

**PUBLIC**

Financial and Compliance Audit  
of the Wyoming Universal Service Fund

Administered by the  
Public Service Commission of Wyoming

Report on Agreed-Upon Procedures  
Fiscal Years Ending 2015 and 2016

**Public Service Commission of Wyoming**  
**Wyoming Universal Service Fund Audit**  
**Fiscal Years 2015 and 2016**

Table of Contents

Transmittal Letter .....	1
Executive Summary.....	2
<b>Independent Accountant’s Report on Applying Agreed-Upon Procedures .....</b>	<b>5</b>
<b>Appendix I: Supplementary Data .....</b>	<b>6</b>
<b>Appendix II: Major Business Process Workflow and Risk and internal control Matrix (Non-Confidential).....</b>	<b>15</b>
<b>Appendix III: Validation of the Methodology to Determine Annual WUSF Surcharge.....</b>	<b>32</b>
<b>Appendix IV: Validation of Carriers data inputs provided in WUSF Annual Report (Confidential) .</b>	<b>33</b>



Transmittal Letter

December 18, 2017

Wyoming Public Service Commission  
Melisa Mizel, Wyoming Universal Service Fund Manager  
2515 Warren Ave., Suite 300  
Cheyenne, WY 82002

We appreciate the opportunity to provide you our report reflecting the Agreed-Upon Procedures we performed during the course of our audit of the Wyoming Universal Service Fund (WUSF) administered by the Public Service Commission of Wyoming (WPSC).

This report presents the results of the Agreed-Upon Procedures performed on the WUSF's financial records in calculating the weighted statewide average and \$30 imputed price benchmark for the fiscal years 2014-2015 and 2015-2016. Its purpose is to ensure the financial records are accurate and consistent, and accounting controls are adequate; to ensure the methodology, data and inputs used and the formula for calculating WUSF annual assessment rate are accurate, appropriate, and applied uniformly for companies; and to ensure compliance in the application of the methodology used by companies for calculating consistently, the remittances of the WUSF assessment rate and other applicable taxing authorities to their intrastate retail revenue.

Following the accountant's report, we provided a summary of the procedures performed, together with the results in Appendix I and other supplementary information.

The review was performed in accordance with the Statements on Standards for Attestation Engagements established by the American Institute of Certified Public Accountants. Accordingly, we do not express an opinion on the summary and any information with the report.

We previously provided to the WPSC WUSF management, a draft report reflecting the Agreed-Upon Procedures and the results. Management provided written responses subsequent thereto, these responses have been considered and incorporated into the formation of the final draft report.

Thank you for providing us the opportunity to work with you and to conduct the audit of the WUSF.

Sincerely,

*safolabi*

Samson Afolabi, CPA, CMA, CFM, FCA, CGMA  
Principal

## Executive Summary

### **I. Background and Operations**

The Wyoming Universal Service Fund (WUSF) was created by the passage of the Wyoming Telecommunications Act of 1995 (Wyoming Statutes §§ 37-15-101 through 37-15-502). The Act has since been amended, most recently during the 2015 legislative session. Significant statutory changes effective July 1, 2015 include the substitution of a \$30.00 imputed price benchmark for the 130% of weighted statewide average essential local exchange service price, and the creation of an optional election to receive support under a cost-based methodology, which is subject to a statutory cap. The amended primary statute related to the WUSF Wyo. Stat. § 37-15-501 provides for creation of the universal service Fund, contributions to the Fund, and its administration.

The Public Service Commission of Wyoming (The Agency) is the administrator of the WUSF and has employed a Fund Manager to handle the daily activities of receiving payment, determining support payment, and gathering of all data necessary to design and support the assessment rate. The Fund is administered by the Agency with all telecommunication companies contributing to the universal service fund from monthly charges collected from their customers. The Agency sets dates for contributions to the Fund and disbursements from the Fund. The Agency has the responsibility for designating the method by which the contributions shall be calculated, collected and distributed. The Agency authorizes a monthly charge to telecommunications customers to recover each contributor's required payment to the universal service Fund.

### **II. Objectives**

The objective is to perform the Agreed-Upon Procedures to ensure the Fund management responsibilities are performed in accordance with Wyoming Statutes, Rules, Orders, and Administrative Guidelines in calculating the weighted statewide average and benchmark for fiscal years 2014-2015 and 2015-2016; to ensure the financial records are accurate and consistent, and accounting controls are adequate; to ensure the methodology, data and inputs used and the formula for calculating WUSF annual surcharge are accurate, appropriate, and applied uniformly for companies; and the methodology used by companies for revenue are consistent and remittances to WUSF and other taxing authorities are appropriate;

### **III. Scope**

The scope of the financial audit was for the fiscal years 2014-2015 and 2015-2016; and was limited to those matters and agreed upon procedures listed in Appendix I that have a direct and material effect on the Fund and evaluation of the contributions and disbursements, reporting, content and underlying records of the Fund.

### **IV. Methodology**

To accomplish the audit objectives and scope stated above, we organized the audit into three major phases, which include: planning; internal control design evaluation; and internal control operating effectiveness and substantive testing phases.

During the planning phase, we reviewed the WUSF laws, regulations, policies and procedures, and accounting practices to understand the WUSF operations, practices and accounting cycles. Also, we

reviewed all the reports on the previous audit engagements to determine if there are any findings and corrective actions to resolve the findings including any recommendations; and the status of the corrective actions. Furthermore, we performed preliminary analytical procedures on the WUSF financial information by comparing the FY 2014 - 2015 and FY 2015 – 2016 financial information.

The primarily objective of the analytical procedures is to:

- Identify and assess any inherent or control risks within the monthly account balances;
- Identify and understand the significant accounting policies and procedures; and
- Determine the nature and extent of any additional audit procedures to be performed in addition to the agreed upon procedures.

We used the US Government Accountability Office’s (GAO) general accepted auditing standard analysis benchmark of 10 percent, as our benchmark to evaluate and understand any fluctuations greater or less than benchmark. Therefore, any relative variance greater or less than the benchmark was considered significant fluctuation that was further investigated to understand and document the nature and impact of the changes on WUSF operations and financial reporting.

During the internal control design evaluation and operating effectiveness testing phase, we conducted interviews with WUSF subject matter experts (SMEs) to identify, understand and document the accounting cycles (business processes); and preliminary assessed risk material misstatement associated with processing transactions through the WOLFs system, QuickBooks and Annual Reporting and the Assessment Rate Calculation Model and Disbursement Models (MS Excel Workbook). Also, identify and document the internal control activities put in place by management to mitigate the risk of material misstatement. We used flowcharts to document our understanding of the accounting cycles; risk and control matrix to document our understanding and risk assessment and control activities (see Appendix II).

Also, we performed interviews and walk-throughs with the SMEs to evaluate the design of the internal control activities surrounding the accounting cycles, the WOLF system and QuickBooks accounting entries; Annual Reporting and the Assessment Rate Calculation Model and Disbursement Models to determine if there are adequate controls to mitigate the risk of material misstatement. Furthermore, we used judgment to select samples of monthly support payment and revenue transactions from the WOLFs revenue and expense report from July 2014 - June 2016. We inspected source documents of the transactions to validate whether the internal control activities surrounding the processing of transactions through the accounting cycles such as the WOLF system and QuickBooks accounting entries; Annual Reporting and the Assessment Rate Calculation Model and Disbursement Models (MS Excel Workbook) were operating effectively. This means transactions were properly approved, authorized, complete, accurate, consistent and the amounts were reasonable.

During the substantive or detail testing phase, we systematically selected twenty carriers, including twelve carriers that were considered as high-risk by the Fund manager, to perform a detailed review and analysis of their financial information submitted for the WUSF to ensure they were accurate, consistent and reasonable. This included a review and analysis of the FY 2015 and FY 2016 annual reports, intrastate retail revenue amount reported in the WUSF annual reports, individual customer monthly billing statements for the months of May 2015 and June 2016 in each zone and each service customer type offered within the zone (residential and/or business); carrier’s provided description of how the WUSF assessment rate is calculated on their billing system for customer bills; any monthly support payment received from WUSF (if, applicable) for the fiscal year 2015 and 2016; and the

monthly High Loop Cost (HCL), High Cost Model (HCM), and Frozen High Cost Support (FHCS) support payments received from the Federal Universal Service Fund (FUSF) for calendar year 2013 and 2014 for the fiscal years ended 2015 and 2016 (see Appendix III, and IV).

## V. Summary of Results

During the planning phase, we noted that there were prior audit findings and recommendations that had to be corrected. Upon further inquiries and reviews, we noted that the corrective actions have been implemented by WUSF management to correct the findings and recommendations. Also, during our conversation with the WUSF Fund Manager, we identified twelve (12) carriers that were considered as high-risk. These twelve (12) carriers were included as part of twenty (20) carriers systematically selected for substantive testing. As a result of the analytical procedures, we noted significant fluctuations in the WUSF monthly total cash receipts and disbursement amounts during the last quarter of 2014. Upon further investigation, we determined that the monthly fluctuations during this time frame were due to changes and reshuffling of WUSF personnel. As a result, we *preliminarily* assessed overall control risk of Fund management operation and financial reporting as moderate. Therefore, we considered additional internal control testing procedures, in addition to the Agreed-Upon Procedures to ensure the internal controls are adequately designed and operating effectively to mitigate the risk of material misstatement of monthly cash receipts and disbursements.

During our evaluation of the internal control design, we identified five significant accounting cycles (business processes) used by the WUSF Fund Manager to support fund operations and financial reporting. These accounting cycles have twenty-six key internal control activities used by the WUSF Fund Manager to mitigate the control risk of Fund management operation and financial reporting, and compliance with Wyoming Statutes, Rules, Orders, and Administrative Guidelines in calculating the weighted statewide average and \$30 imputed price benchmark for fiscal years 2014-2015 and 2015-2016 (see Appendix II). Upon performing internal control operating effectiveness testing by validating the supporting documentation for monthly cash receipt and disbursement transactions; the Annual Reporting and Assessment Rate Calculation Model; and Disbursement Model. We did not identify any deficiency in the internal control surrounding the Fund management operations and financial reporting that we would consider as reportable conditions or a material weakness. As a result of our internal control examination, we reassessed the overall Fund management operations and financial reporting control risk as low.

During our substantive testing, we noted the following issues after validating the carrier's annual report and customer billings with WUSF and USAC records that we would like to bring to management's attention: We noted that:

**Confidential Notes have been redacted from this Public Report.**

# Samson T.A. and Associates, PLLC

GSA Federal Supply Schedule, Graduated 8(a), SDB, DBE, & MBE, DC DOT DBE

1629 K Street, NW, Suite 300, Washington, DC 20006  
Tel: (202) 595-9369, (240) 603-1434  
Fax: (202) 554-9370

*Certified Public Accountants  
& Management Consultants*

*Email: safolabi@samsontacpa.com  
Website: samsontacpa.com*

## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

Public Service Commission of Wyoming  
Wyoming Universal Service Fund

We have performed the procedures described in Appendix I, which were agreed upon by the Public Service Commission of Wyoming Universal Service Fund management, solely to assist the specified party in assuring the Wyoming Universal Service Fund (WUSF):

The Public Service Commission of Wyoming is performing the management responsibilities in accordance with Wyoming Statutes, Wyoming Public Service Commission Rules, Orders, and Administrative Guidelines in calculating the weighted statewide average and \$30 imputed price benchmark for fiscal years 2014-2015 and 2015-2016:

- The WUSF financial records are accurate and consistent, and accounting controls are adequate;
- The methodology, data and inputs used and the formula for calculating WUSF annual assessment rate are accurate, appropriate, and applied uniformly for telecommunications companies; and
- The methodology used by companies for gross intrastate retrieval revenue are assessed consistently and remittances of WUSF assessment payments and other taxing authorities are appropriate.

This Agreed-Upon Procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the party specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures describe in Appendix I either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are in Appendix I on this report. We were not engaged to conduct an examination, the objective of which would be the expression of an opinion on the accompanying statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Public Service Commission of Wyoming for the Wyoming Universal Service Fund and is not intended to be and should not be used by anyone other than this specified party.

*Samson T.A. and Associates, PLLC*

Washington, DC  
December 18, 2017

## Supplementary Data

### Appendix I: Detail Agreed-Upon Procedures and Audit Results (Non-Confidential)

Phase I: Agreed-Upon Procedures: Review financial records for accuracy and consistency that include:

- Review QuickBooks accounting entries and reconciliations for accuracy and consistency.
- Review Excel spreadsheets used to compute the WUSF calculations and assessment rate.

Additional Audit Procedures:

We conducted interviews and a walkthrough with the Fund manager and Fund analyst to identify, understand and document the internal Control activities surrounding the WOLFs and QuickBooks accounting entries; Assessment Rate Calculation Model and Disbursement Model used to compute the WUSF assessment rate and monthly support payments.

We evaluated the design of the internal control surrounding the WOLFs system and QuickBooks accounting entries; the Assessment Rate Calculation Model and Disbursement Model to determine whether there are adequate internal control activities to mitigate the risk of material misstatement (inherent and control risk) associated with the accounting entries, computation the WUSF surcharges and support payments. This included, identifying and analyzing the risk of material misstatement (What Can Go Wrong) associated with the processing transactions through these systems.

Also, we reviewed and analyzed the population of accrued and cash expenditure, and monthly revenue collections transactions in WOLFs revenue and expense report from the July 2014 -June 2016. We used our judgment to select a sample of thirty-six (36) monthly support payment and twenty (20) monthly revenue collected transactions from the July 2014 - June 2016 WOLFs revenue and expense report. We then performed the following audit steps to determine whether the accounting entries were complete, accurate, and consistent and the amounts were reasonable:

- Traced the company name, state vendor identification number and monthly support payment amount via WOLFs report to the letter of monthly support payment notification mailed out to carriers to notify them of the monthly support payment disbursement.
- Verified if the letter of notification was reviewed and signed by the Fund manager and PSC Administrator to ensure the transaction was properly authorized and approved.
- Traced the company name, document identification number and monthly support payment amount via WOLFs report to the WOLF system Budget Expenditure and Encumbrance Transaction Report to ensure the accounting entries were properly processed in the State of Wyoming accounting system (system of record).
- Traced the company name and monthly support payment amount via WOLFs accounting entries to the bank records (Wells Fargo) or Wyoming State Treasurer's Report to ensure the payment were properly disbursed to the carriers.
- Traced the company name, state vendor number and monthly support payment, via WOLFs accounting entries to either the W.S. §37-15-501(d) Disbursement Models or (g) to ensure completeness, accuracy and consistency.



- Recomputed the Disbursement Models pursuant to W.S. § 37-15-501(d) and (g) to validate the formulas to ensure the monthly support payment calculated disbursements were reasonable.
- Traced the company name, state vendor number and monthly support payment, via WOLFs to the QuickBooks WUSF monthly reconciliation schedule to ensure transactions were properly reconciled.
- Traced the company name and monthly collected WUSF assessment revenue amount via the WOLFs accounting entries to the WUSF's Telecommunications Company Revenue and Assessment Report (TCRAR) submitted by the company.
- Traced the WUSF assessment rate for the reporting period per the TCRAR to the WUSF assessment rate calculation model to determine if the rate is reasonable.
- Re-computed the total WUSF monthly collected WUSF assessment revenue by multiplying the WUSF assessment rate for the reporting period by the total gross intrastate retail revenue to determine if the amount is reasonable.
- Verified whether the Telecommunications Company Revenue and Assessment Report (TCRAR) was signed and dated by a company official.
- Traced the company's Docket Management System number per the TCRAR to the PSC Docket Management System records.
- Traced the document identification number and amount via WOLFs to the State of Wyoming Receipt and Transmittal form.
- Verified whether the State of Wyoming Receipt and Transmittal form was properly authorized (signed).
- Traced the WUSF assessment revenue collected amount, reporting period and company's name via WOLFs to the State Treasury's Information Report or Bank Records (Wells Fargo).

#### Results:

As result of our review of the financial records for accuracy and consistency, we did not identify any significant internal control deficiency that will require us to bring to management's attention. The design or operation of the internal control activities at the WPSC level are adequate and effective to mitigate the risk of material misstatement of the Fund management operations and financial reporting. As a result, we reassessed the control risk for the WPSC fund management level as low.

Phase II: Agreed-Upon Procedures: Review adequacy of accounting controls that include:

- Review the WUSF accounting process.
- Review processes of recording revenue deposits and disbursements.

#### Additional Audit Procedures:

We conducted interviews and a walkthrough with the Fund manager, Fund analyst, WPSC Chief Fiscal Officer and WPSC lead docket analyst to identify, understand and document the significant accounting cycles (business processes) used by the Fund manager to support Fund operations and financial reporting. This included identifying the internal control activities surrounding accounting cycles, and risk of material misstatement associated with processing transactions through the accounting cycles.

Also, we evaluated the design of the internal controls surrounding accounting cycles to determine whether there are adequate internal control activities to mitigate the risk of material misstatement. Furthermore, we used multipurpose testing methodology to validate whether the internal control activities are operating effectively. Meaning we used the same audit steps listed in Phase I, to validate the internal control activities surrounding the accounting cycles to determine whether the internal control activities were operating effectively.

#### Results:

As result of our review, we identified the five (5) major accounting cycles with twenty-six (26) significant risk and key control activities to mitigate the risk (**See Appendix II**). We considered the design of the internal control activities for Fund management operations and financial reporting as adequate, and are operating effectively. As a result, we reassessed overall control risk for Fund management operations and financial reporting as low.

Phase III: Agreed-Upon Procedures: Review methodology for determining annual WUSF assessment rate that include:

- Reviewing source data and inputs in determining the annual WUSF assessment rate.
- Review the formula for calculating annual WUSF assessment rate.

#### Additional Audit Procedures:

We conducted interviews and a walkthrough with the Fund manager and Fund analyst to identify, understand and document the internal controls surrounding the methodology used to determine the annual WUSF assessment rate. This included the source data and inputs used to determine and calculate the WUSF assessment rate. As part of the audit we identified and analyzed the risk associated with the Annual Reporting and Assessment Rate Calculation Model. Also, we evaluated the design of the internal controls surrounding the Annual Reporting and the Assessment Rate Calculation Model to determine whether there are adequate internal control activities to mitigate the risk associated with Annual Reporting and the Assessment Rate Calculation Model. Furthermore, we validated the internal control activities to determine whether the internal control activities are operating effectively. We used a multipurpose testing approach to validate the operating effectiveness of the control activities and are part of the audit steps listed in Phase I. Also, we performed the following audit steps to further substantiate the Annual Reporting and Assessment Calculation Model:

- Traced the FY 2015-2016 Imputed Price Benchmark (\$30.00) Annualized Monthly Support Payment for the disbursement model subsection to determine whether it is complete, accurate, consistent and reasonable.
- Traced the FY 2015-2016 Maximum W.S. §37-15-501(g) Disbursements to the disbursement model to determine whether it is complete, accurate, consistent and reasonable
- Re-computed the Total FY 2015-2016 Annualized Maximum Disbursement to determine whether it is reasonable.
- Validated the FY 2015-2016 WUSF Annualized Administrative Expense and re-compute to the estimated monthly and annual administrative expense to determine whether it is reasonable.

- Re-computed the FY 2015-2016 WUSF 3-Month Fund Reserve to determine whether it is reasonable.
- Traced the Current Reserve as of March 31, 2015 for the March balance to the FY 2014-2015 WUSF Month End Activity Summary report to determine whether it is complete, accurate, consistent and reasonable.
- Re-computed the FY 2015-2016 WUSF Fund Reserve Net Requirement to determine whether it is reasonable.
- Traced the investment income to FY 2014-2015 WUSF Month End Activity Summary through March and re-compute the average investment income to determine whether it is reasonable.
- Re-computed FY 2015-2016 revenue requirement to determine whether it is reasonable.
- Re-computed the projected revenue to determine whether it is reasonable
- Re-computed the FY 2015-2016 Projected Assessment Rate to determine whether it is reasonable

Results:

As result of our review of the methodology for determining the annual WUSF assessment rate, we did not identify any significant internal controls deficiency that will require us to bring to management's attention. As such, we conclude that the methodology for determining the annual WUSF assessment rate is complete and reasonable (See Appendix III).

Phase IV: Agreed-Upon Procedures: Review methodology used by wireless companies to determine remittances to the WUSF that include:

- Review selected wireless company's current processes to determine if based on good faith methods by which they collect and submit WUSF assessment fees the WUSF.
- Review of wireline, wireless and broadband carrier bills to determine whether the application of the WUSF assessment fees on customer bills and appropriate categories of gross intrastate retail revenues are accurate.
- Review and validate whether the methodologies used by wireless companies to determine gross intrastate retail revenues are consistent.

Additional Audit Procedures:

We selected a sample of wireless companies to review their current process. For each company in the sample we performed data analysis and compared amounts reported on the WUSF assessment reports. The applicable charges were determined and we applied the effective rate for the period of the reports. We compared the results to what was reported on the assessment reports. For the wireless carrier companies selected, we reviewed a sample of customers' bills and the methodology used to determine gross intrastate retail revenues. We determined whether this methodology was consistent between customers and between the selected carriers.

Results:

As result of our review of the wireless company's methodology used to determine remittances to the WUSF, we did not identify any significant deficiency in the methodology that requires us to bring to management's attention. As such, we conclude that the methodology used by wireless companies to

determine remittances to the WUSF are reasonable.

Phase V: Agreed-Upon Procedures: Validate data inputs provided in WUSF Annual Reports for calculation in FY 2014- 2015 and FY 2015-2016 that include:

- Review and verify WUSF Annual Reports from FY 2014-2015 and FY 2015-2016.
- Review WUSF calculations to see if inputs are the same as provided in WUSF Annual reports.
- Review Universal Service Administrative Company (USAC) reports to verify company compensation of High Loop Cost (HCL), High Cost Model (HCM), and Frozen High Cost Support (FHCS) support payments received were consistent with reporting

Additional Audit Procedures:

We validated financial records of fifteen (15) companies required to submit their WUSF annual reports for the calculation of the FY 2014-2015 and FY 2015-2016 WUSF assessment rate. We reviewed and analyzed their annual reports and customer billing statements by performing the following:

- Validated whether the service provider submitted notarized annual report for FY 2014-FY 2015 and FY 2015-2016;
- Validated whether the Service provider realized any gross intrastate revenue for the reporting period;
- Determined the customer billing rates, number of lines and gross intrastate revenue associated with the customer billing rate by base and zone rates;
- Recomputed the total number of lines and the gross intrastate revenue;
- Traced the customer billing rates to the customer billing statement;
- Traced the billing rate, number of access line and monthly total gross revenue per the annual report to WUSF's Disbursement Model;
- Determined the WUSF monthly support payments credited to customers per their billing statements;
- Recalculated the total credited WUSF monthly support payment amounts to customers;
- Traced the total credited WUSF monthly support payment amounts to the WUSF Disbursement Model;
- Determined whether the company receive any Federal High Cost Program support payments during the year;
- Determined the compensation of Federal Universal Support Fund (FUSF) compensation of High Loop Cost (HCL), High Cost Model (HCM), and Frozen High Cost Support (FHCS) support payments received compared to those reported in the company's WUSF Annual Report; and
- Traced the FUSF's cost to the Universal Service Administrative Company (USAC) reports.

Results:

During our review and analysis of the WUSF annual reports and customer billing statements, we did note a few discrepancies; however, after discussions with the Fund manager and Fund analyst, they were able to explain why the discrepancies existed and we have no further concern regarding these discrepancies.

Phase VI: Agreed-Upon Procedures: Validate methodology is applied uniformly for the WUSF calculation that include:

- Review calculation of WUSF calculations and assessment rate to ensure methodology was applied consistently to embedded companies; and,
- Review calculation of WUSF calculations and assessment rate to ensure methodology was applied uniformly for non-embedded companies.<sup>1</sup>

Additional Audit Procedures:

We conducted interviews and a walkthrough with the Fund manager and Fund analyst to understand the calculation of the WUSF monthly support payments for the embedded and non-embedded companies. Based on our understanding, we identified and analyzed the risk of material misstatement associated with the calculation of the WUSF monthly support payment, including identifying the internal control activities to mitigate the risk. Also, we evaluated the design of the internal control activities to determine whether they are adequate to mitigate the risk.

Furthermore, we performed the following audit steps to determine whether the calculation of WUSF is reasonable and the methodology was applied consistently to embedded companies and uniformly for non-embedded companies:

- Traced sample of company's number of access lines per the Disbursement Model to the company's WUSF Annual Report;
- Traced sample of company's FUSF support payment per the Disbursement Model to the company's WUSF Annual Report;
- Traced sample of company's tariffs (charges) per the Disbursement Model to the company's residential customer billing statements attached to the WUSF Annual Report;
- Traced sample of company's FUSF incremental credits per the Disbursement Model to the company's residential customer billing statements attached to the WUSF Annual Report;
- Traced sample of company's WUSF credits per the Disbursement Model to the company's residential customer billing statements attached to the WUSF Annual Report;
- Re-computed sample of company's FUSF incremental adjustment on the Disbursement Model;
- Re-computed sample of company's net price over the WUSF benchmark on the Disbursement Model;
- Re-computed sample of the company's qualifying WUSF support monthly payment on the Disbursement Model;
- Verified whether the company's WUSF Incumbent or Competitive Local Exchange Carrier Proprietary Annual Report was signed and notarized;
- For elected companies, re-computed a sample of the company pro-rata distributions pursuant to W.S. § 37-15-501(e)(ii) on the Disbursement Model pursuant to W.S. § 37-15-501(g).

Results:

As result of our validation of the methodology used to calculate the WUSF to determine whether it

---

<sup>1</sup> The terms "embedded and non-embedded" refer to whether the company explicitly displays federal universal fund support in the price paid by the customer.

is uniformly and consistently applied to embedded companies and for non-embedded companies. We did not identify any material misstatement or deficiency in the application of the methodology, therefore we conclude that the WUSF calculation and assessment rate are complete, reasonable, uniformly and consistently applied to embedded companies and for non-embedded companies.

Phase VII: Agreed-Upon Procedures: Review methodology used by wireline companies to determine remittances to the WUSF, ensure correct application of additional allowable charges on customer bills and line counts and rates are correct, that include:

- Review the calculation of WUSF assessment rate is applied on customer's bill. The WUSF assessment rate should be assessed against "gross intrastate retail revenues" before application of FUSF and WUSF. This includes selecting from each company's exchange as well as residential and business customer bills of Wyoming incumbent carriers the Incumbent Local Exchange Carriers (ILECs) and operating Competitive Local Exchange Carriers (CLECs).
- Verified the correct application of the Subscriber Line Charge for business and residential customers. Residential not to exceed \$6.50 per line, and Business not to exceed \$9.20 per line.
- Verified the correct application of Access Recovery Charge (ARC) where applicable on customer's bill to ensure reduction in terminating access rate, FCC Order modifying the ICC/FUSF, is balanced.
- Verified the correct application of Federal Excise Tax, State Revenue and Local Tax, and 911 surcharge.
- Verified telephone relay surcharge is \$0.08 per line.
- Verified the correct application of the FUSF surcharge.
- Verified telecommunication service providers are preparing and reporting the correct line counts and rates

Additional Audit Procedures:

We performed the following additional procedures to accomplish the Agreed-Upon Procedures stated above:

- Traced carrier's intrastate revenue to carrier's financial records;
- Reviewed and analyzed carrier's intrastate revenue assessment to determine if the remittance to WUSF is reasonable and compliance with WUSF requirements;
- Used judgment to select a sample of the customer billing statements specifically for the months of May 2015 and June 2016;
- Reviewed and analyzed the customer billing statements to ensure the revenue is compliance with WUSF Agreed-Upon Procedures stated above; and Re-computed the FY 2014-2015 and FY 2015-2016 Federal Excise Tax, State Revenue and Local Tax, 911 surcharge, WUSF and FUSF rates.

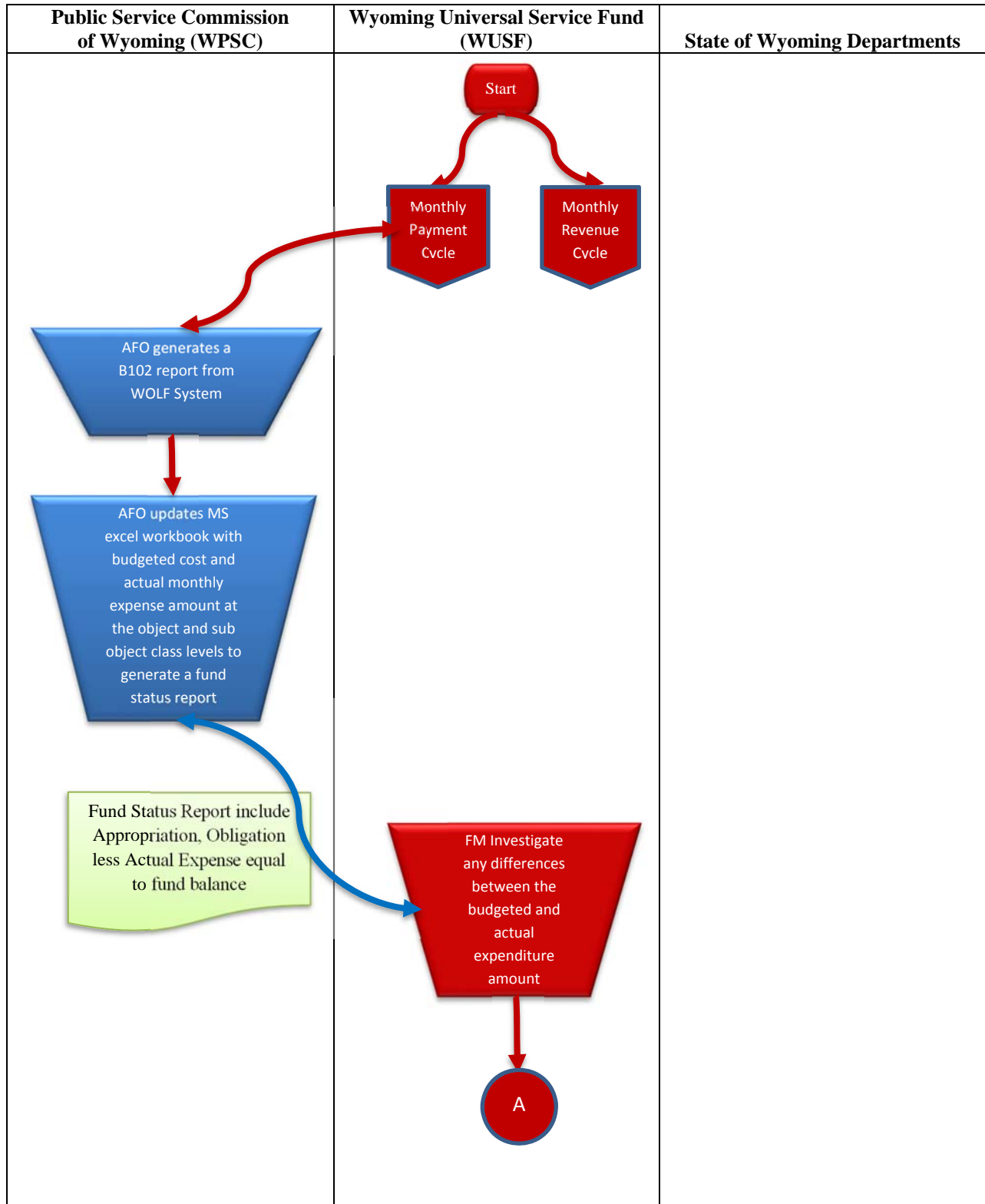
Results:

As result of our detail review of wireline company customer billing statements to determine whether the correct additional allowable charges on customer bills and line counts and rates were correctly applied, we noted the following:

**Confidential Notes have been redacted from this Public Report.**

**Appendix II: Major Business Process Workflow and Risk and Internal Control Matrix  
(Non-Confidential)**

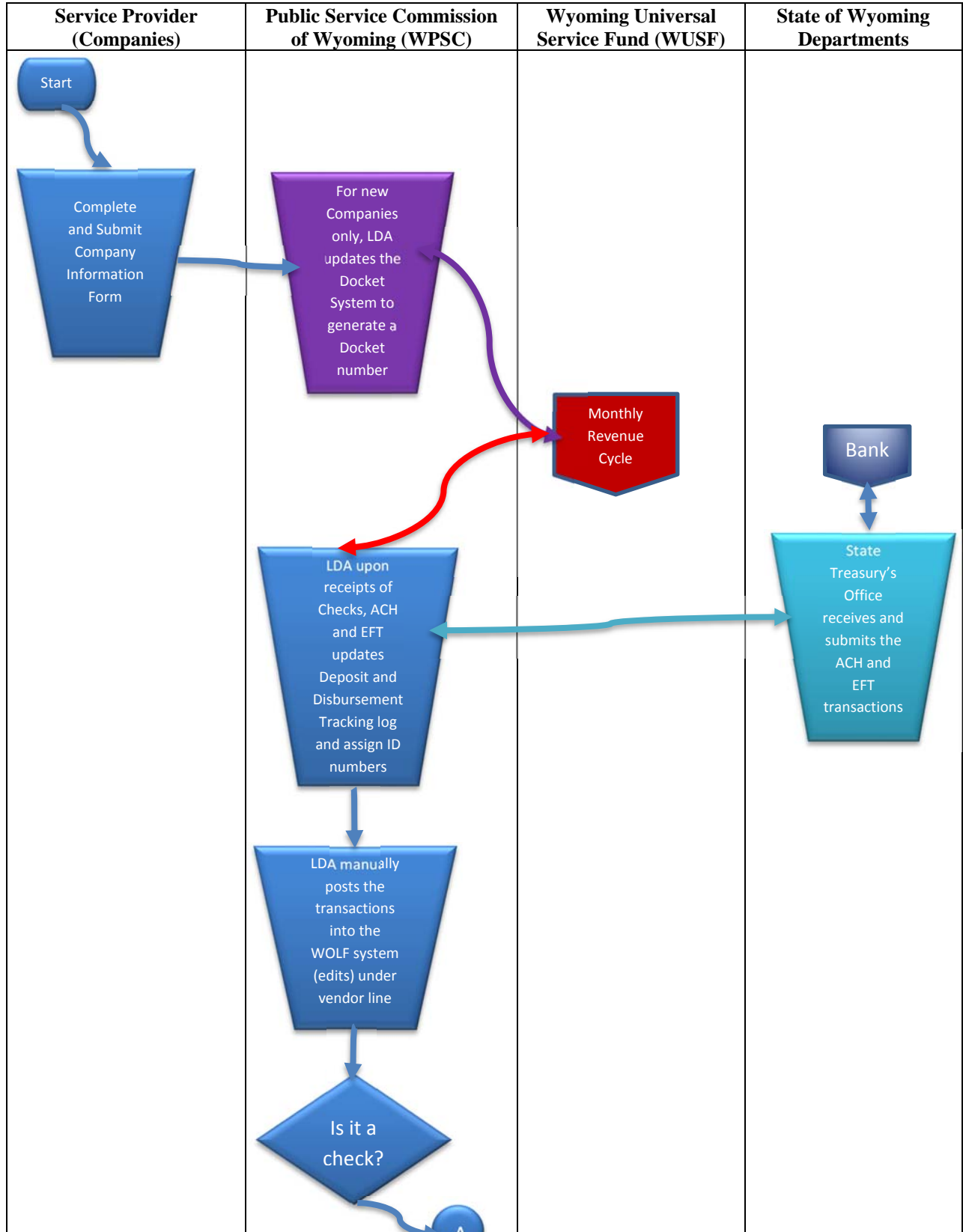
Budget

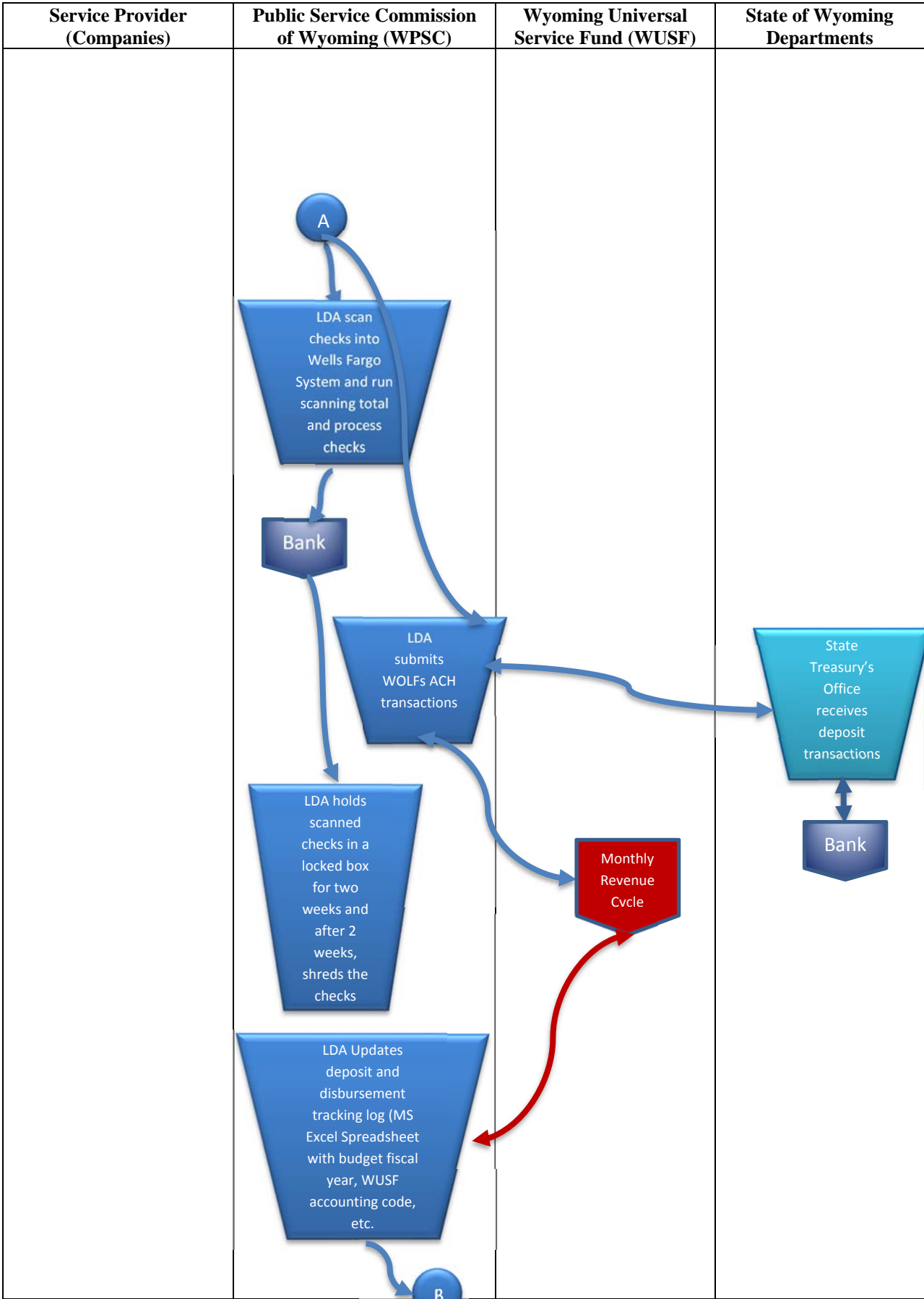




Public Service Commission of Wyoming (WPSC)	Wyoming Universal Service Fund (WUSF)	State of Wyoming Departments
<pre> graph TD     A["AFO updates the MS excel workbook with the resolved information"] --&gt; B["AFO updates WOLF system with resolved budget data and generate the BEG90E report to validate the transaction for completeness"]     B --&gt; C((end))           </pre>	<pre> graph TD     A((A)) --&gt; B["If applicable, FM request the reprogram of funds by moving funds from one sub object class level to the other with the approval of the administrator."]           </pre>	<pre> graph TD     A["AFO updates the WOLF System with the new budget amounts for each object class"]           </pre>
<p>Information system used to support Process</p>		

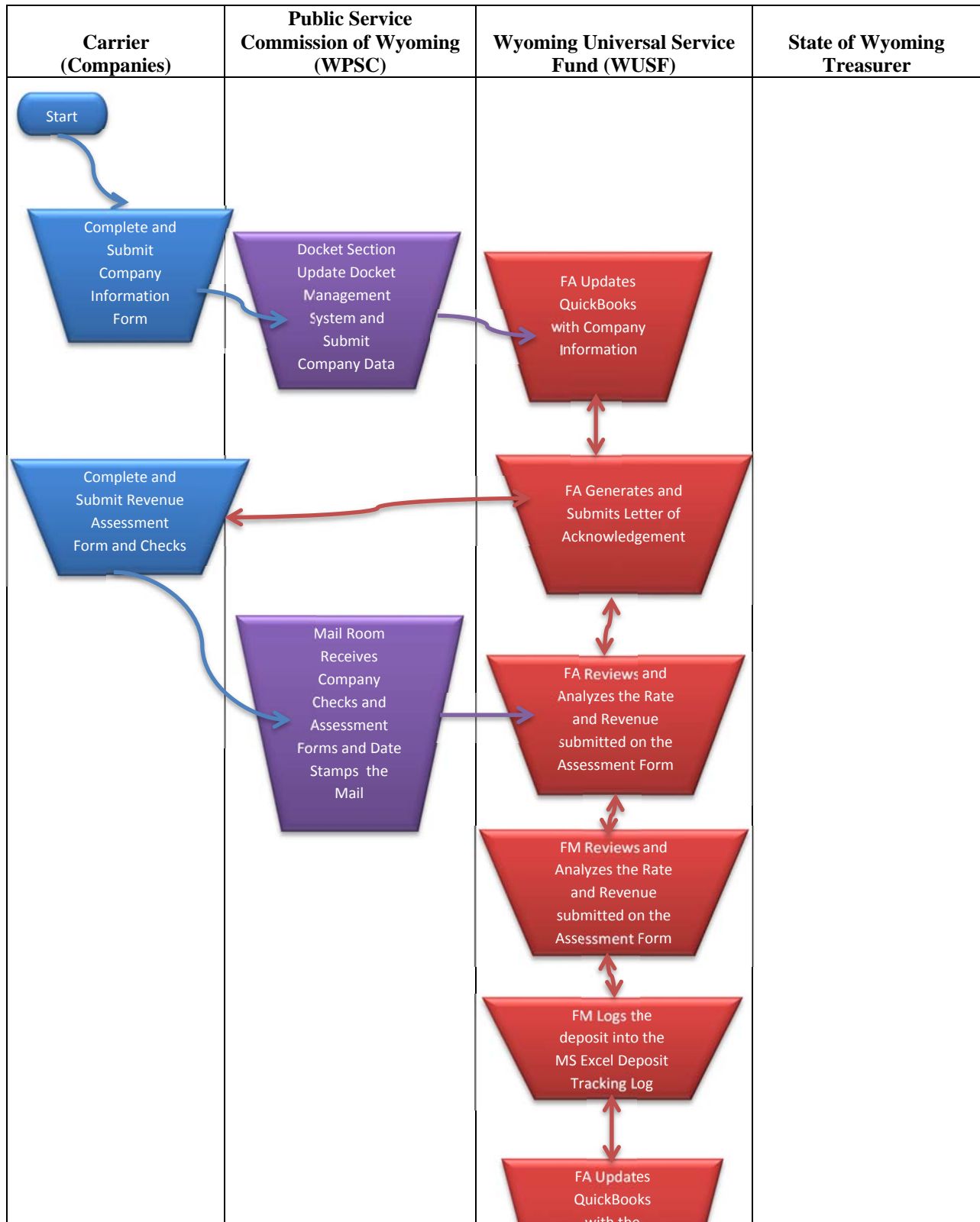
Cash Management Cycle (Cash Deposit and Disbursement)

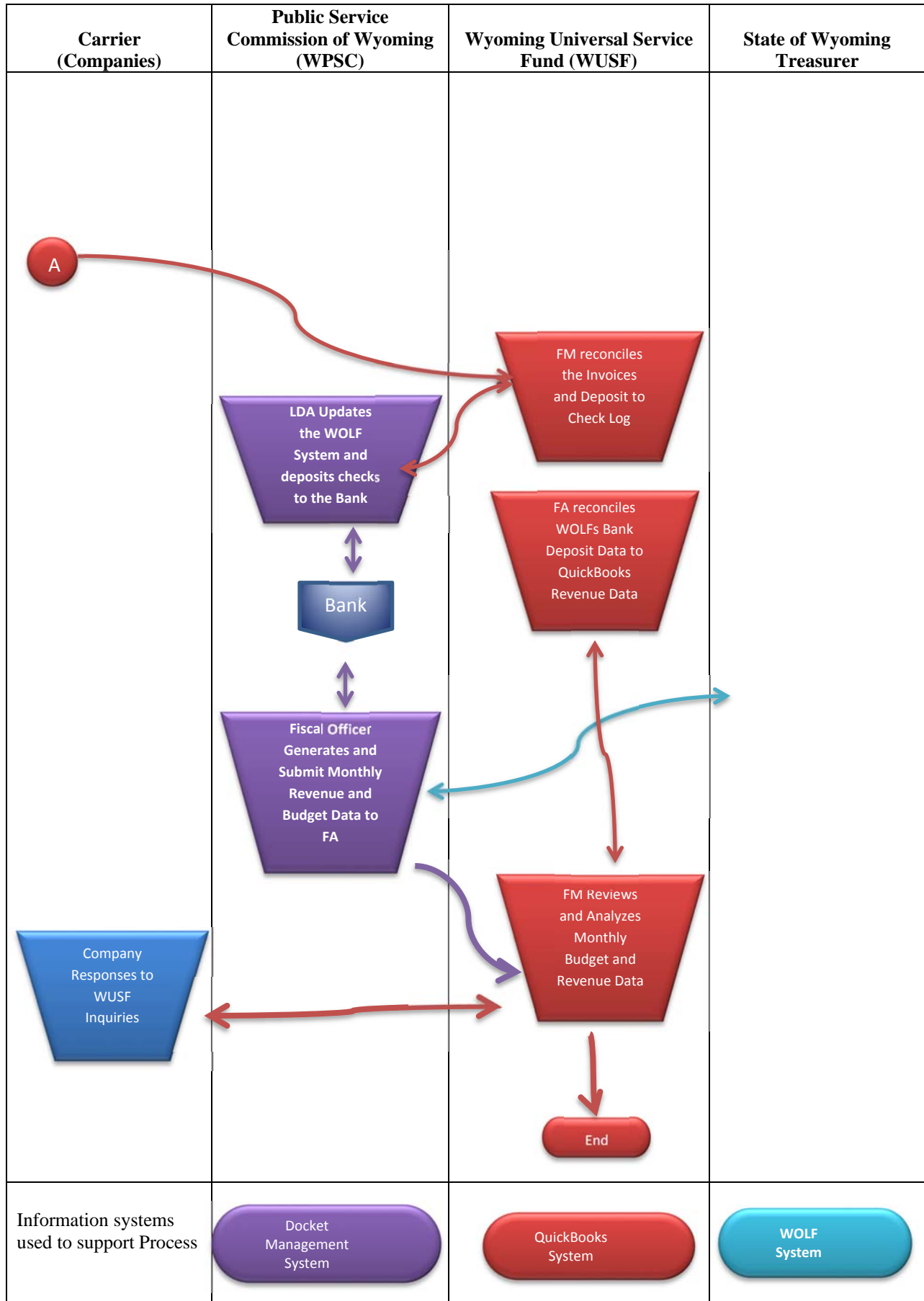




Service Provider (Companies)	Public Service Commission of Wyoming (WPSC)	Wyoming Universal Service Fund (WUSF)	State of Wyoming Departments
	<pre> graph TD     B((B)) --&gt; A[LDA posts transactions to the WOLF system and generates a voucher payable number from the monthly payment letters provided by FM]     A --&gt; B[AD review, sign and date the monthly support payment letters]     B --&gt; C[LDA Updates deposit and disbursement tracking log (MS Excel Spreadsheet with voucher payable number)]     C --&gt; D[LDA reviews Deposit and Disbursement Log with WOLF's records]     D --&gt; E((End)) </pre>		

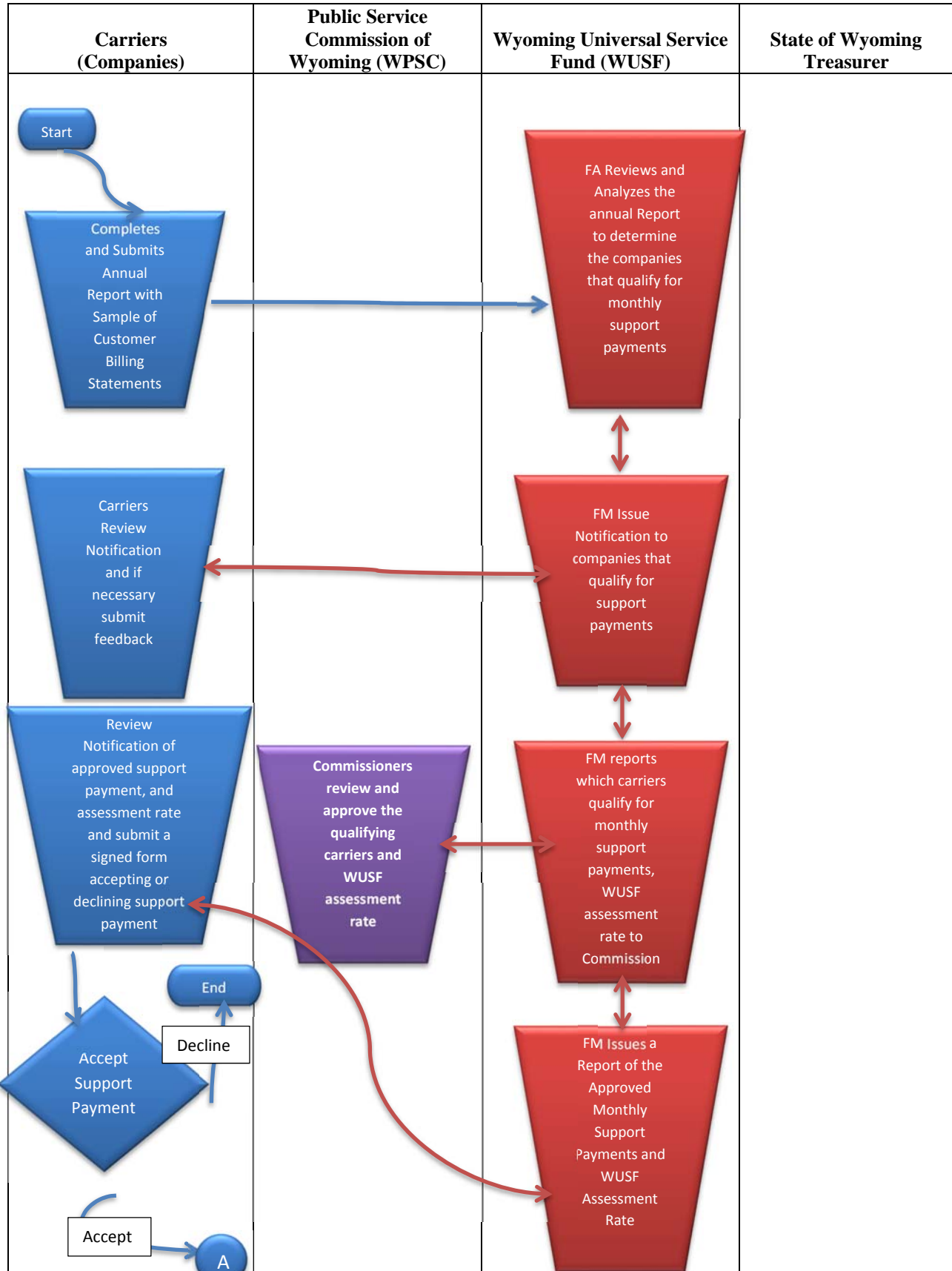
## Revenue Cycle



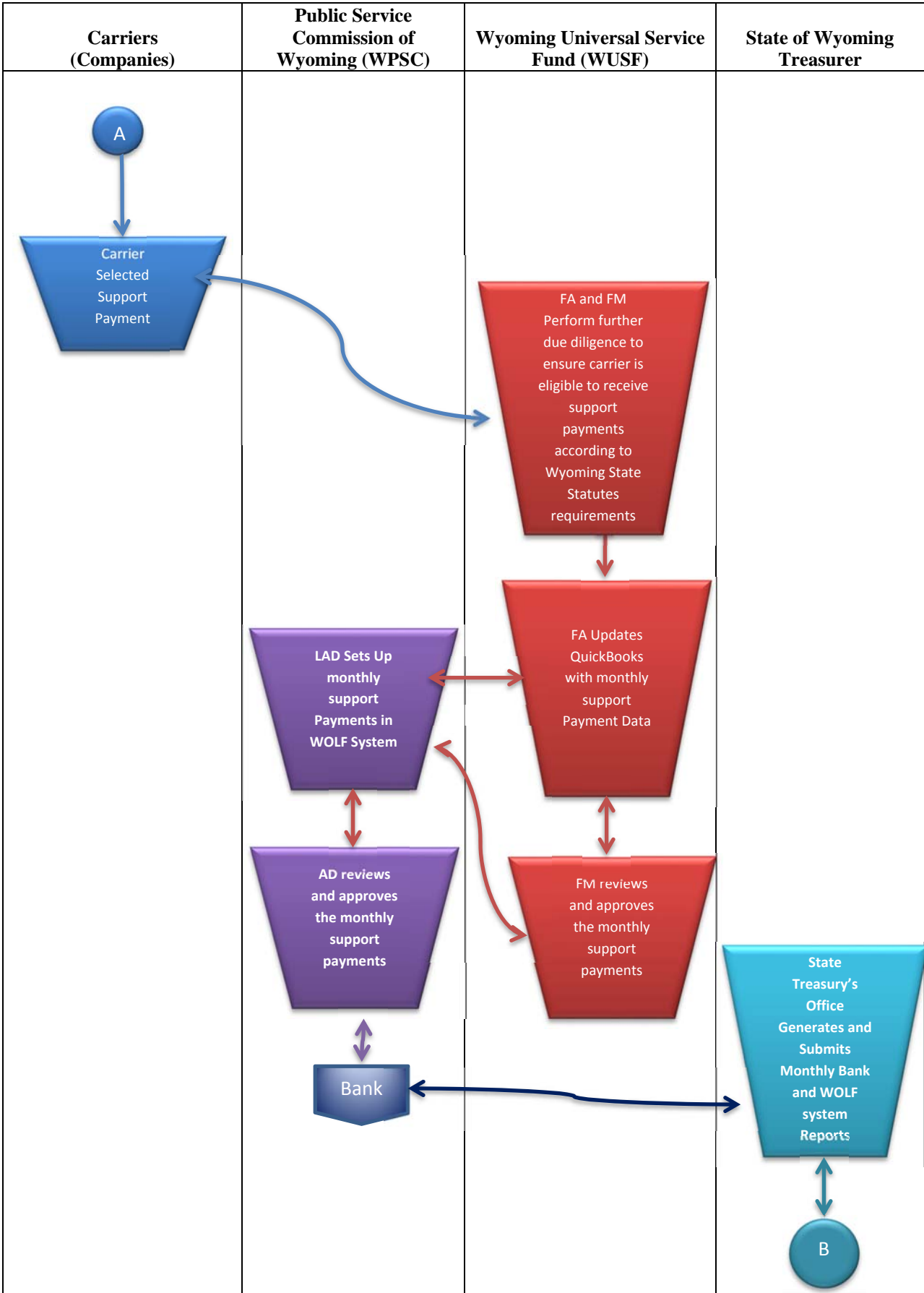


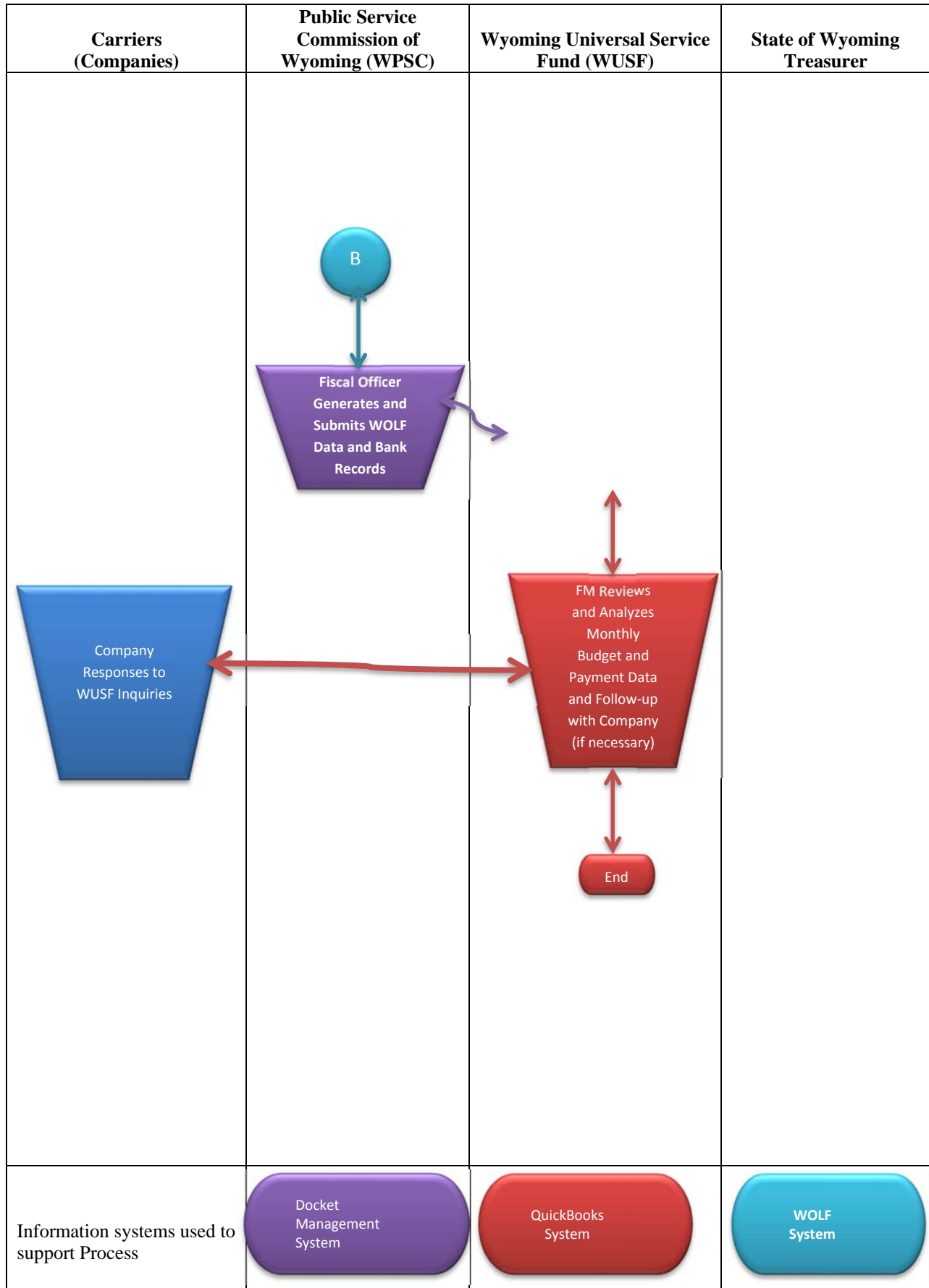
<b>Carrier (Companies)</b>	<b>Public Service Commission of Wyoming (WPSC)</b>	<b>Wyoming Universal Service Fund (WUSF)</b>	<b>State of Wyoming Treasurer</b>

## Monthly Support Payment Cycle

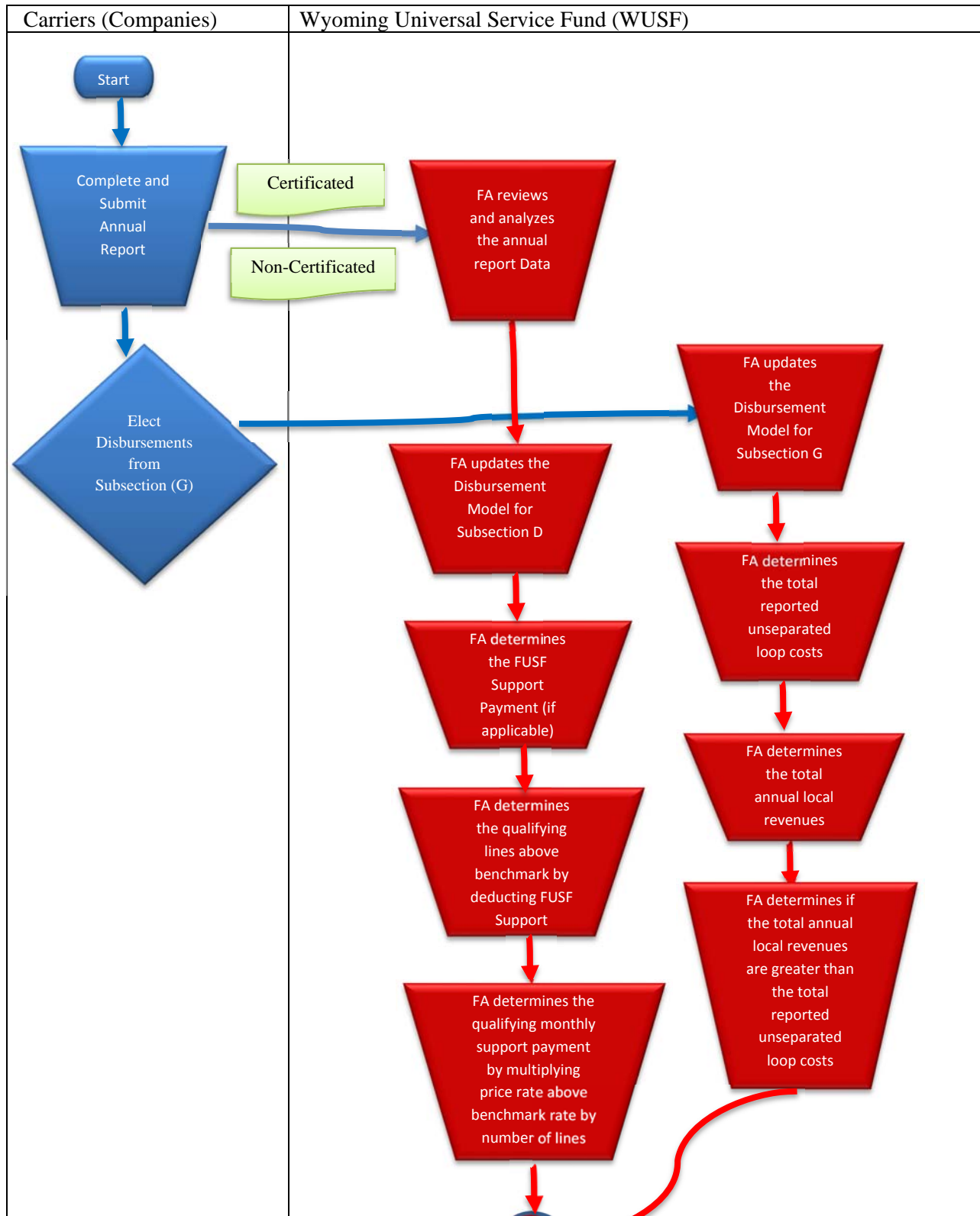


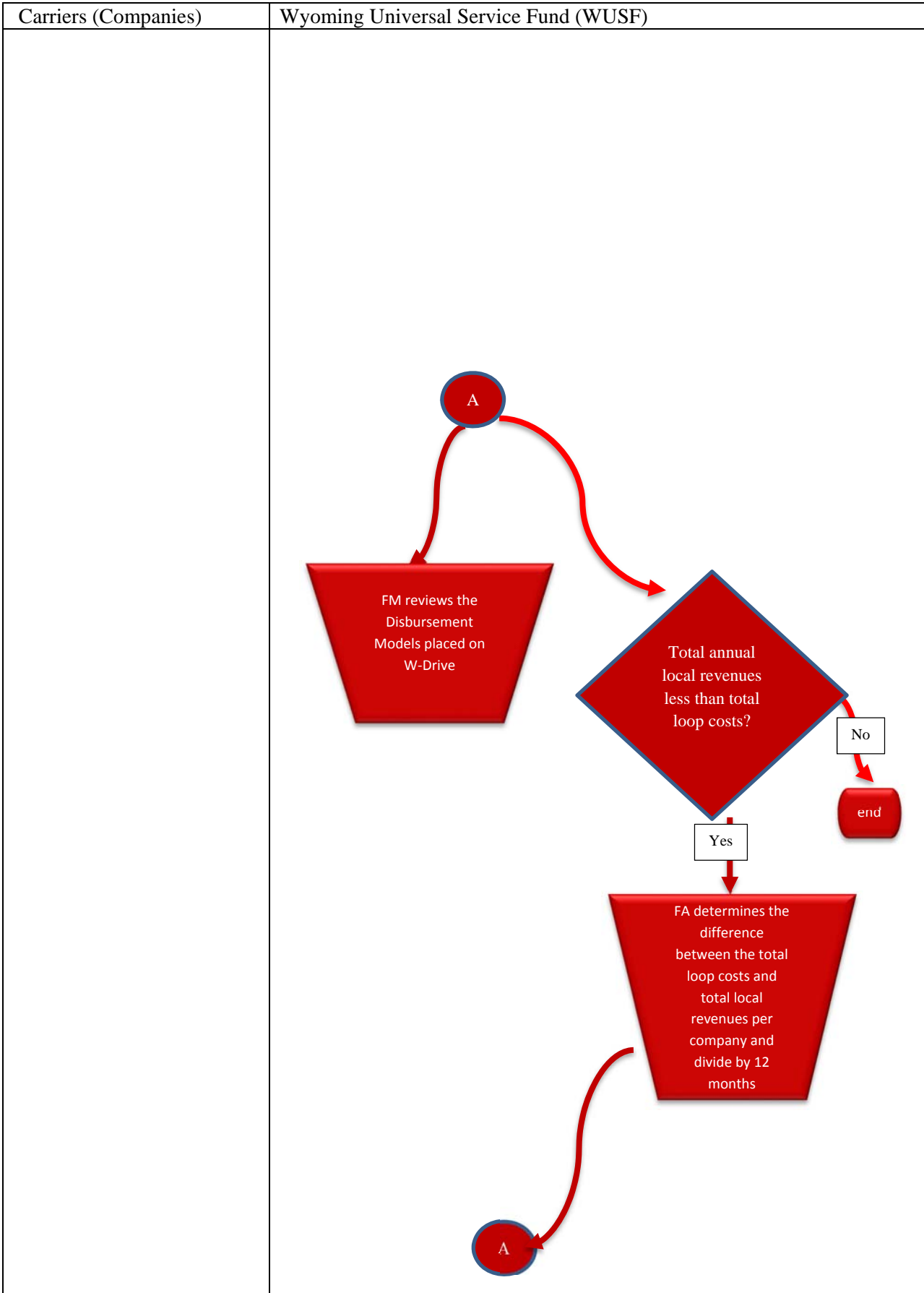


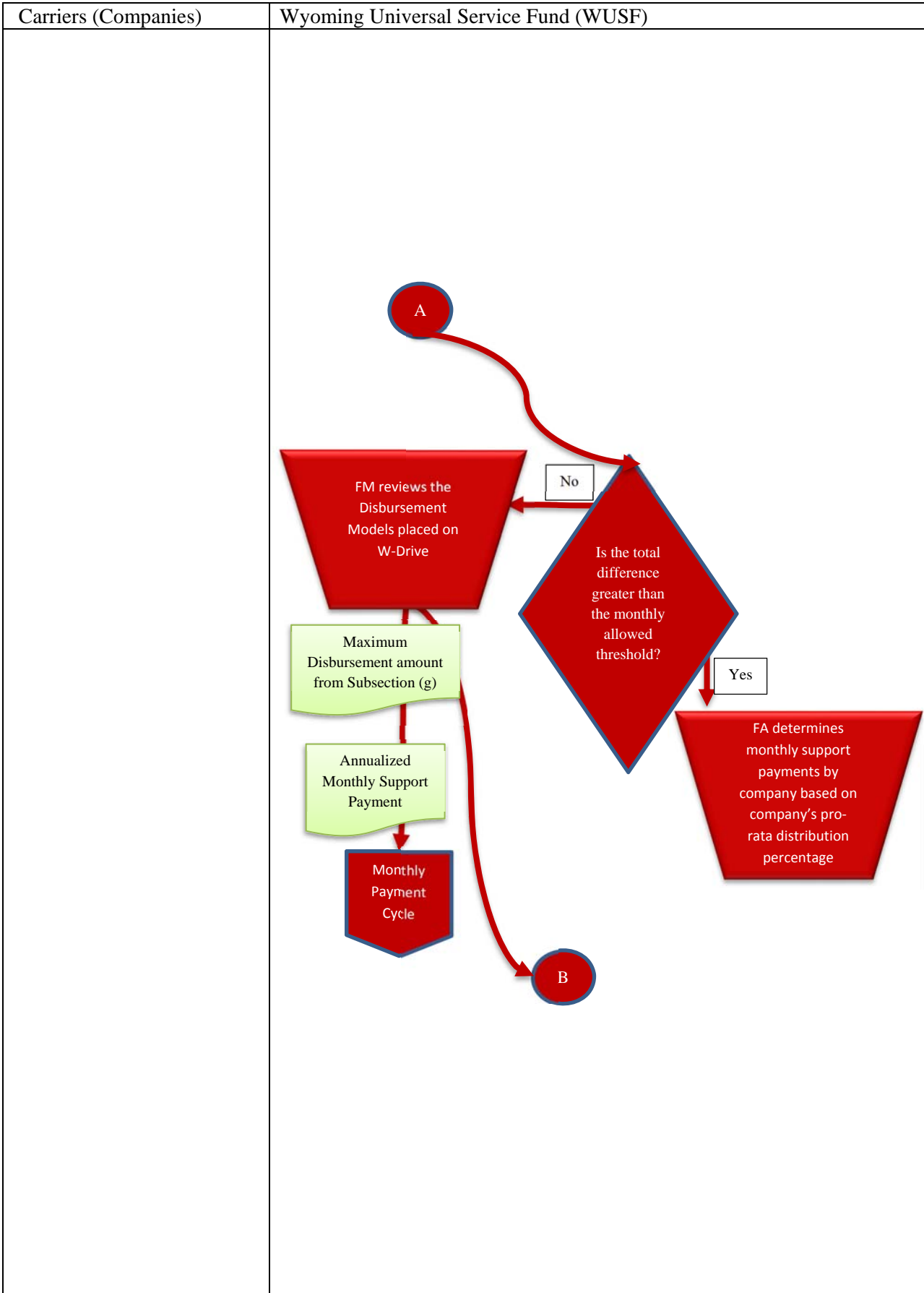




## Annual Reporting and Assessment Rate Calculation







Carriers (Companies)	Wyoming Universal Service Fund (WUSF)
	<pre> graph TD     B((B)) --&gt; Step1[FA updates the assessment rate model with annualized monthly payments and maximum disbursement allowed under subsection (g) to determine revenue requirement]     Step1 --&gt; Step2[FA determines revenue requirement by adding the annualized administrative expenses]     Step2 --&gt; Step3[FA determines revenue requirement by deducting current reserves from the 3month fund reserves and adds the annualized investment income]     Step3 --&gt; C((C)) </pre> <p>The flowchart illustrates the process of determining revenue requirements for the Wyoming Universal Service Fund (WUSF). It begins with a circle labeled 'B', which points to the first step: 'FA updates the assessment rate model with annualized monthly payments and maximum disbursement allowed under subsection (g) to determine revenue requirement'. This step leads to the second step: 'FA determines revenue requirement by adding the annualized administrative expenses'. The second step leads to the third step: 'FA determines revenue requirement by deducting current reserves from the 3month fund reserves and adds the annualized investment income'. Finally, the third step leads to a circle labeled 'C'.</p>

Carriers (Companies)	Wyoming Universal Service Fund (WUSF)
	<pre> graph TD     A[FA determines the projected assessment rate by dividing the revenue requirement by the annualized gross up intrastate revenue for all companies and round it up to the nearest tenth] --&gt; B[FA updates the QuickBooks with the assessment rate]     B --&gt; C[FM reviews and analyzes the assessment calculation model and the QuickBooks updates]     C --&gt; D([end]) </pre>
Information systems used to support Process	<div style="display: flex; flex-wrap: wrap; justify-content: space-around;"> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin: 5px;">QuickBooks System</div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin: 5px;">Disbursement Model G</div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin: 5px;">Assessment Rate Calculation</div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin: 5px;">Disbursement Model D</div> </div>

Legend

FM – Fund Manager  
 FA – Financial Analyst  
 LDA – Lead Docket Analyst  
 AD – Administrator  
 AFO – Accounting Fiscal Officer

Risk and Control Matrix

Accounting Cycle (Business Process)	Risk Number	Risk (What Can Go Wrong)	Key Control Activity to Mitigate Risk	Risk Level
Budgeting	B-1	Failure to properly identify variances between the budget and actual expenditures.	Fund Analyst Reconciliation	Low
	B-2	Failure to properly investigate and resolve any budget to actual expenditure variances.	Fund Manager Performance Review	Low
Cash Management	CM-1	Failure to properly post or record cash deposit (checks, ACH and EFT data) into the WOLF system.	Fund Analyst Reconciliation	Low
	CM-2	Improperly scan checks into the Wells Fargo System.	Fund Analyst Reconciliation	Low
	CM-3	Improperly updates WOLF System with check data and submit to the bank.	Fund Analyst Reconciliation	Low
	CM-4	Failure to notify companies their monthly support payment (cash disbursement).	Fund Manager Performance Review	Low
	CM-5	Inaccurately record monthly support payments into WOLF system.	Fund Analyst Reconciliation	Low
Revenue Collection	R-1	Carriers submitted inaccurate company information form resulting in inaccurate disbursements.	Fund Manager Performance Review	Low
	R-2	Changes made to the Carriers master file in QuickBooks could be inaccurate, resulting in inaccurate disbursements.	Fund Analyst Reconciliation	Low
	R-3	Failure to generate and submits Letter of Acknowledgement to Carriers resulting in inaccurate disbursements.	Fund Manager Performance Review	Low
	R-4	Improperly completion and submission of revenue assessment form and checks	Fund Manager Performance Review	Low
	R-5	Failure to date stamped mails to properly track and avoid double counting or processing mails.	Fund Analyst Reconciliation	Low
	R-6	Improper review and analysis of the WUSF assessment rate and	Fund Manager Performance Review	Low



Accounting Cycle (Business Process)	Risk Number	Risk (What Can Go Wrong)	Key Control Activity to Mitigate Risk	Risk Level
		revenue to under or over assess WUSF revenue.		
	R-7	Improper update of QuickBooks with the reviewed and approved assessment rate and revenue data.	Fund Analyst Reconciliation	Low
	R-8	Failure to generate from QuickBooks invoices and deposit listing.	Fund Analyst Reconciliation	Low
	R-9	Improper update of QuickBooks revenue collections accounts with WOLF's Bank deposit and collection.	Fund Analyst Reconciliation	Low
Monthly Support Payment (Disbursement Model)	SP-1	Carriers failed to properly complete and submit the Annual Report, Certification Forms and sample of customer billing statement to update the Disbursement Model.	Fund Manager Performance Review	Low
	SP-2	Improperly review and analysis of the annual report to determine the companies that qualify for monthly payment support and assess future assessment rate.	Fund Manager Performance Review	Low
	SP-3	Failure to notify companies with monthly support payment eligibility and future assessment rate.	Commissioner Review and Approval	Low
	SP-4	Failure to ensure company complied with all the State statutory laws for monthly payment support eligibility.	Fund Manager Performance Review	Low
	SP-5	Improper update of QuickBooks with monthly support payment data and generate payment report.	Fund Manager Performance Review	Low
	SP-6	Incorrect recording of monthly payment in WOLF System.	Fund Analyst Reconciliation	Low
	SP-7	Improper monthly support payment for program direct and indirect support cost.	Fund Manager Performance Review	Low
Annual Reporting and Assessment Rate Calculation (surcharges)	AR-1	Improper review and analysis of the carriers Annual Report to correctly assess future assessment rate and update the Assessment Calculation Rate Model (Attachment E).	Fund Manager Performance Review	Low
	AR-2	Improper review and analysis of the Annual Report to calculate disbursement and update of the Disbursement Model and Disbursement Model. W.S. §37-15-501(g)	Fund Manager Performance Review	Low
	AR-3	Inaccurately update the QuickBooks with the Calculated assessment rate.	Fund Analyst Reconciliation	Low

## Appendix III: Validation of the Methodology to Determine Annual WUSF Surcharge

### WYOMING UNIVERSAL SERVICE FUND ASSESSMENT LEVEL CALCULATION FY 2015 - 2016

FY 2015-2016 Revenue Requirement		Audit Steps
FY 2015-2016 Price Benchmark (\$30.00) Annualized Monthly Support Payments	\$ 1,692,426 <sup>1</sup>	Reconciles with schedule C of the Fund Manager's Report for subsection (d) support payments times 12
Plus: FY 2015-2016 Maximum 501 (g) Disbursements	\$ 779,323	Reconciles with schedule E of the Fund Manager's Report for subsection (g) support payments times 12
<b>Total FY 2015-2016 Annualized Maximum Disbursements</b>	<b>\$ 2,471,749</b>	
<b>FY 2015-2016 WUSF Annualized Administrative Expense</b>	<b>\$ 120,000</b>	Recalculate the estimated expenditures of \$10,000 per month from Fund Manager times 12
FY 2015-2016 WUSF 3-Month Fund Reserve	\$ 617,937	Recompute the three months reserve for monthly support payments of subsections (d) and (g)
Less: Current Reserve as of March 31, 2015	\$ 567,913	Trace the March balance from the 2014-2015 WUSF Month End Activity Summary
<b>FY 2015-2016 WUSF Fund Reserve Net Requirement</b>	<b>\$ 50,024</b>	
Less: FY 2015-2016 Annualized Investment Income	\$ 9,941	Recompute Average of the investment income from the 2014-2015 WUSF Month End Activity Summary through March then times 12
<b>FY 2015-2016 Revenue Requirement</b>	<b>\$ 2,631,832</b>	
<b>FY 2015-2016 Projected Revenue</b>		
FY 2014-2015 Annualized Monthly Revenue \$192,503 through March 2015 (@ 1.0% assessment rate) X 12	\$ 2,310,032	Recompute the Average of assessments received from the 2014-2015 WUSF Month End Activity Summary Assessments through March and times 12
Less: FY 2015-2016 Revenue Required	\$ 2,631,832	
<b>FY 2015-2016 Projected Revenue Overage/(Shortage)</b>	<b>\$ (321,800)</b>	
<b>FY 2015-2016 Projected Assessment Rate</b>		
FY 2015-2016 Revenue Requirement	\$ 2,631,832	Recompute estimated annualized month revenue assessments grossed up by the current assessment rate of 1.00% to project the anticipated revenues to assess
(Divided by) /FY 2014-2015 Annualized (Gross-up) Assessment Intrastate Revenue for all Telephone Companies	\$ 231,003,200	
<b>FY 2015-2016 Approximate Assessment Rate Needed for Revenue Requirement</b>	<b>1.14%</b>	
<b>Recommended Fund Assessment for FY 2015-2016 1.20%</b>		Rounded to the nearest tenth

<sup>1</sup> Excludes elected cost-based

\*FY 2014-2015 Averaged Monthly Revenue is \$192,503, using 1.00% assessment rate times 12 months is \$2,310,032; when grossed-up to estimate total Intrastate Revenue (\$2,310,032 divided by 1.00%)

#### **Appendix IV: Validation of Carriers data inputs provided in WUSF Annual Report**

No significant issue noted for determining methodology used by wireless companies to determine remittances to the WUSF.

**Confidential Notes have been redacted from this Public Report.**