

December 27, 2023

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

RE: Docket No. 24-KSFT-114-KSF (Company Code KS006170)

In the Matter of the Audit of Kansas Fiber Network LLC by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for Fiscal Year 26, March 2022 - February 2023

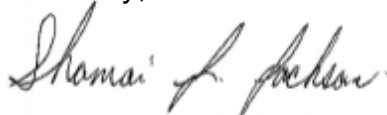
Dear Ms. Retz:

In its July 7, 2023 Order, the Kansas Corporation Commission (KCC) directed Vantage Point Solutions (VPS) to perform a KUSF carrier audit of Kansas Fiber Network LLC (KFN 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 KFN's customers, if applicable, are appropriate and accurate.

The KCC directed VPS 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. KFN's audit does not require a separate confidential report; therefore, only the enclosed public audit report for KFN is being filed.

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

Sincerely,



Shomari Jackson

cc: Steve Garrett [-s.garrett@kcc.ks.gov](mailto:s.garrett@kcc.ks.gov)

CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of December, 2023, 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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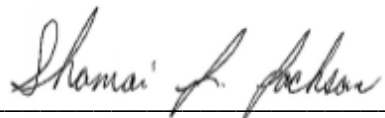
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Shomari Jackson

Vantage Point Solutions, Inc.
Audit Report for
Kansas Fiber Network LLC

From: Shomari Jackson, Auditor

Company Personnel: Terry Talken, CFO
Amber Freeman, Accounting Manager

Date: November 28, 2023

On-Site Visit Date: November 7-8, 2023

KUSF Status: Current with Reporting & Payment obligations

Re: Docket No. 24-KSFT-114-KSF

In the Matter of the Audit of Kansas Fiber Network LLC by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for KUSF Operating Year 26, Fiscal Year March 2022 – February 2023.

Audit Summary

Pursuant to the Kansas Corporation Commission's (KCC or Commission) August 17, 2023 Order, Vantage Point Solutions, Inc. (VPS) conducted an audit of Kansas Fiber Network LLC (KFN or Company) based on the Kansas Universal Service Fund (KUSF) Audit Procedures adopted for KUSF Fiscal Year 26 (FY 26).¹ VPS identified three (3) findings resulting from the Company's non-compliance with the Commission's KUSF policies, with a net impact of an increase of \$27,849.64 to the KUSF. The Company is current with its KUSF obligations.

- **Finding No. 1** – KFN underreported is private line revenues from June 2022 to August 2022 from a private line circuit, resulting in an underpayment of \$755.04 to the KUSF.
- **Finding No. 2** – KFN did not report its late fee revenues to the KUSF, resulting in an underpayment to the KUSF. However, the result was immaterial.
- **Finding No. 3** – KFN did not report its installation fee revenues to the KUSF, resulting in an underpayment of \$27,094.60 to the KUSF.

VPS recommends the Commission issue an Order to Adopt this Audit Report and the identified findings and direct KFN to:

¹ Order Accepting VPS' KUSF Proposed Revisions to Selection Criteria and Carrier Review Procedures, Docket No. 22-GIMT-142-GIT, Jun. 27, 2023 (22-142 Order).

1. File audit True-ups for FYs 25, 26, and March 2023 through October 2023, to report its late fee revenue, installation fee revenue, and private line revenues;
2. Remit \$27,849.64 to the KUSF;
3. Update its billing system to assess the KUSF surcharge on late fee and installation fee revenues;
4. Update its KUSF reporting procedures to include reporting of late fee and installation fee revenues;
5. File an affidavit, signed by an officer of the Company, attesting that the Company:
 - a. Corrected its KUSF reporting procedures to include late fee revenues and installation fee revenues; and
 - b. Remitted \$27,849.64 to the KUSF.

The affidavit should provide the date the corrective actions were implemented.

VPS recommends KFN be directed to take all corrective actions within 60-days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 90-days of the Order.

The Company is current with its KUSF obligations.

KFN agrees with the Audit Report.

Background

During the course of the audit, VPS issued seventeen (17) Data Requests (DRs) to KFN.

KFN operates as a competitive local exchange carrier² (CLEC) and an interexchange (IXC) service provider³ and is headquartered in Overland Park, KS.

KFN is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.⁴ The Company is authorized to collect an amount equal to or less than its KUSF assessment from customers, and does so.⁵ The Company is not a designated Eligible Telecommunications Carrier (ETC) in Kansas, therefore, it does not offer Lifeline services to its customers.

² Order Granting Kansas Fiber's Request for Certificate to Provide Competitive Local Exchange Service, Docket No. 10-KSFT-156-COC, May 12, 2010.

³ Order and Certificate, Docket No. 12-KSFT-361-COC, Mar. 6, 2012.

⁴ 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).

⁵ K.S.A. 66-2008(a).

Pursuant to Commission Order,⁶ VPS confirmed that KFN does not offer assessable and non-assessable services in a bundle. The Company states it uses this same allocation methodology for Federal USF (FUSF) and KUSF purposes.⁷

Current KUSF Obligations

The Company is current with its KUSF obligations.⁸

Current Audit Findings

VPS conducted the audit of KFN in accordance with the KUSF Audit Procedures adopted by the KCC.⁹ Based on the referenced procedures, VPS identified the following audit findings and provides the following recommendations:

Audit Finding No. 1

Standard: 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.¹⁰

Finding 1: KFN underreported private line revenues from a circuit that was installed in June 2022.¹¹ As a result, revenue was underreported to the KUSF from June 2022 – August 2022.

Recommendation: VPS recommends that KFN be directed to file Audit True-ups for FY 26 to include its private line revenues in its reporting. VPS recommends that KFN be directed to remit \$755.04 to the KUSF.

VPS recommend KFN be directed to take all corrective actions within 60-days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 90-days of the Order.

⁶ Order Determining KUSF Contribution Methodology, ¶ 27, Docket No. 14-GIMT-105-GIT, Oct. 20, 2016.

⁷ Attachment A.

⁸ Confirmed with the KUSF Administrator on Nov. 29, 2023.

⁹ 22-142 Order.

¹⁰ 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.

¹¹ Attachment A.

Audit Finding No. 2

Standard: Miscellaneous recurring and non-recurring intrastate retail revenues, including late fees, are Kansas intrastate retail revenues subject to the KUSF.¹²

Finding: KFN did not report its late fee revenue to the KUSF.¹³ As a result, KFN underreported its intrastate retail revenues for March 2021 – October 2023 Fiscal Years (FYs 24, 26, and 27, through October).

Recommendation: VPS recommends that KFN be directed to file an affidavit, signed by an officer of the Company, attesting the Company corrected its KUSF reporting policies to report its late fee revenues.

VPS recommend KFN be directed to take all corrective actions within 60-days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 90-days of the Order.

Audit Finding No. 3

Standard: Miscellaneous recurring and non-recurring intrastate retail revenues, including installation charges, are Kansas intrastate retail revenues subject to the KUSF.¹⁴

Finding: KFN did not report its installation charges to the KUSF.¹⁵ As a result, KFN under-reported its intrastate retail revenues, and owes an additional \$27,094.60 of assessments for March 2021 – October 2023 Fiscal Years (FYs 24, 26, and 27, through October).

Recommendation: VPS recommends that KFN be directed to file Audit True-ups for FYs 25, 26, and March 2023 through October 2023, to include its installation fee revenues in its reporting. VPS recommends that KFN be directed to remit \$27,094.60 to the KUSF.

VPS recommends that KFN be directed to file an affidavit, signed by an officer of the Company, attesting the Company corrected its KUSF reporting policies to report its installation fee revenues.

VPS recommend KFN be directed to take all corrective actions within 60-days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 90-days of the Order.

¹² Order On Issue of Uncollectible Revenue and Additional KUSF Revenue Reporting Issues, Docket No. 94-GIMT-478-GIT, Aug. 13, 1999.

¹³ Attachment A.

¹⁴ Order Accepting VPS' KUSF Proposed Revisions to Selection Criteria and Carrier Review Procedures, Docket No. 22-GIMT-142-GIT, Jun. 27, 2023. See also KUSF Carrier Remittance Instructions, Plan Year 2022-2023; (CRW Instructions), II.A., available for viewing at: https://www.vantagepnt.com/wp-content/uploads/2022/02/kusf_instructions_fy26_final.pdf

¹⁵ Attachment A.

FOLLOW-UP DOCKET 18-KSFT-042-KSF AUDIT COMPLIANCE:¹⁶

Audit Finding No. 1: The Company reported interstate special access circuit revenue to the KUSF and collected \$23,399 of KUSF assessments from service subscribers. Kansas Fiber identified this reporting deficiency, corrected its billing system, submitted an Annual True-up to the KUSF, and refunded \$23,399 to its special access subscribers.¹⁷

Audit Finding Compliance: Kansas Fiber identified this reporting deficiency in March 2017 and self-corrected the deficiency by submitted an Annual KUSF True-up to the KUSF for Operating year 20 in April 2017 and refunded \$23,399 of assessments to its Kansas special access subscribers.¹⁸ This finding has been resolved.

¹⁶ Order Adopting Audit Report and Closing Docket, Docket No. 18-KSFT-042-KSF, May 24, 2023.

¹⁷ *Ibid*

¹⁸ *Ibid*

KUSF Carrier Audit Information Request

Attachment A
Docket No. 24-KSFT-114-KSF
Page 1 of 1

Submitted By: Shomari Jackson
Submitted To: Terry Talken
Company Name: Kansas Fiber Network, LLC
Docket Number: 24-KSFT-114-KSF
Request Date: November 15, 2023
Due Date: November 28, 2023

Data Request No. 16

RE: Confirmation of Auditor Understanding

Please confirm the auditor's understanding of the following items. If the statements are incorrect or incomplete, provide an explanation:

- The Company did not report its Late Fee revenues to the KUSF, nor did it collect the KUSF surcharge on its Late Fee revenues.
- The Company did not report the installation charges for the installation of a special circuit for a specific customer, nor did it collect the KUSF surcharge on the installation charges.
- The Company did not report its usage revenues from the installed circuit from June 2022 to August 2022, nor did it collect the KUSF surcharge on the usage revenues.
- The Company's KUSF contribution methodology is consistent with its Federal USF contribution methodology.

NOTE: If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

Verification of Response – DR16

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 VPS' auditor any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Sign: _____



Date: _____

11.21.23