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June 21, 2021

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

RE: Docket No. 21-CSCZ-062-KSF (Company Code KS005837)
In the Matter of the Audit of Consumer Cellular Inc. by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for Fiscal Year 23, March 2019 - February 2020.

Dear Ms. Retz:

In its August 18, 2020 Order, the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of Consumer Cellular, Inc. (Consumer Cellular 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 Consumer Cellular's customers, if applicable, are appropriate and accurate.

The KCC directed GVNW to file two (2) versions of the audit report with the KCC; one (1) version containing confidential information and one (1) version with the confidential data redacted for public disclosure. Consumer Cellular's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Consumer Cellular 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,

Shomari Jackson

Attachments

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of June, 2021, 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:

KANSAS CORPORATION COMMISSION
1500 S.W. ARROWHEAD ROAD
TOPEKA, KS 66604

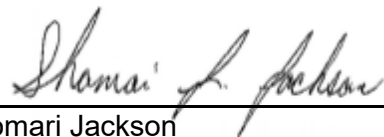
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Shomari Jackson

**GVNW – A Vantage Point Company
Audit Report for
Consumer Cellular Inc.**

From: Shomari Jackson, Auditor

Company Personnel: Shane Bridges, Controller
Galina Shilyayeva, Tax Accountant

Date: May 14, 2021

**Microsoft Teams
Meeting Date:** January 11, 2021

KUSF Status: Current with Reporting & Payment obligations

Re: Docket No. 21-CSCZ-062-KSF

In the Matter of the Audit of Consumer Cellular Inc. by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for KUSF Fiscal Year March 2019 – February 2020.

EXECUTIVE SUMMARY:

Pursuant to the Kansas Corporation Commission's (KCC or Commission) August 18, 2020 Order, GVNW – A Vantage Point Company (GVNW) conducted an audit of Consumer Cellular Inc. (Consumer Cellular or Company) based on the Kansas Universal Service Fund (KUSF) Revised Audit Procedures adopted for KUSF Fiscal Year 23 (FY 23).¹ GVNW identified two (2) findings resulting from the Company's non-compliance with the Commission's KUSF policies, with a net impact of an increase of \$4,760.69 to the KUSF. The Company is current with its KUSF obligations.

Finding 1 – Consumer Cellular did not report its actual revenues per the general ledger. This resulted in the Company owing an additional \$4,413.50 to the KUSF.

Finding 2 – Consumer Cellular did not report all Miscellaneous Revenue, specifically, Returned Check Charges, to the KUSF. This resulted in under-reporting revenues and owing assessments to the KUSF in the amount of \$347.19.

¹ Order Accepting GVNW'S KUSF Proposed Revisions to Selection Criteria and Carrier Review Procedures, Docket No. 19-GIMT-056-GIT, July 21, 2020 (19-056 Order).

GVNW recommends the Commission issue an Order to: (1) adopt this Audit Report and the identified findings; (2) direct Consumer Cellular to file Audit True-ups for March 2018 – February 2021 (FYs 22-24) to correctly report revenues, including Returned Check Charges; (3) remit \$4,760.69 to the KUSF; and (4) file an affidavit, signed by an officer of the Company, attesting that the Company reviewed the reporting discrepancy, identified the basis for the revenue variance, provide a summary explanation of why the variance occurred, and confirmation that it corrected its reporting deficiencies within 60-days from the date of the Commission's Order.

Consumer Cellular agrees with this Audit Report.

BACKGROUND:

During the course of the audit, GVNW issued 24 Data Requests (DRs) to Consumer Cellular. GVNW is enclosing the responses to DRs 21 and 24, as Attachment A, to support its findings.

Consumer Cellular is a wireless service provider, and is headquartered in Portland, Oregon.

Consumer Cellular is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.² The Company is authorized to collect an amount equal to or less than its KUSF assessment from customers, and does so.³ The Company is not a designated Eligible Telecommunications Carrier (ETC) in Kansas, therefore, it does not offer Lifeline service to its customers.

Pursuant to Commission Order,⁴ GVNW confirmed that Consumer Cellular offers bundled assessable and non-assessable services to its Kansas customers. The Company reports revenue and remits assessments to the KUSF based on the total price of the bundled service subject to the KUSF assessment. The Company states it uses this same allocation methodology for Federal USF (FUSF) and KUSF purposes.⁵

FINDINGS AND RECOMMENDATIONS:

1. Carriers are required to report actual intrastate retail revenues, and may report uncollectible revenue written-off, to the KUSF to determine their KUSF assessment obligation.⁶

² Order Setting the Kansas Universal Service Fund Assessment Rate for Year Ten and Establishing Reporting Requirements, Docket No. 06-GIMT-332-GIT, Jan. 23, 2006 (06-332 Order).

³ K.S.A. 66-2008(a).

⁴ Order Determining KUSF Contribution Methodology, ¶127, Docket No. 14-GIMT-105-GIT, Oct. 20, 2016.

⁵ Consumer Cellular's response to DR 15.

⁶ K.S.A. 66-2008(a), and Order, ¶ 108-110, Dec. 27, 1996; Order and Attachment, Feb. 3, 1997; Order, ¶¶9, 31, 56, March 25, 1999, Docket No. 94-GIMT-478-GIT. See also Order, Docket No. 16-GIMT-517-GIT, Feb. 17, 2017.

Consumer Cellular has significant variances between the revenue that was reported to the KUSF and the revenue that was recorded in the general ledger. Consumer Cellular did not report its revenues reflected in the general ledger; instead, the Company relies on a third-party preparer to complete its reports to the KUSF. GVNW's review of the Company's Carrier Remittance Worksheets indicate the revenue reported may have been derived from the KUSF surcharge amount collected from subscribers, divided by the KUSF assessment rate, known as calculated revenues. However, the Company was uncertain why the variance occurred. As a result of the revenue variance, Consumer Cellular owes an additional \$4,413.51 of assessments, which is comprised of \$2,199.99 for March 2018 – February 2019 (FY 22), \$1,814.13 for March 2019 – February 2020 (FY 23), and \$399.39 for March 2020 – February 2021 (FY 24), to the KUSF.

GVNW recommends that Consumer Cellular be ordered to file Audit True-ups for FYs 22, 23, and 24 to correctly report its intrastate revenues, per the general ledger, to the KUSF. GVNW also recommends that Consumer Cellular file an affidavit, signed by an officer of the Company, attesting that the Company reviewed the reporting discrepancy, identified the basis for the revenue variance, provide a summary explanation of the cause of the variance, and that it corrected its reporting deficiencies within 60-days from the date of the Commission's Order.

Management Response:

The Company agrees with this finding.

2. Miscellaneous recurring and non-recurring intrastate retail revenues, including Returned Check Charges, are Kansas intrastate retail revenues subject to the KUSF.⁷

Consumer Cellular did not report Returned Check Charges to the KUSF.⁸ After speaking with the Company prior to filing this Audit Report with the KCC, the Company stated that it started reporting Returned Check Charges and collecting the KUSF surcharge on these revenues in May 2020. Therefore, the Company under-reported its revenues, and owes an additional \$347.19 of assessments, comprised of \$160.03 for March 2018 – February 2019 (FY 22), \$147.71 for March 2019 – February 2020 (FY 23), and \$39.45 for March 2020 – April 2020, to the KUSF. The Company did not collect the KUSF assessment related to the FY 22 – 23 or March – April 2020 revenues from customers.

GVNW recommends that Consumer Cellular be ordered to file Audit True-ups for FYs 22, 23, and March and April 2020 to correctly report revenues, including Returned Check Charges. GVNW also recommends that Consumer Cellular file, in this Docket, an affidavit signed by an officer of the Company, attesting the

⁷ Order Cancelling Evidentiary Hearing and Adopting KUSF Assessment Rate Based Upon Pre-filed Testimony, Docket No. 19-GIMT-056-GIT, Jan. 10, 2019.

⁸ Attachment A.

Company corrected its KUSF reporting policies to report Returned Check Charges within 60-days from the date of the Commission's Order.

Management Response:

In May 2020, our billing system was updated and Consumer Cellular started reporting the Returned Check Fees to the KUSF.

FOLLOW-UP DOCKET 16-CSCZ-035-KSF AUDIT COMPLIANCE:⁹

Finding No. 1: GVNW identified that Consumer Cellular applied the KUSF surcharge to the Federal Universal Service Fund (USF) surcharge and Federal Communications Commission (FCC) regulatory fees, reported the revenues to the KUSF, and over-collected its assessment from consumers.

Audit Finding Compliance: The Commission ordered Consumer Cellular to submit Audit True-ups for KUSF Operating Years 18 and 19 (March 2015 – February 2016) and quarterly Audit True-ups for Operating Year 20 (March 2016 – July 2016). The Company stopped applying and collecting the KUSF surcharge on the Federal surcharge and FCC fees. This finding has been resolved.

Finding No. 2: GVNW identified that Consumer Cellular began allocating revenue to the KUSF, effective September 2014, using a company-specific traffic factor study. The Company had not submitted a pleading, including an affidavit from an officer of the Company, to the Kansas Corporation Commission (KCC or Commission) regarding its methodology to allocate Kansas revenue between the interstate and intrastate jurisdictions.

Audit Finding Compliance: On October 20, 2016, Consumer Cellular filed its Notice of Traffic Study confirming that the company-specific traffic report is used for both Federal USF and KUSF purposes. This finding has been resolved.

Finding No. 3: GVNW identified that Consumer Cellular reported calculated revenues to the KUSF and has not filed quarterly or annual True-ups to reflect actual revenues per the Company's general ledger.

Audit Finding Compliance: The Commission ordered that Consumer Cellular submit audit True-Ups for Operating Years 18 and 19 and quarterly True-ups for March – July 2016, to correct this audit deficiency. This finding has been resolved.

Finding No. 4: GVNW identified that Consumer Cellular reported revenues to the KUSF net of discounts.

⁹ Order Accepting and Adopting GVNW Consulting, Inc.'s Audit Report and Recommendations, Docket No. 16-CSCZ-035-KSF, August 18, 2016.

Audit Finding Compliance: K.S.A. 66-2008(a), effective July 1, 2016, was modified to authorize companies to report revenues net of discounts. The Commission recognized this in Docket No. 14-GIMT-105-GIT.¹⁰ This finding has been resolved.

¹⁰ Order Closing Docket, Docket No. 14-GIMT-105-GIT, July 19, 2016.

KUSF Carrier Audit Information Request

Attachment A
Docket No. 21-CSCZ-062-KSF
Page 1 of 2

Submitted By: Shomari Jackson
Submitted To: Shane Bridges
Company Name: Consumer Cellular, Inc.
Docket Number: 21-CSCZ-062-KSF
Request Date: March 18, 2021
Due Date: March 29, 2021

Request No. 21

RE: Confirmation of Auditor Understanding

Please confirm the auditor's understanding of the following item. If the statement below is incorrect, indicate as such and provide clarification.

- The Company does not report returned check fees to the KUSF.

CCI did not report returned check fees to the KUSF

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 – DR21

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: _____

3/22/21

KUSF Carrier Audit Information Request

Attachment A
Docket No. 21-CSCZ-062-KSF
Page 1 of 2

Submitted By: Shomari Jackson
Submitted To: Shane Bridges
Company Name: Consumer Cellular, Inc.
Docket Number: 21-CSCZ-062-KSF
Request Date: May 12, 2021
Due Date: May 21, 2021

Request No. 24**RE: Confirmation of Auditor Understanding**

Please confirm the auditor's understanding of the following item. If the auditor's understanding is inaccurate, please include clarification/explanation:

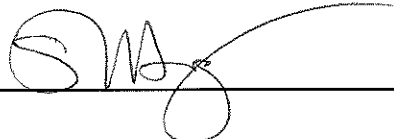
- Consumer Cellular did not report actual revenues, that were reflected in the general ledger, to the KUSF.

This statement is correct.

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 – DR24

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: 5/12/2021 _____