



May 10, 2024

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

RE: Docket No. 24-NCPV-118-KSF (Company Code KS007282)

In the Matter of the Audit of Netelligent Corporation 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 August 17, 2023, Order, the Kansas Corporation Commission (KCC) directed Vantage Point Solutions (VPS) to perform a KUSF carrier audit of Netelligent Corporation (Netelligent 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 Netelligent'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. Netelligent's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Netelligent 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,

A handwritten signature in black ink that reads 'Shomari L. Jackson'.

Shomari Jackson

cc: Steve Garrett – s.garrett@kcc.ks.gov

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of May, 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 SW Arrowhead Road
Topeka, KS 66604

Ahsan Latif
Litigation Counsel
Kansas Corporation Commission
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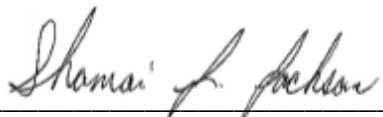
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Shomari Jackson

Vantage Point Solutions, Inc.
Audit Report for
Netelligent Corporation

From: Shomari Jackson, Auditor

Company Personnel: Richard Harkins, Manager, Recurring Revenue
Orvin Moore, Director, Telecom, Attorney-in-Fact

Date: February 26, 2024

On-Site Visit Date: Desk Audit

KUSF Status: Delinquent with Reporting & Payment obligations

Re: Docket No. 24-NCPV-118-KSF

In the Matter of the Audit of Netelligent Corporation 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 Netelligent Corporation (Netelligent or Company) based on the Kansas Universal Service Fund (KUSF) Audit Procedures adopted for KUSF Fiscal Year 26 (FY 26).¹ VPS identified three (3) findings resulting from the Company's non-compliance with the Commission's KUSF policies, with a net impact of a decrease of \$3,207.09 to the KUSF. The Company is delinquent with its KUSF obligations.

- **Finding No. 1** – Netelligent reported and collected the KUSF surcharge on its Fax IP services, resulting in an overpayment of \$303.98 to the KUSF.
- **Finding No. 2** – Netelligent reported and collected the KUSF surcharge on Number Portability Fees, resulting in an overpayment of \$2,618.77 to the KUSF.
- **Finding No. 3** – Netelligent filed its July 2022 CRW in error and did not file a revised CRW to report the actual revenues for July 2022, nor did it correct it on its Annual True-up submission for FY26. This resulted in an overpayment of \$284.34.

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 Netelligent to:

1. File audit True-ups for FYs 25, 26, and 27 to exclude Fax IP service revenues and Local Number Portability for Existing Numbers revenues from its reporting, and to correct the revenues for the July 2022 reporting period that were originally filed in error;
2. Issue one-time billing credits in the amount of \$2,922.75 to its affected customers, on a pro-rata basis;
3. Update its billing system to exclude KUSF surcharge collection from Fax IP services and Local Number Portability for Existing Numbers charges;
4. Update its KUSF reporting procedures to exclude reporting of Fax IP service revenues and Local Number Portability for Existing Numbers charges;
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 Fax IP services and Local Number Portability for Existing Numbers charges from its reporting revenues;
 - b. Corrected its billing system to exclude KUSF surcharge collection from Fax IP services and Local Number Portability for Existing Numbers charges;
 - c. Issued refunds through one-time billing credits, totaling \$2,922.75, to its affected customers, on a pro-rata basis; and
 - d. Corrected the July 2022 revenues that were reported in error.

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

VPS recommends Netelligent 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 delinquent with its KUSF obligations.

Netelligent disagrees with the Audit Report.

Background

During the course of the audit, VPS issued nineteen (19) Data Requests (DRs) to Netelligent.

Netelligent operates as a Voice over Internet Protocol (VoIP) provider and is headquartered in Chesterfield, MO.

Netelligent is required to report its revenue and pay the related assessments to the KUSF on a semi-annual basis.² However, the Company reports and pays its KUSF assessments on a monthly basis. 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 Netelligent 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 currently over 30 days past due in submitting a \$1.81 delinquent balance which is comprised of \$1.81 Late Payment Penalty that was assessed on December 31, 2023. Therefore, The Company is delinquent with its KUSF obligations.⁶

Current Audit Findings

VPS conducted the audit of Netelligent 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 Fax IP services, will not be included in carriers' retail revenues.⁸

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 Feb. 26, 2024.

⁷ 22-142 Order.

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

Finding 1: Netelligent reported its Fax IP revenues and collected the KUSF surcharge for the Fax IP revenues.⁹ As a result, Netelligent over-reported its intrastate retail revenues for March 2021 – January 2024 (FYs 25, 26, and 27 through January) in the amount of \$303.98.

Recommendation: VPS recommends that Netelligent be directed to correct its KUSF reporting and collection procedures to exclude Fax IP revenues.

VPS also recommends the Company 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 policies to omit the reporting of its Fax IP revenues, and the Company has corrected its billing system to omit the KUSF surcharge collection on its Fax IP revenues. VPS also recommends that Netelligent provide VPS with the four (4) invoices, for the affected customers, supporting completion of customer refunds.

VPS recommends Netelligent 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.

Management’s Response

Netelligent’s FAX IP services are on traditional lines, e.g. it is a line of service that can receive a fax from a traditional, dial-up machine rather than machine-to-machine where it does not touch the PTSN. Meaning there can be usage on that line that would be subject to surcharge theoretically.

Audit Finding No. 2

Standard: Non-voice service revenues will not be included in carriers’ retail revenues.¹⁰

Finding: Netelligent reported and collected the KUSF surcharge on its Local Number Portability charges.¹¹ As a result, the Company over-collected \$2,618.77 from customers, over-reported intrastate revenues, and overpaid its KUSF contributions for the March 2021 – January 2024 Fiscal Years (FYs 25, 26, and 27 through January) in the amount of \$2,618.77.

Recommendation: VPS recommends that Netelligent be directed to file audit True-ups for FYs 25, 26, and 27, through January 2024, to omit Local Number Portability revenues from its reporting. VPS recommends that Netelligent be directed to issue refunds, through one-time billing credits totaling \$2,618.77 to its affected customers, on a pro-rata basis.

⁹ Attachment A.

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

¹¹ Attachment A.

VPS recommends that Netelligent be directed to correct its KUSF reporting and collection procedures to exclude Local Number Portability revenues.

VPS recommends that Netelligent 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 Local Number Portability revenues, and the Company has corrected its billing system to omit the KUSF surcharge collection on its Local Number Portability revenues. VPS also recommends that Netelligent provide VPS with the four (4) invoices, for the affected customers, supporting completion of customer refunds.

VPS recommends Netelligent 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.

Management's Response

Ordinarily I would agree that the Number Portability Fee should not be assessed the KUSF surcharge by nature of what it implies...a miscellaneous fee that isn't the service itself. Or a fee charged when service is terminated to port a number to another carrier. However, Netelligent's Number Portability fee is effectively a recurring charge on certain accounts to customers who want their number to remain portable. If the fee isn't paid, those customer numbers do not remain portable. It is effectively a service activation fee of sorts.

Audit Finding No. 3

Standard: Carriers are required to report actual intrastate retail revenues, and may report uncollectible revenue written-off, to the KUSF to determine their KUSF assessment obligation.¹²

Finding: Netelligent filed its July 2022 monthly CRW in error, and did not file a revised CRW to report the actual revenues for that filing period, nor did it correct it on its Annual True-up submission for FY 26.¹³ As a result, the Company over-reported intrastate revenues and overpaid its KUSF contributions for the July 2022 reporting period in the amount of \$284.34.

¹² K.S.A. 66-2008(a), and Order, ¶ 108-110, Dec. 27, 1996; Order and Attachment, Feb. 3, 1997; Order, ¶9, 31, 56, March 25, 1999, Docket No. 94-GIMT-478-GIT. See also, Order, Docket No. 16-GIMT-517-GIT, Feb. 17, 2017.

¹³ Attachment A.

Recommendation: VPS recommends that Netelligent be directed to file audit True-ups for FY 26 to correctly report its revenues for the July 2022 filing period.

VPS recommends that Netelligent be directed to file an affidavit, signed by an officer of the Company, attesting to the filing the FY 26 Audit True-ups to correct its revenues for the July 2022 reporting period.

VPS recommends Netelligent 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.

KUSF Carrier Audit Information Request

Submitted By: Shomari Jackson
Submitted To: Orvin Moore
Company Name: Netelligent Corporation
Docket Number: 24-NPCV-118-KSF
Request Date: February 15, 2024
Due Date: **February 26, 2024**

Data Request No. 18**RE: Confirmation of Auditor Understanding**

Please provide the following information/documentation:

Please confirm the auditor's understating of the following items. If the statements are incorrect or incomplete, provide an explanation:

- **The Company reports the following revenues to the KUSF:**
 - Fax IP services
 - Local Number Portability for Existing Numbers

Correct. The Company reports Fax IP services and Local Number Portability for existing Numbers to KUSF.

- **The Company collects the KUSF surcharge on the following revenues:**
 - Fax IP services
 - Local Number Portability for Existing Numbers

Correct. The Company collects the KUSF surcharge on Fax IP services and Local Number Portability for Existing Numbers.

- **The Company did not report the following revenues to the KUSF:**
 - Inbound Toll-Free Service

Incorrect. The gross amount of revenues for the inbound toll-free service charge is grouped under the 'SIP Trunk' item description. VoIP Safe Harbor is then applied to report 35.1% of those revenues to KUSF.

- **The Company did not collect the KUSF surcharge on the following revenues:**
 - Inbound Toll-Free Service

KUSF Carrier Audit Information Request

Correct. The Company did not collect the KUSF surcharge on the Inbound Toll-Free Service charge specifically as it is effectively a charge assessed for simply having a toll-free number attached to the phone system. The Company did collect the KUSF surcharge on the Prepaid Toll-Free Minutes as those reflect the minutes of usage. Those revenues are grouped under the item description 'Usage-Based Charges (Undetermined)'.

- **The Company filed its July 2022 CRW in error and did not file a revised CRW to report the actual revenues for that filing period, nor did it correct it on its Annual True-up submission for FY26.**

Correct. The company completed a true-up for the March 2022-February 2023 period, however, the true-up reflected figures submitted on the CRW's in error and did not report actual revenues for the commensurate filing periods.

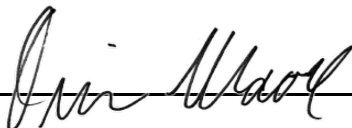
NOTE: If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

Correct.

Verification of Response – DR18

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: 02/25/2024