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June 30, 2004

Ms Marlene H. Dortch
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

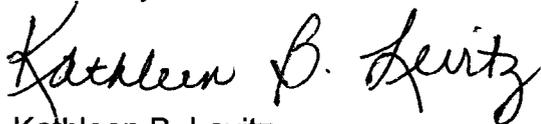
Re: CC Docket No. 96-128

Dear Ms Dortch:

Attached is the audit report prepared in compliance with § 64.1320 (a) of the Commission's rules that BellSouth now files in compliance with § 64.1320(b).

In accordance with Commission rules, I am filing a copy of this notice and the attached audit report with you electronically and request that they be included in the record of the proceeding identified above. Thank you.

Sincerely,



Kathleen B. Levitz

Attachment

cc: Darryl Cooper

**Audit of Bellsouth Telecommunications
Call Tracking System For Payphone Calls**

June 28, 2004

STUEDLE, SPEARS & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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**Audit of Bellsouth Telecommunications Call Tracking System
For Payphone Calls**

Report on Controls Placed in Operation and Tests of Operating Effectiveness

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Section 1

Independent Auditor's Report

To the management of BellSouth Telecommunications:

We have examined the Retail/Resale and UNE-P processes related to the BellSouth call tracking system for payphone calls. Our examination included procedures to obtain reasonable assurance about whether the controls included in our audit were suitably designed to achieve the control objectives namely that the BellSouth call tracking system accurately tracks payphone calls to completion and that BellSouth satisfactorily complied with and applied these controls and such controls will be placed in operation as of July 1, 2004 with initial payments based on third quarter 2004. We relied on the experience and expertise of American Consultants Alliance, Inc. in planning the audit, gathering data, performing procedures, and completing the audit. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned applications presents fairly, in all material respects, the relevant aspects of BellSouth's controls that will be placed in operation as of July 1, 2004 with initial payments based on third quarter 2004. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance to achieve the control objectives namely that the BellSouth call tracking system accurately tracks

payphone calls to completion and that BellSouth satisfactorily complied with and applied these controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specific controls, which are presented in section 3 of this report, to obtain evidence about their effectiveness in meeting the related control objectives during the period of June 2004. The specific controls and the nature, timing, extent, and results of the tests are listed in Section 3. This information has been provided to management of BellSouth to be used to satisfy the requirements of the FCC order in CC Docket No. 96-128 Pay Telephone Reclassification and Compensation that BellSouth must establish its own call tracking system and have a third party attest that the system accurately tracks payphone calls to completion. In our opinion, the controls that were tested were operating with sufficient effectiveness to provide reasonable assurance that the control objectives were achieved during the period from May 2004 to June 2004.

The description of controls is as of June 30, 2004 and information about tests of the operating effectiveness of specific controls covers the period from May 2004 to June 2004. The projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions. BellSouth has informed auditor that BellSouth will conduct an audit of BellSouth's call tracking system for payphone calls at a minimum on an annual basis.

This report is intended solely for use by the management of BellSouth.

Section 2

BellSouth's Description of Controls and Overview of Operations

BellSouth Headquarters offices are located in Atlanta, Georgia. BellSouth primarily provides local and intralata telephone services to customers throughout their 9 state operating area. The Payphone Compensation process was put in place to compensate payphone providers for customers who use toll free or access code dial around numbers to complete their calls.

The audit encompasses usage as it relates to Payphone Service Provider (PSP) originated 800 IntraLATA traffic originating and transported on BellSouth's network.

Operations are under the direction of Bob Bickerstaff, Vice President-Marketing. The Marketing Organization has assigned a Product Manager to oversee the Payphone Compensation process. This position is supported by other organizations such as Interconnection Services (ICS), UNE-P Product Management and Regulatory. Payphone Product Manager reports to the ICS Director responsible for Usage, CLEC Negotiations and ICO Management. Any changes or modifications to the payphone compensation process are done in accordance with the Investment Review Board Process and are initiated by the Payphone Product Manager.

BellSouth has contracted with Accenture to perform all usage aspects of the payphone compensation process. Accenture pulls all AMA data directly from BellSouth's upfront Electronic Toll Collection System (ETCS). All disputes are handled by the Payphone Product Manager in accordance with BellSouth's established procedures.

Accenture provides the MP-10688 report, Dial Around Message Detail, that lists all compensable payphone calls to BellSouth. This report was originally implemented in 1997 to identify message detail and credit retail and resale payphone service providers for those calls identified as compensable. With the Federal Communications Commission (FCC) ordered change in how compensation is to be distributed to the PSPs, BellSouth has made system changes to no longer apply credits to the PSP's bills, but to provide information to the National Payphone Clearinghouse (NPC). The report is created monthly on the 29th bill period.

The Tapestry System produces the UNE-P Dial Around Compensation Report. This is a BellSouth function. Accenture provides the software and processes involved to identify and provide a report containing compensable payphone calls. This is a new monthly report created as a result of the FCC ordered change in compensation to PSPs. The UNE data will be pulled following the 29th bill period each month. The call detail reflected on this report will be sent to the NPC quarterly beginning with the third quarter 2004.

For any additions or modifications, BellSouth's IT department has a rigorous change request process in place.

The list of control considerations presented above represents a comprehensive set of controls employed by BellSouth but is not all encompassing of BellSouth controls.

Section 3

Information Provided by the Auditor

BellSouth has implemented procedures to track payphone calls to completion, monitor data and resolve disputes. BellSouth has developed effective business rules for payphone compensation.

In order to test BellSouth's payphone compensation procedures, the auditor conducted a test by tracking May 3, 2004 compensable calls to verify all calls appeared on the monthly dial around report. BellSouth provided the May 2004 MP-10688 reports, the UNE-P spreadsheet report and the file of AMA (call type 142) records compensable 800 intraLATA calls. The compensable AMA records were compared to both the MP-10688 and the UNE-P spreadsheet report to ensure that all calls were reflected on the reports.

BellSouth controls provide reasonable assurance that BellSouth's procedures accurately track payphone calls to completion and that the process accounts for all compensable calls.

The following two exceptions were identified:

A. Retail/Resale

Originating Payphone Number is on list of Traffic Aggregated Premium Plan (TAPP) but May 3 messages are not reflected on the MP-10688 Report. For one day, there was a total of 750 messages and of those 84 messages fit this criteria resulting in 11% of the messages not being considered compensable.

BellSouth Response: Processing of pay telephone compensable calls will be changed to incorporate these types of messages prior to the initial payments to payphone providers.

B. UNE-P

There were 1200 compensatory calls on the May 3, 2004 extract that did not show up on the UNE-P spreadsheet. This is mainly caused by BellSouth's reporting procedures for UNE-P being different from the reporting and compensation procedures for Retail/Resale.

BellSouth Response: BellSouth's new UNE-P reporting procedures will be changed prior to the initial payments to payphone providers to be consistent with the reporting and compensation procedures of Retail/Resale.

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June 28, 2004