

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

In the Matter of the Audit of IdeaTek Telcom,)
LLC by the Kansas Universal Service Fund)
(KUSF) Administrator Pursuant to K.S.A. 66-) Docket No. 25-WLDT-100-KSF
2010(b) for KUSF Operating Year 27, Fiscal)
Year March 2023-February 2024.)

**STAFF’S REPLY TO IDEATEK TELCOM, LLC’S RESPONSE
TO THE AUDIT REPORT**

The staff of the State Corporation Commission of the State of Kansas (“Staff” and “Commission,” respectively) hereby makes the following reply to the Response of IdeaTek Telcom, LLC to the Audit Report of VantagePoint Solutions, Inc. (“Response”) filed in the above captioned docket on June 24, 2025:

I. Background

1. Vantage Point Solutions (“VPS”) is the current administrator of the Kansas Universal Service Fund (“KUSF”). The KUSF administrator has statutory responsibilities for collecting and auditing information regarding telecommunication and Voice over Internet Protocol (“VoIP”) service providers receiving funds from or providing funds to the KUSF.¹ It is also entrusted with the duty to verify funds generated for the KUSF.²

2. On July 2, 2024, the Commission issued an order in Docket No. 23-GIMT-261-GIT approving revisions to the carrier selection criteria and audit procedures for KUSF fiscal year 27 as previously submitted by VPS on June 17, 2024.³ The order directed VPS to provide a list of the 16 carriers to be audited for KUSF Fiscal Year 27, which includes the period between March

¹ K.S.A. 66-2010(b)(1), 66-2017(b)(1).

² K.S.A. 66-2010(b)(2).

³ *Order Accepting VPS’ KUSF Proposed Revisions to Selection Criteria and Carrier Review Procedures*, Docket No. 23-GIMT-261-GIT, Jul. 2, 2024.

1, 2023, and February 29, 2024.⁴ On July 25, 2024, the Commission issued an order accepting VPS' audit selections.⁵

3. On August 6, 2024, the Commission opened the above-captioned Docket and pursuant to the selection list provided by VPS for KUSF Fiscal Year 27, issued an order designating IdeaTek Telcom, LLC, ("IdeaTek" or "the Company") for a KUSF audit.⁶ IdeaTek did not object to the August 6, 2024, audit order in this docket, nor to the selection criteria or the audit procedures in Docket No. 23-GIMT-261-GIT. IdeaTek accepted its designation for the purpose of carrying out the Commission's KUSF Fiscal Year 27 audit. The audit order directed VPS to "perform a KUSF carrier audit of IdeaTek...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 IdeaTek's customers, if applicable, are appropriate and accurate."⁷

4. On June 11, 2025, VPS filed its Audit Report for IdeaTek ("Audit Report") regarding Operating Year 27 (March 1, 2023–February 29, 2024). The Audit Report has the following findings:

Audit Finding No. 1:

IdeaTek reported and collected the KUSF surcharge on the following non-assessable revenues: Alarm Lines, Fax Lines, EFax, EFax Service + ATA, MessageView (SMS Services), Mid America Computer Corp, Subscriber Line Charge, Subscriber Multi-Line Charge, PRI (Phone equipment), Elan & Eline Services, Intrastate Private Line Data Circuits revenue, and Interstate Private Line Data Circuit revenue. This resulted in the Company over-reporting and over-paying the KUSF assessment, and over-collecting the KUSF surcharge by \$135,387.73.

Audit Finding No. 2:

⁴ *Id.*

⁵ *Order Accepting the VPS Fiscal Year 27 Audit Selections*, Docket No. 23-GIMT-261-GIT, Jul. 25, 2024.

⁶ *Order to KUSF Administrator to Commence Audit*, Docket No. 25-WLDT-100-KSF, August 6, 2024.

⁷ Transmittal letter dated Jun. 11, 2025, for the *Audit Report for IdeaTek Telcom, LLC*, Docket No. 25-WLDT-100-KSF, Jun. 11, 2025, p. 1.

IdeaTek did not report the following assessable revenues to the KUSF: Late Fees, Compliance Fees, Regulatory Fees, and Manual Billing Processing Fees. This resulted in the Company under-reporting and under-paying the KUSF assessment by \$34,038.71.

Audit Finding No. 3:

IdeaTek over-collected the KUSF surcharge from customers in some months to recover under-collection of the KUSF surcharge in other months. This resulted in the Company over-collecting its KUSF assessment by \$88,408.01.

Audit Finding No. 4:

IdeaTek included assessable and non-assessable revenues in its write-offs that were reported on its monthly CRWs. This resulted in the Company under-reporting its revenue and under-paying its KUSF assessment by \$8,173.79.⁸

5. VPS collected and utilized supporting documentation for purposes of its audit of IdeaTek.⁹ This documentation consists of VPS' audit work papers and information provided by IdeaTek, including the Company comments on the Audit Report, Staff comments on the Audit Report, audit work papers, compliance information, discovery requests, initial responses and responses, emails between VPS and IdeaTek, emails between VPS and Staff, the initial audit packet, and Commission dockets filings and orders. Pursuant to the transmittal letter accompanying the audit report, this documentation has been requested and reviewed by Commission Staff and relied upon for the preparation of this Reply.

6. On June 30, 2025, VPS filed a revised Audit Report ("revised Audit Report").¹⁰ The revised Audit Report includes an "Attachment A," which was inadvertently omitted from the initial filing of the Audit Report.

7. On June 24, 2025, IdeaTek filed its Response to the Audit Report ("Response").¹¹ The basis for the Response is summarized by IdeaTek in paragraph 6 of the Response in four bullet

⁸ *Audit Report for IdeaTek Telcom, LLC*, Docket No. 25-WLDT-100-KSF, June 11, 2025.

⁹ Transmittal letter dated Jun. 11, 2025, p. 1.

¹⁰ *Revised Audit Report for IdeaTek Telcom, LLC*, Docket No. 25-WLDT-100-KSF, June 30, 2025.

¹¹ *Response of IdeaTek Telcom, LLC to Audit Report*, Docket No. 25-WLDT-100-KSF, June 24, 2025.

points and characterized as IdeaTek disagreeing with some of the interpretations underlying certain findings in the Audit Report. Each of these contentions are addressed below.

II. Audit Finding No. 1.

8. Contention 1: *IdeaTek should be allowed to recover from the KUSF any amounts it is ordered to refund to customers for past collections on non-assessable revenues.*¹² This contention is addressed in the Audit Report in Audit Finding No. 1. IdeaTek is correct that the Company reported and collected the KUSF surcharge on certain non-assessable services and then reported them as intrastate revenues from March 2022–February 2025. The Company over-collected \$135,387.73 from its customers and overpaid its KUSF contributions by \$135,387.73. IdeaTek is eligible for a credit or refund from the KUSF in the amount of \$135,387.73; the Company has not been prohibited from obtaining a refund as contended.¹³ However, because the total amount IdeaTek over-collected from its customers is \$223,795.74, the \$135,387.73 is subtracted (offset) from that amount leaving \$88,408.01 that was over-collected from the Company’s customers but was not remitted to the KUSF. IdeaTek must comply by filing true-ups for KUSF years 26–28 as required by the Audit Report to ensure “[a]ny contributions in excess of distributions collected in any reporting year shall be applied,” before a credit or refund for an excess remittance from the KUSF may occur.¹⁴

III. Audit Finding No. 2.

¹² *Id.*, ¶ 6.

¹³ *Id.*, ¶ 11.

¹⁴ K.S.A. 66-2008(b).

9. Contention 2: *IdeaTek is not required to include its KUSF assessable revenues Late Fees, Compliance Fees, Regulatory Fees, and Manual Billing Processing Fees because these revenues are not assessed by the FCC for IdeaTek's contribution to the federal universal service fund ("FUSF"), and they are not telecommunications services under Kansas law and Commission order.*¹⁵ IdeaTek indicates that it uses the same allocation methodology for FUSF and KUSF contributions, and reports revenue and remits assessments to the KUSF based upon the unbundled price of the assessable service.¹⁶ The Commission has determined that the methodology IdeaTek uses is a "safe harbor" methodology, as such it is deemed reasonable for KUSF compliance purposes.¹⁷ This safe harbor methodology determines the allocation of interstate and intrastate revenues. Interstate revenues are reported to the FUSF. Any inverse revenues are *ipso facto* allocated as the intrastate contribution to KUSF. Contribution methodology does not refer to whether a *revenue type* is reported, rather it refers to how the allocation between interstate and intrastate reported revenues is made (in this case, safe harbor). The Company has consistently misconstrued contribution methodology to include Late Fees, Compliance Fees, Regulatory Fees, and Manual Billing Processing Fees. They are not considered as factors in the safe harbor contribution methodology that IdeaTek elects to utilize.¹⁸ Because these fee revenues are not part of the methodology, they are not reported to FUSF. Therefore, the Commission does "not require ...[IdeaTek] to contribute to the KUSF under a different contribution methodology than such provider uses for purposes of the federal universal service fund, including for bundled offerings."¹⁹

¹⁵ *Id.*, ¶ 6.

¹⁶ *Audit Report*, p. 4.

¹⁷ *Order Determining KUSF Contribution Methodology*, Docket No. 14-GIMT-100-GIT, Oct. 20, 2020, ¶ 27.

¹⁸ *Order Determining KUSF Contribution Methodology*, Docket No. 14-GIMT-100-GIT, Oct. 20, 2020, ¶ 27.

¹⁹ K.S.A. 66-2008(a).

IdeaTek further contends that because it is a VoIP service provider the late fees, compliance fees, regulatory fees and manual billing fees are not telecommunications services under Kansas law and Commission order, hence they do not constitute assessable revenue for KUSF contribution purposes. IdeaTek asserts that is not subject to Commission jurisdiction citing a non-KUSF order.²⁰ Notwithstanding the Company's assertion, and, more specifically, K.S.A. 66-2008(a), provides:

The commission shall require every telecommunications carrier, telecommunications public utility and wireless telecommunications service provider that provides intrastate telecommunications services and, to the extent not prohibited by federal law, *every provider of interconnected VoIP service, as defined by 47 C.F.R. 9.3, to contribute to the KUSF based upon the provider's intrastate telecommunications services net retail revenues on an equitable and nondiscriminatory basis.* The commission shall not require any provider to contribute to the KUSF under a different contribution methodology than such provider uses for purposes of the federal universal service fund, including for bundled offerings. 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.

Any contributions in excess of distributions collected in any reporting year shall be applied to reduce the estimated contribution that would otherwise be necessary for the following year. (*emphasis added*)

Contrary to IdeaTek's contention, the Commission has previously determined that late fees, billing fees, and other customer fees are telecommunications services fees and that they are reportable by telecommunications carriers to the KUSF.²¹ As a VoIP provider, IdeaTek is required to contribute to the KUSF on an equitable and nondiscriminatory basis.²² The Commission has previously

²⁰ Response, ¶ 26, citing Docket No. 20-GIMT-387-GIT, *Order on Commission Jurisdiction* issued Mar. 23, 2021.

²¹ *Order on Reconsideration*, Docket No. 94-GIMT-478-GIT, Feb. 3, 1997, Attachment 1; *Order on Issue of Uncollectible Revenue and Additional KUSF Revenue Reporting Issues*, Docket No. 94-GIMT-478-GIT, Aug. 13, 1999, Attachment GL-2; *2025–26 Remittance Instruction and Forms, Attachment E*, chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://vantagepnt.com/wp-content/uploads/2024/11/KUSF_Remittance_2024-2025_Attachment_E.pdf (last viewed Jul. 1, 2025).

²² K.S.A. 66-2008(a). See also *Virgin Mobile USA, L.P. v. Keen*, 447 F.Supp.1071 (2020), at 1096.

determined (1) VoIP consumer calls use the Public Switched Telephone Network (“PSTN”), (2) “VoIP providers benefit from the use and maintenance of the PSTN because their consumers would not otherwise be able to place or receive calls from other consumers connected to the PSTN,” (3) “the PSTN is not free and providers that use and benefit from the PSTN must contribute on a fair and equitable basis to the KUSF,” (4) “those [p]roviders should not be allowed to avoid or unfairly decrease their KUSF contributions,” and (5) “K.S.A. 66-2008(a) makes it clear that the legislature intended interconnected VoIP providers to contribute to the KUSF on a fair and equitable basis.”²³

Kansas’ requirement for VoIP providers to “contribute to the KUSF on an equitable and nondiscriminatory basis” is compatible with federal Universal Service Fund (“USF”) requirements.²⁴ On July 16, 2009, the Commission joined the Nebraska Public Service Commission (“NPSC”) in filing a Joint Petition with the Federal Communications Commission (“FCC”). The Joint Petition requested the FCC to issue a Declaratory Ruling to affirm States’ authority to assess nomadic interconnected VoIP providers for state USF purposes.²⁵ On September 14, 2010, the Commission and the NPSC filed an Amendment to the Joint Petition (“Amended Petition”) to clarify that they were seeking only prospective relief since the Eighth Circuit affirmed a preliminary injunction against the NPSC and the Commission believed Kansas’ statute regarding VoIP providers stood on its own. On November 5, 2010, the FCC issued its

²³ *Order Determining KUSF Contribution Methodology*, Docket No. 14-GIMT-100-GIT, Oct. 20, 2020, ¶¶ 28–30; see also K.S.A. 66-2017.

²⁴ *Mountain Solutions, Inc. v. State Corp. Com’n of State of Kan.*, 966 F.Supp. 1043 (D. Kans. 1997).

²⁵ *In the Matter of Universal Service Contribution Methodology Petition for Declaratory Ruling of the Nebraska Public Service Commission and the Kansas Corporation Commission for Declaratory Ruling or, in the Alternative, Adoption of Rule Declaring that State Universal Service Funds May Assess Nomadic VoIP Intrastate Revenues*, WC Docket No. 06-122 (Docket 06-122), Petition of Nebraska Public Service Commission and Kansas Corporation Commission For Declaratory Ruling, or In the Alternative, Adoption of Rule Declaring That State Universal Service Funds May Assess Nomadic VoIP Intrastate Revenues (Petition).

Declaratory Ruling,²⁶ and stated that since the Amended Petition sought a ruling on a prospective basis, the FCC “need not and do not reach that question in this *Declaratory Ruling*.”²⁷ The *Declaratory Ruling* affirmed States’ authority to assess nomadic interconnected VoIP providers for state USF purposes provided that the state:

1. adopts contribution requirements consistent federal USF contribution rules and policies;
2. has a policy against collecting state USF assessments on revenues that are properly allocated to another state; and
3. allows a nomadic VoIP provider to treat as intrastate the same revenue that is treated as intrastate for federal USF purposes.

With regard to the recognition of state revenues, the *Declaratory Ruling* stated,

As long as states have a policy against collecting universal service assessments with respect to interconnected VoIP revenue that an interconnected VoIP provider has properly allocated to another state under that state’s rules, we do not preempt states from imposing universal service contribution requirements on future intrastate revenues of nomadic interconnected VoIP providers. This issue of duplicative assessments is not one of first impression for the states. Concern about potential double billing of intrastate revenues exists in the wireless context as well, because a wireless customer’s principal place of use may be different from his or her billing address. Evidence in the record indicates that states have successfully resolved allocation of wireless intrastate revenues for purposes of state universal service contributions without the need for Commission intervention. In fact, an allocation of revenues among the states modeled on the Mobile Telecommunications Sourcing Act, but adapted to provide interconnected VoIP service providers a means of determining a customer’s primary place of use of service, could be a method of ensuring against double assessments in the context of interconnected VoIP. Although there may be an administrative burden on interconnected VoIP providers to allocate their revenues among the states under various state rules, it is similar to what other providers, including wireless providers, have been doing for years. We also believe that any administrative burden is outweighed by the harm to competitive neutrality and to universal service that would occur if we were to preempt all state assessments in this prospective *Declaratory Ruling*. We will continue to monitor state implementation and enforcement of universal service assessments on interconnected VoIP providers, and we have the authority to reconsider our decision if presented with evidence that states are imposing undue burdens on interconnected VoIP providers’ ability to avoid double assessment.

²⁶ WC Docket No. 06-122, *Declaratory Ruling*, released Nov. 5, 2012.

²⁷ *Id.*, ¶ 1.

Furthermore, the FCC, in footnote 57, recognized that the States worked together through the National Association of Regulatory Utility Commissioners (“NARUC”)’s Staff Subcommittee on State Universal Service Fund Administrators (“SUSFA”) to address the allocation of intrastate revenues for wireless providers and could do so for VoIP providers. In response to the *Declaratory Ruling*, SUSFA conducted a Revenue Study regarding state USF obligations for interconnected VoIP providers. The Revenue Study, submitted to, and accepted by NARUC’s Telecommunications Committee in July 2011, found that three states - Kansas, Nebraska, and New Mexico – required all interconnected VoIP providers to comply with their state USF obligations. The Revenue Study found that Nebraska and Kansas were the only two bordering states that required all interconnected VoIP providers to contribute to their state USFs and that issue of two states assessing contributions on the same revenues was moot since Kansas and Nebraska adopted similar intrastate revenue identification methods.

IV. Audit Finding No. 3.

10. Contention 3: *IdeaTek’s practice of adjusting its KUSF assessment using a monthly internal true-up complies with Kansas law.*²⁸ VPS conducted the audit of IdeaTek in accordance with the Commission’s KUSF Review Procedures.²⁹ The Audit Report provides a detailed analysis to support the VPS findings. Audit Finding No. 3 states: “IdeaTek over-collects the KUSF surcharge from customer[s] in some months to recover under-collection for the KUSF surcharge from customer[s] in prior months. As a result, the Company over-collected the KUSF surcharge from March 2022–February 2025 Fiscal Years (FY 26, 27, and 28) in the amount of \$88,408.01

²⁸ *Response*, ¶ 6.

²⁹ *Order Accepting VPS’ KUSF Proposed Revisions to Selection Criteria and Carrier Review Procedures*, Docket No. 23-GIMT-261-GIT, Jul. 2, 2024.

in violation of K.S.A. 66-2008(a). The Company did not remit this over-collection to the KUSF.”

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Pursuant to K.S.A. 66-2008(a) IdeaTek is allowed to collect an amount equal to or less than its KUSF assessment from its customers and does so.³¹ IdeaTek explains that there are many accounting or billing challenges to align recovery of the KUSF surcharge on a monthly basis and that K.S.A. 66-2008(a) does not state that monthly collections must be equal to or less than fees paid for that month.³² However, IdeaTek’s “monthly internal true-up” is intentionally charging a different rate in any given month from the 11.37% authorized rate as ordered by the Commission for KUSF year 27.³³ VPS, the KUSF administrator, considered the over-collection of the assessment rates in some months as billing system limitations and recommended IdeaTek’s billing system be updated to correct customer surcharge over-billing in any single billing period.³⁴ As it stands, IdeaTek over-collected \$88,408.01 from customers during the period March 2022–February 2025 through their “monthly internal true-up” which was not remitted to the KUSF. The net result of IdeaTek’s implementation of a monthly internal true-up violates K.S.A. 66-2008(a) by over-collecting the Commission's approved assessment rate.

V. Audit Finding No. 4.

11. Contention 4: *Any amounts owed by IdeaTek to the KUSF should be offset by amounts due to IdeaTek from the KUSF.*³⁵ Staff concurs with IdeaTek’s response to Audit Finding No. 4 including that IdeaTek reported assessable and non-assessable revenues in its write-offs that

³⁰ *Audit Report*, p. 7.

³¹ *Id.*, p. 4.

³² *Response*, ¶ 31.

³³ Docket No. 23-GIMT-261-GIT, *Order Adopting KUSF Year 27 Assessment Rate and Affordable Rates*, Jan. 17, 2023, p. 3.

³⁴ *Audit Report*, p. 7.

³⁵ *Response*, ¶¶ 32–33.

were reported on its monthly CRWs resulting in the Company under-reporting its revenue and underpaying its KUSF assessment by \$8,173.79.

VI. Summary

12. The following table summarizes the Audit Report findings. The \$135,387.73 in overpayments are customer surcharges that were over-collected from customers and remitted to the KUSF. The underpayments include \$34,038.71 in customer surcharges collected by IdeaTek but not remitted to the KUSF, and an underpayment of \$8,173.79 to the KUSF. The table shows that IdeaTek will eventually receive a net credit or refund from the KUSF in the amount of \$93,175.23 after true-up. Finally, in the “No KUSF Impact” column is \$88,408.01 in customer surcharges collected by IdeaTek and not reported or remitted to the KUSF.

	<i>KUSF Over-Payments</i>	<i>KUSF Under-Payments</i>	<i>No KUSF Impact</i>
<i>Finding No. 1</i>	\$135,387.73	—	—
<i>Finding No. 2</i>	—	\$34,038.71	—
<i>Finding No. 3</i>	—	—	—
<i>Finding No. 4</i>	—	8,173.79	\$88,408.01
	\$135,387.73	\$42,212.50	\$88,408.01
	Net KUSF Impact	(\$93,175.23)	

To fully comply with the Audit Report recommendations *inter alia*, IdeaTek will need to refund a total of \$223,795.74 (\$135,387.73 + \$88,408.01) to its customers.³⁶

³⁶ *Audit Report*, p. 2.

VII. Conclusion

WHEREFORE, for all the above reasons Staff respectfully requests the Commission adopt VPS' Audit Report.

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CERTIFICATE OF SERVICE

25-WLDT-100-KSF

I, the undersigned, certify that a true and correct copy of the above and foregoing Staff's Reply to IdeatekTelcom was served via electronic service this 3rd day of July, 2025, to the following:

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