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June 8, 2021

Ms. Lynn M. Retz
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

RE: Docket No. 21-SSLZ-056-KSF (Company Code KS004062)
In the Matter of the Audit of Sprint Spectrum LP by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for Fiscal Year 23, March 2019 - February 2020.

Dear Ms. Retz:

In its August 18, 2020, Order, the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of Sprint Spectrum LP (Sprint Spectrum 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 Sprint Spectrum's customers, if applicable, are appropriate and accurate.

The KCC directed GVNW to file two (2) versions of the audit report with the KCC; one (1) version containing confidential information and one (1) version with the confidential data redacted for public disclosure. Sprint Spectrum's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Sprint Spectrum is being filed.

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,

Shomari Jackson

Attachments

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of June, 2021, 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:

KANSAS CORPORATION COMMISSION
1500 S.W. ARROWHEAD ROAD
TOPEKA, KS 66604

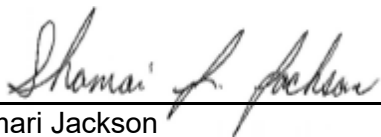
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Shomari Jackson

**GVNW – A Vantage Point Company
Audit Report for
Sprint Spectrum Company**

From: Shomari Jackson, Auditor

Company Personnel: Al Clark, Analyst – Regulatory Reporting

Date: May 11, 2021

**Microsoft Teams
Meeting Date:** March 17, 2021

KUSF Status: Current with Reporting & Payment obligations

Re: Docket No. 21-SSLZ-056-KSF

In the Matter of the Audit of Sprint Spectrum Company by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for KUSF Fiscal Year 23, March 2019 – February 2020.

EXECUTIVE SUMMARY:

Pursuant to the Kansas Corporation Commission's (KCC or Commission) August 18, 2020 Order, GVNW – A Vantage Point Company (GVNW) conducted an audit of Sprint Spectrum Company (Sprint Spectrum or Company) based on the Kansas Universal Service Fund (KUSF) Revised Audit Procedures adopted for KUSF Fiscal Year 23 (FY 23).¹ GVNW identified three (3) findings resulting from the Company's non-compliance with the Commission's KUSF policies with a net impact of a reduction of \$24,718.74 to the KUSF and refunds of \$25,103.93 owed to subscribers. The overcollection will result in a credit on the Company's KUSF account, which should be used as an offset for future assessments owed by the Company. The Company is current with its KUSF obligations.

Finding 1 – Sprint Spectrum reported Visual Voicemail Activation Fees to the KUSF, and collected the KUSF surcharge on Visual Voicemail Activation Fees from subscribers, resulting in the Company over-collecting and over-paying its KUSF assessment obligation by \$24,718.74;

Finding 2 – Sprint Spectrum collected the KUSF surcharge on Early Equipment Upgrade Option Fees, resulting in the Company over-collecting \$385.19 of assessments from subscribers; and

¹ Order Accepting GVNW'S KUSF Proposed Revisions to Selection Criteria and Carrier Review Procedures, Docket No. 19-GIMT-056-GIT, July 21, 2020 (19-056 Order).

Finding 3 – Sprint Spectrum does not report actual Kansas specific uncollectible revenues to the KUSF; instead, the Company allocates a percentage of its total Company uncollectible revenues to the KUSF.

GVNW recommends the Commission to issue an Order to: (1) adopt this Audit Report and the identified findings; (2) direct Sprint Spectrum to file annual True-ups for March 2018 – February 2021 (FYs 22 - 24) to correct its reporting and billing processes for non-assessable revenues; (3) direct Sprint Spectrum to issue refunds through one-time billing credits, totaling \$25,103.93, to the affected customers, on a pro-rata bases; (4) direct Sprint Spectrum to file an affidavit attesting to the amount and completion date of the refunds; and (5) provide GVNW with documentation supporting completion of the customer refunds. All items should be completed within 60-days of the Order. GVNW also recommends that the Company be directed to discontinue reporting allocated uncollectible revenues at any point that it is able to identify Kansas-specific uncollectibles.

BACKGROUND:

During the course of the audit, GVNW issued 22 Data Requests (DRs) to Sprint Spectrum. GVNW is including the responses to DRs 18, 20, and 21 in Attachment A to support its findings.

Sprint Spectrum is a wireless service provider, and is headquartered in Overland Park, Kansas.

Sprint Spectrum is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.² The Company is authorized to collect an amount equal to or less than its KUSF assessment from customers, and does so.³ The Company is not a designated Eligible Telecommunications Carrier (ETC) in Kansas, therefore, it does not offer Lifeline services to its customers.

Pursuant to Commission Order,⁴ GVNW confirmed that Sprint Spectrum offers bundled assessable and non-assessable services to its Kansas customers. The Company reports revenue and remits assessments to the KUSF based on the unbundled service price of the assessable service. The Company states it uses these same allocation methodologies for Federal Universal Service Fund (FUSF) and KUSF purposes.⁵

² 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).

³ K.S.A. 66-2008(a).

⁴ Order Determining KUSF Contribution Methodology, ¶127, Docket No. 14-GIMT-105-GIT, Oct. 20, 2016.

⁵ Sprint Spectrum's response to DR 15.

FINDINGS AND RECOMMENDATIONS:

1. Revenues Derived from Voicemail Services are Excluded from KUSF Assessments.⁶

Voicemail service is deregulated, and the revenues, along with any fees affiliated with voicemail services, are not reportable to the KUSF. The Company collected the KUSF surcharge from customers that paid Visual Voicemail Service activation fees and reported the activation fees as intrastate revenues.⁷ As a result, the Company over-collected \$24,718.74 in KUSF surcharges from customers, over-reported its intrastate revenues, and over-paid its KUSF contributions for FYs 22, 23, and 24 by the \$24,718.74.

GVNW recommends that the KCC direct Sprint Spectrum to issue refunds, through one-time billing credits, totaling \$24,718.74 to the affected customers, on a pro-rata basis. The Company should be directed to file an affidavit, signed by an officer of the Company, attesting to the amount and completion date of the customer bill credits and provide GVNW with documentation supporting completion of the customer refunds.

Management Response

With respect to Finding No. 1 that Sprint Spectrum collected the KUSF surcharge from customers that paid Visual Voicemail Service activation fees and reported the activation fees as intrastate revenues, resulting in the Company over-collecting \$24,718.74 in KUSF surcharges from customers, over-reporting its intrastate revenues, and over-paying its KUSF contributions for FYs 22, 23, and 24 by the \$24,718.74, the company does not dispute that it should not have collected the KUSF surcharge from customers for its Visual Voicemail. Accordingly, the Company concurs that it should refund the over-collected amounts to customers using commercially reasonable best efforts.

2. Revenues Derived from Customer Equipment are Excluded from KUSF Assessments.⁸

The Company collected the KUSF surcharge from customers that paid Early Upgrade Option Activation Fees, but did not report these revenues to the KUSF.⁹ As a result, the Company over-collected \$385.19 in KUSF surcharges from customers. Because revenues from customer equipment are not assessable for

⁶ Reportable Revenue, Attachment E,
https://www.gvnwusf.com/Portals/5/Documents/Instructions/2021_2022/AttachmentE.pdf

⁷ Attachment A.

⁸ Reportable Revenue, Attachment E,
https://www.gvnwusf.com/Portals/5/Documents/Instructions/2021_2022/AttachmentE.pdf

⁹ Attachment A.

the KUSF, the Company should not have collected KUSF assessment fees from customers that paid equipment charges/fees.¹⁰

GVNW recommends that the KCC direct Sprint Spectrum to refund, through one-time billing credits, \$385.19 to the affected customers, on a pro-rata basis. The Company should be directed to file an affidavit, signed by an officer of the Company, attesting to the amount and completion date of the customer bill credits and provide GVNW with documentation supporting completion of the customer refunds.

Management Response

With respect to Finding No. 2 that Sprint Spectrum collected KUSF surcharges from customers for an Early Upgrade Option Activation Fees totaling \$385.19, which revenues were not reported, the company does not dispute that it should not have collected the KUSF surcharge from those customers for the Early Upgrade Option Activation Fees. Accordingly, the Company concurs that it should refund the over-collected amounts to customers using commercially reasonable best efforts.

3. Carriers are required to report actual uncollectible revenue written-off, not calculated or estimated uncollectibles to the KUSF. Only uncollectible revenues associated with reportable KUSF revenues should be recognized¹¹ Sprint Spectrum 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.¹²

The Company did not report Kansas-specific uncollectible revenues to the KUSF. The Company stated that it cannot identify uncollectible revenue at the state level.¹³ The Company identifies total Company monthly write-offs, which includes reseller and retail uncollectibles, from its total Company wireless services' income statement and then allocates a percentage of the total Company uncollectibles to Kansas, based on the respective percentage of total Company wireless revenue.¹⁴ The Company explained that it is unable to develop a billing system query to isolate Kansas retail uncollectibles.¹⁵ Because the Company is unable to isolate Kansas uncollectible revenue, it estimates the total uncollectibles for its Kansas customers instead of reporting actual Kansas-specific uncollectible revenues.

¹⁰ Reportable Revenue, Attachment E,
https://www.gvnwusf.com/Portals/5/Documents/Instructions/2021_2022/AttachmentE.pdf

¹¹ Docket No. 94-GIMT-478-GIT, August 13, 1999, Order on Uncollectible Revenue and Additional KUSF Revenue Report Issues, and Docket No. 03-GIMT-932-GIT, September 2, 2003 Order.

¹² Docket No. 10-TMCZ-076-KSF, December 30, 2010, Order Adopting Audit Report Recommendations, Directing T-Mobile to Comply with Recommendations and Assessing Penalties, December 30, 2010 Order.

¹³ Attachment A.

¹⁴ *Ibid.*

¹⁵ Attachment A.

After reviewing the Company's allocation process, GVNW determined that the Company's methodology appears reasonable due to the fact that the Company's uncollectible average percentage rate for Kansas FY 23 was 1.83%, which is approximately one percent higher than the 1.71% uncollectible percentage rate previously used by the Company.¹⁶ While this methodology appears reasonable, it is still not consistent with the KCC Order that states that uncollectibles reported to Kansas must be based on Kansas-specific revenues.¹⁷

GVNW recommends that the Company be directed, by the Commission, to discontinue reporting allocated uncollectible revenues at any point that it is able to identify Kansas-specific uncollectibles. The Company should be reminded that if it allocates uncollectibles using the uncollectible-to-revenue allocation 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 uncollectible revenues.¹⁸

Management Response

With respect to Finding No. 3 that Sprint Spectrum did not report Kansas-specific uncollectible revenues to the KUSF, and that the Company should be directed, by the Commission, to discontinue reporting allocated uncollectible revenues at any point that it is able to identify Kansas-specific uncollectibles, the Company acknowledges that it continues to use an allocation method to estimate the total uncollectibles for its Kansas customers instead of reporting actual Kansas-specific uncollectible revenues. The Company agrees with the draft audit report that its current allocation methodology produces a reasonable allocation for Kansas and it will continue to use that allocation process until such time, if any, when the Company can use actual uncollectible revenues associated with reportable KUSF revenues.

¹⁶ Docket 17-SSLZ-020-KSF, Audit of Sprint Spectrum, March 1, 2015 – February 28, 2016 (Kansas Operating Year 19).

¹⁷ Docket No. 94-GIMT-478-GIT, August 13, 1999, Order on Uncollectible Revenue and Additional KUSF Revenue Report Issues, and Docket No. 03-GIMT-932-GIT, September 2, 2003 Order.

¹⁸ Docket No. 10-076, December 30, 2010, Order.

FOLLOW-UP DOCKET 17-SSLZ-024-KSF:¹⁹

Finding No. 1: The Company reported revenues to the KUSF net of discounts.

Audit Finding Compliance: K.S.A. 66-2008(a), effective July 1, 2016, was modified to authorize companies to report revenues net of discounts. The Commission recognized this in Docket No. 14-GIMT-105-GIT.²⁰ This finding has been resolved.

Finding No. 2: Sprint Spectrum does not report actual Kansas specific uncollectible revenues to the KUSF, since the Company does not have an internal process to separately identify Kansas specific uncollectible revenues.

Audit Finding Compliance: Refer to Audit Finding No. 3.

¹⁹ Order Accepting and Adopting GVNW Consulting, Inc.'s Compliance Report and Closing Docket, Docket No. 17-SCCC-024-KSF, May 11, 2017.

²⁰ Order Closing Docket, Docket No. 14-GIMT-105-GIT, July 19, 2016.

KUSF Carrier Audit Information Request

Submitted By: Shomari Jackson
Submitted To: Al Clark
Company Name: Sprint Spectrum LP
Docket Number: 21-SSLZ-056-KSF
Request Date: April 19, 2021
Due Date: April 28, 2021

Request No. 18

RE: Confirmation of Auditor Understanding

Please confirm the auditor's understanding of the following items. If the auditor's understanding is inaccurate, please include clarification/explanation.

- The Company collected the KUSF Surcharge on the activation fees for its Premium Visual Voicemail services.
- The Company collected the KUSF Surcharge on the Early Upgrade Option, which is associated with equipment.

I confirm the auditor's understanding.

NOTE: If for some reason, the above information cannot be provided by the date requested, your Company must submit a Request for Additional Time.

KUSF Carrier Audit Information Request

Verification of Response – DR18

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: 

Date: 4/20/2021

KUSF Carrier Audit Information Request

Submitted By: Shomari Jackson
Submitted To: Al Clark
Company Name: Sprint Spectrum LP
Docket Number: 21-SSLZ-056-KSF
Request Date: April 29, 2021
Due Date: May 10, 2021

Request No. 20

RE: Confirmation of Auditor Understanding

Please confirm the auditor's understanding of the following items. If the auditor's understanding is inaccurate, please include clarification/explanation:

- The Company reports activation fees for its Premium Visual Voicemail Services to the KUSF
 - The Company reports Early Upgrade Options fees to the KUSF.
-

Response:

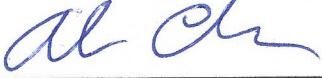
- Premium Visual Voicemail Services were reported on the KUSF monthly CRW.
- Early Upgrade Options fees were not reported on the KUSF monthly CRW.

NOTE: If for some reason, the above information cannot be provided by the date requested, your Company must submit a Request for Additional Time.

KUSF Carrier Audit Information Request

Verification of Response – DR20

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: 

Date: 5/10/2021

KUSF Carrier Audit Information Request

Submitted By: Shomari Jackson
Submitted To: Al Clark
Company Name: Sprint Spectrum LP
Docket Number: 21-SSLZ-056-KSF
Request Date: May 3, 2021
Due Date: **May 12, 2021**

Request No. 21

RE: Confirmation of Auditor Understanding

Please confirm the auditor's understanding of the following items. If the auditor's understanding is inaccurate, please include clarification/explanation:

- Sprint Spectrum identifies total company write-offs from its monthly wireless income statement, on a monthly basis, that includes reseller and retail bad debts and allocates the results to Kansas based on its respective percentage of total company wireless revenue. This initial allocation is further divided based on the Kansas percentage of intrastate, interstate, reseller, international and non-regulated revenues.
 - Sprint Spectrum cannot develop a query to isolate Kansas uncollectible/bad debts.
-

Response:

The above statements are accurate.

KUSF Carrier Audit Information Request

Attachment A
Docket No. 21-SSLZ-056-KSF
Page 6 of 6

NOTE: If for some reason, the above information cannot be provided by the date requested, your Company must submit a Request for Additional Time.

Verification of Response – DR21

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: 

Date: 5/10/2021