

BELLSOUTH

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June 28, 2006

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW TW-A325
Washington, DC 20554

RE: CC Docket No. 96-128

Dear Ms. Dortch,

Attached please find the audit report prepared in compliance with Sec. 64.1320(f) of the Commission's rules.

This notice is being filed pursuant to the Commission's rules. If you have any questions regarding this filing please do not hesitate to contact me.

Sincerely,



Mary L. Henze

Attachment

BellSouth Telecommunications, Inc.
675 West Peachtree Street, N. E.
Room 4431
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guy.cochran@bellsouth.com

CERTIFICATION

Guy L. Cochran
Vice President, CFO and Comptroller

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On October 3, 2004 the Federal Communications Commission ("FCC") adopted new rules governing the payment of compensation to payphone service providers ("PSPs") for dial-around calls. *See The Payphone Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-128, 18 FCC Rcd 19,975 (rel. Oct. 3, 2003). Pursuant to these new rules, BellSouth Telecommunications, Inc. ("BellSouth") has developed systems and processes to track and pay per call compensation for all BellSouth-completed calls for which compensation is appropriate.

BellSouth compensates PSPs on a quarterly basis through National Payphone Clearinghouse ("NPC"). The quarterly summarization is based upon BellSouth monthly billing periods that do not coincide with the calendar quarters. In other words, each quarterly compensation cycle will cover a full three months of call volume handled by BellSouth. However, the compensation period will overlap two calendar quarters (e.g., the 3rd quarter payment will cover calls made in part of June, all of July, all of August and part of September). The cutoff of the monthly billing periods and the accumulation of calls is consistent throughout the year and is a part of our normal payment systems that was covered by our external audit of our Per Call Compensation process.

To ensure that BellSouth has the ability to address issues that might arise regarding our payment obligations, BellSouth also has developed a Dispute/Claims Resolution Process. Details about this process can be found on the NPC website (www.npc.cc).

As Chief Financial Officer of BellSouth Telecommunications, Inc., I certify that to the best of my knowledge, the compensation tendered to each payphone vendor for the current quarter is accurate and is based on 100% of all BellSouth-completed calls that originated from that provider's payphones during the period in compliance with the FCC's rules.

Guy L. Cochran
Vice President, CFO & Comptroller

Signature Guy L. Cochran

Date June 12, 2006

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

June, 2006

STUEDLE SPEARS & FRANCKE PSC

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First Annual 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:

In the annual audit, we have re-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 (1) the BellSouth call tracking system accurately tracks payphone calls to completion, (2) that BellSouth satisfactorily complied with and applied these controls and (3) that all compensable calls are accounted for. Such controls and procedures that were in place for First Quarter, 2006 were reviewed. 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 applications of these controls presents fairly, in all material respects, the relevant aspects of BellSouth's controls and processes that were in operation for the first quarter 2006. Also, in our opinion, the controls and processes, as described in the initial audit continue to provide reasonable assurance to achieve the control objectives namely that BellSouth:

- 1) has procedures in place to accurately track payphone calls to completion;
- 2) has identified persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls;
- 3) has established data monitoring procedures;
- 4) adheres to established protocols to ensure that any software, personnel or other network changes do not adversely affect its payphone call tracking ability;
- 5) has created a compensable payphone call file by matching call detail records against payphone identifiers;
- 6) has implemented procedures to incorporate payphone call data into required reports;
- 7) has implemented procedures and controls needed to resolve disputes;
- 8) has implemented critical controls and procedures to identify payphone compensation errors; and
- 9) has implemented business rules for implementing and paying payphone compensation.
- 10) has made material changes that do not effect compliance with the payphone compensation process.

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 February, 2006. 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 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.

The description of controls is as of June, 2006 and information about tests of the operating effectiveness of specific controls covers the period from March, 2005 to February, 2006. 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. This is the second of the annual audits BellSouth will conduct of BellSouth's call tracking system for payphone calls.

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 completed on BellSouth's network for both retail/resale and UNE-P accounts.

Operations are under the direction of BellSouth's 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 retail/resale usage aspects of the payphone compensation process. Accenture pulls all AMA data directly from BellSouth's upfront Electronic Toll Collection System (ETCS). Accenture provides the MP-10688 report, Dial Around Message Detail, that lists all compensable payphone calls to BellSouth and creates a usage file that will be used by BellSouth within their quarterly compensation process.

Quarterly BellSouth creates an 8XX exclusion list. BellSouth investigated high volume 8XX numbers and determined that the numbers were prepaid calling card platform numbers. This list is generated for 8XX numbers that receive 500 or more calls per quarter. BellSouth determined that the average intraLATA 8XX line would have no more than 499 calls per quarter so they use 500 calls as their cutoff point. Because of the nature of these calls, BellSouth's position is that they are not the Completing Carrier and are not responsible for the PSP compensation. Therefore, any PSP originating traffic that terminates to a number on this 8XX exclusion list are not forwarded to the NPC. BellSouth retains all records for inclusion in their PSP call compensation dispute process.

An exception to this process is if the high volume 8XX is a BellSouth Company number, i.e., business office, repair, etc. These 8XX numbers can receive over 500 calls in a quarter and are compensable. These calls are included on the Superfile forwarded to the NPC.

The BellSouth Tapestry System produces the UNE-P Dial Around Compensation file. This file contains all compensable UNE-P payphone calls that will be used for compensation purposes. There are no exception rules for any UNE-P accounts. BellSouth applies the high volume 8XX exclusion list to these calls.

BellSouth has contracted with the National Payphone Clearinghouse (NPC) to perform the actual compensation of the payphone providers. As a client of the NPC, BellSouth will combine both the retail/resale and UNE-P payphone usage files quarterly and create a CD-ROM in accordance with the NPC's written specifications.

All disputes are handled by the Payphone Product Manager in accordance with BellSouth's established procedures.

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

The list of control considerations presented above represent a comprehensive set of controls 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.

BellSouth provided the mediated switch recordings for February 6, 2006; the MP-10688 Dial Around Reports for February and March, 2006 for retail/resale accounts; the Traffic Aggregated Premium Plan (TAPP) file; the BellSouth 8XX Number List; and the Over 500 Call Exclusion List, the 1st quarter NPC file and the NPC Superfile Analysis Report.

Mediated Switch Records: BellSouth provided a file of the mediated switch records originating from payphones. Auditor reviewed USOCs used to identify payphone accounts.

MP-10688 Dial Around Reports: BellSouth provided reports for February and March, 2006. Auditor compared the mediated switch records to these reports to ensure all compensable calls were accounted for.

Traffic Aggregated Premium Plan (TAPP) file: BellSouth provided a file listing accounts participating in a TAPP arrangement. Auditor verified that all TAPP account usage was reflected on the MP-10688 reports and the NPC usage file.

BellSouth 8XX Number List: BellSouth provided a file listing all BellSouth Company 8XX number. Auditor verified that payphone calls terminating to these 8XX numbers were reflected on the NPC file.

Over 500 Call Exclusion List: A file was provided listing all 8XX numbers that received over 500 calls in the 1st quarter, 2006. Auditor verified that calls placed to these 8XX numbers were not included on the NPC file unless the 8XX number belonged to BellSouth in accordance with the 8XX Number List mentioned above.

1st Quarter NPC File: BellSouth provided the file sent to the NPC for 1st quarter, 2006. Auditor verified that both retail/resale and UNE-P calls were included on the compensable call file submitted to the NPC.

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

BellSouth has procedures and assigned personnel to resolve payphone compensation disputes. There have been no disputes.

Auditor tested all critical controls and procedures to verify that errors are insubstantial. There were no relevant exceptions.

Stuedle Spears & Francke, PSC

STUEDLE SPEARS & FRANCKE, PSC

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June 1, 2006

Ms. Kristin Stuedle, CPA
Stuedle, Spears & Company, PSC
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Louisville KY 40220

Dear Ms. Stuedle:

In connection with your engagement for the annual audit to report on BellSouth's controls and processes for tracking payphone calls to completion and that all compensable calls are accounted for, BellSouth recognizes that obtaining representations from us is an important part of the audit process. BellSouth is aware that (1) its representations enable you to form an opinion on whether the information and descriptions provided by BellSouth present fairly, in all material respects, the relevant aspects of BellSouth's controls and processes in place and (2) whether these controls and processes are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if those controls were complied with satisfactorily.

Accordingly, BellSouth makes the following representations, which are true to the best of its knowledge and belief. BellSouth represents that its procedures accurately track payphone calls to completion and that this process accounts for all compensable calls. Specifically, BellSouth represents that it:

- 1) has procedures in place to accurately track payphone calls to completion;
- 2) has identified persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls;
- 3) has established data monitoring procedures;
- 4) adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability;
- 5) has created a compensable payphone call file by matching call detail records against payphone identifiers;
- 6) has implemented procedures to incorporate payphone call data into required reports;
- 7) has implemented procedures and controls needed to resolve disputes;
- 8) has implemented critical controls and procedures to identify payphone compensation errors; and
- 9) has implemented business rules for implementing and paying payphone compensation.
- 10) has made material changes that do not effect compliance with the payphone compensation process.

As required by 47 C.F.R. Section 64.1320(d) and (f), BellSouth herein describes its criteria for:

1. Identifying calls originated from payphones. BellSouth identifies the payphone USOCs and runs a pull against the account database to generate a list of the payphones telephone numbers. BellSouth, using the list of payphone numbers, pulls the 142 call code detail records from the AMA switch files.
2. Identifying compensable payphone calls. Calls identified as payphone-originated calls with a call duration of greater than 0 are considered compensable calls.

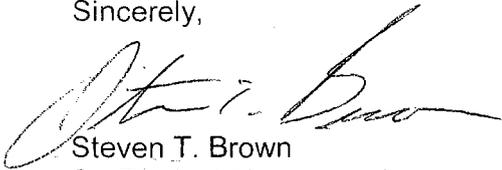
3. Determining the identities of the PSPs to which BellSouth owes compensation. BellSouth contracts with the NPC to identify valid payphone ANIs based upon information provided to the NPC by PSPs and local exchange carriers.
4. One year after initial audit and annually thereafter, any material changes that occurred do not affect compliance with the compensation process. BellSouth applied a change to their existing UNE-P process to allow for the exclusion of specific 8XX records. No other material changes were applied by BellSouth.

Our process produces accurate and compensable call data to ensure proper compensation to PSPs. We believe that the description of controls and other information gathered by Stuedle Spears and American Consultants Alliance (ACA) presents fairly, in all material respects, those aspects of BellSouth's controls that may be relevant to BellSouth's internal controls and processes. BellSouth has responded fully to all inquiries made by you during your examination.

The information gathered by ACA includes all of the controls that we believe are relevant to the services described in your audit report and are appropriate based on the services provided. BellSouth is not aware of any illegal acts, fraud, or uncorrected errors attributable to management or employees of BellSouth who are significantly involved in processes to identify calls originating from payphones, identify compensable payphone calls, and provide call detail to the NPC.

BellSouth understands that your examination was conducted in accordance with generally accepted auditing standards as defined and described by the American Institute of Certified Public Accountants; and was, therefore, designed primarily for the purpose of expressing an opinion on the suitability of BellSouth's controls and processes to accurately track payphone calls to completion and that these controls and processes account for all payphone compensable calls. We further understand that your procedures were limited to those that you considered necessary for this purpose.

Sincerely,



Steven T. Brown
Sr. Product Manager – Interconnection Services

CC: Jack Hullings
Bob Robertson
Donna Ledbetter
Larry Fowler, ACA