

Deliverables

Deliverables

- **Performance Measure Attestation Examination**—On November 1, 2000, we issued our attestation examination report on SWBT's assertion that its results comply with the business rules in Case TO-99-227 for the period April 1, 2000 through June 30, 2000.
 - Our report stated that management's assertion that SWBT's reported PM results complied with the business rules in Case TO-99-227 for the period April 1, 2000 through June 30, 2000 is fairly stated, in all material respects, except for certain instances of noncompliance noted during our examination period.
 - SWBT's assertion appropriately reflects all material instances of noncompliance noted during our attestation engagement and appropriately represents the status of SWBT action taken to correct instances of noncompliance.

Deliverables

- **Performance Measure Controls Attestation Examination**—On November 1, 2000, we issued our attestation examination report on SWBT's assertion that controls over its process to calculate and report PM results were effective as of June 30, 2000.
 - Our report stated that management's assertion that the Company's controls over the performance measurement calculation process are effective in providing reasonable assurance that the Company's performance measure results were calculated and reported in compliance with the conditions set forth in the business rules in Case TO-99-227, as of June 30, 2000, is fairly stated, in all material respects.
- **Capacity Test**—On November 1, 2000, we issued our agreed-upon procedures report to assist in evaluating SWBT's assertion that its five-state regional OSS is capable of supporting commercial preorder and order volumes specific to Missouri.
 - Findings from the procedures performed did not indicate the need to perform additional agreed-upon procedures relative to SWBT's OSS capacity.

Other Matters

Other Matters

- **Request for Proposal (RFP) Section 2.2.1d**—Full documentation of all source data, as well as detailed data collection methodology, so that State Agency can readily and fully ascertain how the data satisfies the standards outlined in the performance measurements.
 - We have met this requirement of the RFP through documentation maintained in our workpapers regarding SWBT's detailed data collection methodologies, application of the business rules, and performance measurement calculation process.
 - The MoPSC Staff was an active participant in determining the scope of the validation process and monitoring progress/issues and has full access to our supporting workpapers and documentation.

Other Matters

- **RFP Section 2.2.1e**—At the end of the evaluation and validation process, E&Y shall provide a document that includes an interim report on the process. This report should provide the results of the data validation process used by E&Y as well as the results of the capacity test. The report shall describe any discrepancies found by E&Y in the data, as well as any problems found during the capacity test, and make recommendations respecting any such finding.
 - We have met this requirement of the RFP through issuance of our draft interim reports on October 10, 2000. These reports provided the results of the data validation process and the results of the procedures performed in relation to the capacity test. All discrepancies found by E&Y in the performance measurement data and all results regarding the procedures performed in conjunction with the capacity test were disclosed in our report. Corrective action indicated in SWBT's assertion was deemed appropriate to address the discrepancies noted during the validation process.

Other Matters

- **RFP Section 2.2.1h**—The contractor shall provide a supporting document that describes the underlying approach of the evaluation and validation of production and/or test data, describes the methodology used in evaluation and validation of the production and/or test data, and lists the production and/or test data obtained for each performance measurement. This supporting document shall provide sufficient detail to allow uninvolved third parties to fully understand how the evaluation and validation of production and/or test data results were derived.
 - We believe our scope, approach, and methodology document filed with the MoPSC on October 10, 2000 clearly documents our approach and methodology for the evaluation and validation of production and/or test data. Additionally, today's presentation provides interested parties with additional detail regarding our approach and methodology utilized.

Appendix

Appendix – Attestation Standards

- The engagement shall be performed by a practitioner having adequate technical training and proficiency in the attest function.
- The engagement shall be performed by a practitioner having adequate knowledge in the subject matter of the assertion.
- The practitioner shall perform the engagement only if he or she has reason to believe the following two conditions exist:
 - The assertion is capable of evaluation against reasonable criteria that either have been established by a recognized body or are stated in a sufficiently clear and comprehensive manner for a knowledgeable reader to be able to understand them.
 - The assertion is capable of reasonably consistent estimation or measurement using such criteria.
- In all matters relating to the engagement, an independence in mental attitude shall be maintained by the practitioner.
- Due professional care shall be exercised in the performance of the engagement.

Appendix – Attestation Standards

- The work shall be adequately planned, and assistants, if any, shall be properly supervised.
- Sufficient evidence shall be obtained to provide a reasonable basis for the conclusion that is expressed in the report.
- The report shall identify the assertion being reported on and state the character of the engagement.
- The report shall state the practitioner's conclusion about whether the assertion is presented in conformity with the established or stated criteria against which it was measured.
- The report shall state all of the practitioner's significant reservations about the engagement and the presentation of the assertion.
- The report on an engagement to evaluate an assertion that has been prepared in conformity with agreed-upon criteria or an engagement to apply agreed-upon procedures should contain a statement limiting its use to the parties who have agreed upon such criteria or procedures.

Appendix 5: MoPSC Transcript of November 8, 2000 Scope and Approach Presentation

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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS
Hearing
November 8, 2000
Jefferson City, Missouri
Volume 15

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12 In the Matter of the Application of)
Southwestern Bell Telephone Company)
13 to Provide Notice of Intent to File)
an Application for Authorization to) Case No. TO-99-227
14 Provide In-Region InterLATA)
Services Originating in Missouri)
15 Pursuant to Section 271 of the)
Telecommunications Act of 1996.)

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NANCY M. DIPPELL, Presiding,
SENIOR REGULATORY LAW JUDGE.

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SHEILA LUMPE, Chair,
CONNIE MURRAY,
KELVIN SIMMONS,
M. DIANNE DRAINER, Vice-Chair,
COMMISSIONERS.

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REPORTED BY:
KELLENE K. FEDDERSEN, CSR, RPR
ASSOCIATED COURT REPORTERS, INC.

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1 P R O C E E D I N G S
2 (EXHIBIT NO. 138 WAS MARKED FOR
3 IDENTIFICATION.)

4 JUDGE DIPPELL: This is Case No. TO-99-227, In
5 the Matter of the Application of Southwestern Bell Telephone
6 Company to Provide Notice of Intent to File an Application
7 for Authorization to Provide In-Region InterLATA Services
8 Originating in Missouri Pursuant to Section 271 of the
9 Telecommunications Act.

10 My name is Nancy Dippell. I'm a Regulatory
11 Law Judge for the Commission.

12 The purpose of today's session is for
13 questions and answers from the Commission regarding
14 responses filed by the party in the Ernst & Young report and
15 also to allow Ernst & Young to do a presentation.

16 At this time I'd like to go ahead and get oral
17 entries of appearances from the attorneys just so that we
18 can keep you all straight and know who's here. It's not
19 necessary to give your address, if you'd just state your
20 name and who it is that you represent, and I'd like to start
21 over here with Mr. Dandino if I could.

22 MR. DANDINO: Michael Dandino, Office of the
23 Public Counsel, representing the public and the Office of
24 the Public Counsel.

25 JUDGE DIPPELL: Okay. If we could just go
2686 ahead and come along. Who else do we have?

1 MR. WILLIAMS: Dan Joyce, Nathan Williams and
2 David Stueven for Staff of the Missouri Public Service
3 Commission.
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5 MS. YOUNG: MaryAnn Young, William D.
6 Steinmeier, P.C, appearing this morning on behalf of McLeod
7 USA Telecommunications, Jefferson City.

8 MR. MORRIS: Stephen F. Morris appearing on

9 behalf of WorldCom.

10 MR. SIEGEL: Howard Siegel of IP
11 Communications. I'm IP's attorney and also their Vice
12 President of Regulatory Policy.

13 MR. LUMLEY: Carl Lumley appearing for Primary
14 Network Communications, Gabriel Communications of Missouri,
15 Inc. and also co-counsel for WorldCom.

16 MR. MINNIS: Steve Minnis on behalf of Sprint.

17 MR. COWLISHAW: Pat Cowlshaw with Michelle
18 Bourianoff appearing for AT&T Communications of the
19 Southwest.

20 MR. LANE: Paul Lane, Anthony Conroy and Leo
21 Bub on behalf of Southwestern Bell Telephone Company.

22 MR. STEWART: Charles Brent Stewart appearing
23 on behalf of Alltel Telecommunications, Inc.

24 MR. DEWOLF: Jeff DeWolf, Sprint.

25 MR. COMLEY: Mark Comley appearing on behalf

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1 of Show-Me Competition, Inc. and NextLink Missouri.

2 MR. FISCHER: James M. Fischer appearing on
3 behalf of Associated Industries.

4 JUDGE DIPPELL: Are there any other attorneys
5 that need to make their entries?

6 Okay. Then at this time I'd like to go ahead
7 and get the witnesses all sworn in. So let's go ahead and
8 again if you would state your name, and those of you in the
9 back, either really shout it out or come to the microphone
10 even to state your name.

11 So what I'm going to do this time is start
12 from the back, and I'm going to ask people to just stand and
13 give your name, and then at the end we'll administer the
14 oath. So can I start in the far back, is there anybody
15 that's going to testify? Okay.

16 MS. WEISS: Nancy Weiss on behalf of WorldCom.

17 MS. KENDALL: Rose Kendall on behalf of
18 WorldCom.

19 MR. BROWN: Lincoln Brown on behalf of SBC.

20 MR. PALMER: Donald Palmer, SBC Services, Inc.
21 on behalf of Southwestern Bell.

22 MR. SHANKS: Robert Shanks, Primary Network.

23 MR. REILLY: Cliff Reilly, Primary Network.

24 MR. CADIEUX: Ed Cadieux, Gabriel

25 Communications of Missouri.

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1 MS. SMITH: Barbara Smith on behalf of
2 Southwestern Bell Telephone.

3 MS. ANTEY: Rebecca Antey on behalf of
4 Southwestern Bell Telephone.

5 MR. SMITH: David Smith, Southwestern Bell
6 Telephone.
7 MS. CHAPMAN: Carol Chapman, Southwestern Bell
8 Telephone.
9 MS. POMPONIO: Carol Pomponio, NextLink
10 Missouri.
11 MS. LAWSON: Beth Lawson, Southwestern Bell
12 Telephone.
13 MS. CULLEN: Angie Cullen, Southwestern Bell.
14 MS. HAM: Elizabeth Ham, Southwestern Bell.
15 MR. CUPPETT: William Cuppett, Southwestern
16 Bell.
17 MR. GALE: Bob Gale, Southwestern Bell.
18 MR. TEBEAU: David Tebeau, Southwestern Bell.
19 MR. TURNER: Steve Turner with Caleo
20 Consulting here on behalf of AT&T of the Southwest.
21 MR. KOHLY: Matt Kohly with AT&T.
22 MR. VAN DE WATER: Mark Van De Water, AT&T.
23 MR. NOLAND: Brian Noland with Southwestern
24 Bell.
25 MR. DYSART: Randy Dysart with Southwestern
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1 Bell.
2 MS. SPARKS: Rebecca Sparks, Southwestern
3 Bell.
4 MR. HUGHES: Tom Hughes, Southwestern Bell.
5 MR. DEERE: William Deere with Southwestern
6 Bell.
7 MR. DEWOLF: I'll correct the record. This is
8 Jeff DeWolf. I'm not a witness for Sprint. I'm not an
9 attorney.
10 MR. SIEGEL: Actually, Howard Siegel for IP.
11 As Vice President of Regulatory Policy, I'll be providing
12 all information for IP.
13 MR. WILLARD: Walt Willard with AT&T.
14 MR. KRUSE: Brad Kruse, McLeod USA, not to be
15 confused with either of those two other guys that appeared
16 on the transcript last time.
17 MR. VAN ESCHEN: John Van Eschen, Commission
18 Staff.
19 MR. VOIGHT: William Voight, Commission Staff.
20 MR. DOLAN: Dan Dolan, Ernst & Young.
21 MR. HORST: Brian Horst, Ernst & Young.
22 MR. KELLY: Michael Kelly, Ernst & Young.
23 MR. HURLEY: Joel Hurley, Ernst & Young.
24 MR. HERNDON: David Herndon, Ernst & Young.
25 MR. WINTER: Dave Winter, Commission Staff.
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1 JUDGE DIPPELL: Okay. Thank you.
2 At this time, then, if I could get the
3 witnesses to stand. And I'm sorry, I've forgotten the IP
4 Communication. What's your name, sir?

5 MR. SIEGEL: Howard Siegel.

6 JUDGE DIPPELL: Mr. Siegel, I don't need to
7 swear you in as a witness since you're going to be
8 representing them as their attorney. You will be able to
9 answer Commission questions. The attorneys have been
10 allowed to give information in these proceedings.

11 (Witnesses sworn.)

12 JUDGE DIPPELL: Thank you.

13 Two other preliminary matters. One, pending
14 motions. Southwestern Bell had filed a motion to be allowed
15 to file their pleading or their response after the 3 p.m.
16 Deadline. There were no objections to that motion, and that
17 will be granted. Written Order will follow.

18 Also, there was -- Mr. Kruse pointed out,
19 there was a request to correct the transcript from the last
20 hearing, and I will also grant him that, just the spelling
21 of his name in those places on the transcript.

22 And finally, I did have one request yesterday
23 afternoon. Mr. Molteni for the State of Missouri called and
24 asked to be excused from the hearing as his wife was in
25 labor at that time. Certainly he personally is excused.

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1 However, I'm not excusing the State of Missouri from
2 appearance at this proceeding.

3 Are there any other matters that need to be
4 taken up?

5 MR. LUMLEY: Just as long as we're correcting
6 names, the transcript did misstate the WorldCom witness'
7 last name is Kimball instead of Kendall, just for the
8 record.

9 JUDGE DIPPELL: All right. In that case,
10 we'll go ahead and go off the record, take a 15-minute break
11 and come back in here to begin the Ernst & Young report at
12 9:30. Off the record.

13 (A BREAK WAS TAKEN.)

14 JUDGE DIPPELL: Let's go ahead and go back on
15 the record.

16 We're ready, I believe, to begin with the
17 presentation. I believe Mr. Winter has a --

18 MR. WINTER: My name is David Winter with the
19 Missouri Staff. As a preliminary matter, we realize that
20 this room is rather awkward for audio-visual. We made
21 copies of the Ernst & Young slides and handed them out. If
22 you do not have a copy, we do have a copy in the back of the

23 room that contains all the slides being given.

24 The purpose of the Staff's remarks this
25 morning, brief remarks, is to review again why Ernst & Young
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1 was hired by the Commission. First of all, it was to
2 evaluate Southwestern Bell's ability to support commercial
3 volumes in Missouri, and also perform an analysis and
4 validation of Southwestern Bell and the CLEC data set forth
5 in the performance measures.

6 As an aside, this is the first Commission that
7 is evaluating a 271 application that has required validation
8 of the data. At the suggestion of Staff and Southwestern
9 Bell, Ernst & Young is here to not only answer your
10 questions but to also give you a detailed evaluation and
11 methodology they used in this proceeding.

12 Any questions that the Staff -- or the
13 Commission might have of Staff regarding this presentation
14 or the work of Ernst & Young, Mr. David Stueven will answer
15 the questions regarding capacity testing. I will answer any
16 questions the Commission has regarding the data methodology
17 of the capacity of the examination of the performance
18 measurements.

19 Any questions the Commission does have of
20 Southwestern Bell will be addressed by Mr. Tom Hughes of
21 Southwestern Bell.

22 With that, I would like to turn it over to Dan
23 Dolan from Ernst & Young for their presentation.

24 MR. DOLAN: Thanks, David.

25 Again, my name is Dan Dolan. I am a partner
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1 with Ernst & Young. I am the coordinating partner for our
2 services on this engagement.

3 I'd like to quickly introduce my team that's
4 here today to make a detailed presentation. To my right is
5 Brian Horst. He is a partner with our firm. He's a
6 financial auditor, and he has over 12 years of experience in
7 the telecommunications industry.

8 To his right is Michael Kelly who's also a
9 partner in our firm. He has over 13 years of experience.
10 He is a computer audit specialist. He also has a great deal
11 of experience in the telecommunications industry.

12 To his right is Joel Hurley who is a senior
13 manager with our firm. He is a telecommunications industry
14 expert. To his right is David Herndon who is a member of
15 our firm who is a computer audit specialist.

16 This was a very substantial engagement for
17 Ernst & Young that was commenced in July of this year and
18 was completed with the issuance of our reports on November

19 the 1st. We expended over 8,000 hours, had anywhere between
20 12 and 15 people working in the field at any one point in
21 time, and we deployed some of our firm's best
22 telecommunications experts to perform this engagement.

23 Our presentation this morning will focus on
24 the scope of the engagement, our methodology used to perform
25 the engagement, and will cover our deliverables and results.

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1 At this time I'd like to turn over the
2 presentation to Brian and Mike.

3 MR. HORST: Thank you, Dan.

4 JUDGE DIPPELL: Would you like me to go ahead
5 and dim the lights?

6 MR. HORST: Sure. That would be great.

7 As Dan mentioned, my name is Brian Horst. I'm
8 an engagement partner. I'd like to start today by walking
9 you through the agenda for today's presentation. Dan
10 covered the introduction.

11 In the background section there's several
12 items we want to touch on. First, we want to give you a
13 little background on Ernst & Young, let you know who we are,
14 what we do, what our firm's traditionally -- what kind of
15 services we perform.

16 After that, we want to let you know a little
17 bit about our experience in the telecommunications industry
18 and talk about specifically our experience within the
19 performance measurement validation area. Also within the
20 background section we want to talk a little bit about the
21 engagement requirements and then go on and talk about the
22 professional standards that were followed while performing
23 these engagements.

24 After we touch on the background, I'm going to
25 turn it over to Mike and Mike's going to walk through the

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1 methodology, detailed methodology that we used while
2 performing the OSS capacity testing and the performance
3 measurement validation testing. After Mike's done with his
4 presentation, he's going to turn it back to me. I'm going
5 to walk you through the deliverables, which are the reports
6 that we issued during this engagement. We'll get into a
7 discussion about the nature of those reports and what's said
8 within those reports.

9 And then the last section, which is other
10 matters, we're going to cover a few of the RFP requirements
11 and touch on how we believe we've met those requirements.

12 Just a little bit of background, Ernst & Young
13 is a leading international professional services firm with
14 offices in 180 countries, in excess of 56,000 employees

15 worldwide and 17,000 in the United States.

16 Our practice areas include assurance, and
17 assurance is primarily audits or attest functions like the
18 services we performed in this engagement. We also perform
19 tax services, corporate financing, restructuring, et cetera.

20 We regularly work on projects within the
21 telecommunications industry and are experienced in
22 engagements of this magnitude and complexity.

23 This first slide highlights the work we've
24 been performing on behalf of the FCC related to SBC's merger
25 with Ameritech Corporation. As a condition of the FCC's

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1 approval of SBC's merger with Ameritech, SBC was required to
2 have an attestation examination, which is the equivalent of
3 an audit, of their 30 conditions that were mandated by the
4 FCC. One of those 30 conditions required Ernst & Young to
5 report on the accuracy and completeness of all SBC operating
6 companies' performance measurements.

7 In conjunction with our 1999 merger compliance
8 engagement that we performed for the FCC, we tested in a
9 great amount of detail Southwestern Bell Telephone Company's
10 performance measurements for the period of October 1st, 1999
11 through December 31st, 1999.

12 As you can see from the slide, the FCC
13 contained 36 measurements. Those 36 measurements are a
14 subset of the measurements that we tested in conjunction
15 with this engagement as well.

16 In conjunction with the FCC work, we spent
17 over 4,000 hours of audit effort. Our approach and work
18 plan were approved by the FCC. They were very involved in
19 designing the steps that were going to be performed by us in
20 that engagement.

21 We issued our attestation report, which was
22 the same format of report that we issued in this engagement,
23 on August 31st related to that particular engagement.

24 Work papers supporting the FCC work have been
25 reviewed by the FCC, and the comments that we've received

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1 back to date have been positive regarding the quality of the
2 work in the performance measurement area.

3 The work plan and the knowledge that we gain
4 from the FCC work were incorporated into this engagement and
5 were expanded for the additional procedure or the additional
6 performance measurements that are included as part of the
7 entire Missouri engagement.

8 In addition to the FCC work, we've also
9 performed performance measurement work at other regional
10 Bell operating companies and have also performed a variety

11 of services for telecommunications companies. That includes
12 ILECs, competing local exchange carriers and interexchange
13 carriers as well.

14 On the engagement requirements, as David
15 mentioned, there's primarily two engagements, two separate
16 engagements that we were required to perform.

17 The first was an attestation engagement.
18 That's where we reported on the accuracy and completeness of
19 the performance measurements for the periods of April, May
20 and June of 2000. The focus of this engagement was to
21 determine whether Southwestern Bell Telephone Company's
22 performance measurements were in compliance with the
23 business rules.

24 The second engagement was a capacity testing
25 engagement, and this -- the format of this in responding to
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1 the Request For Proposal, our proposed approach was to
2 significantly leverage the extensive amount of work that was
3 done by Telcordia in this area related to the Texas 271
4 application and perform some additional procedures that were
5 designed by the Missouri Staff and basically take those
6 procedures, put them in a report along with our findings.

7 Total level of effort on these two
8 engagements, as Dan mentioned, was in excess of 8,000 hours
9 in approximately four months.

10 In performing our engagements we followed the
11 attestation standards established by the American Institute
12 of Certified Public Accountants. We have attached those as
13 an appendix to this presentation for your reference.

14 Just a little background as far as the
15 attestation standards. They're very similar to Generally
16 Accepted Auditing Standards. The difference is Generally
17 Accepted Auditing Standards apply primarily to financial
18 statements, when you're reporting on a financial statement.
19 The attestation standards apply when you're reporting on
20 something other than a financial statement.

21 Generally what's required is, because you do
22 not have a financial statement there that you're reporting
23 on, management gives you an assertion, and in this case
24 they've given us an assertion that they have provided
25 accurate performance measurements in accordance with

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1 Missouri business rules. And they've also given us an
2 assertion that their OSS capacity is sufficient to handle
3 Missouri volumes.

4 In the third and the fourth bullet point there
5 we make a distinguishment between the two types of
6 engagements. Performance measurement attestation

7 examination is where we are reporting on the accuracy of the
8 performance measurements.

9 Under the American Institute of Certified
10 Public Accountants' attestation standards, an examination is
11 the highest level of assurance that can be provided, and
12 that's similar to an audit of a financial statement. An
13 examination is the equivalent of an audit of a financial
14 statement only relate to management's written assertion.

15 The second -- or the last bullet point there
16 is capacity test, and the format of that report is an
17 agreed-upon procedures report. In an agreed-upon procedures
18 report, we perform procedures designed by the Missouri Staff
19 and report those findings in a report for you to decipher.

20 The agreed-upon procedures report is -- has
21 been utilized and will be utilized by the FCC in the
22 performance of the biannual audit requirements once the
23 regional Bell operating companies get into 271 approval. To
24 monitor 271 compliance, the biannual audit requirement will
25 be an agreed-upon procedure.

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1 I'll turn that over to Mike and he will walk
2 you through methodology.

3 MR. KELLY: Thanks, Brian. I have a tendency
4 to speak fast. I'll try to slow it down here once in a
5 while. Coming from Minnesota, it happens.

6 As Brian mentioned, on the capacity side, we
7 had specific procedures determined by Staff to kind of look
8 at the testing that was done on the capacity side to
9 determine if Missouri commercial volumes could be handled.

10 Basically, the approach we took was to
11 leverage a lot of the Telcordia work that had been done in
12 1999. They performed extensive tests related to OSS, and we
13 looked at their work and started off with the work that was
14 done in '99 and leveraged and looked at the Telcordia
15 report.

16 What we did is we grabbed the Telcordia
17 report, we determined what had been done by Telcordia to
18 understand the methodology and the testing
19 approach they had utilized.

20 We focused specifically on five areas at
21 Telcordia and what they did for Missouri. We looked at the
22 functionality, specifically could it support CLEC operations
23 in Missouri. We looked at scalability, and two areas there
24 were OSS and then the staffing for Southwestern Bell.

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1 We also looked at the OSS readiness or
2 stability work that they did specifically related to
3 preorder, order and disaster recovery, which would handle

3 overflow and fail-over. We also looked at the response time
4 specifically related to two systems in DataGate and
5 VeriGate. Around response time we're looking at how volumes
6 would impact response time for handling the orders that came
7 through. We also looked at the volumes quite a bit for
8 order and preorder.

9 Around this methodology we also looked at
10 Telcordia's master test plan and all the details they did
11 here to understand exactly what they did and how it related
12 to make sure it included Missouri volumes throughout.

13 In addition, we were asked to look at the OSS
14 for the five-state regional area to make sure the OSS system
15 that Southwestern Bell was using was the same for the five
16 states that we could opine or agree that could handle
17 Missouri.

18 So in addition to the work that we did with
19 Telcordia, we also looked at the architectural design of
20 Southwestern Bell's OSS concerning how the orders were
21 coming in to Southwestern Bell for Missouri. Once we had
22 them, we actually did a process flow of CLEC orders, mapped
23 them through the systems, and the addresses actually came
24 through to determine, okay, if the CLEC -- the orders are
25 coming through the CLECs here in Missouri, what systems

2702

1 actually hit, and then determine that the actual system was
2 the same system used throughout the five states.

3 In a couple cases we actually traced traffic
4 and actually the addresses and system names to determine if
5 they were the same. Once we had the platform and the
6 systems, then we actually reviewed the actual programs on it
7 to determine that the same systems were used in all five
8 states.

9 In addition to the -- looking at the
10 five-state regional OSS, we actually looked at commercial
11 volumes that had been done within the five states. We
12 actually took the -- looked at the volumes that Telcordia
13 tested back in '99.

14 We actually took the actual volumes first
15 quarter, second quarter and third quarter and trended it out
16 for the five since the Telcordia report in '99 to actually
17 validate to see if the capacity volume testing that
18 Telcordia did was sufficient and could handle Missouri
19 volumes.

20 In addition, we looked at quite a bit of
21 Southwestern Bell's processes related to capacity planning.
22 Wanted to make sure that they had a good monitoring and
23 reporting process in place to actually determine at what
24 point they would need to be able to add staff or add

25 capacity to their systems.

2703

1 We looked at all the changes that they had
2 made to their hardware and software since the Telcordia
3 report, and we actually did some trending, actually looked
4 at specifically four PMs that Telcordia tested back in '99,
5 but we actually trended those out to determine if there was
6 any obvious degradation in the PMs related to capacity.

7 With that, I'm going to walk into the PM
8 validation methodology. As Brian mentioned before, the
9 scope of our engagement was to determine, basically opine on
10 the data and the processes that Southwestern Bell uses for
11 performance measurement.

12 The approach we used was a sampling approach
13 which would allow us to provide comfort over the processes
14 and data, and this is consistent with our firm's
15 professional standards and their attestation audit
16 engagement.

17 The scope of the engagement back when we
18 started in July was on Version 1.6 or the Texas version of
19 PMs which included a total of 130 PMs. In July, Texas
20 actually agreed to Version 1.7 which will be supplementally
21 implemented by Southwestern Bell here later on.

22 In a discussion with Staff, we actually
23 eliminated 28 PMs that were eliminated from Version 1.6 to
24 1.7. That reduced our overall scope to 102 PMs. As part of
25 that, we selected 55 PMs or 54 percent to actually test.

2704

1 This is a larger population than required by us, but we felt
2 we wanted to make sure we covered all the major processes
3 from order, preorder, maintenance, provision, et cetera.

4 By doing the sampling of 55 PMs, that would
5 hopefully provide us a reasonable basis to extrapolate the
6 results across the entire population and get a feel.

7 Of the 55 PMs that we actually selected, we
8 used 56 that the FCC had determined were key to competition,
9 the Staff selected an additional 12 that they wanted us to
10 specifically test, and then we randomly selected seven from
11 the remaining population and came up with 55.

12 Now, the key point to keep in mind is a lot of
13 these PMs are inter-related as well. So one may be a
14 percent PM. Another one may be an average day delay using
15 the same systems.

16 The approach we looked at basically covered
17 all the major processes. In addition, we also did an
18 analytic review of all 102 PMs. I'll talk about that in a
19 little bit more detail.

20 If you turn to page 12, this graph will depict

21 the approach that we used in going through this. You have
22 three different things, we call the front end, intermediate
23 and back end. I'll refer to this throughout the next couple
24 minutes.

25 Basically, when we say the front end systems,
2705

1 we're talking about Southwestern Bell's OSS. These are the
2 actual touch points with the CLECs, how the orders come in,
3 maintenance provision, et cetera, the source of the PM data.

4 This data will actually flow through on what
5 we call the intermediate systems, which is where the actual
6 business rules for 1.6 are applied. This would be the
7 inclusions, exclusions and so forth. That would then
8 actually flow into what we call the back end, which is the
9 PM reporting database that actually does the calculations of
10 the PMs and actually gets posted to the CLEC website.

11 Our approach in trying to understand and be
12 able to opine on the procedures and the data encompassed
13 this from front to back, and I'll kind of walk you through
14 this. We're going to be actually starting -- to be able to
15 get an understanding of how they tested this, we actually
16 had to map the transactions, how data came into Southwestern
17 Bell, looked at the different control points throughout with
18 interpretations of the data. Actually had to do code
19 review, recalcs. We looked at the general controls around
20 this and a few other things, and I'll walk you through that
21 in the next couple pages.

22 From that first diagram, we actually went
23 through -- for the 55 select PMs, we actually performed what
24 we call process flows. Page 14 is an example of one. We'll
25 kind of flip back and forth between.
2706

1 We need to understand for every PM the actual
2 flow of the data through the various Southwestern Bell
3 systems once it hits Southwestern Bell to actually all the
4 way through to the intermediate system. So what we did is
5 we went through and we mapped the actual flow of the
6 transaction and identified control points throughout.

7 We generated an activity dictionary, which is
8 page 15. Where you see on page 14 there's little 1s, 2, 3,
9 4, every single major step there we actually detailed out in
10 narrative form what that was, what the activity, what the
11 description was, the input to it, the output and some of the
12 controls that related to it.

13 We were looking for both systematic and manual
14 controls in a variety of areas. So the process flow
15 actually allowed us to determine the data flow, determine
16 what systems were used, identify the control points,

17 identify the security access control points, and then
18 determine the source of the data for the numerator and
19 denominator part of the calculation.

20 Once we had the process flow and the activity
21 dictionary done for each PM, we then performed a series of
22 application tests around that. The application test was
23 designed to verify the integrity of the data flow within the
24 application. So to do this we did a variety of sample
25 testing, we did observations, we did walk-throughs, and we
2707

1 looked at key data fields and a variety of other things for
2 the primary applications for each PM that we tested.

3 In addition, we actually tested actual
4 transactions through our period, which is April through
5 June, and we also performed walk-throughs of current
6 processes that were ongoing now.

7 In addition to a lot of the application
8 testing, we also reviewed the security within the
9 applications and within the data as it flowed between the
10 applications. That entailed actually pulling security
11 access listings found on the applications within the data
12 sets and the files, in the load files that are made up of
13 that process.

14 As I mentioned before, when we performed
15 walk-throughs, we actually went down to the LSC/LOC in
16 Dallas a couples times, performed observations of testing
17 down there. We also performed ride-alongs with SWBT, or
18 Southwestern Bell technicians, looking at how they actually
19 performed various tasks, including the data entry that came
20 as part of doing a service call to a customer.

21 We also identified various prevent and detect
22 controls, a specific identified technician. Within the
23 technician input process there were a variety of prevent and
24 detect controls, and we identified all those and documented
25 those as well, such things as code of conduct to training of
2708

1 the technician on the front side. On the back side they
2 used trending, quality assurance and GTS in the trucks to
3 help kind of manage what the technicians are actually doing
4 in the field.

5 Down in Dallas with the LSC/LOC we also
6 performed some specific tests related to how they switch
7 service from Southwestern Bell to a CLEC. We looked at the
8 service order entry process. We looked at the issuance of
9 trouble tickets to the field force and the actual completion
10 of those tickets by the tech.

11 So a variety of our procedures were geared
12 toward how the data got in, looking at the controls that are