

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

Before Commissioners: Thomas E. Wright, Chairman
 Ward Loyd

In the Matter of the Proceeding to Conduct)	
A Financial and Operational Audit of Kansas)	
Relay Services, Inc.'s (KRSI) Administration)	
Of the Dual Party Relay Service and)	Docket No. 07-KRST-143-KSF
Telecommunications Access Program (TAP))	
To Determine that Costs Recovered Through)	
The Kansas Universal Service Fund (KUSF))	
For These Programs Are Reasonable and)	
Appropriate.)	

**ORDER DIRECTING KRSI TO FILE 2010 COST STUDY
FOR STAFF REVIEW**

The above-captioned matter comes on before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and records, and having been duly advised in the premises, the Commission directs Kansas Relay Service, Inc. (KRSI) to file its 2010 cost study for Commission staff (Staff) review.

1. By its September 25, 1989 Order in Docket No. 168-334-U, the Commission established Dual Party Relay service n/k/a Telecommunications Relay Service (TRS) to provide access to telecommunications service to the speech and hearing disadvantaged Kansans. The Commission also established the KRSI to conduct the day-to-day administrative functions of the TRS. In addition, the Commission determined that KRSI should contract with the Kansas Telecommunications Association n/k/a the Kansas Telecommunications Industry Association (KTIA) to set a monthly fee for the use of office space, equipment, and personnel, and providing for unusual expenses upon occurrence.

2. In response to K.S.A. 66-2002(g), the Commission issued its January 24, 1997 Order, in Docket No. 194,283-U, establishing the Telecommunications Access Program (TAP). TAP was created to fund, purchase, and distribute telecommunications equipment for persons with other special needs. The Commission determined that KRSI would manage TAP.

3. This docket was opened on August 10, 2007, for the purpose of a financial and operational audit of KRSI to ensure the costs recovered through the Kansas Universal Service Fund (KUSF) by KRSI were reasonable. The Commission directed Staff to conduct the audit of KRSI, reviewing the financial records of KRSI as well as the financial records of KTIA. August 10, 2006 Commission Order ¶ 21.

4. On October 25, 2010, Staff provided its Report and Recommendation (Report), detailing its audit of KRSI. Staff's Report was posted on the Commission's web site on the same day to provide interested persons with the opportunity to comment on the Report. No public comments were received.

5. Staff advised the Commission that its audit of KRSI was informal and accomplished with the cooperation of the staffs of KRSI and KTIA.

Management Agreement

Staff position

6. Upon Staff's request, KRSI provided the initial management agreement between KRSI and KTIA, dated May 1991. According to the management agreement, KRSI would pay KTIA a fee for the provision of certain employees, office facilities and space, supplies, and equipment. The initial fee was \$2,000 per month with annual escalations of \$250 per month each May 1st. Staff criticized this portion of the

management agreement because there was no proper documentation of the methodology by which the initial monthly fee and annual monthly increase were determined. Staff Report pp. 4 – 5.

KRSI position

7. In its Comments to Staff Report and Objection to Recommendations (Comments), KRSI contended that Staff failed to advise the Commission that the KRSI Board subcommittee developed the management contract and identified the common/joint costs. KRSI Comments ¶ 1.

Expense Reimbursement Agreement

Staff position

8. Under the expense reimbursement agreement, KTIA agreed to provide (a) personnel, services, related office space and supplies necessary for KRSI to perform the day-to-day administrative functions of the TRS and (b) a director and clerical assistant for the TAP program for a monthly payment of \$20,000 by KRSI, increased each January 1st by five percent. Staff criticizes the expense reimbursement agreement because the methodology by which the monthly base fee and the annual five percent were calculated was not documented. Staff advised the Commission that it could not provide any assurance that the charges paid by KRSI to KTIA are cost-based. Staff Report pp. 5 – 6.

KRSI position

9. KRSI complained that Staff never advised KRSI as to what cost model upon which it would be evaluated. KRSI advised the Commission that it was in the final

quarter of a year-long cost study of monthly fees and cost allocations. According to KRSI, this cost study is in response to a Staff request. KRSI Comments ¶¶ 2 – 3, 10.

Telecommunications Access Program (TAP)

Staff position

10. Staff reported that KRSI had developed a link on the KTIA web site which assists individuals to find information about qualifying for TAP equipment, applying for that equipment, examples of equipment available, and locations of demonstration sites throughout Kansas. Staff noted that there was no documentation included on the TAP applications to support the income or residency requirements of the applicant. Further, TAP personnel do not verify the applicant's residency and income criteria to ascertain if the applicant qualifies for TAP.

KRSI position

11. KRSI disagreed with Staff's understanding of the TAP process. According to KRSI, it never took faxed applications because the Commission's TAP order required original signature of an applicant. KRSI also disagreed with Staff's assertion that TAP personnel did not independently verify information in the applications. According to KRSI, it took the initiative to add verification by the applicant that the information he or she provided was true and correct, under penalty of perjury. Further, according to KRSI, it conducted random checks of the phone numbers and residence addresses of the applicants and it has the right to request proof of income. In addition, contrary to Staff assertions, when KRSI orders TAP equipment, the voucher is sent to the vendor so that

the equipment and voucher match. In addition, KRSI contended that it researched and reviewed its vendors for fraud. And, KRSI believed that the Staff assertion that “it is no longer essential that KRSI have a connection to the telecommunications industry” is unfounded and wrong

Commission Conclusion

12. The Commission concludes that it would be a waste of resources to move to a bidding process for KRSI management at this time, as Staff recommended. Staff Response to KRSI Comments ¶ 2. KRSI should be close to finishing, or has already completed, its 2010 cost study, which should be reviewed before the Commission determines whether it should engage in the Request for Proposals process.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. KRSI is to file its 2010 cost study with the Commission immediately upon its completion. KRSI shall advise the Commission when it projects completion of the cost study.

B. Commission Staff shall review KRSI’s 2010 cost study, determine whether it demonstrates that the fees assessed against KRSI by KTIA are cost-based, and report its analysis to the Commission.

C. This docket remains open for further action by the Commission.

BY THE COMMISSION IT IS SO ORDERED.

Wright, Chmn.; Loyd, Comm.

Dated: FEB 25 2011

ORDERED MAILED

FEB 28 2011



**EXECUTIVE
DIRECTOR**

Susan K Duffy, Executive Director

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