

AT&T Online Reimbursement Program for Schools and Libraries Customers

What happens if a Schools and Libraries customer does not pay its bill even after receiving the reimbursement payment from AT&T?

- In the event a customer fails to pay its bill, AT&T would go through the normal collections process, beginning with providing the customer a notice of non-payment. A customer's non-payment could ultimately lead to the disconnection of the service; however, that extreme action would be a measure of last resort. AT&T has never terminated service to a schools and libraries customer, and if a customer were experiencing problems paying its bill, AT&T would work with the party to make alternative arrangements so that service was not interrupted.

Can AT&T revise its internal processes to support a discounted bill? For example, rather than taking the time to process and cut a reimbursement check, can the AT&T representative instead create a discounted bill?

- No. AT&T cannot divert the human resources used to support the online reimbursement process to instead support the manual production of discounted bills. AT&T's online reimbursement process is fully automated, and a live AT&T employee is only involved if the applicant requires customer assistance (e.g., a lost PIN number, etc). Manual production of discounted bills would be far more time consuming and the human resources do not exist to support that process.

How does AT&T process a customer's online reimbursement request?

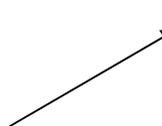
- Once an applicant's request for support has been approved by USAC, USAC releases the Funding Commitment Decision Letter ("FCDL"). USAC sends the FC DL in a mechanized electronic file directly to AT&T's Schools and Libraries reimbursement database. AT&T's system then loads each individual customer's profile (applicant name, address, contact, discount percentage and discount cap) into the database. The population of the customer profile takes place without any human intervention. Once a customer profile has been loaded into the AT&T database, AT&T's online reimbursement system automatically generates a letter to the customer that includes the customer PIN number and account number.
- When a customer receives an AT&T bill and would like to initiate a reimbursement, the customer logs onto AT&T's online reimbursement website, inputs its PIN number, and applies for the reimbursement. Each night, AT&T's system automatically "batch" processes the reimbursement requests and sends the data in a mechanized feed to the AT&T Treasury Department, located in Orlando, Florida. AT&T's Treasury billing system is fully mechanized and cuts the checks in the appropriate reimbursement amount within 6 to 10 days.

Why aren't AT&T's legacy systems capable of providing discounted bills?

- In addition to the fact that the various legacy billing systems cannot communicate with each other (and as a result, the billing systems cannot determine how much of a customer's annual discount has been applied and how much is still available for disbursement), the greatest barrier to AT&T providing discounted bills is that AT&T's legacy billing systems cannot differentiate between an AT&T-initiated discount/credit and the E-rate credit. The inability of the systems to differentiate between discount types likely would result in AT&T understating its revenue, which would impact AT&T's tax payments as well as other revenue-based fees.

The below example illustrates the financial reporting error that would occur *if* AT&T were to generate a discounted bill using its current legacy billing systems.

| <u>Discounted Bill Generated in AT&T Legacy Systems</u> | <u>AT&T Legacy Billing Systems/Revenue Reported</u> |
|---|--|
| Total AT&T Service: \$ 1,000 | Actual Billed Revenue: \$1,000 |
| E-Rate Discount %: 80% | Billed Revenue Captured by AT&T Legacy Billing System: \$ <u>200</u> |
| E-Rate Discount \$: \$ <u>800</u> | Amount AT&T Revenue Underreported: \$ 800 |
| Amount Due on Discounted bill: \$ 200 | |



AT&T's billing systems would interpret the above transaction as an \$800 "credit" and would book as revenue only \$200 (the non-discounted portion of the bill). As a result, AT&T would underreport its revenue in this scenario by \$800. The effect of the billing system capturing the incorrect revenue amount would be further exacerbated because AT&T's internal billing system would calculate taxes on \$200, rather than on the total billed and collected amount of \$1,000.

- Recognizing the severity of this problem, AT&T developed its online reimbursement process to ensure both that its revenues are properly booked in accordance with AT&T's finance organization and that its Schools and Libraries customers are not faced with a cash flow problem that may result if the entire bill amount is paid from of the customers' own funds.

The following example illustrates AT&T's current online reimbursement process.

**Non-discounted Bill Generated
in AT&T Legacy Billing Systems**

| | |
|---------------------|---------|
| Total AT&T Bill: | \$1,000 |
| E-Rate Discount %: | 0% |
| E-Rate Discount \$: | 0 |



**AT&T Legacy Billing Systems/
Revenue Reported**

| | |
|--------------------------------|---------|
| Total Billed Revenue: | \$1,000 |
| Amount of Revenue Reported: | \$1,000 |

AT&T Online Reimbursement Process

Customer receives AT&T bill and applies online for reimbursement.

| | |
|---|----------|
| Total AT&T Bill: | \$1,000 |
| E-rate Discount %: | 80% |
| Amount of AT&T reimbursement check sent to customer: | \$ 800 |
| Amount customer pays from own funds (non-discounted portion of the bill): | \$ 200 |
| Amount Customer Payment: | \$ 1,000 |

Under AT&T's online E-rate reimbursement process, the customer would receive a bill for \$1,000 and a reimbursement check from AT&T in the amount of \$800 (the discounted amount) upon a customer-initiated request. If the customer requests an online refund as soon as it receives the AT&T bill, it should have the refund in hand within 6 to 10 days, and in sufficient time to use the money to pay its current AT&T bill. This is the same result as if the amount of the discount had been printed on the applicant's bill: the applicant is *not* required to pay more than the non-discounted portion from its own funds and the service provider covers the amount of the discount pending reimbursement from USAC.

Importantly, AT&T's online E-rate reimbursement process has no impact whatsoever on AT&T's revenue reporting.

Will AT&T's billing systems be able support discounted bills in the future?

- AT&T is working on implementing a "Universal Biller" which would be a single billing platform for all of our business services and would have the capability of billing the discounted

amount, tracking the customer's support cap, distinguishing E-rate discounts from AT&T-initiated discounts, and appropriately booking revenue amounts. Realistically, however, the completion of the Universal Biller is still several years away. AT&T's online reimbursement program is the best means AT&T currently has available to ensure a customer does not have to pay more than the non-discounted portion of a bill from its own funds.

Is AT&T able to provide discounted bills to at least some customers?

- There currently is no process in place to provide some customers a discounted bill because the bookkeeping matters described above would remain an issue. At present, AT&T cannot provide discounted bills without jeopardizing the integrity of AT&T's financial reporting.