

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

Before Commissioner

Jay Scott Emler, Chairman
Shari Feist Albrecht
Pat Apple

In the Matter of the Audit of McLeod USA)
Telecommunications Services, L.L.C. 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.)

Docket No. 16-MLTT-034-KSF

**ORDER ADOPTING GVNW CONSULTING, INC.'s
AUDIT REPORT AND RECOMMENDATIONS**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and record, and being duly advised in the premises, the Commission finds and concludes as follows:

1. On July 30, 2015, the Commission directed GVNW Consulting, Inc. (GVNW) to perform an audit of McLeod USA Telecommunications Services, L.L.C. (McLeod USA) for Kansas Universal Service Fund (KUSF) purposes.

2. On April 26, 2016, GVNW filed its Audit Report of even date covering GVNW's audit of McLeod stating that the company is current with its KUSF obligations. GVNW's Audit Report makes the following audit findings and recommendations:

Audit Finding No. 1: McLeod USA reports calculated revenues to the KUSF. The Company was purchased by Windstream Communications in 2011 and has continued to use the same legacy billing system. When McLeod USA's billing information was mapped to Windstream's revenue accounts, it was not necessarily mapped to a specific revenue account that is either assessed or not assessed to the KUSF surcharge. Therefore, if Windstream utilized the revenue accounting booking, the company would have to apply a percentage for a given account. The difference between the company's general ledger revenues and the revenue reported is minimal; however, the company erred on the side of caution and reported the higher of the two amounts. GVNW affirms that McLeod USA assesses the KUSF surcharge correctly and does not have any additional KUSF revenue reporting issues. McLeod USA intends to be able to

specifically identify assessable and non-assessable revenues per its general ledger and report actual revenues to the KUSF by the end of 2016.

Recommendation: GVNW recommends that McLeod USA be directed to discontinue the reporting of calculated revenues to the KUSF no later than the end of calendar Year 2016. The company should be reminded that while it reports calculated revenue, it is responsible for ensuring that the assessment owed and paid to the KUSF is no less than it would be if the company identified and reported Kansas-specific revenues. Once the company implements processes to report actual revenues to the KUSF, the company should be directed to file an affidavit, executed by an officer of the company, in this docket, attesting that the company has implemented such processes and identify the effective date of when it will begin reporting actual revenue to the KUSF.

Audit Finding No. 2: The KUSF surcharge McLeod collected from customers was not separately identified, but included as a single line item charge identified as “State/County/Local Surcharges”. Billing fees and surcharges are to be detailed and plainly listed on a customer’s bill. McLeod USA stated it will be able to implement the necessary changes to clearly identify the KUSF surcharge in the 2nd Quarter of 2016.

Recommendation: McLeod USA should be directed to provide copies or screen images of customer bills to GVNW that clearly demonstrate the KUSF surcharge as a separate line item within 45 days of the end of the 2nd Quarter of 2016. Once GVNW has received and reviewed the sample customer bills, GVNW will submit a Compliance Report to the Commission.¹

3. The Commission has reviewed GVNW’s KUSF Audit Report filed in this matter on April 26, 2016, and finds that it should accept the Audit Report and adopt GVNW’s recommendations.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission accepts and adopts GVNW Consulting, Inc.’s KUSF Audit Report for McLeod USA Telecommunications Services, L.L.C. filed in this docket on April 26, 2016.

B. In accord with GVNW’s recommendation with respect to Finding No. 1 of its Audit Report, McLeod USA is directed to discontinue reporting calculated revenues to the KUSF no later than the end of calendar year 2016. McLeod USA is reminded that although it reports

¹ GVNW Audit Report, pages 2 and 3.

calculated revenue, it shall ensure that the assessment owed and paid to the KUSF is no less than it would be if it identified and reported Kansas-specific revenues. Upon implementation of processes to report actual revenues to the KUSF, McLeod USA shall file in this docket an affidavit, executed by and officer of the company attesting that the company has implemented such processes identifying the effective date upon which the company will begin reporting actual revenue to the KUSF.

C. In accord with GVNW's recommendation with respect to Audit Finding No. 2, McLeod USA is directed to provide copies or screen images of customer bills to GVNW that clearly identify the KUSF surcharge as a separate line item within 45 days of the end of the 2nd Quarter of 2016.

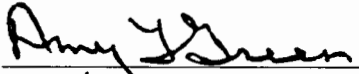
D. Upon GVNW's receipt, review, and verification of McLeod's sample customer bills provided in response to paragraph C above, GVNW is directed to submit a Compliance Report to the Commission.

E. The Commission retains jurisdiction over McLeod USA Telecommunications Services, L.L.C. and the subject matter of this Docket for the purpose of issuing such additional orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Emler, Chairman; Albrecht, Commissioner; Apple, Commissioner

Dated: **MAY 05 2016**


Amy L. Green
Secretary to the Commission

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Order Mailed Date

MAY 06 2016

CERTIFICATE OF SERVICE

16-MLTT-034-KSF

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/hand delivered on **MAY 05 2016**.

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/S/ DeeAnn Shupe
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Order Mailed Date

MAY 06 2016