



February 5, 2024

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

RE: Docket No. 24-GARZ-120-KSF (Company Code KS006423)

In the Matter of the Audit of Garmin Services, Inc. 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 21, 2022 Order, the Kansas Corporation Commission (KCC) directed Vantage Point Solutions (VPS) to perform a KUSF carrier audit of Garmin Services, Inc. (Garmin 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 Garmin'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. Garmin's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Garmin 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 5th day of February, 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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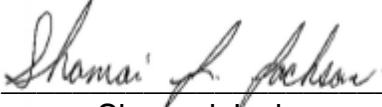
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Shomari Jackson

Vantage Point Solutions, Inc.
Audit Report for
Garmin Services, Inc.

From: Shomari Jackson, Auditor

Company Personnel: Brett Lauder milk, Telecommunications Regulatory Compliance Analyst

Date: January 19, 2024

On-Site Visit Date: December 14-15, 2023

KUSF Status: Current with Reporting & Payment obligations

Re: Docket No. 24-GARZ-120-KSF

In the Matter of the Audit of Garmin Services, Inc. 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 Garmin Services, Inc. (Garmin or Company) based on the Kansas Universal Service Fund (KUSF) Audit Procedures adopted for KUSF Fiscal Year 26 (FY 26).¹ VPS identified two (2) findings resulting from the Company’s non-compliance with the Commission’s KUSF policies, with a net impact of a decrease of \$79,385.04 to the KUSF. The Company is current with its KUSF obligations.

- **Finding No. 1** – Garmin reported and collected the KUSF surcharge on SMS revenues, resulting in an overpayment to the KUSF. However, the result was immaterial.
- **Finding No. 2** – Garmin reported and collected the KUSF surcharge on the following data services: Maintenance Rudics and Maintenance SBD. This resulted in the Company over-reporting and over-collecting the KUSF surcharge by \$79,385.04.

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 Garmin to:

1. File audit True-ups for FYs 25, 26, and 27, through February 2024, to exclude Maintenance Rudics, and Maintenance SBD revenues from its reporting;
2. Issue one-time billing credits in the amount of \$79,385.04 to its affected customers, on a pro-rata basis;
3. Update its billing system to exclude KUSF surcharge collection from SMS services, Maintenance Rudics, and Maintenance SBD;
4. Update its KUSF reporting procedures to exclude reporting of SMS;
5. Provide VPS with four (4) customer bills supporting that the refund process has been completed; and
6. File an affidavit, signed by an officer of the Company, attesting that the Company:
 - a. Corrected its KUSF reporting procedures to omit SMS services, Maintenance Rudics, and Maintenance SBD from its reporting revenues;
 - b. Corrected its billing system to exclude KUSF surcharge collection from SMS services, Maintenance Rudics, and Maintenance SBD; and
 - c. Issued refunds through one-time billing credits, totaling \$79,385.04, to its affected customers, on a pro-rata basis.

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

VPS recommends Garmin 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.

Garmin agrees with the Audit Report.

Background

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

Garmin operates as a provider of satellite services and is headquartered in Olathe, KS.

Garmin 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 services to its customers.

Pursuant to Commission Order,⁴ VPS confirmed that Garmin 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.⁵

Current KUSF Obligations

The Company is current with its KUSF obligations.⁶

Current Audit Findings

VPS conducted the audit of Garmin in accordance with the KUSF Audit Procedures adopted by the KCC.⁷ Based on the referenced procedures, VPS identified the following audit findings and provides the following recommendations:

Audit Finding No. 1

Standard: Non-voice service revenues, including SMS service revenues, will not be included in carriers' retail revenues.⁸

Finding: Garmin reported its SMS revenues and collected the KUSF surcharge for the SMS revenues.⁹ As a result, Garmin over-reported its intrastate retail revenues for March 2021 – December 2023 (FYs 25, 26, and 27 through December). The amount of the over-reporting and over-collection was immaterial.

Recommendation: VPS recommends that Garmin be directed to correct its KUSF reporting and collection procedures to exclude SMS revenues.

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, ¶ 27, Docket No. 14-GIMT-105-GIT, Oct. 20, 2016.

⁵ Garmin's response to DR 12.

⁶ Confirmed with the KUSF Administrator on Jan. 19, 2024.

⁷ 22-142 Order.

⁸ Order Granting Requests of Joint Petitioners, Docket No. 06-GIMT-943-GIT, Sep. 7, 2006.

⁹ Attachment A.

VPS also recommends the Company be directed to file an affidavit, signed by an officer of the Company, attesting the Company corrected its KUSF reporting policies to omit the reporting of its SMS service revenues, and updated its billing system to omit the KUSF surcharge collection on its SMS service revenues.

VPS recommend Garmin 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. 2

Standard: Non-voice service revenues, including data revenues, will not be included in carriers' retail revenues.¹⁰

Finding: Garmin collected the KUSF surcharge on its Maintenance Rudics and Maintenance SBD services, which are data revenues.¹¹ As a result, the Company over-collected \$79,385.04 from customers, over-reported intrastate revenues, and overpaid its KUSF contributions for the March 2021 – December 2023 Fiscal Years (FYs 25, 26, and 27 through December) in the amount of \$79,385.04.

Recommendation: VPS recommends that Garmin be directed to file audit True-ups for FYs 25, 26, and 27, through February 2024, to omit Maintenance Rudics, and Maintenance SBD revenues from its reporting. VPS recommends that Garmin be directed to issue refunds, through one-time billing credits, totaling \$79,385.04 to its affected customers, on a pro-rata basis.

VPS recommends that Garmin be directed to correct its KUSF reporting and collection procedures to exclude Maintenance Rudics and Maintenance SBD revenues.

VPS recommends that Garmin be directed to file an affidavit, signed by an officer of the Company, attesting to the amount and completion date of the customer refunds, the Company has corrected its KUSF reporting procedures to omit the reporting of Maintenance Rudics and Maintenance SBD revenues, and the Company has corrected its billing system to omit the KUSF surcharge collection on its Maintenance Rudics and Maintenance SBD Revenue. VPS also recommends that Garmin provide VPS with the four (4) invoices, for the affected customers, supporting completion of customer refunds.

VPS recommend Garmin 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.

¹⁰ Order Granting Requests of Joint Petitioners, Docket No. 06-GIMT-943-GIT, Sep. 7, 2006.

¹¹ Attachment A.

KUSF Carrier Audit Information Request

Submitted By: Shomari Jackson
Submitted To: Sam Olawaiye
Brett Laudermilk
Company Name: Garmin Services, Inc.
Docket Number: 24-GARZ-120-KSF
Request Date: January 8, 2023
Due Date: **January 18, 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, please provide an explanation:

- The Company reports and collects the KUSF surcharge on SMS services.
Confirmed
- The Company reports and collects the KUSF surcharge on the following data services:
 - Maintenance Reports
 - Maintenance Rudics
 - Weather Request Rudics
 - Aircraft Maintenance Reports
 - Maintenance SBDConfirmed

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: 1-18-23