

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

Before Commissioners: Dwight D. Keen, Chair
 Susan K. Duffy
 Andrew J. French

In the Matter of an Investigation to Determine)
the Affordable Local Service Rates for Rate-of-)
Return Regulated Carriers and the Annual) Docket No. 21-GIMT-095-GIT
Assessment Rate for the Twenty-Fifth)
Year of the Kansas Universal Service Fund,)
Effective March 1, 2021.)

**ORDER ACCEPTING VPS' KUSF PROPOSED REVISIONS TO SELECTION
CRITERIA AND CARRIER REVIEW PROCEDURES**

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. Vantage Point Solutions (VPS) is the current Administrator for the Kansas Universal Service Fund (KUSF). The KUSF Administrator has statutory responsibilities for collecting and auditing information regarding telecommunication service providers receiving funds from the KUSF. It is also entrusted with the duty to verify funds generated for the KUSF. K.S.A. 66-2010 provides, in part, the Administrator's duties and responsibilities as follows:

(b)(1) Collecting and auditing all relevant information from all qualifying telecommunications public utilities, telecommunications carriers or wireless telecommunications service providers receiving funds from or providing funds to the KUSF;

(b)(2) verifying, based on the calculations of each qualifying telecommunications carrier, telecommunications public utility or wireless telecommunications service provider, the obligation of each such qualifying carrier, utility or provider to generate the funds required by the KUSF.

2. As part of the Audit Process, VPS filed a letter on June 2, 2022, proposing certain audit standards and guidelines for Fiscal Year 25 of the KUSF, which begins March 1, 2021 and ends February 28, 2022.¹ The letter sets forth normal modifications to the Carrier Selection Criteria in Attachment A and Audit Procedures in Attachment B to conform to specific aspects of Fiscal Year 25 and the need to reorganize, clarify and eliminate duplicative audit procedures.² The letter, which is attached to the Order and incorporated by reference, also indicates the Audit Procedures in Attachment B restates the Commission's intent to permit the KUSF audits to encompass a review and investigation of accounting periods and Fiscal Years that either precede or proceed the designated Fiscal Year used as the base year for commencing the audits.³ This expressed Audit Procedure is provided to avoid claims that the audit scope is limited to the Fiscal Year used for the purpose of commencing audits and permits wider review when material findings warrant further examination.

3. As part of the adoption process, VPS is directed to propose a list of the 16 carriers to be selected for the KUSF Fiscal Year 25 audits

4. Based on the VPS letter dated June 2, 2022, the Commission finds the Selection Criteria, Audit Procedures and revision should be adopted. The Commission further determines that VPS be directed to file in this Docket a list of the 16 carriers to be audited within ten (10) days of the issuance of this Order.

¹ VPS' letter dated June 2, 2022 in Docket 21-GIMT-095-GIT, submitting March 2021 through February 2022 Fiscal Year Selection Criteria and Review Procedures (VPS letter).

² Id. at Attachments A, and B.

³ Id. at Attachment B, ¶II. A.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The VPS modified Selection Criteria and Audit Procedures for Fiscal Year 25, as set forth as an attachment to the letter dated June 2, 2022, are hereby adopted and approved.

B. VPS is to file in this Docket within ten (10) days of the issuance of this Order a list of the 16 carriers to be audited.

C. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).⁴

D. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Duffy, Commissioner; French, Commissioner

Dated: 06/23/2022



Lynn M. Retz
Executive Director

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⁴ K.S.A. 66-118b; K.S.A. 77-503(c); and K.S.A. 77-531(b).



June 2, 2022

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

RE: Docket Number: 21-GIMT-095-GIT

In the Matter of an Investigation to Determine the Affordable Local Service Rates for Rate-of-Return Regulated Carriers and the Annual Assessment Rate for the Twenty-Fifth Year of the Kansas Universal Service Fund, Effective March 1, 2021

Submission of March 2021 through February 2022 KUSF Fiscal Year (FY 25) Selection Criteria and Audit Procedures

Dear Ms. Retz:

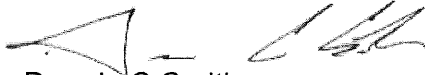
Vantage Point Solutions (VPS) is filing its proposed Kansas Universal Service Fund (KUSF) Carrier Audit Selection Criteria and Carrier Audit Procedures to use for its FY 25 carrier audits. The Selection Criteria, contained in Attachment A, reflect those adopted by the Commission¹ and revised by VPS to reflect the FY 25 audit period. VPS also submits its proposed KUSF Carrier Audit Procedures, contained in Attachment B. The Carrier Audit Procedures have also been adopted by the Commission² and modified by VPS to: (1) include definition of materiality; (2) update to reflect the FY 25 audit period; and (3) other minor clarifying changes.

¹ Order Accepting GVNW'S KUSF Proposed Revisions to Selection Criteria and Carrier Review Procedures, Docket No. 20-GIMT-086-GIT (Docket 20-086), June 24, 2021(20-086 Order).

² *Ibid.*

Once the Commission approves the Selection Criteria and the Audit Procedures, VPS will submit the 16 carriers selected for audit and begin pre-audit procedures to help ensure that VPS completes the reviews as expeditiously as possible and files audit reports no later than June 30, 2023.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis C. Smith", is written over a faint, stylized line drawing of a triangle.

Dennis C Smith
USF Auditor

Enclosures

**KANSAS UNIVERSAL SERVICE FUND
Selection Criteria for Retail Revenue Reviews
KUSF Fiscal Year (FY) 25
March 1, 2021, to February 28, 2022**

Objective: The following criterion is used to select providers for audits to create a level of certainty and accuracy of the reported revenue and assessment payments to the KUSF. Companies are placed in Groups based on their KUSF contributions. The Group a company may be placed in, the number of audits, and frequency of audits may be adjusted based on the error rate within each Group.

Timing: Consistent with the Commission's policies,¹ the audit selections for the most recently closed KUSF Fiscal Year should begin as close to July 1st of each calendar year.

Section Process		
Group 1	<p>Companies whose gross contributions comprise more than 5% of the KUSF FY receipts.</p> <p>No company will be audited in 2 consecutive KUSF FYs. Group 1 companies audited within the past 2 KUSF FYs that had no major findings shall be excluded from audit selection. Group 1 companies <u>will be audited</u> at least every 4 KUSF FYs. Companies with material findings may be selected for an audit 3 KUSF FYs after the prior KUSF audit to ensure audit finding corrections were implemented.²</p>	<p>100% every 4 KUSF FYs.</p> <p>1-3 companies each year, unless significant findings.</p>
Group 2	<p>Companies whose gross contributions represent the next 50% of the KUSF FY receipts after removing Group 1.</p> <p>No company will be audited in 2 consecutive KUSF FYs. Group 2 companies audited within the past 2 KUSF FYs that had no major findings shall be excluded from audit selection. Group 2 companies <u>will be audited</u> at least every 5 KUSF FYs. Companies with material findings may be selected for an audit 3 KUSF FYs after the prior audit to ensure audit finding corrections were implemented.</p>	<p>1-3 companies each KUSF FY.</p>

¹ Order, Docket No. 05-GIMT-003-AUD, July 30, 2004.

² For example, two (2) Group 1 companies, Company A and Company B, were both audited in FY 22. Company A had no significant findings; however, Company B had significant findings. Both Company A and Company B were excluded from audit selection for FYs 23 and 24. Company A may be selected for audit for FY 25 or 26 but must be audited no later than FY 26. Company B should be audited in FY 25, unless circumstances do not allow the audit, then Company B must be audited in FY 26.

Section Process		
Group 3	<p>All remaining companies paying into the Fund.</p> <p>No company will be audited in 2 consecutive KUSF FYs. Group 3 companies audited within the past 2 KUSF FYs that had no major findings shall be excluded from audit selection. These companies are <u>eligible</u> for an audit every 3 KUSF FYs. Companies with material findings will be selected for an audit every 2 or 3 KUSF FYs, after the prior audit to ensure audit finding corrections were implemented.</p>	8-13 companies each KUSF FY. (The KCC and/or the KUSF Administrator may, based on a company's compliance history, substitute carriers in place of a randomly selected carrier).
Group 4	<p>Companies reporting zero Kansas intrastate retail revenue to the Fund.</p> <p>No company will be audited in 2 consecutive KUSF FYs. Group 4 companies audited within the past 2 KUSF FYs that had no major findings shall be excluded from audit selection. If a company had major findings, including that it had reportable revenue, may be moved to Group 3. The company may be selected for an audit 2 or 3 KUSF FYs, after the prior audit to ensure that audit finding corrections were implemented.</p>	1 company each KUSF FY.

This schedule reflects that the Commission requires 16 companies to be audited for KUSF FY 25.³

For FY 25, companies reported total revenue of \$463.4 million to the KUSF, resulting in total contributions of \$50.2 million. All companies in Groups 1 and 2 reported total revenues of approximately \$355.7 million, or 76.75%. Total contributions by all Group 1 and 2 companies were \$38.6 million, or 76.75% of total KUSF contributions.

Group 3, with 412 companies, comprises the largest Group reporting to the Fund. Emphasis is placed on the Group 3 audits to maximize the number of companies audited, supporting the goal for all companies to eventually be audited. In total, Group 3 companies reported \$107.8 million revenue and contributed \$11.7 million of assessments to the KUSF.

Group 4 audits focus on verifying that companies that reported that they do not have Kansas customers or Kansas revenues, reported correctly. This Group does not include companies that have not reported to the KUSF, but are required to do so, are considered delinquent and pursued by the KUSF Administrator and/or the KCC for non-compliance with state statute and Commission rules.

The audit sample size is held constant at 16 audits each KUSF FY, thus, if the KCC selects certain companies for audit, the number of randomly selected companies is correspondingly reduced. For instance, KUSF reporting abnormalities or significant discrepancies between

³ Order, Docket No. 94-GIMT-478-GIT, Oct. 14, 1999.

KUSF reported revenues and the KCC or public reports may raise questions regarding the accuracy of a particular company's KUSF compliance and the KCC, KCC Staff, or VPS may substitute a company for audit, instead of randomly selecting one.

Relevant Orders:

- July 13, 2021, Order, Docket No. 20-GIMT-086-GIT (FY 24)
- August 4, 2020, Order, Docket No. 19-GIMT-056-GIT (FY 23)
- August 8, 2019, Order, Docket No. 18-GIMT-084-GIT (FY 22)
- June 2, 2020, and July 24, 2018 Orders, Docket No. 17-GIMT-008-GIT (FY 21)
- July 25, 2017, Order, Docket No. 16-GIMT-067-GIT (FY 20)
- July 14, 2016, Order, Docket No. 15-GIMT-073-GIT (FY 19)
- July 7, 2015, Order, Docket No. 14-GIMT-105-GIT (FY 18)
- July 17, 2014, Order, Docket No. 13-GIMT-130-GIT (FY 17)
- July 16, 2013, Order, Docket No. 12-GIMT-168-GIT (FY 16)
- August 29, 2013, Order, Docket No. 11-GIMT-201-GIT (FY 15)
- June 5, 2013, Order, Docket No. 10-GIMT-188-GIT (FY 14)
- April 10, 2012 Order, Docket No. 09-GIMT-272-GIT (FY 13)
- October 15, 2010 Final Audit Report for Year 12, Docket No. 08-GIMT-315-GIT (FY 12)
- January 11, 2010, Order Audit Report, Docket No. 07-GIMT-276-GIT (FY 11)
- May 12, 2009 Order, Docket No. 09-GIMT-639-AUD (FY 10)
- July 25, 2008 Order, Docket No. 08-GIMT-1045-GIT (FY 9)
- September 10, 2007 Order, Docket No. 08-GIMT-100-GIT (FY 8)
- December 9, 2005 Order, Docket No. 06-GIMT-458-AUD (FY 7)
- October 13, 2004 Order, Docket No. 05-GIMT-003-AUD (FY 6)
- November 2, 2003 Order, Docket No. 04-GIMT-254-AUD (FY 5)
- October 31, 2002 Order, Docket No. 03-GIMT-281-AUD (FY 4)
- September 18, 2001 Order and October 25, 2001 Order, Docket No. 02-GIMT-116-AUD (FY 3)
- October 14, 1999 Order, Docket No. 94-GIMT-478-GIT (190,492-U) (FY 1)

KANSAS UNIVERSAL SERVICE FUND CARRIER AUDIT PROCEDURES March 1, 2021, through February 28, 2022 (FY 25)

I. Objective

To provide an administrative control over all qualifying Telecommunications Public Utilities, Wireless Providers, Interconnected Voice over Internet Protocol (VoIP), and other carriers receiving funds from or providing funds to the Kansas Universal Service Fund (KUSF) in accordance with K.S.A. 66-2010 and Kansas Corporation Commission (KCC) orders. The Audit Procedures are revised annually to reflect any changes in statute or KCC adopted policies or procedures. An audit is to verify that the selected Company met its statutory obligation to accurately: (1) report intrastate retail revenue to the KUSF; (2) report and pay assessments to the KUSF; (3) report Kansas Lifeline Service Program (KLSP) data and request KLSP credits, as applicable; and (4) collect from customers no more than an amount equal to or less than the Carrier's assessment owed to the fund, pursuant to K.S.A. 66-2008(b).

KUSF Administration personnel's role in an audit is limited to: 1) providing the audit division with the list of carriers that reported to the KUSF for the FY; 2) providing each company's revenues and contributions for the selection process; 3) identifying affiliates of companies selected for audit; and 4) providing Carrier Remittance Worksheets (CRWs), True-ups, and any information relevant to an audit, including the Company's current KUSF status.

The auditor needs to ensure that Administrative personnel are apprised of any issues that affect the Company's KUSF obligations, including refunds, True-ups, and other follow-up issues.

II. Definitions

A. Audit Period: March 1, 2021, through February 28, 2022, Fiscal Year (FY) 25.

Note: *The Audit Period may be expanded to include additional Fiscal Years (prior or subsequent to the Audit Period) if material findings are detected during the course of the audit.*

B. Effective KUSF percentage assessment rate for KUSF FY 25 was 10.84%.¹

¹ Order on KUSF Year 25 Assessment Rate and Affordable Rates, Docket No. 21-GIMT-095-GIT, Jan. 21, 2021 (Docket 21-095 Order).

C. Net Retail Revenue is defined as:

The net intrastate retail telecommunications service revenues of a telecommunications carrier, telecommunications public utility, wireless telecommunications service provider or VoIP service provider after any adjustments for uncollectibles and discounts consistent with the carrier's contribution methodology for Federal USF reporting purposes.²

D. Carrier and Company is any provider of intrastate retail communications service earning revenue from a Kansas customer and/or required to report or contribute to the KUSF.

E. Materiality is subject to the auditor's professional judgement and should consider both the effect to the KUSF as well as to the company.

III. Pre-Audit Procedures

A. Obtain copies and review all relevant Kansas statutes³ and KCC documentation related to KUSF administration, including KCC orders and correspondence, to obtain an understanding of the KUSF. See KUSF Table of Contents, Attachment A, and Audit Finding Summary.

B. Select a three (3) month sample from the Audit Period.

C. After the initial audit selection is done, send the list of companies to be audited to KUSF Administration personnel for verification that each selected Company is currently reporting to the KUSF and is an active company in the Master Files. If the selected Company is not listed as an active company in the Master Files, collaborate with administration personnel to determine if the Company ceased doing business, merged with another Company, changed Company names, etc. Vantage Point Solutions will work with KCC Staff, as necessary, to determine if the Company should be audited.

Note: *If a selected Company merged with another Company, changed names, etc., the audit will cover the selected sample Company's or, if applicable, the successor or merged Company's books for the audit period. It may be necessary to call the contact person of current Company to determine where the notification letter should be sent.*

² Order, Docket No. 16-GIMT-517-GIT, Feb. 23, 2017.

³ Kansas Statutes, K.S.A. 66-2001 - K.S.A. 66-2010 and K.S.A. 66-2017 may be viewed at: http://www.kslegislature.org/li/2020/b2019_20/statute/066_000_0000_chapter/066_020_0000_article/066_020_0001_section/066_020_0001_k/.

- D. Contact KUSF Administrator to obtain an initial Company Point of Contact (POC). Email the Company's POC to request the following information:
1. POC Name(s) and designated company representative(s) who should be included on the Docket service list and receive the Audit Packet to include:
 - Email Address(s);
 - Phone number(s); and
 - Physical address, should an on-site visit be required
- E. Obtain copies of the selected Company's Carrier Remittance Worksheets, revised CRWs, and True-ups for the Audit Period, filed with the KUSF administrator.
- F. Obtain copies of the selected Company's KUSF FY 24 through current FY 26 CRWs, including revisions and True-ups. Review and compare the KUSF FY 25 data to the FY 24 and FY 26 data to identify material variances, if any.
- G. Receive confirmation from Administration personnel regarding whether the Company is current with its KUSF obligations (CRWs, account balance, Attachment B, etc.). If the Company is not current with all KUSF obligations, request Administration personnel provide the following information: correspondence with Company regarding obligations, delinquent reports, delinquent balance, and monthly revenue and/or contribution variances.
- H. Review each selected company's most recent KUSF company audit docket, if applicable, to include: KCC Orders, the company's Audit Report, company responses and other pleadings in the Docket, all revised CRWs, and Audit True-ups to gain an understanding of prior issues to review for compliance. Review a sample of CRWs filed between the end of the prior audit and the current audit period.
- I. Review recommendations adopted by the Commission in the prior audit, verify the Company's continued compliance with the Commission's prior audit Order, and address in the current audit report. Verify the Company's continued compliance with the prior findings by requesting and reviewing additional documentation, including, but not limited to:
- KUSF reporting policies and procedures;
 - Customer billing sample;
 - Internal company correspondence (*i.e.* memorandums);
 - Management assertions regarding Company's compliance with its KUSF obligations;
 - Filings with the KCC; and
 - Accounting records.

If the Company is not in compliance with the Commission's Order, identify it in the Audit Report as a current finding.

- J. Obtain from the KCC, copies of the selected Company's Annual Report or Annual Interrogatories for the two (2) most recent calendar years ending December 31st and conduct a comparative between the Annual Report/Annual Interrogatory, and the CRWs/Annual True-up data. Identify each material variance and request a written explanation from the Company for any material variance.

Note: *Incumbent Local Exchange Carriers are required to file an Annual Report with the Commission. All other companies, except wireless, paging and interconnected VoIP providers, are required to file an Annual Interrogatory. Wireless, paging, and interconnected VoIP providers may elect to file an Annual Interrogatory.*

- K. Prepare and send the Initial Audit Packet, comprised of the following:
1. Opening notification letter (appropriate on-site or desk-audit letter);
 2. KUSF Data Requests (DRs);
 3. DR Process Information (Attachment A);
 4. Confidential Material Information (Attachment B); and
 5. Identification of the Company's contact on file with VPS, with a request for the Company to provide any necessary updates for the POC for the KCC Docket service list.

The Company must provide a written, verified response to all DRs. Verification must be signed by the appropriate Company personnel responsible for such data.

- L. Any audit information, including the Audit Packet, may be provided to the Company via email, US Postal Service, or overnight delivery, unless otherwise specified by the Commission and/or Staff (e.g. certified mail). VPS must maintain written documentation to support that the Company received the information (e.g. delivery of Audit Packet via email will be accompanied by a "Read or Receipt Notification," delivery confirmation for overnight delivery, etc.).
- M. A week before the Initial Audit Packet DRs are due, and 2 days before other DRs are due, send a reminder email to the Company.
- N. Obtain, through a written, signed, and verified DRs, confirmation for any information relied on by the auditor for an audit finding, to include, but not limited to: (a) additional information requested; (b) information informally agreed upon

that the Company will provide; and (c) confirmation that the information will be provided within the next seven (7) business days.

- O. Extensions of Time: the DR process Information (Initial Audit Packet - Attachment A) must advise that if requested information cannot be provided by the due date, the Company must request, in writing, an extension from the auditor. The request for extension must include:

1. Identification of information that cannot be provided;
2. An explanation of why the information cannot be provided; and
3. The additional number of days the Company is seeking for extension.

The Extension of Time should not exceed seven (7) business days. The Company must be advised that if it fails to meet the due date and does not request a second Extension of Time, the auditor may file a Motion to Compel with the Commission.

Note: *No more than two (2) extensions should be provided, absent approval from Commission Staff and/or the Commission.*

A Motion to Compel should include:

1. Information pertaining to emails or letters that identify the original due date and the agreed-upon extended due date(s); and
2. The information that was requested but has not been provided.

Include a copy of the DR(s) with the Motion to Compel. Provide a draft of the Motion to Compel to Staff and/or the Staff attorney assigned to VPS.

Note: *If the Company informs the auditor that it does not have time for the audit, the Company is responsible for asking the Commission for Reconsideration of its Order Opening the docket. KUSF Administration and Audit Personnel and Staff do not have the authority to waive the audit.*

- P. Contact the appropriate Company personnel to plan the timing of the on-site visit, if required.

IV. Commission Revenue and Remittance Worksheet Policies

- A. Retail revenues do not include revenues derived from the following sources:

1. Franchise tax pass-on charges;
2. Local, state, or federal taxes;

3. Interstate revenues, including Presubscribed Interexchange Carrier charges, long distance, special access services, and Federal End-User Line Charges;
 4. State and Federal high-cost support;
 5. Federal Lifeline Program revenue reimbursements;
 6. Intrastate revenues derived from wholesale operations, including Unbundled Network Elements (UNE) or Local Wholesale Complete revenues or revenue derived from selling services to a provider that incorporates such services as part of its offering to end-user subscribers; and
 7. Deregulated revenues, such as wireline terminal equipment and inside wire maintenance for wireline providers, and comparable wireless/paging/VoIP revenues (roadside assistance, Internet Broadband only services, etc.).
- B. Wireline providers: The local calling area takes precedence over state and intrastate jurisdiction. A call is classified via its origination and termination points, not the route of the call (e.g. long distance revenues are intrastate when both parties are within Kansas, regardless of call routing).
- C. Wireless providers, including paging: Revenues from comparable services billed by wireless providers to Kansas customers; including monthly, usage and roaming charges billed to the customer, and intrastate long distance charges. Companies are to directly assign revenue to the extent possible. When direct assignment is not possible, a company-specific traffic factor or safe harbor may be used. The KCC approved intrastate safe harbor percentages are: wireless providers - 62.9%, paging providers - 88%, and analog SMR providers - 99%.
- Wireless customers are billed the KUSF assessment based on their primary place of usage. (September 7, 2006, Order, Docket No. 06-GIMT-943-GIT). To use the company-specific traffic factor or direct assignment methodology, the company must file its methodology and annual updates with the KCC and acquire the KCC's approval of the methodology. (Order, Docket No. 12-GIMT-168-GIT; January 24, 2012; Order, Docket No. 06-GIMT-332-GIT, September 8, 2006; and Order, Docket No. 04-GIMT-331-GIT, January 27, 2003, Attachment G).
- D. Interconnected VoIP providers: Revenues from all VoIP services billed to a Kansas customer with a primary service location in Kansas (as identified by customer), and similar to those for services from wireline and wireless providers, should be identified for KUSF purposes. The KCC intrastate safe harbor for VoIP providers is 35.1%.

Companies should directly assign revenue to the extent possible. Remaining revenues, may be allocated, based on a KCC approved company-specific traffic study or the safe harbor methodology. Pleadings to elect to directly assign revenues or use the traffic study methodology must be accompanied by an affidavit signed by an officer of the company, submitted, and approved by the KCC prior to the Company using the methodology for KUSF purposes. (Order, Docket No. 12-GIMT-168-GIT, January 24, 2012; and Order, Docket No. 07-GIMT-432-GIT, September 22, 2008).

V. Audit Procedures for Commission Revenue and Remittance Worksheets

- A. Obtain and review the Company's internal written policies and procedures for Federal and Kansas Universal Service Fund (FUSF and KUSF, respectively) reporting. If the Company states written procedures do not exist, issue a DR to request that the Company reduce its procedures for the audit period in writing. Compare the Company's procedures to the KUSF CRW Instructions and KCC Orders to determine if discrepancies exist.

Note: *Identify any such Company discrepancies, items that need to be updated or changed to ensure correct compliance reporting, and discuss with the Company. The lack of internal written KUSF procedures should be an audit finding and recommendation.*

- B. Determine, through a written DR and review of the self-certification on the CRWs, if the Company uses the same methodology, including for bundled services, to contribute to the KUSF as that used for FUSF contribution purposes. Per K.S.A. 66-2008(a), "the commission shall not require any provider to contribute to the KUSF under a different contribution methodology than such provider uses for purposes of the Federal universal service fund, including for bundled offerings."
1. Approved FUSF contribution methodologies include: (1) reporting assessable service revenue using the FCC Safe Harbors, (2) unbundled offering price of assessable services, (3) bundled service price, or (4) an alternative methodology. If an alternative methodology is used, obtain an understanding (e.g., detailed description, supporting documentation of method, etc.) of the methodology to determine if it is reasonable and results in the Company meeting its KUSF obligations.
 2. If the methodology does not appear reasonable, discuss with the Company and apprise Staff. Include as an audit finding, as applicable.
 3. If a Company does not use the same contribution methodology as that used for FUSF purposes, review to determine if the methodology is appropriate and reasonable and discuss with Staff.

4. If the Company uses a contribution policy that is NOT consistent with FCC policies, discuss the matter with Staff and include as an audit finding.
5. If the auditor does not believe the Company is meeting its KUSF obligations, discuss with Staff and include as an audit finding, as applicable.

Note: *If the audit indicates that a company's reporting is inconsistent with FCC policies, include it as an audit finding to alert the Commission so the Commission can follow up with the FCC if necessary.*⁴

- C. Determine if the Company has reported data revenue based on how the service is or may be used by subscribers consistent with K.S.A. 66-2008 requiring all "telecommunications service" revenue be reported to the KUSF.
- D. Review the monthly billing summaries and journals, and sample bills for the selected three (3) months.
- E. Trace retail revenues reported on the CRWs to details provided in the Company's records (*i.e.*, billing summaries, journals, ledgers, etc.).
- F. Ensure that the intrastate retail revenues reported to the Administrator include all the following revenues billed for the three (3) months are reported in accordance with the KCC's Orders (See, Attachment E).

Note: *A provider marketing or offering an assessable service for "free" must allocate or assign revenue to the assessable service. A provider may report zero revenue (\$0.00) to the KUSF for the assessable service if the Provider can substantiate (e.g. a traffic or usage study) the end-user subscriber did not use the assessable service.*⁵

1. Intrastate local services, intrastate vertical services, mobile services, intrastate private line services, intrastate presubscribed IXC change charges, directory assistance and directory listings, tariffed access lines, and intrastate calls made through credit cards, third-party billing, and collect calls. The monthly service charge, less any Federal Lifeline Program credit(s)/revenue reimbursement for a Lifeline subscriber's service should be reported.

Revenues reimbursed from the Federal Schools & Libraries and Rural Healthcare Programs on behalf of an intrastate end-user (*e.g.* intrastate circuit for a school) are reportable to the KUSF.

⁴ Order Closing Docket, Docket No. 16-GIMT-517-GIT, Feb. 23, 2017.

⁵ Order Determining KUSF Contribution Methodology, Docket No. 14-GIMT-105-GIT, Oct. 20, 2015.

2. Discounts: Determine if the Company reports revenue gross or net of discounts for KUSF reporting purposes and whether this is the same reporting methodology for FUSF reporting purposes. Effective July 1, 2016, the Commission authorized companies to report revenue net of end-user discounts, consistent with K.S.A. 66-2008(a).
 3. Flat-rate monthly service charges and combined plan revenues should be reviewed to determine the revenues are reported in accordance with the KCC's September and October 2003 Orders, Docket No. 03-GIMT-932-GIT (See *also*, Attachment E).
 4. Intrastate long distance service and inter-city special access billed to end users.
 5. Miscellaneous charges, including: late payment charges, customer fees, non-recurring, and installation.
 6. All other revenues listed on the approved Revenues Reportable to the KUSF for the audit period.
- G. Confirm intrastate revenue allocations are in accordance with KCC policies, such as:
1. Direct assignment;
 2. Based on a KCC approved traffic study; or
 3. KCC approved intrastate safe harbor percentages.
 - Wireless Providers 62.9%
 - Paging Providers 88%
 - Specialized Mobile Radio Providers 99%
 - VoIP Providers 35.1%
- H. Wireless and Interconnected VoIP providers:
1. Confirm customers are billed the KUSF assessment based on their primary place of usage.
 2. Verify that the Company has provided updates to its methodology and allocation factors at least annually, even if such pleading verifies that no change has occurred.
 3. Verify that the Company applied the traffic factor for the appropriate year, if applicable.

- I. Compare revenue accounts listed on the Company's Chart of Accounts to revenue types reported on the Company's billing summaries and/or journal entries to ensure reportable revenue types are being reported for KUSF purposes.
- J. If not specifically identified above, verify that all revenues listed on the Reportable Revenues Schedules or specifically identified in KCC orders are treated, pursuant to the applicable KCC orders.
- K. For sample months selected, request copies of the rates charged to end-users to verify the correct rates were charged and reported to the KUSF.

Note: *Only ILECs are required to file tariffs with the Commission. The remaining companies may have hard copies of its rates or have them available via its website. The following information may be used for verification purposes for companies other than an ILEC:*

- 1. Tariffs: Review to verify the rates cited in tariffs are those charged to end-users.⁶ Tariffs are available to the public generally; however, exceptions to filed tariffs in docket systems are as follows:
 - a. Promotional Offerings: Pursuant to K.S.A. 66-2005(l), a LEC may offer promotions within an exchange or group of exchanges as long as the promotional offering is provided to the Commission and is not unjust, unreasonably discriminatory, or unduly preferential. When offering a promotion, the Company submits a copy to the KCC, but the offering is not docketed into the Commission's system. Promotions typically should be for a period not to exceed 90-days, and should be tariffed if the offering will be in effect longer than 90-days, to prevent circumvention of price offerings for resale services. A promotion is to be for a 90-day period; however, there is no set timeframe for how often a promotion can be offered (*i.e.*, a promotion could end today, not be offered tomorrow, and then reoffered for another 90-day period.)
 - b. Rate-Range Pricing/Individual Customer Pricing: Rate-range pricing allows all similarly-situated customers to opt into the same rates. Pursuant to K.S.A. 66-2005(o), the Commission adopted guidelines and procedures for a LEC to request rate range pricing.⁷ The ILEC's rate range prices are tariffed and apply to all customers, in a nondiscriminatory manner, in an exchange or group of exchanges. Electing carriers (Southwestern Bell Telephone Company), competitive LECs and IXC's are price-deregulated and may also have rate-range pricing, often via Individual Case Basis (ICB)

⁶ Docket No. 13-GIMT-736-GIT, June 13, 2013, Order Opening Docket and Soliciting Comments.

⁷ <http://estar.kcc.ks.gov/estar/ViewFile.aspx/19961227124828.pdf?Id=5eac70cd-b911-4ef3-bcdf-75d1837f4413>.

Contracts. (See, December 27, 1996 Order, Docket No. 190, 492-U (94-GMT-478-GIT).

- c. Contracts: Pursuant to K.S.A. 66-1,189 and 66-1,190, all rates, services, charges, etc. are to have just and reasonable rates. ILECs, including CenturyLink, do not need to petition the Commission for ICP pricing and CenturyLink does not need to file ICP contracts or contract lists with the Commission.⁸
- L. Verify that any revenue (e.g. uncollectibles) written off and reflected in the KUSF reporting agree with Company records and that the methodology used is in compliance with KUSF and KCC approved guidelines. If a Company has not reported uncollectibles, advise the Company that it is authorized to report gross and uncollectible revenues, resulting in the Company being assessed on net revenues.
- M. Review the Company's billing system and sample customer invoices or billing images to determine what customer revenues the Company assesses and collects the KUSF surcharge from.
- N. Verify if the Company has deducted any customer discounts from its reportable revenues to the FUSF and KUSF.
- O. Verify the methodology used to report revenues and determine KUSF assessments due to the KUSF. Revenues are to be the Company's actual revenues. Revenues based on the KUSF assessment collected from subscribers divided by the assessment rate (calculated revenues) is allowable, but requires the following additional testing:

Note: *If a company reports calculated revenues, a paragraph must be included in the Audit Report to advise the Commission. This paragraph is to include that (1) the carrier reported calculated revenues; (2) the auditor performed additional testing; and (3) the carrier has met its KUSF obligations. The paragraph will also identify the difference in calculated revenues and actual revenues as identified by the company's books or records.*
- 1. Determine if the Company filed a Quarterly or Annual True-up that reported actual revenues to the KUSF. If yes, trace the reported revenues to the source documentation, which may include, but is not limited to: general ledger account, work papers, memorandum, etc. noting agreement. If the Company did not file a True-up, identify as a finding.

⁸ Docket No. 16-GIMT-517-GIT, Feb 23, 2017 Order, implementing K.S.A. 66-2005(u).

2. Trace test month Kansas revenues to the general ledger noting agreement and, if necessary, calculate the variance between revenues per the General Ledger and reported to the KUSF.
3. Determine if the revenues reported to the KUSF are equal to or exceed the revenue recorded in the Company's general ledger.
4. Determine the revenue that should have been reported, if possible, and the impact to the Company and the KUSF. If the "calculated" revenue and assessments exceed the amounts actually owed, the Company collected more in assessments from customers than it owes, and a refund would be due to both the Company and customers.
5. Perform additional steps to verify whether the Company has met its KUSF obligations.
6. Determine whether the KUSF assessment was properly applied to the Company's subscribers' total assessable revenues derived from services.
7. Identify how the Company accounts for the KUSF assessments collected from its subscribers in its General Ledger (*i.e.*, books the assessments as an accrued liability, credited to a revenue account and an expense account is debited as payments are made, etc.).
8. Based on the accounting of the subscriber surcharge, trace the KUSF assessment for the test months to the appropriate account, noting if the amounts agree. If not, determine why a difference exists, which may include follow-up DRs.
9. Trace the KUSF assessment for the test months to each respective CRW to verify the amounts agree. If not, determine why a difference exists, which may include follow-up DRs.
10. If the Company uses a third-party preparer, trace the documentation provided to the third-party preparer to verify the amounts agree. If not, determine why a difference exists, which may include follow-up DRs.

VI. Audit Procedures for KUSF Assessment Collected from Customers

- A. K.S.A. 66-2008(b) authorizes, but does not require, a Company to collect its assessment from customers. The Company may collect an amount equal to, or lesser than, its assessment.
 1. Review the Company's CRWs to determine whether the Company reported any KUSF surcharge collected from customers in "Box C".

- a. If an amount reported in Box C equals the actual assessment calculated on the CRW(s), determine if the Company reported calculated revenues and perform additional testing as required (See, Section V.D.)
 - b. If the total annual amount listed in Box C is more than the assessment paid by the Company for the Audit Period, determine the over collection to determine if a refund is required and inform Company that it has collected more than its assessment, which is not statutorily allowed.
 - c. If a refund is required, determine whether the over-collection was from a specific service(s). If yes, determine the number of current customers and the average amount of over-collection from each service subscriber for refund purposes. If the over-collection occurred from all subscribers, determine the average refund owed to all current subscribers. Discuss with Staff and provide the total refund and per customer refund amount to determine if a refund should occur (See, Orders, Docket No. 94-GIMT-478-GIT, August 13 and September 27, 1999; and, Order, Docket No. 00-GIMT-236-GIT, April 14, 2000, Attachments I, J and K). If the auditor is unsure as to whether a credit should be recommended, he/she should refer to any applicable historical documentation, and discuss with KCC personnel.
 - d. If the Company has not reported any surcharge amount in Box C, advise Company it is to complete this information when submitting its CRWs and advise Staff. Include as a finding, if the Company does collect its assessment from customers.
2. Review customer bills/billing images to verify the Company collected its KUSF surcharge through a separate line item.
 3. Review the Company's KUSF billing matrix to determine if the Company is properly charging the KUSF surcharge for the appropriate services.
 4. Review the KUSF assessment billed to Kansas customers and verify that the percent billed to the customers is equal to or less than the rate approved by the KCC. Gain an understanding of the Company's calculations to arrive at the billed surcharge.
 5. Recalculate and verify that the total amount billed to/collected from customers equals or is less than the monthly assessment calculated and paid based on reported revenues.

6. Verify the account to which the Company records the total monthly KUSF collected from customers.
 7. Discuss variances with Company. If the Company has over-collected its assessment, discuss to determine if any billing/reporting changes are needed to ensure over-collection does not continue.
- B. Verification of Compliance with Commission-Adopted Recommendations in prior Audit:
1. Review written confirmation regarding the Company's implementation of the Commission's adopted recommendations submitted in the previous audit Docket.

Note: *Written confirmation may be in the form of an affidavit signed by an officer of the Company, Company documentation filed with the KCC, a verification letter from the Company, an updated Audit Report from the Administrator, etc.*
 2. If any recommendation was not implemented, obtain an understanding as to why it was not.
 3. Address each prior recommendation adopted by the Commission in the current Audit Report, identify whether the recommendation was implemented by the Company or if not, explain why not and impact to KUSF.

VII. Lifeline

- A. All ILECs and designated Lifeline Eligible Telecommunications Carriers (ETCs) are required to advertise and offer Kansas Lifeline Service Program (KLSP) to customers.⁹ For KLSP purposes, a Lifeline ETC must use its "own facilities"¹⁰ to provide service and request the KLSP credits. Effective July 1, 2013, CLECs and electing carriers may elect to cease offering Lifeline service upon 90-days' notice to the Commission. K.S.A. 66-2006(d).
- B. Discuss with the Company how it accounts for all revenue earned from a Lifeline subscriber to ensure it reports the total monthly service charge less any Federal Lifeline Program credits/revenue reimbursement. Determine any reductions or adjustments the Company makes to reduce the revenue recovered from a Lifeline subscriber (e.g. company contribution, Federal and/or State Lifeline discounts,

⁹ Order Modifying Kansas Lifeline Service Program (KLSP) Requirements; Soliciting Further comment, Docket No. 16-GIMT-575-GIT, Oct. 18, 2016. Competitive Local Exchange Carriers (CLECs) offering Lifeline services as of December 2, 2016, are grandfathered for KLSP participation purposes absent Lifeline ETC designation. All other CLECs must be designated as a Lifeline ETC to participate in the KLSP.

¹⁰ K.S.A. 66-2006; Docket No. 17-TFWZ-237-ETC, May 11, 2017 Order Dismissing TracFone's ETC Application; June 8, 2017 Order on TracFone's Petition for Reconsideration.

etc.). Discussions should include how each reduction or adjustment is accounted for and the impact, if any, on the revenue reported to the KUSF.

- C. If the Company offers a variety of Lifeline plans, gain an understanding of each plan, any adjustments applied, and how subscriber revenue is identified and reported for KUSF reporting purposes.
- D. Ensure that the Lifeline credit is applied only after other discounts, such as the 21.6% resale discount, are applied (Order, Docket No. 10-GIMT-658-GIT, Aug. 18, 2011.).
- E. Verify a Lifeline provider reports all intrastate retail revenue earned from a subscriber, except the revenue reimbursed from the Federal Lifeline Program. State Lifeline revenue reimbursements, company provided discounts, and other adjustments are not to be applied as a reduction to the reportable revenues.
- F. If the selected Company is qualified to receive or claimed Lifeline credits during the Audit Period, review a sample of at least 3 Lifeline customers' eligibility documentation for each of the 3 sample selection months. If the selected Company is an ILEC, the supporting data should include a total of all access lines sold to other companies at the discounted Lifeline rate, as stated in the relevant interconnection agreement. If discrepancies are noted, expand the Lifeline audit sample.
- G. Verify that the entire Federal Lifeline and KLSP credits flowed-through to the Lifeline subscriber.

VIII. On-Site Audit Procedures

- A. Conduct an open meeting with the appropriate Company personnel and discuss the objectives and scope of the on-site audit. The discussion should include a description of the audit process, identification of Company personnel who should be available during the audit, discussion of how questions and findings will be handled, and the procedures for issuing the final audit report.
- B. Review copies of customer bills during the 3 test months to verify the correct KUSF assessment rate was billed.

Note: *A Company is authorized, but not mandated, to collect an amount up to the approved assessment from its customers. A Company may choose to collect an amount less than that approved or may choose not to collect any KUSF assessment from its customers; however, the Company must pay the calculated assessment (K.S.A. 66-2008(a)).*

- C. Based on the review of DR responses, discuss the auditor's understanding of the Company's billing system and accounting processes with the Company to verify

accuracy of such understanding. Additional DRs should be issued to confirm such understanding or to supplement the documentation to reflect the Company's processes and systems.

- D. Review the Company's internal controls to ensure the Company reports its Kansas intrastate retail revenues consistent with Commission policies.
 - 1. Examine company documentation, including but not limited to, accounting and billing systems, supervisory reviews and approvals,
 - 2. Examine company internal controls, including but not limited to, the accounting and billing processes (*i.e.* preparing and booking journal entries, recording revenues and write-offs, accounting for bundled service revenue and discounts, etc.)
- E. Review the underlying company financial documentation that supports the intrastate retail revenues reported to the KUSF. This should include, but not be limited to:
 - 1. Determine if the Company uses the cash or accrual method of accounting.
 - 2. Discuss with the appropriate personal when and how revenues are received and recorded, when journal entries occur, and if the books reflect revenues received, billed, or earned (adjusted to monthly calendar period). Review how revenue is accrued and collected for billing cycles that are not on a calendar month basis. Review the Billing System to determine how Intrastate and Interstate revenues are classified and treated in billing summaries.
 - 3. Discuss with the Company, its FUSF and KUSF reporting procedures to gain assurance that all applicable revenue was reported in accordance with the Company's procedures and KUSF requirements. If discussions indicate the procedures are different than those provided in the DR response, determine if procedure modifications are necessary and discuss with the Company.
 - 4. Verify all revenue category/account codes the Company includes in its reportable revenues. Compare the revenue/account codes used by the Company to the KCC approved Reportable Revenues to determine if any discrepancies exist. If the KCC approved reportable revenues were modified at any time during the Audit Period, verify with Company personnel that they were aware of the change and that the change had been implemented in accordance with the Order(s).

5. Verify the auditor's understanding of the Company's write-off/bad debt procedures for KUSF purposes (*i.e.* is the uncollectible amount listed on the KUSF worksheet the actual write-offs taken during that month or are they associated with previous month's activities?) per the Company's response to DR (x). Request additional documentation or supplement to the original DR if discussions do not reconcile to the prior DR response or to clarify the auditor's understanding, and request a written copy of the Company's policy. If a written policy does not exist, ask for written confirmation of the auditor's understanding of the general policy.
 6. Request a copy of the Company's aging of accounts, if applicable.
- F. Gain an understanding of the Company's billing process, including the number of billing cycles, and by business and residence if available, the number of monthly bills issued to Kansas customers.
- G. For each sample month audited, select a representative sample of at least ten (10) residential and ten (10) business customer bills, whether in paper or electronic format, or billing images to use in evaluating billing summaries and verifying rates applied (20 bills/sample month x 3 month sample = total of 60 bills).

Note: *A telecommunications service provider (mainly resellers) may use a billing aggregator for billing and collection purpose. If the provider claims it cannot provide the KUSF auditor with customer bills or billing images, advise that the Commission requires providers to keep a minimum of 3-years of documentation supporting the data reported to the KUSF.*¹¹

1. When VPS receives a response of this nature from a Company, the auditor will advise KCC Staff and:
 - a. For companies stating they have an agreement with CenturyLink, VPS will issue a follow-up DR to the Company and copy CenturyLink on the DR. CenturyLink's POC is John Idoux, email: john.idoux@lumen.com.
 - b. For companies stating they have an agreement with AT&T, VPS will issue a follow-up DR to the Company and copy AT&T on the DR. AT&T's POC is Javier Rodriguez, email: JR1515@ATT.COM.
 - c. In each of these situations, Staff of the KCC should be copied.

¹¹ Order, Docket 14-GIMT-105-GIT, October 20, 2015.

IX. Desk Audit Procedures

- A. Eligible Companies: Group 3 or 4 Companies with annual retail revenue of \$50,000. A company that reported between \$50,001 and \$250,000 in annual retail revenue may be eligible if its reporting, payment history, and compliance with its KUSF obligations are consistent with Commission Orders. Companies with a historical delinquent status should be excluded from a desk audit.
- B. A desk audit should be converted to an on-site audit if further information (material variances, contradictory information, incomplete information is continually provided, etc.) comes to the auditor's attention that indicates an on-site audit is necessary or the company is not fully cooperating with the auditors, etc.

The following information should be requested from the Company:

- 1. For a Company reporting zero (\$0.00) revenues:
 - a. Inquire as to whether the Company has ever or is currently doing business in the state of Kansas. If the Company is not doing business in the state, the auditor should inform the Company that instead of filing CRWs, it has the option to submit a Company Identification and Operations form (Attachment B) and identify that the Company is not generating any revenues in the state of Kansas.
 - b. Provide the Company with VPS administrative personnel contact information.
 - c. Request a notarized Affidavit from an officer of the Company stating that the Company did not have any Kansas subscribers or Kansas intrastate retail revenues required to be reported to the KUSF during the Audit Period;
 - d. Request, through a DR, billing Records and/or any other applicable records the Company is able to provide to ensure that no Kansas customers are contained within the Company's billing records.
- 2. For other Companies subject to a desk audit:
 - a. Follow the procedures for on-site audits.

X. Current KUSF Status

Contact KUSF Administration personnel to determine if the Company is current with all CRWs and payments or has other outstanding account issues. Include a "Current KUSF Obligations" section in the draft audit report.

XI. Treatment of Preliminary Audit Findings

- A. If the audit finds a material discrepancy between items reported and/or assessed, (e.g., the KUSF surcharge collected from customers as listed on the Company's General Ledger does not tie to reported amounts), additional sample months should be audited to allow a greater degree of confidence regarding the actual balance due to the KUSF or the credit owed to the Company. When the audit is expanded, the auditor should use his/her professional judgment to select another 3 months of information to be reviewed. The auditor may determine it is appropriate to review items subsequent to the audit period to determine if the Company implemented corrections it stated it made. If the review of these 3 months' data shows a discernible pattern of material discrepancies, the audit may need to be expanded to the entire Audit Period.
- B. If the audit is expanded, determine what additional information is needed, when it will be provided to the author, and obtain written verification that the information was requested and provided (if applicable).
- C. Audit findings should be annualized to estimate any balance owed or credit due. The Company must file a True-up with the Administrator for the audit period, to correct its KUSF records.

XII. Exit Interview

- A. Review any additional information the Company has agreed to provide to the auditor and when such data will be provided. Inform the Company that the auditor will issue a DR to receive written confirmation of the information. Determine a timeline for such confirmation, normally seven (7) business days.
- B. Ask the Company to send written confirmation of who is to receive a copy of the Draft Report and a copy of the Final Report. Such written confirmation may be via email.
- C. Discuss preliminary audit results and recommendations with the appropriate Company personnel.
- D. If preliminary findings indicate the Company needs to file Audit True-ups, advise the Company that the auditor will have Administration personnel send a True-up form to the Company for the applicable period(s).
- E. Inform the Company that it may provide a written management response for any findings in the Audit Report. The management response may be provided:
 - 1. To the auditor to include with the Audit Report filed with the Commission;

2. Officially with the KCC separately, after the Audit Report is filed. Remind Company the Order opening the Docket requires the Company to file any written response in the Docket within ten (10) days from the date the Report is filed with the Commission.
- F. Provide a general description of information contained in the Audit Report. Inform the Company that the overall net balance due/credit owed to the KUSF will be included in the Audit Report.
- G. Advise Company of any current outstanding issues (e.g., delinquent CRWs, payments, etc.) and that any unresolved issues remaining at the time the audit report is filed with the KCC will be included in the audit report.

XIII. Documentation for Audits

- A. Issue follow-up DRs for additional data needed or to confirm understanding of data provided in discussions or via email to ensure the auditor has written, signed confirmation to support the audit report.
- B. If the Audit Report recommendations include Company filing Audit True-ups and/or CRWs, ask Administration personnel to populate the Audit True-up form for the applicable periods. Administration personnel can provide the populated form to the auditor for the auditor to provide to the appropriate Company personnel.
- C. Review additional data and draft report.

XIV. Report Review

- A. If the Company has appropriately designated information as proprietary or confidential, both a Public and a Confidential Audit Report will be drafted. The Confidential Report will contain all information, including that designated as proprietary or confidential by the selected Company. The Public Report will contain the same information, except that any specific information meeting the designation as confidential will be denoted as "***Confidential**".
- B. Audit Dates: Include the "Date Report Sent to Company". If an on-site audit occurred, separately identify and list the date(s) of the on-site audit.
- C. The "Audit Summary" of the Report should contain bulleted findings and the total net impact of the findings to the KUSF.
- D. Findings: For each initial finding, send a confirming DR to the Company to verify the auditor has understood the information relied on to identify the finding. For each finding included in the final Audit Report, include a citation to the reference where the "Standard" was established. For minor findings (e.g., lack of written internal procedures), include a citation to the documentation (DR No.) the auditor

relied on to validate the finding. For material findings and any finding to which the Company disagrees, include a copy of the documentation the auditor relied on to validate the finding.

- E. For each finding, include a recommendation for the Company to come into compliance with KUSF obligations. Identify the specific timeframe impacted and when the Company implemented new procedures or corrected the deficiency, if known. Review documentation to verify, if available.
- F. For each finding, include the management's response or action taken to come into compliance with the finding. This may include the Company filing revised CRWs and audit True-ups, providing documentation to verify a change in billing systems or reporting methodologies, etc.
- G. Follow-up Compliance: Include a section to address the prior audit findings, as well as the Company's compliance with such findings. Identify the audit docket, each finding and recommendation, as well as the Company's compliance. Include cites to documentation the auditor relied on to determine the Company has or has not complied with the Commission-adopted recommendations.
- H. The Report should include "Current KUSF Obligation" section to address any outstanding KUSF issues at the time the draft report is sent to the Company. Update the section to identify any delinquencies the Company addressed before the Audit Report is filed with the KCC. This section should include a listing of any delinquent CRWs, outstanding balance, etc.
- I. Provide a copy of the draft Report(s), via email to the KCC Staff within 60-days of audit completion, but no later than May 12, 2023, to allow ample time for revisions, should any concerns arise. Discuss with KCC Staff any revisions or concerns regarding the audit. Finalize the Draft Report(s).
- J. Send a copy of the draft Audit Report to the Company's primary audit contact(s), and the designated Company representatives on the Docket Service list within 90-days of completion, but no later than June 16, 2023. The Company must provide written confirmation that a Draft Report was provided to the Company.
- K. Provide a written reminder to the Company that if it wants to provide a Management Response to the findings to be included with the Audit Report filed with the Commission, it must do so in writing, stating the reason it does not agree with the finding, within ten (10) business days. If the Company disagrees with a finding, determine if any further information should be requested.
- L. If it is determined that the Audit Report cannot be filed by the time specified by the Commission, VPS must file a "Motion for Extension of Time" with the KCC, substantiating the need for an extension of time and requesting the length of the extension.

Note: *If, at any time, the auditor is having problems getting information, the auditor should notify both KUSF Administrative personnel and KCC Staff.*

XV. Filing of Report

- A. Each Final Audit Report will have an attached cover letter, which shall clearly designate the Report as either the Public or Confidential version. If no proprietary or confidential information is contained within the Report, only a Public Report should be filed with the KCC. In this instance, the attached cover letter should clearly state that no proprietary or confidential information is contained within the Report; therefore, no Confidential Report will be filed. If a Confidential Report is filed, the Company must provide a statement to the auditor to file with the Final Report, stating what information is deemed “Confidential” and why. (See Kansas Administrative Regulation (K.A.R.) No. 82-1-221a; Attachment L).
- B. Include a copy of relevant supporting documentation relied on for the findings. This may include verified company responses to DRs, the audit program, etc.
- C. Each Report should be filed with the KCC through the Commission’s E-Filing Express system (<https://puc.kcc.ks.gov/e-filing/e-express/>). VPS is responsible for providing a copy of each Report, Motion, or other pleading filed with the Commission to the Company. The final audit report will be sent to the Company’s primary audit contact(s) and the designated Company representatives on the Docket Service list. The “Service List” for each docket is located within each docket on the KCC’s website. Obtain documentation supporting that a copy of each pleading was provided to the appropriate Company personnel.

CERTIFICATE OF SERVICE

21-GIMT-095-GIT

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 06/23/2022.

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21-GIMT-095-GIT

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/S/ DeeAnn Shupe

DeeAnn Shupe