

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

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

In the Matter of the Audit of Granite Telecommunications, )  
LLC by the Kansas Universal Service Fund (KUSF)            )  
Administrator Pursuant to K.S.A. 2012 Supp. 66-2010(b)    ) Docket No. 14-GRTT-056-KSF  
for KUSF Operating Year 16, Fiscal Year March 2012-        )  
February 2013.    )

**ORDER ACCEPTING AND ADOPTING AUDIT REPORT  
AND DIRECTING GRANITE TELECOMMUNICATIONS, LLC  
TO COMPLY WITH 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 August 6, 2013, the Commission directed GVNW Consulting, Inc. (GVNW) to perform an audit of Granite Telecommunications, LLC (Granite) for Kansas Universal Service Fund (KUSF) purposes.

2. On June 13, 2014, GVNW filed its Audit Report of even date covering GVNW's audit of Granite, indicating its finding that Granite is current with its KUSF obligations. Subsequently, on July 8, 2014, GVNW filed a revised Audit Report to correct typographical errors in the June 13, 2014 filing. GVNW states that it conducted the audit of Granite in accordance with the KUSF Carrier Review Procedures adopted by the Commission<sup>1</sup> making the following findings and recommendations:

Audit Finding No. 1: Granite applied the KUSF surcharge to non-assessable international revenues and reported the related revenues to the KUSF. Granite collected \$275.07 in KUSF assessments from its customers for these revenues and paid this amount to the KUSF. The company discontinued this practice in May 2014.

<sup>1</sup> Docket No. 12-GIMT-168-GIT, July 16, 2013 Order, Accepting and Approving GVNW Selection Criteria.

Recommendation: Granite should be required to submit Audit True-ups for KUSF Years 16 and 17 and quarterly True-ups for March through April 2014 to correct this reporting deficiency. The Commission should direct the KUSF Administrator to refund \$275.07 to the company and Granite should be required to issue the same amount in refunds to customers through one-time equal bill credits. GVNW notes that Granite determines that this would be impractical and costly to adjust its billing systems in order to refund the over-payment to customers and, therefore, does not seek or claim a refund from the KUSF.<sup>2</sup>

Audit Finding No. 2: Granite applied the KUSF surcharge to a fee passed on by an underlying carrier. The fee, based on a customer's total net charges for interstate and international calling services, was collected from the company's customers and paid to the KUSF. As a result, Granite over-paid \$787.32 in assessments and over-collected the same amount from its customers. Granite discontinued this practice in May 2014.

Recommendation: Granite should be directed by the Commission to submit Audit True-ups for KUSF years 16 and 17 and quarterly True-ups for March through April 2014 to correct this reporting deficiency. The Commission should direct the KUSF Administrator to refund \$787.32 to the company and Granite should be required to issue the same amount in refunds to customers through one-time equal bill payments. GVNW notes that Granite determined that this would be impractical and costly to adjust its billing systems in order to refund the over payment to customers and, therefore, does not seek or claim a refund from the KUSF.<sup>3</sup>

Audit Finding No. 3: Granite did not report actual revenues, as recorded in the company's internal financial documentation, on the monthly Carrier Remittance Worksheets (CRWs). Instead, Granite 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 is unable to report actual data by the due date. Granite does file annual True-ups that reflect actual revenues.

Recommendation: Granite's practice is not consistent with the Commission's directive that the company is to file Quarterly True-ups to report actual revenues.<sup>4</sup> GVNW suggests that the Commission direct Granite to comply with its orders on a going-forward basis.

In order to facilitate correction of the foregoing reporting deficiencies, GVNW recommends the following procedural steps:

---

<sup>2</sup> GVW Audit Report, Attachment A, Granite May 28, 2014 e-mail.

<sup>3</sup> Ibid.

<sup>4</sup> Docket No. 10-GIMT-188-GIT, January 13, 2010 Order, *Order Setting the Kansas Universal Service Fund Assessment Rate for Year 14 and Canceling January 20, 2010 Technical Hearing*.

- (a) The Commission should direct the KUSF Administrator to make a one-time payment of \$1,062.39 from the KUSF to Granite for over-payment of Granite's KUSF assessment.
- (b) The Commission should direct Granite to complete a one-time customer refund of \$1,062.39 within sixty (60) days from the date of the Commission's Order issued in this matter and provide GVNW with a signed affidavit attesting to the refund and copies of customer bills to substantiate that Granite has issued the refund.
- (c) In the event Granite is unable to complete the ordered refund within the 60-day period, the company shall file in this docket, an explanation explicitly outlining why Granite was unable to comply with the 60-day refund requirement and stating the timeframe within which the company expects the refund to be completed.
- (d) Once GVNW has reviewed and verified Granite's refund, GVNW shall provide an update to the Commission.
- (e) Respecting GVNW Audit Finding Nos. 1 and 2, Granite should be required to submit Audit True-ups for KUSF Years 16 and 17 and quarterly True-ups for March through April 2014 to correct these reporting deficiencies.
- (f) Respecting GVNW Audit Finding No. 3, Granite should be required to file quarterly True-ups reporting actual revenues on a going-forward basis.

3. The Commission has reviewed GVNW's revised KUSF Audit Report filed in this matter on July 8, 2014, and finds that it should accept the revised Audit Report and adopt GVNW's recommendations. The Commission further finds that Granite's stated rejection of a refund from the KUSF of \$1,062.39 and the company's declination to refund a like amount to its customers should be denied.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

- A. The Commission accepts and adopts GVNW Consulting, Inc.'s revised KUSF Audit Report for Granite Telecommunications, LLC filed in this docket on July 8, 2014.
- B. The KUSF Administrator is directed to make a one-time refund of \$1,062.39 to Granite for over-payment of Granite's KUSF assessment.

C. Granite shall, within sixty (60) days from the date of this Order, issue the amount of \$1,062.39 in refunds to its current customers through one-time equal bill credits. In the event Granite is unable to complete the refund within the 60-day period, it shall file in this docket an explanation disclosing why Granite was unable to comply with the 60-day refund requirement and providing a timeframe within which the company anticipates completion of the refund. Upon completion of the refund, Granite shall provide GVNW with an affidavit executed by an officer of the company attesting to completion of the refund and provide copies of customer bills to substantiate that the company has issued the refunds.

D. Granite's rejection of the refund amount directed in ordering paragraph B above and the company's declination to refund a like amount to its customers is hereby denied.

E. Upon Granite's completion of the requirements imposed under ordering paragraph C above, GVNW is directed to submit an update to the Commission.

F. In accord with the recommendations under GVNW Audit Finding Nos. 1 and 2, Granite is directed to submit Audit True-ups for KUSF Years 16 and 17 and quarterly True-ups for March through April 2014 to correct the company's reporting deficiencies.

G. In accord with the recommendation under GVNW Audit Finding No. 3, and as required under the Commission's January 13, 2010 Order issued in Docket No. 10-GIMT-188-GIT, Granite is directed, on a going-forward basis, to file Quarterly True-ups reporting actual revenues.

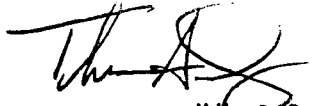
H. Any party may file a petition for reconsideration of this order within fifteen (15) days of the date this Order is served. If service is by mail, service is complete upon mailing and three (3) days may be added to the above time frame. K.S.A. 66-118b; K.S.A. 2013 Supp. 77-529(a)(1).

I. The Commission retains jurisdiction over Granite Telecommunications, 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.**

Albrecht, Chair; Emler, Com.; Apple, Com.

Dated: JUL 29 2014

  
ORDER MAILED JUL 30 2014  
Thomas A. Day  
Acting Executive Director

oan

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

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
TIMOTHY J. FRENCH, ASSISTANT CORPORATE COUNSEL GRANITE TELECOMMUNICATIONS, LLC 100 NEWPORT AVE EXT #1 QUINCY, MA 02171-1734		
DAVID G. WINTER, SENIOR CONSULTANT GVNW CONSULTING, INC. 2270 LA MONTANA WAY PO BOX 25969 COLORADO SPRINGS, CO 80936		
OTTO NEWTON, LITIGATION COUNSEL 1500 SW ARROWHEAD ROAD TOPEKA, KS 66604 ***Hand Delivered***		

ORDER MAILED JUL 30 2014

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.