

Avenu Audit & Collections Department  
c/o City of Reno, NV  
600 Beacon Parkway West, Ste. 900  
Birmingham, AL 35209



Christopher W. Wills  
Audit Manager  
Phone: 205-423-4128  
Email: [chris.wills@avenuinsights.com](mailto:chris.wills@avenuinsights.com)  
Website: [www.avenuinsights.com](http://www.avenuinsights.com)

New Cingular Wireless PCS, LLC (AT&T Mobility)  
11760 US Hwy One, Ste. 600  
North Palm Beach, FL 33408  
Attn: Scott Adams, Assistant Vice President

August 3, 2022

RE: License Number: R99807U; Compliance Audit for Periods: April 1, 2016 through March 31, 2019

Dear Mr. Adams:

Avenu Insights & Analytic, LLC d/b/a MuniServices, LLC ("Avenu") has completed the franchise fee compliance review for the period of April 1, 2016 through March 31, 2019 of New Cingular Wireless PCS, LLC ("AT&T Mobility") for the City of Reno, Nevada ("City"). Avenu has found that AT&T Mobility underreported business license taxes to the City in the amount of **\$1,359,123**, which is attributable to the exclusion of certain revenue accounts.

Pursuant to Reno City Code § 5.95.010(c), the City levies a penalty of two percent (2%) per month on any unpaid taxes from the date the tax was first due until the tax is paid. Based on the under-reported principle amount, the applicable penalties are **\$1,465,735** which brings the total amount due to **\$2,824,858**.

The attached report of examination presents the errors discovered and the adjusted business license computations. If you have any questions about this report or have additional information that should be considered, please contact my office at (205) 423-4128 on or before September 2, 2022. If you do not have any additional information to provide, please remit your payment in the amount of **\$2,824,858**, payable to **City of Reno**, on or before September 2, 2022 and mail to:

Finance Dept.  
ATTN: Emily Kidd  
1 E. First Street  
Reno, NV 89505

Thanks for your cooperation in resolving this examination. We wish you continued success for the future.

Sincerely,

A handwritten signature in blue ink that reads 'Christopher W. Wills'.

Christopher W. Wills  
Audit Manager

# **City of Reno, NV Business License Fee Report of Examination**

Issued:  
August 3, 2022

**New Cingular Wireless PCS, LLC  
DBA: AT&T Mobility**

**Examination Period:**  
April 1, 2016 through March 31, 2019



**City of Reno  
Finance Department  
P.O. Box 1900  
Reno, Nevada 89506**



**Avenu Insights & Analytics, LLC  
Audit Division  
600 Beacon Parkway West Ste. 900  
Birmingham, AL 35209**

REPORT OF EXAMINATION

**Executive Summary:**

This report presents the results of Avenu Insights and Analytics', hereinafter referred to as "Avenu", audit of New Cingular Wireless PCS, LLC, d/b/a AT&T Mobility, for the period of April 1, 2016 through March 31, 2019 operating within the City of Reno, Nevada, hereinafter referred to as the "City". Avenu was contracted as a third party to conduct an examination of records to determine AT&T Mobility's level of compliance with the City's Business License Fee ordinance.

The objectives of this audit were to: 1) determine if the business license fees were properly calculated; 2) verify all appropriate revenues were included in those calculations; and 3) to confirm the methodology for calculating and remitting the business license fees. This audit looks to address: AT&T Mobility's system for calculating gross revenues from providing retail internet connectivity through fiber-optic cables inside the incorporated limits of the City, AT&T Mobility's procedures for confirming customers located inside the City's limits, revenue included in the calculation of business license fees, and substantiate the business license fee remittances.

During the period reviewed, AT&T Mobility reported approximately \$5,539,689 in taxable revenue and paid the City approximately \$276,984 in business license fees. After an in-depth review of AT&T Mobility's calculation of taxable revenue, an additional amount of \$1,359,123 was found to be due in business license fees to the City. The additional amount due is a result of AT&T Mobility's failure to correctly include all taxable amounts charged to their customers on their quarterly filings to the City. The additional amounts due to the City for the audit period are as follows.

| Summary of Audit Findings*                         |                    |
|--|--------------------|
| Gross Receipts Calculation Error                   | \$1,359,123        |
| Penalty-2%   | \$1,465,735        |
| <b>Total Business License Fees Due to the City</b> | <b>\$2,824,858</b> |

*\*Amounts rounded to the nearest whole dollar*

**Current Methods:**

AT&T Mobility is currently operating within the City under *Reno Municipal Code (RMC)*, § 5.95 *et seq.* (*Telecommunications*). AT&T Mobility is required to remit five percent (5%) of the total “gross receipts” derived from the revenue received from customers within the City. The gross receipts are calculated as the first \$15 charged per each line of access. The fees are paid to the City within thirty days following the end of each calendar quarter.

*RMC § 5.95.010. - Telecommunications and video service.*

*(a) Every business entity providing telecommunications service within the city must obtain and pay for an annual business license. Every business entity providing video service within the city as defined by NRS 711.141 must obtain a certificate of authority issued by the Secretary of State pursuant to NRS chapter 711. The fee for such license, or franchise fee for such certificate of authority, is payable to the city not later than 30 calendar days after the end of each calendar quarter and shall be five percent of the total gross receipts.*

*(b) "Total gross receipts" means:*

*(1) Revenue received from customers located within the city for local or intrastate telecommunications service;*

*(2) In the case of a "commercial mobile radio service" as defined in Part 20 of Title 47 of the Code of Federal Regulations, revenue received from the first \$15.00 charged monthly for each line of access for each of its customers located within the city;*

AT&T Mobility bills their customers the five percent license fee on taxable services through a local fee charge that is separately stated on customer bills. The license fees billed to customers are totaled on a quarterly basis and the five percent business license fee is used to back into the total gross receipts. This calculated amount is then used to report the total gross receipts and to remit the business license fee for the quarterly filings to the City.

AT&T Mobility performs all customer coding within their billing system to identify the jurisdictions applicable to each customer. When a new customer comes online or a new house is built, the address provided is entered into the billing system which identifies and applies the jurisdictional information to the customer's account. The billing system will then apply the correct charges and taxes based on the jurisdictional information that was entered into the billing system at the time of conception.

**Audit Procedures and Testing Methodology:**

Preliminary activities performed by Avenu included a thorough review of the City ordinance, review of AT&T Mobility's tariffs and other applicable documents, and review of the business license fee remittance history for the period under review. An initial Request for Information (RFI) was sent to AT&T Mobility that included the appropriate documents to perform the examination of records. An opening interview was conducted to discuss the RFI and obtain an understanding of AT&T Mobility's general business operations, products and services offered, and relevant customer base. AT&T Mobility's accounting practices, billing system(s) used, and types of electronic data available for the review were also determined through the initial discussion and request for records. AT&T Mobility's sales volume and the use of sample months were also discussed during the opening conference. A detailed review of the following sample months was agreed upon to complete this audit: June 2017, September 2018, and February 2019.

Avenu performed a review of the following supplied documentation: applicable City ordinance section(s), customer bills, customer listing with addresses, compliance reports, customer billing reports, tax returns, and the letter of authorization from the City. Upon receipt of the requested records, compliance reports and customer bills were reviewed to verify all applicable charges were included in business license calculation and to confirm the pass through of certain charges. The business license fee was recalculated and compared to the tax returns to verify AT&T Mobility's calculations were

correct. All revenue accounts excluded from the business license fee calculation were identified and examined to determine whether the accounts should be included in the taxable measure.

An analysis of customer addresses coded in an around the City's limits was conducted. The analysis included a review of AT&T Mobility's procedures for coding customers to service areas as well as verifying addresses for customers located in and around the corporate limits of the City.

The following workpapers were used during the audit and can be provided upon request:

*Sample Qtr Summary, Service Addresses, Compliance Report 2Q17 3Q18 1Q19, Tax Return Comparison.*

#### **Audit Findings and/or Errors Discovered:**

During the audit examination, it was discovered that AT&T Mobility inconsistently calculated their taxable gross receipts for the entire audit period. The error was discovered while comparing the license fee amounts passed through to customer during the customer invoice and billing comparison. The error was discovered and brought to AT&T Mobility's attention, where they confirmed that there is a flaw in their license fee calculation process.

AT&T Mobility provided source detail reports for the sample quarters which contained all transactions that took place during the quarter. AT&T Mobility provided the correct license fee calculations for each transaction, which was compared to the license fee amounts remitted to the City on the returns. Table 1 below shows the business license fee that should have been reported to the City for three sample quarters.

| Table 1: Business License Fees Collected by System |         |         |          |         |         |                         |
|--|---------|---------|----------|---------|---------|-------------------------|
| Period   | Tlg MTZ | Tlg NBI | Tlg NCI  | Tlg PAC | Titan   | License Fee Calculation |
| <b>Apr-17</b>                                      | \$261   | \$8,966 | \$34,561 | \$1,306 | \$100   | \$45,195                |
| <b>May-17</b>                                      | \$266   | \$8,937 | \$34,789 | \$1,315 | \$106   | \$45,412                |
| <b>Jun-17</b>                                      | \$270   | \$8,965 | \$34,856 | \$1,325 | \$108   | \$45,525                |
| <b>Q2 2017 Calculations</b>                        |         |         |          |         |         | <b>\$136,132</b>        |
| <b>Jul-18</b>                                      | \$277   | \$9,032 | \$35,188 | \$1,539 | \$4,432 | \$50,469                |
| <b>Aug-18</b>                                      | \$277   | \$9,078 | \$35,126 | \$1,566 | \$3,128 | \$49,174                |
| <b>Sep-18</b>                                      | \$277   | \$9,067 | \$35,168 | \$1,570 | \$2,341 | \$48,422                |
| <b>Q3 2018 Calculations</b>                        |         |         |          |         |         | <b>\$148,065</b>        |
| <b>Jan-19</b>                                      | \$262   | \$8,573 | \$32,051 | \$1,498 | \$3,486 | \$45,870                |
| <b>Feb-19</b>                                      | \$191   | \$6,796 | \$23,709 | \$1,073 | \$3,058 | \$34,827                |
| <b>Mar-19</b>                                      | \$198   | \$6,838 | \$23,905 | \$1,075 | \$3,509 | \$35,525                |
| <b>Q1 2019 Calculations</b>                        |         |         |          |         |         | <b>\$116,222</b>        |

The difference was then extrapolated to cover the remaining quarters in the audit period that were not reviewed. The extrapolation factor used was calculated by dividing the number of months in the audit period (36) by the number of sample months reviewed (9). The extrapolation factor was then applied to the license fee difference that was calculated for each sample quarter. See Table 2 for calculation detail.

| Table 2: Business License Fees Extrapolated |                                   |                      |                    |                    |
|---|-----------------------------------|----------------------|--------------------|--------------------|
| Period                                      | License Fee Due Per AT&T Mobility | License Fee Remitted | Additional Tax Due | Extrapolation      |
|   | (a)                               | (b)                  | (c)= (a) – (b)     | (d)= (c) * (36/9)  |
| Q2 2017                                     | \$136,132                         | \$23,718             | \$112,414          | \$449,656          |
| Q3 2018                                     | \$148,065                         | \$19,090             | \$128,975          | \$515,901          |
| Q1 2019                                     | \$116,222                         | \$17,831             | \$98,391           | \$393,565          |
| <b>Total License Fees Due</b>               |                                   |                      |                    | <b>\$1,359,123</b> |

**Penalty:** Penalties have been applied to the business license fee errors found pursuant to RMC § 5.95.010(c). To calculate the total amount of penalties, the business license fees due were separated by quarter and multiplied by the two percent (2%) penalty rate per month the fee amount was considered delinquent. Since the penalties are applied per filing, the extrapolated business license fee amounts were broken out by quarter. See Table 3-Penalties for the calculation detail.

RMC § 5.95.010. - Telecommunications and video service.

*(c) A license or franchise fee not received or postmarked within 30 calendar days after the end of each calendar quarter shall be delinquent and the business entity that is subject to this ordinance shall pay, in addition to the fee, a penalty of two percent per month of the delinquent amount.*

| <b>Table 3-Penalties</b>   |                                  |                |  |                      |
|----------------------------|----------------------------------|----------------|--|----------------------|
| <b>Quarter</b>             | <b>Business License Fees Due</b> | <b>Penalty</b> | <b>Number of Months Late<sup>1</sup></b> | <b>Penalties Due</b> |
| Q2 2016                    | \$89,931                         | 2%             | 73                                       | \$131,299            |
| Q3 2016                    | \$89,931                         | 2%             | 70                                       | \$125,903            |
| Q4 2016                    | \$89,931                         | 2%             | 67                                       | \$120,508            |
| Q1 2017                    | \$89,931                         | 2%             | 64                                       | \$115,112            |
| Q2 2017                    | \$89,931                         | 2%             | 61                                       | \$109,716            |
| Q3 2017                    | \$103,180                        | 2%             | 58                                       | \$119,689            |
| Q4 2017                    | \$103,180                        | 2%             | 55                                       | \$113,498            |
| Q1 2018                    | \$103,180                        | 2%             | 52                                       | \$107,307            |
| Q2 2018                    | \$103,180                        | 2%             | 49                                       | \$101,116            |
| Q3 2018                    | \$103,180                        | 2%             | 46                                       | \$94,926             |
| Q4 2018                    | \$196,784                        | 2%             | 43                                       | \$169,234            |
| Q1 2019                    | \$196,784                        | 2%             | 40                                       | \$157,427            |
| <b>Total Penalties Due</b> |                                  |                |  | <b>\$1,465,735</b>   |

<sup>1</sup> Number of months late has been calculated based on an estimated pay date of August 31, 2022.

References:

**Sec. 5.95.010. - Telecommunications and video service.**

*(a) Every business entity providing telecommunications service within the city must obtain and pay for an annual business license. Every business entity providing video service within the city as defined by NRS 711.141 must obtain a certificate of authority issued by the Secretary of State pursuant to NRS chapter 711. The fee for such license, or franchise fee for such certificate of authority, is payable to the city not later than 30 calendar days after the end of each calendar quarter and shall be five percent of the total gross receipts.*

*(b) "Total gross receipts" means:*

*(1) Revenue received from customers located within the city for local or intrastate telecommunications service;*

*(2) In the case of a "commercial mobile radio service" as defined in Part 20 of Title 47 of the Code of Federal Regulations, revenue received from the first \$15.00 charged monthly for each line of access for each of its customers located within the city; or,*

*(3) In the case of a "video service provider", "gross revenue" as defined by NRS 711.066, as amended.*

*(c) A license or franchise fee not received or postmarked within 30 calendar days after the end of each calendar quarter shall be delinquent and the business entity that is subject to this ordinance shall pay, in addition to the fee, a penalty of two percent per month of the delinquent amount.*

**Sec. 5.95.010. - Telecommunications and video service.**

*(c) A license or franchise fee not received or postmarked within 30 calendar days after the end of each calendar quarter shall be delinquent and the business entity that is subject to this ordinance shall pay, in addition to the fee, a penalty of two percent per month of the delinquent amount.*