

April 22, 2024

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

RE: Docket No. 24-88IV-112-KSF (Company Code KS005847)

In the Matter of the Audit of 8 x 8 Inc. by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for Fiscal Year 26, March 2022 - February 2023

Dear Ms. Retz:

In its August 15, 2023 Order, the Kansas Corporation Commission (KCC) directed Vantage Point Solutions (VPS) to perform a KUSF carrier audit of 8 x 8 Inc. (8 x 8 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 8 x 8's customers, if applicable, are appropriate and accurate.

The KCC directed VPS 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. 8 x 8's audit does not require a separate confidential report; therefore, only the enclosed public audit report for 8 x 8 is being filed.

Copies of the supporting documentation, including VPS' audit work papers and information provided by the company, are not included with the audit report, but are available from VPS, upon request.

Sincerely,



Dennis C. Smith

cc: Steve Garrett - s.garrett@kcc.ks.gov

CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of April, 2024, 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:

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Dennis C. Smith

Vantage Point Solutions, Inc.
Audit Report for
8 x 8 Inc.

From: Dennis Smith, Auditor

Company Personnel: Russ Miller, Indirect Tax Manager
Brian Spencer, Sr. Tax Manager

Date: March 22, 2024

On-Site Visit Date: February 20-21, 2024

KUSF Status: Current with Reporting & Payment obligations

Re: Docket No. 24-88IV-112-KSF

In the Matter of the Audit of 8 x 8 Inc. by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for KUSF Operating Year 26, Fiscal Year March 2022-February 2023.

Audit Summary

Pursuant to the Kansas Corporation Commission's (KCC or Commission) August 15, 2023 Order, Vantage Point Solutions, Inc. (VPS) conducted an audit of 8 x 8 Inc. (8 x 8 or Company) based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures adopted for KUSF Fiscal Year 26 (FY 26).¹ VPS identified one (1) KUSF reporting deficiencies during the course of the audit of 8 x 8, with no financial impact to the Fund.

- **Finding No. 1** – The Company allocated revenue to the KUSF using a company-specific traffic factor study. The Company has not submitted a pleading, including an affidavit, from an officer of the Company, to the Kansas Corporation Commission (KCC or Commission) regarding its methodology to allocate Kansas revenue between the interstate and intrastate jurisdictions or to verify that the Company is using this same methodology for both Federal and Kansas USF purposes.

VPS recommends the Company be directed to submit a pleading affirming its use of a company-specific traffic factor study to allocate revenue between interstate and intrastate jurisdictions, the period(s) the methodology was applicable, the intrastate factors applied, and verifying that the Company is using this methodology for both Federal and Kansas USF purposes.

¹ Order Accepting VPS' KUSF Proposed Revisions to Selection Criteria and Carrier Review Procedures, Docket No. 22-GIMT-142-GIT, Jun. 27, 2023 (22-142 Order).

VPS recommends 8 x 8 be directed to take all corrective actions within 30-days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 60-days of the Order.

The Company is current with its KUSF obligations.

8 x 8 agrees with the Audit Report.

Background

During the course of the audit, VPS issued nineteen (19) Data Requests (DRs) to 8 x 8. DR No. 16 has been included as Attachment A.

8 x 8 operates as a Voice over Internet Protocol (VoIP) provider in Kansas, and is headquartered in Campbell, CA.

8 x 8 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 VPS confirmed that 8 x 8 does offer assessable and non-assessable services in a bundle. The company collects the KUSF surcharge and reports revenues based on the unbundled service price of the assessable service. The Company states it uses this same allocation methodology for Federal USF (FUSF) and KUSF purposes.⁵

Current KUSF Obligations

The Company is current with its KUSF obligations.⁶

Current Audit Findings

VPS conducted the audit of 8 x 8 in accordance with the KUSF Audit Procedures adopted by the KCC.⁷ Based on the referenced procedures, VPS identified the following audit finding and provides the following recommendation:

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

³ K.S.A. 66-2008(a).

⁴ Order Determining KUSF Contribution Methodology, ¶ 27, Docket No. 14-GIMT-105-GIT, Oct. 20, 2015.

⁵ Response to DR 11.

⁶ Confirmed with the KUSF Administrator on Mar. 22, 2024.

⁷ 22-142 Order.

Audit Finding No. 1

Standard: VoIP providers are required to submit a pleading to the Commission prior to using a method other than Safe Harbor to allocate revenues to the KUSF.⁸

Finding: 8 x 8 utilized a company-specific traffic factor to allocate revenues between intrastate and interstate. However, the Company did not submit a pleading to the Commission prior to using the methodology, nor has it filed annual updates. 8 x 8 has not provided an affidavit from an officer of the Company to verify that the Company is using the same methodology for both Federal and Kansas USF purposes.

Recommendation: VPS recommends the Company be directed to submit a pleading to the Commission to affirm its use of a company-specific traffic factor, for FY 25, FY 26, FY 27, and any period moving forward.

⁸ Order Setting the Kansas Universal Service Fund Assessment Rate For Year Sixteen and Canceling Hearing, Docket 12-GIMT-168-GIT, Jan. 24, 2012.

KUSF Carrier Audit Information Request

Submitted By: Dennis Smith
Submitted To: Steven Chen
Company Name: 8 x 8 Inc.
Docket Number: 24-88IV-112-KS
Request Date: February 20, 2024
Due Date: **February 29, 2024**

Data Request No. 16**RE: Confirmation of Auditor Understanding**

Please confirm the auditor's understanding of the following item(s). If the statement is incorrect or requires clarification, please provide an explanation:

- a. The Company allocates the intrastate portion of its revenues using a company-specific traffic factor, which is updated annually.
- b. The Company has not filed company-specific traffic factors for KCC approval.

Both a. and b. are Confirmed.

NOTE: If for some reason the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

Verification of Response – DR16

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 VPS' auditor any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Sign: Russell Miller

Russell Miller

Date: February 29, 2024