

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

Before Commissioners: Jay Scott Emler, Chairman  
Shari Feist Albrecht  
Pat Apple

In the Matter of the Audit of Consumer )  
Cellular, Incorporated by the Kansas )  
Universal Service Fund (KUSF) )  
Administrator Pursuant to K.S.A. 2014 ) Docket No. 16-CSCZ-035-KSF  
Supp. 66-2010(b) for KUSF Operating )  
Year 18, Fiscal Year March 2014-February )  
2015. )

**ORDER ACCEPTING AND 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 July 30, 2015, the Commission directed GVNW Consulting, Inc. (GVNW) to perform an audit of Consumer Cellular, Incorporated (Consumer Cellular) for Kansas Universal Service Fund (KUSF) purposes.

2. On May 24, 2016, GVNW filed a Motion for Extension of Time requesting that the deadline for the filing of its Audit Report in this matter be extended from June 30, 2016 to July 31, 2016. GVNW's Motion detailed the series of activities and events necessitating its request for extension of time, including issuance of an additional fourteen data requests beyond the information requested in the Audit Packet sent to Consumer Cellular on August 3, 2015. The Commission, concluding that the stated reasons for GVNW's request warranted extension of the deadline, established a new deadline for the filing of GVNW's Audit Report of Monday, August 1, 2016.

3. On August 2, 2016, GVNW's Audit Report dated August 1, 2016, covering GVNW's audit of Consumer Cellular was filed in this docket stating that the company is current with its KUSF obligations. GVNW's Audit Report identifies and describes in detail four reporting deficiencies, including the applicable reporting standard, resulting in the following audit findings and recommendations:

Audit Finding No. 1:

Standard: Pass-through charges, fees, assessments and taxes are excluded from KUSF assessments.<sup>1</sup>

Finding: Consumer Cellular applied the KUSF surcharge to the Federal Universal Service Fund (FUSF) surcharge and the Federal Communications Commission (FCC) regulatory fees and reported the related revenues to the KUSF for the period of March 2014 through July 2016. Consumer Cellular over-collected \$7,778.42 from its customers and over-paid this same amount to the KUSF for the period March 2014 through March 2016. The company will correct the error effective with the August 2016 data to be reported in September 2016.

Recommendation: GVNW recommends that Consumer Cellular be directed to submit Audit True-ups for KUSF Operating Years 18, 19 (March 2015-February 2016) and quarterly Audit True-ups for Operating Year 20 (March 2016-July 2016) to correct this audit deficiency within 60 days of the issuance of an Order. Upon submission of the aforementioned Audit True-ups, GVNW will submit a Compliance Report to the Commission. This finding will require a refund from the KUSF and refunds from the company to customers.

Audit Finding No. 2:

Standard: Wireless carriers are to report their revenues to the KUSF Administrator using the same revenue identification methodology as that used for FUSF purposes.<sup>2</sup> If a company identifies revenue using either a traffic study or direct assignment, the company is to submit a pleading advising the Commission of the methodology, provide the intrastate factor, if applicable, and relevant time period(s), and verify this same methodology is used for FUSF and KUSF purposes. An affidavit, signed by an officer of the company, is to accompany the pleading.

Finding: Since September 2014, Consumer Cellular has used a company-specific traffic study to determine the identification of intrastate and interstate revenues. The company has not submitted a pleading to the Commission advising the Commission of this

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<sup>1</sup> Docket No. 14-GIMT-105-GIT, July 7, 2015 Order.

<sup>2</sup> KUSF Carrier Remittance Worksheet (CRW) Instructions March 2012-February 2013 (FY16), page 5 of 13.

methodology, nor has it filed annual updates. Consumer Cellular has not provided an affidavit from an officer of the company verifying that the company is using this same methodology for both FUSF and KUSF purposes. This finding was discussed with Consumer Cellular during GVNW's site-visit.

Recommendation: The Commission should direct Consumer Cellular to submit a pleading, accompanied by an affidavit from an officer of the company, requesting to use the traffic study methodology for KUSF purposes and that the company shall apply the inverse of the FUSF factor for KUSF reporting purposes. The company should identify the factors used and the time period for each applicable factor. The Commission should direct the company to submit annual updates in accordance with Commission Orders. The Commission may wish to consider the assessment of fines pursuant to K.S.A. 66-138 for non-compliance with Commission Orders.

Audit Finding No. 3:

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

Finding: Consumer Cellular did not report actual intrastate revenues, as recorded in the company's internal financial documentation, on its monthly Carrier Remittance Worksheets (CRWs). Instead, Consumer Cellular reported calculated revenues by dividing the total KUSF surcharge billed to customers by the approved KUSF assessment rate. The company has not filed quarterly or annual True-ups to report actual revenues. As a result, Consumer Cellular under-paid the KUSF by an estimated \$6,186.77 for the period March 2014 through March 2016. Consumer Cellular has agreed to report actual revenues via the KUSF True-up process. The impact to the KUSF has not been calculated for the months of April through July 2016, but should be reflected in the Audit True-ups submitted.

Recommendation: Consumer Cellular should be directed to report actual revenues to the KUSF and be reminded that while it reports calculated revenue, it is responsible for ensuring that the assessment owed and paid to the KUSF is no less than it would be if the company reported its actual Kansas-specific revenues. GVNW also recommends that Consumer Cellular be directed to submit Audit True-ups for KUSF Operating Years 18 and 19 and quarterly True-ups for March-July 2016 to correct this audit deficiency within 60 days of the issuance of an Order. Upon submission of the aforementioned Audit True-ups, GVNW will submit a Compliance Report to the Commission.

Audit Finding No. 4: Carriers contributing to the KUSF are to report gross revenues prior to any customer discounts for KUSF reporting purposes.<sup>3</sup>

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<sup>3</sup> Docket No. 14-GIMT-105-GIT, January 23, 2014 Order Adopting KUSF Assessment Rate for Year Eighteen of KUSF Operations.

Finding: Consumer Cellular reports revenues to the KUSF after deducting AARP customer discounts. The company under-paid \$2,286.42 in assessments to the KUSF for the period of March 2014 through September 2015.

Recommendation: The Commission should direct Consumer Cellular to submit Audit True-ups for March 2014 through September 2015 to correct this audit deficiency within 60 days of the issuance of an Order. After GVNW reviews the company's submission and Consumer Cellular pays the \$2,286.42 to the KUSF, GVNW will submit a Compliance Report.

4. The Commission has reviewed GVNW's KUSF Audit Report filed in this matter on August 2, 2016, and finds that it should accept the Audit Report and adopt GVNW's recommendations.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

A. The Commission accepts and adopts GVNW Consulting, Inc.'s KUSF Audit Report and recommendations for Consumer Cellular, Incorporated filed in this docket on August 2, 2016.

B. With respect to Finding No. 1 of GVNW's Audit Report, Consumer Cellular is directed to submit Audit True-ups for KUSF Operating Years 18, 19 (March 2015-February 2016) and quarterly Audit True-ups for Operating Year 20 (March 2016-July 2016) to correct the noted audit deficiency. Consumer Cellular shall submit the subject True-ups to GVNW within sixty (60) days from the date of this Order. Upon Consumer Cellular's submission of the required Audit True-ups, GVNW is directed to submit a Compliance Report to the Commission specifying the amount the company over-collected and the respective amounts to be refunded from the KUSF to Consumer Cellular and from Consumer Cellular to its customers.

C. With respect to Finding No. 2, Consumer Cellular is directed to submit to this docket, within thirty (30) days from the date of this Order, a pleading, accompanied by an affidavit from an officer of the company, requesting to use the traffic study methodology for

KUSF purposes and stating that the company will apply the inverse of the FUSF factor for KUSF reporting purposes. Consumer Cellular shall also identify the factors used and the time period for each applicable factor. Consumer Cellular is further directed to submit annual updates in accordance with Commission Orders. Upon Consumer Cellular's compliance with the foregoing requirements, the Commission will make additional findings with respect to this reporting deficiency.

D. With respect to Finding No. 3, Consumer Cellular is directed to report actual revenues to the KUSF and notwithstanding the company's practice of reporting calculated revenue, it is nevertheless responsible for ensuring that the assessment owed and paid to the KUSF is no less than it would be if the company reported its actual Kansas-specific revenues. Consumer Cellular is further directed to submit, within sixty (60) days from the date of this Order, Audit True-ups for KUSF Operating Years 18 and 19 and quarterly True-ups for March-July 2016 to correct this audit deficiency. Upon Consumer Cellular's submission of the subject Audit True-ups, GVNW is directed to submit a Compliance Report to the Commission.

E. With respect to Finding No. 4, Consumer Cellular is directed to submit, within sixty (60) days from the date of this Order, Audit True-ups for March 2014 through September 2015 to correct this audit deficiency. Upon GVNW's review of Consumer Cellular's submission and Consumer Cellular's payment of \$2,286.42 to the KUSF, GVNW is directed to submit a Compliance Report.


F. The parties have fifteen (15) days, plus three (3) days if service of this Order is by mail, from the date this Order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118b; K.S.A. 2015 Supp. 77-529.

G. The Commission retains jurisdiction over Consumer Cellular, Incorporated 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.**

Emler, Chairman; Albrecht, Commissioner; Apple, Commissioner

Dated: AUG 18 2016

  
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Amy L. Green  
Secretary to the Commission

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**Order Mailed Date**

**AUG 19 2016**

## **CERTIFICATE OF SERVICE**

16-CSCZ-035-KSF

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail/hand delivered on **AUG 18 2016**.

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\*\*\*Hand Delivered\*\*\*

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/S/ DeeAnn Shupe  
DeeAnn Shupe

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**Order Mailed Date**

**AUG 19 2016**