

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska) Application No. NUSF-33/PI-68
Public Service Commission, on its)
own motion, to investigate the) Progression Order No. 1
audit requirements related to the)
Nebraska Universal Service Fund.) Entered: March 25, 2003

BY THE COMMISSION:

The Nebraska Public Service Commission (Commission) initiated this docket November 26, 2002, on its own motion seeking to investigate the audit requirements related to the Nebraska Universal Service Fund. Notice of the application was published in The Daily Record, Omaha, Nebraska, on November 29, 2002. Comments were filed by Erickson & Brooks, CPA; the rural independent companies; AT&T Communications of the Midwest, Inc.; Cox Communications, Inc.; ALLTEL Nebraska Inc.; Qwest Corporation; AT&T Wireless, PCS, LLC; Verizon Wireless; and MCI Worldcom Communications.

A workshop was held on March 11, 2003 in the Commission Hearing Room, Lincoln, Nebraska with a teleconference bridge established for parties unable to personally appear. Mr. Pursley outlined the details of the NUSF Department's concerns with the current practice and made recommendations for changes in its audit procedures. Mr. Pursley stated that the Commission staff had concerns as to whether the current auditing procedures using agreed upon procedure engagements was consistent with the statutory language in LB 1211. Mr. Pursley further stated that negotiating agreed upon procedures with several independent CPA firms was time consuming and administratively burdensome. Finally, Mr. Pursley stated that the agreed upon procedures used did not fully address remittance compliance because generally the CPAs were not allowed to render opinions as to whether companies were including the correct revenues. Mr. Pursley suggested that the Commission explore the possibility of submitting a request for proposal to find a CPA firm or firms to contract with to perform the audits for the Commission. The issue of the cost for the contractor(s) fees would also be open for discussion. Finally, Mr. Pursley suggested that if costs were of concern the Commission could require bi-annual or tri-annual audits as opposed to annual audits for those companies exceeding the \$1,000,000 threshold in intrastate earnings.

Other interested parties summarized their position as stated in the filed comments and on Mr. Pursley's recommendation. Mr. Gary Witt and Jim Deonne from AT&T stated that the agreed upon procedure process has been useful. They urged the Commission to continue that process and keep the flexibility of working with each company individually. However, an auditor employed by the

Commission would also be an acceptable approach for AT&T. AT&T also supported requiring audits on a bi-annual or tri-annual basis.

Mr. Wayne Culp of Qwest stated that Qwest keeps its accounting records on a state-by-state basis unlike other carriers. Qwest is indifferent to whether the Commission uses an outside auditor or hires an auditor internally so long as the cost does not exceed what it is currently spending now to comply with the Commission's requirements.

Ms. Pam Fuller stated that ALLTEL would also like to keep using agreed upon procedures. Ms. Fuller stated that the agreed upon procedure process can be altered so that it can address Mr. Pursley's stated concerns. ALLTEL would like to see any allocation rules consistent with those of the FCC part 64 rules for allocation. ALLTEL agreed with the concept of a bi-annual audit.

Ms. Deonne Bruning on behalf of Cox supported the idea of having the Commission acquire an outside contractor but suggested that the Commission use the NUSF to absorb the costs of the audits being performed. She also questioned whether the Commission was anticipating an extension of the June 30th deadline as a result of the procedural uncertainty involved in conjunction with this investigation.

Verizon and MCI WorldCom stood on their written comments and did not offer any additional comments on the recommendation offered by Mr. Pursley.

The rural independent companies were concerned about fair cost allocation should the Commission decide to contract with a single CPA firm to perform company audits. They did not support an allocation whereby all companies paid an equal portion of the auditor's costs for all audits performed in a given year.

O P I N I O N A N D F I N D I N G S

Upon the comments and testimony submitted by all interested parties and the recommendation of Mr. Pursley, the Commission finds that further exploration of the party's input and Mr. Pursley's recommendation is needed. Because of this investigation, the Commission finds that it is appropriate to extend the deadline for filing audits in accordance with NUSF-1, Progression Order No. 7 and Neb. Admin. Code Title 291, Ch. 10, Rule 003.05, from June 30, 2003 until December 31, 2003. Although, the Commission recognizes that its remittance audit rule provides requires audits to be filed by the end of the *fiscal year next following the audit period*, in light of the ongoing investigation, the Commission finds that it would be in the best interests of all parties involved and would not be prejudicial to any one party to extend the deadline for this

requirement until December 31, 2003. However, the Commission finds that the audit information should include the period of July 1, 2001 through December 31, 2002 (i.e., should include an 18 month period rather than a 12 month period).

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the due date for companies required to file audits pursuant to NUSF-1, Progression Order No. 7 and the Commission's rules and regulations shall be and it is hereby extended from June 30, 2003 to December 31, 2003.

IT IS FURTHER ORDERED that the information filed with the Commission on December 31, 2003 include the full 18 months of data rather than 12 months as prescribed herein.

MADE AND ENTERED at Lincoln, Nebraska, this 25th day of March 2003.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chair

ATTEST:

Executive Director