

THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

Before Commissioners:                    Andrew J. French, Chairperson  
    Dwight D. Keen  
    Susan K. Duffy

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

**ORDER ADOPTING AUDIT REPORT**

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 18, 2020, the Commission directed GVNW Consulting, Inc. (GVNW) to perform an audit of Sprint Spectrum LP (hereinafter referred to as “Sprint Spectrum”) for Kansas Universal Service Fund (KUSF) purposes.

2.        On June 8, 2021, GVNW filed its Audit Report making three findings for Sprint Spectrum in Operating Year 23.<sup>1</sup> The GVNW Audit Report findings are as follows:

Audit Finding No. 1:

Sprint Spectrum reported Visual Voicemail Activation Fees to the KUSF and collected from subscribers a KUSF surcharge, which resulted in over-collecting and over-paying its KUSF assessment in the amount of \$24,718.74;

Audit Finding No. 2:

Sprint Spectrum collected a KUSF surcharge on Early Equipment Upgrade Option fees, causing subscribers to be over-assessed by \$385.19; and

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<sup>1</sup> Kansas Universal Service Fund Audit Report, Docket No. 21-SSLZ-056-KSF (May 11, 2021).

Audit Finding No. 3:

Sprint Spectrum did not report actual Kansas specific uncollectible revenues to the KUSF, but instead, adopted an allocation procedure for calculating uncollectible revenues.

3. The Commission finds the GVNW Audit Report to be thorough and complete and accepts it as filed. The Audit Report provides a detailed analysis to support the GVNW findings. It recommends Sprint Spectrum file annual True-up Reports for Operating Year 22, Fiscal Year March 2018 to February 2019, Operating Year 23, Fiscal Year March 2019 to February 2020 and Operating Year 24, March 2020 to February 2021, to correct its reporting and billing processes for non-assessable revenues. It also proposes to have Sprint Spectrum refund \$25,103.93 through one-time billing credits to affected customers on a pro-rata basis. It recommends Sprint Spectrum also files an affidavit of a corporate officer attesting to the amount and completion of the refunds and provides documentation to show the refunds were completed. GVNW further proposes to have Sprint Spectrum directed to take action within 60 days of the issuance of this Order. Additionally, GVNW recommends Sprint Spectrum to address reporting of uncollectible revenues by not using an allocation methodology. The Commission now addresses the GVNW recommendations.

4. Sprint Spectrum is a wireless service provider that is headquartered in Overland Park, Kansas. It collects KUSF assessments from its Kansas customers. It is required to report revenue and pay related assessments to the KUSF on a monthly basis. Sprint Spectrum is not designated as an Eligible Telecommunications Carrier and does not offer Lifeline service to its customers. In determining revenue for KUSF purposes, Sprint Spectrum reports revenue and makes assessments based on the unbundled service price of assessable services. It also used the same approach for Federal Universal Service Fund purposes.

5. Audit Finding No. 1 indicates Sprint Spectrum collected a KUSF surcharge on Visual Voicemail Service activation fees and reported the revenue to the KUSF, even though the service is deregulated and its revenue is not reportable to the KUSF. The surcharge amount resulted in an over-collection of \$24,718.74 from customers and an overpayment to the KUSF for Fiscal Years 22, 23 and 24 for the same amount. To correct the over-collection and overpayment, GVNW has recommended that Sprint Spectrum refund \$24,718.74 to affected customers through a one-time billing credit on a pro-rata basis and file an affidavit of a corporate officer attesting to the amount and the completion date of the customer credits, together with documentation confirming the customer refunds have been completed. Additionally, GVNW has recommended the Sprint Spectrum file annual True-up Reports for Fiscal Years 22, 23 and 24 to properly report its retail intrastate revenue without the inclusion of non-assessable revenues. GVNW proposes to have Sprint Spectrum take action within 60 days of the issuance of this Order.

6. Audit Finding No. 2 relates to Sprint Spectrum surcharging customers for Early Upgrade Option Activation Fees and over-collecting \$385.19 from its customers. The surcharge amount for Early Upgrade Option Activation fees was not paid to the KUSF and is otherwise a non-assessable revenue item that should not have been collected from customers. GVNW accordingly recommended Sprint Spectrum refund \$385.19 to affected customers using a one-time billing credit to be made on a pro-rata basis. GVNW also recommends Sprint Spectrum file an affidavit of a corporate officer attesting to the amount and completion date of the refunds, together with documentation to support the completion of the refunds. Correspondingly, GVNW proposes to have Sprint Spectrum file annual True-up Reports for Fiscal Years 22, 23, and 24 and be directed to take action on the GVNW recommendations within 60 days of the issuance of this Order.

7. Audit Finding No. 3 relates to carriers reporting uncollectible revenue actually written off in determining assessments to the KUSF. Because Sprint Spectrum's billing system is not programmed to permit isolating individual state uncollectible revenues, it uses an allocation formula and assigns a percentage of its uncollectibles to individual states in proportion to overall Company wireless revenues. Although the amount of uncollectible revenue for Kansas appears to be within a reasonable range using the allocation formula, carriers are to report actual uncollectible revenue in Kansas and are responsible for ensuring that assessments owed and paid to the KUSF are consistent with specifically identified revenue sources.<sup>2</sup> Accordingly, GVNW recommends Sprint Spectrum develop a billing process that permits it to identify actual uncollectible revenue for Kansas when it is able to correct the current deficiency of using an allocation formula.

8. The Commission adopts the recommendations of GVNW in its Audit Report and Finding Nos. 1-3. Sprint Spectrum shall file annual True-up Reports for Fiscal Year 22, March 2018 to February 2019, Fiscal Year 23, March 2019 to February 2020 and Fiscal Year 24, March 2020 to February 2021, and revise its KUSF reporting to avoid recognizing non-assessable revenue. Sprint Spectrum shall refund to affected customers in a one-time billing credit \$25,103.93 determined on pro-rata basis to account for the collection of Visual Voicemail Activation Fees and Early Equipment Upgrade Option Fees. Sprint is further directed to investigate and plan for a process that will enable it to report actual uncollectible revenue for Kansas and implement procedures and processes that will identify specific Kansas intrastate uncollectibles as permitted by upgrades or a replacement of its billing system in the future. To record the completion of the refund process, Sprint Spectrum is directed to file an affidavit of a corporate officer attesting to the amount of the refund and its completion and provide

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

documentation to support the completion of the refund process. With the updated reporting provided with the annual True-up Reports, GVNW shall remit any overpayment Sprint Spectrum has made to the KUSF. The corrections, refunds and other directives shall be completed within 60 days of the issuance of this Order. GVNW then shall file a Compliance Report within 90 days of the issuance of this Order to confirm completion of the actions directed by the Commission.

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

A. The Commission accepts and adopts GVNW Consulting, Inc.'s Audit Report filed June 8, 2021.

B. Sprint Spectrum Company shall file annual True-up Reports for Fiscal Year 22, March 2018 to February 2019, Fiscal Year 23, March 2019 to February 2020 and Fiscal Year 24, March 2020 to February 2021. It shall refund to affected customers in a one-time billing credit \$25,103.93 determined on pro-rata basis to account for the collection of Visual Voicemail Activation Fees and Early Equipment Upgrade Option Fees. Sprint Spectrum Company shall file an affidavit of a corporate officer attesting to the amount of any refund and its completion and provide documentation to support the completion of the refund process. These actions shall be completed within 60 days of the issuance of this Order. With the updated reporting provided with the annual True-up Reports, GVNW shall remit any overpayment Sprint Spectrum has made to the KUSF.

C. GVNW Consulting, Inc., shall file a Compliance Report once Sprint Spectrum Company has addressed the requirements of this Order, but no later than 90 days from this Order.

D. Sprint is directed investigate and, if feasible, with changes to its billing system, develop a plan for identifying specific Kansas intrastate uncollectible revenue as permitted with possible upgrades or a future replacement of its billing system.

E. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).<sup>3</sup>

F. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders as it may deem necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

French, Chairperson; Keen, Commissioner; Duffy, Commissioner

Dated: 06/17/2021



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Lynn M. Retz  
Executive Director

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<sup>3</sup> K.S.A. 66-118b; K.S.A. 77-503(c); and K.S.A. 77-531(b).

## CERTIFICATE OF SERVICE

21-SSLZ-056-KSF

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 06/17/2021.

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/S/ DeeAnn Shupe  
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