compliance Report to the Commission.

CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of December, 2014, the above Kansas Universal Service Fund Audit Report was e-filed with the Kansas Corporation Commission and a copy was sent via electronic mail and/or U.S. Mail to:

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