

April 19, 2024

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

RE: Docket No. 24-IRHT-110-KSF (Company Code KS005740)

In the Matter of the Audit of Avid Communications 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 August 15, 2023 Order, the Kansas Corporation Commission (KCC) directed Vantage Point Solutions (VPS) to perform a KUSF carrier audit of Avid Communications LLC (Avid 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 Avid'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. Avid's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Avid 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,



Dennis Smith

cc: Steve Garrett - s.garrett@kcc.ks.gov

CERTIFICATE OF SERVICE

I hereby certify that on this 19th day of April, 2024, 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

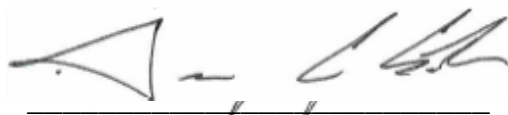
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Dennis Smith

Vantage Point Solutions, Inc.
Audit Report for
Avid Communications LLC

From: Dennis Smith, Auditor

Company Personnel: Rhea Paulette, Director of Finance and Accounting
Dave Scott, Director

Date: April 5, 2024

On-Site Visit Date: March 19-20, 2024

KUSF Status: Current with Reporting & Payment obligations

Re: Docket No. 24-IRHT-110-KSF

In the Matter of the Audit of Avid Communications 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 15, 2023 Order, Vantage Point Solutions, Inc. (VPS) conducted an audit of Avid Communications LLC (Avid or Company) based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures adopted for KUSF Fiscal Year 26 (FY 26).¹ VPS identified three (3) reporting deficiencies during the course of the audit of Avid, with no net impact to the Fund.

- **Finding No. 1** – Avid collected the KUSF surcharge from customers for the Telecom Local portion of its Teams Direct Connect User revenues twice, for FYs 25-27, in the amount of \$4,936.81, resulting in refunds due to customers.
- **Finding No. 2** – Avid's reporting on its 2021 Annual Interrogatory was not accurate, with no financial impact to the Fund.
- **Finding No. 3** – Avid did not correctly complete Box C of the Carrier Remittance Worksheet (CRW) for FY 26, with no financial impact to the Fund.

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).

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

1. Issue refunds to its customers via one-time billing credits, on a pro-rata basis, in the amount of \$4,936.81;
2. Provide VPS with ten (10) customer bills showing the refunds occurred;
3. Update its billing system to correct the duplicative collection of the KUSF surcharge on the Telecom Local portion of its Teams Direct Connect User revenues;
4. Update its KUSF reporting procedures to report the actual KUSF surcharge collected from customers in Box C of the CRW;
5. File a revised 2021 Annual Interrogatory; and
6. File an affidavit, signed by an officer of the Company, attesting that the Company:
 - a. Corrected its KUSF billing system to cease the duplicative collection of the KUSF surcharge on the Telecom Local portion of its Teams Direct Connect User revenues;
 - b. Corrected its reporting procedures to report the actual KUSF surcharge collected in Box C of the CRW, and
 - c. Issued refunds to its customers, including the total refund amount and the date of completion.

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

VPS recommends Avid 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.

Avid agrees with the Audit Report.

Background

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

Avid operates as a Local Exchange Carrier (LEC),² provider of Interexchange Carrier Services (IXC),³ and Voice over Internet Protocol (VoIP) provider in Kansas, and is headquartered in Overland Park, KS.

Avid 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.

Pursuant to Commission Order,⁶ VPS confirmed that Avid does offer assessable and non-assessable services in a bundle. The company collects the KUSF surcharge and reports revenues based on the unbundled service price of the assessable service. 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 Avid in accordance with the KUSF Audit Procedures adopted by the KCC.⁹ Based on the referenced procedures, VPS identified the following audit finding and provides the following recommendation:

Audit Finding No. 1

Standard: Any telecommunications carrier, telecommunications public utility, wireless telecommunications service provider or provider of interconnected VoIP service which contributes to the KUSF may collect from customers an amount equal to such carrier's, utility's or provider's contribution, but such carrier, provider or utility may collect a lesser amount from its customer.¹⁰

² Order Granting Certificate, Docket No. 06-IRHT-272-COC, Nov. 14, 2005.

³ Order Granting Certificate, Docket No. 06-IRHT-273-COC, Nov. 14, 2005.

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).

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

⁷ Response to DR 12.

⁸ Confirmed with the KUSF Administrator on Mar. 19, 2024.

⁹ 22-142 Order.

¹⁰ K.S.A. 66-2008.

Finding: The Company collected the KUSF surcharge on an amount greater than its contribution for the Telecom Local portion of its Teams Direct Connect User revenues for the periods of March 2021 through February 2024¹¹, resulting in an over-collection of the KUSF surcharge from its customer in the amount of \$4,936.81. The Company did not report these amounts to the KUSF, therefore no over-reporting occurred and there was no net impact to the KUSF.

Recommendation: VPS recommends the Company be directed to issue refunds in the form of one-time billing credits to its customers, on a pro-rata basis, in the amount of \$4,936.81.

VPS also recommends the Company be directed to update its billing system to correct the duplicative collection of the KUSF surcharge on the Telecom Local portion of its Teams Direct Connect User revenues, and to file an affidavit, signed by an officer of the Company, attesting that the Company corrected its KUSF billing system to cease the duplicative collection of the KUSF surcharge on the Telecom Local portion of its Teams Direct Connect User revenues, including the date of implementation, and issued refunds to its customers, including the total amount of the refunds and the date of completion.

Audit Finding No. 2

Standard: Telecommunications carriers and elected carriers are to file an Annual Interrogatory for the prior year with the Commission by May 1st of the current year to allow the Commission to determine a carrier's quarterly assessment as required by K.S.A.66-1503.¹²

Finding: The intrastate revenues reported on the Company's 2021 Annual Interrogatory do not tie to the revenues reported to the KUSF on the Company's CRWs.¹³

Recommendation: VPS recommends the Company be directed to file a revised 2021 Annual Interrogatory to report its actual intrastate revenues.

Audit Finding No. 3

Standard: A Company is to report the amount of its KUSF assessment collected from customers in Box C of the CRW.¹⁴

Finding: The Company did not report the actual KUSF surcharge collected from customer in Box C of the CRW, and instead reported the KUSF contribution due.

¹¹ Attachment A.

¹² Order, Docket No. 13-GIMT-736-GIT, Dec. 3., 2003.

¹³ Attachment A.

¹⁴ Order Adopting Audit Report, Docket No. 19-RWLZ-033-KSF, Jan. 24, 2019. See also KUSF Carrier Remittance Worksheet Instructions (CRW Instructions), II.A., available for viewing at: https://vantagepnt.com/wp-content/uploads/2023/08/kusf-instructions_fy27_rev-8.1.23-final.pdf

Recommendation: VPS recommends the Company be directed to update its KUSF reporting procedures to correctly complete Box C of the CRW, and to file an affidavit, signed by an officer of the Company, attesting that the Company corrected its KUSF reporting procedures to correctly complete Box C, including the date of correction.

KUSF Carrier Audit Information Request

Submitted By: Dennis Smith
Submitted To: Rhea Paulette
Company Name: Avid Communications LLC
Docket Number: 24-IRHT-110-JSF
Request Date: March 20, 2024
Due Date: **March 29, 2024**

Data Request No. 16

RE: Confirmation of Auditor Understanding

Please confirm the auditor's understanding of the following item(s). If the statement is incorrect or requires additional explanation, please clarify.

- A. Amounts reported on the Company's 2021 Annual Interrogatory were inaccurate.
- B. The Company collects the KUSF surcharge on the Telecom Local portion of its Teams Direct Connect User revenues twice.
- C. The Company does not report the Telecom Local portion of its Teams Direct Connect User revenues twice.

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: Rhea Paulette

Date: 3/26/24

Data Request No. 16

- A. Correct.
- B. Correct.
- C. Correct.