



GVNW CONSULTING, INC.

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June 18, 2017

Ms. Lynn M. Retz
Secretary to the Commission
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

RE: Docket No. 18-TMCZ-031-KSF
In the Matter of the Audit of T-Mobile Central, LLC by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A 2015 Supp. 66-2010(b) for KUSF Operating Year 20, Fiscal Year March 2016-February 2017.

Dear Ms. Retz:

In its August 1, 2017 order the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of T-Mobile Central, LLC (T-Mobile or Company) to ensure that the data submitted to the KUSF via the KUSF CRWs, the assessments paid, and the calculation and application of the flow-through surcharge billed to and collected from T-Mobile's customers, if applicable, are appropriate and accurate.

The KCC directed GVNW to file two versions of the audit report with the KCC; one version containing confidential information and one version with the confidential data redacted for public disclosure. The public audit report is being filed; however, Attachment A to this report is confidential. Therefore enclosed is both a public and confidential audit report and confidential Attachment A.

Copies of the supporting documentation, including GVNW's audit work papers and information provided by the company, are not included with the audit report, but are available from GVNW upon request.

Sincerely,

A handwritten signature in black ink, appearing to read "David Winter", with a stylized flourish at the end.

David Winter
Senior Consultant

cc w/encl: Sandy Reams

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

In the Matter of the Audit of T-Mobile)	
Central LLC by the Kansas Universal)	
Service Fund (KUSF) Administrator)	Docket No. 18-TMCZ-031-KSF
Pursuant to K.S.A. 2016 Supp. 66-)	
2010(b) for KUSF Operating Year 20,)	
Fiscal Year March 2016-February 2017)	
)	

KANSAS UNIVERSAL SERVICE FUND AUDIT REPORT

Prepared By: David Winter
GVNW Consulting, Inc.

Company Representatives: Steve Storck – Senior Tax Analyst
Marie Harris – Senior Tax Manager

Date of On-Site Visit: March 6 - 7, 2018

Date Submitted to Company: June 14, 2018

Audit Summary

Based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures for Operating Year 20,¹ GVNW Consulting, Inc. (GVNW) identified one (1) reporting deficiency regarding T-Mobile Central LLC (T-Mobile or Company) with a net impact of an additional \$533 due to the KUSF.

- Finding No. 1: T-Mobile reported revenues to the KUSF net of discounts for the period of March through June 2016 and underpaid \$533 in KUSF assessments.

GVNW recommends that the Commission issue an Order to: (1) adopt the audit findings and recommendations in this Report; and (2) direct the Company to submit Audit True-ups for the period of March through June 2016 and pay the \$533 of assessments to the KUSF within 30-days of the issuance of a Commission Order. GVNW further states it will file a Compliance Report in this Docket within 45-days of issuance of an Order.

¹ Order Accepting GVNW's KUSF Year 20 Audit Selections, Proposed Revisions to Selection Criteria and Audit Review Procedures, Docket No. 16-GIMT-067-GIT, July 25, 2017 (16-067 Order).

Current KUSF Obligations

T-Mobile is current with its KUSF obligations.²

Background

T-Mobile is a wireless service provider headquartered in Bellevue, Washington. The Company is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.³ T-Mobile is authorized to collect an amount equal to or less than its assessment from customers,⁴ and does so. The Company uses traffic studies for the identification of intrastate revenues and is current in reporting its intrastate factors to the KCC. The Company has not been designated as an Eligible Telecommunications (ETC) in Kansas, therefore, it does not offer Lifeline service to its subscribers.

T-Mobile bundles assessable and non-assessable services and reports the related revenues to the KUSF based on the service price of the assessable service. The revenues are reported net of discounts, meaning revenues are reduced to recognize customer discounts. T-Mobile uses the same bundled service and discount methodologies to identify, report, and allocate revenue to the KUSF and the Federal USF.⁵

On August 1, 2017, the Commission issued Order No. 1 in Docket 18-031 directing GVNW to conduct an audit for KUSF purposes.

Audit Findings

GVNW identified the following audit findings and proposes the following recommendations:

Audit Finding No. 1

Standard: Carriers are to report gross revenues prior to recognizing any customer discounts for KUSF reporting purposes through June 30, 2016.⁶ Effective July 1, 2016, companies are authorized to report revenues to the KUSF net of customer discounts.

² Confirmed on June 14, 2018 with the KUSF Administrator.

³ Order Setting the Kansas Universal Service Fund Assessment Rate for Year Ten and Establishing Reporting Requirements, Docket No. 06-GIMT-332-GIT, January 23, 2006 (06-332 Order).

⁴ K.S.A. 66-2008.

⁵ Effective July 1, 2016, pursuant to K.S.A. 66-2008(a): "The commission shall not require any provider to contribute to the KUSF under a different contribution methodology than such provider uses for purposes of the federal universal service fund, including for bundled offerings."

⁶ Order Adopting KUSF Assessment Rate for Year Eighteen of KUSF Operations, Docket No. 14-GIMT-105-GIT, January 23, 2014; and Order Closing Docket, July 19, 2016.

Finding: T-Mobile reported revenues to the KUSF after deducting discounts to customers for the period March through June 2016.⁷ Due to the manner in which the Company maintains its books and records, the sole source for T-Mobile's KUSF reporting, the Company was unable to provide the actual revenue for discounts.⁸ Instead, T-Mobile, in conjunction with KCC Staff and GVNW, developed a reasonable revenue estimate from which the \$533 under-payment of KUSF assessments was derived.

Recommendation: The Company should be directed to submit Audit True-ups for the period of March through June 2016 to reflect the estimated revenues related to the discounts and pay the \$533 of assessments to the KUSF within 30-days of the Commission's issuance of an Order in this Docket.

⁷ Source: T-Mobile response to DR No. 14. (Confidential Attachment A).

⁸ *Ibid.*

Docket No. 18-TMCZ-031-KSF

CONFIDENTIAL

Attachment A

to Kansas USF Audit Report

Dated 6/18/2018

KUSF Carrier Audit Information Request

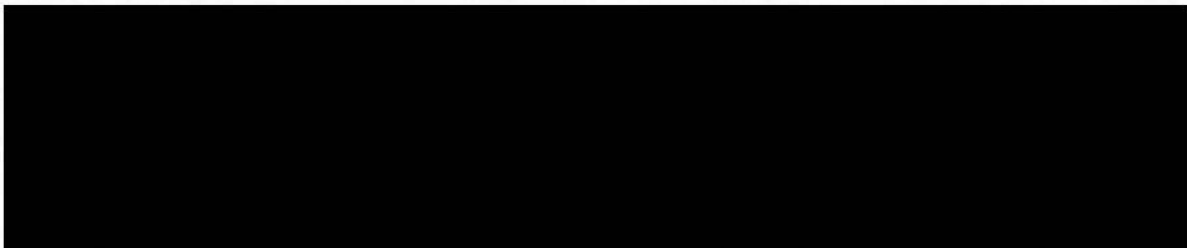
Submitted By: David Winter
Submitted To: Steve Storck
Marie Harris
Company Name: T-Mobile Central LLC
Docket Number: 18-TMCZ-031-KSF
Request Date: March 7, 2018
Date Information Needed: March 21, 2018

Request No. 14

RE: Subscriber Discount Reporting

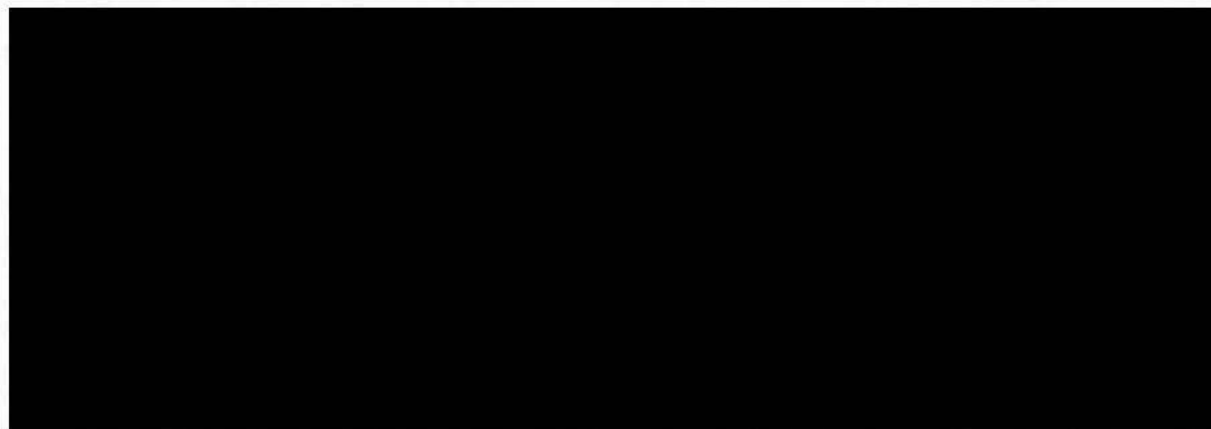
- a. Confirm whether T-Mobile reported telecommunication service revenues to the KUSF net of discounts.
- b. What type of subscriber discounts are offered/granted by T-Mobile to include whether the Company offers B2B contracts and employee discounts? Is T-Mobile's billing system capable of separately categorizing B2B and employee discounts versus other types of discounts offered to the Company's subscribers for KUSF reporting purposes?
- c. Confirm that the discounts granted to subscribers are included on the monthly statements only to the extent that they are involved a reduction in KUSF collected.
- d. If T-Mobile did report revenue net discounts to the KUSF: provide, by month for period March 2016 through June 2016, the revenues associated with the discounts not reported to the KUSF. If this information cannot not be provided, please explain why to include whether T-Mobile has the visibility of discounts within its general ledger.
- e. Does T-Mobile have the capability to separate the appropriate customer discount in order to calculate the KUSF surcharge at the gross receipt level within the Company's billing system?

NOTE: If for some reason, the above information cannot be provided by the date requested, please submit a Request for Additional Time (see Attachment A, provided in the initial audit packet).



KUSF Carrier Audit Information Request

Attachment A-CONFIDENTIAL
Docket No. 18-TMCZ-031-KSF
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Responses:

Verification of Response

I have read the foregoing Data Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to GVNW's auditor any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: Steven M. Storch

Date: 3/22/2018

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of June 2018, the above Kansas Universal Service Fund Audit Report was e-filed with the Kansas Corporation Commission and a copy was sent via electronic mail and/or U.S. Mail to:

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Topeka, KS 66604

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