

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

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) Progression Order No. 2
the audit requirements related)
to the Nebraska Universal)
Service Fund.) Entered: August 12, 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. The Commission received recommendations from Mr. Jeff Pursley, Director of the Nebraska Universal Service Fund (NUSF) Department as well as from a number of interested parties. A recitation of the recommendations made at the workshop was summarized in Progression Order No. 1. On March 25, 2003, in Progression Order No. 1, the Commission found that several more issues needed to be explored by the NUSF Department. The Commission further found that the audit deadline should be pushed back to December 31, 2003. The NUSF Department then sent proposed changes to the agreed-upon-procedures to the State Auditor's Office. After receiving and advisory letter from the State Auditor's Office, the Commission held a meeting with the State Auditor, Kate Witek and members of her staff, on May 28, 2003, to discuss the adequacy of its existing audit review process and proposed changes.

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

The Commission has further explored the open issues with respect to the sufficiency of the remittance audit process. The Commission and the NUSF Department have had discussions with the State Auditor's Office and several independent CPA firms regarding the shortfalls and the administrative difficulties with the current process. The Commission has also considered

the concerns and recommendations of the various commenting parties. Upon consideration of all information gathered in this proceeding, the Commission proposes the following:

1. The Commission should continue to apply the audit procedures to companies meeting or exceeding the one million dollar threshold as prescribed currently in 291 Neb. Admin. Code, Chapter 10, § 003.05.
2. As been used in the past, the Commission should continue using the agreed-upon-procedures with a few minor amendments and additions. The substantive proposed changes are attached and set forth in 3., below.
3. In addition to the agreed-upon-procedures used in the previous years, the Commission finds that the independent auditors hired by the companies should obtain for the Commission the following information:
 - a. The company's chart of accounts; and
 - b. A schedule which shows how each account correlates (or does not correlate as the case may be) to each line item on the NUSF remittance worksheet; and
 - c. If only a portion of an account correlates, the auditor should obtain from the company a schedule showing how any company revenues in this account were divided or allocated for each line item on the remittance worksheets and an explanation for this allocation. (E.g. total company into Nebraska specific, or booked to accounts where some revenues were assessed and some were not.)
 - d. The Commission is not requesting that the auditor review or make a judgment on such information, only that they obtain this information from the company and file it with the other forms.
4. The Commission does not propose at this time to hire an outside auditor, but it may re-evaluate this option at a later date.
5. The Commission finds that the annual audit period should be retained since there is no significant expansion in the Commission's agreed-upon procedures, which would place any greater burden on the telecommunications companies. However, the Commission plans to revisit this issue again in the future.

All interested parties are invited to file written comments on the attachment and the aforementioned proposals. Comments should be filed on or before September 12, 2003. Commenting parties should file one original and five paper copies along with one electronic copy in Word or WordPerfect format.

The Commission will re-evaluate the current audit deadline of December 31, 2003, when a final order is entered in this matter.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the tentative findings and conclusions contained in this order be, and they are hereby, open for public comment.

IT IS FURTHER ORDERED that interested parties submit any written comments in response to this order on or before September 12, 2003.

MADE AND ENTERED at Lincoln, Nebraska, this 12th day of August, 2003.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Benett Johnson
Frank E. Landis

//s//Anne C. Boyle
//s//Frank E. Landis

Anne C. Boyle
Chair

ATTEST:

AdS Pollon
Executive Director