

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Pat Apple, Chairman
Shari Feist Albrecht
Jay Scott Emler

In the Matter of the Audit of TAG Mobile, LLC by the)
Kansas Universal Service Fund (KUSF) Administrator)
Pursuant to K.S.A. 2015 Supp. 66-2010(b) for KUSF) Docket No. 17-TAGC-029-KSF
Operating Year 19, Fiscal Year March 2015-February)
2016.)

**ORDER ACCEPTING AND ADOPTING GVNW CONSULTING, INC.'s
AUDIT REPORT AND RECOMMENDATIONS**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and record, and being duly advised in the premises, the Commission finds and concludes as follows:

1. On August 2, 2016, the Commission directed GVNW Consulting, Inc. (GVNW) to perform an audit of TAG Mobile, LLC (TAG) for Kansas Universal Service Fund (KUSF) purposes.

2. On June 1, 2017, GVNW filed its Final Audit Report, including Attachments A through N, covering GVNW's audit of TAG stating that the company is not current with its KUSF obligations.¹ GVNW's Audit Report identifies and describes in detail four (4) reporting deficiencies, including the applicable reporting standard, GVNW's findings and recommendations, and TAG's responses (Attachment N to the Audit Report), resulting in the following:

Audit Finding No. 1:

Standard: During the Audit period, an Eligible Telecommunications Carrier (ETC) was to report the number of qualifying Lifeline lines in service on the last day of each month.²

¹ Audit Report, page 3.

² <http://www.gvnw.com/Portals/0/kusf/instructions/2016/Instructions.pdf>.

Finding: TAG requested Kansas Lifeline Service Program (KLSP) credits for 3,781 lines for the month of January 2016 instead of 3,302 lines based on supporting documentation, thereby requesting \$3,721.83 more in KLSP credits. TAG committed that a "...revised KUSF Worksheet will be filed by January 27, 2017, revising the number to the original 3,302..." However, TAG has not filed the revision. Based on this finding, GVNW expanded its audit work, but did not note any additional exceptions.

TAG Response to Audit Finding No. 1: TAG agrees with the finding and will file the Revised Worksheet showing 3,302 lines. (Attachment N).

Recommendation: The Commission should direct TAG to file an Audit True-up for January 2016 to reflect the 3,302 lines. GVNW advises that since the Commission suspended TAG's receipts of KLSP credits, effective December 2015, the KLSP credits have been accrued, but not paid, to TAG; meaning there is no immediate monetary effect on the KUSF. Once the Audit True-up is processed, the accrued KLSP credits for TAG will be reduced \$3,721.83.

Audit Finding No. 2:

Standard: During the Audit period, carriers were required to report the number of facilities-based lines eligible to receive KLSP credits in service on the last day of the month reported.³ Carriers are not to include pro-rated connects, disconnects, or reconnects that occurred during the month.

Finding: TAG reported Lifeline lines for KLSP credits based on the company's monthly FCC Form 497 submission, which includes subscribers who had partial month service, including "subscribers that may have been disconnected throughout the month." This resulted in TAG over-reporting the number of lines eligible for KLSP credits for December 2012 through August 2015. Commission Staff and the KUSF Administrator discovered this reporting error and, on November 22, 2015, TAG remitted \$22,652.50 to the KUSF for the overpayment of KLSP credits.

TAG Response to Audit Finding No. 2: TAG agrees with the finding. TAG previously acknowledged the error and repaid the over-collected amount on November 22, 2015. (Attachment N).

Recommendation: TAG corrected this error; therefore, no further action on the part of the company is required.

³ Docket No. 16-GIMT-575-GIT (Docket 16-575), October 18, 2016 Order: The Commission revised the snapshot date from the last day of the month to the first day of the month, effective December 2016.

Audit Finding No. 3:

Standard: An ETC eligible for KLSP credits is required to offer the supported services using either its own facilities or a combination of its own facilities and resale of another carrier's services (including the services offered by another ETC).⁴

Finding: For March 2015 through January 2016, TAG did not provide Lifeline services via its own facilities in compliance with the Commission's Order in Docket No. 12-TAGC-843-ETC. On October 20, 2014, TAG entered into an Independent Sales Organization Agreement (ISO Agreement) with Selectel, Inc. (Selectel) to provide specific voice, text and data services. In November 2015, TAG partnered with Selectel in a Joint Venture Agreement that replaced the ISO Agreement. The primary difference between the two agreements was the "shared cost of providing service to the subscriber". As a result of the two agreements, TAG reported "all connections to the KUSF, including Selectel's, for all months, and over-reported the number of Kansas Lifeline subscribers served. TAG represents that Selectel "is no longer associated with TAG in any manner" and "as of January 2016 all Selectel subscribers were migrated to TAG and no longer serviced by Selectel". Based on both agreements, for the period March 2015 through January 2016, the company erroneously reported 18,813 lines to the KLSP that TAG did not serve and over-collected \$97,925.31 in KLSP credits for the months of March 2015 through November 2015. Effective December 2015, TAG's KLSP credits have been accrued. As a result of the company's inclusion of Selectel's lines, the KUSF Administrator has accrued \$48,251.70 of KLSP credits that TAG did not qualify to receive.

TAG Response to Audit Finding No. 3: TAG concurs in part and disagrees in part with the finding. TAG has acknowledged that from April 2015 to January 2016, the Selectel traffic was not routed through TAG's switch. However, TAG did, and still does, maintain its "own facilities: for other Kansas traffic. (Attachment N).

Recommendation: The Commission should direct TAG to submit Audit True-ups for the period of March 2015 through January 2016 to correct this audit deficiency and repay \$97,925.31 of KLSP credits to the KUSF within 60 days of the issuance of an Order. Once the Audit True-ups are processed, the accrued KLSP credits for TAG will be reduced \$48,251.70 by GVNW administrative personnel to reflect the correction for December 2015 and January 2016. After GVNW reviews the company's Audit True-ups and confirms payment and the adjustment to correct the KLSP accrual for the months of December 2015 and January 2016, GVNW will submit a Compliance Report.

TAG Response to Recommendation: TAG agrees to (1) submit audit True-ups for March 2015 through January 2016; (2) repay \$97,925.31, subject to verification of the exact amount due; (3) reduction of accrued KLSP credits by \$48,251.70, subject to verification of the exact amount due; and (4) GVNW's issuance of a Compliance Report following review of the December 2015 and January 2016 True-ups and KLSP accrual adjustment.

⁴ Section 214(e)(1) of the Federal Act as referenced by K.S.A. 66-2008(b)(1) and Docket No. 17-TFWZ-237-ETC, Order Dismissing the TracFone Application.

(Attachment N).

Audit Finding No. 4:

Standard: ETCs must maintain records and documentation to support compliance with all Federal and State Lifeline requirements for the three (3) full preceding calendar years and, for KUSF purposes, retain and maintain supporting records for three (3) years from the end of the KUSF fiscal year, in paper and/or digital format, including but not limited to, accounting and billing records relied on and necessary to complete KUSF Carrier Remittance Worksheets (CRW) and records pertaining to KUSF assessments billed to and collected from customers.⁵

Finding: TAG did not retain and/or adequately maintain accounting and billing records to support its revenues, lines qualifying for KLSP credits, or provide accurate data to its subscribers. TAG could not provide KLSP subscriber bills or screen images for May and August 2015, citing a change in its Operations Support Systems (OSS) and Business Support System (BSS) platform implemented between September 2015 and March 2016.

GVNW includes a multi-page narrative of its attempts to discover and review records and documentation that would support TAG's compliance with all Federal and State Lifeline requirements. GVNW concludes its detailed discussion by stating that TAG has not retained the necessary customer records or accurate supporting documentation as directed by the Commission to allow GVNW to fulfill its KUSF audit responsibilities.

TAG Response to Audit Finding No. 4: TAG concurs in part and disagrees in part with the Finding. TAG acknowledges that its prior record-keeping was inadequate to provide some of the information requested. Those deficiencies have been addressed and TAG will provide a full report of its policies and procedures to the Commission to demonstrate that the accounting and billing records comply with all requirements. TAG takes exception to the auditor's finding that TAG provided contradictory information and unreliable evidence, with the possible inference that same was intentional. To the contrary, TAG states that it has provided all information as it has been discovered in the company's records by present management and that there was no intent to provide contradictory information. TAG disagrees with the recommendation that the Commission consider the imposition of a penalty for non-compliance. (Attachment N).

Recommendation: TAG should be directed to submit an affidavit, executed by an officer of the company, verifying when the company began offering the 600 minutes and global messaging to Kansas subscribers. The Commission should also direct TAG to reduce to writing its internal processes and procedures regarding updating its accounting and billing systems to ensure they are accurate, maintained and retained for a minimum of three (3) years after the close of a KUSF Year. Such processes and procedures should address ensuring Kansas subscribers' billing account data is correct at all times. The Commission should direct TAG to submit a copy of its written internal processes and

⁵ Docket No. 05-GIMT-1039-GIT, May 19, 2005 Order, effective June 22, 2005; 47 C.F.R. 54.417; Docket No. 14-GIMT-105-GIT.

procedures, accompanied by an affidavit executed by an officer of the company, within a specified period of time and direct that TAG be subject to a follow-up audit. GVNW also recommends that TAG be subject to an Operating Year 21 (March 2017-February 2018) KUSF audit. The Commission may wish to consider implementation of a penalty, consistent with K.S.A. 66-138, for non-compliance with Commission orders.

GVNW states that the contradictory information provided by TAG regarding its Lifeline plan pricing and offerings is outside the scope of GVNW's audit. GVNW recommends that the Commission Staff address this issue, as appropriate, in Docket 16-TAGC-323-SHO.

TAG Response to Recommendation:

TAG agrees to (1) submit an affidavit verifying when TAG began offering the 600 minutes and global messaging to Kansas subscribers; (2) reducing to writing its internal process and procedures regarding updating its accounting and billing systems and providing a copy to the Commission; (3) a follow-up audit of the company for Operating Year 21 (March 2017-February 2018). TAG disagrees with the recommendation that the Commission consider implementation of a penalty for non-compliance with Commission orders. (Attachment N).

3. The Commission has reviewed GVNW's KUSF Audit Report submitted in this matter on June 1, 2017, and finds that it should accept the Audit Report and adopt GVNW's recommendations.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission accepts and adopts GVNW Consulting, Inc.'s KUSF Audit Report and recommendations for TAG Mobile, LLC, filed in this docket on June 1, 2017.

B. In accord with GVNW's recommendation with respect to Audit Finding No. 1, as set forth in paragraph 2 above, TAG is directed to submit, within ten (10) days from the date of this Order, Audit True-ups for January 2016 to reflect the 3,302 lines. Upon GVNW's receipt, review, and acceptance of the Audit True-ups, the accrued KLSP credits for TAG shall be reduced \$3,721.83 and GVNW is directed to submit a Compliance Report in this docket.

C. In accord with GVNW's recommendation with respect to Audit Finding No. 2, as set forth in paragraph 2 above, no further action on the part of TAG is required.

D. In accord with GVNW's recommendation with respect to Audit Finding No. 3, as set forth in paragraph 2 above, TAG is directed to submit Audit True-ups for the period of March 2015 through January 2016 to correct this Audit deficiency and repay \$97,925.31 of KLSP credits to the KUSF within thirty (30) days from the date of this Order. After the Audit True-ups are processed, the accrued KLSP credits for TAG shall be reduced \$48,251.70 by GVNW administrative personnel to reflect the correction for December 2015 and January 2016. Upon GVNW's receipt, review, and acceptance of TAG's Audit True-ups, confirmation of payment of the KLSP credits and the adjustment to correct the KLSP accrual for the months of December 2015 and January 2016, GVNW is directed to submit a Compliance Report to this docket.

E. In accord with GVNW's recommendation with respect to Audit Finding No. 4, as set forth in paragraph 2 above, TAG is directed to submit an affidavit, executed by an officer of the company, verifying when the company began offering the 600 minutes and global messaging to Kansas subscribers. TAG is further directed to reduce to writing and provide to the Commission a copy of its internal processes and procedures regarding updating its accounting and billing systems in order to ensure that they are accurate, maintained, and retained for a minimum of three (3) years after the close of a KUSF Year. Such processes and procedures shall address ensuring Kansas subscribers' billing account data is correct at all times. TAG is also directed to submit a copy of the subject internal processes and procedures, accompanied by the affidavit of an officer of the company confirming implementation of same. All submissions required under this ordering paragraph E shall be made within thirty (30) days from the date of this Order and directed to GVNW for review and forwarding to the Commission. Any issues involving TAG's alleged provision of conflicting and contradictory information regarding the company's Lifeline plan pricing and offerings to subscribers, as well as issues already identified

for consideration in Docket No. 16-TAGC-323-SHO, will not be addressed in this Order, but are deferred for the Commission's consideration in Docket No. 16-TAGC-323-SHO.

F. TAG shall be subject to KUSF Audit for Operating Year 21 (March 2017-February 2018).

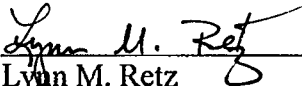
G. The parties have fifteen (15) days, plus three (3) days if service of this Order is by mail, from the date this Order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118b; K.S.A. 2016 Supp. 77-529.

H. The Commission retains jurisdiction over TAG Mobile, LLC and the subject matter of this docket for the purpose of issuing such additional orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: JUN 29 2017


Lynn M. Retz
Secretary to the Commission

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Order Mailed Date

JUN 30 2017

CERTIFICATE OF SERVICE

17-TAGC-029-KSF

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail/hand delivered on JUN 29 2017.

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Order Mailed Date
JUN 30 2017