

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

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

In the Matter of the Audit of TWC Digital Phone LLC)
by the Kansas Universal Service Fund (KUSF))
Administrator Pursuant to K.S.A. 2014 Supp. 66-2010(b)) Docket No. 16-TWCZ-029-KSF
for KUSF Operating Year 18, Fiscal Year March 2014-)
February 2015.)

**ORDER ACCEPTING AND ADOPTING GVNW CONSULTING, INC.'s
AUDIT REPORT AND RECOMMENDATIONS**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and record, and being duly advised in the premises, the Commission finds and concludes as follows:

1. On July 30, 2015, the Commission directed GVNW Consulting, Inc. (GVNW) to perform an audit of TWC Digital Phone LLC (TWC Digital) for Kansas Universal Service Fund (KUSF) purposes.

2. On June 16, 2016, GVNW filed its Audit Report of even date covering GVNW's audit of TWC Digital stating that the company is current with its KUSF obligations. GVNW's Audit Report identifies and describes in detail two reporting deficiencies, including the applicable reporting standard for each, resulting in the following audit findings and recommendations:

Audit Finding No. 1:

Standard: Carriers are required to report actual revenues, and may report uncollectible revenue written off, to determine their KUSF assessment obligation.

Finding: TWC Digital did not report actual intrastate revenues, as recorded in the company's internal financial records, to the KUSF. Instead, the company reported calculated revenues by dividing the total KUSF surcharge billed to its customers by the approved KUSF assessment rate. TWC Digital stated that its internal practice is due to

various reasons, including that it is the standard practice and process used for all the company's outsourced returns. TWC Digital did not file quarterly or annual True-ups to reflect actual revenues per TWC Digital's general ledger since the True-ups resulted in an immaterial net refund of \$255.64 mainly due to rounding differences between the billing and accounting systems. Responding, TWC Digital indicated that it will confirm the accuracy of the revenues reported on its monthly Carrier Remittance Worksheet (CRW) submissions by submitting quarterly True-ups that are based on revenues booked to its general ledger.

Recommendation: This practice was not consistent with the Commission directive that the company file Quarterly True-ups to report actual revenues. The company determined that it would not file True-ups as it would have resulted in an immaterial refund to the company. GVNW confirms that an immaterial refund could have been claimed, likely due to rounding differences between the billing and accounting systems. GVNW recommends the Commission remind the company that it is to submit Quarterly True-ups within forty-five (45) days at the end of each KUSF quarter.

Audit Finding No. 2:

Standard: Carriers contributing to the KUSF are to report gross revenues prior to any Service discounts for KUSF reporting purposes.¹

Finding: TWC Digital does not report gross revenues to the KUSF in accordance with the Commission's January 23, 2014 Order in Docket No. 14-GIMT-105-GIT, representing that the company does not have the means to identify discounts reported to the KUSF per its general ledger.

Recommendation(s): The Commission should direct TWC Digital to submit audit True-ups for March 2014 through September 2015 to correct this audit deficiency within sixty (60) days of issuance of an Order. Due to pending litigation and the Court of Appeals' Stay regarding the Commission's October and December 2015 Orders relating to the reporting of net revenues, GVNW recommends that the Commission use discretion regarding the adoption of GVNW's recommendations, effective October 2015.

Alternatively, if as asserted by TWC Digital, the company does not have the means to identify discounts reported to the KUSF per its general ledger, the Commission could direct TWC Digital to file in this Docket further information on this matter or an affidavit, executed by an officer of the company, attesting to the company's inability to identify revenue related discounts.

Follow-up Docket 12-TWCZ-020-KSF Audit Compliance:

Finding No. 1: TWC Digital has not provided updates to its traffic studies to the Commission.

¹ Docket No. 14-GIMT-105-GIT, January 23, 2014 Order Adopting KUSF Assessment Rate for Year Eighteen of KUSF Operations.

Audit Finding Compliance: GVNW confirms that TWC Digital is current with its traffic study filings.

Finding No. 2: TWC Digital does not have approved tariffs on file with the Commission.

Audit Finding Compliance: In 2013, Kansas HB 2201 was enacted and as a VoIP provider TWC Digital is no longer required to file tariffs with the Commission.

3. The Commission has reviewed GVNW's KUSF Audit Report filed in this matter on June 16, 2016, and finds that it should accept the Audit Report and adopt GVNW's recommendations.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission accepts and adopts GVNW Consulting, Inc.'s KUSF Audit Report and recommendations for TWC Digital Phone LLC filed in this docket on June 16, 2016.

B. In accord with GVNW's recommendation with respect to Finding No. 1 of its Audit Report, TWC Digital is directed to submit Quarterly True-ups within forty-five (45) days of the end of each KUSF quarter.

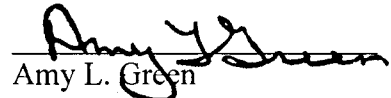
C. In accord with GVNW's recommendation with respect to Audit Finding No. 2 of its Audit Report, TWC Digital is directed to file in this docket, within thirty (30) days from the date of this Order, an affidavit executed by an officer of the company attesting to and explaining TWC Digital's professed inability to identify revenue related to discounts. TWC Digital should also address whether another methodology(ies) could be used to identify the amount of discount revenue and file supporting documentation, if applicable. Upon the Commission's receipt and review of TWC Digital's affidavit and any supporting documentation, the Commission will make additional findings regarding this audit reporting deficiency.

D. The Commission retains jurisdiction over TWC Digital Phone LLC and the subject matter of this docket for the purpose of issuing such additional orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Emler, Chairman; Albrecht, Commissioner; Apple, Commissioner

Dated: JUL 12 2016


Amy L. Green
Secretary to the Commission

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Order Mailed Date

JUL 13 2016

CERTIFICATE OF SERVICE

16-TWCZ-029-KSF

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail/hand delivered on **JUL 12 2016**.

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Order Mailed Date

JUL 13 2016