

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

Before Commissioners: Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the Matter of the Audit of Ooma, Inc. by)
the Kansas Universal Service Fund (KUSF))
Administrator Pursuant to K.S.A. 2013 Supp.) Docket No. 15-OOMC-052-KSF
66-2010(b) for KUSF Operating Year 17,)
Fiscal Year March 2013-February 2014.)

ORDER ADOPTING AUDIT REPORT AND RECOMMENDATIONS

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 12, 2014, the Commission directed GVNW Consulting, Inc. (GVNW) to perform an audit of Ooma, Inc. (Ooma) for Kansas Universal Service Fund (KUSF) purposes.

2. On June 10, 2015, GVNW filed a Motion for Extension of Time requesting that the deadline for filing its Audit Report be extended from June 30, 2015, to July 31, 2015. On June 18, 2015, the Commission responded with an Order granting the requested extension of time and establishing a new Audit Report filing deadline of July 31, 2015.

3. On June 21, 2015, GVNW filed its Audit Report of even date covering GVNW's audit of Ooma stating that the company is current with its KUSF obligations. GVNW's Audit Report identified five KUSF reporting issues and one KUSF policy matter, making recommendations, which include the following:

Audit Finding No. 1: Ooma applied the KUSF surcharge to non-assessable international revenues and reported the related revenues to the KUSF for the period March 2013 through April 15, 2015. Ooma corrected the error effective April 15, 2015. As a result,

Ooma over-paid \$579.80 in KUSF assessments. Ooma did not bill or collect \$23.25 in associated KUSF assessments from its customers for the months of March and April 2013. For the period May 2013 through April 15, 2015, Ooma paid \$556.55 in assessments to the KUSF and collected the same amount from its customers.

Recommendation: The Commission should direct Ooma to submit to GVNW Audit True-ups for Operating Years 17 and 18 (March 2014-February 2015) and quarterly Audit True-ups for Operating Year 19 (March 2015-February 2016). Once GVNW has received and reviewed all Audit True-ups, GVNW will submit a Compliance Report to the Commission. Ooma should also be required to issue a refund of \$556.55 through one-time, equal billing credits to its current customers.

Audit Finding No. 2: Ooma did not report revenues related with its Additional Number Services to the KUSF for the period March 2013 through December 2013. Ooma under-reported revenues and under-paid the KUSF assessment by \$31.07. Ooma started reporting revenues associated with its Additional Number Services in January 2014.

Recommendation: The Commission should direct Ooma to submit to GVNW, Audit True-ups for Operating Year 17.

Audit Finding No. 3: Ooma did not clearly identify the KUSF surcharge on its customers' bills. The KUSF surcharge is included in the billing category entitled "State 911" that also includes State 911 Service fees. Billing fees and surcharges are to be detailed and plainly listed on a customer's bill. Ooma stated that it made the necessary changes to clearly identify the KUSF surcharge on April 15, 2015.

Recommendation: The Commission should direct Ooma to provide copies or screen images of customer bills to GVNW that clearly demonstrate the KUSF surcharge as a separate line item. Once GVNW has received and reviewed the sample customer bills, GVNW will submit a Compliance Report to the Commission.

Audit Finding No. 4: Ooma reported calculated revenues, to include Federal USF and TRS revenues, to the KUSF. To calculate the revenues reported to the KUSF, Ooma correctly applied the VoIP Safe Harbor to its total Kansas revenues and provided the intrastate revenues to its third-party reporting agent. The third-party agent applied the Safe Harbor to the total Kansas revenues (interstate and intrastate), calculated the Kansas revenues associated with the Federal USF and TRS, and applied the KUSF surcharge. As a result, Ooma over-reported revenues and the associated assessment by \$1,946.33. No customer refunds are required since Ooma did not collect the associated KUSF surcharge from its customers. The error was corrected in January 2015.

Recommendation: The Commission should direct Ooma to submit to GVNW, Audit True-ups for Operating Years 17 and 18.

Audit Finding No. 5: Ooma provides its customers a free basic residential telecommunications services bundle with the purchase of the Ooma Telco CPE device

and payment of the applicable taxes and fees. Ooma has not assigned a stand-alone price for the basic free telecommunication services nor does it allocate revenues associated with the purchase of the Ooma Telco CPE device. Consequently, Ooma reports no intrastate revenues to the KUSF for Ooma's basic residential telecommunications services bundle. Ooma does offer a number of advanced telecommunications service bundles in which it does allocate revenues to telecommunications services and reports the associated revenues to the KUSF.

Recommendation: GVNW is unable to determine the amount of revenue Ooma should have reported or the assessments the company should have paid since it has not identified a stand-alone price of the service or allocate part of the bundled service price for KUSF purposes. The Commission is currently examining the issues related to providers claiming that they provide assessable telecommunications services for free in Docket No. 14-GIMT-105-GIT (Docket 14-105). The Commission may consider whether to address the issue of Ooma's failure to report the stand-alone price for its basic residential services in this Docket, in Docket 14-105, or a separate proceeding.

Audit Finding No. 6 – Policy: GVNW identified that Ooma reports revenue to the KUSF net of customer discounts. The Commission is currently examining whether revenue should be reported gross or net of customer discounts in Docket No. 14-105.

Recommendation : GVNW recommends the Commission address the issue of Ooma's reporting of revenues net of end-user discounts to the KUSF in Docket No. 14-105 or a separate proceeding, subsequent to its determination on this issue.

4. The Commission has reviewed GVNW's KUSF Audit Report filed in this matter on July 21, 2015, and finds that it should accept the Audit Report and adopt GVNW's recommendations.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

- A. The Commission accepts and adopts GVNW Consulting, Inc.'s July 21, 2015 KUSF Audit Report for Ooma, Inc., including GVNW's recommendations contained therein.
- B. With respect to GVNW's Audit Finding Nos. 1, 2, and 4, Ooma is directed to submit to GVNW, within thirty (30) days from the date of this Order, the requested Audit True-ups for Operating Years 17 and 18 (March 2014 – February 2015) and quarterly Audit True-ups for Operating Year 19 (March 2015 – February 2016). Upon GVNW's receipt of Ooma's Audit True-ups and GVNW's satisfaction as to their accuracy, GVNW is directed to submit a

Compliance Report detailing the assessments and/or refunds due as a result of the three Audit findings.

C. With respect to GVNW's Audit Finding No. 3, Ooma is directed to provide, within thirty (30) days from the date of this Order, copies or screen images of customer bills to GVNW that clearly demonstrate the KUSF surcharge as a separate line item. Following GVNW's receipt and review of the sample customer bills, GVNW is directed to address this matter in its Compliance Report to the Commission.

D. With respect to GVNW's Audit Finding No. 5, involving Ooma's claim that the company provides assessable telecommunications services to customers for free, the Commission will address this issue in Docket No. 14-105 or a separate proceeding.

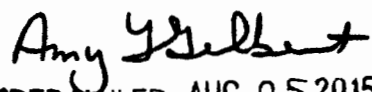
E. With respect to GVNW's Audit Finding No. 6 – Policy, the Commission will address the policy issue of Ooma's reporting of revenues net of end-user discounts to the KUSF in Docket No. 14-105 or a separate proceeding, subsequent to its determination of this issue.

F. The Commission retains jurisdiction over Ooma, Inc. 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.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: AUG 04 2015


ORDER MAILED AUG 05 2015
Amy L. Gilbert
Secretary to the Commission

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PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
DAVID G. WINTER, SENIOR CONSULTANT GVNW CONSULTING, INC. 2270 LA MONTANA WAY PO BOX 25969 COLORADO SPRINGS, CO 80936		
REGULATORY & GOVERNMENTAL AFFAIRS OOMA, INC. 1880 EMBARACADERO RD PALO ALTO, CA 94303		
OTTO NEWTON, LITIGATION COUNSEL 1500 SW ARROWHEAD ROAD TOPEKA, KS 66604 ***Hand Delivered***		

ORDER MAILED AUG 05 2015

The Docket Room hereby certified that on this _____ day of _____, 20_____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.