

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

<b>In the Matter of</b>	)	
	)	
<b>The Pay Telephone Reclassification and Compensation Provisions of The Telecommunications Act of 1996</b>	)	<b>CC Docket No. 96-128</b>
	)	

**MOTION FOR EXTENSION OF TIME**

Pursuant to Section 1.46(c) of the Commission's Rules, MCI hereby requests a one hundred twenty (120) day extension of time, until November 1, 2004, to file a Systems Audit Report as required by Section 64.1320(b) of the Commission's rules, and established in its October 3, 2003 Report and Order, FCC 03-235, CC Docket No. 96-128.<sup>1</sup>

MCI worked diligently and in good faith to comply with the July 1, 2004 deadline. It hired a highly reputable, independent accounting firm, Pricewaterhouse Coopers (PwC), to test its management assertions regarding the ability of MCI's payphone compensation system (PCS)

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<sup>1</sup> The Office of Management and Budget approved the audit requirement on May 5, 2004, thus establishing July 1, 2004 as the effective date according to paragraph 84 of the Ordering Clauses in the Report and Order.

to accurately track payphone calls to completion. MCI spent over \$500,000 for PwC to conduct a thorough review and test of its PCS.

PwC found five general exceptions to management assertions, four of which were found to be non-material, and one was found to be material. The four non-material exceptions can be summarized as follows, with impact noted: 1) MCI's PCS is not automatically notified when new trunks are added to MCI's prepaid card platforms (over-payment impact); 2) MCI's PCS does not identify payphone calls made by callers using an international MCI prepaid card sold overseas who use the card when traveling in this country (under-payment impact); 3) aspects of MCI's PCS documentation were not updated on a timely basis to reflect changes to system codes (no payment impact); 4) MCI did not regularly review non-compensable call files for possible errors (no errors found). The material exception involves over-counting completed payphone calls sent to toll-free numbers using routing platforms that allow parties to transfer to agents at multiple locations without re-dialing. For some of these calls, MCI has been improperly counting access to the platform itself as a completed call.

MCI requests the Commission grant it until November 1, 2004 to remediate the exceptions identified by PwC. It is the policy of the Commission to not routinely grant motions for extensions of time. In this case, circumstances justify such an extension. MCI had been in continual contact with its auditor throughout the initial audit. As of June 23, 2004, MCI had either remediated all issues of concern or had been informed that outstanding exceptions were not material. MCI fully expected to receive a positive attestation until this date. Only then did MCI learn of an additional possible material exception. Upon learning of this possible problem, MCI immediately began investigating whether inadequate controls were in place, whether incorrect compensation might be occurring, and whether this involved a material exception. Due

to the complicated nature of the call routing and the need to perform additional tests, analyze results, examine product documentation, and determine whether the problem had a material impact, MCI was not able to definitively conclude that the exception involved improper controls and was in fact material until July 7, 2004.

MCI intends to reprocess impacted call records beginning July 1, 2004 so that compensation pertaining to calls made from that date forward will be rendered in accordance with its corrected PCS. MCI will file its audit report for its corrected system no later than November 1, 2004. This report will attest to the ability of its PCS to accurately compensate payphone service providers for payments associated with calls beginning July 1, 2004. Furthermore, MCI will either file an additional report attesting to the accuracy of its PCS as of November 1, 2004 on a going forward basis, or include such an attestation in a single report, whichever its auditor finds is most in accordance with AICPA standards. By taking these actions, MCI will retroactively establish that payments for calls beginning July 1, 2004 will have been made using its payphone call tracking system in accordance with Section 1320(c) of the Commission's rules.<sup>2</sup>

MCI will need approximately 120 days to remediate the one material exception and the non-material exceptions identified by PwC, in part because MCI will be required to utilize a different auditing firm. MCI had previously contracted with PwC to perform its Sarbanes-Oxley audit, an action which requires PwC to work on behalf of MCI. This work disqualifies PwC from continuing as MCI's payphone compensation auditor according to AIPAC standards, since PwC would not be able to claim to be acting as an independent auditing body during the period

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<sup>2</sup> As of July 1, 2004, MCI complied with Section 64.1320(e) of the Commission's rules to identify a person responsible for handling payphone compensation and handling disputes.

in which MCI's PCS will be re-audited. As soon as this situation was recognized, MCI immediately began identifying a new auditor to determine its availability, and determine the minimum time required for it to perform a payphone compensation system audit, possibly, from the beginning.

Several reasons explain MCI's need for 120 days to submit its attestation. First, the audit process may need to begin anew with MCI's new auditing firm. Second, it will take several weeks to remediate the problems identified by PwC. Third, standards established by the American Institute for Certified Public Accountants (AICPA) require a "production period" of 30 days before retesting of the steps MCI will have taken remediate the material and non-material exceptions discussed above. Finally, MCI may require time to accomplish additional corrections in the unlikely event subsequent testing identifies additional material exceptions. MCI therefore, sincerely urges the Commission to grant its motion for a 120 day extension of time to comply with Section 64.1320(b) of its rules.

Sincerely,

/s/Larry Fenster

Larry Fenster  
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cc: Denise Coca  
Darryl Cooper  
William Dever

### **Statement of Verification**

I have read the foregoing and, to the best of my knowledge, information and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct.

Executed on July 16, 2004

/s/Larry Fenster

Larry Fenster