

State of Florida



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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: February 12, 2008

TO: John E. Mann, Professional Accountant Specialist, Division of Competitive Markets & Enforcement

FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *(w)*

RE: Undocketed: Company Name: GTC, Inc. d/b/a FairPoint communications;
Audit Request: Audit the High Cost Support and Low Income USAC Programs;
Audit Control No: 07-250-1-1; Company Code: TL719;

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to me for distribution. There are no confidential work papers associated with this audit.

DNV:bj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Office of Commission Clerk (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Robert M. Ellmer
GTC, Inc. d/b/a FairPoint Communications
P.O. Box 220
Port St. Joe, FL 32457-0220

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING

Tallahassee District Office

GTC. INC. /d/b/a FAIRPOINT COMMUNICATIONS , TL719

VERIFY UNIVERSAL SERVICE FUND SUPPORT

HISTORICAL YEARS ENDED DECEMBER 31, 2005 AND 2006

UNDOCKETED
AUDIT CONTROL NO. 07-250-1-1

A handwritten signature in black ink, appearing to read "Charleston J. Winston".

Charleston J. Winston, Audit Manager

A handwritten signature in black ink, appearing to read "Intesar Terkawi".

Intesar Terkawi, Audit Staff

A handwritten signature in black ink, appearing to read "Lynn M. Deamer".

Lynn M. Deamer, Audit Supervisor

DOCUMENT NUMBER-DATE

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

January 24, 2008

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Competitive Markets and Enforcement in its audit service request. We applied these procedures to the schedules prepared by GTC, Inc., d/b/a FairPoint Communications, TL719, as filed for the historical periods ended December 31, 2005 and 2006.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES and PROCEDURES

Objective: Review Eligible Telecommunication Carrier (ETC) Designation Order and State Certification Letter.

Procedures: Reviewed Florida Public Service Commission Orders PSC-06-0557-FOF-TL, issued June 29, 2006, PSC-05-0824-FOF-TL, issued August 15, 2005 and PSC-04-0566-FOF-TL, issued June 3, 2004 . The Orders were reviewed for state certification designating them as an ETC. The Orders were reviewed regarding the provision that federal support funds from the Universal Service Fund be used only for the provision of maintenance, upgrading of facilities and services. Reviewed the company's state certification letters dated March 31, 2006 and March 29, 2004.

Objective: Verification of filings with NECA and Universal Service Administrative Corporation (USAC).

Procedures: The following were reviewed for proper reporting procedures and compliance with NECA and USAC:

The company's High Cost Loop (HCL)
Local Switching Support (LSS)
Florida Public Service Commission (FPSC) Schedule 8
Federal Communication Commission (FCC) Form 477, Local Competition Reporting Form
FCC Form 497, Low Income Quarterly Report
FCC Form 499-Q, Telecommunications Reporting Worksheet
FCC Form 499-A, Telecommunications Reporting Worksheet
FCC Form 507, ICLS Quarterly Line Count Update
FCC Form, 508, ICLS Projected Annual Common Line Revenue Requirement
FCC Form 509, ICLS Annual Common Line Actual Cost Data Collection
USF Data Collection Form

Objective: Verification of the HCL data for 2005 and 2006

Procedures: Obtained the HCL data that was submitted to NECA for 2005 and 2006. The HCL data was reviewed, recalculated and traced to the general ledgers and Part 36 Separation Program. All adjustments to HCL data were reviewed. Sampled the HCL Operation and Maintenance Expenses. Obtained and reviewed the Continuing Property Records (CPR). The company's Part 36 Separation Program and Part 69 Interstate Separation Program were reviewed and reconciled to HCL and general ledgers. Reviewed mail inserts advertisements for the different types of services and service rate offered for Lifeline (LL) and LinkUp (LU).

Objective: Verification of the Local Switching Support (LSS) for 2005 and 2006.

Procedures: The LSS amounts submitted to USAC were reviewed, recalculated and traced to the general ledgers, HCL and Part 36 Separation Program.

Objective: Verification of the amounts submitted to USAC for LL and LU are supported by the company's records.

Procedures: Randomly sampled customers for March 2005, September 2005, December 2005, January 2006, March 2006 and September 2006 for the LL and LU programs. Compared the number of Customers on the lists of the selected months to the customers reported on FCC Form 497. Reviewed customer lists of LL and LU for duplications. Reconciled the amounts reported on FCC Form 497 to customer bills and tariffs. Reconcile the amounts disbursed by USAC to the FCC Form 497. Reviewed the company's guidelines for termination of LL services.

Objective: Verification of the accuracy and existence of tax expenses for 2005 and 2006.

Procedures: Reconciled Federal Income Taxes, Deferred Federal Taxes, Deferred State Tax and Operating Taxes for HCL to the general ledgers and Part 32 Separation Program. Sampled Federal Income Taxes, Deferred Federal Taxes, Deferred State Tax and Operating Taxes for accuracy and proper reporting to USAC.