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June 26, 2013

Ms. Jackie Montfoort Paige, Acting Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

Received
on

JUN 27 2013

by
State Corporation Commission
of Kansas

Dear Ms. Montfoort Paige:

RE: Docket No. 13-SSLZ-089-KSF, Sprint Spectrum LP

In its August 7, 2012 order the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of Sprint Spectrum LP (Sprint) 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'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. Sprint's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Sprint 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,

A handwritten signature in black ink, appearing to read "David Winter", is written over a horizontal line.

David Winter
Senior Consultant

cc: Sandy Reams

DW/dc – Encl.

Kansas Universal Service Fund Audit Report

Docket No.: 13-SSLZ-089-KSF
Sprint Spectrum, LP

Prepared For: Kansas Corporation Commission
Kansas Universal Service Fund

Prepared By: David Winter
GVNW Consulting, Inc.

Audit Period: March 1, 2011 through February 28, 2012
Kansas Operating Year 15 (Operating Year 15)

Date of On-Site Audit: March 5, 2013

Date Submitted to Company: June 14, 2013

Company Representatives: Karine Hellwig
Andy Lancaster

Audit Summary

Based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures for KUSF Year 15,¹ GVNW Consulting, Inc. (GVNW) identified the following reporting deficiencies:

- Finding No. 1: Sprint did not report late payment charges to the KUSF. As a result, the Company under-reported revenues to the KUSF and underpaid its assessment by \$289,791.55. Sprint started reporting late payment charges to the KUSF in February 2013 and has reported and paid the assessments related to this finding.
- Finding No. 2: The Company applied the KUSF surcharge to non-assessable text messaging plan and international roaming revenues, but did not report the associated revenues to the KUSF. As a result, Sprint over-collected \$107,015.08 in KUSF assessments from customers. The Company ceased this practice in September 2012. The amount over-collected should be refunded to customers.
- Finding No. 3: Sprint does not report actual Kansas specific uncollectible revenues to the KUSF. The Company reports uncollectibles that are allocated from total company uncollectibles based on each state's ratio of revenues. The Company does not have an internal process to separately identify Kansas specific uncollectible revenues.

¹ Docket No. 11-GIMT-201-GIT (Docket 11-201), July 30, 2012, Order Accepting and Approving GVNW Selection Criteria (July 30, 2012, Order), provided in GVNW Consulting, Inc.'s Letter dated June 29, 2012, Attachment B.

The Company submitted, to the KUSF Administrator, Audit True-up for Operating Year 15 and an Annual True-up for Operating Year 16 and paid an additional \$290,272.55 to the KUSF. Both True-ups included revenues associated with late payment charges. In total, Sprint paid the applicable assessment due and the Company is in compliance with the late payment audit finding.

Sprint intends to refund the \$107,015.08 over-collected from customers for the Company's unlimited text messaging plan and non-assessable international roaming. The refund will be via a one-time billing credit to existing Kansas customers and will occur within the next 30 days. The KCC should direct the Company to provide GVNW with a signed affidavit attesting to the refund and copies of customer bills to substantiate that Sprint has issued the refunds. Once GVNW has reviewed and verified the refund, it will provide an update to the Kansas Corporation Commission (Commission or KCC).

As discussed herein, this finding is the same as that found in a prior audit, therefore, the KCC may wish to assess penalties, in accordance with K.S.A. 66-138, related to the Company's non-compliance with Commission orders regarding the application of the KUSF surcharge to text messaging plans.

Background

Sprint is a wireless service provider headquartered in Overland Park, Kansas. The Company is required to report its revenues and pay the related assessments to the KUSF on a monthly basis.² Sprint is authorized to collect an amount equal to or less than its assessment from customers,³ and does so.

The Company's Eligible Telecommunications Carrier (ETC) designation in the state of Kansas was rescinded on December 31, 2011. Sprint, for KUSF Operating Year 15, did not request KUSF Lifeline reimbursements.

On August 7, 2012, the Commission issued Order No. 1 in Docket No. 13-SSLZ-089-KSF (Docket 13-089) directing GVNW to conduct an audit for KUSF purposes.

This audit also requires a review of the Company's compliance with the recommendations adopted by the KCC in Docket 09-075.⁴

Current KUSF Obligations

Sprint is current with its KUSF obligations.⁵

² Docket No. 06-GIMT-332-GIT (Docket 06-332), January 23, 2006, Order Setting the Kansas Universal Service Fund Assessment Rate for Year Ten and Establishing Reporting Requirements.

³ K.S.A. 66-2008.

⁴ Docket No. 10-SSLZ-075-KSF (Docket 10-075), July 29, 2010, Order Adopting GVNW Audit Report, Directing GVNW to Make One-Time Payment to Sprint Spectrum in the Amount of \$320,747.22 and Directing Sprint Spectrum to Make One-Time Equal Billing Credits in the Amount of \$727.727.46.

⁵ Confirmed with the KUSF Administrator on June 6, 2013.

Current Audit Findings

GVNW conducted the audit of Sprint in accordance with the KUSF Carrier Review Procedures adopted by the KCC.⁶ Based on the referenced procedures, GVNW identified the following audit findings and provides the following recommendations:

Finding No. 1

Standard: Other miscellaneous charges, including non-recurring late payment charges, service initiation, activation, disconnection and early termination charges, return check charges, and other customer charges are to be included in assessable revenues reported to the KUSF.⁷

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 owes an additional \$289,791.55 to the KUSF. The Company started reporting non-recurring late payment charges to the KUSF as of February 2013.

Recommendation: On April 12, 2013, the Company submitted to the KUSF Administrator its annual Operating Year 16 True-up and paid an additional \$129,814.82 to the KUSF. The Operating Year 16 Annual True-up included revenues associated with late payment charges, but these revenues were off-set by other decreases in reportable revenues for the period. On May 13, 2013, Sprint provided to the KUSF Administrator an Operating Year 15 Audit True-up that reflected revenues associated with late payments and paid an additional \$160,457.53 to the KUSF. In total, Sprint paid the applicable assessment due and is in compliance with the late payment audit finding.

Audit Finding No. 2

Standards: Non-Voice service revenue, including Optional Ring-Tones, Standard Messaging Services (text messaging, emails), Media Messaging Services (pictures, video, games), and Digitized Media Services (wallpaper, backgrounds, etc.)⁸ and international and voice mail revenues are excluded from the calculation of the KUSF assessment.

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. The Company corrected the error effective September 2012. As a result, Sprint over-collected \$107,015.08 in KUSF assessments from its customers.

⁶ Docket 11-201, July 30, 2012, Order.

⁷ Kansas Universal Service Fund (KUSF) Carrier Remittance Worksheet (CRW) Instructions March 2010 – February 2011 (FY 14), page 11.

⁸ Docket No. 06-GIMT-943-GIT (Docket 06-943), September 7, 2006, Order Granting Requests of Joint Petitioners.

Recommendation: It is Sprint's intent to make the necessary refunds via one-time bill credits to existing Kansas customers within the next 30 days. The KCC should direct the Company 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 to substantiate that Sprint had issued refunds. The application of the KUSF surcharge to unlimited text messaging plan revenues was the same finding in Dockets No. 08-042⁹ and 10-075, therefore, the Commission may wish to consider implementation of a penalty, consistent with K.S.A. 66-138, for non-compliance with Commission orders.

Audit Finding No. 3

Standard: Carriers are allowed to report actual uncollectible revenue written-off, not calculated or estimated uncollectibles.¹⁰

Finding: Sprint did not report actual uncollectible Kansas-specific revenues to the KUSF. Instead, after determining the total Company amount of uncollectibles, the Company allocates uncollectibles to a state based on the total revenues derived from that state to the total company revenues.¹¹ This methodology is used due to inability of Sprint's billing systems to identify Kansas specific uncollectible revenues.¹² Based on Sprint's uncollectible processes,¹³ the allocated uncollectibles reported to the KUSF fairly represent revenues not collected from Sprint's customers and were actually written off by the Company.¹⁴ Sprint's uncollectible percentage rate for Kansas Operating Year 15 is 2.48%, which is reasonable and within the range seen for other wireless companies reporting to the KUSF. Sprint's application of a different uncollectible methodology is necessitated due to its inability to specifically identify Kansas specific uncollectibles, but as a whole, the Company has demonstrated that it has met its KUSF obligations.

Recommendations: Sprint should be directed by the KCC to discontinue the reporting of allocated uncollectibles at any point in time that it is able to identify Kansas specific uncollectibles. Sprint should also be reminded that if it is using this 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.¹⁵

⁹ Docket No. 08-SSLZ-042-KSF, May 30, 2008, Order Accepting Audit Report and Directing Sprint to Comply.

¹⁰ Docket No. 94-GIMT-478-GIT, August 13, 1999 Order on Uncollectible Revenue and Additional KUSF Revenue Reporting Issues, and Docket No. 06-GIMT-332-GIT, August 10, 2006 Supplemental Testimony of Sandra K. Reams and September 8, 2006 Order Adopting Staff's Supplemental Testimony Regarding Changes Affecting the Kansas Universal Service Fund.

¹¹ Response to Data Request No. 2

¹² *Ibid.*

¹³ Response to Question No.11, Initial Audit Questionnaire.

¹⁴ Response to Data Request No. 2

¹⁵ Docket No. 10-TMCZ-076-KSF (10-076), December 30, 2010, Order Adopting Audit Report Recommendations, Directing T-Mobile to Comply with Recommendations and Assessing Penalties, *In the Matter of the Audit of T-Mobile Central LLC for KUSF Purposes, Year Twelve, Pursuant to K.S.A. 66-2010(b)(1)*.

Follow-Up Docket 10-075 Audit Compliance

The following findings were adopted by the Commission in Docket 10-075:

Finding No. 1: Sprint reports revenues one month in arrears and catches up during the annual KUSF True-up process.

Audit Finding Compliance: GVNW confirms that the Company 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 quarter.¹⁶

Finding No. 2: Sprint failed to report to the Commission changes to Sprint's traffic study factor applied for KUSF purposes.

Audit Finding Compliance: The KCC approved Sprint's intrastate wireless traffic percentages for KUSF Year 15, March 1, 2011 through February 29, 2012.¹⁷ The Company directly assigns intrastate revenues to the KUSF and is current with its reporting of such changes to the KUSF.

Finding No.3: Sprint incorrectly applied the KUSF surcharge to international monthly recurring charges.

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

Finding No. 4: Sprint applied the KUSF surcharge to non-assessable services, such as text messaging and data usage services.

Audit Finding Compliance: Refer to Current Audit Finding No. 2 that demonstrates the Company has not complied with this finding.

¹⁶ Kansas Universal Service Fund (KUSF) Carrier Remittance Worksheet Instructions March 2011 – February 2012 (FY15), page 3.

¹⁷ Docket No. 11-GIMT-201-GIT (11-201), March 6, 2012, Order Accepting Updated Intrastate Company-Specific Wireless Traffic Percentage for Sprint Spectrum, L.P. and Docket No. 12-GIMT-168-GIT, Order Approving Updated Traffic Factors for Sprint Spectrum, L.P., Nextel West Corp., and Virgin Mobile USA, L.P.

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day June, 2013, the original and seven (7) copies of the above and foregoing were sent via U.S. Mail, first class postage prepaid to:

Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, KS 66604

and an electronic copy to:

Diane Browning
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KSOPHN0312-2A459
6450 Sprint Parkway
Overland Park, KS 66251
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David G. Winter