



**GVNW CONSULTING, INC.**

2270 LA MONTANA WAY #100  
COLORADO SPRINGS, CO 80918  
TEL. 719.594.5800  
[www.gvnw.com](http://www.gvnw.com)

October 25, 2019

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

RE: Docket No. 20-S&AC-056-KSF  
*In the Matter of the Audit of S&A Communications by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A 2018 Supp. 66-2010(b) for KUSF Operating Year 22, Fiscal Year March 2018-February 2019.*

Dear Ms. Retz:

In its August 15, 2019 Order, the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of S & A Telephone (IXC) d/b/a S & A Communications (S&A 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 S&A customers, if applicable, are appropriate and accurate.

The KCC directed GVNW to file two (2) versions of the audit report with the KCC; one version containing confidential information and one version with the confidential data redacted for public disclosure. S&A's audit does not require a separate confidential report; therefore, only the enclosed public audit report for S&A 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 blue ink, appearing to read "Dennis Smith", is written over a faint, stylized line drawing of a triangle.

Dennis Smith  
Consultant

cc w/encl: Sandy Reams

## CERTIFICATE OF SERVICE

I hereby certify that on this 25<sup>th</sup> day of October, 2019, 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:

Kansas Corporation Commission  
1500 S.W. Arrowhead Road  
Topeka, KS 66604

Walker Hendrix, Litigation Counsel  
Kansas Corporation Commission  
1500 SW Arrowhead Rd  
Topeka, KS 66604  
Email: [w.hendrix@kcc.ks.gov](mailto:w.hendrix@kcc.ks.gov)

Nicole Stephens, KUSF Administrator Manager  
GVNW Consulting, Inc.  
2930 Montvale Dr., Ste. B  
Springfield, IL 62704  
Email: [nstephens@gvnw.com](mailto:nstephens@gvnw.com)

Judi Ushio, Midwest Division Manager  
GVNW Consulting, Inc.  
2270 La Montana Way #100  
Colorado Springs, CO 80918  
Email: [jushio@gvnw.com](mailto:jushio@gvnw.com)

Janet Bathurst, General Manager  
S&A Telephone Company, Inc.  
413 Main St  
Allen, KS 66833  
Email: [jbathurst@satelephone.com](mailto:jbathurst@satelephone.com)

Colleen Jamison  
Jamison Law, LLC  
PO Box 128  
Tecumseh, KS 66542  
Email: [Colleen.Jamison@jamisonlaw.legal](mailto:Colleen.Jamison@jamisonlaw.legal)



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Dennis Smith

**GVNW Consulting, Inc.**  
**Audit Report for**  
**S & A Telephone Company Inc (IXC)**  
**d/b/a S & A Communications**

**From:** Dennis Smith, Auditor

**Company Personnel:** Jeremy Parrucci, JSI Consulting  
Janet Bathurst, General Manager

**Date:** October 25, 2019

**On-Site Visit Dates:** Desk Audit

**KUSF Status:** Current with Reporting & Payment obligations

**Re:** Docket No. 20-S&AC-056-KSF

*In the Matter of the Audit of S & A Telephone Company, Inc. (IXC) by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 2017 Supp. 66-2010(b) for KUSF Operating Year 22, Fiscal Year March 2018 – February 2019*

**EXECUTIVE SUMMARY:**

Pursuant to the Kansas Corporation Commission's (KCC or Commission) August 15, 2019 Order, GVNW Consulting, Inc. (GVNW) conducted an audit of S & A Telephone Company Inc. (IXC), d/b/a S & A Communications (S & A or Company) based on the Kansas Universal Service Fund (KUSF) Revised Audit Procedures adopted for Fiscal Year (FY) 22.<sup>1</sup> GVNW identified three (3) findings resulting from the Company's non-compliance with the Commission's KUSF policies, with a net impact of \$35.15 owed to the KUSF.

Finding 1 – S & A incorrectly completed Box C of the monthly Carrier Remittance Worksheets (CRW) for March 2017 – April 2019;

Finding 2 – S & A's 2018 Annual Interrogatory stated the Company reported more revenue to the KUSF than it actually reported to the KUSF; and

Finding 3 – S & A under-reported Intrastate Switched Toll/Long Distance revenues on the monthly CRWs for August 2018 – December 2018 and owes an additional \$35.15 to the KUSF.

GVNW recommends the Commission issue an Order to adopt this Audit Report and the identified findings. GVNW also recommends the Commission direct S & A to: (1) file an

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<sup>1</sup> Order Accepting GVNW's KUSF Year 22 Audit Selections, Docket No. 18-GIMT-084-GIT, August 8, 2019 (18-084 Order).

Annual True-up to correctly report the KUSF surcharge collected from customers in Box C, for FY21 (March 2017 – February 2018), and FY22 (March 2017 – February 2018); (2) file revised CRWs to correctly report the KUSF surcharge collected from customers in Box C for March and April 2019; (3) pay an additional \$35.15 of assessments to the KUSF; and (4) file a revised 2018 Annual Interrogatory, correctly listing the Annual Kansas Intrastate Retail Revenues Reported to KUSF. GVNW recommends S & A be directed to take all corrective actions within 60-days from the date of the Commission's Order. GVNW will, within 90-days of the Order, file a Compliance Report regarding S & A's compliance.

S & A agrees with this Audit Report.

### **BACKGROUND:**

During the course of the audit, GVNW issued 18 Data Requests (DRs) to S & A. GVNW is enclosing one DR response as Attachment A, to support its Audit Findings.

S & A, headquartered in Allen, Kansas, provides intrastate interexchange telecommunications services in Kansas<sup>2</sup> under the d/b/a of S & A Communications.

S & A is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.<sup>3</sup> The Company is authorized to collect an amount equal to or less than its KUSF assessment from customers, and does so. The Company's intra exchange operations are not designated as an Eligible Telecommunications Carrier (ETC) in Kansas, therefore, it does not offer Lifeline service to its customers.

Pursuant to Commission Order,<sup>4</sup> GVNW confirmed that S & A offers bundled assessable and non-assessable service plans to its Kansas customers, as well as unbundled services. The bundled plans include voice and data services. The Company reports revenue and remits assessments to the KUSF based on the unbundled service price of the assessable service subject to the KUSF assessment. For unbundled services, the intrastate assessable revenues are directly reported to the KUSF. The Company uses these same allocation methodologies for Federal Universal Service Fund (USF) purposes.<sup>5</sup>

### **FINDINGS AND RECOMMENDATIONS:**

1. A company is to report the amount of its actual KUSF assessments collected from subscribers in Box C of the CRW.<sup>6</sup>

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<sup>2</sup> Order Granting Certificate, Docket No. 00-S&AC-728-COC, March 15, 2000 (00-728 Order).

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

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

<sup>5</sup> S&A's response to GVNW DR 16.

<sup>6</sup> Order Adopting Audit Report, Docket No. 19-RWLZ-033-KSF, Jan. 24, 2019. See also, KUSF Carrier Remittance Instructions, Plan Year 2018-2019; (CRW Instructions), II.A.

S & A did not report the monies actually collected from its subscribers in Box C for the months of March 2017 – April 2019; instead, it reported that it collected zero (\$0.00) assessments from its subscribers. This reporting has been corrected, and is accurate, for the months of May 2019 forward.

GVNW recommends that S & A be ordered to: (1) file Annual True-ups for FYs 21 and 22 to report the actual KUSF surcharge collected from customers; and (2) file revised CRWs for March and April 2019, to report the actual KUSF surcharge collected from customers, within 60-days from the date of the Commission's Order.

2. Telecommunications carriers and electing carriers are to file an Annual Interrogatory for the prior year with the Commission by May 1<sup>st</sup> of the current year to allow the Commission to determine a carrier's quarterly assessment as required by K.S.A. 66-1503.<sup>7</sup>

S & A's 2018 Annual Interrogatory showed the Company reported \$1,569.46 more intrastate retail revenues to the KUSF than it actually reported. The over-reporting resulted from the Company including the KUSF surcharge collected from subscribers as revenue and a billing systems error. The Company asserts the billing systems error was corrected for 2019.<sup>8</sup> Testing of the reported periods supports the accuracy of the Company's assertion. The result of this finding had no net impact to the KUSF.

GVNW recommends that S & A be ordered to file a revised Annual Interrogatory for 2018 to report the correct Annual Kansas Intrastate Retail Revenues Reported to KUSF, within 60-days from the date of the Commission's Order.

3. Carriers are required to report actual intrastate net retail revenues, and may report uncollectible revenue written off, to the KUSF to determine their KUSF assessment obligation.<sup>9</sup>

S & A under-reported its monthly Intrastate Switched Toll/Long Distance revenues<sup>10</sup> for August 2018 – December 2018, and owes an additional \$35.15 to the KUSF.

GVNW recommends that S & A be ordered to file an Annual True-up for FY22 to report its actual intrastate net retail revenues, and to pay an additional \$35.15 to the KUSF.

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<sup>7</sup> Order, Docket No. 13-GIMT-736-GIT, Dec. 3, 2003; Order and Certificate, Docket No. 00-S&AC-728-COC, March 15, 2000.

<sup>8</sup> Attachment A.

<sup>9</sup> K.S.A. 66-2008(a); Dec. 27, 1996 Order, Docket No. 94-GIMT-478-GIT, Dec. 27, 1996 Order, ¶¶108-110; Feb. 3, 1997 Order, Attachment; and March 25, 1999 Order, ¶¶ 9, 31, 56.

<sup>10</sup> Attachment A.



**Submitted By:** Dennis Smith  
**Submitted To:** Jeremy Parrucci  
**Company Name:** S & A Communications  
**Docket Number:** 20-S&AC-056-KSF  
**Request Date:** October 7, 2019  
**Due Date:** **October 16, 2019**

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**Request No. 18**

**RE: Confirmation of Auditor Understanding**

Please confirm the auditor's understanding of the following items:

- The Company's 2018 Annual Interrogatory showed the Company reported \$1,569.46 more intrastate retail revenues to the KUSF than it actually reported.

**Response: Agreed.**

- The over-reporting on the 2018 Annual Interrogatory (above) was due to (1) including the KUSF surcharge as revenue, and (2) a billing systems error.

**Response: Agreed.**

- The billing systems error had no effect on CRW reporting.

**Response: Agreed.**

- The billing systems error was corrected.

**Response: Agreed.**

- The Company under-reported Intrastate Switched Toll/Long Distance revenues on their August 2018 – December 2018 CRWs, in the amount of \$468.67.

**Response: Agreed.**


- The under-reporting on the CRWs was due to a computation error on Line 8 of the CRWs.

**Response: Agreed.**

**NOTE:** If for some reason, the above information cannot be provided by the date requested, your Company must submit a Request for Additional Time.

**Verification of Response – DR18**

I have read the foregoing Data Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to GVNW's auditor any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: 

Date: 10/14/19