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December 8, 2017

Ms. Lynn M. Retz
Secretary to the Commission
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

RE: Docket No. 18-NTWZ-032-KSF
In the Matter of the Audit of Nex-Tech Wireless, LLC by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A 2015 Supp. 66-2010(b) for KUSF Operating Year 20, Fiscal Year March 2016-February 2017

Dear Ms. Retz:

In its August 1, 2017 order the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of Nex-Tech Wireless, LLC (NTW 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 NTW's wireless customers, if applicable, are appropriate and accurate.

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

A handwritten signature in black ink, appearing to read "DW", is written over a horizontal line.

David Winter
Senior Consultant

cc w/encl: Sandy Reams

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of December 2017, 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
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Topeka, KS 66604

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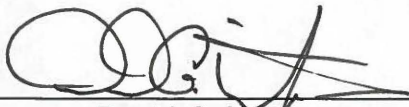
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David G. Winter

KANSAS UNIVERSAL SERVICE FUND AUDIT REPORT

Docket No: 18-NTWZ-032-KSF
Nex-Tech Wireless, L.L.C.

Prepared For: Kansas Corporation Commission
Kansas Universal Service Fund

Prepared By: David Winter
GVNW Consulting, Inc.

Audit Period: March 1, 2016 through February 28, 2017
Kansas Operating Year 20 (Operating Year 20)

Company Representatives: Daron E. Jamison, Director of Finance Development & Strategy
Jon Lightle, President/CEO
Shannon Adams, Accountant

Date of On-Site Visit: November 7 - 8, 2017

Date Submitted to Company: November 20, 2017

Audit Summary

Based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures for Operating Year 20,¹ GVNW Consulting, Inc. (GVNW) identified one (1) reporting deficiency regarding Nex-Tech Wireless, L.L.C. (NTW or Company) with no financial impact to the KUSF:

- Finding No. 1: NTW did not clearly identify the Kansas Lifeline Service Program (KLSP) credit on its Lifeline subscribers' bills. The KLSP and the Federal Universal Service Fund (USF) Lifeline credits are combined into a single billing category entitled "Lifeline Discount".² NTW has made the necessary changes and is now compliant with this audit finding.

GVNW recommends that the Commission issue an Order to: (1) adopt the audit finding; and (2) close this audit docket.

Current KUSF Obligations

NTW is current with its KUSF obligations.³

¹ Docket No. 16-GIMT-067-GIT (Docket 16-067), July 25, 2017 Order Accepting GVNW's KUSF Year 20 Audit Selections, Proposed Revisions to Selection Criteria and Audit Review Procedures (July 25, 2017 Order).

² The Lifeline Discount equals the \$17.02 (Federal Lifeline Credit of \$9.25 plus the KLSP Credit of \$7.77).

³ Confirmed on November 17, 2017 with the KUSF Administrator.

Background

NTW is a wireless service provider headquartered in Hays, Kansas. The Company is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.⁴ NTW is authorized to collect an amount equal to or less than its assessment from customers.⁵ The Company is an ETC for federal and state low-income Lifeline support purposes and is eligible for KLSP credits from the KUSF. As an ETC, NTW is required to offer and advertise Lifeline services to its customers,⁶ which it does.

NTW bundles assessable and non-assessable services and reports revenues to the KUSF based on the voice component percentage assigned to each bundled package and reports revenues gross of discounts to the KUSF. NTW uses the same bundled services and discount methodologies to identify, report, and allocate revenue to the KUSF and for Federal USF reporting purposes.

On August 1, 2017, the Commission issued Order No. 1 in Docket 18-032 directing GVNW to conduct an audit for KUSF purposes.

This audit also requires a review of the Company's compliance with the recommendations adopted by the KCC in Docket 16-030.⁷

Audit Findings

GVNW conducted the audit of NTW in accordance with the KUSF Carrier Review Procedures adopted by the KCC.⁸ Based on these procedures, GVNW identified the following audit finding and recommendation:

Audit Finding No. 1

Standard: Any federal, state, local government and/or regulatory taxes, fees and/or surcharges, shall be itemized on a subscriber's bill and shall be clearly identified.⁹

⁴ Docket No. 06-GIMT-332-GIT, January 23, 2006 Order Setting the Kansas Universal Service Fund Assessment Rate for Year Ten and Establishing Reporting Requirements.

⁵ K.S.A. 66-2008.

⁶ Docket No. 94-GIMT-478-GIT, December 27, 1996 Order; 47 C.F.R. 214(e)(1).

⁷ Docket No. 16-NTWZ-030-KSF (Docket 16-030), June 21, 2016 Order Adopting GVNW Consulting, Inc.'s Audit Report and Recommendations.

⁸ Docket 16-067, July 25, 2017 Order.

⁹ Federal Communications Commission (FCC) CC Docket No. 98-170, CG Docket No. 04-208, March 10, 2005, Second Report and Order Declaratory Ruling and Second Further Notice of Proposed Rulemaking. The FCC removed the exemption of Commercial Mobile Radio Service from its Truth In Billing Standards (47 CFR 64.2401). Section 64.2401(b) states in part that "Charges contained on telephone bills must be accompanied by a brief, clear, non-misleading plain language description of the service or services rendered."

Finding: NTW does not identify the KLSP Lifeline credit as a separate line-item on a Lifeline subscriber's monthly bill. Instead, the KLSP and Federal USF Lifeline credits are combined into a single billing determinant entitled "Lifeline Discount" and, therefore, does not identify whether the Lifeline credit is associated with the KLSP or Federal credit.

Management Response

The Company corrected this practice and on November 17, 2017, provided five (5) copies of Lifeline subscriber bills to GVNW that demonstrate the KLSP credit as a separate line item.

Recommendation: NTW is now compliant with this audit finding.

Follow-up Docket 16-032 Audit Compliance

The following findings were adopted by the Commission in Docket 16-032:

Finding No. 1: NTW reported revenues to the KUSF net of discounts.

Audit Finding Compliance: GVNW confirms NTW reports gross revenues to the KUSF.

Finding No. 2: For customers that purchased the Freedom Plan, the billing system applied the KUSF surcharge as if the customer purchased the higher priced Smartphone II service plan.

Audit Finding Compliance: NTW has discontinued this practice.

Finding No. 3: The price of NTW's Freedom Plan was not properly recorded in the Company's general ledger for KUSF reporting purposes.

Audit Finding Compliance: The price for NTW's Freedom Plan is correctly reported in the Company's general ledger and properly reported to KUSF.

Finding No. 4: NTW collected more from its customers via the KUSF surcharge than what was paid to the KUSF.

Audit Finding Compliance: GNVW affirms NTW does not collect more from its customers than it owes to the KUSF.