

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

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

In the Matter of the Audit of New Cingular Wireless PCS,)
LLC d/b/a AT&T Mobility by the Kansas Universal Service)
Fund (KUSF) Administrator Pursuant to K.S.A. 2015 Supp.) Docket No. 17-WSLC-019-KSF
66-2010(b) for KUSF Operating Year 19, Fiscal Year)
March 2015-February 2016.)

ORDER ACCEPTING AND ADOPTING AUDIT REPORT AND CLOSING DOCKET

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 2, 2016, the Commission directed GVNW Consulting, Inc. (GVNW) to perform an audit of New Cingular Wireless PCS, LLC d/b/a AT&T Mobility (AT&T Mobility) for Kansas Universal Service Fund (KUSF) purposes.
2. On June 6, 2017, AT&T Mobility filed a Motion for Enlargement of Time and Amended Procedural Schedule (Motion), requesting that the deadline for GVNW's filing of its Audit Report be extended an additional sixty (60) days from June 30, 2017 to August 29, 2017. On June 13, 2017, the Commission issued an Order granting AT&T Mobility's Motion extending the time for the filing of GVNW's Audit Report to August 29, 2017.
3. On August 25, 2017, GVNW filed its Audit Report of even date covering GVNW's audit of AT&T Mobility stating that the company is current with its KUSF obligations. GVNW's Audit Report identifies and describes in detail three Audit Findings, including the applicable reporting standards, and GVNW's recommendations:

Audit Finding No. 1:

Standard: Carriers contributing to the KUSF are to report gross revenues prior to recognizing any customer discounts for KUSF reporting purposes.¹

Finding: AT&T Mobility reported revenues to the KUSF after deducting customer discounts. The discount deduction reduced AT&T Mobility's Kansas intrastate revenues reported to the KUSF and the Company under-paid the associated KUSF assessments by \$34.37 for the period of March through September 2015.

Recommendation: Due to the Commission's July 2016 Order, and the amendment of K.S.A. 66-2008, GVNW recommends that the KCC use its discretion regarding the submission of Audit True-ups, effective October 2015. Given the immateriality of this finding, GVNW does not believe any further action is required.

Audit Finding No. 2:

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

Finding: AT&T Mobility did not report actual intrastate revenues on its monthly CRWs. Instead, the Company reported calculated revenues by dividing the total KUSF surcharge billed to customers by the approved KUSF assessment rate. The Company did not file Quarterly True-ups, but did file an Annual True-up for Operating Year 19 that showed no changes to the revenues reported to the KUSF. This practice is inconsistent with the Commission's directive that the Company is to file Quarterly True-ups to report actual revenues. GVNW tested the revenue of AT&T Mobility for the audit test months and the ratio of reported revenue versus the actual revenue recorded on the Company's books ratio was .0096 percent: meaning AT&T Mobility reported more revenue to the KUSF than that recorded on its books and records. GVNW attributes this variance to normal billing system adjustments/churn and rounding differences. Tests of subscriber bills and other work related to this issue noted no discrepancies.

Recommendation: AT&T Mobility should be directed that, as a monthly filer that reports estimated revenue, it is required to report its actual revenue by Quarterly True-up within 45 days after the end of each KUSF fiscal year quarter. The Company should also be reminded that while it reports calculated revenue, AT&T Mobility 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.

¹ Docket No. 14-GIMT-105-GIT, January 23, 2014, Order Adopting KUSF Assessment Rate for Year Eighteen of KUSF Operations.

Audit Finding No. 3:

Standard: For wireless services, non-Voice service revenue, including Optional Ring-Tones, Standard Messaging Services (text messaging, e-mails), Media Messaging Services (pictures, video, games), and Digitized Media Services (wallpaper, backgrounds, etc.) are not required to be reported as assessable revenues.²

Finding: AT&T Mobility reported text and SMS revenues to the KUSF associated with its GoPhone prepaid wireless service. This resulted in AT&T Mobility over-reporting revenues to the KUSF for the period February 2013 through October 2015. The Company self-corrected the error in October 2015 and notified the KCC Staff in December 2015. As a result, the Company over-paid \$341,714 in KUSF assessments. AT&T Mobility submitted the required True-ups on January 6, 2016 and applied the over-payment to the Company's December 2015 monthly KUSF filing that was due January 15, 2016. The Company stopped this reporting practice effective with the November 2015 data reported in December 2015.

Recommendation: AT&T Mobility corrected this error; therefore, no further action on the part of the Company is required.

Concluding, GVNW recommends the Commission issue an Order (1) adopting the findings of GVNW's Audit Report; (2) directing AT&T Mobility to remit quarterly True-ups consistent with the Commission's Order; and (3) closing this docket.

4. The Commission has reviewed GVNW's KUSF Audit Report filed in this matter on August 25, 2017, and finds that it should accept and adopt the Audit Report and recommendations contained therein and close this docket.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission accepts and adopts GVNW Consulting, Inc.'s Audit Report and recommendations filed in this matter on August 25, 2017.

B. With respect Audit Finding No. 2 set forth in paragraph 3 above, AT&T Mobility is directed, that as a monthly-filer reporting estimated revenue, to report its actual revenue by a Quarterly True-up within forty-five (45) days after the end of each KUSF fiscal

² Docket No. 06-GIMT-943-GIT, September 7, 2006 Order Granting Requests of Joint Petitioners.

year quarter. AT&T Mobility is further reminded that while its 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.

C. This Docket is closed.

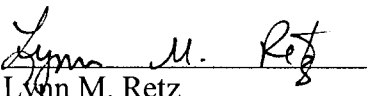
D. The parties have fifteen (15) days, plus three (3) days if service of this Order is by mail, from the date this Order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118b; K.S.A. 2016 Supp. 77-529.

E. The Commission retains jurisdiction over AT&T Mobility 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.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: AUG 31 2017


Lynn M. Retz
Secretary to the Commission

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Order Mailed Date

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CERTIFICATE OF SERVICE

17-WSLC-019-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 31 2017**.

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