

Final Audit Report

FCC Audit Assignment No. 16-AUD-05-03

November 1, 2018

**Northeast Colorado Cellular, Inc.**

Performance Audit on Compliance with

Federal Universal Service Fund Contributor Rules

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## Performance Audit

David Hunt  
Inspector General  
Federal Communications Commission  
445 12<sup>th</sup> Street, Room 2-C344  
Washington, DC 20554

Dear Mr. Hunt:

Grant Thornton LLP (Grant Thornton, we) audited the compliance of Northeast Colorado Cellular, Inc., Filer Identification Number 809568, (the Filer) in completing its 2014 Telecommunications Reporting Worksheet, FCC Form 499-A (2014 FCC Form 499-A) dated March 28, 2014, and assessing federal Universal Service Fund (USF) recovery charges to customers. We audited the Filer's compliance using Federal Communications Commission (FCC or Commission) rules and orders set forth primarily in 47 C.F.R. Part 54, as well as in other FCC rules, FCC orders, and the 2014 Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A (collectively, the Rules) identified in the accompanying Appendix I. Compliance with the Rules is the responsibility of the Filer. Grant Thornton's responsibility is to make a determination regarding the Filer's compliance with the Rules based on the audit. See the Purpose, Scope, Background and Procedures for additional information.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Generally Accepted Government Auditing Standards (GAGAS)* issued by the Comptroller General of the United States (2011 revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate the Filer's USF reporting, customer invoices to recalculate federal USF recovery charges, as well as performing such other procedures as we considered necessary to make a determination regarding the Filer's compliance with the Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. Our audit does not provide a legal determination on Northeast Colorado Cellular, Inc.'s compliance with specified requirements. A performance audit also includes consideration of internal controls over compliance requirements as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northeast Colorado Cellular, Inc.'s internal controls over compliance. Accordingly, we express no such opinion related to the Filer's internal controls.

Based on the test work performed, our performance audit disclosed 11 Findings as discussed in the Detailed Audit Findings section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules in effect during the audit period. In conjunction with our Findings, our audit disclosed a material weakness and significant deficiencies that warrant the Filer's and Federal Communications Commission attention. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Filer's FCC Form 499-A will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Detailed information relative to these matters is described in the Detailed Audit Findings section. The Filer's, the FCC's, and the Universal Service Administrative Company (USAC) management's written responses to the instances of significant noncompliance identified herein have not been subjected to our audit procedures and, accordingly, we express no opinion on them.

Certain information may have been omitted from this report concerning communications with Northeast Colorado Cellular, Inc.'s management, FCC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the information and use of the FCC, including the Office of Inspector General, Office of the Managing Director, and the Wireline Competition Bureau, as well as USAC and the Filer, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Grant Thorator LLP*

Charlotte, North Carolina  
November 1, 2018

cc: Northeast Colorado Cellular, Inc.

## Executive Summary

Grant Thornton, LLP contracted with the Federal Communications Commission (FCC) Office of Inspector General (OIG) to conduct an independent performance audit of Northeast Colorado Cellular, Incorporated (Filer). The objective of the audit was to determine whether the Filer complied with the regulations and orders governing the Universal Service Fund (USF) Contributor mechanism, set forth primarily in Title 47 C.F.R. Part 54, as well as in other FCC rules, FCC orders, and the 2014 Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A identified in the accompanying Appendix I.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States (2011 revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit covered the period January 1, 2013 through December 31, 2013.

Based on the test work performed, our performance audit disclosed 11 Findings, including one material weakness and 10 significant deficiencies in internal control. As a result of the Findings, the effect on the Filer's 2014 USF contribution base is an increase of [REDACTED]. However, Grant Thornton notes that the Findings may have an effect on the other funds, including Telecommunications Relay Services, North American Numbering Plan, and Local Number Portability. We recommend USAC evaluate the overall change in the contribution base and the potential effect on the Filer's USF contribution obligation. The detailed findings, recommendations, and management responses are provided in the respective sections of this report.

# Purpose, Scope, Background and Procedures

## Purpose

The purpose of the performance audit was to determine whether Northeast Colorado Cellular, Inc. d/b/a Viaero Wireless (Filer) complied with FCC rules and orders set forth primarily in 47 C.F.R. Part 54, as well as in other FCC rules, FCC orders, and the 2014 Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A (collectively, the Rules). Specifically, we evaluated the accuracy and completeness of the revenues and other information reported by the Filer on its 2014 FCC Form 499-A to identify any potential misstatements that may result in a change to the Filer's USF reporting and to determine whether the Filer was compliant with the Rules as they relate to USF recovery charges on customer invoices.

## Scope

The scope of the audit included the Filer's 2014 FCC Form 499-A dated March 28, 2014 (reporting revenues for the period January 1, 2013 through December 31, 2013). The FCC Form 499-A is due on April 1 for the preceding calendar year. The 2014 FCC Form 499-A is for the Filer's calendar year 2013 revenues.

## Background

The Communications Act of 1934 first established the concept of making affordable basic telephone service available to everyone everywhere within a nation, state, or other governmental jurisdiction. The 1934 Act includes in its preamble a reference to universal service and calls for "rapid, efficient, nationwide, and world-wide wire and radio communication service with adequate facilities at reasonable charges" to "all the people of the United States." The 1934 Act created the FCC to execute and enforce the provisions of this Act.

The FCC regulates interstate and international communications by radio, television, wire, satellite and cable in all 50 states, the District of Columbia and U.S. territories. The FCC appointed the Universal Service Administrative Company (USAC) as the permanent administrator of the USF. The Universal Service Support Mechanisms the USF supports, include: the High Cost, Low-Income (Lifeline), Schools and Libraries (E-Rate), and Rural Health Care programs. USAC administers the support mechanisms pursuant to FCC regulations.

## Purpose, Scope, Background and Procedures (cont'd)

USAC is responsible for billing filers, collecting contributions to the federal Universal Service Support Mechanisms, and disbursing universal service support funds to participants in the four support programs. To account for revenues that are subject to contributions to USF, telecommunication companies must register with the FCC and submit, on a quarterly basis, the FCC Form 499-Q, and on an annual basis, the FCC Form 499-A, Telecommunications Reporting Worksheet. The FCC Form 499-Q is used to assess monthly universal service contribution obligations for the upcoming quarter. The FCC Form 499-A is used to adjust the annual universal service billings. USAC carries out its responsibilities subject to the provisions of 47 U.S.C. § 254, the FCC rules at 47 C.F.R. Part 54, FCC orders and other law as applicable. The FCC OIG engaged Grant Thornton to conduct a performance audit relating to the Filer's compliance with regard to completing its 2014 FCC Form 499-A and its USF recovery charges on customer invoices. The performance audit included an on-site visit to the Filer's location.

The Filer provides telecommunication services to rural residential and business customers. During the period under audit, the Filer's products included, but were not limited to, wireless, internet, data, prepaid, home phone, and various non-telecommunications services. The Filer is headquartered in Colorado and provides services in various states.

The Filer reported the following revenues on its 2014 FCC Form 499-A as subject to USF contribution assessment:

Northeast Colorado Cellular, Inc. 2014 FCC Form 499-A	
Interstate Revenue	[REDACTED]
International Revenue	[REDACTED]
<b>TOTAL</b>	[REDACTED]

### Procedures

We performed the following procedures:

#### A. Consideration of Internal Controls

We obtained an understanding of the Filer's internal control environment regarding the preparation and certification of the 2014 FCC Form 499-A by conducting interviews and walkthroughs. In addition, we reviewed select publicly available documentation regarding the Filer and the services it provides.

#### B. Total Revenue

We reconciled total revenues reported on the 2014 FCC Form 499-A to the Filer's audited financial statements to determine whether the Filer correctly reported revenues from all sources on its 2014 FCC Form 499-A in accordance with the Rules.

#### C. Revenue Reporting Category

We reviewed a sample of supporting documentation and compared descriptions of the Filer's product offerings to the reported revenue categories in Blocks 3 and 4 of the 2014 FCC Form 499-A to determine whether the Filer reported revenues in the correct reporting category. As part of these procedures, all roaming revenues reported within Block 3 were reviewed.

## Purpose, Scope, Background and Procedures (cont'd)

### **D. Customer Reporting Category**

We evaluated, on a sample basis, customer information and documentation maintained by the Filer, USAC and the FCC to determine whether the Filer reported its revenue in the correct customer category (i.e., reseller or end-user) on its 2014 FCC Form 499-A. As part of these procedures, all roaming revenues reported within Block 3 were reviewed.

### **E. Allocating Revenues among the Jurisdictions**

We compared a sample of supporting documentation for the Filer's jurisdictional (i.e., intrastate, interstate and/or international) percentages on its 2014 FCC Form 499-A to determine the accuracy of the Filer's jurisdiction reporting.

### **F. Filer Information, Additional Revenue Breakouts and Certification**

We compared general Filer information and information from a sample of billing system reports and product offerings to company information and revenue breakouts reported in Blocks 1, 2, 5 and 6 of the 2014 FCC Form 499-A to determine the completeness and accuracy of the Filer's Blocks 1, 2, 5 and 6 reporting.

### **G. Federal USF Recovery Charges**

We reviewed and recalculated a sample of federal USF recovery charges on calendar year 2013 customer invoices to determine whether the Filer was compliant with the Rules as they relate to USF recovery charges on customer invoices.



# Detailed Audit Findings

**Finding:** F01, Non-Retention of Supporting Documentation

## Condition

The Filer did not maintain supporting documentation for 23 out of 66 revenue transactions selected for invoice testing. The dollar amount of the 23 transactions was \$5,280 out of a total of \$288,441 selected for testing. The Filer should have maintained this supporting documentation for a minimum of five years.

## Criteria

47 C.F.R. §54.706(e), “Any entity required to contribute to the federal universal service support mechanisms shall retain, for at least five years from the date of the contribution, all records that may be required to demonstrate to auditors that the contributions made were in compliance with the Commission’s universal service rules. These records shall include without limitation the following: Financial statements and supporting documentation; accounting records; historical customer records; general ledgers; and any other relevant documentation. This document retention requirement also applies to any contractor or consultant working on behalf of the contributor.”

## Cause

Subsequent to our audit scope period, and as a result of a billing system conversion in May 2015, certain supporting documentation was not retained by the Filer. The Filer did not have adequate policies and procedures in place to comply with the aforementioned criteria. This includes inadequate procedures for ensuring that all data to support the amounts reported on the 2014 FCC Form 499-A was retained for a period of five years, as required by the Rules. Accordingly, we have evaluated this condition as a material weakness in internal controls.

## Effect

Due to the system conversion limitations and because Filer documentation was not maintained, we were unable to determine whether the Filer billed USF fees to customers over and above the allowable amount. Failure to implement effective processes and procedures could increase the risk of fraud or non-compliance with the aforementioned criteria.

## Recommendation

- (1.1) We recommend the Filer design and implement policies and procedures for preparing the FCC Form 499-A to ensure compliance with the aforementioned criteria. Additionally, the Filer should establish policies and procedures to ensure that all supporting documentation is retained in accordance with the Rules. We recommend the Filer refer to the USAC website under the Audits & Appeals, Beneficiary and Contributor Audit Program link, for a list of suggested documents to be retained.
- (1.2) We recommend USAC evaluate the overall Finding, and together with the Filer, take corrective actions as necessary. Additionally, we recommend an assessment be made on the implications the Finding may have on the collection of federal USF from end-users and customer refunds based on the *Clear World Order*.

## Detailed Audit Findings (cont'd)

### Filer Response

Viaero agrees with this finding. Viaero replaced its billing system in May of 2015 and is currently capturing and storing documents in compliance with the FCC's document retention requirements.

Viaero has followed the recommendation to determine the potential implications of this finding in light of the Clear World order. Viaero's USF assessment practices comply with applicable FCC requirements. In response to this finding, we have conducted a review of USF surcharges compared to Viaero's contribution obligations during the audit period and confirmed that by the end of 2013, no material overcharges had occurred.

### FCC Management Response

- (1.1) USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether policies and procedures have been implemented and to ensure documentation is retained in compliance with FCC rules.
- (1.2) USAC generally agrees with the recommendation proposed by the auditor. In order to determine whether USF funds have been properly collected from end-users and customer funds, USAC will work with the Filer to update its filings in compliance with FCC rules and Clear World Order. In addition, over the next six months USAC will work with the FCC to determine whether the Clear World Order will impact the collection of federal USF from end-users and customer refunds.

## Detailed Audit Findings (cont'd)

**Finding:** F02, Improper Classification of Universal Service Contribution Recovery

### Condition

The Filer incorrectly reported the federal universal service recovery fees on Line 409 and excluded the state universal service recovery fees from the 2014 FCC Form 499-A. The Filer should have reported the state and federal universal service recovery fees, totaling [REDACTED] on Line 403 column (a). According to the Rules, filers are required to report state and federal universal service recovery fees collected from end users on Line 403. The Filer collected state and federal universal service recovery fees from end users in the amounts of [REDACTED] and [REDACTED] respectively.

### Criteria

2014 Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A (2014 Instructions), § III.C.1.iv., state “Line 403. – Itemized charges levied by the filer in order to recover contributions to state and federal universal service support mechanisms should be classified as end-user billed revenues and should be reported on Line 403. Any charge identified on a bill as recovering contributions to universal service support mechanisms must be shown on Line 403 and should be identified as either interstate or international revenues, as appropriate. Filers should report intrastate revenues on line 403 only to the extent that actual payments to state universal service programs were recovered by pass-through charges itemized on customer bills.”

2014 Instructions, § III.C.1.ii., state “Line 409. – Revenues for mobile service provided to end users, including monthly charges, activation fees, service restoration, and service order processing charges, etc. End-user prepaid wireless service revenues attributable to activation and daily or monthly access charges should be reported on Line 409.”

2014 Instructions, § III.C.3., state “Columns (b), (c), (d), and (e) are provided to identify the part of gross revenues that arise from interstate and international services for each entry on Lines 303 through 314 and Lines 403 through 417. Intrastate telecommunications means communications or transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one state, territory, possession of the United States or the District of Columbia and a point outside that state, territory, possession of the United States or the District of Columbia.”

### Cause

The Filer failed to properly follow the 2014 Instructions related to the reporting of state and federal universal service recovery fees. Additionally, the Filer did not have adequate policies and procedures in place to comply with the requirements of the aforementioned criteria. This includes inadequate procedures around the reporting of federal universal service recovery fees. Accordingly, we have evaluated this condition as a significant deficiency in internal control.

## Detailed Audit Findings (cont'd)

### Effect

The Filer understated Line 403 column (a) by a total of [REDACTED] which includes [REDACTED] of state universal service contribution recovery revenue excluded from the 2014 FCC Form 499-A and [REDACTED] of federal universal service contribution revenue incorrectly reported on Line 409.

When split by jurisdiction, Line 403 columns (d) (interstate) and (e) (international) were understated by [REDACTED] and [REDACTED] respectively. The interstate portion of federal universal service contribution revenue reported on Line 409 was calculated using the Safe Harbor of 37.1%, resulting in [REDACTED] of interstate revenues. Of the [REDACTED] of federal universal service contribution revenue moved from Line 409 to Line 403, the remaining [REDACTED] is a net increase in the Filer's USF contribution base as a result of this Finding. See the table below.

2014 FCC Form 499-A	Issue	Total Revenues (a)	Interstate Revenues (d)	International Revenues (e)	Effect on USF Contribution Base
403	Reclassification of federal universal service recovery fees from Line 409	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Incorrect exclusion of state universal service recovery fees from the 2014 FCC Form 499-A	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>403</b>	<b>Total Adjustment</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
409	Reclassification of federal universal service recovery fees from Line 409	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>409</b>	<b>Total Adjustment</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		<b>Total Finding Effect on USF Contribution Base</b>			

Failure to implement effective processes and procedures could increase the risk of fraud or noncompliance with the aforementioned criteria.

### Recommendation

- (2.1) We recommend the Filer design and implement policies and procedures for preparing the FCC Form 499-A to ensure compliance with the aforementioned criteria. In addition, the Filer should review revenue related to federal and state universal service recovery fees to ensure they are properly captured on the FCC Form 499-A.
- (2.2) We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on total revenues on Lines 403 and 409. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 Instructions, the Filer should submit a revised FCC Form 499-A if a revenue error is identified; therefore, we also recommend the Filer evaluate this requirement for the 2014 FCC Form 499-A and any other filings, where this is applicable.

### Filer Response

Viaero agrees with this finding. Viaero has updated its policies and procedures to accurately capture, classify and report Universal Service Contribution Recovery.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

## Detailed Audit Findings (cont'd)

### FCC Management Response

- (2.1) USAC concurs with the finding and recommendation proposed by the auditor. USAC will assess whether revenue related to federal and state universal service recovery fees have been captured on the Filer's 2014 FCC Form 499-A in compliance with FCC rules.
- (2.2) USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the total revenues on Lines 403 and 409 have been captured in compliance with FCC rules. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

## Detailed Audit Findings (cont'd)

**Finding:** F03, Inappropriate Use of Safe Harbor Percentage – Ordinary Long Distance

### Condition

The Filer inappropriately used the Safe Harbor percentage of 37.1% designated for Lines 309, 409 and 410 for reporting its jurisdiction revenues on Line 414.1 instead of using actual interstate and international traffic. Further, the Filer erroneously distributed the Safe Harbor percentage of 37.1% reserved for interstate revenues amongst its interstate and international revenues at [REDACTED] and [REDACTED] respectively. As a result, the Filer reported the incorrect interstate and international jurisdiction revenues on Line 414.1 columns (d) and (e).

### Criteria

2014 Instructions, § III.C.3., state “Columns (b), (c), (d) and (e) are provided to identify the part of gross revenues that arise from interstate and international services for each entry on Lines 303 through 314 and Lines 403 through 417. Intrastate telecommunications means communications or transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one state, territory, possession of the United States or the District of Columbia and a point outside that state, territory, possession of the United States or the District of Columbia.”

2014 Instructions, § III.C.3., state “The FCC provides the following safe harbor percentages of interstate revenues associated with Line 309, Line 409, and Line 410:

37.1% of cellular and broadband PCS telecommunications revenues

12.0% of paging revenues

1.0% of analog SMR dispatch revenues

These safe harbor percentages may not be applied to universal service pass-through charges, fixed local service revenues, or toll-service charges. All filers must report the actual amount of interstate and international revenues for these services.”

### Cause

The Filer failed to properly follow the 2014 Instructions for reporting jurisdiction revenues based on actual traffic activity for the year. The Filer does not have adequate policies and procedures in place to comply with the aforementioned criteria. This includes inadequate procedures for collecting, reporting and monitoring data used to report revenue in the proper jurisdiction. Accordingly, we have evaluated this condition as a significant deficiency in internal controls.

### Effect

The Filer understated interstate and international revenues on Line 414.1 columns (d) and (e) by [REDACTED] and [REDACTED] respectively. The Finding increases the Filer’s USF contribution base by [REDACTED]. Failure to implement effective processes and procedures could increase the risk of fraud or non-compliance with the aforementioned criteria.

## Detailed Audit Findings (cont'd)

### Recommendation

- (3.1) We recommend the Filer improve its internal control processes and procedures for complying with the aforementioned criteria. The Filer should only employ safe harbor percentages for lines that are allowed per the Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A.
- (3.2) We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the jurisdictional reporting on Line 414.1. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. Additionally, an assessment should be made on the impact the jurisdiction calculations may have on other lines of the 2014 FCC Form 499-A. According to the 2014 Instructions, the Filer should submit a revised FCC Form 499-A if a revenue error is identified; therefore, we also recommend the Filer evaluate this requirement for the 2014 FCC Form 499-A and any other filings, where this is applicable.

### Filer Response

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure the Safe Harbor Percentage is only applied to the revenue categories specified in the Form instructions.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

### FCC Management Response

- (3.1) USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether internal control processes and procedures have been implemented to ensure the Filer is employing safe harbor percentages in compliance with the rules.
- (3.2) USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the inappropriate use of the Safe Harbor percentage impacted the jurisdictional reporting on Line 414.1. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

## Detailed Audit Findings (cont'd)

**Finding:** F04, Improper Reporting of Uncollectible Revenue/Bad Debt Expense

### Condition

The Filer did not properly allocate bad debt expense to the interstate and international jurisdictions for Line 421. Additionally, the Filer did not report the correct amount of bad debt on Line 422 column (a) associated with the contribution revenues, and did not properly allocate bad debt expense to interstate and international jurisdictions.

Further, the Filer reported the incorrect amount on Line 513 column (a) and did not properly allocate this revenue to interstate and international jurisdictions on Line 513 column (b). On Line 513 column (a), the Filer should have reported the uncollectible revenue/bad debt expense associated with the revenue amounts shown on Line 512. On Line 513 column (b), the Filer should have reported the interstate as well as the international portions of the amount reported on Line 513 column (a).

### Criteria

2014 Instructions, § III.C.4., state “Line 421. — Show the uncollectible revenue/bad debt expense associated with gross billed revenues amounts reported on Line 419. In addition, for those using billed revenues, this line may include redeemed credits. Reported uncollectible amounts should be the amount reported as bad debt expense in the filer’s income statement for the year. Note that it will cover uncollectibles associated with all revenue on the filer’s books (Line 419), including uncollectible carrier’s carrier revenues, end-user telecommunications revenues, and revenues reported on Line 418. The filer’s uncollectible revenues/bad debt expense should be calculated in accordance with Generally Accepted Accounting Principles. Thus, uncollectibles should represent the portion of gross billed revenues that the filer reasonably expects will not be collected.”

2014 Instructions, § III.C.4., state “Line 422. — Show the portion of the uncollectible revenue/bad debt expense reported on Line 421 that is associated with just the universal service contribution base amounts reported on Line 420. Filers that maintain separate detail of uncollectibles by type of business should rely on those records in determining the portion of gross uncollectibles reported on Line 421 that should be reported on Line 422. Filers that do not have such detail should make such assignments in proportion to reported gross revenues. Filers must be able to document how the amounts reported on Line 422 relate to the uncollectible revenue/bad debt expense associated with gross billed revenues reported on Line 421.”

2014 Instructions, § III.D., state “Line 513. — Show the portion of the uncollectible revenue/bad debt expense reported on Line 421 that is associated with just the TRS contribution base amounts reported on Line 512. Filers that maintain separate detail of uncollectibles by type of business should rely on those records in determining the portion of gross uncollectibles reported on Line 421 that should be reported on Line 513. Filers that do not have such detail should make such assignments in proportion to reported gross revenues. Filers must be able to document how the amounts reported on Line 513 relate to the uncollectible revenue/bad debt expense associated with gross billed revenues reported on Line 421.”



## Detailed Audit Findings (cont'd)

### Cause

The Filer failed to properly follow the 2014 Instructions for reporting bad debt expense. The Filer did not have adequate policies and procedures in place to comply with the requirements of the aforementioned criteria. This includes inadequate procedures for calculating and reporting uncollectible revenue/bad debt expense. Accordingly, we have evaluated this condition as a significant deficiency in internal controls.

### Effect

The effect on Lines 421, 422, and 513 is outlined below.

#### Line 421

The Filer understated bad debt expense reported on Line 421 columns (d) and (e) by [REDACTED] and [REDACTED] respectively. The condition does not affect the Filer's USF contribution base.

#### Line 422

The Filer understated bad debt expense reported on Line 422 column (a) by [REDACTED]. In addition, the Filer understated its interstate and international jurisdiction amounts on Line 422 columns (d) and (e) by [REDACTED] and [REDACTED] respectively. The condition reduces the Filer's USF contribution base by [REDACTED].

#### Line 513

The Filer overstated bad debt expense reported on Line 513 column (a) by [REDACTED]. The Filer also understated its interstate and international jurisdiction amounts on Line 513 column (b) by [REDACTED]. The Finding does not affect the Filer's USF contribution base.

Failure to implement effective processes and procedures could increase the risk of fraud or non-compliance with the aforementioned criteria.

### Recommendation

- (4.1) We recommend the Filer design and implement policies and procedures for preparing and reviewing the FCC Form 499-A to ensure compliance with the aforementioned criteria. Specifically, the Filer should design and implement policies and procedures to appropriately prepare and review the calculation of bad debt.
- (4.2) We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the bad debt expenses reported on Lines 421, 422 and 513. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified. We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings, where this condition is applicable.

## Detailed Audit Findings (cont'd)

### Filer Response

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure it properly reports Uncollectible/Bad Debt Expense by adopting and implementing the methodology recommended by Grant Thornton during the course of this audit.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

### FCC Management Response

- (4.1) USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether policies and procedures have been implemented to ensure the Filer's Form 499-A filings are prepared in compliance with FCC rules.
- (4.2) USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the improper reporting of the uncollectible revenue/bad debt expenses impacted the bad debt expenses reported on Lines 421,422 and 513. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

## Detailed Audit Findings (cont'd)

**Finding:** F05, Improper Classification of Fixed Local Service Revenue

### Condition

The Filer incorrectly reported revenue from local fixed rate service, which was not inclusive of interstate calling, on Line 404.1. The Filer should have included these revenues on Line 404.3.

Additionally, the Filer recorded the revenue from the local fixed rate service as interstate. Since the local fixed rate service does not include interstate calling, the Filer should have reported this revenue as intrastate.

### Criteria

2014 Instructions, § III.C.1.i., state “Line 404.3. — Revenues from local exchange services plans (other than interconnected VoIP plans) that do not include interstate calling.”

2014 Instructions, § III.C.1.i., state “Line 404.1. — Local service portion of revenues from local exchange service for plans (other than interconnected VoIP plans) that include interstate calling as part of the flat monthly fee.”

2014 Instructions, § III.C.3., state “Columns (b), (c), (d), and (e) are provided to identify the part of gross revenues that arise from interstate and international services for each entry on Lines 303 through 314 and Lines 403 through 417. Intrastate telecommunications means communications or transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one state, territory, possession of the United States or the District of Columbia and a point outside that state, territory, possession of the United States or the District of Columbia.”

2014 Instructions, § III.C.3., state “The FCC provides the following safe harbor percentages of interstate revenues associated with Line 309, Line 409, and Line 410:

37.1% of cellular and broadband PCS telecommunications revenues

12.0% of paging revenues

1.0% of analog SMR dispatch revenues

These safe harbor percentages may not be applied to universal service pass-through charges, fixed local service revenues, or toll-service charges. All filers must report the actual amount of interstate and international revenues for these services.”

### Cause

The Filer failed to properly follow the 2014 Instructions related to the classification of its local fixed rate service. Additionally, the Filer inappropriately used the Safe Harbor percentage of 37.1% designated for Lines 309, 409, and 410 for its jurisdiction reporting.

The Filer does not have adequate policies and procedures in place to ensure compliance with the requirements of the aforementioned criteria. This includes inadequate procedures for the reporting of local fixed rate service revenue and the jurisdiction of local fixed rate service revenue. Accordingly, we have evaluated this condition as a significant deficiency in internal control.

## Detailed Audit Findings (cont'd)

### Effect

The Filer understated revenue on Line 404.3 column (a) by [REDACTED] and overstated revenue on Line 404.1 column (a) by the same amount. Additionally, the Filer overstated interstate revenues on Line 404.1 column (d) by [REDACTED]. The Finding decreases the Filer's USF contribution base by [REDACTED].

Failure to implement effective processes and procedures could increase the risk of fraud or non-compliance with the aforementioned criteria.

2014 FCC Form 499-A	Issue	Total Revenues (a)	Interstate Revenues (d)	International Revenues (e)	Effect on USF Contribution Base
404.3	Reclassification of fixed local wireless revenue from Line 404.1 to Line 404.3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>404.3</b>	<b>Total Adjustment</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
404.1	Reclassification of fixed local wireless revenue from Line 404.1 to Line 404.3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>404.1</b>	<b>Total Adjustment</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total Finding Effect on USF Contribution Base</b>					

### Recommendation

- (5.1) We recommend the Filer improve its internal control processes and procedures for complying with the aforementioned criteria. The Filer should only employ safe harbor percentages for lines that are allowed per the Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A.
- (5.2) We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported revenues and jurisdictional calculations on Lines 404.3 and 404.1. Additionally, an assessment should be made on the impact the jurisdiction calculations may have on other lines of the 2014 FCC Form 499-A. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 Instructions, the Filer should submit a revised FCC Form 499-A if a revenue error is identified; therefore, we also recommend the Filer evaluate this requirement for the 2014 FCC Form 499-A and any other filings, where this is applicable.

### Filer Response

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure proper classification of Fixed Local Service Revenues including classification as Intrastate.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

### FCC Management Response

- (5.1) USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether internal control processes and procedures

## Detailed Audit Findings (cont'd)

have been implemented to ensure the Filer's Form 499-A filings are prepared in compliance with FCC rules.

- (5.2) USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the Filer's improper classification of fixed local service revenue impacted the jurisdictional calculations reported on Lines 404.3 and 404.1. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

## Detailed Audit Findings (cont'd)

**Finding:** F06, Improper Reporting of Universal Service Support Revenues

### Condition

The Filer incorrectly excluded universal service support revenues and misreported jurisdiction revenues on Line 308 of the 2014 FCC Form 499-A. The Filer reported \$17,565,944 on Line 308 column (a) and no jurisdiction revenues under columns (d) and (e) of the 2014 FCC Form 499-A. Through testing of universal service support revenues, the following errors were identified:

#### Total Revenues

- (i) The Filer excluded \$145,830 of Mobility Fund support revenue from the 2014 FCC Form 499-A. The revenue should have been reported on Line 308 column (a).
- (ii) The Filer incorrectly included [REDACTED] of E911 support revenue on Line 308 column (a). This revenue is not universal service support revenue and should have been reported on Line 418.3.
- (iii) The Filer incorrectly included \$214 of state Lifeline support and \$91,958 of state High Cost support on Line 308.

#### Jurisdiction Revenues

The Filer reported \$0 of interstate universal service support revenue on the 2014 FCC Form 499-A. The Filer should have reported \$12,829,734 of interstate universal service support revenue on Line 308 column (d), which includes federal High Cost support of \$12,673,233, Lifeline support of \$10,671 and Mobility Fund support of \$145,830.

### Criteria

2014 Instructions, § III.C.1.i, state “Line 308. — Universal service support revenues should include all amounts that filers receive as universal service support from either states or the federal government. Line 308 should include amounts received as cash as well as amounts received as credit against contribution obligations. Line 308 should not include any amounts charged to customers to recover universal service or similar contributions. Line 308 should not include charges or credits for subsidized services provided to schools, libraries, and rural health care providers. Such charges are properly reported as end user revenue.”

2014 Instructions, § III.C.3., state “Columns (b), (c), (d), and (e) are provided to identify the part of gross revenues that arise from interstate and international services for each entry on Lines 303 through 314 and Lines 403 through 417. Intrastate telecommunications means communications or transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one state, territory, possession of the United States or the District of Columbia and a point outside that state, territory, possession of the United States or the District of Columbia.”

2014 Instructions, § III.C., state “Blocks 3 and 4 of the Telecommunications Reporting Worksheet report revenue information for calendar year 2013.”

## Detailed Audit Findings (cont'd)

2014 Instructions, § III.C., state Line 418.3. — All other revenues properly reported on line 418 except those reported in Lines 418.1, 418.2, and 418.4, including wireline broadband Internet access service that is not reportable on Line 406 and all non-common carrier wireline broadband Internet access service and cable modem service (to the extent that cable modem service is being provided by an entity already filing an FCC Form 499-A).

### Cause

#### Total Revenues

(i) The Filer recorded universal service support revenue from the Mobility Fund (Line 308) as deferred revenue within its general ledger, and as a result the revenue was not mapped as revenue to be included on the 2014 FCC Form 499-A.

(ii) The Filer failed to properly follow the 2014 Instructions in regards to the reporting of universal service support and as a result reported E911 support revenue from Nebraska on Line 308.

(iii) The Filer erred in its reporting of state Lifeline and state High Cost universal service support revenue, which wasn't consistent with the USAC Lifeline disbursements data and the Filer's supporting records for state Lifeline and state High Cost universal service support.

#### Jurisdiction Revenues

The Filer lacked the appropriate knowledge of jurisdiction requirements for Line 308 on the 2014 FCC Form 499-A. As a result, the Filer reported \$0 of revenue on Line 308 column (d).

The Filer does not have adequate policies and procedures in place to comply with the requirements of the aforementioned criteria. This includes inadequate procedures for collecting and reporting data used in reporting revenues on Line 308. Accordingly, we have evaluated this condition as a significant deficiency in internal controls.

### Effect

The Filer overstated universal service support revenue on Line 308 column (a) by [REDACTED]

2014 FCC Form 499-A	Issue	Total	Effect on USF Contribution Base
308	Mobility Fund support revenue excluded	\$ 145,830	\$ -
	E911 support revenue included	[REDACTED]	-
	Overstated state Lifeline universal service support revenue	(214)	-
	Overstated state High Cost universal service support revenue	(91,958)	-
<b>Net Adjustment for Line 308, column (a)</b>		<b>\$ [REDACTED]</b>	<b>\$ -</b>

Additionally, the Filer understated interstate universal service support revenue on Line 308 column (d) by \$12,829,734. The Finding does not affect the USF contribution base revenues.

Failure to implement effective processes and procedures could increase the risk of fraud or noncompliance with the aforementioned criteria.

## Detailed Audit Findings (cont'd)

### Recommendation

- (6.1) We recommend the Filer design and implement policies and procedures for preparing the FCC Form 499-A to ensure compliance with the aforementioned criteria. Additionally, the Filer should establish policies and procedures to ensure that revenue related to universal service support is properly captured on the FCC Form 499-A and reported in the correct jurisdiction.
- (6.2) We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported revenues on Line 308. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified. We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings, where this condition is applicable.

### Filer Response

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure proper inclusion of Federal Mobility Fund support, as well as exclusion of State Lifeline and High Cost, as well as E911. Column (d) will only include Federal High Cost, Mobility Fund and Lifeline support.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

### FCC Management Response

- (6.1) USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether policies and procedures have been implemented to ensure documentation is retained in compliance with FCC rules.
- (6.2) USAC generally agrees with the recommendation proposed by the auditor. USAC will assess the implications of the Finding on the reported revenue on Line 308. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.



## Detailed Audit Findings (cont'd)

**Finding:** F07, Improper Reporting of Mobile Service Revenue

### Condition

The Filer excluded [REDACTED] of roaming revenue from the 2014 FCC Form 499-A. Based on the Filer's methodology for allocating roaming revenue between Lines 309 and 311, the Filer should have reported [REDACTED] of the roaming revenue on Line 309 column (a) of the 2014 FCC Form 499-A. See also "F08 – Improper Reporting of Ordinary Long Distance Roaming" for the ordinary long distance roaming revenue allocation to Line 311.

### Criteria

2014 Instructions, § III.C.1.ii., state "Line 309, Line 409, and Line 410. – Data reported on these lines should contain mobile service revenues other than toll charges to mobile service customers. Charges associated with customer premises equipment should not be included on these lines."

2014 Instructions, § III.C.1.ii., state "Line 309. – Revenues for all mobile service provided to contributing resellers, including revenues received from another carrier for roaming service provided to customers of that carrier."

2014 Instructions, § II.D., state "Filers must also submit revised worksheets if they discover an error in their revenue data. Since companies generally close their books for financial purposes by the end of March, such filers should base the April filing on closed books. In filing a revised Worksheet, filers should not include routine out-of-period adjustments to revenue data unless such adjustments would affect a reported amount by more than ten percent. To file revised revenue data, filers must complete Blocks 3, 4, 5, and 6. Filers must submit any revised Worksheet that would result in decreased contributions by March 31 of the year after the original filing due date."

### Cause

The Filer's audited financial statements were not finalized as of the 2014 FCC Form 499-A filing deadline on April 1, 2014. To meet the filing deadline, the Filer reported roaming revenue based on its unaudited financial statements, but did not file a revised 2014 FCC Form 499-A once audited revenues were available.

The Filer failed to properly follow the 2014 Instructions for reporting total revenue for the year. The Filer does not have adequate policies and procedures in place to comply with the aforementioned criteria. This includes inadequate procedures for reporting on Line 309. Accordingly, we have evaluated this condition as a significant deficiency in internal controls.

### Effect

The Filer understated Line 309 column (a) by [REDACTED]. As a result, the Filer also understated the interstate jurisdiction by the safe harbor portion (i.e., 37.1%) of [REDACTED] on Line 309 column (d). Line 309 revenue is not assessable; therefore, the Finding does not affect the federal USF contribution base.

Failure to implement effective processes and procedures could increase the risk of fraud or non-compliance with the aforementioned criteria.

## Detailed Audit Findings (cont'd)

### Recommendation

- (7.1) We recommend the Filer improve its internal control processes and procedures for complying with the aforementioned criteria. Additionally, the Filer should establish policies and procedures to ensure that total roaming revenue is captured on the FCC Form 499-A.
- (7.2) We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported revenues on Line 309. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified. We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings, where this condition is applicable.

### Filer Response

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure proper reporting of Mobile Service Revenues, and revision when required of 499A reports filed based upon final Audited financial statements when they become available after the April 1st filing date.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

### FCC Management Response

- (7.1) USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether internal control processes and procedures have been implemented to ensure the Filer's Form 499-A filings are prepared in compliance with FCC rules.
- (7.2) USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the Filer's improper reporting of mobile service revenues impacted the revenues reported on Line 309. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

## Detailed Audit Findings (cont'd)

**Finding:** F08, Improper Reporting of Ordinary Long Distance Roaming

### Condition

The Filer excluded [REDACTED] of roaming revenue from the 2014 FCC Form 499-A. Based on the Filer's methodology for allocating roaming revenue between Lines 309 and 311, the Filer should have reported [REDACTED] of the roaming revenue on Line 311 column (a) of the 2014 FCC Form 499-A. See also Finding "F07 – Improper Reporting of Mobile Service Revenue" for the roaming revenue allocation to Line 309. Additionally, the Filer inappropriately used the Safe Harbor of 37.1% designated for Lines 309, 409 and 410 for its jurisdiction reporting on Line 311, instead of using actual interstate and international traffic. This resulted in the Filer incorrectly reporting interstate and international jurisdiction revenues for Line 311 columns (d) and (e).

### Criteria

2014 Instructions, § III.C.1.iii., state "Line 311. — Ordinary long distance provided to contributing resellers."

2014 Instructions, § III.C.3., state "Columns (b), (c), (d), and (e) are provided to identify the part of gross revenues that arise from interstate and international services for each entry on Lines 303 through 314 and Lines 403 through 417. Intrastate telecommunications means communications or transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one state, territory, possession of the United States or the District of Columbia and a point outside that state, territory, possession of the United States or the District of Columbia."

2014 Instructions, § III.C.3., state "The FCC provides the following safe harbor percentages of interstate revenues associated with Line 309, Line 409, and Line 410:

- 37.1% of cellular and broadband PCS telecommunications revenues
- 12.0% of paging revenues
- 1.0% of analog SMR dispatch revenues

These safe harbor percentages may not be applied to universal service pass-through charges, fixed local service revenues, or toll-service charges. All filers must report the actual amount of interstate and international revenues for these services."

2014 Instructions, § II.D., state "Filers must also submit revised worksheets if they discover an error in their revenue data. Since companies generally close their books for financial purposes by the end of March, such filers should base the April filing on closed books. In filing a revised Worksheet, filers should not include routine out-of-period adjustments to revenue data unless such adjustments would affect a reported amount by more than ten percent. To file revised revenue data, filers must complete Blocks 3, 4, 5, and 6. Filers must submit any revised Worksheet that would result in decreased contributions by March 31 of the year after the original filing due date."

## Detailed Audit Findings (cont'd)

### Cause

The Filer's audited financial statements were not finalized as of the 2014 FCC Form 499-A filing deadline on April 1, 2014. To meet the filing deadline, the Filer reported ordinary long distance roaming revenue based on its unaudited financial statements, but did not file a revised 2014 FCC Form 499-A once audited revenues were available.

The Filer failed to properly follow the 2014 Instructions for reporting jurisdiction based on actual traffic activity for the year. The Filer does not have adequate policies and procedures in place to ensure compliance with the aforementioned criteria. This includes inadequate procedures for jurisdictional reporting on Line 311. Accordingly, we have evaluated this condition as a significant deficiency in internal controls.

### Effect

The Filer understated Line 311 column (a) by [REDACTED]. Additionally, based off of actual interstate and international revenues, the Filer understated Line 311 columns (d) and (e) by [REDACTED] and [REDACTED], respectively. Line 311 revenue is not assessable; therefore, the Finding does not affect the federal USF contribution base.

Failure to implement effective processes and procedures could increase the risk of fraud or noncompliance with the aforementioned criteria.

### Recommendation

- (8.1) We recommend the Filer improve its internal control processes and procedures for complying with the aforementioned criteria. Specifically, the Filer should establish policies and procedures to ensure that all ordinary long distance roaming revenue is captured on the FCC Form 499-A.
- (8.2) We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported revenues on Line 311. Additionally, an assessment should be made on the impact the jurisdiction calculations may have on other lines of the 2014 FCC Form 499-A. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified. We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings, where this condition is applicable.

### Filer Response

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure proper reporting of Ordinary Long Distance Roaming, and revision when required of 499A reports filed based upon final Audited financial statements when they become available after the April 1st filing date.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

## Detailed Audit Findings (cont'd)

### FCC Management Response

- (8.1) USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether internal control processes and procedures have been implemented to ensure that Filer is capturing all long distance roaming revenue on its FCC Form 499-A filings in compliance with FCC rules.
- (8.2) USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the Filer's improper reporting of ordinary long distance roaming impacted the revenues reported on Line 311 and other lines that may be impacted by jurisdictional calculations. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

## Detailed Audit Findings (cont'd)

**Finding:** F09, Improper Classification of Non-telecommunication and Information Service Revenues

### Condition

The Filer incorrectly reported [REDACTED] of non-telecommunications revenue on Line 418.1. The revenue was primarily from the sale of handsets and accessories, phone features, internet access, messaging, and insurance, as well as fees and surcharges. Since this revenue was not bundled with circuit switched local exchange service, it should have been reported on Line 418.3.

### Criteria

2014 Instructions, § III.C.1.iv., state “Line 418.3. — All other revenues properly reported on line 418 except those reported in Lines 418.1, 418.2, and 418.4, including wireline broadband Internet access service that is not reportable on Line 406 and all non-common carrier wireline broadband Internet access service and cable modem service (to the extent that cable modem service is being provided by an entity already filing an FCC Form 499-A).”

2014 Instructions, § III.C.1.iv., state “Line 418.1. — Revenues from other non-telecommunications goods or services that are bundled with U.S. wireline or wireless circuit switched exchange access services.”

### Cause

The Filer failed to properly follow the 2014 Instructions related to reporting non-telecommunications revenue.

The Filer does not have adequate policies and procedures in place to comply with the requirements of the aforementioned criteria. This includes inadequate procedures for collecting, reporting and monitoring data used to identify and record non-telecommunications revenue on the FCC Form 499-A. Accordingly, we have evaluated this condition as a significant deficiency in internal control.

### Effect

The Filer understated non-telecommunication and information service revenue on Line 418.3 by [REDACTED] and overstated Line 418.1 by the same amount. The Finding does not affect the USF contribution base.

Failure to implement effective processes and procedures could increase the risk of fraud or non-compliance with the aforementioned criteria.

## Detailed Audit Findings (cont'd)

### Recommendation

- (9.1) We recommend the Filer design and implement policies and procedures for preparing the FCC Form 499-A to ensure compliance with the aforementioned criteria. Specifically, the Filer should evaluate non-telecommunications revenue to ensure it is reported on the proper FCC Form 499-A Line.
- (9.2) We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported revenues on Lines 418.1 and 418.3. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified. We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings, where this condition is applicable.

### Filer Response

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure the proper classification of Non-Telecommunication and Information Service Revenues.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

### FCC Management Response

- (9.1) USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether policies and procedures have been implemented to ensure the Filer is reporting non-telecommunications revenues on the proper FCC Form 499-A line.
- (9.2) USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the Filer's improper classification of non-telecommunication and information service revenues impacted the revenues reported on Lines 418.1 and 418.3. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

## Detailed Audit Findings (cont'd)

**Finding:** F10, Improper Reporting of Local Number Portability Administration Percentages

### Condition

The Filer did not accurately report its Local Number Portability Administration (LNPA) percentages on the 2014 FCC Form 499-A. The LNPA percentages reported on Lines 504 and 509 columns (a) and (b) of the 2014 FCC Form 499-A do not agree to the percentages of telecommunications revenue support provided by the Filer.

### Criteria

2014 Instructions, § III.D., state “Lines 503–510. — In these lines, filers should identify the percentages of their telecommunications revenues by LNPA region....Carriers and interconnected VoIP providers should calculate or estimate the percentage of revenues that they billed in each region based on the amount of service they actually provided in the parts of the United States listed for each region. Customer billing addresses may be used to calculate or estimate this percentage. The percentages in column (a), representing Block 3 revenues billed in each region of the country, should add to 100% unless the filer did not provide any services for resale by other contributors to the federal universal service support mechanisms. The percentages in column (b), representing Block 4 telecommunications service revenues billed in each region of the country (excluding non-telecommunications revenues reported on Line 418) should add to 100% unless the filer did not provide any telecommunications services to end users or non-contributing carriers. Carriers do not need to complete column (a) if they have some end-user revenues in each of the regions in which they have carrier operations. Filers may use a proxy based on the percentage of subscribers a provider serves in a particular region for reaching an estimate for allocating their end-user revenues to the appropriate regional LNPA.”

### Cause

Due to a clerical error, the Filer incorrectly reported the LNPA percentages for end-user telecommunications revenue on Lines 504 and 509 columns (a) and (b).

The Filer does not have adequate policies and procedures in place to comply with the requirements of the aforementioned criteria. This includes inadequate procedures for calculating and reporting LNPA region percentages. Accordingly, we have evaluated this condition as a significant deficiency in internal controls.

### Effect

The Filer understated the “Block 3 Carrier’s Carrier” LNPA percentage for the Western region and overstated the percentage for the Southwest region. Additionally, the Filer overstated the “Block 4 End-User Telecom,” LNPA percentage for the Western region and understated the percentage for the Southwest region. Under Block 3 Carrier’s Carrier, the Filer should have reported 100% and 0% in column (a) of Lines 504 and 509, versus 99% and 1% respectively. Under Block 4 End-User Telecom, the Filer should have reported 98% and 2% in column (b) of Lines 504 and 509, versus 100% and 0% respectively. The Finding does not have a monetary impact and does not affect the Filer’s USF contribution base.



## Detailed Audit Findings (cont'd)

2014 FCC Form 499-A Line	Region	Reported		Audited		Difference	
		Block 3 Carrier's Carrier (a)	Block 4 End-User Telecom (b)	Block 3 Carrier's Carrier (a)	Block 4 End-User Telecom (b)	Block 3 Carrier's Carrier Difference	Block 4 End-User Telecom Difference
503	Southeast:	0%	0%	0%	0%	0%	0%
504	Western:	99%	100%	100%	98%	1%	2%
505	West Coast:	0%	0%	0%	0%	0%	0%
506	Mid-Atlantic:	0%	0%	0%	0%	0%	0%
507	Mid-West:	0%	0%	0%	0%	0%	0%
508	Northeast:	0%	0%	0%	0%	0%	0%
509	Southwest:	1%	0%	0%	2%	-1%	-2%
510	<b>Total:</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>

Note: Audited LNPA percentages were calculated based on audited revenues, which encompass all findings within this report.

Failure to implement effective processes and procedures could increase the risk of fraud or non-compliance with the aforementioned criteria.

### Recommendation

- (10.1) We recommend the Filer improve its internal control processes and procedures for complying with the aforementioned criteria. Specifically, we recommend the Filer base the LNPA region percentage calculations on total revenues by LNPA region.
- (10.2) We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported LNPA percentages on Lines 504 and 509. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified. We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings, where this condition is applicable.

### Filer Response

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure proper reporting of LNPA Percentages.

Viaero is ready and willing to work with USAC to file revisions to its 499-A filings from 2014 to date.

## Detailed Audit Findings (cont'd)

### FCC Management Response

- (10.1) USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether internal control processes and procedures have been implemented to ensure the Filer is calculating LNPA region percentages in compliance with FCC rules.
- (10.2) USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the Filer's improper calculation of LNPA percentages impacted the percentages reported on Lines 504 and 509. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

## Detailed Audit Findings (cont'd)

**Finding:** F11, Incorrect Reporting of Filer's Legal Name

### Condition

The Filer did not report its legal name on Line 102 of the 2014 FCC Form 499-A. The Filer incorrectly recorded the name of Northeast Colorado Cellular, Inc. instead of its legal name NE Colorado Cellular, Inc.

### Criteria

2014 Instructions, § III.A., state "Line 102. – Enter the legal name of the filer as it appears on articles of incorporation or articles of formation and other legal documents."

### Cause

The Filer inadvertently reported the incorrect legal name on Line 102.

The Filer did not have adequate policies and procedures in place to comply with the requirements of the aforementioned criteria. This includes inadequate procedures for collecting, reporting and monitoring data used in the process of completing the FCC Form 499-A. Accordingly, we have evaluated this condition as a significant deficiency in internal controls.

### Effect

The Finding has no monetary impact and does not affect the USF contribution base.

### Recommendation

- (11.1) We recommend the Filer design and implement policies and procedures for preparing the FCC Form 499-A to ensure compliance with the aforementioned criteria.
- (11.2) The Filer should evaluate the aforementioned criteria and evaluate the need to submit a revised 2014 FCC Form 499-A and any other filings, where this is applicable.

### Filer Response

Viaero acknowledges this finding. Viaero has corrected its legal name on the USAC E-File site as of 3/29/2017.

Viaero is ready and willing to work with USAC to file revisions to its 499-A filings from 2014 to date.

### FCC Management Response

- (11.1) USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether policies and procedures have been implemented to ensure the Filer's Form 499-A filings are prepared in compliance with FCC rules.
- (11.2) USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the legal name error, in compliance with FCC rules.

# Appendix I

## **Federal Communications Commission's Title 47 C.F.R. Part 54 Rules and Regulations and Related FCC Orders with Which Compliance was Audited**

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2014 Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A

2014 FCC Form 499-A

§ 47 C.F.R. 1.1162 – General exemptions from regulatory fees

§ 47 C.F.R. 1.2110(c)(5) – Designated entities

§ 47 C.F.R. 1.47(h) – Service of documents and proof of service

§ 47 C.F.R. 36.154(a) – Exchange Line Cable and Wire Facilities

§ 47 C.F.R. 52.17 – Costs of number administration

§ 47 C.F.R. 52.32 – Allocation of the shared costs of long-term number portability

§ 47 C.F.R. 54 – Universal Service

§ 47 C.F.R. 54.706(c) - Contributions

§ 47 C.F.R. 54.708 – De minimis exemption

§ 47 C.F.R. 54.711(b) – Contributor reporting requirement

§ 47 C.F.R. 54.712(a) – Contributor recover of universal service costs from end users

§ 47 C.F.R. 64.601(b) – Definitions and provisions of general applicability

§ 47 C.F.R. 64.604 – Mandatory minimum standards

§ 47 C.F.R. 64.1195 – Registration requirement

§ 47 C.F.R. 69 – Access charges

§ 47 U.S.C. 153(2) – Definitions

§ 47 U.S.C. 413 – Designation for service; method of service

DA 04-3669 - Revision Deadline

DA 09-1821 - Global Crossing

DA 10-2005 - NetworkIP

DA 11-752 - Clear World

DA 13-2254 - RICA Blackfoot

DA 14-115 - Grande

FCC Order 00-118, Contribution Collections

FCC Order 01-152, 10 Percent

FCC Order 01-98, Bundling

FCC Order 02-329, Contribution Methodology Order

FCC Order 02-43, First Contribution Methodology Order and FNPRM

FCC Order 03-20, Affiliate Safe Harbor

## Appendix I (cont'd)

### **Federal Communications Commission's Title 47 C.F.R. Part 54 Rules and Regulations and Related FCC Orders with Which Compliance was Audited**

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FCC Order 04-260, Small Wireless Carriers

FCC Order 05-150, Wireline Broadband

FCC Order 06-79, Prepaid Calling Card

FCC Order 06-94, Interim Contribution Methodology

FCC Order 06-94A7, 2006 Contribution Methodology Erratum

FCC Order 07-231, Separately Stated Toll

FCC Order 08-160, Intercall

FCC Order 11-150, TRS Contributions

FCC Order 12-134, Wholesaler-Reseller Clarification

FCC Order 14-104, XO Wholesaler-Reseller Recon

FCC Order 97-157, Universal Service First Report and Order

FCC Order 97-253, Second Order on Reconsideration

FCC Order 97-280, Benchmarks

FCC Order 98-292, GTE ADSL

FCC Order 98-278, Wireless Safe Harbor

FCC Order 15-71, Connect America Fund et al

WC 02-361, Petition for Declaratory Ruling Related to IP Telephony Services

## Appendix II

### Filer Management Response

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#### VIAERO WIRELESS

1224 West Platte Ave  
Ft. Morgan, CO 80701  
Main 877.484.2376  
Fax 970.867.3589  
www.viaero.com

May 2, 2018

Brenda Clark -USF Program Director (Lifeline and Contributors)  
Federal Communications Commission  
Office of Inspector General  
445 12th Street, SW, Washington, DC 20554

Reference: NE Colorado Cellular, Inc. responses to FCC Form 499-A, Filer Identification Number 809568  
Draft Audit Report dated April 12, 2018

Dear Ms. Clark,

On behalf of Frank DiRico, CEO of NE Colorado Cellular Inc., dba Viaero Wireless (hereinafter, "Viaero"), I am pleased to present Viaero's responses to the above-referenced Draft Audit report findings below:

#### Filer Responses

##### **Finding: F01, Non-Retention of Supporting Documents**

Viaero agrees with this finding. Viaero replaced its billing system in May of 2015 and is currently capturing and storing documents in compliance with the FCC's document retention requirements. Viaero has followed the recommendation to determine the potential implications of this finding in light of the *Clear World* order. Viaero's USF assessment practices comply with applicable FCC requirements. In response to this finding, we have conducted a review of USF surcharges compared to Viaero's contribution obligations during the audit period and confirmed that by the end of 2013, no material overcharges had occurred.

##### **Finding: F02, Improper Classification of Universal Service Contribution Recovery**

Viaero agrees with this finding. Viaero has updated its policies and procedures to accurately capture, classify and report Universal Service Contribution Recovery

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499 A filings from 2014 to date.

##### **Finding: F03, Inappropriate Use of Safe Harbor Percentage - Ordinary Long Distance**

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure the Safe Harbor Percentage is only applied to the revenue categories specified in the Form Instructions.

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## Appendix II (cont'd)

### Filer Management Response

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Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

**Finding: F04, Improper Reporting of Uncollectible/Bad Debt Expense**

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure it properly reports Uncollectible/Bad Debt Expense by adopting and implementing the methodology recommended by Grant Thornton during the course of this audit.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

**Finding: F05, Improper Classification of Fixed Local Service Revenue**

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure proper classification of Fixed Local Service Revenues including classification as Intrastate.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

**Finding: F06, Improper Reporting of Universal Service Support Revenues**

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure proper inclusion of Federal Mobility Fund support, as well as exclusion of State Lifeline and High Cost, as well as E911. Column (d) will only include Federal High Cost, Mobility Fund and Lifeline support.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

**Finding: F07, Improper Reporting of Mobile Service Revenue**

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure proper reporting of Mobile Service Revenues, and revision when required of 499A reports filed based upon final Audited financial statements when they become available after the April 1<sup>st</sup> filing date.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

**Finding: F08, Improper Reporting of Ordinary Long Distance Roaming**

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure proper reporting of Ordinary Long Distance Roaming, and revision when required of 499A reports filed based upon final Audited financial statements when they become available after the April 1<sup>st</sup> filing date.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

## Appendix II (cont'd)

### Filer Management Response

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**Finding: F09, Improper Classification of Non-Telecommunication and Information Service Revenues**

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure the proper classification of Non-Telecommunication and Information service Revenues.

Viaero is ready and willing to work with USAC to file any necessary revisions to its 499-A filings from 2014 to date.

**Finding: F10, Improper Reporting of LNPA Percentages**

Viaero acknowledges this finding. Viaero has developed new policies and procedures for preparing the FCC Form 499-A to ensure proper reporting of LNPA Percentages.

Viaero is ready and willing to work with USAC to file revisions to its 499-A filings from 2014 to date.

**Finding: F11, Incorrect Reporting of Flier's Legal Name**

Viaero acknowledges this finding. Viaero has corrected its legal name on the USAC E-File site as of 3/29/2017.

Viaero is ready and willing to work with USAC to file revisions to its 499-A filings from 2014 to date.

I would be glad to answer any questions or concerns with the responses above and look forward to working with the FCC and USAC to file Revisions to Viaero's Form 499-A's as required.

Sincerely,



Michael Felicissimo

EVP/CFO NE Colorado Cellular, Inc.

Cc: Steve Chernoff, Lukas, LaFuria, Gutierrez & Sachs, LLP



# Appendix III

## FCC Management Response

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Universal Service  
Administrative Co.

*Via Electronic Mail*

September 11, 2018

Sharon Spencer  
Deputy Assistant Inspector General  
Office of Inspector General  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

Re: FCC Office of Inspector General Referral of Draft Audit of Northeast Colorado Cellular, Inc.: (Audit Report No. 16-AUD-05-03)

Dear Ms. Spencer;

The Universal Service Administrative Company (USAC) is providing its response to the above-referenced audit report regarding Northeast Colorado Cellular, Inc. (filer), a Universal Service fund (USF) contributor.

The Federal Communications Commission (FCC) Office of Inspector General (OIG) included 11 findings, each with two recommendations to the Filer's management and USAC. Specifically, the auditors determined that the Filer: (1) failed to retain supporting documentation, (2) improperly classified Universal Service contribution recovery, (3) used the Safe Harbor percentage inappropriately, (4) improperly reported uncollectible revenue/bad debt expenses, (5) improperly classified fixed local service revenue, (6) improperly reported Universal Service Support revenues, (7) improperly reported mobile service revenue, (8) improperly reported ordinary long distance roaming, (9) improperly classified non-telecommunication and information service revenues, (10) improperly reported local number portability administration percentages, and (11) incorrectly reported the Filer's legal name. USAC management's response to these 11 findings and the associated recommendations is provided below.

### **Finding Recommendations and USAC Responses:**

#### **F01. Finding: Non-Retention of Supporting Documentation**

- 1.1 *We recommend the Filer design and implement policies and procedures for preparing the FCC Form 499-A to ensure compliance with the aforementioned criteria. Additionally, the Filer should establish policies and procedures to ensure that all supporting documentation is retained in accordance with the Rules. We recommend the Filer refer to the USAC website under the Audits & Appeals, Beneficiary, and Contributor Audit Program link for a list of suggested documents to be retained.*

Appendix III (cont'd)  
FCC Management Response

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Ms. Sharon Spencer  
September 11, 2018  
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USAC Response: USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether policies and procedures have been implemented and to ensure documentation is retained in compliance with FCC rules.

- 1.2 *We recommend USAC evaluate the overall Finding, and together with the Filer, take corrective actions as necessary. Additionally, we recommend an assessment be made on the implications the Finding may have on the collection of federal USF from end-users and Customer refunds based on the Clear World Order.*

USAC Response: USAC generally agrees with the recommendation proposed by the auditor. In order to determine whether USF funds have been properly collected from end-users and customer funds, USAC will work with the filer to update its filings in compliance with FCC rules and *Clear World Order*. In addition, over the next six months USAC will work with the FCC to determine whether the *Clear World Order* will impact the collection of federal USF from end-users and customer refunds.

**F02. Finding: Improper Classification of Universal Service Contribution Recovery**

- 2.1 *We recommend the Filer design and implement policies and procedures for preparing the FCC Form 499-A to ensure compliance with the aforementioned criteria. In addition, the Filer should review revenue related to federal and state universal service recovery fees to ensure they are properly captured on the FCC Form 499-A.*

USAC Response: USAC concurs with the finding and recommendation proposed by the auditor. USAC will assess whether revenue related to federal and state universal service recovery fees have been captured on the Filer's 2014 FCC Form 499-A in compliance with FCC rules.

- 2.2 *We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on total revenues on Lines 403 and 409. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the .2014 Instructions, the Filer should submit a revised FCC Form 499-A if a revenue error is identified; therefore, we also recommend the Filer evaluate this requirement for the 2014 FCC Form 499-A and any other filings, where this is applicable.*

USAC Response: USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the total revenues on Lines 403 and 409 have been captured in compliance with FCC rules. If a revenue error is identified, USAC will work with the filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

## Appendix III (cont'd)

### FCC Management Response

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#### **F03. Finding: Inappropriate Use of Safe Harbor Percentage -Ordinary Long Distance**

- 3.1 *We recommend the Filer improve its internal control processes and procedures for complying with the aforementioned criteria. The Filer should only employ safe harbor percentages for lines that are allowed per the Instructions to the Telecommunications Reporting Worksheet. FCC Form 499-A.*

USAC Response: USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether internal control processes and procedures have been implemented to ensure the Filer is employing safe harbor percentages in compliance with the rules.

- 3.2 *We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the jurisdictional reporting on line 414.1. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. Additionally, an assessment should be made on the impact the jurisdiction calculations may have on other lines of the 2014 FCC Form 499-A. According to the 2014 instructions, the Filer should submit a revised FCC Form 499-A if a revenue error is identified; therefore, we also recommend the Filer evaluate this requirement for the 2014 FCC Form 499-A and any other filings, where this is applicable.*

USAC Response: USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the inappropriate use of the Safe Harbor percentage impacted the jurisdictional reporting on Line 414.1. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

#### **F04. Finding: Improper Reporting of Uncollectible Revenue/Bad debt Expense**

- 4.1 *We recommend the Filer design and implement policies and procedures for preparing and reviewing the FCC Form 499-A to ensure compliance with the aforementioned criteria. Specifically, the Filer should design and implement policies and procedures to appropriately prepare and review the calculation of bad debt.*

USAC Response: USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether policies and procedures have been implemented to ensure the Filer's Form 499-A filings are prepared in compliance with FCC rules.

- 4.2 *We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the bad debt expenses reported on Lines 421, 422*

## Appendix III (cont'd)

### FCC Management Response

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*and 513. if necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified. We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings, where this condition is applicable.*

USAC Response: USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the improper reporting of the uncollectible revenue/bad debt expenses impacted the bad debt expenses reported on Lines 421, 422 and 513. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

#### **F05. Finding: Improper Classification of Fixed Local Service Revenue**

*5.1 We recommend the Filer improve its internal control processes and procedures for complying with the aforementioned criteria. The Filer should only employ safe harbor percentages for lines that we allowed per the instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A.*

USAC Response: USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether internal control processes and procedures have been implemented to ensure the Filer's Form 499-A filings are prepared in compliance with FCC rules.

*5.2 We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported revenues and jurisdictional calculations on Lines 404.3 and 404.1. Additionally, an assessment should be made on the impact the jurisdiction calculations may have on other fines of the 2014 FCC Form 499-A. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 Instructions, the Filer should submit a revised FCC Form 499-A if a revenue error is identified; therefore, we also recommend the Filer evaluate this requirement for the 2014 FCC Form 499-A and any other filings, where this is applicable.*

USAC Response: USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the Filer's improper classification of fixed local service revenue impacted the jurisdictional calculations reported on Lines 404.3 and 404.1. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

Appendix III (cont'd)  
FCC Management Response

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**F06. Finding: Improper Reporting of Universal Service Support Revenues**

- 6.1 *We recommend the Filer design and implement policies and procedures for preparing the FCC Form 499-A to ensure compliance with the aforementioned criteria. Additionally, the Filer should establish policies and procedures to ensure that revenue related to universal service support is properly captured on the FCC Form 499-A and reported in the correct jurisdiction.*

USAC: Response: USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether policies and procedures have been implemented to ensure documentation is retained in compliance with FCC rules"

- 6.2 *We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported revenues on line 308. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified. We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings, where this condition is applicable.*

USAC: Response: USAC generally agrees with the recommendation proposed by the auditor. USAC will assess the implications of the Finding on the reported revenue on Line 308. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

**F07. Finding Improper Reporting of Mobile Service Revenue**

- 7.1 *We recommend the Filer Improve its internal control processes and procedures for complying with the aforementioned criteria. Additionally, the Filer should establish policies and procedures to ensure that total roaming revenue is captured on the FCC Form 499-A.*

USAC: Response: USAC concurs with the finding and recommendation proposed by the auditor, USAC will follow-up with the Filer within six months to evaluate whether internal control processes and procedures have been implemented to ensure the Filer's Form 499-A filings are prepared in compliance with FCC rules,

- 7.2 *We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported revenues on Line 309. if necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014*

## Appendix III (cont'd)

### FCC Management Response

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*FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified. We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings, where this condition is applicable.*

USAC: Response: USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the filer's improper reporting of mobile service revenues impacted the revenues reported on line 309. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

#### **F08. Finding: Improper Reporting of Ordinary Long Distance Roaming**

- 8.1 *We recommend the Filer improve its internal control processes and procedures for complying with the aforementioned criteria. Specifically, the Filer should establish policies and procedures to ensure that all ordinary long distance roaming revenue is captured on the FCC Form 499-A.*

USAC: Response: USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether internal control processes and procedures have been implemented to ensure that Filer is capturing all long distance roaming revenue on its FCC Form 499-A filings in compliance with FCC rules.

- 8.2 *We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported revenues on Line 311. Additionally, an assessment should be made on the impact the jurisdiction calculations may have on other lines of the 2014 FCC Form 499-A. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified. We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings, where this condition is applicable.*

USAC: Response: USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the Filer's improper reporting of ordinary long distance roaming impacted the revenues reported on Line 311 and other lines that may be impacted by jurisdictional calculations. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

## Appendix III (cont'd)

### FCC Management Response

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#### **F09. Finding: Improper Classification of Non-telecommunication and Information Service Revenues**

- 9.1 *We recommend the Filer design, and implement policies and procedures for preparing the FCC Form 499-A to ensure compliance with the aforementioned criteria. Specifically, the Filer should evaluate non-telecommunications revenue to ensure it is reported on the proper FCC Form 499-A Line.*

USAC Response: USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether policies and procedures have been implemented to ensure the Filer is reporting non-telecommunications revenues on the proper FCC Form 499-A line.

- 9.2 *We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported revenues on Lines 418.1 and 418.3. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A. According to the 2014 FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified. We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings where this condition is applicable.*

USAC Response: USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the Filer's improper classification of non-telecommunication and information service revenues impacted the revenues reported on Lines 418.1 and 418.3. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499 A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

#### **F10. Finding: Improper Reporting of Local Number Portability Administration Percentages**

- 10.1 *We recommend the Filer improve its internal control processes and procedures for complying with the aforementioned criteria. Specifically, we recommend the Filer base the LNPA region percentage calculations on total revenues by LNPA region.*

USAC Response: USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the Filer within six months to evaluate whether internal control processes and procedures have been implemented to ensure the Filer is calculating LNPA region percentages in compliance with FCC rules.

- 10.2 *We recommend USAC work together with the Filer to assess the Finding and the implications the Finding may have on the reported LNPA percentages on Lines 504 and 509. If necessary, corrective action should be taken on the Filer's 2014 Form 499-A.*

## Appendix III (cont'd)

### FCC Management Response

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*According to the 2014 FCC Form 499-A Instructions, the Filer should submit a revised 2014 FCC Form 499-A if a revenue error is identified We recommend this requirement be evaluated for the Filer's 2014 FCC Form 499-A and any other filings, where this condition is applicable.*

USAC Response: USAC generally agrees with the recommendation proposed by the auditor. USAC will assess whether the Filer's improper calculation of LNPA percentages impacted the percentages reported on Lines 504 and 509. If a revenue error is identified, USAC will work with the Filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the revenue error, in compliance with FCC rules.

#### **F11. Finding: Incorrect Reporting of Filer's Legal Name**

11.1 *We recommend the Filer design and implement policies and procedures for preparing the FCC Form 499-A to ensure compliance with the aforementioned criteria.*

USAC Response: USAC concurs with the finding and recommendation proposed by the auditor. USAC will follow-up with the filer within six months to evaluate whether policies and procedures have been implemented to ensure the Filer's Form 499-A filings are prepared in compliance with FCC rules.

11.2 *The Filer should evaluate the aforementioned criteria and evaluate the need to submit a revised 2014 FCC Form 499-A and any other filings , where this is applicable.*

USAC Response: USAC will work with the filer to update its 2014 FCC Form 499-A filing, and any other filings affected by the legal name error, in compliance with FCC rules.

\* \* \* \* \*

This concludes USAC management's response to the 11 above-referenced findings for the Northeast Colorado Cellular, Inc. draft audit report. Please feel free to contact me if you have any questions or need further information.

Sincerely,



Erica W. Myers  
Deputy General Counsel  
USAC



# Appendix IV


## Audit Results

The Detailed Audit Findings section contains expanded descriptions and additional information and should be read in conjunction with the Audit Results below.

Description	Effect on USF Contribution Base
<p><b>F01: Non-Retention of Supporting Documentation</b>  <i>Rule Violation:</i></p> <ul style="list-style-type: none"> <li>47 C.F.R. §54.706(e), “Any entity required to contribute to the federal universal service support mechanisms shall retain, for at least five years from the date of the contribution, all records that may be required to demonstrate to auditors that the contributions made were in compliance with the Commission’s universal service rules. These records shall include without limitation the following: Financial statements and supporting documentation; accounting records; historical customer records; general ledgers; and any other relevant documentation. This document retention requirement also applies to any contractor or consultant working on behalf of the contributor.”</li> </ul>	\$0
<p><b>F02: Improper Classification of Universal Service Contribution Recovery</b>  <i>Rule Violations:</i></p> <ul style="list-style-type: none"> <li>2014 Instructions, § III.C.1.iv., state “Line 403. – Itemized charges levied by the filer in order to recover contributions to state and federal universal service support mechanisms should be classified as end-user billed revenues and should be reported on Line 403. Any charge identified on a bill as recovering contributions to universal service support mechanisms must be shown on Line 403 and should be identified as either interstate or international revenues, as appropriate. Filers should report intrastate revenues on line 403 only to the extent that actual payments to state universal service programs were recovered by pass-through charges itemized on customer bills.”</li> <li>2014 Instructions, § III.C.1.ii., state “Line 409. – Revenues for mobile service provided to end users, including monthly charges, activation fees, service restoration, and service order processing charges, etc. End-user prepaid wireless service revenues attributable to activation and daily or monthly access charges should be reported on Line 409.”</li> <li>2014 Instructions, § III.C.3., state “Columns (b), (c), (d), and (e) are provided to identify the part of gross revenues that arise from interstate and international services for each entry on Lines 303 through 314 and Lines 403 through 417. Intrastate telecommunications means communications or</li> </ul>	██████████

# Appendix IV (cont'd)

## Audit Results

Description	Effect on USF Contribution Base
<p>transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one state, territory, possession of the United States or the District of Columbia and a point outside that state, territory, possession of the United States or the District of Columbia.”</p>	
<p><b>F03: Inappropriate Use of Safe Harbor Percentage – Ordinary Long Distance</b>  <i>Rule Violations:</i></p> <ul style="list-style-type: none"> <li>2014 Instructions, § III.C.3., state “Columns (b), (c), (d) and (e) are provided to identify the part of gross revenues that arise from interstate and international services for each entry on Lines 303 through 314 and Lines 403 through 417. Intrastate telecommunications means communications or transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one state, territory, possession of the United States or the District of Columbia and a point outside that state, territory, possession of the United States or the District of Columbia.”</li> <li>2014 Instructions, § III.C.3., state “The FCC provides the following safe harbor percentages of interstate revenues associated with Line 309, Line 409, and Line 410:                      37.1% of cellular and broadband PCS telecommunications revenues                      12.0% of paging revenues                      1.0% of analog SMR dispatch revenues                      These safe harbor percentages may not be applied to universal service pass-through charges, fixed local service revenues, or toll-service charges. <u>All filers must report the actual amount of interstate and international revenues for these services.</u>”</li> </ul>	

# Appendix IV (cont'd)

## Audit Results

Description	Effect on USF Contribution Base
<p><b>F04: Improper Reporting of Uncollectible Revenue/Bad Debt Expense</b>  <i>Rule Violations:</i></p> <ul style="list-style-type: none"> <li>2014 Instructions, § III.C.4., state “Line 421. — Show the uncollectible revenue/bad debt expense associated with gross billed revenues amounts reported on Line 419. In addition, for those using billed revenues, this line may include redeemed credits. Reported uncollectible amounts should be the amount reported as bad debt expense in the filer’s income statement for the year. Note that it will cover uncollectibles associated with all revenue on the filer’s books (Line 419), including uncollectible carrier’s carrier revenues, end-user telecommunications revenues, and revenues reported on Line 418. The filer’s uncollectible revenues/bad debt expense should be calculated in accordance with Generally Accepted Accounting Principles. Thus, uncollectibles should represent the portion of gross billed revenues that the filer reasonably expects will not be collected.”</li> <li>2014 Instructions, § III.C.4., state “Line 422. — Show the portion of the uncollectible revenue/bad debt expense reported on Line 421 that is associated with just the universal service contribution base amounts reported on Line 420. Filers that maintain separate detail of uncollectibles by type of business should rely on those records in determining the portion of gross uncollectibles reported on Line 421 that should be reported on Line 422. Filers that do not have such detail should make such assignments in proportion to reported gross revenues. Filers must be able to document how the amounts reported on Line 422 relate to the uncollectible revenue/bad debt expense associated with gross billed revenues reported on Line 421.”</li> <li>2014 Instructions, § III.D., state “Line 513. — Show the portion of the uncollectible revenue/bad debt expense reported on Line 421 that is associated with just the TRS contribution base amounts reported on Line 512. Filers that maintain separate detail of uncollectibles by type of business should rely on those records in determining the portion of gross uncollectibles reported on Line 421 that should be reported on Line 513. Filers that do not have such detail should make such assignments in proportion to reported gross revenues. Filers must be able to document how the amounts reported on Line 513 relate to the uncollectible revenue/bad debt expense associated with gross billed revenues reported on Line 421.”</li> </ul>	<p style="text-align: center;">[REDACTED]</p>

# Appendix IV (cont'd)

## Audit Results

Description	Effect on USF Contribution Base
<p><b>F05: Improper Classification of Fixed Local Service Revenue</b></p> <p><i>Rule Violations:</i></p> <ul style="list-style-type: none"> <li>2014 Instructions, § III.C.1.i., state “Line 404.3. — Revenues from local exchange services plans (other than interconnected VoIP plans) that do not include interstate calling.”</li> <li>2014 Instructions, § III.C.1.i., state “Line 404.1. — Local service portion of revenues from local exchange service for plans (other than interconnected VoIP plans) that include interstate calling as part of the flat monthly fee.”</li> <li>2014 Instructions, § III.C.3., state “Columns (b), (c), (d), and (e) are provided to identify the part of gross revenues that arise from interstate and international services for each entry on Lines 303 through 314 and Lines 403 through 417. Intrastate telecommunications means communications or transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one state, territory, possession of the United States or the District of Columbia and a point outside that state, territory, possession of the United States or the District of Columbia.”</li> <li>2014 Instructions, § III.C.3., state “The FCC provides the following safe harbor percentages of interstate revenues associated with Line 309, Line 409, and Line 410:                      37.1% of cellular and broadband PCS telecommunications revenues                      12.0% of paging revenues                      1.0% of analog SMR dispatch revenues                      These safe harbor percentages may not be applied to universal service pass-through charges, fixed local service revenues, or toll-service charges. <u>All filers must report the actual amount of interstate and international revenues for these services.</u>”</li> </ul>	<p style="text-align: center;">[REDACTED]</p>

# Appendix IV (cont'd)

## Audit Results

Description	Effect on USF Contribution Base
<p><b>F06: Improper Reporting of Universal Service Support Revenues</b>  <i>Rule Violations:</i></p> <ul style="list-style-type: none"> <li>2014 Instructions, §III.C.1.i, state “Line 308. — Universal service support revenues should include all amounts that filers receive as universal service support from either states or the federal government. Line 308 should include amounts received as cash as well as amounts received as credit against contribution obligations. Line 308 should not include any amounts charged to customers to recover universal service or similar contributions. Line 308 should not include charges or credits for subsidized services provided to schools, libraries, and rural health care providers. Such charges are properly reported as end user revenue.”</li> <li>2014 Instructions, § III.C.3., state “Columns (b), (c), (d), and (e) are provided to identify the part of gross revenues that arise from interstate and international services for each entry on Lines 303 through 314 and Lines 403 through 417. Intrastate telecommunications means communications or transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one state, territory, possession of the United States or the District of Columbia and a point outside that state, territory, possession of the United States or the District of Columbia.”</li> <li>2014 Instructions, § III.C., state “Blocks 3 and 4 of the Telecommunications Reporting Worksheet report revenue information for calendar year 2013.”</li> <li>2014 Instructions, § III.C., state “Line 418.3. — All other revenues properly reported on line 418 except those reported in Lines 418.1, 418.2, and 418.4, including wireline broadband Internet access service that is not reportable on Line 406 and all non-common carrier wireline broadband Internet access service and cable modem service (to the extent that cable modem service is being provided by an entity already filing an FCC Form 499-A).”</li> </ul>	<p>\$0</p>

# Appendix IV (cont'd)

## Audit Results

Description	Effect on USF Contribution Base
<p><b>F07: Improper Reporting of Mobile Service Revenue</b>  <i>Rule Violations:</i></p> <ul style="list-style-type: none"> <li>2014 Instructions, § III.C.1.ii., state “Line 309, Line 409, and Line 410. – Data reported on these lines should contain mobile service revenues other than toll charges to mobile service customers. Charges associated with customer premises equipment should not be included on these lines.”</li> <li>2014 Instructions, § III.C.1.ii., state “Line 309. – Revenues for all mobile service provided to contributing resellers, including revenues received from another carrier for roaming service provided to customers of that carrier.”</li> <li>2014 Instructions, § II.D., state “Filers must also submit revised worksheets if they discover an error in their revenue data. Since companies generally close their books for financial purposes by the end of March, such filers should base the April filing on closed books. In filing a revised Worksheet, filers should not include routine out-of-period adjustments to revenue data unless such adjustments would affect a reported amount by more than ten percent. To file revised revenue data, filers must complete Blocks 3, 4, 5, and 6. Filers must submit any revised Worksheet that would result in decreased contributions by March 31 of the year after the original filing due date.”</li> </ul>	\$0
<p><b>F08: Improper Reporting of Ordinary Long Distance Roaming</b>  <i>Rule Violations:</i></p> <ul style="list-style-type: none"> <li>2014 Instructions, § III.C.1.iii., state “Line 311. — Ordinary long distance provided to contributing resellers.”</li> <li>2014 Instructions, § III.C.3., state “Columns (b), (c), (d), and (e) are provided to identify the part of gross revenues that arise from interstate and international services for each entry on Lines 303 through 314 and Lines 403 through 417. Intrastate telecommunications means communications or transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one state, territory, possession of the United States or the District of Columbia and a point outside that state, territory, possession of the United States or the District of Columbia.”</li> </ul>	\$0

# Appendix IV (cont'd)

## Audit Results

Description	Effect on USF Contribution Base
<ul style="list-style-type: none"> <li>2014 Instructions, § III.C.3., state “The FCC provides the following safe harbor percentages of interstate revenues associated with Line 309, Line 409, and Line 410:            37.1% of cellular and broadband PCS telecommunications revenues            12.0% of paging revenues            1.0% of analog SMR dispatch revenues            These safe harbor percentages may not be applied to universal service pass-through charges, fixed local service revenues, or toll-service charges. <u>All filers must report the actual amount of interstate and international revenues for these services.</u>”</li> <li>2014 Instructions, § II.D., state “Filers must also submit revised worksheets if they discover an error in their revenue data. Since companies generally close their books for financial purposes by the end of March, such filers should base the April filing on closed books. In filing a revised Worksheet, filers should not include routine out-of-period adjustments to revenue data unless such adjustments would affect a reported amount by more than ten percent. To file revised revenue data, filers must complete Blocks 3, 4, 5, and 6. Filers must submit any revised Worksheet that would result in decreased contributions by March 31 of the year after the original filing due date.”</li> </ul>	
<p><b>F09: Improper Classification of Non-telecommunication and Information Service Revenues</b>  <i>Rule Violations:</i></p> <ul style="list-style-type: none"> <li>2014 Instructions, § III.C.1.iv., state “Line 418.3. — All other revenues properly reported on line 418 except those reported in Lines 418.1, 418.2, and 418.4, including wireline broadband Internet access service that is not reportable on Line 406 and all non-common carrier wireline broadband Internet access service and cable modem service (to the extent that cable modem service is being provided by an entity already filing an FCC Form 499-A).”</li> <li>2014 Instructions, § III.C.1.iv., state “Line 418.1. — Revenues from other non-telecommunications goods or services that are bundled with U.S. wireline or wireless circuit switched exchange access services.”</li> </ul>	\$0

# Appendix IV (cont'd)

## Audit Results

Description	Effect on USF Contribution Base
<p><b>F10: Improper Reporting of Local Number Portability Administration Percentages</b>  <i>Rule Violation:</i></p> <ul style="list-style-type: none"> <li>2014 Instructions, § III.D., state “Lines 503–510. — In these lines, filers should identify the percentages of their telecommunications revenues by LNPA region....Carriers and interconnected VoIP providers should calculate or estimate the percentage of revenues that they billed in each region based on the amount of service they actually provided in the parts of the United States listed for each region. Customer billing addresses may be used to calculate or estimate this percentage. The percentages in column (a), representing Block 3 revenues billed in each region of the country, should add to 100% unless the filer did not provide any services for resale by other contributors to the federal universal service support mechanisms. The percentages in column (b), representing Block 4 telecommunications service revenues billed in each region of the country (excluding non-telecommunications revenues reported on Line 418) should add to 100% unless the filer did not provide any telecommunications services to end users or non-contributing carriers. Carriers do not need to complete column (a) if they have some end-user revenues in each of the regions in which they have carrier operations. Filers may use a proxy based on the percentage of subscribers a provider serves in a particular region for reaching an estimate for allocating their end-user revenues to the appropriate regional LNPA.”</li> </ul>	\$0
<p><b>F11: Incorrect Reporting of Filer’s Legal Name</b>  <i>Rule Violation:</i></p> <ul style="list-style-type: none"> <li>2014 Instructions, § III.A., state “Line 102. – Enter the legal name of the filer as it appears on articles of incorporation or articles of formation and other legal documents.”</li> </ul>	\$0
<b>TOTAL</b>	[REDACTED]



# Appendix V

## Summary of Monetary Findings and Effect

As a result of the Findings and as summarized below, the effect on the Filer's 2014 USF contribution base is an increase of [REDACTED].

2014 FCC Form 499-A Line	Total Amount Reported (a)	Interstate Amount Reported (d)	International Amount Reported (e)	Total Amount Audited (a)	Interstate Amount Audited (d)	International Amount Audited (e)	Effect On USF Contribution Base
308	\$ 17,565,944	\$ -	\$ -	\$ [REDACTED]	\$ 12,829,734	\$ -	[REDACTED]
309	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
311	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
403	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
404.1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
404.3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
409	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
410	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
414.1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
418.1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
418.3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
419	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
420	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
421	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
422	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
423	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
511	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
512	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
513	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
514	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Effect on USF Contribution Base							\$ [REDACTED]

# Appendix VI

## Audit Adjustments by FCC Form 499-A Line

As a result of the Findings and as detailed below, the effect on the Filer's 2014 USF contribution base is an increase of [REDACTED].

2014 FCC Form 499-A Line (original)	Finding No.	Issue	Total (a)	Interstate (d)	International (e)	Effect on USF Contribution Base
308		Reported	\$ 17,565,944	\$ -	\$ -	
	F06	Total Revenue - Excluded Revenue	145,830	-	-	
		Total Revenue - Included E911 to 418 3	[REDACTED]	-	-	
		Total Revenue - Included Lifeline	(214)	-	-	
		Total Revenue - Included HC	(91,958)	-	-	
		Jurisdiction Revenue - Not Reported by Filer	-	12,829,734	-	
	<b>Audited Amount</b>	\$ [REDACTED]	\$ 12,829,734	\$ -	\$ -	
309		Reported	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]
	F07	Total Revenue - Excluded roaming revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		<b>Audited Amount</b>	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
311		Reported	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]
	F08	Jurisdiction Revenue - Excluded	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		<b>Audited Amount</b>	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
403		Reported	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]
	F02	Reclassified from Line 409	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		Excluded from Form	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<b>Audited Amount</b>	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	
404 1		Reported	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]
	F05	Overstated fixed rate local service	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		<b>Audited Amount</b>	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
404 3		Reported	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]
	F05	Understated fixed rate local service	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		<b>Audited Amount</b>	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
409		Reported	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]
	F02	Reclassified to Line 403	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		<b>Audited Amount</b>	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
414 1		Reported	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]
	F03	Jurisdiction Revenue - Did not use actuals	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		<b>Audited Amount</b>	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
418 1		Reported	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]
	F09	Revenue moved to Line 418 3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		<b>Audited Amount</b>	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

# Appendix VI (cont'd)

## Audit Adjustments by FCC Form 499-A Line

2014 FCC Form 499-A Line (original)	Finding No.	Issue	Total (a)	Interstate (d)	International (e)	Effect on USF Contribution Base
418.3		Reported	\$			
	F09	Revenue moved from Line 418.1				
	F06	From Line 308 E911				
		<b>Audited Amount</b>	\$			
421		Reported	\$			
	F04	Understated bad debt and associated jurisdiction allocation				
		<b>Audited Amount</b>	\$	\$	\$	\$
422		Reported	\$			
	F04	Understated bad debt and associated jurisdiction allocation				
		<b>Audited Amount</b>	\$	\$	\$	\$
513		Reported	\$			
	F04	Overstated bad debt and associated jurisdiction allocation				
		<b>Audited Amount</b>	\$	\$		\$
<b>Effect on USF Contribution Base</b>						\$