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June 27, 2016

VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Re: Pay Telephone Reclassification and Compensation Provisions of the Telecommunication Act of 1996, CC Docket 96-128

Dear Ms. Dortch:

Pursuant to the Commission Report and Order, CC Docket 96-128 released October 3, 2003, AT&T Inc. ("AT&T"), on behalf of AT&T's Incumbent Local Exchange Companies, submits the attached Annual Payphone Per Call Compensation Audit Report for 2016 which was completed by the Engel Consulting Group.

As required by Section 64.1320(e) of the Order, AT&T provides the name, address, and phone number of the person responsible for handling the Completing Carrier's payphone compensation and for resolving disputes with payphone service providers over compensation.

Clare Weber
AT&T - Wholesale Compliance
722 N. Broadway
Milwaukee, WI 53202
Email: cz1753@att.com

A copy of AT&T's 2016 System Audit Report and Section 64.1320(e) statement has been provided to the National Payphone Clearinghouse to be posted on their secure website in order to comply with the Commission's requirement to provide a copy to each payphone service provider for which AT&T completes calls.

If you have any questions, please contact the undersigned at (202) 457-2043.

Sincerely,

Vonda Long-Dillard

Vonda Long-Dillard

Attachments

Engel
CONSULTING GROUP

Independent Accountant's Report

We have examined management's assertions, included in the accompanying "*Management's Assertions on Modifications to AT&T's Payphone Compensation Processes,*" that AT&T, as represented by AT&T Corp. (the "Company" or "AT&T"), remains in compliance with the payphone call tracking system audit criteria pursuant to sections 64.1310 (a), 64.1310 (c), 64.1310 (g), and 64.1320 of Appendix C - Final Rules of the FCC's Report and Order of October 3, 2003 (FCC 03-235/CC Docket No. 96-128) in the matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996 which provides that each Completing Carrier engages an independent third-party to perform an audit of the call tracking system that supports the payphone compensation payments. The order requires each Completing Carrier to establish its own payphone call tracking system and to have a third party attest that the system accurately tracks payphone calls to completion.

AT&T Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on management's assertions about AT&T's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about AT&T's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on AT&T's compliance with specified requirements.

In our opinion, management's assertions that AT&T complied with the aforementioned requirements as of June 30, 2016 are fairly stated in all material respects.

, CPA

Engel Consulting Group
June 30, 2016

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AT&T Long Distance
Payphone Compensation
2016 FCC Audit Report and Attestation

June 30, 2016

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1.0 Introduction

AT&T has engaged the services of the Engel Consulting Group to perform the annual audit of its Payphone Compensation processes and procedures. As part of the audit, the Engel Consulting Group was also asked to complete an attestation of AT&T's continued compliance with the Federal Communications Commission (FCC) requirements to establish a call tracking system to compensate Payphone Service Providers (PSPs) for originating toll-free and access-code calls. This examination is in accordance with the provisions set forth in Appendix C – Final Rules of FCC 03-235/CC Docket No. 96-128 dated October 3, 2003, which obligates Completing Carriers to engage an independent third-party auditor to verify on an annual basis that no material changes have occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report and the FCC audit criteria.

AT&T Management has stated in its *Management's Assertions on Modifications to AT&T's Payphone Compensation Processes* dated June 16, 2016 that AT&T has not materially modified its payphone compensation processes and systems since the June 30, 2015 audit. Therefore, the primary goal of this examination is to ensure that the PCC processes continue to operate as designed and that AT&T remains in compliance with the criteria and audit requirements specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128.

2.0 Executive Summary

To fulfill the audit requirements and criteria for a payphone call tracking and compensation system specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128, the Engel Consulting Group was engaged by AT&T to audit the processes and procedures for payment of payphone compensation to Payphone Service Providers for toll-free and access-code calls where AT&T is the Completing Carrier. AT&T Management has asserted its payphone call tracking system and compensation processes remain in compliance with the aforementioned criteria for the period July 1, 2015 through June 30, 2016.

The 2016 audit plan mapped a specific validation test against each of AT&T Management's assertions of compliance with the FCC requirements. The validation consisted of reviewing information provided by AT&T Subject Matter Experts (SMEs), inspecting process documentation and correspondence, tracing sample disputes, and examining control reports and files. To validate that the end-to-end payphone compensation processes continue to operate in accordance with the FCC requirements, the Audit Team traced a sample of payphone calls through the AT&T call tracking system by independently processing call detail records, creating a compensable file, comparing the file with the records deemed compensable by AT&T, and documenting the results.

Based upon the data examined and procedures tested during the audit process, the Audit Team concludes that AT&T has satisfied the requirements specified in the aforementioned FCC Orders. AT&T's assertions of compliance with the FCC criteria specified in §64.1320 of the Final Rules are fairly stated and the Audit Team attests that the AT&T call tracking system remains in compliance with the stated criteria as of June 30, 2016.

3.0 Background

The FCC in its Order in Docket No. 96-128 dated October 3, 2003, in the matter of the *Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996,* adopted new rules

placing liability for compensating PSPs on the Completing Carriers for calls originating from payphones and completing on their networks. To ensure that the PSPs are fairly compensated, the FCC also imposed new audit, certification, and reporting requirements requiring each Completing Carrier to establish its own call tracking system and to engage a third party to attest that the system accurately tracks calls to completion.

On June 24, 2004, PricewaterhouseCoopers issued an attestation examination report that provided an opinion regarding AT&T's compliance with the FCC criteria. This report served as the baseline for the subsequent annual audits required by the FCC per Appendix C – Final Rules FCC 03-235/CC Docket No. 96-128, where the Completing Carrier is obligated to engage an independent third-party auditor to:

1) *Verify that no material changes have occurred concerning the Completing Carrier's compliance with the criteria of the prior year's System Audit Report; or*
2) *If a material change has occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report, verify that the material changes do not affect compliance with the audit criteria.*

The Engel Consulting Group issued the 2015 System Audit Report and letter of attestation stating that AT&T remained in compliance with the FCC criteria and Final Rules as of June 30, 2015. The FCC requires that the 2016 audit and attestation of carrier compliance must be completed no later than July 1, 2016.

4.0 Audit Approach and Test Plan

The objective of this audit was to validate through testing and other means deemed appropriate that AT&T remains in compliance with the audit requirements and criteria specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128 and that any material changes occurring after June 30, 2015 do not affect compliance with the aforementioned criteria.

Following the Standards for Attestation Engagements established by the American Institute of Certified Public Accountants (AICPA), the Engel Consulting Group utilized an approach which examined processes, procedures, system documentation, sample logs, and control reports provided by AT&T Managers accountable for critical deliverables in the compensation process. In addition, a test to validate that the end-to-end process continues to meet the compliance criteria was conducted by tracing a sample of payphone call detail records (CDRs) from origination on the switch to the compensable calls sent to the National Payphone Clearinghouse (NPC), a service of Cincinnati Bell, for payment and reporting to the PSPs. The Audit Team independently processed the CDRs, applied the business rules for compensation, and created a compensable call file which was then compared with the compensable calls sent to the NPC.

5.0 Validation Test Results

5.1 Assertion #1 - Payphone Call Tracking

Payphone Call Tracking
AT&T has procedures in place to accurately track payphone calls to completion a. Controls are in place to ensure that Call Detail Records (CDRs) generated by switches owned or leased by AT&T are interfaced completely to the downstream payphone call tracking system b. Controls are in place to identify and eliminate duplicate CDRs c. Payphone calls are identified by Originating Line Indicator (OLI) values of '27,' '29,' and '70' in the

	CDRs generated by switches owned or leased by AT&T
d.	AT&T has a process in place to identify payphone calls that do not contain payphone OLI but are entitled to per call compensation
e.	An appropriate surrogate process has been employed where no OLI exists
f.	Call completion indicators for payphone CDRs are accurately assigned based on hardware or software answer types

Examination of the current call flows and process narratives confirmed that the process of identifying and tracking toll-free and access-code calls originating from payphones remains unchanged. The Audit Team was able to trace the flow of a sample of completed payphone calls – identified by the Originating Line Information (OLI) values of '27,' '29,' or '70' and the answer (completion) indicator of '0' on the CDRs – from origination on the AT&T switches to compensable records sent to the NPC.

AT&T continues to use the process documented in the call flows and process narratives to identify payphone calls where OLI digits are not present yet compensation might be appropriate. On a quarterly basis, the National Payphone Clearinghouse (NPC) receives a list of ANIs (Automatic Number Identification) from each Local Exchange Company / Competitive Local Exchange Company (LEC / CLEC) and PSP, determines the valid payphone ANIs for the quarter, and creates a Traffic Request File. The NPC also compares the list of validated ANIs on the Traffic Request file with ANIs that historically have sent OLI digits to AT&T. If the NPC is unable to find a match with the list of ANIs where OLI information had been provided in the past, AT&T will pay per phone compensation to the PSP at the surrogate obligation rate. AT&T retrieves the files from the NPC and queries its database of call detail records to retrieve payphone call records with no OLI digits. These records are then sent to the NPC for payment of per call compensation.

For the ANIs determined by the NPC to have never provided OLI digits as part of the call detail record in the past, AT&T continues to pay per phone compensation as part of the surrogate process. Inspecting the Payment Summary and End of Quarter reports for 4Q2015, the Audit Team was able to verify the detail of surrogate compensation paid at the appropriate rate by claim year and quarter.

The Enterprise Usage Collection (EUC) organization continues to be responsible for collecting and mediating the CDRs and ensuring that the data is distributed to the downstream systems including billing, performance management, and the data warehouse. Examination of the current documentation provided by the EUC Subject Matter Expert (SME) confirmed that controls remain in place, including reconciling the inventory of usage data, real-time monitoring of the transmissions, sequencing of switch data blocks to ensure there are no missing blocks / files when the data is transmitted from the switch, front-end data validation, automatic generation of operational alarms, and re-polling for gaps in the data or late media. A trending tool is used to monitor switch data collection and provide trending analysis which is reviewed and any anomalies investigated. Documentation was provided on the various error conditions, which includes descriptions of the errors, the error codes, and the actions taken for both original and re-submitted files. Alarms are generated when gaps between individual blocks or file sequences occur or when late media is received. The EUC reviews, addresses, and resolves all alarm conditions.

The rules used to identify and eliminate duplicate call records remain unchanged. Front-end validations are performed to ensure complete and correct data is received from the switches. Sequence number validation is done to verify the correct sequence number for each switch and ensure no data is missing and duplicate media is detected. At the record level, critical data fields such as From Number, To Number, Connect Date, and Connect Time are compared and duplicate call records are removed. This process was validated by inspecting the sample of CDRs from the end-to-end test and finding no duplicate records.

The business rules used to identify a completed call remain unchanged. The switch generates an Answer Supervision indicator if the call has been answered; if the call is unanswered, it is not considered completed for the purpose of payphone compensation. This was validated by tracing a sample of the CDRs from the switch and observing the completion indicator of '0' (call completed) on potentially compensable calls.

The specific validation tests for this assertion are documented below:

Assertion	Validation Test	Test Results
AT&T has procedures in place to accurately track payphone calls to completion	1. Traced sample of CDRs received from the switches through the process and compared results with the compensable records sent to the NPC 2. Examined the call flows and process narratives to verify that the systems for identifying and tracking calls originated on a payphone are interfaced 3. Examined documentation provided by SMEs to determine whether controls continue to be in place for identifying and tracking payphone calls 4. Reviewed usage collection documentation to determine the process to identify and eliminate duplicate CDRs and ensure all payphone usage is processed 5. Inspected CDRs for compensable records sent to the NPC for OLI values equal to '27,' '29,' or '70' 6. Inspected call flows and process narratives for identifying calls originating from payphones where the OLI digits have fallen off the call 7. Traced the process to identify payphone calls where the OLI digits are not on the call detail record 8. Reviewed the surrogate process for per phone compensation where OLI digits are not transmitted 9. Inspected the Payment Summary and End of Quarter reports for verification of surrogate payments 10. Inspected CDRs for call completion indicators on compensable records sent to the NPC	No deficiencies or exceptions noted

5.2 Assertion #2 - Dispute Resolution Contact

Dispute Resolution Contact
AT&T has assigned a specific person or persons responsibility for tracking, compensating, and resolving disputes concerning payphone completed calls a. Responsibility for tracking, compensating, and resolving disputes concerning payphone calls has been granted and is included in the job description for specific employees

AT&T advised that Delain Cowell assumed responsibility for tracking and resolving payphone compensation disputes effective March 1, 2016. A copy of the letter from AT&T to the FCC advising the industry of the updated contact information was provided for review. In addition, a screen shot from the NPC website at https://www.npc.cc/, which shows the link to the dispute process and contact information, was shared with the Audit Team.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has assigned a specific person or persons responsibility for tracking, compensating, and resolving disputes concerning payphone completed calls	1. Examined the industry letter sent to the FCC advising of the change to the dispute resolution contact. 2. Reviewed screen shot from NPC website to confirm contact information is posted	No deficiencies or exceptions noted

5.3 Assertion #3 - Data Monitoring Procedures

Data Monitoring Procedures
AT&T has effective data monitoring procedures in place a. AT&T has documented procedures for monitoring data interfaced from the switches to AT&T's call collection, usage processing, and payphone call tracking systems b. AT&T identifies and takes corrective actions for data irregularities and errors in the payphone process

The Enterprise Usage Collection (EUC) group continues to monitor the data from the switches and the usage collection platform on a real-time basis and key controls continue to be in place to alert to volume fluctuations, gaps and error conditions. The EUC group advised that no changes have been made to the processes for identifying, handling, and resolving errors in usage collection and provided the supporting documentation.

Control reports from the call tracking system continue to be utilized on a monthly and quarterly basis to validate the reasonableness of the data volumes and address any fluctuations. Compensable call volumes continue to be reviewed monthly by the management team accountable for the payphone compensation process and all deviations are investigated. Payphone compensation report cards and summary reports, which break down for each AT&T entity total messages, compensable messages, and combined entity totals, are generated monthly by the payphone compensation system development team. All control reports continue to be readily available to the management team.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has effective data monitoring procedures in place	1. Reviewed call flow and process narrative documentation 2. Examined call collection and usage processing documentation to verify procedures are in place for monitoring the payphone CDRs and identifying and correcting errors 3. Examined control reports from the call tracking system to verify the data monitoring process	No deficiencies or exceptions noted

5.4 Assertion #4 – Software and Network Change Control Procedures

Software and Network Change Control Procedures
AT&T adheres to established protocols to ensure that software, personnel, or network changes do not adversely affect its payphone call tracking ability a. AT&T has established a documented software development lifecycle (SDLC) to manage software changes b. AT&T's SDLC includes testing of software changes to determine if they adversely affect AT&T's

payphone call tracking ability c. AT&T monitors adherence to the SDLC d. AT&T has procedures, including system-driven checks and balances, to ensure network translation and routing changes are implemented in a manner not detrimental to its network e. AT&T restricts access to the payphone call tracking system to authorized personnel

AT&T Management confirmed that AT&T continues to manage software changes through the Information Technology Unified Process (IT UP). The Sarbanes-Oxley (SOX) controls remain in place for the decision gates of the software development and change process. New software releases for the switches are controlled through the Release Management structure within the IT UP SDLC process. Any new release undergoes rigorous functionality, regression, user acceptance, and readiness testing before the software goes into production on the network.

The Audit Team received confirmation from the Network Operations Area Manager responsible for Infrastructure Provisioning that the process for network change control remains the same. Network routing, translations, and trunking changes continue to be managed through the Recent Change process within the network management systems which have built-in checks and balances for introducing, scheduling, testing, and implementing changes. Methods and Procedures (M&Ps) are in place to ensure the changes are coordinated across the various systems and work groups as well as to assist in identifying and resolving issues.

Scorecards continue to be used to track and monitor key network quality metrics including On-Time Performance, Network Blocking, and Operating Errors. Tight controls are in place to quickly identify problems and take corrective action. To prevent recurrence of problems, analysis is conducted to understand what caused the issue to occur and determine how to fix the root cause.

AT&T advised that the process for controlling access to the payphone call tracking system remains the same. Authorized access to the system is limited so that no single batch ID has access to all of the files and databases.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T adheres to established protocols to ensure that software, personnel, and network changes do not adversely affect its payphone call tracking ability	1. Received confirmation from AT&T that the SDLC process remains unchanged 2. Reviewed confirmation from AT&T that the network change control process is still in place 3. Reviewed confirmation from AT&T that the process to control access to the payphone call tracking system remains the same	No deficiencies or exceptions noted

5.5 Assertion #5 - Compensable Files Creation

Compensable Files Creation
AT&T creates compensable payphone call files by matching call detail records against payphone identifiers a. Payphone calls are identified by OLI values of '27,' '29,' or '70' in the CDRs b. AT&T has a process in place to identify payphone calls that do not contain payphone OLI values but are entitled to per call compensation c. An appropriate surrogate process has been employed to compensate PSPs where no OLI exists d. Payphone calls are considered compensable based on the business rules defined in Assertion #9

The Audit Team traced the details on a sample of CDRs originating at the switches through the process to the records on the compensable files sent to the NPC and noted that the compensable CDRs had OLI values of '27,' '29,' or '70' which is documented in the call flows and process narratives as the means to identify payphone calls. The business rules for determining compensable calls remain the same as outlined in the call flows and process narratives. This was tested by creating a compensable file after processing the payphone CDRs of a sample set of Payphone ANIs using the compensation business rules. This file was compared with the records on the compensable files sent to the NPC and no discrepancies in the application of the business rules were found.

The Audit Team validated the process of identifying payphone calls without OLI digits by including the 4Q2015 Traffic Request File in its reference documents for the end-to-end test. Calls with OLI digits of '00' originating from ANIs listed on the Traffic Request file were determined to be compensable by the Audit Team and were matched to calls appearing on file sent to the NPC for payment.

The process to pay per phone compensation for calls at the surrogate rate was validated by examining the documentation provided by the NPC for the 4Q2015 reporting period where AT&T confirmed that the counts for the ANIs receiving per phone compensation and the surrogate rate matched the counts and rate from the NPC.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T creates compensable payphone call files by matching call detail records against payphone identifiers	1. Traced sample of CDRs received from the switches through the process concluding with the compensable records sent to the NPC 2. Observed OLI values equal to '27,' '29,' or '70' on CDRs of the compensable records sent to the NPC 3. Processed a sample of payphone CDRs using business rules defined in Assertion #9 to compare results with the compensable files sent to the NPC 4. Included the Traffic Request file in the end-to-end test to identify payphone calls without OLI values for determination of per call compensation 5. Examined the per phone compensation process for 4Q2015 for payphone ANIs not capable of transmitting OLI values 6. Inspected the control reports sent by the NPC and validated by AT&T for surrogate counts and applicable rate	No deficiencies or exceptions noted

5.6 Assertion #6 - Reporting Procedures

Reporting Procedures
AT&T has procedures in place that incorporate payphone call data into required reports a. AT&T has procedures to create the following reports accurately and completely for the compensable payphone call files referenced in Assertion #5: - NPC SuperFiles: 1) Completing Carrier Traffic Compensation, 2) Completing Carrier Toll-Free/Access-Code Reporting, 3) Intermediate Carrier Toll-Free/Access-Code Reporting - Paycomp True Zero Accum Files: 1) Toll-free/access-code numbers dialed from each payphone that has collect and calling card calls, 2) Volume of calls for each toll-free/access-code number completed by the Completing Carrier for each of the PSPs' payphones by call type

- Switched-Based Reseller Reports b. AT&T has established procedures to submit above reports to the NPC on a timely basis

The NPC provides SuperFile submission file analysis reports each quarter with record and file counts for the files submitted by AT&T for payphone compensation and reporting. AT&T validates that the counts of records processed, ANIs, and messages are correct and sends confirmation back to the NPC. The SuperFile submission file analysis reports were examined for the 4Q2015 data submission and all required reports and data files had been sent by AT&T and accepted by the NPC in the required timeframe. Validation from AT&T that the counts on all reports matched the counts reported by the NPC was inspected and confirmed.

Since AT&T contracts with the NPC for PSP quarterly compensation and reporting, it is critical that effective controls exist in the processing of the AT&T data to ensure accurate compensation and reporting. The Audit Team examined the Service Organization Control (SOC 1) report on the NPC compiled by an independent auditor for the period April 1, 2015 to March 31, 2016 to ensure that controls for processing the AT&T data were in place and operating for the payphone compensation and quarterly reporting commitments for the reporting periods 1Q2015 through 4Q2015. In the report, Cincinnati Bell specified twelve control objectives relating to the NPC Quarterly Dial-Around Compensation process. Testing was performed by the auditor on each control objective and the results were that the controls operated as described.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has procedures in place that incorporate payphone call data into required reports	1. Examined the SuperFile submission file analysis reports from the NPC to verify that the counts were validated by AT&T and that the data was submitted on a timely basis 2. Examined the current SOC 1 report from the independent auditor to verify the NPC controls for processing the payphone call data received from AT&T	No deficiencies or exceptions noted

5.7 Assertion #7 - Dispute Resolution Procedures and Controls

Dispute Resolution Procedures and Controls
AT&T has implemented procedures and controls needed to resolve disputes a. AT&T has documented its process to investigate and resolve disputes with PSPs and has posted the process on the NPC website b. AT&T logs disputes and follows the published process c. AT&T maintains payphone CDRs for at least 27 months d. Archived payphone CDRs can be readily accessed by AT&T payphone dispute personnel

The Audit Team received written confirmation from AT&T that the only change to the dispute process since the 2015 audit was that the contact changed to Delain Cowell. This change along with the dispute process is posted on the NPC website at https://www.npc.cc. A screen shot showing the posting, *ATT Dispute Manager March,* and a copy of the letter to the NPC was provided to the Audit Team. Samples of several different disputes were traced from initiation by the PSP or Aggregator through analysis and investigation by AT&T to resolution and closure. The disputes were responded to in a timely manner and, where appropriate, included supporting documentation of the resolution.

The Audit Team examined the 4Q2015 industry letter from the NPC on behalf of AT&T regarding the withholding of compensation where the call volume from a payphone ANI exceeded the set threshold limits. In these instances, AT&T asks for the company name and the relevant ANI(s) to respond to any inquiries. AT&T will then investigate the calls, provide feedback and analysis to the company, and will release the compensation where appropriate. Documentation regarding the investigation and outcome of a sample of these situations was examined and traced from the initial inquiry through to resolution. All documentation was complete and the resolution was completed in a timely manner.

Archived payphone CDRs continue to be readily available to assist in resolving disputes. AT&T confirmed that all payphone CDRs are retained in the data warehouse for a period of greater than 27 months which is in accordance with the FCC regulations.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has implemented procedures and controls needed to resolve disputes	1. Examined the AT&T/NPC industry letter on High Volume ANI (HiVAD) withholding for 4Q2015 as validation of dispute handling 2. Sampled and traced High Volume ANI and missing compensation disputes to verify that disputes were logged and resolution followed the process 3. Received confirmation from AT&T that payphone CDRs are retained for greater than 27 months and that archived records are readily accessible	No deficiencies or exceptions noted

5.8 Assertion #8 - Compensation Critical Controls and Procedures

Compensation Critical Controls and Procedures
AT&T has implemented critical controls and procedures to identify payphone compensation errors a. AT&T develops an annual payphone compensation budget by month based on key company and industry trends b. AT&T analyzes the quarterly payphone compensation invoice at a 'compensation-type' level to identify any deviations from historical trends and current budget c. AT&T documents and retains trending data d. AT&T reviews and analyzes the information contained in the Traffic Analysis Report received from the NPC to validate complete receipt of call records sent to the NPC

AT&T confirmed that the process for developing the compensation budget and tracking the actuals remains the same. Historical data and industry trends are both used to develop the initial budget and compensable call volumes and surrogate payments continue to be tracked and reviewed on a monthly basis to assess reasonableness and accuracy as well as identify any deviations. The report for 2015 which compares the detailed outlook for each month with the actual volumes by month was examined by the Audit Team.

Control reports, monthly report cards, and summary reports on compensation volumes by month and by quarter broken down by product type continue to be used by the management team. The Payphone Compensation Monthly Report Card, generated by the development team, provides a summary of total messages and minutes. The report card for the December 2015 data month was provided for examination by the Audit Team.

The quarterly compensation invoice and associated compensation reports from the NPC continue to be used for trend analysis and comparisons with the system control reports. The Audit Team inspected the 4Q2015 Obligation Invoice which was accompanied by the Payment Summary Report, the HiVAD Report, the

Executive Summary Report, and End-of-Quarter Numbers. The Payment Summary Report provides the detail for the quarterly Obligation Invoice and breaks down for each claim quarter the number of ANIs for each compensation type and rate with the total equaling the total on the Obligation Invoice. The HiVAD Report lists the PSPs whose compensation was withheld due to excessively high volume Dial Around traffic. This report is broken down by PSP and claim quarter and lists the number of ANIs and the dollar amount withheld. The End-of-Quarter Numbers report breaks down the compensation dollars by category and provides the detail of both per call and surrogate compensation by claim quarter.

The Audit Team also examined the SuperFile submission file analysis reports from the NPC for the 4Q2015 reporting period and reviewed the confirmation from AT&T that the counts of records sent by AT&T matched the counts of records received by the NPC.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has implemented critical controls and procedures to identify payphone compensation errors	1. Verified with AT&T that the process used to develop the annual payphone compensation budget has not changed 2. Reviewed the detailed outlook versus monthly actuals report 3. Examined control reports, monthly report cards, and summary reports to validate errors can be identified and corrected and trends can be tracked 4. Inspected the quarterly compensation invoice and related reports from the NPC to validate applicability for trend analysis 5. Examined the SuperFile submission file analysis reports from the NPC and the corresponding confirmation from AT&T to verify that the number of records sent matched the number of records received	No deficiencies or exceptions noted

5.9 Assertion #9 - Compensable Call Business Rules

Compensable Call Business Rules
AT&T has implemented business rules to identify compensable payphone calls a. Payphone calls are identified based on OLI values in the CDRs of '27,' '29,' or '70' b. AT&T has controls in place to identify and eliminate duplicate CDRs c. Potential compensable payphone calls are identified based on applying the following business rules to the payphone call files: 1) CDRs must be toll-free or access-code dialed calls, 2) CDRs must be completed calls based on the answer indicator generated by the switch d. The originating ANI for each call is included in the compensation files sent to the NPC e. AT&T has engaged the NPC to determine the identities of the PSPs to which AT&T owes compensation. The NPC matches the PSP claims to the LEC reports to validate ANI ownership and works with the PSP to resolve any disputes. The NPC calculates surrogate compensation for non-flex ANI payphones and calculates per call compensation in instances where payphone OLI digits fall off during the transmission of the call

The Audit Team traced the details from a sample of payphone CDRs from origination at the switch to their appearance as compensable records sent to the NPC to validate the compensable call business rules. CDRs containing the originating ANI and OLI values of '27,' '29,' or '70' were determined to be compensable and there were no duplicate records. In addition, all CDRs were either toll-free or access-code dialed calls and all contained an Answer Indicator of '0' which signified completed calls. The Audit Team

incorporated the 4Q2015 Traffic Request File into the processing for the end-to-end test. The originating ANIs from calls with OLI digits of '00' were compared with ANIs on the Traffic Request File to determine payphone-origination. These calls were then matched to records on the file sent to the NPC for payment. The call flows and process narratives were determined to be consistent in the documentation of the compensable call business rules with the results of the CDR observations from the compensable records.

The SOC 1 report from the independent auditor on the NPC controls was examined to ensure that controls are in operation for matching PSP claims of ANI ownership to LEC reports and resolving any disputes. The Validation process is the phase in the NPC quarterly processing cycle which compares the claims submitted by the PSPs with the ANI information provided by the LECs / CLECs and determines whether a claim is payable. The control objective for the Validation process is that it completes successfully and errors are identified and resolved. The results of the testing performed by the auditor on the validation control objective were that the controls operated as described.

To validate that the NPC is accurately calculating the surrogate compensation for those ANIs where no OLI digits are transmitted (non-flex ANI), the Audit Team reviewed the Payment Summary Report and the End of Quarter Numbers provided by the NPC for 4Q2015 which break down the quarterly compensation by type, rate, and sub-totals. The calculation of surrogate compensation for non-flex ANI payphones was noted as specified in the assertions.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has implemented business rules to identify compensable payphone calls	1. Traced sample of CDRs received from the switches through the process and compared results with the compensable records sent to the NPC 2. Observed sample CDRs to determine if only completed calls with the OLI values of '27,' '29,' or '70' were in the compensable records and that the originating ANI was included 3. Examined call flows and process narratives for all call types to determine that the business rules are consistent 4. Processed a sample file of payphone CDRs and compared with CDRs sent to the NPC on the compensable file to determine that the business rules, e.g. completed toll-free or access-code dialed calls, were being followed 5. Examined the independent auditor's SOC 1 report on the NPC controls to determine that controls are in place to validate ANI ownership and resolve disputes 6. Reviewed documentation on process to identify payphone calls when the OLI digits are not transmitted or are no longer on the call detail record and determine whether per call or per phone compensation is appropriate 7. Examined the NPC reports to determine the presence of the surrogate compensation calculation for non-flex ANI payphones	No deficiencies or exceptions noted

5.10 Assertion #10 - Compensation on Behalf of Switched-Based Resellers (SBRs)

Compensation on Behalf of SBRs
AT&T has agreed to compensate PSPs on behalf of a small number of completing carriers for which AT&T delivers payphone calls. AT&T notifies PSPs of each completing carrier for which it makes payments via a posting on the NPC website a. AT&T pays 100% of payphone call volume delivered to the small number of completing carriers referenced above based on the business rules that the CDRs must be toll-free or access-code dialed calls

The AT&T Network Connections Product Manager responsible for PSP notification of SBR identification confirmed that the process for giving SBRs the option of choosing to either handle the payment of payphone per call compensation themselves (Option 1) or to contract with AT&T to handle it on their behalf (Option 2) remains the same. AT&T advised that since the 2015 audit, several industry notifications were made to the PSPs via the NPC website. The letters which included the SBR IDs, contact information, and selected options were examined along with confirmation from the NPC that the letters were posted on the website for review by AT&T contacts, PSPs, and Aggregators.

On a quarterly basis, AT&T sends an SBR ID reference file to the NPC as part of the payphone compensation process. The NPC counts the data records and unique SBR IDs and requests AT&T to acknowledge receipt and confirmation of the NPC SBR Submission Analysis. The Audit Team inspected the submission analysis from the NPC and the corresponding validation by AT&T of the data file counts for the 4Q2015 reporting period.

The specific validation test is documented below:

Assertion	Validation Test	Test Results
AT&T has agreed to compensate PSPs on behalf of a small number of completing carriers. AT&T notifies PSPs of each completing carrier for which it makes payments via a posting on the NPC website.	1. Reviewed confirmation from the Product Manager that the notification process for SBR identification remains in place 2. Examined documentation of PSP notification of SBR changes including the letters to the NPC and confirmation as to when the notification would be posted on the website to determine the process was being followed properly 3. Inspected the quarterly SBR ID submission analysis for the NPC and AT&T's acknowledgement/confirmation	No deficiencies or exceptions noted

5.11 Assertion #11 - CFO Accuracy Statements

CFO Accuracy Statements
AT&T asserts that at the conclusion of each quarter, its CFO has submitted to the NPC to be posted on the NPC website a sworn statement relating to payphone payments and stated that such statement is accurate and based on 100% of all completed calls originated from a PSP's payphones in the relevant period except for amounts subject to investigation of potential fraudulent activity or pending disputes.

The Audit Team examined the CFO certification letters and supporting documentation for the 1Q2015 (executed 6/19/2015), 2Q2015 (executed 9/25/2015), 3Q2015 (executed 12/28/2015), and 4Q2015 (executed 3/25/2016) reporting periods. All letters were signed by the Senior Executive Vice President and Chief Financial Officer – AT&T Inc. A screen shot from the NPC website confirmed the presence of the 3Q2015 CFO certification letter.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T asserts that at the end of each quarter, its CFO has submitted a sworn statement of PCC accuracy	1. Examined the quarterly CFO certification statements for the 1Q2015, 2Q2015, 3Q2015, and 4Q2015 reporting periods to validate completion 2. Reviewed the screen shot of the file of the 3Q2015 statement on the NPC site	No deficiencies or exceptions noted

5.12 End-to-End Testing Results

The end-to-end test consisted of the Audit Team independently processing a sample of call detail records, applying the business rules for compensation, and comparing the results with the compensable calls sent to the NPC. Compensation data was extracted from the NPC files for a sample of PSPs from the 4Q2015 processing period. All corresponding CDRs, both compensable and non-compensable, were then extracted from the front end of the AT&T PCC systems and traced through the process. Using the AT&T business rules for determining compensable calls documented in AT&T Management's Assertions and process documentation, the Audit Team processed the CDRs and created a compensable call file. The last step in the test was to compare the Audit Team's compensable file to the corresponding AT&T compensable records which had been sent to the NPC in order to determine if the results matched. Differences, if any, would then be investigated and analyzed.

The preliminary results of the end-to-end test identified a few differences between the CDRs and the calls on the file sent to the NPC. AT&T investigated these calls and determined that a subset of records had not been compiled for submission in the 4Q2015 Superfile. Those records have been retrieved for compensation and payment is anticipated to be released in July.

Upon completion of the end-to-end test, the Audit Team concluded that the AT&T business rules are being applied consistently and correctly with the stated assertions. Detailed examination of the individual CDRs revealed:

1. The compensable CDRs contained an Originating Line Information (OLI) value of '27,' '29,' or '70' or the originating ANI was on the Traffic Request File
2. The compensable CDRs contained an Answer Indicator of '0' signifying a completed call.
3. The compensable CDRs included a toll-free dialed number of 8YY-XXX-XXX or were access-code dialed.
4. The compensable CDRs contained the originating ANI which was correctly populated on the record forwarded to the NPC for compensation purposes.

5.13 Assessment of Process & System Changes

The individual Subject Matter Experts were queried regarding whether there were any substantive operational or procedural changes that may have been applied to the processes and systems under their control since the last payphone compensation audit in 2015. All responded that there have been no material

changes to the per call compensation processes during that time interval. These statements were then supported via follow up email confirmation.

6.0 Audit Conclusions and Findings

Based on the results of the examination of the AT&T payphone compensation processes and procedures and the end-to-end validation of the overall call tracking system, the Audit Team concludes that AT&T and its call tracking system for payphone compensation remain in compliance with the FCC audit requirements and criteria specified in §64.1310 and §64.1320 of the Final Rules of FCC 03-235/CC Docket No. 96-128. The Audit Team further attests that AT&T's assertions of compliance with the aforementioned requirements and criteria are fairly stated in all material respects.

6.1 Contact Information

Please direct any questions regarding this audit to:

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7.0 Appendix - AT&T Management Assertions

Management's Assertions on Modifications to AT&T's LD Payphone Compensation Processes
June 15th 2016

Management of AT&T Corp. (the "Company" or "AT&T") asserts the following:

On June 25, 2004 and October 31, 2005, PricewaterhouseCoopers issued an attestation examination report that provided an opinion regarding Management's Assertions on AT&T's Payphone Compensation Processes. On June 30, 2006, June 29, 2007, June 30, 2008, June 30, 2009, June 30, 2010, June 30, 2011, June 29, 2012, June 28, 2013, June 24, 2014 and June 16, 2015 Engel Consulting Group issued attestation examination reports that provided an opinion regarding Management's Assertions on AT&T's Payphone Compensation Processes. AT&T provided a description of key payphone compensation process and system controls in Management's Assertions on AT&T's Payphone Compensation Processes.

In accordance with the disclosure requirement in the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996 adopted September 30, 2003, Paragraph 42, AT&T, as described in Management's Assertions on AT&T's Payphone Compensation Processes, has not materially modified its payphone compensation processes and systems for the period of June 30, 2015 to June 30, 2016.

Below are AT&T Management's Assertions covering the subjects documented by AT&T on June 25, 2004 as required as part of the initial Pay Telephone Reclassification Provisions of the Telecommunications Act of 1996, FCC Order 03-235 (Docket No. 96-128), which AT&T continues to support through June 30, 2016:

1. AT&T has procedures in place to accurately track payphone calls to completion. As it relates to this assertion, "procedures" will be defined according to the following:

- AT&T has controls in place to ensure that Call Detail Records (CDRs) generated by switches owned or leased by AT&T are interfaced completely to the downstream payphone call tracking system.
- AT&T has controls in place to identify and eliminate duplicate CDRs.
- Payphone calls are identified based on the Originating Line Indicator (OLI)/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
- AT&T has a process in place to identify payphone calls that do not contain payphone OLI, but are entitled to per-call compensation
- An appropriate surrogate process has been employed where no OLI exists.
- AT&T accurately assigns call completion indicators for payphone CDRs based on hardware or software answer types.

2. AT&T has assigned a specific person or persons responsibility for tracking, compensating, and resolving disputes concerning payphone completed calls. As it relates to this assertion, "assigned" will be defined according to the following:

The responsibility for tracking, compensating, and resolving disputes concerning payphone calls has been granted and included in the job description for specific employees.

3. AT&T has effective data monitoring procedures in place. As it relates to this assertion, "effective data monitoring procedures" will be defined according to the following:

- AT&T has documented procedures for monitoring data interfaced from switches owned or leased by AT&T to its call collection system, its usage processing system, and its payphone call tracking system.
- AT&T identifies and takes corrective actions for data irregularities and errors in the payphone process.

4. AT&T adheres to established protocols to ensure that any software, personnel, or network changes do not adversely affect its payphone call tracking ability. As it relates to this assertion, "established protocols" will be defined according to the following:

- AT&T has established a documented software development lifecycle (SDLC) to manage software changes.
- AT&T's SDLC includes testing software changes to determine if they adversely affect AT&T's payphone call tracking ability.
- AT&T monitors adherence to the SDLC.
- AT&T has procedures, including system-driven checks and balances, to ensure network translation and routing changes are implemented in a manner not detrimental to its network.
- AT&T restricts access to the payphone call tracking system to authorized personnel.

5. AT&T creates compensable payphone call files by matching call detail records against payphone identifiers. As it relates to this assertion, "payphone identifiers" will be defined according to the following:

- Payphone calls are identified based on the Originating Line Indicator/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
- AT&T has a process in place to identify payphone calls that do contain payphone OLI, but are entitled to per-call compensation
- An appropriate surrogate process has been employed where no OLI exists.
- Payphone calls are considered compensable based on the business rules criteria defined in Assertion #9.

6. AT&T has procedures in place that incorporate payphone call data into required reports. As it relates to this assertion, "procedures" will be defined according to the following:

- AT&T has procedures to create the following reports accurately and completely from the compensable payphone call files referenced in Assertion #5:

  A. National Payphone Clearinghouse (NPC) SuperFiles - These files submitted to the NPC include the payphone information needed to comply with the FCC's Payphone Orders as a Completing Carrier and an Intermediate Carrier. The information in these files includes:

  I. Completing Carrier Traffic Compensation.
  II. Completing Carrier Toll-Free/Access-Code Reporting.
  III. Intermediate Carrier Toll-Free/Access-Code Reporting files.

B. Paycomp True Zero Accum Files – These files follow formatting standards set by the NPC, and include the following information:

I. The toll-free/access-code numbers dialed from each payphone that has collect and calling card call types.

II. The volume of calls for each toll-free/access-code number completed by the Completing Carrier for each of the PSPs' payphones by call type.

C. Switched Based Reseller Reports – As an Intermediate Carrier, AT&T provides the NPC with the names, addresses and telephone numbers of the Switched Based Reseller Customers which belong to the Wholesale AT&T Network Connection Toll Free Platform.

- AT&T has established procedures to submit the above reports to the NPC on a timely basis.

7. AT&T has implemented procedures and controls needed to resolve disputes. Currently, AT&T maintains Payphone CDRs for at least 27 months that can be utilized for dispute investigations. As it relates to this assertion, "procedures and controls" will be defined according to the following:

- AT&T has documented its process to investigate and resolve disputes with Payphone Service Providers and has posted the process on the NPC's website.
- AT&T logs disputes and follows the published process.
- AT&T maintains payphone CDRs in a data warehouse for at least 27 months that can be utilized for dispute investigations.
- Archived payphone CDRs can be readily accessed by AT&T payphone dispute personnel to perform dispute analysis.

8. AT&T has implemented critical controls and procedures to identify payphone compensation errors. As it relates to this assertion, "critical controls and procedures" will be defined according to the following:

- AT&T develops an annual payphone compensation budget by month based on key company and industry trends (e.g., payphone call counts, number of payphones in the industry).
- AT&T analyzes the quarterly payphone compensation invoice at a 'compensation type' level (e.g., per-call, surrogate) to identify any deviations from historical trends and current budget.
- AT&T documents and retains trending data related to payphone compensation to use in the budgeting and outlook process.
- AT&T reviews and analyzes the information contained in the Traffic Analysis Report received from the NPC to validate the complete receipt of call records sent to the NPC.

9. AT&T has implemented business rules to identify compensable payphone calls. As it relates to this assertion, "business rules" will be defined according to the following:

- Payphone calls are identified based on the Originating Line Indicator/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
- AT&T has controls in place to identify and eliminate duplicate CDRs.
- Potential compensable payphone calls are identified based on applying the following business rules to the payphone call files:
  - CDRs must be toll-free or access-code dialed calls.
  - CDRs must be completed calls based on answer indicator generated by the switch.

- The originating ANI for each call is included in the compensation files to the NPC.
- AT&T has engaged the NPC to determine the identities of the PSPs to which AT&T owes compensation. In addition, the NPC performs the following actions:
  - The NPC matches the PSP claims to the LEC reports to validate ownership of the ANI.
  - In the event that ownership cannot be validated from the information provided, the NPC notifies the PSP of the dispute and works with the PSP to resolve the ownership disputes.
  - The NPC calculates surrogate compensation for non-flex ANI payphones.
  - The NPC calculates per call compensation in instances where payphone OLI digits fall off during transmission of the call.

10. AT&T has agreed to compensate Payphone Service Providers on behalf of a small number of completing carriers for which AT&T delivers payphone calls. AT&T has notified PSPs of each completing carrier for which it makes payment via a posting on the NPC website. As it relates to this assertion, "agreed to compensate" will be defined according to the following:

- AT&T delivers calls to many completing carriers (i.e. AT&T is the Intermediary Carrier). AT&T, on behalf of a small number of completing carriers, makes payment to PSPs for the payphone calls that are delivered to the completing carriers.
- AT&T pays for 100% of the payphone call volume that is delivered to the small number of completing carriers based on the following business rules:
  - CDRs must be toll-free or access-code dialed calls

11. AT&T asserts that at the conclusion of each quarter, in compliance with the rules of the Federal Communications Commission, its chief financial officer has submitted to the NPC to be posted on the NPC webpage for retrieval by each payphone service provider a sworn statement for that quarter relating to payphone payments, and stated that such statement is accurate and is based on 100% of all completed calls that originated from that payphone service provider's payphones in the relevant period except for amounts subject to investigation of potential fraudulent activity or pending disputes by PSPs.