

**B. There Is No Cost Data For The Network-Based Proposals, And Thus No Way To Establish Their Cost Effectiveness.**

Not only did the general effectiveness of the network-based proposals go unsupported; no party submitted any cost data for the record concerning the network-based proposals. Thus, the well-founded belief of ICSPTF, Gateway and others that it would be enormously expensive to require universal deployment of "flex-ANI" and LIDB-based fraud services by every LEC in the nation stands unrefuted. As explained above, the Commission should draw a negative inference against the proponents of BPP at inmate facilities in light of their failure to provide data on these costs, particularly since the proponents are in the best position to supply the Commission with this data.

**IV. THE COMMENTS DEMONSTRATE THAT BPP WOULD ADVERSELY IMPACT PRISON OFFICIALS' CONTROL OF INMATE CALLING, EXPOSE THE PUBLIC TO POTENTIAL CRIMINAL TELEPHONE ACTIVITY, AND ULTIMATELY REDUCE INMATE CALLING OPPORTUNITIES AND BENEFICIAL INMATE PROGRAMS.**

The Commission has been besieged with comments that demonstrate how BPP would adversely impact prison officials' control of inmate calling, and thus expose the public to potential criminal telephone activity. The Arizona Department of Corrections, for example, explains how under the current single-provider system "the inmate telephone provider has been able to ensure that the IXC will cooperate and assist [the Arizona Department of Corrections] law enforcement and criminal justice duties." Arizona Department of Corrections Comments at 4. Under BPP, however, "inmates could further perpetuate crime-by-telephone

activities by arranging for multiple outside contacts each with different IXCs in order to maximize the concealment of the illegal endeavors." Id.

The California Department of Corrections states that "because the prisons would be unable to route inmate calls through a centralized data base, the Department would lose control over public safety and security issues such as who the inmate calls and the ability to brand inmate calls." California Department of Corrections Comments at 9. The Federal Bureau of Prisons concludes that the "introduction of BPP at correctional facilities will hinder and possibly eliminate many of the fraud detection and security techniques currently being used at most federal facilities." Federal Bureau of Prisons Comments at 2.

The comments further demonstrate that it is unlikely that correctional facilities will be able to independently finance the sophisticated calling equipment that inmate calling services providers currently supply at no cost to the facility. The likely result will be that inmate calling opportunities will be dramatically reduced. For example, California Department of Corrections explains that in order to continue its current system:

the State would have to purchase, maintain and administer the system with public moneys. We would have to place central processing equipment at each prison to block the calls coming from that prison. A centralized statewide system would have to be purchased to integrate information and block calls from the 28 prisons and 124,000 inmates.

California Department of Corrections Comments at 9-10. As explained above, the initial costs for such a system in California

are estimated to be \$16,000,000 with more than \$7,000,000 for "maintenance of equipment and software, line costs, LIDB "lookups," and technical assistance." Id. Thus, the California Department of Corrections, as well as virtually every other of the hundreds of prison and jail officials that filed letters or comments in this proceeding, anticipates that it may have "to reduce the number of inmate telephones drastically" if BPP applies. Id.

The comments also confirm that BPP will have a devastating effect on the funding for important inmate programs. For example, Friends Outside, an organization that provides valuable educational and human service programs for the benefit of inmates and their families, opposes BPP at inmate facilities since it would take away their primary source of revenue. They conclude that BPP's "cost to the community, through the loss of [important inmate programs,] would be devastating." Letter of Friends Outside, dated August 25, 1994.

C.U.R.E. attempts to address this unavoidable consequence of BPP by arguing that inmate phone providers will continue to provide inmate calling equipment at no cost to the facility because BPP "will not affect immediately the intraLATA and local collect calling market." C.U.R.E. Comments at 6. C.U.R.E. assumes, with no supporting data, that local and intraLATA calling is a significant percentage of the inmate calling market. C.U.R.E. Comments at 7.<sup>2/</sup> Thus, C.U.R.E. surmises that inmate phone

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<sup>2/</sup>C.U.R.E. has incorrectly assumed that state facilities are "are likely to contain inmate who live within the LATA." C.U.R.E. (continued...)

providers will continue to conduct business as usual with the revenues they receive from local and intraLATA calling traffic, even though the revenues they currently receive from interLATA calling will vanish under BPP.

C.U.R.E.'s logic illustrates how it faces an inescapable dilemma. On one hand, C.U.R.E. is supporting BPP because it apparently believes that BPP will best serve inmate families. At the same time, C.U.R.E. has implicitly recognized that the current system is also important to its membership since it has provided increased calling opportunities and beneficial programs for inmates. Torn between these conflicting interests, C.U.R.E. is now forced to advocate a BPP system which could only be partially applied if the benefits of the current system are to survive.

However, C.U.R.E. has not proposed a viable solution to its dilemma. The inmate calling traffic figures that are in the record indicate that local and intraLATA calling from correctional facilities accounts for 37.6% of the traffic on average.<sup>10/</sup> Thus, inmate calling services providers would immediately lose, on average, over 60% of their current traffic if BPP applies. Even the most efficient provider could not lose that much of its market

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<sup>2/</sup>(...continued)

Comments at 7. This assertion is clearly wrong. The record shows that local and intraLATA calling is more prevalent from city and county facilities, not state facilities which will typically house inmates from a variety of LATAs. See Comments of Value Added Communications ("VAC") at 4 n. 3. See note 10, infra.

<sup>10/</sup>See, VAC Comments at 4. When county facilities are analyzed separately, the figure for intraLATA calling traffic appears to rise substantially, to almost 90%. Id.

share and expect to remain in business at all -- much less so without making substantial cuts in the equipment and services it provides for the facility. Thus, the concerns about the likelihood of inmate phone reduction and the elimination of beneficial inmate programs that the California Department of Corrections, groups like Friends Outside, and others have raised are verifiable and real.

Moreover, the partial BPP system that C.U.R.E. supports is wholly inconsistent with the Commission's stated goals in this proceeding. Indeed, the Commission anticipates that BPP's benefits will be augmented upon the deployment of a ubiquitous, nationwide BPP system. Thus, the Commission has "encourage[d] all states to extend [BPP's] application to all intraLATA traffic to maximize the benefits of BPP." FNPRM at ¶ 19. Even if there is validity to C.U.R.E.'s argument, therefore, it would require that the Commission preempt the states and prohibit them from adopting BPP at the LATA level in order to be effective -- something that the Commission has clearly said it will not do. If anything, to be consistent, the Commission would be more likely to preempt the states and require adoption of BPP at the LATA level.

**V. TO THE EXTENT THERE IS A PROBLEM WITH THE RATES OF CERTAIN PROVIDERS, REASONABLE RATE REGULATION IS A MORE EFFECTIVE AND EFFICIENT ALTERNATIVE.**

**A. There Is No Record Of An Industry-Wide Problem.**

Several parties have noted that there is no evidence in the record to suggest that there is an industry-wide problem with

inmate calling rates.<sup>11/</sup> At best there is only cursory and anecdotal allegations about high rates, but nothing that establishes that there is an industry-wide problem.<sup>12/</sup>

To the contrary, the record establishes that the rates for inmate calling rates are by and large being "capped" through the government contracting process that providers must go through in seeking facility contracts. For example, VAC supplied data showing that over the past 18 months, 86% of the Requests for Proposals ("RFPs") of various County and State facilities have required rate ceilings that were either tied to dominant carrier rates, or ultimately awarded to a provider who offered dominant carrier rates. VAC Comments at Exhibit 1.

VAC's data further shows that at the state level, the recent RFPs of at least ten (10) state Department of Corrections ("DOCs") (Colorado, Illinois, Georgia, Louisiana, Pennsylvania, Massachusetts, Mississippi, New Jersey, Oklahoma and Wisconsin ) have required rate ceilings. ICSPTF has also received similar data from state DOCs and can add the following seventeen (17) states to VAC's list: Alaska, California, Connecticut, Florida, Maine, Maryland, Minnesota, New York, Nevada, Ohio, Rhode Island, South Carolina, Tennessee, Utah, Vermont, Virginia and Washington. Thus,

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<sup>11/</sup>See, e.g., Gateway Comments at 10-12; and VAC Comments at 4-5 and related attachments.

<sup>12/</sup>For example, in its initial *ex parte* comments, C.U.R.E. provided examples of what it claims were unreasonable rates based on letters it had received from certain inmate families. Those allegations, however, were not reliable data, and clearly did not establish a record of industry-wide abuse.

the record shows that at least 27 state DOCs currently have rate ceilings in their contracts. Moreover, every state DOC which has issued an RFP over the last 18 months of which ICSPTF's members are aware has required rate ceilings in their contracts.

As such, ICSPTF agrees with Gateway, VAC and others that to the extent there is a problem with overcharging for inmate calls, it is isolated among a handful of providers. The majority of providers are charging rates that are reasonable and fair. There is simply no basis in fact upon which the Commission could conclude that there is an industry-wide problem with inmate calling rates.

**B. Any Resolution Of Overcharging Will Require Enforcement Efforts By The Commission. BPP Would Be An Expensive And Ineffective Rate Enforcement Vehicle. The Commission Should Therefore Use Its Existing Enforcement Powers.**

Certain parties have suggested that BPP would cure high rates without Commission involvement. Nothing could be further from the truth. Even after the billions of dollars are spent to implement BPP into the network, BPP would still require that every one of the hundreds of thousands of pieces of CPE throughout the nation be reprogrammed by the owners of that equipment. This will require substantial oversight by the Commission.

Indeed, as the industry atomizes, and the organized inmate calling services industry disappears after BPP, the burden of reprogramming the equipment will be left to thousands of individual jail administrators throughout the nation. These administrators have no particular nexus to the telecommunications industry, and few, if any, have regulatory counsel. Thus, it would take years

before there was a complete understanding by jail administrators of their specific obligations under BPP. Moreover, there will clearly be recalcitrants within this group who refuse to reprogram their equipment, just as there have been a few renegade payphone owners who have refused to comply with the unblocking requirements of TOCSIA. The Commission's enforcement burden is therefore likely to increase after BPP, not go away. And the Commission would be enforcing its rules against sheriffs, jail officials, state and local government officials who cannot reasonably be expected to be familiar with the telecommunications terrain.

Thus, BPP at inmate facilities would merely shift the Commission's enforcement resources from rate scrutiny to phone inspections at thousands of correctional facilities nationwide. Clearly, this type of enforcement would be very expensive and likely to solve nothing in terms of bringing lower rates.

The fact is that any system requires enforcement and policing by the Commission. Even rate ceilings in contracts between corrections officials and providers require enforcement through adherence to the procurement process and general oversight.<sup>13/</sup>

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<sup>13/</sup>Indeed, a recent article in *The Washington Post* reports an apparent breakdown in the procurement process of an inmate calling services provider for the D.C. Jail and Lorton prison that led to what certainly appears to be overcharging. See, "District Says Bethesda Firm Violated Pay Phone Contract," *Washington Post*, September 7, 1994, Section D2, Col. 3. The Florida Public Service Commission has also cited an isolated instance of overcharging involving a Florida provider where contractual rate ceilings were required. See, Reply Comments of the Florida Public Service Commission at 3. Neither case, however, can fairly or reasonably be the basis for any generalization about other jurisdictions' failure to control rates.

ICSPTF is in full agreement with the approach suggested by Gateway in its comments with regard to those individual providers who may be overcharging -- the Commission should use its enforcement and complaint powers against those providers. The Commission should not tolerate providers who may be charging unreasonable rates. If there is evidence of a provider charging excessive rates, such as suggested by the Washington Post article referred to above, ICSPTF urges the Commission to use its existing enforcement powers to immediately halt that practice.

**C. A Reasonable Rate Benchmark Will Assist The Commission With Its Enforcement Duties.**

Several parties agree with ICSPTF that a Commission-mandated rate benchmark for inmate calling rates is a more sensible alternative to BPP in terms of rate enforcement. ICSPTF submits that a rate benchmark would help to lessen the Commission's enforcement burden by providing a firm standard that federal, state and local prison and jail authorities can implement into their contracts with providers.

Since filing its initial comments, ICSPTF's members have discussed the rate benchmark issue in more detail. ICSPTF is in the process of formulating specific rate benchmarks. At this stage, ICSPTF has developed a basic framework for an appropriate benchmark.

The Commission should develop a benchmark based upon an evaluation of the current marketplace conditions and prevailing

rates.<sup>14/</sup> After a prevailing rate has been established, inmate system providers should be required to set rates within a reasonable rate ceiling that is fair to all providers and consumers of inmate calls. Some providers may have to be above that prevailing rate but below the rate ceiling. Providers who charge rates in excess of that ceiling should be subject to Commission investigation and enforcement actions.

A rate ceiling would have several elements. One element is a fixed operator assistance charge. This charge would include all fixed charges; it is akin to current operator assistance charges now prevalent in the public communications industry. No add-ons, premises imposed fees ("PIFs"), special fees, etc. would be permitted.

The second element would be a usage sensitive, i.e., a per minute charge that had a rate ceiling. This rate may be either "postalized" or distance sensitive, but, in any event, the rate ceiling could not be exceeded.

Finally, a second usage sensitive element, that is both "capped" and has a maximum, would be allowed. The purpose of this supplemental charge would be to reflect the particular cost and market conditions faced by individual inmate call system providers. The rate for each increment, e.g., each minute, would be subject

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<sup>14/</sup>Some parties have suggested establishing a rate benchmark tied to the dominant carrier's rates. ICSPTF disagrees with that position. Equating a benchmark to a particular carrier's rates would provide that carrier with an opportunity to undercut the market and drive the smaller providers out of business. This approach is also too burdensome on that particular carrier. It will lead as well to market distortions.

to a ceiling and the total charge on any call for all increments would be subject to a maximum. The first increment, e.g., the first minute, could be "front-loaded" to some degree to reflect call set-up charges and "fixed costs" associated with each call, such as billing and collection, validation, etc. The rate for each additional increment would be considerably less than the rate for the initial increment, and the caller could only be charged for a limited number of increments until the maximum charge allowed were reached.<sup>15/</sup>

Finally, with regard to enforcement, the Commission should send a public notice to all correctional officials and ICS providers nationwide to inform them about the benchmark. That notice should encourage those officials to follow that benchmark in their contracts with providers. ICSPTF is willing to work with the Commission in establishing such an educational campaign. On the other hand, ICSPTF does not agree with the enforcement proposal in the FNPRM that would exempt from BPP those facilities that charge rates below the predetermined benchmark. For the reasons discussed above and throughout the comments in this proceeding, BPP is a costly, inefficient proposal that will do more harm than good.

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<sup>15/</sup>Calls that are not of sufficient duration would not reach the maximum charge. Once longer calls reached a duration sufficient to incur the maximum charge under this element, the caller could incur no additional charges under this element. (The caller would, however, be subject to continuing usage sensitive (e.g., per minute) charges under the second element described in the text.) Because some calls will be short-duration calls, it will necessarily be the case that the average charge for this element will always be less than the maximum permitted.

The Commission should not, therefore, adopt BPP for any reason, let alone for the sole purpose of enforcing rate compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Albert H. Kramer", written over a horizontal line.

Albert H. Kramer  
David B. Jeppsen  
KECK, MAHIN & CATE  
1201 New York Avenue, N.W.  
Washington, D.C. 20005-3919  
(202) 789-3400

Attorneys for the Inmate Calling  
Services Providers Task Force

Dated: September 14, 1994

## **EXHIBIT 3**

1201 NEW YORK AVENUE, N.W.  
WASHINGTON, D.C. 20005-3919  
(202) 789-3400  
FAX (202) 789-1158

# KECK, MAHIN & CATE

FILE NUMBER 46158-002

DIRECT DIAL 202-789-8925

February 21, 1995

William Caton  
Secretary  
Room 222  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

## SUMMARY OF EX PARTE PRESENTATION

Re: CC Docket Nos. 92-77 and 94-158

Dear Mr. Caton:

Today, the undersigned met with Kathleen Levitz and Anna Gomez of the Common Carrier Bureau to discuss the Inmate Calling Services Providers Task Force's ("ICSPTF") rate benchmark proposal. ICSPTF is a task force of the American Public Communications Council comprised of approximately twenty companies which are engaged in the provision of specialized telephone equipment and services to prisons and other correctional facilities. ICSPTF's members range from small, privately-held concerns, to several large, publicly-traded telecommunications corporations.

In the meeting, we discussed serious concerns that have been raised on the record of this proceeding about the application of billed party preference ("BPP") to correctional facilities, and that the overwhelming majority of commentors on this issue, including the Federal Bureau of Prisons, several local exchange carriers and numerous members of Congress, have made it clear that BPP would jeopardize facility administrator control over inmate calling, increase the risk of fraud and other criminal activity by inmates, and eliminate an important source of revenue that pays for inmate welfare programs.

At the same time, we recognized that there is still concern that the rates being charged by a limited number of providers of inmate calling services may be unnecessarily high. In comments filed in CC Docket 92-77, the ICSPTF has advocated a direct approach for curtailing unreasonable rates, rather than the indirect and costly approach of BPP, by proposing that the Commission follow the lead of several states and establish a reasonable rate benchmark for interstate inmate calls. Under a benchmark form of regulation, tariffed rates at or below the

A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

CHICAGO, ILLINOIS HOUSTON, TEXAS LOS ANGELES, CALIFORNIA SAN FRANCISCO, CALIFORNIA  
PEORIA, ILLINOIS OAKBROOK TERRACE, ILLINOIS SCHAUMBURG, ILLINOIS  
KECK, MAHIN, CATE & KOETHER NEW YORK, NEW YORK FAR HILLS, NEW JERSEY

## KECK, MAHIN & CATE

William F. Caton  
February 21, 1995  
Page 2

benchmark would not be subject to suspension. By contrast, rates above the benchmark would be subject to suspension and investigation by the Commission pursuant to Section 204 of the Communications Act.

Since making that proposal, ICSPTF has worked diligently with industry members, and has sought input from the representatives of inmate families, to arrive at a specific benchmark proposal that is reasonable and that will ensure that inmates will continue to enjoy the benefits of increased calling opportunities. The specific benchmark ICSPTF proposes is as follows: (a) the operator services charge for inmate calls should be no more than the dominant carrier's current operator service charge for this type of calling; (b) the usage rates for the first minute should be no more than the dominant carrier's current daytime first-minute rate, with a reasonable "safe harbor" up to \$.50 additional in order to account for the higher costs of certain providers; (c) the usage rates for the next additional ten minutes should be no more than the dominant carrier's current daytime additional minute rate, with a reasonable "safe harbor" up to \$.15 per minute additional in order to account for the higher costs of certain providers; and (d) the usage rates above eleven minutes should be no more than the dominant carrier, since all providers should have been able to recover their reasonable higher costs through the "safe harbor" charges allowed under the first eleven minutes. Thus, there would be a maximum charge of \$2.00 above the dominant carrier's daytime rate for inmate calls, with the maximum reached only for calls that reached or exceeded eleven minutes in length.

ICSPTF also believes that the Commission should designate a special classification for inmate calling tariffs in its public notices announcing tariff filings, require cost-justification and lengthen the notice period for tariffs which exceed the benchmark in order to give the staff sufficient time to review and, if appropriate, suspend such tariffs. In substance, providers who exceed the benchmark should be subject to "dominant carrier-like" treatment. Further, to the extent that certain providers may be ignoring the tariff requirements of the Act, ICSPTF recommended that the Commission provide a stern warning that it will pursue the maximum penalties against any provider who fails to file a tariff or who charges rates that are different than the rates reflected in its tariff.

We also discussed how ICSPTF's proposal is relevant to the Commission's Notice of Inquiry in CC Docket No. 94-158 requesting comments on what, if any, changes should be made to the rules applicable to inmate-only telephones and how it can help address the issues raised in that proceeding. In this context, we stated that ICSPTF's proposal is clearly a productive proposal that should be given serious consideration by the Commission.

Finally, although it was not discussed at our meeting, we respond herein to an October 7, 1994, *ex parte* letter filed by the Public Utility Law Project of New York, Inc. ("PULP") which concerned rate benchmarks for inmate calls. PULP essentially argued that if the Commission goes forward with a rate benchmark proposal, it should set the benchmark at a level that is 20% less than the rate charged by AT&T. We would emphasize that ICSPTF took great

**KECK, MAHIN & CATE**

William F. Caton  
February 21, 1995  
Page 3

care to arrive at a benchmark proposal that would both stop the charging of unreasonable rates, and ensure continuous availability of systems that enhance inmate calling opportunities. We explained that PULP's proposal would do nothing but ensure that the largest carriers, such as AT&T and the Bell Operating Companies ("BOCs"), regain total control of the inmate calling market, thereby depriving inmates and their families the benefits of widely available inmate calling systems and calling opportunities.

Sincerely,



Albert H. Kramer  
David B. Jeppsen  
Counsel to the Inmate  
Calling Services Providers  
Task Force

cc: Kathleen Levitz  
Anna Gomez

EXPART.LET

**EXHIBIT 4**

## INDUSTRY CONCERNS WITH PRISON FRAUD

LARRY KEFFER  
CO-CHAIRMAN OF THE NATIONAL  
TOLL FRAUD PREVENTION COMMITTEE

### I. OVERVIEW

Institutional toll fraud presently generates an annual loss of \$150 million according to the Communications Fraud Control Association (CFCA), a national association of IXCs, LECs, and law enforcement representatives. Included in the category of institutional toll fraud are educational facilities, military institutions, and prisons. Local exchange carriers and interexchange carriers have sought to minimize the fraud from inmate facilities through the provision of inmate service. Inmate service does not typically allow calls such as third party bill, access to Feature Group B (950) or Feature Group D (10XXX), 800 calls, 900 calls, 976 calls, direct dialed local calls, and credit card calls. Nonetheless, inmates still perpetrate fraud by using deceptive means to "Get By" the operator and access either services that require authorization codes (PINs or credit card numbers) or unsecured lines which give second dial tone.

### II. WAYS FRAUD IS PERPETRATED BY INMATES.

#### A. PBX FRAUD

An example of PBX fraud is where an inmate calls a hospital and tells the operator "collect call from Dr. Jones." The PBX operator then accepts the call. The inmate will then ask for a department (i.e. radiology). When the department answers, he will explain that he was directed to the wrong department and requests to be connected to the operator again. When the operator is reconnected, he then asks for an outside line and dials his fraudulent call.

#### B. UNSECURED LINES and SECURED WATS LINES

Many large businesses have WATS lines that are dial accessed by their personnel. Some of these lines have authorization codes associated (secured lines), others just return a second dial tone when they are accessed (unsecured lines). The inmates will dial these numbers, tell the operator the call is from "John" and when the conformation or second dial tone is returned, the inmate will send a burst of DTMF to kill the tone before the

operator can hear it. They, in turn, either disguise their voice or hand the phone to another inmate who accepts the call. The Operator drops off and the inmate population has access to the dial facilities. If the line is secured, the inmates may "hack" the code until a valid authorization code is found or obtain a code via outside sources. They will have the ability at this point to dial their call on unsecured lines.

#### C. FEATURE GROUP A

Feature Group A fraud is perpetrated like the secured WATS lines. The inmates get to the carriers' facilities using the deceptive means previously mentioned, then input a stolen PIN and dial their call. Some Feature Group A lines also have the ability to reoriginate calls by using the # key. On completion of a call, the calling party presses the # key and the Feature Group A line returns dial tone and another call can be made without reentering the PIN. Unlimited numbers of calls can be made in this manner. To the LEC, it appears as only one call was made.

### III. POTENTIAL HARM

#### A. CREDIT CARD CALLING

1. Inmates have many ingenious ways of illegally obtaining authorization codes, PINS, and Credit Card numbers. Allowing an inmate to make credit card calls would make the serving LEC and all IXCs very susceptible to fraud.
2. If an inmate were permitted to have a legitimate credit card, the card could easily be compromised within that facility. That inmate could sell calls to other inmates then report his card stolen.
3. Subscription Fraud (where a person orders service, runs up a large toll bill, then disappears without paying) would be a possibility where an outside source would order service under an assumed name, order a calling card, give the information to an inmate, then disappear. In the interim, the inmates could run up large volumes of fraud.

#### B. THIRD NUMBER BILLED

Third number billed calls would give an inmate an unlimited opportunity to place fraudulent calls with the

cooperation of friends at remote phones or other inmates. These calls could later be identified by the billed party as fraudulent at the expense of the LEC or IXC.

C. LOCAL CALLING

Allowing inmates to make local calls without operator control or without controlling the number of digits that they could dial, would give them access to local Feature Group A lines, dial access WATS lines, and also make the PBX fraud easily perpetrated. They would now be able to dial into the PBX without going through the operator and having a collect call accepted.

D. 1+ SENT PAID

Allowing 1+ sent paid traffic would also require controlling the number of digits the inmate could dial. With this stipulation, the potential for fraud would be minimized.

E. 0+ SENT PAID

Allowing 0+ sent paid traffic necessitates control of the 54 coin drop function at the coin set. Of course, this function is not under the operator's control, making 0+ sent paid calls totally unworkable from COCOT sets. Even at a LEC operated coin phone, an inmate could get the receiving caller at another coin set location to drop the coins at the receiving coin set. At those locations not utilizing electronic means to monitor and detect the point of origin of the coin deposit tones, the operator would be unaware that the coins were being deposited in the receiving set rather than by the inmate at the originating set. When a coin control signal is sent to collect the coins, it is applied only against the set originating the call. The receiving set would simply drop the coins back through to the coin return slot upon disconnect. When actual money in the collection box (originating set) is compared to the expected revenue (generated from AMA records), the shortage would be identified. Since it cannot be determined which calls created the shortage, recovery of this loss through rebill is impossible.

F. 10XXX DIALING

Allowing 10XXX dialing from inmate lines would make Interexchange Carriers, who cannot separate this type of traffic from POTS traffic, "fair game" for fraud. Some

interexchange carriers elected not to participate in balloting and allocation of BOC public phones because of inmate service and other services that require special screening.

#### IV. POSITIONS

##### A. NATIONAL TOLL FRAUD PREVENTION COMMITTEE POSITION

The Toll Fraud Prevention Committee, a national, industry-wide forum made up of all RBOCs, GTE, USTA, AT&T, MCI, US Sprint, Allnet, Bell Canada, Total-Tel USA, BellCore, Telus, and a number of other Interexchange Carriers, has had the Prison Fraud issue before them. This Committee has recommended that Inmate Service, regardless of the provider, allow 0+ Collect only. Deviance from this type of service will result in large amounts of fraud. TFPC issue 88-008 was agreement by the industry not to allow 10XXX dialing from inmate classes of service.

##### B. SUMMARY

The Communications Fraud Control Association (CFCA) estimates institutional fraud at \$150 million dollars annually. Because of this history, increased calling patterns made available to the inmates will increase the opportunities to commit telephone fraud. Secondly, when inmates perpetrate the fraud, there is not a means for restitution. Allowing inmates access to calling card services would allow them a much easier way of perpetrating the fraud. Allowing unrestricted local calling would give them access to services that would be compromised. It is strongly recommended that inmate service remain as 0+ Collect only. Additionally, 1+, 0-, and 00- sent-paid calls should be allowed only when access to 800, 900, 976, 950 (FGB), 10XXX (FGD), and the dialing of additional digits after the initial call set up can be totally blocked.



**Southern Bell**

Carl E. Swearingen  
Assistant Vice President

Post Office Box 30188  
Charlotte, North Carolina 28230  
Phone (704) 378-8741

March 1, 1989

Mrs. Sandra J. Webster, Chief Clerk  
North Carolina Utilities Commission  
Post Office Box 29510  
Raleigh, North Carolina 27626-0510

Re: Docket No. P-100, Sub 84

Dear Mrs. Webster:

Enclosed please find the original and 31 copies of the industry report requested by the Commission in its January 13, 1989 Order in the above captioned Docket. The report is the result of an industry conference held on February 17, 1989 in Raleigh and reflects the industry's recommendations on various issues with respect to pay phones in detention areas of confinement facilities.

I am also enclosing an extra copy of this letter which I would appreciate your stamping "Filed" and returning to me.

Thank you for your assistance.

Yours very truly,

*Carl E. Swearingen*  
Carl E. Swearingen *ceh*

Enclosures

cc: All Parties of Record

INMATE SERVICE  
INDUSTRY REPORT

OVERVIEW

On February 17, Southern Bell chaired an industry conference to address COCOT service in confinement facilities, as ordered by the NCUC on January 13, 1989. At this conference, the industry discussed the requirements of the NCUC order of October 11, 1988 to determine how these requirements could be met. Attached is a list of industry members who were notified of the conference, a list of participants present at the conference, and the conference agenda.

Key points from this conference are listed below.

1. Despite the current restriction of collect only on most inmate lines, excessive toll fraud already exists due to ingenious schemes used by inmates to gain unauthorized access to toll networks. The volume of toll fraud would likely escalate if IXCs and LECs were required to permit credit card calling from confinement facilities.
2. If sent paid calling were permitted from confinement facilities, losses due to unauthorized access to other services, "lost" coins, and/or fraudulent coin deposits would likely erode the revenue generated.
3. Due to technical limitations, some LECs, and at least two IXCs, are unable to provide the specialized blocking and/or screening needed for inmate facilities.
4. The industry recommendation is that the collect only strategy currently utilized for lines in confinement facilities be applied to COCOTs in confinement facilities as well.

CREDIT CARD CALLS

A primary issue to the industry is the volume of toll fraud which would result from the requirement to allow inmates to place credit card calls. The parties at risk from this requirement would be the IXCs, the LECs, and ultimately the general rate payers. Neither the confinement facilities management, nor the COCOT provider, would incur any financial risk if credit card calls were permitted in confinement facilities. Inmates presently use a multitude of creative methods to place fraudulent toll calls as described in the attached document on toll fraud. Due to the excessive volume of toll fraud which originates from

inmate facilities, the industry was in complete agreement that credit card calls should not be permitted from inmate facilities.

#### SENT PAID CALLS

Compensation to LECs and IXCs for sent paid calls (i.e., calls billed to the originating line), is the responsibility of the line subscriber. This applies to COCOT providers as well, making them financially responsible for sent paid calls initiated from COCOT phones in confinement facilities.

Because the intelligence to rate a call, as well as to collect/return coin deposits appropriately, is contained within the COCOT set itself (or in associated periphery equipment), 1+ sent paid calls (i.e., depositing coins to pay for the call) can be handled via COCOTs without any external operator system. However, since there is no provision for extending control of the coin collect/return capabilities to an associated operator system, COCOT originated sent paid calls which require an operator (0+ sent paid calls) are not feasible.

To limit their toll liability to LECs and IXCs to those 1+ calls which they can appropriately service, COCOT providers have traditionally subscribed to class of call screening to have operator-assisted sent paid calling blocked. This blocking is in the best interest of the COCOT provider (limited liability) as well as the LECs and the IXCs.

Although the COCOT provider is responsible for sent paid calls, allowing 1+ dialing from COCOT lines in confinement facilities provides an easy means for essentially uncontrolled network access and access to services such as 800, 900, 976, 950 (FGB), and 10XXX (FGD). In addition, it allows easy access for unauthorized use of individual customers' local and long distance lines. (See the attached paper for more details on fraud.)

Due to the potential for increased fraud risk associated with providing local and/or 1+ sent paid calling capabilities, it is the industry recommendation that all sent paid calls - local and toll, operator-assisted or not - be blocked from COCOTs serving confinement facilities.

#### BLOCKING & SCREENING PROVISIONING

Blocking and screening requirements raise the technical issue of how the appropriate blocking can be provided. Southern Bell provides selective screening and blocking through a combined process of class of service translations on the customer line along with transmission of a special information bit (ANI7). When the end office receives the call initiation, the class of

service coding reveals that an ANI7 must be sent with this call. The call is then sent with the ANI7 to either an IXC (interLATA calls) or to the LEC tandem office (intraLATA calls) for appropriate call processing. LECs use the ANI7 as an indication that special screening is required on the call. The degree to which the screening requirements can be customized, based on the originating line number, varies by LEC. Some are quite flexible, capable of associating any particular combination of screening restrictions with any particular line number. Others are able to screen any particular originating line number, but all screening must be with the same combination of restrictions. Because the screening occurs after interLATA calls have been sent to the appropriate IXC, LECs can provide additional screening for intraLATA calls only. The degree to which IXCs can apply any specialized screening, based on the originating line number, varies as does the LECs' capabilities.

Two IXCs indicated that they cannot currently provide this secondary screening table. Instead, one IXC suggested that the ANI7 code be further subdivided into three or four other information codes to indicate specifically which screening option was needed. Several LECs responded that the ANI7 process is hard wired into their switches, and, therefore, cannot be changed. In addition, altering the ANI7 method would require national agreement from all BOCs, LECs, and IXCs, an extremely lengthy process at best. Additionally, this same IXC indicated that a system update which could accommodate this secondary screening would be available for their switches in early 1990.

In light of the common use of the ANI7 and secondary screening table, the industry recommendation is to continue providing the screening through this method. Essentially, each LEC will provide the ANI7 digit to indicate the need for additional screening. It will be the responsibility of each party completing the call to properly handle the call. The inability to provide the additional screening will cause financial risk to the company completing the call, thereby giving that company incentive to either avoid solicitation of that business or to develop a method to provide the necessary screening.

#### RECOMMENDATION

Based on both the requests of some of the administrators responsible for confinement facilities, and the telecommunications industry's experiences with fraud losses, the public telephone service provided for the use of inmates in confinement areas should not be configured exactly like the public telephone service provided at other locations. It is the industry's recommendation that lines provided for COCOTS in confinement facilities be arranged to: