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June 17, 2020

Ms. Lynn M. Retz
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

RE: Docket No. 20-QLWZ-064-KSF
In the Matter of the Audit of Q Link Wireless, LLC by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A 2018 Supp. 66-2010(b) for KUSF Fiscal Year 22, March 2018-February 2019

Dear Ms. Retz:

In its August 15, 2019 Order, the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of Q Link Wireless, LLC (Q Link or Company) to ensure that the data submitted to the KUSF via the KUSF CRWs, the assessments paid, and the calculation and application of the flow-through surcharge billed to and collected from Q Link's customers, if applicable, are appropriate and accurate.

The KCC directed GVNW to file two versions of the audit report with the KCC; one version containing confidential information and one version with the confidential data redacted for public disclosure. Q Link's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Q Link is being filed.

Copies of the supporting documentation, including GVNW's audit work papers and information provided by the company, are not included with the audit report, but are available from GVNW upon request.

Sincerely,

Dennis Smith
Consultant

cc w/encl: Sandy Reams

CERTIFICATE OF SERVICE

I hereby certify that on this 17th day of June, 2020, the above Kansas Universal Service Fund Audit Report was e-filed with the Kansas Corporation Commission and a copy was sent via electronic mail and/or U.S. Mail to:

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Dennis Smith

**GVNW Consulting, Inc.
Audit Report for
Q Link Wireless, LLC**

From: Dennis Smith, Auditor

Company Personnel: Issa Asad, CEO
Maybell Kelly, Compliance Director

Date: May 22, 2020

On-Site Visit Dates: Desk Audit

KUSF Status: Current with Reporting & Payment obligations

Re: Docket No. 20-QLWZ-064-KSF

In the Matter of the Audit of Q Link Wireless, LLC by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 2018 Supp. 66-2010(b) for KUSF Fiscal Year 22, March 2018 – February 2019.

EXECUTIVE SUMMARY:

Pursuant to the Kansas Corporation Commission's (KCC or Commission) August 15, 2019 Order, GVNW Consulting, Inc. (GVNW) conducted an audit of Q Link Wireless, LLC (Q Link or Company) based on the Kansas Universal Service Fund (KUSF) Revised Audit Procedures adopted for KUSF Fiscal Year (FY) 22.¹ GVNW identified two (2) findings resulting from the Company's non-compliance with the Commission's KUSF policies, with a net impact of \$1,587.31 due to the KUSF.

Finding 1 – Q Link used the Federal Universal Service Fund (USF) Wireless Safe Harbor rate instead of the Kansas Wireless Safe Harbor rate² to report revenues to the KUSF for the Fiscal Years of March 2013 through February 2020, FY17-23, respectively.

Finding 2 – Q Link incorrectly completed Box C of the annual Carrier Remittance Worksheets (CRWs) for the Fiscal Years of March 2013 through February 2020.

GVNW recommends the Commission issue an Order to: (1) adopt this Audit Report and the identified finding; (2) direct Q Link to file, in this Docket, an affidavit signed by an officer of the Company, attesting it corrected its KUSF reporting procedures to report the KUSF assessment collected from customers in Box C of its CRWs, and the effective date;

¹ Order Accepting GVNW's KUSF Year 22 Audit Selections, Docket No. 18-GIMT-084-GIT, Aug. 8, 2019.

² Order, Jan. 24, 2012, and Amended Order Setting the Kansas Universal Service Fund Assessment Rate for Year Sixteen and Canceling Hearing, Docket No. 12-GIMT-168-GIT, Feb. 1, 2012, reconfirming a Company is authorized to use the Kansas Safe Harbor for KUSF reporting purposes.

(3) direct Q Link to file annual True-ups to correctly report Kansas intrastate revenues for FY17 through FY23 using the Kansas Wireless Safe Harbor rate; and (4) remit \$1,587.31 to the KUSF. GVNW recommends Q Link be directed to take all corrective actions within 30-days from the date of the Commission's Order. The Commission's Order should direct GVNW, within 60-days of the Order, to file a Compliance Report.

KUSF Administrative penalties are not automatically applied for audit True-ups. The Commission may wish to consider whether to assess a penalty pursuant to K.S.A. 66-138 for the under-reporting of revenues by applying the Federal Wireless Safe Harbor for KUSF purposes for the seven (7) years the Company operated as an Eligible Telecommunications Carrier (ETC) in the state of Kansas.³ The Commission has assessed a \$100 penalty per month for audit True-ups in some instances.⁴

Q Link agrees with this Audit Report.

BACKGROUND:

During the course of the audit, GVNW issued 21 Data Requests (DRs) to Q Link. GVNW is enclosing DRs 20 - 22 responses, as Attachment A, to support its Audit Findings.

Q Link provides prepaid wireless telecommunication services in Kansas,⁵ and is headquartered in Dania Beach, FL.

Q Link is required to report its revenue and pay the related assessments to the KUSF on an annual basis.⁶ The Company is authorized to collect an amount equal to or less than its KUSF assessment from customers, but has elected not to do so. The Company is a designated ETC for the Federal Lifeline Program in Kansas,⁷ therefore, it offers Federal Lifeline services to its customers. Q Link is not eligible to request Kansas Lifeline Service Program credits from the KUSF.

Pursuant to Commission Order,⁸ GVNW confirmed that Q Link offers bundled assessable and non-assessable services to its Kansas customers. The Company separates assessable revenues from the bundle based on the service price of the assessable service. The Company then applies the appropriate Wireless Safe Harbor and reports

³ The Company applied the 37.5% Federal Safe Harbor for both Federal and Kansas USF purposes, therefore, it did not report 25.8% of its assessable revenues for either Federal or Kansas purposes.

⁴ Order Accepting and Adopting GVNW Consulting, Inc.'s Audit Report and Recommendations, Docket No. 17-TFWZ-022-KSF, June 22, 2017; Order Accepting and Adopting GVNW Consulting, Inc.'s Audit Report and Recommendations, Docket No. 17-VMBZ-023-KSF, July 11, 2017; Order Denying Virgin Mobile's Petition for Reconsideration, Docket No. 17-VMBZ-023-KSF, August 15, 2017; and Kansas Universal Service Fund (KUSF) Carrier Remittance Worksheet Instructions, Plan Year 2018-2019, Attachment E (Reportable Revenues).

⁵ Order Granting Eligible Telecommunication Carrier Status in Kansas and Granting Service Area Redefinitions, Docket No. 13-QLWZ-174-ETC, Mar. 13, 2013 (13-174 Order).

⁶ Order Setting the Kansas Universal Service Fund Assessment Rate for Year Ten and Establishing Reporting Requirements, Docket No. 06-GIMT-332-GIT, January 23, 2006 (06-332 Order).

⁷ 13-174 Order.

⁸ Order Determining KUSF Contribution Methodology, ¶ 27, Docket No. 14-GIMT-105-GIT, Oct. 20, 2016.

the Intrastate revenue and remits assessments to the KUSF. The Company uses these same allocation methodologies for Federal Universal Service Fund (USF) purposes. Finding 1 identifies the Company used the wrong Safe Harbor rate for KUSF purposes.

FINDINGS AND RECOMMENDATIONS:

1. A Company is to use the same allocation methodology to allocate revenues between the interstate and intrastate jurisdictions for Federal USF and KUSF purposes.⁹

Q Link used the Federal USF Wireless Safe Harbor rate (37.1%) instead of the inverse of the Wireless Safe Harbor rate (62.9%) when calculating intrastate wireless revenues to report to the KUSF,¹⁰ resulting in the Company under-reporting its intrastate revenues.

GVNW recommends Q Link file annual True-ups for March 2013 – February 2020, to correctly report intrastate revenues using the inverse of the Wireless Safe Harbor rate, and to pay an additional \$1,587.31 in assessments to the KUSF.

GVNW also recommends the Commission consider whether to assess a penalty pursuant to K.S.A. 66-138 for the under-reporting of revenues to the KUSF for the 6 years the Company operated as an ETC in the state of Kansas.

Management Response

Q Link agrees with this Finding and intends to file annual True-ups for March 2013 – February 2020 and correct its internal procedures to ensure accurate KUSF remittance going forward.

Q Link respectfully requests that the Commission not assess any penalties. The under-reporting was unintentional and a result of an accounting error that, now identified, has been corrected. Further, Q Link will correct its past remittances as soon as the Commission adopts its recommendation confirming the amount owed.

2. A Company is to report the amount of its actual KUSF assessments collected from customers in Box C of the CRW.¹¹

Q Link did not report the monies actually collected from its customers in Box C for the months of March 2013 – February 2020; instead, the Company reported the amount of the assessment owed to the KUSF.¹² The Company has not confirmed to GVNW that it has corrected this filing practice.

⁹ Order, Jan. 24, 2012, and Amended Order, Feb. 1, 2012, Docket No. 12-GIMT-168-GIT.

¹⁰ Attachment A.

¹¹ Order Adopting Audit Report, Docket No. 19-RWLZ-033-KSF, Jan. 24, 2019. See *also* KUSF Carrier Remittance Instructions, Plan Year 2018-2019; (CRW Instructions), II.A.

¹² Attachment A.

GVNW recommends that Q Link file, in this Docket, an affidavit signed by an officer of the Company, attesting the Company corrected its KUSF reporting procedures to report the KUSF surcharge collected from customers in Box C of their annual CRWs, and the date the new procedures were implemented, within 60-days from the date of the Commission's Order.

GVNW also recommends that Q Link correctly report the KUSF surcharge collected from customers in Box C of the annual audit True-ups for FY17 – FY23 (March 2013 – February 2020) filed as part of the recommendation listed under Finding 1 of this report.

Management Response

Q Link agrees with this Finding and intends to comply with GVNW's recommendations once adopted by the Commission.

Submitted By: Dennis Smith
Submitted To: Issa Asad
Maybell Kelly
Company Name: Q Link Wireless, LLC
Docket Number: 20-QLWZ-064-KSF
Request Date: March 24, 2020
Due Date: April 2, 2020

Request No. 20

RE: Confirmation of Auditor Understanding

Please confirm the Auditor's understanding of the following information:

1. For the periods of April 2013 through February 2019, the Company used the FCC Wireless Safe Harbor rate when calculating Kansas intrastate revenues, instead of using the inverse of the FCC Wireless Safe Harbor rate.

Response: Confirmed.

NOTE: If for some reason, the above information cannot be provided by the date requested, your Company must submit a Request for Additional Time.

Verification of Response – DR 20

I have read the foregoing Data Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to GVNW's auditor any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed:  _____

Date: 03/25/2020

Person(s) who prepared the response and can answer additional questions relating to the response:

Issa Asad, CEO
Maybell Kelly, Compliance Director
Heather Kirby, Regulatory Specialist (Lance J.M. Steinhart, P.C.)

Submitted By: Dennis Smith
Submitted To: Issa Asad
Maybell Kelly
Company Name: Q Link Wireless, LLC
Docket Number: 20-QLWZ-064-KSF
Request Date: March 24, 2020
Due Date: April 2, 2020

Request No. 21

RE: Confirmation of Auditor Understanding

Please confirm the Auditor's understanding of the following information:

1. Instead of reporting the KUSF surcharge actually **collected** in Box C of the Company's Carrier Remittance Worksheets (CRWs), the Company reported the KUSF surcharge **due**.

Response: Confirmed.

NOTE: If for some reason, the above information cannot be provided by the date requested, your Company must submit a Request for Additional Time.

Verification of Response – DR 21

I have read the foregoing Data Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to GVNW's auditor any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed:  _____

Date: 03/31/2020

Person(s) who prepared the response and can answer additional questions relating to the response:
Issa Asad, CEO
Maybell Kelly, Compliance Director
Heather Kirby, Regulatory Specialist (Lance J.M. Steinhart, P.C.)

Submitted By: Dennis Smith
Submitted To: Issa Asad
Maybell Kelly
Company Name: Q Link Wireless, LLC
Docket Number: 20-QLWZ-064-KSF
Request Date: May 6, 2020
Due Date: **May 15, 2020**

Request No. 22**RE:** Confirmation of Auditor Understanding

Please confirm the Auditor's understanding of the following information:

1. For the periods of March 2019 through February 2020 (FY23), the Company used the FCC Wireless Safe Harbor rate when calculating Kansas intrastate revenues, instead of using the inverse of the FCC Wireless Safe Harbor rate.

Response: Confirmed.

NOTE: If for some reason, the above information cannot be provided by the date requested, your Company must submit a Request for Additional Time.

Verification of Response – DR 22

I have read the foregoing Data Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to GVNW's auditor any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: 
_____Date: 05/14/2020

Person(s) who prepared the response and can answer additional questions relating to the response:
Issa Asad, CEO
Maybell Kelly, Compliance Director
Heather Kirby, Regulatory Specialist (Lance J.M. Steinhart, P.C.)