



February 3, 2025

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

Re: **Docket No. 25-DPIV-107-KSF**

***In the Matter of the Audit of Dialpad, Inc. by the Kansas Universal Service Fund  
(KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for KUSF Operating Year 27,  
Fiscal Year March 2023 – February 2024***

Dear Ms. Retz:

In its August 6, 2024 Order, the Kansas Corporation Commission (KCC) directed Vantage Point Solutions (VPS) to perform a KUSF carrier audit of Dialpad, Inc. (Dialpad 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 Dialpad'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. Dialpad's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Dialpad 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: Steve Garrett - [steve.garrett@ks.gov](mailto:steve.garrett@ks.gov)

## CERTIFICATE OF SERVICE

I hereby certify that on this 3<sup>rd</sup> day of February, 2025, 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  
TOPEKA, KS 66604

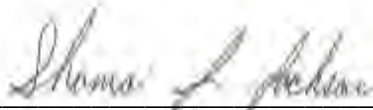
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Shomari Jackson

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

**From:** Shomari Jackson, Auditor

**Company Personnel:** Frank Giovannone, Senior Manager  
Judy Zeng, Head of Tax  
Arti Deliaj, Partner

**Date:** January 9, 2025

**On-Site Visit Date:** November 19-20, 2024

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

**Re:** Docket No. 25-DPIV-107-KSF

*In the Matter of the Audit of Dialpad, Inc. by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 66-2010(b) for KUSF Operating Year 27, Fiscal Year March 2023 – February 2024*

**Audit Summary**

Pursuant to the Kansas Corporation Commission's (KCC or Commission) August 6, 2024 Order, Vantage Point Solutions, Inc. (VPS) conducted an audit of Dialpad, Inc. (Dialpad or Company) based on the Kansas Universal Service Fund (KUSF) Revised Audit Procedures adopted for KUSF Fiscal Year 27 (FY27).<sup>1</sup> VPS identified five (5) findings resulting from the Company's non-compliance with the Commission's KUSF policies, with a net impact to the Fund of a decrease of \$6,273.55. The Company is current with its KUSF obligations.

- **Finding No. 1** – Dialpad reported and collected the KUSF surcharge on its e911 revenues. This resulted in the Company over-reporting its revenues and over-collecting the KUSF surcharge by \$5,449.03.
- **Finding No. 2** – Dialpad reported and collected the KUSF surcharge on its Fax Over IP Revenues. This resulted in the Company over-reporting its revenues and over-collecting the KUSF surcharge by \$824.52.
- **Finding No. 3** – Dialpad 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

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<sup>1</sup> Order Accepting VPS' KUSF Proposed Revisions to Selection Criteria and Carrier Review Procedures, Docket No. 23-GIMT-261-GIT, July 2, 2024 (23-261 Order).

between the interstate and intrastate jurisdictions, or to verify that the Company is using the same methodology for both Federal and Kansas USF purposes.

- **Finding No. 4** – Dialpad did not complete Box C of the Carrier Remittance Worksheets (CRWs) for several monthly filings in FY 27, with no financial impact to the KUSF.
- **Finding No. 5** – Dialpad reported interstate revenues, which are not assessable to the KUSF, and then subtracted them from the reported revenues by including them on the uncollectibles line on the CRWs, with no financial impact to the fund.

VPS recommends the Commission issue an Order to adopt this Audit Report and the identified findings and direct Dialpad to:

1. File audit True-ups for FYs 26, 27, and 28, through November 2024, to exclude e911 and Fax Over IP revenues from its reporting, to exclude the interstate revenues from its reporting and include the amount collected from subscribers in Box C of its CRW;
2. Issue one-time billing credits to customers, on a pro-rata basis, for a total amount of \$6,273.55;
3. Update its billing system to exclude KUSF surcharge collection from e911 and Fax Over IP revenues;
4. Update its KUSF reporting procedures to exclude e911 and Fax Over IP revenues from reporting and to include the KUSF surcharge collection collected from customers in Box C of its CRWs;
5. 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;
6. Provide VPS with ten (10) customer bills supporting that the refund process has been completed; and
7. File an affidavit, signed by an officer of the Company, attesting that the Company:
  - a. Corrected its KUSF reporting procedures to omit e911 and Fax Over IP revenues from its reporting, interstate revenues from its reporting on the uncollectibles line of the CRWs, and include the amount collected from subscribers in Box C;

- b. Corrected its billing system to exclude KUSF surcharge collection from e911 and Fax Over IP revenues;
- c. Submitted a pleading affirming its use of a company-specific traffic factor study to allocate revenues between the interstate and intrastate jurisdictions, the periods the methodology was applicable, the intrastate factors applied, and verifying that the Company is using this methodology for both Federal and Kansas USF purposes;
- d. Issued one-time billing credits to customers, on a pro-rata basis, for a total amount of \$6,273.55; and
- e. Provided VPS with ten (10) customer bills verifying that the refund process has been completed.

The affidavit should provide the date the corrective actions were implemented.

VPS recommends Dialpad be directed to take all corrective actions within 60 days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 90 days of the Order.

The Company is current with its KUSF obligations.

Dialpad agrees with the Audit Report.

### **Background**

During the course of the audit, VPS issued seventeen (17) Data Requests (DRs) to Dialpad. DR No. 16 is included as Attachment A.

Dialpad operates as a Voice over Internet Protocol (VoIP) provider and is headquartered in San Ramon, CA.

Dialpad is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.<sup>2</sup> The Company is authorized to collect an amount equal to or less than its KUSF assessment from customers, and does so.<sup>3</sup> The Company is not a designated Eligible Telecommunications Carrier (ETC) in Kansas, therefore, it does not offer Lifeline services to its customers.

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<sup>2</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>3</sup> K.S.A. 66-2008(a).

Pursuant to Commission Order,<sup>4</sup> VPS confirmed that Dialpad offers bundled assessable and non-assessable services to its Kansas customers. The Company reports revenue and remits assessments to the KUSF based on the unbundled price of the assessable service subject to the KUSF assessment. The Company states it uses this same allocation methodology for Federal USF (FUSF) and KUSF purposes.<sup>5</sup>

### **Current KUSF Obligations**

The Company is current with its KUSF obligations.<sup>6</sup>

### **Current Audit Findings**

VPS conducted the audit of Dialpad in accordance with the KUSF Audit Procedures adopted by the KCC.<sup>7</sup> Based on the referenced procedures, VPS identified the following audit finding and provides the following recommendations:

#### **Audit Finding No. 1**

**Standard:** Revenues derived from e911 services are excluded from KUSF Assessments.<sup>8</sup>

**Finding:** Dialpad reported its e911 revenues and collected the KUSF surcharge on its e911 revenues.<sup>9</sup> As a result, the Company over-collected the KUSF surcharge from its customers in the amount of \$5,449.03 over-reported its intrastate revenues, and overpaid its KUSF contributions for the March 2022 – November 2024 Fiscal Years (FY 26, 27, and 28, through November 2024) in the amount of \$5,449.03.

**Recommendation:** VPS recommends that Dialpad be directed to file audit True-ups for FYs 26, 27, and 28, through November 2024, to omit e911 service revenues from its reporting. VPS also recommends that Dialpad be directed to issue refunds, to its affected customers, through a one-time billing credit, totaling \$5,449.03.

VPS recommend that Dialpad be directed to correct its KUSF reporting and collection procedures to exclude e911 revenues.

VPS recommends that Dialpad be directed to file an affidavit, signed by an officer of the Company, attesting to the amount and completion date of the customer refunds, the Company has corrected its KUSF reporting procedures to omit the reporting of e911 service revenues, and the Company has corrected its billing system to omit the KUSF surcharge collection on its e911 service revenues.

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<sup>4</sup> Order Determining KUSF Contribution Methodology, ¶ 27, Docket No. 14-GIMT-105-GIT, Oct. 20, 2016.

<sup>5</sup> Dialpad's response to DR 11.

<sup>6</sup> Confirmed with the KUSF Administrator on January 8, 2025.

<sup>7</sup> 23-261 Order.

<sup>8</sup> Reportable Revenue, Attachment E

[https://live-vantage-pnt.pantheonsite.io/wp-content/uploads/2024/02/Attachment\\_E\\_Reportable\\_Revenue-FY-28.pdf](https://live-vantage-pnt.pantheonsite.io/wp-content/uploads/2024/02/Attachment_E_Reportable_Revenue-FY-28.pdf)

<sup>9</sup> Attachment A.

VPS also recommend that Dialpad provide VPS with ten (10) invoices supporting completion of the customer refunds.

VPS recommends Dialpad be directed to take all corrective actions within 60-days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 90-days of the Order.

## **Audit Finding No. 2**

**Standard:** Non-voice service revenues, including Fax IP services, will not be included in carriers' retail revenues.<sup>10</sup>

**Finding:** Dialpad reported its Fax IP revenues and collected the KUSF surcharge on its e911 revenues.<sup>11</sup> As a result, the Company over-collected the KUSF surcharge from customers in the amount of \$824.52, over-reported its intrastate revenues, and overpaid its KUSF contributions for the March 2022 – November 2024 Fiscal Years (FY 26, 27, and 28, through November 2024) in the amount of \$824.52.

**Recommendation:** VPS recommends that Dialpad be directed to file audit True-ups for FYs 26, 27, and 28, through November 2024, to omit Fax IP service revenues from its reporting. VPS also recommend that Dialpad be directed to issue refunds, to its affected customers, through a one-time billing credit, totaling \$824.52.

VPS recommends that Dialpad be directed to correct its KUSF reporting and collection procedures to exclude Fax IP service revenues.

VPS recommends that Dialpad be directed to file an affidavit, signed by an officer of the Company, attesting to the amount and completion date of the customer refunds, the Company has corrected its KUSF reporting procedures to omit the reporting of Fax IP service revenues, and the Company has corrected its billing system to omit the KUSF surcharge collection on its Fax IP service revenues.

VPS also recommends that Dialpad provide VPS with ten (10) invoices supporting completion of the customer refunds.

VPS recommends Dialpad be directed to take all corrective actions within 60-days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 90-days of the Order.

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<sup>10</sup> Order Granting Requests of Joint Petitioners, Docket No. 06-GIMT-943-GIT, Sep. 7, 2006.

<sup>11</sup> Attachment A.

### **Audit Finding No. 3**

**Standard:** Any interconnected VoIP provider wanting to allocate revenue to the interstate and intrastate jurisdiction for USF purposes using the traffic study methodology must file a pleading with the Kansas Corporation Commission (KCC) prior to using such methodology.<sup>12</sup>

**Finding:** Dialpad used a company-specific traffic study to determine the identification of intrastate and interstate revenues.<sup>13</sup> The Company has not submitted a pleading to the KCC advising the Commission of this methodology, nor has it filed annual updates. Dialpad 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 recommend that Dialpad be directed to submit a pleading, accompanied by an affidavit from an officer of the Company, requesting to use the traffic study methodology for KUSF purposes and that the Company shall apply the inverse of the federal USF factor for KUSF reporting purposes. The Company should identify the factors used and the time period for each applicable factor. The Commission should direct the Company to submit annual updates in accordance with Commission Orders.

VPS recommends Dialpad be directed to take all corrective actions within 60-days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 90-days of the Order.

### **Audit Finding No. 4**

**Standard:** A Company is to report the amount of its actual KUSF assessments collected from customer in Box C of the CRW.<sup>14</sup>

**Finding:** Dialpad did not report the amount of the KUSF surcharge collected from its customers in Box C on several of its monthly CRWs for FY 27, with no financial impact to the KUSF.<sup>15</sup>

**Recommendation:** VPS recommends that Dialpad be directed to file audit True-ups for FYs 26, 27, and 28, through November 2024, to include the actual KUSF surcharge collected from subscribers in Box C.

VPS recommend that Dialpad be directed to update its KUSF reporting procedures to include the KUSF surcharge collected from customers in Box C of the CRWs.

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<sup>12</sup> Order Setting the Kansas Universal Service Fund Assessment Rate for Year Sixteen and Cancelling Hearing, Docket No. 12-GIMT-168-GIT, Jan. 24, 2012.

<sup>13</sup> Attachment A.

<sup>14</sup> Order Adopting Audit Report, Docket No. 19-RWLZ-033-KSF, Jan. 24, 2019. See also KUSF Carrier Remittance Instructions, Plan Year 2023-2024; (CRW Instructions), II.A.

<sup>15</sup> Attachment A.



VPS also recommends that the Company be directed to file an affidavit, signed by an officer of the Company, attesting that the Company corrected its KUSF reporting procedures to include the KUSF surcharge collected from its customers in Box C of its CRWs.

VPS recommends Dialpad be directed to take all corrective actions within 60-days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 90-days of the Order.

### **Audit Finding No. 5**

**Standard:** Carriers are required to report actual uncollectible revenue written-off to the KUSF. Only uncollectible revenues associated with reportable KUSF revenues should be recognized.<sup>16</sup>

**Finding:** Dialpad did not report only uncollectible revenues associated with reportable KUSF revenues on its CRWs. Instead, the Company included the interstate and intrastate revenues in Line 7 of the CRW, and entered the interstate portion of the revenues on Line 12 of the CRW.<sup>17</sup> The Company stated that it has ceased this process with CRWs filed after November 2023.<sup>18</sup> This had no financial impact on the fund.

**Recommendation:** VPS recommends that Dialpad be directed to file audit True-ups for FYs 26 and 27, through November 2023, to omit the interstate revenues from Line 7 and Line 12 of the CRWs.

VPS also recommends that the Company be directed to file an affidavit, signed by an officer of the Company, attesting that the Company corrected its KUSF reporting procedures to exclude the interstate revenues from Line 7 and Line 12 of the CRWs.

VPS recommends Dialpad be directed to take all corrective actions within 60-days from the date of the Commission's Order. VPS will file a Compliance Report in the Docket within 90-days of the Order.

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<sup>16</sup> Docket No. 94-GIMT-478-GIT, August 13, 1999, Order on Uncollectible Revenue and Additional KUSF Revenue Report Issues, and Docket No. 03-GIMT-932-GIT, September 2, 2003 Order.

<sup>17</sup> Attachment A.

<sup>18</sup> *Ibid*

**KUSF Carrier Audit Information Request**

**Submitted By:** Shomari Jackson  
**Submitted To:** Frank Giovannone  
**Company Name:** Dialpad, Inc.  
**Docket Number:** 25-DPIV-107-KSF  
**Request Date:** December 4, 2024  
**Due Date:** **December 13, 2024**

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

Please confirm that the auditor's understanding of the following items is correct. If the statements are incorrect, please provide clarification.

- The Company reports the following revenues to the KUSF:
  - e911 charges – **Confirmed – Invoices have a 911 tax and a e911 Service fee. The e911 service fee is part of the revenue reported but not the 911 tax. See invoice 5870519707860992 as an example invoice that has both 911 Tax and e911 Service.**
  - Fax IP charges - **Confirmed**
- The Company collects the KUSF surcharge on the following revenues:
  - e911 – **Confirmed – like above the KUSF is calculated using e911 Service**
  - Fax IP charges - **Confirmed**
- The Company allocates the intrastate portion of its revenue using a company-specific traffic factor. **Confirmed**
- The Company has not filed the company specific traffic factor with the KCC for KCC approval. **Confirmed**
- The Company did not complete Box C when filing several of the CRWs for FY 27. **Confirmed**
- The Company reported its interstate revenues, which represent non-taxable revenues, on the uncollectibles line on the CRWs. Therefore, the company did not actually have any uncollectibles. **Confirmed** The Company ceased this practice with CRWs filed after November 2023. **Confirmed**

**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 – DR16**

**KUSF Carrier Audit Information Request**

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: Erin Zent Date: 12/12/2024