

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

Before Commissioners: Mark Sievers, Chairman
Thomas E. Wright
Shari Feist Albrecht

In the Matter of the Audit of Sprint Spectrum L.P. by the)
Kansas Universal Service Fund (KUSF) Administrator)
Pursuant to K.S.A. 2011 Supp. 66-2010(b) for KUSF) Docket No. 13-SSLZ-089-KSF
Operating Year 15, Fiscal Year March 2011-February)
2012.)

**ORDER ADOPTING GVNW CONSULTING, INC.'s
AUDIT REPORT AND RECOMMENDATIONS**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and record, and being duly advised in the premises, the Commission finds and concludes as follows:

1. On August 7, 2012, the Commission directed GVNW Consulting, Inc. (GVNW) to perform an audit of Sprint Spectrum L.P. (Sprint) for Kansas Universal Service Fund (KUSF) purposes.

2. On June 27, 2013, GVNW filed its Audit Report covering GVNW's March 5, 2013 audit of Sprint, indicating its finding that Sprint is current with its KUSF obligations. However, three KUSF-related deficiencies were identified in the course of GVNW's audit of the company. Each of the deficiencies reported by GVNW, as well as GVNW's recommendation regarding each deficiency, is set forth below:

- (a) Finding: Sprint did not report non-recurring late payment charge revenues to the KUSF. As a result, the company under-reported KUSF revenues for the period of March 2011 through January 2013 and owed an additional \$289,791.55 to the KUSF. Sprint started reporting non-recurring late payment charges to the KUSF as of February 2013. Non-recurring late payment charges are to be included in assessable revenues reported to the KUSF.¹

¹ Kansas Universal Service Fund (KUSF) Carrier Remittance Worksheet (CRW) Instructions March 2010-February 2011 (FY 14), page 11.

Recommendation: On April 12, 2013, Sprint submitted to the KUSF Administrator the company's annual Operating Year 16 True-up and paid an additional \$129,814.82 to the KUSF. On May 13, 2013, Sprint provided to the KUSF Administrator an Operating Year 15 Audit True-up reflecting revenues associated with late payments and paid an additional \$160,457.53 to the KUSF. GVNW concludes that, in total, Sprint paid the applicable assessment due and is in compliance with the late payment audit finding.

- (b) Finding: Sprint applied the KUSF surcharge to its unlimited text messaging plan and non-assessable international roaming revenues for the period of March 2011 through August 2012, but did not report the revenues to the KUSF. Sprint corrected the error effective September 2012. As a result, Sprint over-collected \$107,015.08 in KUSF assessments from its customers.

Recommendation: The Commission should direct Sprint to refund the monies to customers by a date certain and provide GVNW a signed affidavit attesting to the refund and copies of customer bills substantiating that the company has issued the refunds. Inasmuch as this is a repeat of the same deficiency found in earlier audits performed in Docket Nos. 08-SSLZ-042-KSF and 10-SSLZ-075-KSF, GVNW suggests that the Commission may wish to consider implementation of a penalty, consistent with K.S.A. 66-138, for the company's non-compliance with Commission orders.

- (c) Finding: Sprint did not report actual uncollectible Kansas-specific revenues to the KUSF. Instead, after determining the total company amount of uncollectibles, Sprint allocates uncollectibles to a state based on the total revenues derived from that state to the total company revenues. Sprint uses this methodology because its billing systems are unable to identify Kansas specific uncollectible revenues. GVNW indicates that Sprint's uncollectible percentage rate of 2.48% for Kansas Operating Year 15 is reasonable and within the range seen for other wireless companies reporting to the KUSF. Notwithstanding Sprint's need of a different uncollectible methodology for identifying Kansas specific uncollectibles, GVNW determines, nevertheless, that Sprint has met its KUSF obligations.

Recommendation: The Commission should direct Sprint to discontinue reporting allocated uncollectibles at such time as the company is able to identify Kansas-specific uncollectibles. GVNW also recommends Sprint be reminded that if it is using this methodology, the company is responsible for ensuring that the assessment owed and paid to the KUSF is no less than it would be if the company identified Kansas-specific uncollectibles.

3. Separately, GVNW provided a follow-up regarding deficiencies reported from its

KUSF audit of Sprint conducted February 17, 2010, in Docket No. 10-SSLZ-075-KSF, which included the following:

- (i) Finding: Sprint reported revenues one month in arrears and caught up during the annual KUSF True-up process.

Audit Finding Compliance: GVNW confirms that Sprint corrected this issue in its Operating Year 13 True-up remitted on April 22, 2010 and continues to report actual revenues via quarterly True-ups within 45 days after the end of each KUSF fiscal year.

- (ii) Finding: Sprint failed to report to the Commission changes to Sprint's traffic study factor applied for KUSF purposes.

Audit Finding Compliance: The Commission approved Sprint's intrastate wireless traffic percentages for KUSF Year 15, March 1, 2011 through February 29, 2012. The company directly assigns intrastate revenues to the KUSF and is current with its reporting of such changes to the KUSF.

- (iii) Finding: Sprint incorrectly applied the KUSF surcharge to international monthly recurring charges.

Audit Finding Compliance: GVNW confirms that Sprint no longer applies the KUSF surcharge to international monthly recurring charges.

- (iv) Finding: Sprint applied the KUSF surcharge to non-assessable services, such as text messaging and data usage services.

Audit Finding Compliance: GVNW determines that Sprint has not complied with the recommendation associated with this finding, and is included as a repeat deficiency under Finding 2(b) of the current audit, as set forth above.

Audit Report at pages 3-5.

4. The Commission has reviewed GVNW's KUSF Audit Report filed in this matter on June 27, 2013, and finds that it should accept and adopt the same.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission accepts and adopts GVNW Consulting, Inc.'s KUSF Audit Report for Sprint Spectrum L.P., filed in this docket on June 27, 2013.

B. Sprint Spectrum L.P. shall, within thirty (30) days from the date of this Order,

refund to its current customers \$107,015.08 by means of one-time bill credits. Upon completion of said refund, Sprint shall provide GVNW with an affidavit executed by an officer of the company attesting to completion of the refund and also provide GVNW with copies of customer bills substantiating issuance of the refunds.

C. Sprint is directed to discontinue reporting allocated uncollectibles at such time as the company is able to identify Kansas-specific uncollectibles. Sprint is reminded that so long as the company uses the methodology of reporting allocated uncollectibles, it is responsible for ensuring that the assessment owed and paid to the KUSF is no less than it would be if the company identified Kansas-specific uncollectibles.

D. The Commission notes with concern Sprint's application of the KUSF surcharge to the company's unlimited text messaging plan and non-assessable international roaming revenues for the period of March 2011 through August 2012, and its failure to report the revenues to the KUSF. This is a repeat of the same finding in Docket Nos. 08-SSLZ-042-KSF and 10-SSLZ-075-KSF. Sprint is admonished to cease this practice, lest the company be subject to penalty for its failure to comply with Commission orders.

E. Sprint is directed to discontinue the reporting of allocated uncollectibles at such point in time that it is able to identify Kansas specific uncollectibles. Sprint is also reminded that if it uses allocated uncollectibles methodology, it is responsible for ensuring that the assessment owed and paid to the KUSF is no less than it would be if the company identified Kansas-specific uncollectibles.

F. Upon Sprint's completion of the requirements imposed under ordering paragraph B above, GVNW is directed to submit an update to the Commission and, thereupon, this docket will be closed.

G. The Commission retains jurisdiction over Sprint Spectrum L.P. and the subject matter of this Docket for the purpose of issuing such additional orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Sievers, Chmn.; Wright, Com.; Albrecht, Com.

Dated: JUL 09 2013

Jackie Montfoort Paige
ORDER MAILED JUL 10 2013
Jackie Montfoort Paige
Acting Executive Director

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PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET
TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
DAVID G. WINTER, SENIOR CONSULTANT GVNW CONSULTING, INC. 2270 LA MONTANA WAY PO BOX 25969 COLORADO SPRINGS, CO 80936		
OTTO NEWTON, LITIGATION COUNSEL 1500 SW ARROWHEAD ROAD TOPEKA, KS 66604 ***Hand Delivered***		
FRED BROUGHTON, MANAGER ICA SOLUTIONS SPRINT SPECTRUM L.P. KSOPHE010210312 6360 SPRINT PARKWAY OVERLAND PARK, KS 66251		

ORDER MAILED JUL 10 2013

The Docket Room hereby certified that on this _____ day of _____, 20_____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.