



July 5, 2022

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

RE: *Docket No. 22-BUYC-035-KSF (Company Code KS004854)*

*In the Matter of the Audit of inContact, Inc. by the Kansas Universal Service Fund (KUSF)  
Administrator Pursuant to K.S.A. 66-2010(b) for Fiscal Year 24, March 2020 - February  
2021*

Dear Ms. Retz:

In its July 27, 2021 Order, the Kansas Corporation Commission (KCC) directed Vantage Point Solutions (VPS) to perform a KUSF carrier audit of inContact, Inc, (inContact 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 inContact'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. inContact's audit does not require a separate confidential report; therefore, only the enclosed public audit report for inContact 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,

Shomari Jackson

cc: Sandy Reams

## CERTIFICATE OF SERVICE

I hereby certify that on this 5<sup>th</sup> day of July, 2022, 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:

KANSAS CORPORATION COMMISSION  
1500 S.W. ARROWHEAD ROAD  
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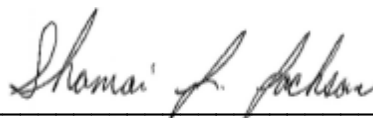
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Shomari Jackson

**Vantage Point Solutions, Inc.**  
**Audit Report for**  
**inContact, Inc.**

**From:** Shomari Jackson, Auditor

**Company Personnel:** Gil Kayton, Director – Sales and Use Tax

**Date:** July 5, 2022

**Microsoft Teams Meeting Date:** May 19, 2022

**KUSF Status:** Current with Reporting & Payment obligations

**Re:** Docket No. 22-BUYC-035-KSF

*In the Matter of the Audit of inContact, Inc. by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for KUSF Operating Year 24, Fiscal Year March 2020 – February 2021.*

**EXECUTIVE SUMMARY:**

Pursuant to the Kansas Corporation Commission's (KCC or Commission) July 27, 2021 Order, Vantage Point Solutions, Inc. (VPS) conducted an audit of inContact, Inc. (inContact or Company) based on the Kansas Universal Service Fund (KUSF) Revised Audit Procedures adopted for KUSF Fiscal Year 24 (FY 24).<sup>1</sup> VPS identified four (4) findings resulting from the Company's non-compliance with the Commission's KUSF policies, with a net impact of an increase of \$1,632.85 to the KUSF. The Company is current with its KUSF obligations.

Finding 1 – inContact did not report revenues for the periods in which they were earned and did not correct its reporting via Annual True-Ups for FYs 23 – 25 (March 2019 – February 2022), or a Quarterly True-up for March – May 2022 to report its actual revenues, resulting in an overpayment of \$819.02 to the KUSF.

Finding 2 – inContact did not correctly complete Box C of the Carrier Remittance Worksheet (CRW), with no financial impact to the KUSF.

Finding 3 – inContact did not report Late Payment Fees to the KUSF, resulting in an underpayment of \$2,260.02 to the KUSF.

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<sup>1</sup> Order Accepting VPS Revised KUSF Selection Criteria and Carrier Review Procedures, Docket No. 20-GIMT-086-GIT, July 13, 2021 (20-086 Order).

Finding 4 – inContact did not report its Directory Assistance revenues to the KUSF resulting in an underpayment of \$191.85.

VPS recommends the Commission issue an Order to: (1) adopt this Audit Report and the identified findings; (2) direct inContact to file Audit True-ups for March 2019 – February 2020 (FY 23), March 2020 – February 2021 (FY 24), March 2021 - February 2022 (FY25) and file a Quarterly True-up for FY 26 for March – May 2022 to correctly report its actual revenues for the appropriate periods, including Late Payment Fees and Directory Assistance revenues; (3) report the KUSF surcharge amount collected from customers in Box C; (4) remit \$1,632.85 to the KUSF; and (5) file an affidavit, signed by an officer of the Company, attesting that the Company has corrected its reporting procedures to report actual revenues for the appropriate periods, Late Payment Fees, Directory Assistance revenues, and the KUSF surcharge collected from customers in Box C of the CRW, and the date that the new procedures were implemented. The Company should be reminded that it is required to file Quarterly True-ups within 45 days of each quarter's end. VPS recommends inContact be directed to take all corrective actions within 45 days from the date of the Commission's Order. VPS will file a Compliance Report within 60 days of an Order.

inContact agrees with this Audit Report.

### **BACKGROUND:**

During the course of the audit, VPS issued twenty-one (21) Data Requests (DRs) to inContact. The responses to DRs 11 and 20 are included in Attachment A.

inContact, headquartered in Sandy, Utah, is a certificated interexchange carrier (IXC)<sup>2</sup> and Competitive Local Exchange Carrier (CLEC).<sup>3</sup> The Company also offers Voice over Internet Protocol (VoIP) services, independent of its certificated services.

inContact is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.<sup>4</sup> The Company is authorized to collect an amount equal to or less than its KUSF assessment from customers and does so.<sup>5</sup> 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,<sup>6</sup> VPS confirmed that inContact offers one bundled service plan to its Kansas customers, which includes a software piece. The KUSF surcharge is assessed on the voice portion of the bundled service. The Company states it uses this same allocation methodology for Federal USF (FUSF) and KUSF purposes.<sup>7</sup>

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<sup>2</sup> Order Granting Certificate, Docket No. 03-BUYC-884-COC, June 4, 2003.

<sup>3</sup> Order and Certificate, Docket No. 05-BUYC-644-COC, May 6, 2005. .

<sup>4</sup> 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).

<sup>5</sup> K.S.A. 66-2008(a).

<sup>6</sup> Order Determining KUSF Contribution Methodology, ¶ 27, Docket No. 14-GIMT-105-GIT, Oct. 20, 2016.

<sup>7</sup> Attachment A, response to DR 11.

## **FINDINGS AND RECOMMENDATIONS:**

1. Carriers are required to report actual intrastate retail revenues, and may report uncollectible revenue written-off, to the KUSF to determine their KUSF assessment obligation.<sup>8</sup>

inContact did not report revenues for the periods in which they were earned and, instead, reported revenues one (1) month in arrears.<sup>9</sup> The Company did not file Quarterly True-ups within 45 days of the end of the quarter.<sup>10</sup> Therefore, the Company under-reported its revenues for FYs 23 and 24, and owes an additional \$2,359.63 of assessments, comprised of \$947.44 for FY 23 and \$1,412.19 for FY 24. The Company over-reported its revenues for FY 25, resulting in an overpayment of \$3,178.65. The net result is a refund due to the Company in the amount of \$819.02.

VPS recommends that inContact be ordered to file Annual Audit True-ups for FY 23 – FY 25 and a Quarterly True-up for March – May 2022 to correctly report revenues in the period that they were earned, and be issued a refund via a statement credit of \$819.02.

VPS also recommends that inContact file, in this Docket, an affidavit signed by an officer of the Company, attesting the Company corrected its KUSF reporting policies to report its actual revenues in the appropriate period, and the date the new procedures were implemented within 45 days from the date of the Commission's Order.

2. A Company is to report the amount of its KUSF assessment collected from customers in Box C of the CRW.<sup>11</sup>

inContact did not report the actual KUSF surcharge collected from its customers in Box C of its CRW for FYs 23 – 25 or March 2022 – June 2022.<sup>12</sup> Instead, it reported the KUSF surcharge that was collected from customers in the prior month. This finding has no financial impact to the KUSF.

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<sup>8</sup> K.S.A. 66-2008(a), and Order, ¶¶ 108-110, Dec. 27, 1996; Order and Attachment, Feb. 3, 1997; Order, ¶¶ 9, 31, 56, March 25, 1999, Docket No. 94-GIMT-478-GIT. See also Order, Docket No. 16-GIMT-517-GIT, Feb. 17, 2017.

<sup>9</sup> Attachment A, response to DR 20.

<sup>10</sup> Order Setting the Kansas Universal Service Fund Assessment Rate for Year Fourteen and Canceling January 20, 2010 Technical Hearing, Docket No. 10-GIMT-188-GIT, Jan. 13, 2010.

<sup>11</sup> Order Adopting Audit Report, Docket No. 19-RWLZ-033-KSF, Jan. 24, 2019. See also KUSF Carrier Remittance Instructions, Plan Year 2019-2020; (CRW Instructions), II.A., available for viewing at: [https://www.gvnwusf.com/Portals/5/Documents/Instructions/2019\\_2020/AttachmentE.pdf](https://www.gvnwusf.com/Portals/5/Documents/Instructions/2019_2020/AttachmentE.pdf).

<sup>12</sup> Attachment A, response to DR 20.

VPS recommends that inContact be ordered to file Audit Annual True-ups for FYs 23, 24, and 25, and a Quarterly True-up for March – May 2022 to correctly the KUSF surcharge collected from customers, in Box C.

VPS also recommends that inContact file, in this Docket, an affidavit signed by an officer of the Company, attesting the Company corrected its KUSF reporting procedures to report the KUSF surcharge collected from customers in Box C of its monthly CRWs in the appropriate period, and the date the new procedures were implemented.

3. Miscellaneous recurring and non-recurring intrastate retail revenues, including Late Payment Fees, are Kansas intrastate retail revenues subject to the KUSF.<sup>13</sup>

inContact did not report Late Payment Fees to the KUSF.<sup>14</sup> Therefore, the Company under-reported its revenues, and owes an additional \$2,260.02 of assessments, comprised of \$422.21 for FY 23, \$913.89 for FY 24, and \$731.04 for FY 25 to the KUSF. VPS estimates that the Company owes an additional \$192.88 for March – May 2022, which should be remitted when the Company files its Quarterly True-up. The Company did not collect the KUSF assessment related to these revenues from its customers.

VPS recommends that inContact be ordered to file Audit Annual True-ups for FYs 23, 24, and 25, and a Quarterly True-up for March – May 2022 to correctly report Late Payment Fees, and remit an additional \$2,260.02 to the Fund.

VPS also recommends that inContact file, in this Docket, an affidavit signed by an officer of the Company, attesting the Company corrected its KUSF reporting procedures to report Late Payment Fees and the date the new procedures were implemented, within 45 days from the date of the Commission's Order.

4. Miscellaneous recurring and non-recurring intrastate retail revenues, including Directory Assistance revenues, are Kansas intrastate retail revenues subject to the KUSF.<sup>15</sup>

inContact did not report Directory Assistance revenues to the KUSF.<sup>16</sup> Therefore, the Company under-reported its revenues, and owes an additional \$191.85 of assessments, comprised of \$59.77 for FY 23, \$44.50 for FY 24, and \$69.30 for

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<sup>13</sup> Order on Issue of Uncollectible Revenue and Additional KUSF Revenue Reporting Issus, Docket No. 94-GIMT-478-GIT, August 13, 1999. See also KUSF Carrier Remittance Worksheet Instructions, Plan Year 2020–2021; (CRW Instructions), available for viewing at:

[https://www.gvnwusf.com/Portals/5/Documents/Instructions/2019\\_2020/AttachmentE.pdf](https://www.gvnwusf.com/Portals/5/Documents/Instructions/2019_2020/AttachmentE.pdf).

<sup>14</sup> Attachment A, response to DR 20.

<sup>15</sup> Order on Issue of Uncollectible Revenue and Additional KUSF Revenue Reporting Issus, Docket No. 94-GIMT-478-GIT, August 13, 1999. See also KUSF Carrier Remittance Worksheet Instructions, Plan Year 2020–2021; (CRW Instructions), available for viewing at:

[https://www.gvnwusf.com/Portals/5/Documents/Instructions/2019\\_2020/AttachmentE.pdf](https://www.gvnwusf.com/Portals/5/Documents/Instructions/2019_2020/AttachmentE.pdf).

<sup>16</sup> Attachment A, response to DR 20.

FY 25, to the KUSF. VPS estimates that the Company owes an additional \$18.28 for March – May 2022, which should be remitted when the Company files its Quarterly True-up. The Company did not collect the KUSF assessment related to these revenues from its customers.

VPS recommends that inContact be ordered to file Audit True-ups for FYs 23, 24, and 25, and a Quarterly True-up for March – May 2022 for FY 26 to correctly report Directory Assistance revenue and remit an additional \$191.85 to the Fund.

VPS also recommends that inContact file, in this Docket, an affidavit signed by an officer of the Company, attesting the Company corrected its KUSF reporting procedures to report Directory Assistance revenues and the date the new procedures were implemented, within 45 days from the date of the Commission's Order.

**KUSF Carrier Audit Information Request**

Docket No. 22-BUYC-035-KSF

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**Submitted By:** Shomari Jackson

**Submitted To:** Gil Kayton

**Company Name:** inContact, Inc.

**Docket Number:** 22-BUYC-035-KSF

**Request Date:** August 9, 2021

**Due Date:** **August 20, 2021**

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**Request No. 11****RE:** Contribution Methodology

Please provide the following information:

- a. Provide the Company's internal KUSF reporting policies or procedures, including, but not limited to, how the Company identifies and reports discounts and promotional service revenues, and bundled services to the KUSF.
- b. If your Company offers assessable and non-assessable services in a bundle, please check the appropriate box below to indicate the contribution methodology your Company uses to report revenues to the KUSF:
  1. ☐ Unbundled service price of the assessable service;
  2. ☐ The total price of the bundle containing the service; or
  3. ☐ An alternative methodology (provide a detailed description of the alternative methodology, including an example).
- c. If your Company recognizes any end-user, promotional, or other discounts in the revenue reported to the KUSF, please provide:
  1. A detailed listing of the types of discounts provided;
  2. A detailed explanation regarding how the discounts and revenues are assigned to assessable and non-assessable services if the Company offers bundled services; and
  3. Describe any allocation methodologies used and provide a calculation example.



**KUSF Carrier Audit Information Request**

Docket No. 22-BUYC-035-KSF

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- d. Provide a copy of the Company's internal Federal USF and KUSF reporting policies or procedures to support the Company's KUSF contribution methodology is consistent or that it is different than its Federal USF contribution methodology.

If the methodologies are not the same, provide a detailed explanation of the differences between the methodologies and why the Company uses separate practices.

**NOTE:** If for some reason, the above information cannot be provided by the date requested, your Company must submit a Request for Additional Time.

**Verification of Response – DR11**

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.

DocuSigned by:  
Sign: Henry Miles  
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Date: 8/27/2021

**Request No. 11**

**RE: Contribution Methodology**

Please provide the following information:

- a. Provide the Company's internal KUSF reporting policies or procedures, including, but not limited to, how the Company identifies and reports discounts and promotional service revenues, and bundled services to the KUSF.

Discounts/promotional pricing are generally not offered for telco products as this is a low margin business for inContact – virtually all telco-related services and products are sold to customers at list price. The only discounts provided to customers would be for software services, and one bundle that is offered to a few KS customers (the bundle is cheaper than buying the individual items separately).

- b. If your Company offers assessable and non-assessable services in a bundle, please check the appropriate box below to indicate the contribution methodology your Company uses to report revenues to the KUSF:

1. ☐ Unbundled service price of the assessable service;
2. ☐ The total price of the bundle containing the service; or
3. ☒ An alternative methodology (provide a detailed description of the alternative methodology, including an example).

There is one bundle offered to a handful of KS customers that includes both a telco and software piece. Each item in the bundle is allocated revenue and assessed taxes based on its list price of the product as a % of what the bundle undiscounted total would be.

The bundle in question is allocated 6% telco revenue and 94% software revenue. The list price for the telco might be \$9 and list price for software might be \$141 for a total of \$150 if sold separately. Telco makes up 6% of the undiscounted bundle price, so if the bundle is sold for \$100 then \$6 of telco revenue is recognized, and this would be the tax base for KS USF. Note: these are the actual % of the bundle in question, but the list prices are made up for illustrative purposes to show how the allocations are derived.

- c. If your Company recognizes any end-user, promotional, or other discounts in the revenue reported to the KUSF, please provide:

1. A detailed listing of the types of discounts provided;
2. A detailed explanation regarding how the discounts and revenues are assigned to assessable and non-assessable services if the Company offers bundled services; and
3. Describe any allocation methodologies used and provide a calculation example.

None, other than in a bundle described above. Bundles with telco products make up a very small % of total revenues and billings for the company.

- d. Provide a copy of the Company's internal Federal USF and KUSF reporting policies or procedures to support the Company's KUSF contribution methodology is consistent or that it is different than its Federal USF contribution methodology.

If the methodologies are not the same, provide a detailed explanation of the differences between the methodologies and why the Company uses separate practices.

No written policy in place – inContact assesses and collects KS USF from customers as described in prior requests, using Suretax tax software to appropriately assess the correct KS USF amount for each telco product.

**KUSF Carrier Audit Information Request**

Docket No. 22-BUYC-035-KSF

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**Submitted By:** Shomari Jackson

**Submitted To:** Gil Kayton

**Company Name:** inContact, Inc.

**Docket Number:** 22-BUYC-035-KSF

**Request Date:** May 13, 2022

**Due Date:** **May 24, 2022**

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**Request No. 20****RE:** Confirmation of Auditor Understanding

Please confirm the Auditor's understanding of the following items. If the statements are incorrect or inaccurate, please provide clarification.

- The Company files its revenues one month in arrears, but it does not file annual true ups to report its actual revenues in the appropriate period. – **This is correct**
- The Company does not report the KUSF surcharge that is actually collected from customers in Box C of the CRWs for the appropriate period. – **This is correct**
- The Company does not report its Late Fees, nor does it collect the KUSF surcharge affiliated with the Late Fees. – **This is correct**
- The Company does not report its Directory Assistance revenues, nor does it collect the KUSF surcharge affiliated with Directory Assistance revenues. – **This is correct**

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

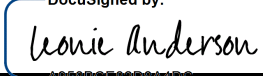
**Verification of Response – DR20**

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

**KUSF Carrier Audit Information Request**

Attachment A  
Docket No. 22-BUYC-035-KSF  
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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.

DocuSigned by:  
  
Sign: \_\_\_\_\_  
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6/20/2022  
Date: \_\_\_\_\_