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June 20, 2016

Ms. Amy L. Gilbert
Secretary to the Commission
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

RE: Docket No. 16-QWCT-032-KSF
*In the Matter of the Audit of CenturyLink Communications, LLC by the Kansas
Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 2014 Supp. 66-
2010(b) for KUSF Operating Year 18, Fiscal Year March 2014-February 2015.*

Dear Ms. Gilbert:

In its July 30, 2015 order the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of CenturyLink Communications, LLC (CenturyLink Communications 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 CenturyLink Communications' 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. CenturyLink Communications' audit does not require a separate confidential report; therefore, only the enclosed public audit report for CenturyLink Communications 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 beginning.

David Winter
Senior Consultant

cc w/encl: Sandy Reams
DW/dc – Encl.

Kansas Universal Service Fund Audit Report

Docket No: 16-QWCT-032-KSF
CenturyLink Communications, LLC

Prepared For: Kansas Corporation Commission
Kansas Universal Service Fund

Prepared By: David Winter
GVNW Consulting, Inc.

Audit Period: March 1, 2014 through February 28, 2015
Kansas Operating Year 18 (Operating Year 18)

Company Representatives: Gerald Flurer
Donnie Aultman

Date of On-Site Visit: March 2 and 3, 2016

Date Submitted to Company: June 13, 2016

Audit Summary

Based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures for Operating Year 18,¹ GVNW Consulting, Inc. (GVNW) identified one (1) KUSF reporting deficiency regarding CenturyLink Communications, LLC (CenturyLink Communications or Company) with a net impact of -\$58,912.01 to the KUSF:

- Finding No. 1: CenturyLink Communications reported Federal USF and KUSF surcharge fees, interstate prescribed line charges, and interstate carrier cost recovery fees collected from subscribers to the KUSF. The Company also reported other non-assessable revenues (e.g., international calling, wholesale services, etc.) to the KUSF for the period of March 2014 through December 2015. The Company stopped reporting these fees and revenues to the KUSF effective with the January 2015 revenues reported in February 2015. The KUSF should refund \$59,675.48 to CenturyLink Communications
- Finding No. 2: CenturyLink Communications reported revenues to the KUSF net of discounts. The discount deduction reduced CenturyLink Communications' Kansas intrastate revenues reported to the KUSF and the Company under-paid the associated KUSF assessments by \$763.47 for the period of March 2014 through September 2015. Due to the legal and regulatory uncertainties regarding this issue, CenturyLink Communications has not made any changes to its KUSF reporting processes.

¹ Docket No. 14-GIMT-105-GIT (Docket 14-105), July 7, 2015, Order Accepting GVNW's KUSF Year 18 Audit Selections, Proposed Revisions to Selection Criteria and Audit Review Procedures.

GVNW recommends that the Kansas Corporation Commission (KCC or Commission) issue an Order to: (1) adopt the audit findings of this audit report; and (2) direct CenturyLink Communications to submit Audit True-ups for the period of March 2014 through September 2015 to correct the noted audit deficiency within sixty (60) days of an Order and pay the related assessments to the KUSF. The refund due to the Company (Audit Finding No. 1) should be netted with the additional assessments owed by CenturyLink Communications to the KUSF and, after the Company submits its Audit True-ups, GVNW will review the Company's submission and submit a Compliance Report.

Current KUSF Obligations

CenturyLink Communications is current with its KUSF obligations.²

Background

CenturyLink Communications is a competitive local exchange carrier (CLEC) and interchange carrier (IXC) headquartered in Monroe, Louisiana. The Company is required to report its revenues and pay the related assessments to the KUSF on a monthly basis.³ CenturyLink Communications is authorized to collect an amount equal to or less than its assessment from customers,⁴ and does so. The Company only offers business services in Kansas;⁵ therefore the Company does not offer Lifeline services.

On July 30, 2015, the KCC issued Order No. 1 in this Docket No. 16-QWCT-032-KSF (Docket 16-032) directing GVNW to conduct an audit for KUSF purposes.

For services that may be bundled, the Company has established intrastate rate plans for these products⁶ with the stand-alone tariff rate of the assessable service reported as intrastate revenue by the Company.⁷ CenturyLink Communications does not recognize end-user discounts for KUSF reporting purposes,⁸ except as noted in Audit Finding No. 2.

² Confirmed on June 13, 2016, 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 Source: CenturyLink Communications response to DR No. 19. The Company does not provide tariffed residential services.

⁶ Source: CenturyLink Communications response to DR No. 17.

⁷ *Ibid.*

⁸ *Ibid.*

Audit Findings

GVNW conducted the audit of CenturyLink Communications in accordance with the KUSF Carrier Review Procedures adopted by the KCC.⁹ Based on these procedures, GVNW identified the following audit finding and recommendation:

Audit Finding No. 1

Standards: Pass-through charges, fees, assessments and taxes are excluded from KUSF assessments.¹⁰

Finding: CenturyLink Communications reported fees for Federal USF and KUSF surcharges, interstate prescribed line charges, interstate carrier cost recovery fees and other non-assessable revenues to the KUSF.¹¹ As a result, CenturyLink Communications over-paid \$59,675.48 in KUSF assessments. The Company modified its reporting to the KUSF, effective with the January 2015 revenues reported in February 2015.¹²

Recommendation: On March 17, 2015, CenturyLink Communications submitted Audit True-ups for Operating Year 18 to support the refund recommended by GVNW. The Commission should direct the KUSF Administrator to refund \$59,675.48 to the Company.

Audit Finding No. 2

Standard: Carriers contributing to the KUSF are to report gross revenues prior to any service discounts for KUSF reporting purposes.¹³

Findings: CenturyLink Communications reported revenues gross of end-user discounts to the KUSF, with the exception of a handful of discounts recognized for KUSF reporting purposes. For the period March 2014 through September 2015, by recognizing discounts, CenturyLink Communications reported less Kansas intrastate revenues to the KUSF and under-paid its KUSF assessments by approximately \$763.47. Due to the legal and regulatory uncertainties regarding this issue, CenturyLink Communications has not made any changes to its KUSF reporting processes.

⁹ Docket 14-105, July 7, 2015, Order.

¹⁰ Kansas Universal Service Fund (KUSF) Carrier Remittance Worksheet (CRW) Instructions March 2014 - February 2015 (FY18), Reportable Revenues (Attachment E), page 5 of 5.

¹¹ Source: CenturyLink Communications response to DR No. 18.

¹² *Ibid.*

¹³ Docket No. 14-GIMT-105-GIT, January 23, 2014, Order Adopting KUSF Assessment Rate for Year Eighteen of KUSF Operations.

Recommendation: GVNW recommends that CenturyLink Communications be directed to submit Audit True-ups for March 2014 through September 2015 to correct this audit deficiency within sixty (60) days of the issuance of an Order. Any amount owed to the KUSF should be netted against the Audit Finding No. 1 recommended refund. After GVNW has reviewed the Company's submission, GVNW will submit a Compliance Report.

Due to pending litigation and the Court of Appeal's Stay regarding the Commission's October and December 2015 Orders concerning the reporting of net revenues, GVNW recommends that the KCC use its discretion regarding the adoption of GVNW's recommendations and the submission of Audit True-ups, effective October 2015.

CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of June, 2016, 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
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A handwritten signature in black ink, appearing to read 'D. G. Winter', written over a horizontal line.

David G. Winter