



Memorandum

TO: Sharon Gillett, Chief
Wireline Competition Bureau

Steven VanRoekel
Managing Director

CC: Mark Stephens, Daniel Daly, William Hill (OMD)
Trent Harkrader, Carol Matthey (WCB)
PERM

FROM: David L. Hunt *DHL/ce*
Inspector General

DATE: March 22, 2011

SUBJECT: Referral of Final Audit Report No. 09-AUD-07-13
Compliance with FCC's USF Contributor Rules
dPi TeleConnect, LLC

The Federal Communications Commission (FCC), Office of Inspector General (OIG) audited dPi TeleConnect, LLC (Company), a subsidiary of Amvensys Telecom Holdings, LLC, to determine compliance with FCC rules regarding the reporting of revenue information subject to Universal Service Fund (USF) contributions on the FCC Forms 499 – A, Telecommunications Reporting Worksheets, for the calendar years ended 2006, 2007 and 2008. Attached is the final report of the audit conducted by our office. The report incorporates the response received from the Company and our comments to that response and the responses received by the Universal Service Administrative Company (USAC). The Company generally agrees with all of our findings and recommendations but has not indicated whether it agrees with the audited amounts subject to additional USF contribution base revenues. USAC agreed with our findings and recommendations and provided additional observations. OMD and WCB had no further comments to USAC's response.

The OIG performed this audit consistent with its authority under the Inspector General Act of 1978, as amended, including, but not limited to sections 2(1) and 4(a)(1). The audit is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit.

If you have any questions or concerns regarding this referral, contact Randal Skalski, Director, USF Program Audits at 202-418-0479 or randal.skalski@fcc.gov or Gerald Grahe, Assistant Inspector General for USF Oversight at 202-418-0474 or gerald.grahe@fcc.gov.

Attachment: Final Audit Report
09-AUD-07-13



OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20554

March 22, 2011

Thomas O’Roark, Chief Executive Officer
dPi TeleConnect, LLC
2997 LBJ Boulevard, Suite 225
Dallas, TX 75234

Dear Mr. O’Roark:

The Federal Communications Commission (FCC), Office of Inspector General (OIG) audited dPi TeleConnect, LLC, a subsidiary of Amvensys Telecom Holdings, LLC, to determine compliance with FCC rules regarding the reporting of revenue information subject to Universal Service Fund (USF) contributions on the FCC Forms 499 – A, Telecommunications Reporting Worksheets, for the calendar years ended 2006, 2007 and 2008. Attached is the final report of the audit conducted by our office. It incorporates the written responses received from the Company and the Universal Service Administrative Company (USAC) and our comments to those responses.

The OIG performed this audit consistent with its authority under the Inspector General Act of 1978, as amended, including, but not limited to sections 2(1) and 4(a)(1). It is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit.

Please contact Randal Skalski, Director, USF Program Audits at 202-418-0479, or randal.skalski@fcc.gov or me at 202-418-0474, or gerald.grahe@fcc.gov if you have questions, or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald T. Grahe". The signature is stylized and cursive.

Gerald T. Grahe
Assistant Inspector General for
USF Oversight

Attachment - Final Audit Report
09-AUD-07-13

FEDERAL COMMUNICATIONS COMMISSION

OFFICE OF INSPECTOR GENERAL



Final Audit Report
Compliance with FCC's USF Contributor Rules
dPi TeleConnect, LLC

Report No. 09-AUD-07-13
March 22, 2011

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Background

dPi TeleConnect, LLC (Company), Filer ID No. 820642, located in Dallas, Texas, was founded in 1996. The Company is primarily a reseller of local exchange services in 33 states through a series of interconnection agreements with multiple underlying carriers. The Company is also a reseller of long distance services, internet services, wireless services and gas and electric utility services.

The Company currently serves about [REDACTED] customers on a pre-paid basis. [REDACTED]
[REDACTED] The Company's billed revenues were approximately [REDACTED] in 2006, [REDACTED] in 2007 and [REDACTED] in 2008.

In 1999, Rent-Way, Inc. purchased the Company and in 2006, Rent-A-Center, Inc. purchased Rent-Way, Inc. [REDACTED]
[REDACTED] In 2007, the Company purchased the assets of Vertex Communications, Inc., and in 2008 it purchased Family-Tel, Inc. In 2009, Rent-A-Center, Inc. sold its interest in the Company to Amvensys Telecom Holdings, LLC, based in Texas and affiliated with Amvensys Technologies, Inc.¹

Scope and Methodology

We have examined the Company's compliance with the applicable requirements of the federal Universal Service Fund (USF) contained in Title 47 Code of Federal Regulations (CFR) Part 54, §§ 54.706, 54.711, 54.712 and 54.713, the Federal Communications Commission's (FCC) Rules and Regulations and the Telecommunications Reporting Worksheet Instructions relative to information reported on the FCC Forms 499-A for the calendar years 2006, 2007 and 2008.

We conducted this performance audit in accordance with generally accepted government auditing standards contained in *Government Auditing Standards, July 2007 revision* (GAO 07-7316), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis of our findings and conclusions based on our audit

¹ We note that the Company did not comply with the Instructions to the Telecommunications Reporting Worksheet, Form 499-A, page 15, in which the filer's holding company or controlling entity's name must be included on line 106.1 and the IRS employer identification number on line 106.2.

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objectives. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

OIG representatives visited the Company's location in Dallas, Texas during the period July 20 - 24, 2009, met with the Company's staff and consultants, and reviewed supporting data related to the 2007, 2008 and 2009 FCC Forms 499-A.

Conclusions

Our audit identified five findings in which the Company did not comply with the FCC rules regarding its 2007, 2008 and 2009 FCC Forms 499-A. The Company (1) failed to report subscriber line charges of more than [REDACTED] million of which \$5.7 million is subject to USF contributions; (2) failed to report mobile service revenues in the amount of [REDACTED] million of which [REDACTED] million is subject to USF contributions; (3) failed to report any of its [REDACTED] million long distance toll revenues as interstate and international revenues; (4) failed to report USF recovery revenues of more than \$100,000, which is subject to USF contributions; and (5) failed to use an officer to certify the 2008 and 2009 FCC Forms 499-A. Details are included in findings 1 through 5.

The final audit report incorporates the Company's written response to the draft audit report dated April 14, 2010. The Company generally agreed with all of our findings and recommendations but has not indicated whether it agreed with the amounts that our audit determined should be added to the USF contribution base. The Universal Service Administrative Company (USAC) agreed with our findings and recommendations and provided additional observations. Complete copies of the responses are included in Appendices 1 and 2 of the report.

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Finding 1: The Company Failed to Report Interstate Subscriber Line Charge Revenues

Criteria: The instructions to FCC Form 499-A require telecommunications providers to report subscriber line charge revenues that are either tariffed by the reporting entity or placed on customers' bills as a pass through from underlying carriers on line 405 of the form. Federal subscriber line charges typically represent the interstate portion of local exchange service.

Condition: The Company failed to report any interstate subscriber line charge revenues from its fixed local service on the FCC Forms 499-A. The Company reported fixed local service revenues of [REDACTED] for the years 2006, 2007, and 2008 on line 404.1 of the forms. However, the Company did not allocate any of those revenues to the interstate columns of lines 404.1 or 405 as required by the instructions. As a result, the Company did not pay any USF contributions on the fixed local service revenues that it generated.

As a competitive local exchange carrier, the Company purchased telephone lines primarily from BellSouth and other incumbent local exchange carriers (ILECs) and resold them to end-user customers. The ILECs charged the Company a subscriber line charge (SLC) of \$6.50 per line per month which the Company passed through to its non-Lifeline customers on the customers' bills. The Company's total monthly non-Lifeline customer line count for the three-year period was 879,694, therefore, the amount that should have been reported as interstate revenues on the forms should have been \$5,692,011. See Table 1.

Although the scope of our audit did not include a review of the Company's filings of the FCC Form 497, the Company did not report any of its Low Income program reimbursements on line 308 of the FCC Form 499. The reimbursements for the SLC charges waived by the Company for its Lifeline customers under Tier 1 are reportable on line 308 in addition to all other universal service support revenues received from federal or state sources.

The Company also did not correctly complete the section of the FCC Forms 499-A that requires the filer to identify all of its telecommunications activities. Line 105 of the form lists various activities and instructs the filer to select up to five. The Company should have selected the item "local reseller."

² Local telephone service revenue on the Company's books was [REDACTED] in 2006, [REDACTED] in 2007 and [REDACTED] in 2008.

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Cause: We could not determine and the Company did not provide specific reasons why it failed to report subscriber line charges on the FCC Forms 499-A.

Effect: The Company should have reported subscriber line charge revenues of approximately \$5.7 million from its non-Lifeline customers for the three year period 2006 through 2008 on line 404.1 or 405 as USF contribution base revenues. The subscriber line charges waived for Lifeline customers and reimbursed by the Lifeline program are reportable on line 308 and not included in the USF contribution base. See Table 1.

Table 1. Summary of Federal USF Subscriber Line Charge (SLC) Revenues

<i>Year</i>	<i>Total Line Count</i>	<i>Less Lifeline Line Count</i>	<i>Non-Lifeline Line Count</i>	<i>USF Interstate Contribution Base Revenues (\$6.50 per line)</i>
2008				
2006				
Totals			875,694	\$5,692,011

Recommendations: We recommend that the Company revise its FCC Forms 499-A for the years 2006, 2007 and 2008 to (1) report interstate subscriber line charge revenues of \$5,692,011 on line 405(d), (2) report Low Income program and other universal service support revenues received from federal and state sources on line 308, and (3) check the box for local reseller on line 105 of the form.

Company's Response: dPi stated that it is currently in process of verifying Lifeline and non-Lifeline subscriber line counts for 2006 through 2008 by a comparison of data from its underlying carriers, USAC, and dPi's audit of its underlying carrier invoices. Once completed, dPi will file revised 499-A forms for 2006-2008 and revise line 105. See Appendix 1.

OIG's Comments: The Company generally agreed with our finding and recommendations but has not indicated whether it agreed with the \$5,692,011 amount that our audit determined should be added to the USF contribution base. USAC should bill the Company based on the audited amounts unless the Company can provide evidence that another amount is appropriate.

USAC's Response: USAC agreed with the finding with no further comments.

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Finding 2: The Company Failed to Report Mobile Service Revenues

Criteria: The instructions to the FCC Form 499-A define mobile services as “wireless communications between mobile wireless equipment, such as cellular phones, and other points.” It also states, “Line 409 should contain monthly charges, activation fees, service restoration, and service order processing charges, etc.” and “End-user prepaid wireless service revenues attributable to activation and daily or monthly access charges should be reported on Line 409.”

The instructions allow providers to report the interstate portion of wireless or cellular revenues, subject to USF contributions, based on the safe harbor of 28.5 percent of the total for the first 3 quarters of 2006, and 37.1 percent of the total, thereafter.

Condition: The Company failed to report any of the mobile services revenues that it earned on the FCC Forms 499-A. The Company purchased wireless services that access the public telephone switched network from five different mobile providers and resold them to its end-user customers on a prepaid basis. The Company generated wireless revenues of [REDACTED] in 2006, [REDACTED] in 2007, and [REDACTED] in 2008. The Company should have reported all of the wireless revenues on line 409 of FCC Form 499-A. The interstate portion of those revenues would be included in the USF contribution base in which the Company would have been billed for USF contributions.

The Company also did not correctly complete the section of the FCC Forms 499-A that requires the filer to identify all of its telecommunications activities. Line 105 of the form lists various activities and instructs the filer to select up to five. The Company should have selected the item “Cellular/PCS/SMR (wireless telephony incl. by resale).”

Cause: We could not determine and the Company did not provide specific reasons why it failed to report mobile services revenue on the FCC Forms 499-A.

Effect: The Company should have reported wireless revenues on line 409 of the FCC Forms 499-A of [REDACTED] for the three-year period of 2006, 2007 and 2008. Based on the applicable safe harbor rates of 28.5 and 37.1 percent, the additional USF contribution base revenues should have been [REDACTED]. See Table 2.

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Table 2. Summary of Wireless Revenues

<i>Year</i>	<i>Wireless Revenues</i>	<i>Safe Harbor Rate</i>	<i>USF Contribution Base Revenues</i>
<i>Jan. – Sept. 2006</i>		28.5 percent	\$
<i>Oct – Dec. 2006</i>		37.1 percent	
<i>2007</i>		37.1 percent	
<i>2008</i>		37.1 percent	
Totals			

Recommendations: We recommend that the Company revise its FCC Forms 499-A for the years 2006, 2007 and 2008 to (1) include additional USF contribution base revenues of [REDACTED] for mobile services, and (2) check the box for cellular services on line 105 of the form.

Company’s Response: dPi stated that it is currently in the process of reviewing its wireless revenue to determine the amount attributable to resold wireless services and will use the safe harbor to determine the interstate portion subject to USF contributions. Once completed, dPi will file revised 499-A forms for 2006-2008 and revise line 105.

OIG’s Comments: The Company generally agreed with our finding and recommendations but has not indicated whether it agreed with the [REDACTED] amount that our audit determined should be added to the USF contribution base. USAC should bill the Company based on the audited amounts unless the Company can provide evidence that another amount is appropriate.

USAC’s Response: USAC agreed with the finding with no further comments.

Finding 3: The Company Failed to Report Interstate and International Toll Revenues

Criteria: 47 CFR §54.709 states that contributions to the universal service fund shall be based on the contributors’ interstate and international portion of telecommunications revenues provided to end users.

The instructions to the FCC Form 499-A provide guidance to filers regarding the allocation of revenues between the intrastate, interstate and international jurisdictions. Section III. C. 3. of the instructions states that:

“Where possible, filers should report their amount of total revenues that are interstate and international by using information from their books of account and other internal data reporting systems.”

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* * *

“If interstate and international revenues cannot be determined directly from corporate books of account or subsidiary records, filers may provide on the Worksheet good-faith estimates of these figures.”

Condition: The Company failed to report any long distance toll revenues as interstate and international revenues on the FCC Forms 499-A for the years 2006, 2007 and 2008. The Company purchased long distance telephone minutes from several different long distance providers and resold them to its end-user customers on a prepaid basis. The Company offered a local prepaid package with an option of purchasing blocks of 1,000 or more long distance minutes to be used anytime for any 1+ long distance call. The Company generated toll revenues of approximately [REDACTED] million³ but did not report the interstate and international portions of those revenues in the breakout columns on line 404.1 of the FCC Form 499-A. Instead, the Company reported all of those revenues as intrastate.

The Company did not maintain an accounting system to record its interstate and international revenues separately and did not attempt to provide a good faith estimate of the revenue breakout as an alternative method of allocation as provided for in the instructions to the FCC Form 499-A. The Company’s total long distance revenues were recorded in its books of account but did not include a breakout by jurisdiction. We reviewed a sample of invoices from the Company’s long distance carriers, which were provided to us by the Company, but none of the invoices included jurisdictional break outs or traffic reports. We also reviewed a sample of the Company’s customer invoices but none of the invoices included itemized toll calls through which a determination could be made of the calls’ origin. Therefore, we could not reasonably estimate the Company’s revenue breakout by jurisdiction in order to determine the amount that the Company should add to its USF contribution base revenues on the FCC Forms 499-A.

The Company also did not correctly complete the section of the FCC Forms 499-A that require the filer to identify all of its telecommunications activities. Line 105 of the form lists various activities and instructs the filer to select up to five. The Company should have selected the item “Toll Reseller.”

Cause: We could not determine and the Company did not provide specific reasons why it did not report interstate and international toll revenues on the FCC Forms 499-A.

³ Toll revenues recorded on the Company’s books were [REDACTED] in 2006, [REDACTED] in 2007, and [REDACTED] in 2008.

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Effect: Some portion of the Company's [REDACTED] toll revenue generated during the period 2006 through 2008 should be subject to USF contributions although we could not determine an exact amount because the Company did not account for interstate and international revenues separately and did not provide a good faith estimate.

Recommendations: We recommend that the Company revise its FCC Forms 499-A for 2006 through 2008 to (1) allocate a portion of the total toll service revenues of [REDACTED] as additional interstate and international USF contribution base revenues, and (2) check the box for "toll reseller" on line 105 of the form.

Company's Response: dPi stated that it has completed an analysis of its long distance traffic for the past 16 months and determined that it does not provide international service and that interstate traffic is [REDACTED] percent of the total. Once dPi confirms its long distance revenues for 2006 through 2008, it will revise its 499A forms and revise line 105.

OIG's Comments: The Company generally agreed with our finding and recommendation but has not indicated whether it agreed with the audited toll revenue amount of [REDACTED] for the period 2006 through 2008. It appears that the Company plans to make a good faith estimate of [REDACTED] percent interstate revenues on its revised 499-As. The Company's response did not include any documentation to support its [REDACTED] percent estimate and, as such, the OIG did not review the reasonableness of the estimate. As described in the instructions to the FCC Form 499-A, a company may use a good faith estimate to allocate toll revenue by jurisdictional breakouts, if the interstate and international revenues cannot be determined directly from the corporate books of account or subsidiary records. The instructions further require that (1) good faith estimates be based on information that is current for the filing period, and (2) information supporting the estimates be made available to the FCC or USAC upon request.

USAC's Response: USAC agreed with the finding. USAC added that it will request from the Company the supporting documentation for its [REDACTED] percent interstate breakout, and will review the documentation to ensure that the estimate is reasonable.

OIG's Comments: We concur with USAC's proposed actions.

Finding 4: The Company Failed to Report USF Recovery Revenues

Criteria: The instructions to the 2009 FCC Forms 499-A, page 29, states that "Any charge that is 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."

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Condition: The Company billed some of its customers to recover USF contributions but failed to report any of the revenues on the 2009 FCC Form 499-A. The Company maintains three separate customer billing systems. One system is for the customers signed up by the Company and the other systems are for customers signed up by the former FamilyTel, Inc. and Vertex Communications, Inc. Although dPi TeleConnect acquired these companies in recent years, it continued to use the companies' customer billing systems. Only the FamilyTel customers, representing approximately [REDACTED] percent of the Company's customers, were billed a surcharge to recover USF contributions. We reviewed a sample of all three billing systems and found that the FamilyTel customer invoices included a line item "Federal Universal Service Fund Surcharge" in the amount of \$0.62 and the line item, "Subscriber Line Fees" in the amount of \$6.50. Although the Company could not explain exactly how it computed the USF surcharge billed to its FamilyTel customers, the amount is approximately the subscriber line fee times the USF contribution factor.

Cause: We could not determine and the Company did not provide specific reasons why it did not report USF recovery revenues on the 2009 FCC Form 499-A.

Effect: We could not determine an exact amount the federal USF surcharge recovered from customers by the Company because the Company did not account for the surcharges separately in its accounting system. However, since the Company acquired FamilyTel, Inc. in early 2008, we estimated that the Company should have reported USF recovery revenues of approximately \$110,512.⁴

Recommendation: We recommend that the Company revise its 2009 FCC Form 499-A to report all federal USF surcharges collected from its customers on line 403 on the form.

Company's Response: dPi stated that it is currently reviewing its billing with respect to these charges and will include these USF recovery revenues when the revised 499 reports are filed.

OIG's Comments: The Company generally agreed with our finding and recommendation but has not commented on the accuracy of the USF recovery amount of \$110,512 estimated in our audit. USAC should bill the Company based on the audited amounts unless the Company can provide evidence that another amount is appropriate.

USAC's Response: USAC agreed with the finding with no further comments.

⁴ Total lines for each month sold by the Company in 2008 were [REDACTED] times [REDACTED] percent attributable to FamilyTel, Inc. times \$0.62 monthly surcharge equals \$110,512.

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Finding 5: A Company Officer Did Not Certify the FCC Forms 499-A

Criteria: 47 CFR. §54.711 states, in part, that an “executive officer of the contributor must certify to the truth and accuracy of historical data included in the Telecommunications Reporting Worksheet.”

The instructions to the FCC Forms 499-A for lines 606-611 state the following:

“An officer of the reporting entity must examine the data provided in the Telecommunications Reporting Worksheet and certify that the information provided therein is accurate and complete.... An officer is a person who occupies a position specified in the corporate by-laws (or partnership agreement), and would typically be president, vice president for operations, vice president for finance, comptroller, treasurer, or a comparable position.”

Condition: An officer of the Company did not certify the FCC Forms 499-A for two of the last three years. The 2007 FCC Form 499-A, reporting 2006 revenues, was the last year that the Company’s Chief Executive Officer certified the form. In December 2006, the Company entered into an agreement with Telecom Compliance Services,⁵ now known as Thomson Reuters, to prepare federal USF and other tax related forms and reports on behalf of the Company. The Company’s 2008 and 2009 FCC Forms 499-A were certified by an employee of Thomson Reuters instead of an officer of the Company.

The Company’s former Chief Executive Officer signed a power-of-attorney form executed for the Revenue Department of the State of Connecticut as evidence that the Thomson Reuters employee was authorized to sign the FCC Forms 499-A. However, the power-of-attorney form was not notarized and did not specifically grant authority for FCC or federal matters. A USAC official stated that USAC did not question the Company’s certification of the 2008 and 2009 FCC Forms 499-A by a power-of-attorney because the forms are self certifying and USAC presumes that the certifier is an officer of the entity until proven otherwise during an audit.

Cause: We could not determine and the Company did not provide specific reasons why it did not properly certify the FCC Forms 499-A.

Effect: The Company failed to have one of its officers examine and certify that the information on its 2008 and 2009 FCC Forms 499-A were accurate and complete as required by 47 CFR. §54.711 of the FCC rules and the FCC Form 499-A instructions. There is no direct monetary effect to the finding.

⁵ TCS was part of Thomson Professional & Regulatory, Inc., now known as Thomson Reuters.

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Recommendation: We recommend that the Company resubmit its 2008 and 2009 FCC Forms 499-A with certification from an officer of the Company and properly certify all future years' forms.

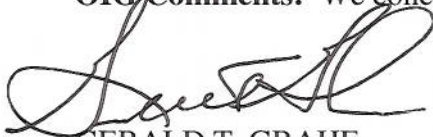
Company's Response: dPi stated that it concurs with the recommendation and will have an officer of dPi certify the revised 499A forms and any future 499A forms upon filing with USAC.

OIG's Comments: The proposed actions by the Company adequately address our recommendation.

USAC's Response: USAC agreed with the finding with no further comments.

USAC's Additional Observations: USAC stated that as the data collection agent for the Form 499, it will request that the Company submit revised Form 499-A filings to accurately report the non-USF related revenue information disclosed in the OIG audit report so that the administrators of the LNP, TRS, NANP and FCC Regulatory Fee have accurate information for billing purposes.

OIG Comments: We concur with USAC's proposed actions.


GERALD T. GRAHE
Assistant Inspector General
for USF Oversight

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Appendix 1



3350 Boyington
Carrollton, TX 75006

May 27, 2010

Gerald T. Grahe
Assistant Inspector General for USF Oversight
Office of the Inspector General
Federal Communications Division
Washington, D.C. 20554

RE: Comments of dPiTeleconnect, L.L.C.
Draft Audit Report No.09-AUD-07-13
April 14, 2010

Dear Mr. Grahe:

Enclosed are the comments of dPiTeleconnect, L.L.C. ("dPi") to the draft audit report of the Office of the Inspector General on dPi's compliance with the FCC's USF compliance rules.

Please feel free to contact me if you have any questions or comments.

Regards,

A handwritten signature in blue ink that reads 'TgoRoark'.

Thomas O'Roark
Chief Executive Officer

Enclosure

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Comments of dPiTeleconnect, L.L.C. on
Draft Audit Report No.09-AUD-07-13

General Comments

In reviewing the findings contained in the audit report and the 499 forms filed by our consulting service, there were 2 areas that were common to each finding which we are addressing here.

1. Missing Corporate Information on 499 forms and Officer's Certification

As noted in the findings line, 105 did not list all the services provided by the Company and line 106 did not list the holding company, For the 2008 and 2009 forms, the forms were not certified by an officer. In addition to the deficiencies noted in the audit report, our audit of our 499 filings with respect to corporate information revealed additional errors in those reports regarding service areas, officers etc. Therefore we will be revising the 2009 499A report by June 4, 2010 to correct this corporate information. dPi has also rescinded the power-of-attorney previously held by its former 499 consultant with respect to all USAC and FCC reporting. All USAC and FCC reporting will now be prepared under the direction of and reviewed internally by our Controller and Chief Executive Officer.

2. Failure to Report Certain Revenues as Required

On November 18, 2009, Amvensys Telecom Holdings, LLC ("Amvensys") acquired dPiTeleconnect, L.L.C. ("dPi") from Rent-A-Center, Inc. as noted in the audit report. Amvensys and current dPi management cannot explain why 499 reports omitted certain revenues as described in the audit report as these reports were submitted prior to the acquisition of dPi. In reviewing and investigating the audit findings, we have found that dPi had apparently been paying USF charges to its underlying carriers during this period. dPi has begun to implement processes and procedures to insure the filing of accurate 499 reports.

Finding 1: The Company Failed to Report Interstate Subscriber Line Charge Revenues

Recommendations: We recommend that the Company revise its FCC Forms 499-A for the years 2006, 2007 and 2008 to (1) report interstate subscriber line charge revenues of \$5,692,011 on line 405(d) and \$1,584,642 on line 308(a), and (2) check the box for local reseller on line 105 of the form.

dPi Comment: dPi is currently in the process of verifying Lifeline and non-Lifeline subscriber line counts for 2006 through 2008 by a comparison of data from its underlying carriers, USAC, and dPi's audit of its underlying carrier invoices. Once completed, dPi will file revised 499A forms for 2006-2008 and revise line 105.

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Finding 2: The Company Failed to Report Mobile Service Revenues

Recommendations: We recommend that the Company revise its FCC Forms 499-A for the years 2006, 2007 and 2008 to (1) include additional USF contribution base revenues of [REDACTED] for mobile services, and (2) check the box for cellular services on line 105 of the form.

dPi Comment: dPi's wireless revenues are derived from two different sources: resold wireless services and commissions. dPi is currently in the process of reviewing its wireless revenue to determine the wireless revenue attributable to each source. For its resold wireless revenues, dPi will use the safe harbor percentage of 37.1% to determine the interstate revenue portion, subject to USF contributions for 2006 through 2008. The interstate revenues will be included in the revised 499A filings for 2006 through 2008 and cellular service on line 105 will be checked.

Finding 3: The Company Failed to Report Interstate and International Toll Revenues

Recommendations: We recommend that the Company revise its FCC Forms 499-A for 2006 through 2008 to (1) allocate a portion of the total toll service revenues of [REDACTED] as additional interstate and international USF contribution base revenues and (2) check the box for "toll reseller" on line 105 of the form.

dPi Comment: dPi has completed an analysis of its long distance traffic for the past 16 months based on data from its primary long distance carrier. dPi has determined that interstate traffic accounts for [REDACTED] of the total interstate and intrastate traffic for this period. dPi does not provide international service. dPi is currently confirming its long distance revenues for 2006 through 2008. Once confirmed, dPi will revise its 499A forms for 2006 through 2008 including the revision to line 105.

Finding 4: The Company Failed to Report USF Recovery Revenues

Recommendation: We recommend that the Company revise its 2009 FCC Form 499-A to report all federal USF surcharges collected from its customers on line 403 on the form.

dPi Comment: dPi is currently reviewing its billing with respect to these charges and will include these USF recovery revenues when the revised 499 reports are filed.

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Comments of dPiTeleconnect, L.L.C. on
Draft Audit Report No.09-AUD-07-13

Finding 5: A Company Officer Did Not Certify the FCC Forms 499-A

Recommendation: We recommend that the Company resubmit its 2008 and 2009 FCC Forms 499-A with certification from an officer of the Company and properly certify all future years' forms.

dPi Comment: dPi concurs with the recommendation and will have an officer of dPi certify the revised 2008 and 2009 499A forms upon filing with USAC. A dPi officer will properly certify all original and revised 499 forms submitted to USAC after the date of this letter.

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Appendix 2



February 4, 2011

William Hill
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: Revised FCC Office of Inspector General Audit –Audit Report No. 09-AUD-07-13

Dear Bill:

USAC has reviewed the FCC's Office of Inspector General revised draft final audit report 09-AUD-07-13 of dPi Teleconnect, LLC dated December 29, 2010. Attached is the USAC Management response to the audit.

If you have any questions regarding this response, please contact me at 202-772-5251.

Sincerely,


Michelle Garber
Director of Financial Operations

Enc: OIG 09-AUD-07-13 dPi TeleConnect, LLC- Additional USAC Response
cc: Mark Stephens

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**Additional USAC Response to FCC Office of Inspector General Audit
Audit Report No. 09-AUD-07-13 – dPi TeleConnect, LLC
February 4, 2011**

USAC reviewed the December 29, 2010 revised draft final FCC Office of Inspector General (OIG) audit of the 2007, 2008, and 2009 FCC Forms 499-A for Filer ID 820642, dPi TeleConnect, LLC (the Company). Our additional response to the audit follows.

Finding 1: The Company Failed to Report Interstate Subscriber Line Charge Revenues

USAC agrees with the OIG's finding with no further comments.

Finding 2: The Company Failed to Report Mobile Service Revenues

USAC agrees with the OIG's finding with no further comments.

Finding 3: The Company Failed to Report Interstate and International Toll Revenues

USAC agrees with the OIG's finding and agrees that "good faith estimates" are an acceptable method of determining the interstate and international jurisdictions when this information cannot be determined directly from corporate books of accounts.¹ USAC will request from the Company the supporting documentation for its [redacted] interstate breakout, and will review the documentation to ensure the estimate is reasonable.

Finding 4: The Company Failed to Report USF Recovery Revenues

USAC agrees with the OIG's finding with no further comments.

Finding 5: A Company Officer Did Not Certify the FCC Form 499-As

USAC agrees with the OIG's finding with no further comments.

Additional Observations

The OIG stated that the report includes other revenue amounts for background purposes. Page 12 of the report states that "amounts include non-telecommunications revenues, intrastate revenues and other revenues, such as exempt revenues reportable in Block 3, which is not subject to USF contributions and not the focus of our audit." USAC, as the

¹ 2007 FCC Form 499-A Instructions, III.C.3 ("If interstate and international revenues cannot be determined directly from corporate books of account or subsidiary records, filers may provide on the Worksheet good-faith estimates of these figures. In such cases, the filer should enter the good-faith estimates of the percentage of interstate and the percentage of international revenues in columns (b) and (c), respectively. A reporting entity may not submit a good-faith estimate lower than one percent unless the correct figure should be \$0. Good-faith estimates must be based on information that is current for the filing period. Information supporting good-faith estimates must be made available to either the FCC or to the administrators upon request.")

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data collection agent for the Form 499, checks to determine whether the Company completed the Form 499-A in accordance with FCC instructions so that the administrators of the LNP, TRS, NANP and FCC Regulatory Fee programs have accurate and complete information for billing purposes.² USAC has updated the summary reports below to reflect the additional revenues identified in the OIG audit report, footnote 3. USAC will also request that the company submit revised filings for the 2006, 2007, and 2008 calendar years that report total revenues, including all intra-state and non-telecommunications revenues. Further, USAC will request a complete Form 499 reconciliation of the Company's corporate records for the audited years to ensure that amounts not subject to the OIG's audit are accurately reported.

USF Contribution Obligation

Following is a summary of the above mentioned audit findings and the overall monetary effect of the Company's USF contribution obligation.

FCC Form 499-A Summary Table- 2007 Form 499-A

Line	As Reported			Per Audit			Estimated Effect on Contribution Base
	Total Revenue	Interstate Revenue	International Revenue	Total Revenue	Interstate Revenue	International Revenue	
404.1		-	-		-	-	-
404.2		-	-			-	
405		-	-			-	
409		-	-			-	
419		-	-			-	
420		-	-			-	
421		-	-			-	
422		-	-			-	
423		-	-			-	\$
Total Estimated Effect on Contribution Base							\$2,755,487

The total effect of this audit will result in a \$2,755,487 increase in the Company's contribution base as compared to the Company's originally filed 2007 Form 499-A. This results in a USF contribution obligation increase of \$265,430 for the 2006 calendar year.

² 2007 Form 499-A Instructions, I. ("As required under the Communications Act, the Commission has established, in a series of separate proceedings, procedures to finance interstate telecommunications relay services (TRS), universal service support mechanisms, administration of the North American Numbering Plan (NANPA), and shared costs of local number portability administration (LNPA). To accomplish these congressionally directed objectives, contributions are collected from all telecommunications carriers providing interstate telecommunications services and certain other providers of interstate telecommunications (including interconnected VoIP providers). On July 14, 1999, the Commission amended its rules so that contributors to these mechanisms need only file one Telecommunications Reporting Worksheet (Worksheet) for the purpose of determining their contribution(s). This Worksheet sets forth the information that the filer must submit, so that the administrators of these mechanisms may calculate and assess contributions.").

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FCC Form 499-A Summary Table- 2008 Form 499-A

Line	As Reported			Per Audit			Estimated Effect on Contribution Base
	Total Revenue	Interstate Revenue	International Revenue	Total Revenue	Interstate Revenue	International Revenue	
404.1	-	-	-	-	-	-	-
404.2	-	-	-	-	-	-	-
405	-	-	-	-	-	-	-
409	-	-	-	-	-	-	-
419	-	-	-	-	-	-	-
420	-	-	-	-	-	-	-
421	-	-	-	-	-	-	-
422	-	-	-	-	-	-	-
423	-	-	-	-	-	-	-
Total Estimated Effect on Contribution Base							\$2,971,340

The total effect of this audit will result in a \$2,971,340 increase in the Company's contribution base as compared to the Company's originally filed 2008 Form 499-A. This results in a USF contribution obligation increase of \$305,615 for the 2007 calendar year.

FCC Form 499-A Summary Table- 2009 Form 499-A

Line	As Reported			Per Audit			Estimated Effect on Contribution Base
	Total Revenue	Interstate Revenue	International Revenue	Total Revenue	Interstate Revenue	International Revenue	
403	-	-	-	-	-	-	-
404.1	-	-	-	-	-	-	-
404.2	-	-	-	-	-	-	-
405	-	-	-	-	-	-	-
409	-	-	-	-	-	-	-
419	-	-	-	-	-	-	-
420	-	-	-	-	-	-	-
421	-	-	-	-	-	-	-
422	-	-	-	-	-	-	-
423	-	-	-	-	-	-	-
Total Estimated Effect on Contribution Base							\$3,770,887

The total effect of this audit will result in a \$3,770,887 increase in the Company's contribution base as compared to the Company's originally filed 2009 Form 499-A. This results in a USF contribution obligation increase of \$384,197 for the 2008 calendar year.

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The total additional USF contribution obligation for the Company from calendar years 2006, 2007, and 2008 is \$955,242.

USAC Audit Follow-Up Actions

The audit of the Company's Form 499-As resulted in the FCC OIG concluding that the Company was not in compliance with FCC rules with the net effect that the company understated its end-user revenues on its 2007, 2008, and 2009 Form 499-A filings.

Upon USAC Board of Directors deeming this audit final, USAC will outreach to the Company to request that it submit revised 2007, 2008, and 2009 Form 499-As to correct non-compliance with FCC rules. In addition, USAC will request from the Company supporting documentation for the Company's long distance good faith estimate and a complete reconciliation between the Company's 499-A filings and corporate book of accounts to validate its non-USF related revenue.

After 60 days from the date of outreach, if the Company has not complied with USAC's request to submit the revised Form 499-As and support its filings, USAC will generate estimates for all filings in accordance with the OIG's audit report.

This concludes the USAC management response.

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