

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

Before Commissioners: Shari Feist Albrecht, Chair
Jay Scott Emler
Dwight D. Keen

In the Matter of An Investigation to Determine)
the Assessment Rate and the Affordable Local)
Service Rate for Rate-of-Return Regulated) Docket No. 17-GIMT-008-GIT
Carriers for the Twenty-First Year of the)
Kansas Universal Service Fund, Effective)
March 1, 2017.)

**ORDER ACCEPTING GVNW's KUSF YEAR 21 AUDIT SELECTIONS; PROPOSED
REVISIONS TO SELECTION CRITERIA AND AUDIT 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. K.S.A. 66-2010(b)(1) provides that the Kansas Universal Service Fund (KUSF) administrator is responsible for “[c]ollecting 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.” The current KUSF administrator is GVNW Consulting, Inc. (GVNW).¹

2. Through a series of Commission orders, the Commission has determined that the KUSF administrator will conduct sixteen (16) annual audits of carriers contributing to or receiving funds from the KUSF.² The audits will be conducted in accordance with certain selection criteria and audit procedures adopted by the Commission.

¹ GVNW Consulting, Inc. was selected through competitive bid as required under K.S.A. 66-2010(a).

² See Order, Docket No. 94-GIMT-478-GIT (Oct. 30, 1998); Order Accepting NECA's Final Audit Report and Recommendations, Docket No. 94-GIMT-478-GIT (Oct. 14, 1999).

3. GVNW sent a letter to the Commission on July 6, 2018, identifying 16 carriers that it proposes to audit for KUSF Year 21 purposes. GVNW also enclosed two attachments to its letter. Attachment A contains the criteria relied upon to select the companies, modified to reflect the applicable audit period. GVNW does not recommend any modifications to the Selection Criteria beyond minor clarifications. Attachment B contains the Carrier Review Procedures that will be used to perform the audits. Attachment B was modified by GVNW for the KUSF Year 21 reviews to more accurately reflect the procedures used during the reviews, the audit period dates, and other clarifications.³

3. On July 11, 2018, the Commission Staff (Staff) submitted its Report and Recommendation, which is attached hereto and made a part hereof by reference. Staff reviewed GVNW's proposed audit selections for KUSF Year 21 and the clarifications and modifications to the selection criteria and audit procedures contained in Attachments A and B, respectively. Staff determined that the audit selections were made in accordance with existing Commission policy and according to the selection criteria in Attachment A. Staff also found that the proposed carrier audit review procedures contained in Attachment B have been appropriately modified to recognize changes that impact KUSF contribution policies for KUSF Year 21 purposes.

4. Concluding, Staff recommends the Commission accept GVNW's proposed audit selections and open a separate docket for each of the 16 companies to be audited. Staff also recommends the Commission accept the proposed revisions to the carrier audit selection criteria and audit review procedures enclosed as Attachments A and B, respectively, to GVNW's letter.

5. The Commission finds Staff's findings and recommendations to be reasonable and hereby adopts the same.

³ GVNW's July 6, 2018 transmittal letter pp. 2 and 3.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission accepts and approves GVNW's selection of the sixteen (16) carriers identified by GVNW for KUSF Year 21 audits. A separate docket shall be opened for each KUSF audit. The Commission further accepts and approves Attachments A and B to GVNW's transmittal letter of July 6, 2018, containing the revised Carrier Audit Selection Criteria and Audit Review Procedures, respectively.

B. Parties have 15 days, plus three days if service is by mail, from the date of service of this Order to petition the Commission for reconsideration or request a hearing, as provided in K.S.A. 77-542.⁴

C. The Commission retains jurisdiction over the subject matter of this Docket for the purpose of entering such further order, or orders, as it deems necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 07/24/2018



Lynn M. Retz
Secretary to the Commission

AAL

⁴K.S.A. 77-537(b); K.S.A. 66-118b; K.S.A. 77-529(a)(1).

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REPORT AND RECOMMENDATION UTILITIES DIVISION

To: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Dwight Keen

From: Sandy Reams, Assistant Chief of Telecommunications
Christine Aarnes, Chief of Telecommunications
Jeff McClanahan, Director of Utilities

Date: July 11, 2018

Re: Docket No. 17-GIMT-008-GIT
In the Matter of an Investigation to Determine the Assessment Rate and the Affordable Local Service Rate for Rate-of-Return Regulated Carriers for the Twenty-First Year of the Kansas Universal Service Fund, Effective March 1, 2017.

EXECUTIVE SUMMARY:

On July 6, 2018, GVNW Consulting, Inc. (GVNW), the Kansas Universal Service Fund (KUSF) administrator, filed a letter in this Docket identifying sixteen (16) companies it recommends be subject to an audit for KUSF Year 21, effective March 1, 2017, through February 28, 2018. GVNW also submitted the criteria used to select the companies (Selection Criteria) and the procedures that will be used to perform the reviews (Carrier Review Procedures) as Attachments A and B, respectively.

Staff recommends that the Commission issue an Order to: (1) find that the 16 carriers will be subject to an audit for KUSF Year 21 purposes; and (2) adopt the Selection Criteria and Carrier Review Procedures. Staff also recommends that the Commission open separate dockets to address each carrier's review.

BACKGROUND:

K.S.A. 66-2010 provides, in part, that the KUSF administrator's duties and powers include:

(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.

In October 1998, the Commission issued an Order addressing various KUSF issues, including the KUSF administrator's statutory responsibilities.¹ The Commission determined that the KUSF administrator is required to perform audits of carriers to ensure their compliance with their KUSF obligations.

The first carrier audit dockets were opened in May 1999, with a separate docket opened to address the audit of each company. The first Audit Report was adopted by the Commission in October 1999.² The Commission determined it would audit 16 carriers each year and allow smaller companies to be subject to a desk audit. The Commission also determined that the KUSF administrator would have to complete the 16 audits within a 12-month period.

On August 16, 2016, the Commission opened Docket No. 17-GIMT-008-GIT (17-008) to address the assessment rate for KUSF Year 21. On January 19, 2017, the Commission issued an Order adopting a 7.50% assessment rate for KUSF Year 21.

On July 6, 2018, GVNW submitted its letter identifying the 16 companies that it recommends be audited for KUSF Year 21. GVNW also submitted Attachment A, which contains the Selection Criteria GVNW used to select the companies. The Selection Criteria,³ adopted by the Commission in 2017, were modified by GVNW to update the review period and the revenues reported and assessments paid to the KUSF for KUSF Year 21. GVNW's letter included Attachment B, which contains the Carrier Review Procedures that will be used to perform the reviews. The Carrier Review Procedures were also adopted by the Commission in 2017⁴ and then modified by GVNW for the KUSF Year 21 reviews to more accurately reflect the procedures used during the reviews, the audit period dates, and other clarifications.

ANALYSIS:

GVNW identified the companies it proposes be subject to audit based on the Commission's approved Selection Criteria. Some companies selected for an audit have affiliated companies that also report to the KUSF, thus, GVNW included the affiliates in its audit selections to minimize the time, travel, and resources expended by the auditors and the companies. The modifications to the Carrier Review Procedures more accurately reflect GVNW's audit procedures and reflect the correct audit period.

¹ Order, Docket 94-GIMT-478-GIT (Docket 94-478), October 30, 1998.

² Order Accepting NECA's Final Audit Report and Recommendations, Docket 94-478, October 14, 1999. NECA, the National Exchange Carriers Association, was the initial KUSF Administrator.

³ Order Accepting GVNW's KUSF Year 20 Audit Selections, Proposed Revisions to Selection Criteria and Audit Review Procedures, Docket No. 16-GIMT-067-GIT, July 25, 2017.

⁴ Ibid.

RECOMMENDATION:

Staff recommends that the Commission issue an Order approving the 16 carriers identified by GVNW be subject to an audit for KUSF Year 21 purposes. Staff also recommends that the Commission approve the Selection Criteria and Carrier Review Procedures and open separate dockets to address each company's audit.

CERTIFICATE OF SERVICE

17-GIMT-008-GIT

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of
first class mail and electronic service on 07/24/2018.

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