

THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

2000.11.07 16:39:41  
Kansas Corporation Commission  
/s/ Jeffrey S. Massman

Before Commissioners:                    John Wine, Chair  
    Cynthia L. Claus  
    Brian J. Moline

In the Matter of Filing of the Audit Report for    )  
the Kansas Universal Service Fund Year 2,        )  
March, 1998, through February, 1999, and        )  
Providing Recommendations Regarding Future       )  
Audits.    )

Docket No. 00-GIMT- 1175-AUD

**ORDER 2 ON KUSF AUDIT RECOMMENDATIONS**

NOW, the above-captioned matter comes on before the State Corporation Commission of the State of Kansas (“Commission”). Having examined its files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

1.        On June 30, 2000, Staff of the State Corporation Commission of the State of Kansas (“Staff”) filed “Staffs Motion to Accept Audit Report and Making Recommendations” in this docket. In that motion, Staff indicated that the audit revealed “insignificant findings . . .”

2.        Attached to the motion was the National Exchange Carrier Association’s (NECA) audit report and recommendations regarding future audits. The recommendations concerned modifications to future audits “to help control and reduce audit and travel costs.” Staff indicated that it believed “the recommendations are reasonable and that implementation of the recommendations would help control cost while still providing assurance that contributors report accurately.”

3.        Staffs motion also recommended that the Commission issue an order accepting the audit findings and requesting comments regarding future audits.

4.        On September 27, 2000, the Commission filed its “Order 1 Accepting Audit Findings and Requesting Comments” (“Order 1 ”). In Order 1, the Commission accepted the audit findings

and requested KUSF contributors file comments by October 11, 2000, on NECA's recommendations for future audits. No companies filed comments.

5. NECA's future audit recommendations are as follows:
  - A. To help control and reduce audit travel costs:
    - Continue to consider locations of companies so that audits can be combined on trips.
    - Consideration should be given to eliminate the requirement for the auditor to go on-site to conduct audits on smaller companies and on companies audited in previous years. Smaller companies are often able to provide sufficient and proper review documentation without the reviewer having to go on-site. Companies which were previously audited have experience with the required documentation and may be able to easily provide it via correspondence.
  - B. The audit step of requiring a review of Kansas sales tax should be re-evaluated. Companies under audit question the relevance of this step to a KUSF audit, particularly since sales tax is subject to audit by another state agency.
  - C. In view of the limited number and magnitude of findings, consideration should be given to reducing future sample sizes.

6. The Commission believes that recommendations "A." and "B." are proper and, as such, adopt NECA's recommendation and directs NECA to apply those recommendations to future KUSF audits.

7. The Commission declines, however, to adopt recommendation "C." at this time for several reasons. First, this is only the second year of audits on carrier's compliance with KUSF operations and the Commission believes that more experience is required before reducing the sample size. In Docket No. 190,492-U the Commission's October 14, 1999, Order Accepting NECA's report and recommendations regarding the first year of carrier audits allowed the sample size to be reduced from 16 to 15 audits per year. In light of the fact that there are only 15 companies audited per year, when compared with the number of KUSF contributors in Kansas (currently approximately 600), the Commission believes that reducing future sample sizes is not warranted at this point. Also,

because some companies that were audited in Year 1 came up for audit again in Year 2, the number of Kansas companies actually audited is less than 30, or less than 5% of the total number of KUSF contributors. The Commission believes that the possibility for under-reporting or mis-reporting is not precluded with such a small number of companies actually being audited per year. The Commission may revisit this issue in the future.

8. The Commission finds, therefore, that NECA's recommendations as to future audits, with the exception of reducing the sample size, should be adopted.

IT IS, THEREFORE, ORDERED THAT:

A. The National Exchange Carrier Association's audit recommendations, as attached to Staffs motion tiled June 30, 2000, with the exception of the third recommendation to reduce future sample sizes, is hereby adopted.

B. Any party may file a petition for reconsideration of this Order within fifteen (15) days of the date this Order is served. If service is by mail, service is complete upon mailing and three (3) days may be added to the above time frame.

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

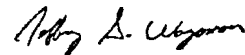
BY THE COMMISSION IT IS SO ORDERED.

Wine, Chr.; Claus, Corn.; Moline, Corn.

Dated: NOV 07 2000

ORDER MAILED

NOV 08 2000

 Executive Director

Jeffrey S. Wagaman  
Executive Director

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