

May 5, 2025

Ms. Celeste Chaney-Tucker – celeste.chaney-tucker@ks.gov
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

Re: Docket No. 25-BCIV-103-KSF

In the Matter of the Audit of BCI Telephone of Kansas, LLC by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for KUSF Operating Year 27, Fiscal Year March 2023 – February 2024

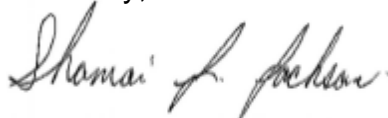
Dear Ms. Chaney-Tucker:

In its August 6, 2024 Order, the Kansas Corporation Commission (KCC) directed Vantage Point Solutions (VPS) to perform a KUSF carrier audit of BCI Telephone of Kansas, LLC (BCI 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 BCI'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. BCI's audit does not require a separate confidential report; therefore, only the enclosed public audit report for BCI 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 - steve.garrett@ks.gov

CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of May, 2025, 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
CELESTE.CHANEY-TUCKER@KS.GOV

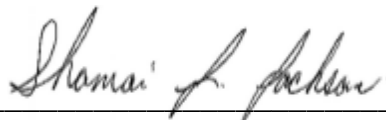
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Shomari Jackson



**Vantage Point Solutions, Inc.
Audit Report for
BCI Telephone of Kansas, LLC**

From: Shomari Jackson, Auditor

Company Personnel: Jeff DeMedeiros, Controller & Senior Vice President
Sean McCann, Regulatory Tax Compliance Manager

Date: April 15, 2025

On-Site Visit Date: February 18-20, 2025

KUSF Status: Current with Reporting & Payment obligations

Re: Docket No. 25-BCIV-103-KSF

In the Matter of the Audit of BCI Telephone of Kansas, LLC by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for KUSF Operating Year 27, Fiscal Year March 2023 – February 2024

Audit Summary

Pursuant to the Kansas Corporation Commission's (KCC or Commission) August 6, 2024 Order, Vantage Point Solutions, Inc. (VPS) conducted an audit of BCI Telephone of Kansas, LLC (BCI or Company) based on the Kansas Universal Service Fund (KUSF) Revised Audit Procedures adopted for KUSF Fiscal Year 27 (FY27).¹ VPS identified five (5) findings resulting from the Company's non-compliance with the Commission's KUSF policies, with a net impact to the Fund of an increase of \$360.45. The Company is current with its KUSF obligations.

- **Finding No. 1** – BCI did not report its VoIP Telephone Features revenues, resulting in an underpayment of \$360.45 to the KUSF.
- **Finding No. 2** – BCI did not report its Late Fee revenues. However, the result was immaterial.
- **Finding No. 3** – BCI did not report Paper Billing Fee revenues. However, the result was immaterial.
- **Finding No. 4** – BCI allocated revenue to the KUSF using a company-specific traffic factor study. The Company has not submitted a pleading, including an affidavit from an officer of the Company, to the Kansas Corporation Commission (KCC or Commission) regarding its methodology to allocate Kansas revenue between the interstate and

¹ Order Accepting VPS' KUSF Proposed Revisions to Selection Criteria and Carrier Review Procedures, Docket No. 23-GIMT-261-GIT, July 2, 2024 (23-261 Order).

intrastate jurisdictions, or to verify that the Company is using the same methodology for both Federal and Kansas USF purposes.

- **Finding No. 5** – BCI did not correctly complete Block C of the Carrier Remittance Worksheets (CRWs), with no financial impact to the KUSF.

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

1. File audit True-ups for FYs 26, 27, and 28 to include its VoIP Telephone Features, Late Fees, and Paper Billing Fees, and to report the actual KUSF surcharge collected from subscribers in Block C of its CRW;
2. Remit \$360.45 to the KUSF;
3. Update its billing system to include KUSF surcharge collection for VoIP Telephone Features, Late Fees, and Paper Billing Fees revenues;
4. Update its KUSF reporting procedures to include VoIP Telephone Features, Late Fees, and Paper Billing Fees revenues in its reporting and to report the actual KUSF surcharge collection collected from customers in Block C of its CRWs;
5. Submit a pleading affirming its use of a company-specific traffic factor study to allocate revenue between interstate and intrastate jurisdictions, the period(s) the methodology was applicable, the intrastate factors applied, and verifying that the Company is using this methodology for both Federal and Kansas USF purposes; and
6. File an affidavit, signed by an officer of the Company, attesting that the Company:
 - a. Remitted \$360.45 to the KUSF;
 - b. Corrected its billing system to include KUSF surcharge collection from its VoIP Telephone Features, Late Fees, and Paper Billing Fees revenues;
 - c. Corrected its KUSF reporting procedures to include VoIP Telephone Features, Late Fees, and Paper Billing Fees revenues in its reporting and include the amount collected from subscribers in Block C;
 - d. Submitted a pleading affirming its use of a company-specific traffic factor study to allocate revenues between the interstate and intrastate jurisdictions, the periods the methodology was applicable, the intrastate factors applied, and verifying that the Company is using this methodology for both Federal and Kansas USF purposes; and

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

VPS recommends BCI be directed to take all corrective actions within 30 days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 60 days of the Order.

The Company is current with its KUSF obligations.

BCI disagrees with the Audit Report.

Background

During the course of the audit, VPS issued seventeen (17) Data Requests (DRs) to BCI. DR No. 15 is included as Attachment A.

BCI operates as a Voice over Internet Protocol (VoIP) provider and is headquartered in Rye Brook, NY.

BCI 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 BCI offers bundled assessable and non-assessable services to its Kansas customers. The Company reports revenue and remits assessments to the KUSF based on the unbundled price of the assessable service subject to the KUSF assessment. 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 BCI 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:

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 BCI's response to DR 17.

⁶ Confirmed with the KUSF Administrator on April 2, 2025.

⁷ 23-261 Order.

Audit Finding No. 1

Standard: Miscellaneous recurring and non-recurring intrastate retail revenues are Kansas intrastate retail revenues subject to the KUSF.⁸

Finding: BCI did not report its VoIP Telephone Feature revenues to the KUSF.⁹ As a result, the Company under-reported its intrastate revenues and underpaid its KUSF contributions for the March 2022 – February 2025 Fiscal Years (FY 26, 27, and 28) in the amount of \$360.45. The Company did not collect the KUSF surcharge from its customers for VoIP Telephone Feature revenues.

Recommendation: VPS recommends that BCI be directed to file audit True-ups for FYs 26, 27, and 28, to include VoIP Telephone Feature revenues, to correct its KUSF reporting procedures to include VoIP Telephone Features, and remit \$360.45 to the KUSF.

VPS also recommends that BCI be directed to file an affidavit, signed by an officer of the Company, attesting that the Company has corrected its KUSF reporting procedures to include VoIP Telephone Feature revenues in its reporting and remitted \$360.45 to the KUSF.

VPS recommends BCI be directed to take all corrective actions within 30 days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 60 days of the Order.

Audit Finding No. 2

Standard: Miscellaneous recurring and non-recurring intrastate retail revenues, including Late Payment Fees, are Kansas intrastate retail revenues subject to the KUSF.¹⁰

Finding: BCI did not report its Late Fee revenues to the KUSF.¹¹ As a result, BCI underreported its intrastate retail revenues from March 2022 – February 2025 Fiscal Years (FYs 26, 27, and 28). However, the amount was immaterial.

Recommendation: VPS recommends that BCI be directed to file an affidavit, signed by an officer of the Company, attesting the Company corrected its KUSF reporting policies to report its Late Fee revenues to the KUSF.

VPS recommends BCI be directed to take all corrective actions within 30 days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 60 days of the Order.

⁸ Order On Issue of Uncollectible Revenue and Additional KUSF Revenue Reporting Issues, Docket No. 94-GIMT-478-GIT, Aug. 13, 1999. See also Kansas Universal Service Fund Instructions, Attachment E https://vantagepnt.com/wp-content/uploads/2024/11/KUSF_Remittance_2024-2025_Attachment_E.pdf

⁹ Attachment A.

¹⁰ Order On Issue of Uncollectible Revenue and Additional KUSF Revenue Reporting Issues, Docket No. 94-GIMT-478-GIT, Aug. 13, 1999.

¹¹ Attachment A

Audit Finding No. 3

Standard: Miscellaneous recurring and non-recurring intrastate retail revenues, including Billing Fees, are Kansas intrastate retail revenues subject to the KUSF.¹²

Finding: BCI did not report its Paper Billing Fee revenues to the KUSF.¹³ As a result, BCI underreported its intrastate retail revenues from March 2022 – February 2025 Fiscal Years (FYs 26, 27, and 28).

Recommendation: VPS recommends that BCI be directed to file an affidavit, signed by an officer of the Company, attesting the Company corrected its KUSF reporting policies to report its Paper Billing Fee revenues.

VPS recommends BCI be directed to take all corrective actions within 30 days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 60 days of the Order.

Audit Finding No. 4

Standard: Any interconnected VoIP provider wanting to allocate revenue to the interstate and intrastate jurisdiction for USF purposes using the traffic study methodology must file a pleading with the Kansas Corporation Commission (KCC) prior to using such methodology.¹⁴

Finding: BCI used a company-specific traffic study to determine the identification of intrastate and interstate revenues.¹⁵ The Company has not submitted a pleading to the KCC advising the Commission of this methodology, nor has it filed annual updates. BCI has not provided an affidavit from an officer of the Company to verify that the Company is using the same methodology for both Federal and Kansas USF purposes.

Recommendation: VPS recommend that BCI be directed to submit a pleading, accompanied by an affidavit from an officer of the Company, requesting to use the traffic study methodology for KUSF purposes and that the Company shall apply the inverse of the federal USF factor for KUSF reporting purposes. The Company should identify the factors used and the time period for each applicable factor. The Commission should direct the Company to submit annual updates in accordance with Commission Orders.

VPS recommends BCI be directed to take all corrective actions within 30 days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 60 days of the Order.

¹² Order On Issue of Uncollectible Revenue and Additional KUSF Revenue Reporting Issues, Docket No. 94-GIMT-478-GIT, Aug. 13, 1999.

¹³ Attachment A

¹⁴ Order Setting the Kansas Universal Service Fund Assessment Rate for Year Sixteen and Cancelling Hearing, Docket No. 12-GIMT-168-GIT, Jan. 24, 2012.

¹⁵ Attachment A.

Audit Finding No. 5

Standard: A Company is to report the amount of its actual KUSF assessments collected from customers in Block C of the CRW.¹⁶

Finding: BCI did not report the amount of the KUSF surcharge collected from its customers in Block C on several of its monthly CRWs for FY 27, with no financial impact to the KUSF.¹⁷

Recommendation: VPS recommends that BCI be directed to file audit True-ups for FYs 26, 27, and 28 to include the actual KUSF surcharge collected from subscribers in Block C.

VPS recommend that BCI be directed to update its KUSF reporting procedures to include the KUSF surcharge collected from customers in Block C of the CRWs.

VPS also recommends that the Company be directed to file an affidavit, signed by an officer of the Company, attesting that the Company corrected its KUSF reporting procedures to include the KUSF surcharge collected from its customers in Block C of its CRWs.

VPS recommends BCI be directed to take all corrective actions within 30 days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 60 days of the Order.

¹⁶ Order Adopting Audit Report, Docket No. 19-RWLZ-033-KSF, Jan. 24, 2019. See also KUSF Carrier Remittance Instructions, Plan Year 2023-2024; (CRW Instructions), II.A.

¹⁷ Attachment A.

KUSF Carrier Audit Information Request

Submitted By: Shomari Jackson
Submitted To: Sean McCann
Company Name: BCI Telephone of Kansas, LLC
Docket Number: 25-BCIV-103-KSF
Request Date: March 11, 2025
Due Date: March 20, 2025

Data Request No. 15

RE: Confirmation of Auditor Understanding

Please confirm that the auditor's understanding of the following items is correct. If the statements are incorrect, please provide clarification.

- The Company allocates the intrastate portion of its revenue using a company-specific traffic factor. I agree.
- The Company has not filed the company specific traffic factor with the KCC for KCC approval. I agree.
- The Company did not report its late fees to the KUSF. I agree.
- The Company did not report its paper billing fees to the KUSF. I agree.
- The Company did not report its VoIP telephone features to the KUSF. I agree.
- The Company did not correctly fill out Box C of the CRW. I agree.

NOTE: If for some reason, the above information cannot be provided by the date requested, your Company must submit a Request for Additional Time.

KUSF Carrier Audit Information Request

Verification of Response – DR15

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: _____

Sen P. McCa

Date: _____

3/17/25