

Staff Assignment: Sandy Reams

In the Matter of Filing the Audit Report for the Kansas  
Universal Service Fund Fiscal Year 2006-2007.

)  
) Docket No.  
) 09-GIMT-639-AUD  
)  
)

File Date: February 10, 2009



**Kent Avery**  
Senior Manager - Internal Audit

February 9, 2009

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

STATE CORPORATION COMMISSION

FEB 10 2009

A handwritten signature in black ink that reads "Susan K. Duffy".

Subject: Year 10 Final Report  
Kansas Universal Service Fund Carrier Reviews

Dear Ms. Duffy:

Attached is a Final Report for Year 10 (March 2006 – February 2007) for Kansas Universal Service Fund Carrier Reviews.

Sincerely,

A handwritten signature in black ink that reads "Kent Avery".

Enclosure

cc: S. Reams, Managing Auditor, KCC

**FINAL REPORT**  
**Kansas Universal Service Fund**  
**Carrier Reviews**

**Review Period: March 2006 – February 2007 (Year 10)**

**Executive Summary:**

The sixteen carrier reviews for the March 2006 through February 2007 KUSF Fiscal Year resulted in the following financial impact to the KUSF and customers:

1. A net \$81,138 of assessments was paid to the KUSF from companies as a result of six companies owing additional assessments of \$2,306,354 and six companies over-paying a total of \$2,225,216 in assessments to the fund. The Commission ordered the following companies to pay additional assessments to the KUSF: Network US -\$300, Nextel West - \$502,208, Sprint Spectrum - \$1,795,925, Windstream – \$6,202, Cricket - \$1,481, and LDCB - \$238.

2. Refunds totaling \$2,225,216 were issued to six companies for over-paying assessments to the fund. Of this amount, \$1,994,062 was to be issued to customers. The carriers that received refunds were: T-Mobile - \$504,525, Verizon Wireless - \$1,202,724, Time Warner - \$7,069, Alltel Newco - \$124,864, South Central Wireless - \$10,315, and USCOC - \$144,565. As of February 9, 2009, affidavits verifying the refunds to customers have not been submitted by Alltel Newco, T-Mobile, and Verizon Wireless.

**Background:**

Kansas Statute K.S.A. 66-2010(b) required Solix, as administrator of the Kansas Universal Service Fund (KUSF or Fund), to conduct audits of contributors to the Fund. The purpose of the audits is to ensure that the data provided to the administrator by contributors on the KUSF Carrier Remittance Worksheets (CRW) is appropriate and accurate.

Solix conducted the audits in accordance with the audit plan, as agreed to between the KCC and Solix. Audits were performed on the following sample of contributors for the Fiscal Year March 1, 2006 through February 28, 2007 (Year 10):

- T-Mobile Central LLC
- Network US Inc.
- Cricket Communications
- Nextel West Corp.
- Verizon Wireless LLC
- Time Warner Cable Information Services

- Alltel Newco, LLC
- South Central Wireless, Inc.
- Sprint Spectrum LP
- Southwestern Bell Telephone
- USCOC of Nebraska/Kansas
- Windstream Communications
- Everest Midwest LLC
- Symtelco, LLC
- Startec Global Operating Co.
- Long Distance Consolidated Billing Co.

**Results:**

Of the sixteen companies selected for review, two had no material findings. In addition, Symtelco, LLC ceased operations in Kansas and its certificate was cancelled (Docket No. 08-SYMC-056-KSF, February 4, 2008 Order); therefore, an audit report was filed without recommendations.

The remaining 13 companies had the following findings:

- Seven reported calculated, instead of actual, revenues to the KUSF;
- One reported estimated revenues instead of actual revenues to the KUSF;
- Five did not report all assessable revenues to the KUSF;
- Six reported non-assessable revenues to the KUSF;
- One used an industry average uncollectible rate instead of reporting actual uncollectible revenues;
- Two had not performed annual traffic studies;
- One did not report monthly recurring charges to the KUSF;
- Seven used incorrect or unapproved intrastate allocation percent when reporting revenue to the KUSF or calculating the KUSF surcharge on customer bills;
- Five incorrectly collected the KUSF assessment from customers by applying the KUSF surcharge to incorrect revenue categories on customer bills;
- One used the prior KUSF assessment rate for customer bills in the month in which the assessment rate changed;
- One charged the Local Number Portability Fee to Lifeline customers;
- One provided Lifeline customer with an incorrect discount;
- One did not offer the Lifeline program to customers;
- One did not retain proper Lifeline documentation.

Five of the audited companies filed written responses to the audit reports.

Three memoranda, requesting an Order to Show Cause, were filed with the KCC for: Alltel Newco, Network US, and Symtelco, due to non-compliance with Commission orders to provide information for the audit.

All final audit reports were filed with the KCC by June 30, 2008. As of February 9, 2009 2008, three audit dockets remain open:

- Alltel Newco: Needs to remit customer refunds and file an affidavit with KCC
- Verizon Wireless: Needs to remit customer refunds and file an affidavit with KCC
- T-Mobile Central: Needs to remit customer refunds and file an affidavit with KCC

Solix respectfully does not make recommendation for future audits.