

**OKLAHOMA UNIVERSAL  
SERVICE FUND**

**ANNUAL FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED**

**June 30, 2014**

# **OKLAHOMA UNIVERSAL SERVICE FUND**

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## INDEPENDENT AUDITOR'S REPORT

To the Oklahoma Corporation Commission, Public Utility Division  
and the Board of Directors, GVNW Consulting, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Oklahoma Universal Service Fund ("OUSF"), as of and for the year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OUSF as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2016, on our consideration of the OUSF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OUSF's internal control over financial reporting and compliance.



August 22, 2016

**OKLAHOMA UNIVERSAL SERVICE FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(UNAUDITED)**

This discussion and analysis is intended to serve as an introduction to the annual financial statements of the Oklahoma Universal Service Fund (OUSF) by providing a narrative overview and analysis of the statements. Please read this in conjunction with the accompanying basic financial statements and the accompanying notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

The OUSF's unrestricted net position as of June 30, 2014 was approximately \$10,156,301.

The OUSF's net position decreased by \$35,579,560 during fiscal year 2014.

The OUSF's assessments totaled \$8,654,289 during fiscal year 2014.

The OUSF's program services expenses totaled \$43,660,639 in fiscal year 2014.

The OUSF's contribution factor for fiscal year 2014 was 0.64%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

As of June 30, 2014, the OUSF has cash and cash equivalents totaling \$ 11,502,357 and net receivables from contributors of approximately \$1,042,187. Liabilities totaled \$2,388,243, consisting primarily of payables to service providers. The OUSF has an ending net position of \$10,156,301 at June 30, 2014.

**ECONOMIC FACTORS AND NEXT YEAR'S OUTLOOK**

Management does not anticipate any significant changes in operations of the OUSF for fiscal year 2015. The Oklahoma Corporation Commission has established the contribution rate for fiscal year 2015 at 2.16% with the end final order 641478 dated June 4, 2015.

**CONTACTING THE OUSF'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens with a general overview of the OUSF's financial activity and to show the accountability for the money it receives. If you have questions about this report or need additional information, please contact the OUSF administrator, GVNW Consulting, Inc., at their offices at 3220 Pleasant Run, Suite A, Springfield, IL, 62711 or call (217)-698-2700.

# OKLAHOMA UNIVERSAL SERVICE FUND

## STATEMENT OF NET POSITION JUNE 30, 2014

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### ASSETS:

#### Current assets

Cash and cash equivalents	\$ 11,502,357
Receivable from contributors, net of allowance for doubtful accounts of \$0	<u>1,042,187</u>

Total assets	<u>\$ 12,544,544</u>
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### LIABILITIES:

#### Current liabilities

Payable to service providers	\$ 2,371,910
Accounts payable and accrued expenses	<u>16,333</u>

Total liabilities	<u>2,388,243</u>
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### NET POSITION:

Unrestricted	<u>10,156,301</u>
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Total net position	<u><u>\$ 10,156,301</u></u>
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*See accompanying notes and independent auditor's report.*

**OKLAHOMA UNIVERSAL SERVICE FUND****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014****OPERATING REVENUES:**

Assessments received from contributors	\$ 8,654,289
Total operating revenues	8,654,289

**OPERATING EXPENSES:**

Program Services	
Special USF	34,404,945
Primary USF	7,865,765
Lifeline	1,389,929
Total program services	43,660,639

Supporting Services	
Solix / GVNW management fees	335,500
External audit fee	-
OUSF administrative expenses	7,200
Oklahoma Attorney General expenses	250,000
Bad debt expense (recovery)	(2,308)
Total supporting services	590,392
Total operating expenses	44,251,031

**OPERATING INCOME (LOSS)** (35,596,742)

**NON-OPERATING REVENUES (EXPENSES):**

Interest Income	17,182
Total non-operating revenues	17,182

**Change in net position** (35,579,560)

**Total net position - beginning** 45,735,861

**Total net position - ending** \$ 10,156,301

*See accompanying notes and independent auditor's report.*

**OKLAHOMA UNIVERSAL SERVICE FUND**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from contributors	\$ 13,198,930
Payments to programs	(45,339,787)
Payments to attorney general	(250,000)
Payments to fund administrator	(319,167)
Payments for general administration	<u>(7,200)</u>

Net Cash Provided by (Used in) Operating Activities	<u>(32,717,224)</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	<u>17,182</u>
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Net Cash Provided by (Used in) Investing Activities	<u>17,182</u>
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Net Increase (Decrease) in Cash & Cash Equivalents	(32,700,042)
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Cash and cash equivalents - beginning of the year	<u>44,202,399</u>
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Cash and cash equivalents - end of the year	<u><u>\$ 11,502,357</u></u>
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**RECONCILIATION OF OPERATING INCOME (LOSS) TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income (loss)	\$ (35,596,742)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Bad debt recovery	(2,696)
Changes in assets and liabilities:	
Decrease (Increase) in Receivables from contributors	4,545,898
Increase (Decrease) in Payables to service providers	(1,679,148)
Increase (Decrease) in Deferred revenue	(869)
Increase (Decrease) in Accounts payable and accrued expenses	<u>16,333</u>

Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (32,717,224)</u></u>
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*See accompanying notes and independent auditor's report.*



## OKLAHOMA UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

#### 1. Summary of Significant Accounting Policies

Significant accounting policies utilized by the Oklahoma Universal Service Fund (the "OUSF" or "Fund") in the preparation of the accompanying statement of net position are summarized below:

##### Nature of Organization

In 1998, the Oklahoma Corporation Commission ("OCC") adopted rules establishing the new OUSF special revenue fund. The OUSF and the Oklahoma Lifeline Fund ("OLF") are authorized by the Oklahoma Telecommunications Act of 1997 and the Oklahoma Administrative Code 165:59 (Oklahoma Universal Services and Lifeline Rules). The OCC serves as the administrator of the OUSF.

The Fund was established to ensure the availability of universal services at rates that are reasonable and affordable. The OUSF assessment is collected by telecommunications service providers and paid, via a monthly remittance advice, to Solix, Inc., ("Solix"), which was contracted by the OCC to act as manager of the Fund through June 30, 2013. Solix's contract was extended through February 2014, after which time effective March 1, 2014, GVNW Consulting, Inc. (GVNW) was contracted by the OUSF Administrator to act as manager of the Fund.

The OUSF assessment rate was calculated by the OCC after taking into consideration the projected funding requirements of program and support services. The OCC set the rate at 0.64 percent of intrastate telecommunications revenue for the year ended June 30, 2014 in final order number 611971 dated May 23, 2013.

##### Basis of Accounting and Measurement Focus

The OUSF is accounted for and presented similar to a special-purpose government engaged in business type activities. The OUSF uses the accrual basis of accounting whereby expenses are recognized when the liability is incurred and revenues are recognized when earned.

The OUSF uses the economic resources measurement focus where all assets, liabilities, net position, revenues, expenses and transfers relating to the OUSF and net income and capital maintenance are measured. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB").

The financial statements of the OUSF do not purport to, and do not present fairly the financial position of the Oklahoma Corporation Commission or the State of Oklahoma as of June 30, 2014.

##### Cash and Cash Equivalents

The OUSF considers all highly liquid debt instruments purchased with an original maturity of three months or less and money market mutual funds to be cash equivalents.

## OKLAHOMA UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

#### 1. Summary of Significant Accounting Policies (Cont'd)

##### Receivables from Contributors and Associated Allowance for Bad Debts

Carriers are permitted to file their monthly remittances disclosing revenues on either a cash or accrual basis. As such, timing differences exist. For financial reporting purposes, "receivables from contributors" presented in the statement of net position, represents collections received during the two month period subsequent to the fiscal year end. The allowance is based on management's estimate of collectability of accounts receivable.

##### Revenue Recognition

All Oklahoma telecommunications service providers are assessed a percentage of their revenues for support of the OUSF. These assessments are then remitted to the OUSF and are recorded in the applicable period.

##### Net Position

Net position is displayed in two components: *Restricted Net Position* - consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional or enabling legislations. *Unrestricted Net Position* – all other net position that does not meet the definition of "restricted".

##### Income Taxes

The activities of the OUSF are tax-exempt since the OUSF is a fund established by the Oklahoma Legislature. Therefore, the OUSF is not subject to federal and state income taxes, sales, gross receipts or other taxes. As such, no provision for taxes has been reflected in the accompanying financial statements.

##### Use of Estimates

The preparation of the balance sheet in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period including contingencies. Actual results could differ from those estimates.

## OKLAHOMA UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

#### 2. Deposits, Investments and Investment Risk

At June 30, 2014, the OUSF held the following deposits and investments:

Type	Credit Rating	Carrying Value
Deposits:		
Demand deposits		\$ <u>250,131</u>
Investments:		
AIM Treasury Portfolio Money Market	AAAm	<u>11,252,226</u>
		11,252,226
Total deposits and investments		\$ <u><u>11,502,357</u></u>

The carrying value of the demand deposits was \$250,131 at June 30, 2014.

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the OUSF's deposits may not be returned to it. The OUSF is governed by the State Public Deposit Act which requires the OUSF to obtain and hold collateral whose fair value exceeds the amount of the uninsured deposits. As of June 30, 2014, the OUSF was exposed to custodial credit risk totaling \$131, as defined above.

*Investment Interest Rate Risk* – GVNW, as manager of the OUSF, does not maintain a formal investment policy. The OUSF currently invests excess bank deposits through a sweep arrangement that invests in a money market mutual fund that invests in United States Treasury securities.

*Concentration of Investment Credit Risk* – GVNW, as manager of the OUSF, does not maintain a policy that limits the amount it may invest in any one issuer. The OUSF has the following concentration of credit risk: 98% of cash and cash equivalents are invested in the AIM Treasury Portfolio Money Market Fund at June 30, 2014.

## **OKLAHOMA UNIVERSAL SERVICE FUND**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014**

#### **3. GVNW Consulting, Inc. Contract**

As stated in the Contract between GVNW and the OCC, GVNW is reimbursed a fixed amount each fiscal year plus allowable variable costs, as defined. Such variable costs include more than one trip to Oklahoma during the fiscal year, auditing of carriers and other reasonable and necessary expenses incurred by GVNW in performance of services. GVNW's duties include the following: monitoring OUSF payments, billing all telecommunications service providers any surcharges, preparing necessary forms for reporting OUSF collections and disbursements, maintaining monthly records, coordinating the collections and disbursement of OUSF monies, distributing the annual report to the OCC, and assisting the independent auditor with the audit of the OUSF. Additionally, the OCC incurs administrative costs for the annual audit fee and OUSF staff training and travel.

#### **4. Amounts Paid and Due to Service Providers**

Payments to the qualified recipients are made by Solix/GVNW as directed by the OUSF Administrator. The qualified recipients receive payments under primary universal services support in order to neutralize the revenue deficits created by federal or state changes to law that reduce revenues received or increase expenses incurred. Additionally, payments are made to service providers who provide Special Universal Service to public schools, public libraries and eligible healthcare entities. For the year ended June 30, 2014, OUSF determined that approximately \$23,361,000 in support payments were due to service providers.

#### **5. Commitments, Contingencies and Concentrations**

Financial instruments that potentially subject the OUSF to concentrations of credit risk consist principally of receivables from contributors.

Two service carriers accounted for approximately 33.4 percent (17.2 percent and 16.2 percent, individually) of the OUSF's outstanding accounts receivable at June 30, 2014. GVNW estimates that substantially all of the OUSF accounts receivable will be collected based on the assessments issued and general economic conditions. Consequently, an adverse change in these factors could affect OUSF's estimate of bad debts.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Oklahoma Corporation Commission, Public Utilities Division  
and the Board of Directors, GVNW Consulting, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Universal Service Fund ("OUSF"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the OUSF's basic financial statements and have issued our report thereon dated August 22, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the OUSF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OUSF's internal control. Accordingly, we do not express an opinion on the effectiveness of the OUSF's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. See findings 2014-01 and 2014-02.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses to be a significant deficiency. See finding 2014-03.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the OUSF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as finding 2014-04.

## **OUSF's Response to Findings**

The OUSF's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. OUSF's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



August 22, 2016

## **OKLAHOMA UNIVERSAL SERVICE FUND**

### **SUMMARY SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2014**

#### **Finding 2014-01 Internal Controls – Double-entry Accounting System**

*Criteria:* Management is responsible for developing an adequate system of effective internal control that ensures accounting information is complete, accurate, timely and valid. This system should include safeguards where information entered into the accounting system is accurately computed, able to be reconciled and access is restricted to the appropriate level of personnel.

*Condition:* GVNW does not use a double-entry general ledger software system to record accounting information. GVNW has their general ledger and accounting records in several MS Excel spreadsheets.

*Cause and Effect:* By not using a double-entry accounting software package, the risk of management override of controls increases substantially. In addition, it is possible to corrupt a formula in the spreadsheet or change or delete data without any type of system log to determine what has been changed. Because of this, monthly, quarterly and annual financial information, financial reports and financial statements can be misstated.

*Recommendation:* 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.

#### *Management's Responses:*

*GVNW's Response:* GVNW has initiated a process to implement Accounting CS Software for the OUSF accounting. That software satisfies the auditor's criteria for this finding. The timeline currently calls for transition of Excel/Access accounting procedures to the Accounting CS software to be completed by the end of September 2016.

#### *OUSF's Response:*

## OKLAHOMA UNIVERSAL SERVICE FUND

### SUMMARY SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2014

#### **Finding 2014-02 Internal Controls – Professional Review Process**

*Criteria:* An objective of an adequate internal control system is to prevent or detect errors or misstatements in a timely manner. One method of detecting errors is to require a professional level review of accounting records and reconciliations. Additionally, management should have a professional level person with the adequate skills, knowledge and experience to review financial reports, and to accept internal responsibility for financial information.

*Condition:* GVNW has one bookkeeper who prepares all financial reports and reconciliations.

*Cause and Effect:* Lack of a professional review of financial reports and reconciliations increases the probability of inaccurate financial statements.

*Recommendation:* 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.

#### *Management's Responses:*

*GVNW's Response:* GVNW notes the team member responsible for the bookkeeping responsibilities for the OUSF holds an MBA with an emphasis in accounting, does "bookkeeping" for several state funds, has over 7 years of experience in this line of work, and has experiences several state fund audits. GVNW agrees that another accounting professional should be assigned the responsibilities for systematic review of accounting records and reconciliations. GVNW's Controller, who has the requisite qualifications and experience to satisfy the auditor's criteria, has agreed to perform those responsibilities. She also has several years' experience working with the accounting software GVNW is implementing at part of the response to Finding 2014-01. She has commenced learning the OUSF accounting procedures and anticipates being an integral part of the revised procedures and reviews by the end of September 2016.

#### *OUSF's Response:*



## **OKLAHOMA UNIVERSAL SERVICE FUND**

### **SUMMARY SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2014**

#### **Finding 2014-03 Internal Controls – Written Policies and Procedures**

*Criteria:* A best practice in internal control is to have formal, written policies and procedures that are communicated and available to everyone in the organization.

*Condition:* GVNW does not have written policies but rather has some procedural steps to produce reports or prepare financial information for submission to OUSF Administrator.

*Cause and Effect:* GVNW has not developed formal written policies and procedures. Employees are unable to refer to standardized policies and procedures, and accordingly, may make assumptions or misinterpret information which could produce inconsistent or inaccurate information.

*Recommendation:* We recommend that written policies and procedures be developed and implemented.

#### *Management's Responses:*

*GVNW's Response:* GVNW has started documenting the OUSF accounting procedures, with the goal of having a draft ready for OCC review by the end of October 2016.

*OUSF's Response:*

## **OKLAHOMA UNIVERSAL SERVICE FUND**

### **SUMMARY SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2014**

#### **Finding 2014-04 Compliance with Laws and Regulations**

*Criteria:* In 2014, 17 O.S. §139.107(B) stated, “The Corporation Commission shall establish the Oklahoma Lifeline Fund charges and the Oklahoma Universal Service Fund charges at a level sufficient to recover costs of administration.

*Condition:* The “Telecom Cause Report” used by OCC/PUD is a listing of filed requests by the carriers. While an exact amount of the liability cannot be calculated because the final amount is dependent upon the orders issued by the Commission, it is possible to estimate the amount that could be awarded to the carriers. The amount listed on this report at June 30, 2014 for “Lump Sum Pending” and “Monthly Pending” totals \$23,361,232. The amount of cash on hand is not sufficient to pay the majority of the pending Causes that request reimbursement from the OUSF.

*Cause and Effect:* A lower OUSF assessment factor can fail to collect revenues that are sufficient to cover costs and payments should significant pending cases be finalized, thereby, creating a cash shortfall.

*Recommendation:* We recommend the approval of an OUSF factor which considers all potential payments including the pending causes.

*Management’s Response:*