

COMMISSIONERS:
ERIC KAMLER
CHRISTIAN MIRCH
TIM SCHRAM
KEVIN STOCKER
DAN WATERMEIER



[Date]

[Regulatory Contact]
[Name of Company], [NE Code]
[Address]
[City], [State] [Zip Code]

SENT VIA CERTIFIED MAIL AND ELECTRONIC MAIL TO [EMAIL]

NOTICE OF NEBRASKA UNIVERSAL SERVICE FUND REMITTANCE AUDIT

Pursuant to Neb. Rev. Stat. § 86-324, the Nebraska Public Service Commission shall require an audit of any telecommunications company's books and records to ensure proper billing, collection, and remittance of the surcharge to the Nebraska Universal Service Fund ("NUSF").

[NAME OF COMPANY] IS REQUIRED TO FILE A NEBRASKA UNIVERSAL SERVICE FUND (NUSF) REMITTANCE AUDIT FOR CALENDAR YEAR [YEAR] DATA PERIOD. THE REQUIRED AUDIT IS DUE ON OR BEFORE DECEMBER 31, 2023, UNLESS YOU REQUEST AND RECEIVE WRITTEN APPROVAL OF AN AUDIT WAIVER FROM THE COMMISSION, AS DESCRIBED BELOW.

PLEASE REVIEW THE ATTACHED AGREED UPON PROCEDURE LANGUAGE, AS THE PROCEDURES HAVE CHANGED FOR 2023.

On May 5, 2020, the Nebraska Public Service Commission entered NUSF-33/PI-68, adopting a Remittance Audit Policy ("Policy") that applies to remittances to the NUSF. The Commission's Order and the Policy were mailed to telecommunication carriers on May 6, 2020, and can be found on the Commission website at <https://www.nebraska.gov/psc/ordersearch/>.

Under the Policy, the NUSF remittance audits are conducted on a tier system based on a company's annual remittance surcharge obligation, as follows:

- First Tier: Companies with annual remittances of greater than \$70,000 in a given calendar year will continue to be subject to annual audits. Such audits are mandatory and may not be waived.
- Second Tier: Companies with annual remittances of less than \$70,000 for each of the prior three years will be subject to an audit requirement once every three years. The Commission will notify second tier companies when they are subject to audit under the three-year remittance audit program.

Thomas W. Golden, Executive Director
Public Service Commission

P.O. Box 94927 OFFICE 402-471-3101 FAX 402-471-0254
300 The Atrium, 1200 N Street CONSUMER HOTLINE 800-526-0017
Lincoln, Nebraska 68509

psc.nebraska.gov

[Name of Company] has been selected to be audited pursuant to the Policy. The required audit must be performed at the cost of the carrier by an independent third-party certified public accountant and must use the agreed-upon procedures set forth in the Draft Report of Independent Public Accountants attached hereto.

Also attached hereto is a sample letter with attestation language that is acceptable to the Commission. The independent third-party certified public accountant that you have selected to conduct the agreed-upon procedures should complete the attestation letter and submit it to the NUSF Assistant Director by ***November 1, 2023***, in order for it to be reviewed for appropriateness and signed and returned to the independent third party prior to commencement of the audit.

Companies not in compliance with Commission Orders may be subject to an administrative fine pursuant to Neb. Rev. Stat. § 75-156, which authorizes the Commission to assess fines in an amount up to \$10,000 per violation and up to \$2 million per year. Each day of non-compliance constitutes a separate violation. To avoid the potential assessment of a civil penalty, you must provide the required audit to the Commission by 5:00 p.m. Central Time on December 31, 2023.

The Policy provides that a NUSF remittance audit waiver (“Waiver”) may be available in certain circumstances. A carrier may be considered for a Waiver if the carrier:

- (1) Had annual NUSF remittances of under \$7,000 for each of the prior three years;
- (2) Had no late-filed remittances for each of the prior three years;
- (3) Is in compliance with all applicable Commission Rules and Regulations; and
- (4) Provides a satisfactory explanation for variances as set forth on the NUSF Remittance Audit Waiver Form, which is available on the Commission website at <https://psc.nebraska.gov/telecommunications/nebraska-universal-service-fund>.

Companies with NUSF remittance obligations of less than \$150 for each month during the audit period and no more than three occurrences of late-filed remittances during prior three years may also submit a request for Waiver. Any such request will be reviewed for approval on a case-by-case basis.

Waivers are not provided as a matter of right. Any Waiver will be granted solely at the discretion of the Commission. All waiver requests must be submitted on the NUSF Remittance Audit Waiver Form in Microsoft Excel format as provided on the Commission website, and sent via e-mail to: psc.nusf@nebraska.gov. **ALL WAIVER REQUESTS MUST BE RECEIVED BY THE COMMISSION NO LATER THAN SEPTEMBER 1, 2023.**

The independent third-party conducting this audit exam must be an auditing firm, an accounting firm, or a Certified Public Accountant (CPA) firm that does neither perform, nor has been engaged in performing billing, collection, or remitting functions for the Company, and is not an affiliate or subsidiary of the Company.

Electronic copies of the attestation language, Sample Report of Independent Public Accountants and Audit Waiver forms can be found on the Commission’s website at <https://psc.nebraska.gov/telecommunications/nebraska-universal-service-fund>. **All completed audit waiver forms, attestation letters, and final reports should be sent to:** psc.nusf@nebraska.gov.

Per the Policy, in addition to this audit for the NUSF, if the above-named company provides wireless 911 services in Nebraska, the Company will also be required to file an Enhanced Wireless 911 Surcharge Remittance Audit. Notice of the Enhanced Wireless 911 Surcharge Remittance Audit will be sent to you under separate cover. The audit period and the scope of the audit may include different years for non-annual remittance audits.

Should you have further questions, please contact us at psc.nusf@nebraska.gov.

Sincerely,

A handwritten signature in cursive script that reads "Carrie Gans".

Carrie Gans, Assistant Telecommunications Director
Nebraska Universal Service Fund

CG/bz

Enclosures

[SAMPLE]

[Date]

Ms. Carrie Gans, Assistant Telecommunications Director
Nebraska Universal Service Fund
Nebraska Public Service Commission
300 The Atrium, 1200 'N' Street
Lincoln, NE 68508

Dear Ms. Gans:

In connection with the information provided to you by _____ **(Company Name)** (“the company”) in the monthly NUSF Carrier Remittance Worksheets (“the Worksheets”) for the period _____ **(First Day of Period)** through _____ **(Last Day of Period)** (“the audit period”) for the company, in accordance with Nebraska Public Service Commission (“Commission”) orders, we have been engaged by the company to perform the agreed-upon procedures enumerated in the Attachment to this letter relating to the accuracy of the information provided in the Worksheets.

We will perform this engagement and report our findings in accordance with attestation standards established by the American Institute of Certified Public Accountants. We have not been engaged to, and will not, perform an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accuracy of the information provided in the Worksheets for the audit period for the company, in accordance with Application No. NUSF-1, Progression Order No. 7, of the Nebraska Public Service Commission. Accordingly, we will not express such an opinion.

The procedures set forth in the Attachment to this letter have been agreed upon by the company and you. The purpose of this letter is to obtain agreement to the procedures and acknowledgement that the procedures are appropriate for the purposes of the Commission. The Commission acknowledges that we have no responsibility for verification of any underlying data. Consequently, we make no representation regarding the appropriateness of the procedures either for the purpose of this engagement or for any other purpose. If we were to perform additional procedures, other matters might come to our attention that would be reported to you.

We are required to be independent of **(Company Name)** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

If you accept responsibility for the appropriateness of the procedures enumerated in the Attachment to this letter for your purposes and wish to be named as a designated user of our report, please sign one copy of this letter in the space provided below and return it to us.

Sincerely,

(Name and Company Name of Examiner)

We accept responsibility for the appropriateness of the procedures enumerated in the Attachment to this letter for our purposes.

Nebraska Universal Service Fund, of the
Nebraska Public Service Commission

By:

Carrie Gans, Assistant Telecommunications Director
Nebraska Universal Service Fund

Date

DRAFT

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To _____ (Company Name) and the
Nebraska Public Service Commission:

We have performed the procedures enumerated below, which were agreed to by _____ (Company Name) (“the company”), and the Nebraska Public Service Commission (“PSC”), together defined herein as the Specified Users, with respect to the accuracy of the information provided in the monthly Nebraska Universal Service Fund (“NUSF”) Carrier Remittance Worksheets (“the Worksheets”) for the period _____ (First Day of Period) through _____ (Last Day of Period) (“the audit period”) for _____ (Company Name) (“the company”). The company is responsible for the Worksheets.

The Company has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting in assessing the accuracy of the information provided in the monthly Worksheets for the audit period. The report may not be suitable for any other purpose. Additionally, the Nebraska Public Service Commission (“the Commission”) has agreed to and acknowledged that the procedures performed are appropriate for its purposes. No other parties have agreed to or acknowledged the appropriateness of these procedures for the intended purpose or any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures either for the intended purpose or for any other purpose.

The procedures and the associated findings are as follows:

- I. **Obtain copies of the monthly NUSF Carrier Remittance Worksheets for the audit period for the company, as filed by the company in the online remittance filing system.**

Findings:

- II. **Verify the clerical accuracy of the Worksheets:**

- A. For Worksheets filed for data periods December 2021 and prior: The online remittance filing system automatically calculates the remittance due based on residential line counts reported and business revenues reported, therefore a verification of clerical accuracy is not required. However, if the company completes the monthly NUSF Carrier Remittance Worksheets using an alternative method by using company reports that show the surcharge collected and calculates the residential line counts and/or business revenue amounts using the surcharge amounts; verify the clerical accuracy of the Worksheets by recalculating those lines using the applicable surcharge for the Worksheet data period and note in findings this method was used.
- B. For Worksheets filed for data periods January 2022 and after: The online remittance filing system automatically calculates the remittance due based on residential and business line counts reported and reported revenues of revenue-assessable services, therefore a verification of clerical accuracy is not required. However, if the company completes the monthly NUSF Carrier Remittance Worksheets using an alternative method by using company reports that show the surcharge collected and calculates the residential or business line counts and/or revenues of revenue-assessable services using the surcharge amounts; verify the clerical accuracy of the Worksheets by recalculating those lines using the applicable surcharge for the Worksheet data period and note in findings this method was used.

Findings:

III. Trace and agree to applicable monthly data supporting records of the company:

- A. For Worksheets filed for data periods December 2021 and prior: Trace and agree all amounts reported for residential line counts and business revenue amounts, including any authorized adjustments (such as bad debt or uncollectibles) to the applicable monthly data supporting records of the company. However, if the company completes the monthly NUSF Carrier Remittance Worksheets using an alternative method by using company reports that show the surcharge collected and calculates the residential line counts and/or business revenue amounts using the surcharge amounts; trace and agree amounts included in the Worksheets reflecting residential line counts and business revenue amounts to the monthly data supporting records of the company, and note in findings this method was used.
- B. For Worksheets filed for data periods January 2022 and after: Trace and agree all amounts reported for residential line counts, business line counts, and revenues of revenue-assessable services, including any authorized adjustments (such as bad debt or uncollectibles) to the applicable monthly data supporting records of the company. However, if the company completes the monthly NUSF Carrier Remittance Worksheets using an alternative method by using company reports that show the surcharge collected and calculates the residential line counts, business line counts, and/or revenues of revenue-assessable services using the surcharge amounts; trace and agree amounts included in the Worksheets reflecting residential line counts, business line counts, and revenues of revenue assessable services to the monthly data supporting records of the company, and note in findings this method was used.
- C. Management of the company has represented to us that such data was included in the consolidated financial statements of the company, which were audited by **(us or other independent accountants)**. If not audited, please describe the level of review (i.e. review, compilation, etc. and include specifics related to the procedures within the review/compilation). Management has also represented to us that they have assessed the NUSF surcharge against all intrastate services in accordance with the NUSF rules and regulations. In instances where the process of determining revenues involves any kind of safe harbor, good faith estimate, etc. that is allowed within the FCC 499A instructions, the data should be re-calculated based on the associated process and the Nebraska intrastate data included within the report. Any discrepancies found on the determination of Nebraska intrastate revenues, should be reported on an individual Nebraska code (NE code) level.

Findings:

IV. Include tables detailing the following information:

- A. For Worksheets filed for data periods December 2021 and prior:
 - 1. Business revenue, business surcharge figures, residential line counts, and residential surcharge figures as seen on the monthly NUSF Carrier Remittance Worksheets, obtained by you from the company in step 1 above.
 - 2. Business revenue, business surcharge figures, residential line counts, and residential surcharge figures as found in the applicable monthly data supporting records of the company.
 - 3. Calculated monthly variance between the business revenue, business surcharge, and residential line counts found in the NUSF Carrier Remittance Worksheets obtained as compared to the amounts provided in the applicable monthly data supporting records of the company, by month and total variance for the year.
- B. For Worksheets filed for data periods January 2022 and after:
 - 1. Residential line counts and residential surcharge figures as seen on the monthly NUSF Carrier Remittance Worksheets, obtained by you from the company in step 1 above.
 - 2. Business line counts and business surcharge figures as seen on the monthly NUSF Carrier Remittance Worksheets, obtained by you from the company in step 1 above.
 - 3. Revenues of revenue-assessable services and revenue surcharge figures as seen on the monthly NUSF Carrier Remittance Worksheets, obtained by you from the company in step 1 above.
 - 4. Residential line counts and residential surcharge figures as found in the applicable monthly data supporting records of the company.

5. Business line counts and business surcharge figures as found in the applicable monthly data supporting records of the company.
 6. Revenues of revenue-assessable services and assessable revenue surcharge figures as found in the applicable monthly data supporting records of the company.
 7. Calculated monthly variance between each of the included elements: residential line counts, residential surcharge, business line counts, business surcharge, revenues of revenue-assessable services, and assessable revenue surcharge figures found in the NUSF Carrier Remittance Worksheets obtained as compared to the amounts provided in the applicable monthly data supporting records of the company, by month and total variance for the year.
- C. For all Worksheets filed within the audit period: Obtain and include with this report an explanation from the Company for each month in which the calculated variance between the amounts provided in the applicable monthly data supporting records of the company and the NUSF Carrier Remittance Worksheets meets the following criteria:
1. For first tier companies with annual remittances of greater than \$70,000 in a given calendar year:
 - a. The revenue variance is greater than 5% or greater than \$70,000 in a given month.
 - b. The connection variance is greater than 5% or greater than 2,500 lines in a given month.
 - c. The surcharge variance is greater than 5% or greater than \$5,000 in a given month.
 2. For second tier companies with annual remittances of less than \$70,000 for each of the prior three years:
 - a. The revenue variance is greater than 10% and greater than \$1,500 in a given month.
 - b. The connection variance is greater than 10% and greater than 60 lines in a given month.
 - c. The surcharge variance is greater than 10% and greater than \$100 in a given month.

Findings:

- V. Obtain and provide with this report a statement from the Company explaining the methodology used to calculate the residential and/or business line counts reported in the Worksheets. The statement should include an explanation of any relevant process used to define what constitutes an assessable residential and/or business line count within any relevant billing system to determine the residential and/or business line count to be reported in the Worksheets.

We were engaged by the Company to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, which involves us performing the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accuracy of the information provided in the Worksheets containing data for the audit period for the company. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of **(Company Name)** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the use of the Specified Users and should not be used by anyone other than these specified parties.

Signature of the practitioner's firm

Examiner's Name

Name of Company

Date of the practitioner's report