

OUSF Implementation of Arledge & Associates and Ostrander Group
 Audit Recommendations
 January 1, 2017 Status Report

Item Number	Auditor's Recommendation and OCC Response	Lead Personnel	Target Completion Date	Status
AR-1 Arledge	<p>Recommendation 2016-1: We recommend that the Oklahoma Universal Service Fund require GVNW to use a double-entry general ledger/accounting software package to maintain the accounting records of the fund.</p> <p><u>OUSF Administrator's Response:</u> The OUSF Administrator supports the conversion to a double-entry accounting system. The OUSF Administrator will work with GVNW, internal staff, contracted accounting firm, and the State Auditor's Office to ensure an acceptable program is in place with documented entry processes.</p>	Kris Prouty- Lead	December 2016	Complete. Double-entry accounting software was implemented beginning with the September 2016 monthly reports.
AR-2 Arledge	<p>Recommendation 2016-2: We recommend the OUSF Administrator contract with a CPA firm or utilize equivalent personnel to perform a systematic review of financial information that is prepared by the bookkeeper prior to submission of reports to the OCC/PUD.</p> <p><u>OUSF Administrator's Response:</u> The OUSF Administrator has personnel (the Monthly Payment Team) who work with GVNW on a monthly basis, and their work includes a review of financial reporting. GVNW performs the initial stages of data entry and reporting then submits to the Monthly Payment Team manager for review and approval. This has been set up as a dual review environment to ensure accuracy of entries and reports.</p> <p>Financial entries, reports, and payments are reviewed by CPAs within PUD's OUSF Monthly Payment Team. Kris Prouty, CPA, is the manager of the Monthly Payment Team and Farzad Khalili was the OUSF Auditor whose full time duties included a review of the monthly payouts and financial reporting through December 31, 2015. In</p>	Kris Prouty- Lead	December 2016	Complete. The OUSF Administrator enhanced the monthly review process: Angie Anderson, GVNW Controller, began reviewing monthly reports prepared by the Fund Manager in September 2016. CPAs on the Monthly Payment Team also continue to thoroughly analyze monthly reporting to confirm accuracy.

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	<p>January 2016, Carolyn Weber, CPA, replaced Farzad and was assigned the review of the financial entries and reports. No reports are posted to the web for public viewing or submitted to the Commissioners for regular reporting prior to review by this team. The Administrator agrees that an internal or external review of all financial information prepared by GVNW prior to submission to the OCC/PUD is a beneficial internal control. The Administrator will work with GVNW, OUSF personnel, contracted accountants, and the State Auditor's office to ensure the review process is robust and well-documented. Documentation of these reviews is available onsite in PUD.</p>			
<p>AR-3 <i>Arledge</i></p>	<p>Recommendation 2016-3: We recommend that written policies and procedures be developed and implemented.</p> <p><u>OUSF Administrator's Response:</u> The OUSF Administrator and PUD have been working on operations (procedures) manuals and desk routines (Audit Programs) to cover all PUD and OUSF functions. Prior to this audit, PUD notified GVNW that desk routines and procedures will need to be completed and submitted to the OUSF Administrator for approval and inclusion in the PUD Manual. The manual is being prepared under the supervision of Janice Lisko, CPA. The referenced section is scheduled to be complete by February 28, 2017.</p>	<p>Janice Lisko</p>	<p>February 2017</p>	<p>1/11/17: Audit Programs are reported to be complete, and it is reported that written procedures are expected to be complete by January 18. The remainder of the time available prior to the 2/28/17 deadline will be used to assemble all Audit Programs into one archive, assemble all procedures into one PUD Procedures Manual, and perform a high level review with a goal of standardizing, to the extent practical, all procedures in the Manual into a uniform format.</p>
<p>AR-4 <i>Arledge</i></p>	<p>Recommendation 2016-4: We recommend the approval of an OUSF factor which considers all potential payments including the pending causes.</p>	<p>Commission</p>	<p>Litigated</p>	<p>Cases are pending before the Commissioners to consider the factor change.</p>

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	<p><u>OUSF Administrator's Response:</u></p> <p>As provided to the auditors, the OUSF Administrator conducts an annual review of the funding factor through a filed cause. The Administrator then files a recommendation in the cause and a full hearing is conducted. The hearing is conducted by an Administrative Law Judge who then makes recommendations to the Commission. These recommendations are currently pending before the Commissioners.</p> <p><u>Commission Response:</u></p> <p>On June 4, 2015, the Commission entered Order No. 641487 in Cause No. PUD 201400001, setting the OUSF contribution factor at 2.16% unless or until superseded by Commission order in Cause No. PUD 201400341.</p> <p>Cause No. PUD 201400341 requests the factor be increased to 4.32% for FY 2015, and is currently pending before the Commission.</p> <p>Cause No. PUD 201500466 requests the factor be increased on an interim basis to 3.96% (of which .0321% represents the Oklahoma Lifeline Fund ["OLF"] factor) for FY 2016, and is currently pending before the Commission.</p> <p>Because the OUSF and OLF factor cases are currently pending before the Commission, the Commission declines to comment on the factor at this time.</p>			

FASC-R1 Ostrander	<p><i>Recommendation 1-2016:</i></p> <ol style="list-style-type: none"> 1) The PUD should revise Commission rules to require that the OUSF Administrator be notified by carriers of individual incidents within 60 days of a temporary suspension or permanent revocation of their E-rate funding. 2) The PUD should post any temporary suspension or permanent revocation of either E-rate funding or OUSF funding resulting from fraud to its public website so this information is available to schools and other parties with a vested interest in being aware of this information, because it could impact the decisions that schools make regarding a selection of a carrier (and impact the PUD’s evaluation or approval of these carriers). <p><u>OUSF Administrator’s Response:</u></p> <p>The Administrator monitors activities regarding USAC as it relates to carriers providing internet access and telemedicine facilities to Oklahoma schools, libraries, and healthcare providers. The Administrator is aware of a number of USAC investigations currently in progress. In fact, the USAC investigation of two Oklahoma companies is the result of the Administrator advising USAC of various anomalies associated with universal service funding issues associated with these companies. The Administrator has regular direct communications with USAC as part of ongoing investigations but does not make those ongoing investigations public until cleared to do so.</p> <ol style="list-style-type: none"> 1. The OUSF Administrator supports the suggested revision to Commission rules and is including the suggestion in the current rulemaking process. 2. The OUSF Administrator supports the recommendation to post fraud-related suspension to the PUD website for ease of public access. 	<p>Maribeth Snapp</p>	<p>November 2017</p>	<ol style="list-style-type: none"> 1. PUD is requesting the language to be added through Rulemaking 17-59. 2. PUD is developing a written process to be included in the Procedures Manual should the rule be adopted by the OCC.
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Ostrander Points for Future Consideration

		Lead Personnel	Target Completion Date	Status
<i>Ostrander</i>	<p><i>Audit of OUSF Administrator-</i></p> <p>The recommended points for future consideration related to the audit of the OUSF Administrator are set forth in this section.</p> <ol style="list-style-type: none"> 1. Implement Voluntary Code of Ethics for Marketing and Promotional Practices for Industry Participants. 2. The PUD Should Continue to Offer Training Seminars to Schools and Other Industry Entities. 	<p>Brandy Wreath</p> <p>Maribeth Snapp</p>	<p>January 2018</p> <p>Ongoing</p>	<ol style="list-style-type: none"> 1. PUD will propose this as part of the next telecom Notice of Inquiry. 2. PUD will continue the existing educational outreach program. The program is being expanded as of February 2017 to include Beneficiary rights related OUSF services.
<i>Ostrander</i>	<p><i>Audit of Fund Manager (GVNW)-</i></p> <p>The recommended points for future consideration related to the audit of GVNW are set forth in this section.</p> <ol style="list-style-type: none"> 1. Implement a Formal Written Policies and Procedures Manual between the OUSF and GVNW. 2. The future Fund Manager Contract Should Be Specific and Detailed and Reference the Operations Manual. 	<p>Kris Prouty</p> <p>Brandy Wreath</p>	<p>March 2017</p> <p>June 2018</p>	<ol style="list-style-type: none"> 1. The program was underway prior to the finding and will be complete by March 2017. 2. The recommendations related to contracting will be included in the next RFP and contract to be issued in 2018.

	<p>3. A Formal Uncollected Revenue Policy Should Be Implemented.</p>	<p>Kris Prouty and General Counsel</p>	<p>November 2017</p>	<p>3. PUD has requested input from General Counsel as to the proper legal handling of this issue.</p>
	<p>4. The Fund Administrator Should Provide an Annual Performance Grading of the Fund Manager.</p>	<p>Brandy Wreath</p>	<p>June 2018</p>	<p>4. This recommendation will be built into the new RFP and contract to be issued in 2018.</p>