

December 18, 2024

Ms. Lynn M. Retz
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

RE: Docket No. 25-SWBT-098-KSF (Company Code KS001361)

In the Matter of the Audit of Southwestern Bell Telephone Company by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for Fiscal Year 27, March 2023 - February 2024

Dear Ms. Retz:

In its August 1, 2024, Order, the Kansas Corporation Commission (KCC) directed Vantage Point Solutions (VPS) to perform a KUSF carrier audit of Southwestern Bell Telephone Company (SWBT 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 SWBT's customers, if applicable, are appropriate and accurate.

The KCC directed VPS to file two (2) versions of the audit report with the KCC; one (1) version containing confidential information and one (1) version with the confidential data redacted for public disclosure. SWBT's audit does not require a separate confidential report; therefore, only the enclosed public audit report for SWBT is being filed.

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

Sincerely,



Dennis C. Smith, CPA

cc: Steve Garrett - steve.garrett@ks.gov

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of December, 2024, 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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Dennis C. Smith

Vantage Point Solutions, Inc.
Audit Report for
Southwestern Bell Telephone Company

From: Dennis Smith, Auditor

Company Personnel: Paul Vladimirsky, Lead Financial Analyst
Eudine Bayne, Lead Financial Analyst

Date: December 13, 2024

On-Site Visit Date: December 3-4, 2024

KUSF Status: Current with Reporting & Payment obligations

Re: Docket No. 25-SWBT-098-KSF

In the Matter of the Audit of Southwestern Bell Telephone Company, LLC by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for KUSF Operating Year 27, Fiscal Year March 2023-February 2024.

Audit Summary

Pursuant to the Kansas Corporation Commission's (KCC or Commission) August 1, 2024 Order, Vantage Point Solutions, Inc. (VPS) conducted an audit of Southwestern Bell Telephone Company (SWBT or Company) based on the Kansas Universal Service Fund (KUSF) Audit Procedures adopted for KUSF Fiscal Year 27 (FY27).¹ VPS did not identify any KUSF reporting deficiencies during the course of the audit of SWBT.

The Company is current with its KUSF obligations.

VPS recommends the Commission issue an Order to adopt this Audit Report and close the Docket.

SWBT agrees with the Audit Report.

Background

During the course of the audit, VPS issued 14 Data Requests (DRs) to SWBT.

SWBT operates as an incumbent local exchange carrier (ILEC) headquartered in Dallas, TX.

¹ Order Accepting VPS' KUSF Proposed Revisions to Selection Criteria and Carrier Review Procedures, Docket No. 23-GIMT-261-GIT, July 2, 2024 (23-261 Order).

SWBT is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.² The Company is authorized to collect an amount equal to or less than its KUSF assessment from customers, and does so.³ The Company is not a designated Eligible Telecommunications Carrier (ETC) in Kansas, therefore, it does not offer Lifeline services to its customers.

Pursuant to Commission Order,⁴ VPS confirmed that SWBT offers assessable and non-assessable services in a bundle. The Company reports based on the service price of the assessable service. The Company states it uses this same allocation methodology for Federal USF (FUSF) and KUSF purposes.⁵

Current KUSF Obligations

The Company is current with its KUSF obligations.⁶

Current Audit Findings

VPS conducted the audit of SWBT in accordance with the KUSF Audit Procedures adopted by the KCC.⁷ Based on the referenced procedures, VPS did not identify any audit findings and provides the following recommendation:

Recommendation: VPS recommends the Commission issue an Order to adopt this Audit Report and close the Docket.

FOLLOW-UP DOCKET 19-SWBT-021-KSF AUDIT COMPLIANCE⁸

Finding No. 1: GVNW identified that the Company over-collected the KUSF surcharge from customers, due to a billing system error related to USOC discount codes not being appropriately designated to Kansas assessable revenues.

Audit Finding Compliance: From July 2019 to May 2020 SWBT filed in the Docket status updates as to the Company's correction of the billing system error, as well as the ongoing refunds to its Kansas customers. SWBT also self-reported an additional billing system error it uncovered during its investigation of the original Finding, and issued additional refunds to its affected customers.

On May 29, 2020, GVNW filed a Second Audit Report, after additional review of verification that the Company had completed its billing systems changes and refunds to Kansas customers.

² Order Setting the Kansas Universal Service Fund Assessment Rate for Year Ten and Establishing Reporting Requirements, Docket No. 06-GIMT-332-GIT, Jan. 23, 2006 (06-332 Order).

³ K.S.A. 66-2008(a).

⁴ Order Determining KUSF Contribution Methodology, ¶ 27, Docket No. 14-GIMT-105-GIT, Oct. 20, 2016.

⁵ SWBT's response to DR 12.

⁶ Confirmed with the KUSF Administrator on Dec. 3, 2024.

⁷ 22-142 Order.

⁸ Order Adopting Second Audit Report, Docket No. 19-SWBT-021-KSF, June 9, 2020.

On June 9, 2020, the Commission issued its Order Adopting Second Audit Report.⁹

During the course of the current audit, VPS did not detect overcollection of the KUSF surcharge. This finding has been resolved.

⁹ *Ibid.*