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June 30, 2006

Via Electronic Submission

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TWA-325
Washington, DC 20554

**Re: CC Docket 96-128
Pay Telephone Reclassification and Compensation Provisions
of the Telecommunications Act of 1996**

Dear Ms. Dortch:

Pursuant to the Commission Report and Order, CC Docket 96-128 released October 3, 2003, AT&T Inc. ("AT&T"), on behalf of its Local Exchange Carriers (AT&T Illinois, AT&T Indiana, AT&T Michigan, AT&T Ohio, AT&T Wisconsin, AT&T California, AT&T Nevada, AT&T Connecticut, AT&T Arkansas, AT&T Kansas, AT&T Texas, AT&T Oklahoma, and AT&T Missouri) submits the attached AT&T ILEC Payphone Per Call Compensation Audit Report which was completed by the Engel Consulting Group.

As required in Section 64.1320(e) of the Order, AT&T provides the name, address and phone number for the person(s) responsible for handling the Completing Carrier's payphone compensation and for resolving disputes with payphone service providers over compensation.

AT&T Finance Operations
One SBC Plaza
208 S. Akard, Room 3120.09
Dallas, Texas 75202
866-556-5055.

If you have any questions, please contact Toni Acton at 202-326-8843.

Sincerely,

A handwritten signature in black ink, appearing to read "Toni Acton", written over a white background.

Toni Acton
Associate Director

Attachment

Engel

Independent Accountant's Report

We have examined management's assertions, included in the accompanying "FCC Audit Assertions 2006 - AT&T Payphone Per Call Compensation (PCC) Operations," that AT&T, the Incumbent Local Exchange Carrier (ILEC) as represented by Finance Operations, remains in compliance with the call tracking system audit criteria pursuant to section 64.1310(a)(1) of the Final Rules of the FCC's Report and Order of October 3, 2003 (CC Docket No. 96-128) in the Matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996 which provides that Completing Carriers perform an independent third-party audit of the AT&T call tracking system that supports the payphone compensation payments. The order requires each switch-based reseller ("SBR") to establish its own call tracking system and to have a third party attest that the system accurately tracks calls to completion. Further, we have examined management's assertions that AT&T remains in compliance with the following requirements in accordance with FCC 03-235/CC Docket No. 96-128, and FCC 04-251/CC Docket No. 96-128:

- FCC 03-235/CC Docket No. 96-128 provides that Completing Carriers are responsible for payment of PCC, must provide the PSPs with a quarterly sworn statement by the CFO of PCC accuracy, and must provide to PSPs quarterly reports of 8YY calls completed by the Carrier.
- FCC 04-251/CC Docket No. 96-128 clarifies that Completing Carriers are responsible for retaining records for payment of PCC for 27 months and are only responsible for providing to PSPs on quarterly reports those 8YY numbers for calls completed by the Carrier and maintained by the LEC

AT&T Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on management's assertions about AT&T's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining, on a test basis, evidence about AT&T's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on AT&T's compliance with specified requirements.

In our opinion, management's assertions that AT&T complied with the aforementioned requirements are fairly stated in all material respects.



Engel Consulting Group
June 30, 2006



**AT&T ILEC Payphone Per Call
Compensation Process
2006 FCC Audit Report**

June 30, 2006

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	THE OBJECTIVE OF THIS EXAMINATION WAS TO VALIDATE THAT AT&T HAD UPDATED ITS PCC PROCESSING DOCUMENTATION TO DETAIL 1) THE HANDLING OF CALLS WHERE THE TERMINATING NUMBER HAS AN LRN (LOCAL ROUTING NUMBER) AND 2) THE APPROVAL/AUTHORIZATION PROCESS FOR CHECK PAYMENT FEEDS.....	7
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1.0 Introduction

AT&T Payphone Per Call Compensation (PCC) Operations engaged the services of the Engel Consulting Group to perform an audit of the PCC processes and procedures to validate that no material changes have occurred since the filing of their June 30, 2005 FCC PCC System Audit Report. The audit included an attestation of AT&T's continued compliance with the FCC criteria to establish a call tracking system to compensate Payphone Service Providers (PSPs) for IntraLATA 8YY calls completed by AT&T. This examination is in accordance with the provisions set forth in Appendix C – Final Rules of FCC 03-235/CC Docket No. 96-128 dated October 3, 2003, which obligates Completing Carriers to engage an independent third-party auditor to verify on an annual basis that no material changes have occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report and the FCC audit criteria.

2.0 Executive Summary

In the *FCC Audit Assertions 2006*, AT&T PCC Operations Management stated that there have been no substantive operational or procedural changes to its PCC practices and procedures from 7/1/2005 to 6/30/2006. In keeping with the disclosure requirements outlined in the FCC Orders, AT&T identified minor changes which had been made to its PCC documentation and reports and outlined a standard process for work requests. These changes were made as a result of internal business decisions and did not impact the processing of payphone calls, the payment to the PSPs or the generation of the quarterly reports.

To validate that AT&T's PCC processes remained in compliance with the FCC criteria, Engel conducted an end-to-end test where call detail for a sample of payphone ANIs was independently processed and traced through the system to PSP payment and quarterly reporting. No deficiencies were noted and the number of calls for which PCC was applicable matched the number of calls for which PCC was paid and the number of compensable calls reflected on the quarterly reports.

An examination of the updated documentation for PCC processing, quarterly reporting, and dispute resolution was conducted to validate the assertion that changes were not substantive and did not impact AT&T's continued compliance with the call tracking system criteria.

Based upon the data and procedures examined and tested during the audit process, the audit team concludes that the AT&T PCC Finance Operations assertions of compliance with the FCC criteria specified in §64.1320 of the Final Rules are fairly stated and the audit team attests that the AT&T PCC call tracking system remains in compliance with the stated criteria.

3.0 Background

The FCC in its Order in Docket No. 96-128 dated October 3, 2003, In the Matter of *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, adopted new rules placing liability for compensating PSPs on the Completing Carriers for calls originating from payphones and completing on their networks. To ensure that the PSPs are fairly compensated, the Order also imposed new audit, certification, and reporting requirements requiring each Completing Carrier to establish its own call tracking system and engaging a third party to attest that the system accurately tracks calls to completion.

AT&T PCC Finance Operations, formerly SBC, employed the services of Engel in 2004 to conduct the initial attestation engagement, and the first System Audit Report on the AT&T PCC tracking system was filed with the FCC on June 30, 2004. In addition, Engel was engaged to conduct the 2005 Audit per Appendix C – Final Rules of the FCC Order, where, on an annual basis, the Completing Carrier is obligated to engage an independent third-party auditor to:

- 1) *Verify that no material changes have occurred concerning the Completing Carrier's compliance with the criteria of the prior year's System Audit Report; or*
- 2) *If a material change has occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report, verify that the material changes do not affect compliance with the audit criteria.*

4.0 Audit Approach

The objective of this audit was to validate through testing and other means deemed appropriate that AT&T PCC Operations remains in compliance with the criteria specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128 and that any material changes occurring after July 1, 2005 do not affect compliance with the aforementioned criteria. AT&T asserted that there had been no substantive operational or procedural changes since the conclusion of the 6/30/2005 Audit. AT&T also asserted the following as minor changes in the "FCC Audit Assertions 2006, AT&T Payphone Per Call Compensation (PCC) Operations":

- Updates to the PCC Processing Rules document to include: 1) the processing of 8YY calls with an LRN (Local Routing Number), and 2) the approval process for check feeds
- Modifications to the PCC Quarterly Reports document to reflect: 1) redesign of report format, and 2) provision of courtesy 8YY call report to Facilities-Based CLECs (not an FCC mandate)
- Updates to the PCC Dispute Resolution Process to include: 1) disputes on calls originated by ILECs and terminated by AT&T or calls terminated by Facilities-Based CLECs, and 2) standard process for work requests to support disputes

The audit test plan as of 6/30/2006 was designed to validate that these changes did not impact AT&T's continued compliance with the FCC criteria outlined in the Final Rules of FCC 03-245/CC 96-128 and that the call tracking system continues to meet the requirements in FCC Orders 03-235/CC 96-128, FCC 04-182/WC 03-225, and FCC 04-251/CC 96-128. Following the AICPA Standards for attestation engagements, Engel utilized a two-pronged approach which 1) traced a sample of call detail records through the entire process through to PSP payment and quarterly reporting, and 2) examined process documentation and reports to validate that the end-to-end process continues to meet the compliance criteria and that the minor changes made since the last audit were not substantive.

5.0 Audit Test Plan

There were five audit areas of the test plan:

- AT&T Payphone Compensation Processes: Ongoing compliance with the FCC criteria
- “PSP Per Call Compensation (PCC) Subscriber Toll-Free Processing Rules AT&T 13-State”
 - Updated to detail the processing of 8YY calls where the terminating number includes an LRN (Local Routing Number)
 - Updated to include approval and authorization process for Midwest Region check feeds
- “FCC Per Call Compensation (PCC) Quarterly Reports Processing Rules AT&T 13-State”
 - Redesign of report format (header rows and readme files) for clarity and ease of use
 - Provision of additional courtesy 8YY call report to Facilities-Based CLECs (not an FCC requirement)
- “FCC Per Call Compensation (PCC) Dispute Resolution Process 13-State”
 - Expansion to include disputes where a Facilities-Based CLEC is the completing carrier or where AT&T is the completing carrier but the call originated in ILEC territory
- Standardization of work requests and management processes to conform to AT&T corporate IT standards

5.1 AT&T Payphone Compensation Processes – Ongoing Compliance with FCC Criteria

AT&T Management Assertion	Validation Test
AT&T Finance Operations has business and technical processes and personnel in place to maintain ongoing compliance in accordance with FCC Order on Payphone Call System Tracking Audits	<ul style="list-style-type: none"> • Conduct end-to-end test of AT&T PCC processes using a sample of ANIs to trace call detail through the payment and reports sub-processes • Examine quarterly CFO sworn statements of PCC accuracy

5.2 “PSP PCC Subscriber Toll Free Processing Rules AT&T 13-State”

- PCC Processing of 8YY calls where terminating number includes an LRN
- Approval and authorization process for check feeds

AT&T Management Assertion	Validation Test
AT&T Finance Operations has procedures in place to accurately track payphone calls necessary for accurate payment of PCC	<ul style="list-style-type: none"> • Examine PCC documentation for detail of processing steps for terminating calls with an LRN • Review PCC documentation for check feed payment approval and authorization process

5.3 “FCC Per Call Compensation (PCC) Quarterly Report Processing Rules AT&T 13-State”

- Redesign of report format (header rows and readme files)
- Provision of additional courtesy 8YY call report to Facilities-Based CLECs

AT&T Management Assertion	Validation Test
There are processes and procedures in place to identify, collect, compile, and distribute quarterly reports of AT&T-completed 8YY calls	<ul style="list-style-type: none"> • Sample quarterly reports to validate inclusion of the header rows and readme files • Examine sample of 8YY call reports to Facilities-Based CLEC

5.4 “FCC Per Call Compensation (PCC) Dispute Resolution Process AT&T 13-State”

- Expansion to include disputes where a Facilities-Based CLEC is the completing carrier or AT&T is the completing carrier but the call originated in ILEC territory

AT&T Management Assertion	Validation Test
AT&T Finance Operations has effective payphone data monitoring procedures in place to identify 8YY calls completed by AT&T versus not completed by AT&T	<ul style="list-style-type: none"> • Review PCC Dispute Process for inclusion of ILEC and Facilities-Based CLEC dispute processes

5.5 Changes to Work Requests and Management Processes

- Standardization of work requests and management processes to conform to AT&T corporate IT standards

AT&T Management Assertion	Validation Test
<ul style="list-style-type: none"> • AT&T Finance Operations has in place processes, documentation, and personnel assignments necessary to administer the PCC payment responsibility associated with call-completing carriers 	<ul style="list-style-type: none"> • Examine standard process description for work requests and the standardized work request template

6.0 Validation Test Results

6.1 AT&T Payphone Compensation Processes

The objective of this two-part test was to validate that the AT&T Payphone compensation processes remain in compliance with the FCC criteria. The first part consisted of an end-to-end trace of calls through the entire process and the second consisted of a validation of the quarterly CFO sworn statements of PCC accuracy.

The end-to-end test traced payphone calls from a sample of ANIs through the payment and reports processes. From a list of the 1st Quarter 2006 FCC Reports, three customers were selected and call detail requested for a sample of payphone ANIs with call dates occurring October 1, 2005 – December 31, 2005. Using the PCC business rules, the call detail was independently analyzed to determine which calls were compensable and which were not due compensation. A three-way compare among the call detail, payment, and report files was then completed successfully without discrepancy.

On the quarterly reports, AT&T provides a count of the number of calls not paid for each ANI with a status code of “F” for calls completed by Facilities-Based CLECs and “E” for calls to an Exception Number such as TTY (Teletypewriter) service. In addition to validating that the counts of Paid calls matched across all three files, for any Unpaid calls, the OCN (Operating Company Number) of the terminating number was verified in the LERG (Local Exchange Routing Guide) as belonging to a Facilities-Based CLEC. Any calls terminating to an Exception number were validated to ensure that the number was included in the Exception file.

For all three customers, the number of calls for which PCC was paid was found to be correct and the counts matched across the call detail, payment, and reports files. For all Unpaid calls, the OCN of the terminating number belonged to a Facilities-Based CLEC except in the situation where a call was made to a TTY number on the Exception List. No discrepancies or inconsistencies were noted.

The second part of this test included a review of the CFO sworn statement of PCC accuracy made during the 1st Quarter of 2006 for the 4Q2005 reporting period. CFO statements for all quarters were provided and reviewed and, in addition, were found on the AT&T website, <https://primeaccess.att.com>. All documents were in order and no issues were uncovered during this examination.

6.2 “PSP PCC Subscriber Toll Free Processing Rules AT&T 13-State”

The objective of this examination was to validate that AT&T had updated its PCC processing documentation to detail 1) the handling of calls where the terminating number has an LRN (Local Routing Number) and 2) the approval/authorization process for check payment feeds.

The audit as of 6/30/2005 validated that AT&T had modified its PCC process to include the LRN, if applicable, of the terminating number. Per the Audit Report as of 6/30/2005, *“This process was refined during the 1st Quarter of 2005 and effective 04/01/05, if there was an LRN (Local Routing Number) of the translated number signifying that the number was ported to a CLEC, the LRN was used to determine if the completing carrier was facilities-based.”* At the time of the audit as of 6/30/2005, the process documentation provided a high level overview of the business process improvement.

For the period ended 6/30/2006, the Processing Rules document was reviewed and it was confirmed that the high level overview had been updated to reflect the detailed processing steps for determination of PCC responsibility in the event of an LRN associated with a terminating number.

The Midwest is the only AT&T Region which utilizes a “check feed.” The documentation has been updated to reflect the approval process for the check feed which requires the approvals of both the 1st and 2nd level Managers. This authorization must be retained for five years. No issues were uncovered during the review of the process documentation.

6.3 “FCC Per Call Compensation (PCC) Quarterly Report Processing Rules AT&T 13-State”

The objective of this analysis was to verify that AT&T has added header rows and readme files to the quarterly reports for ease of use and clarity. The second objective was to verify that AT&T is producing 8YY reports on its own volition as a courtesy to the Facilities-Based CLECs. Neither of these changes is an FCC mandate.

As part of the end-to-end test, a sample of quarterly PCC reports was provided. All reports contained the header rows which made the reports easier to read and also included readme files which described how the reports should be reviewed along with the OCN/CLEC cross-reference information and FAQs. None of these changes were FCC mandates; however, they did make the reports easier to read and understand.

While not an FCC requirement, AT&T also provides as a courtesy to Facilities-Based CLECs a report which captures the originating Payphone ANI, the 8YY number, the terminating POTS number, and LRN (if applicable) along with the name and address if the originating number belongs to a CLEC. A sample report was reviewed and the information provided was consistent with the documentation.

6.4 “FCC Per Call Compensation (PCC) Dispute Resolution Process AT&T 13-State”

The objective of this examination was to verify that AT&T had expanded its documentation to include the processes for handling disputes where calls were either originated by an ILEC and terminated by AT&T or originated by a CLEC/AT&T and terminated by a Facilities-Based CLEC. Both processes were audited as of 6/30/2005, but the documentation was in a separate document and had not yet been incorporated into the Dispute Resolution document.

The Dispute Resolution process documentation was reviewed to validate that it had been updated with descriptions of the processes to be used for questions/disputes regarding a call originating in another ILEC’s territory and terminating in AT&T’s territory along with disputes regarding a call terminated by a Facilities-Based CLEC other than AT&T. In addition sample correspondence between an ILEC and AT&T as well as a Master ILEC List was examined to demonstrate the process for communicating the proposed PCC payment process and maintaining the agreement status. The Dispute Resolution document included samples of all correspondence and contained complete information, which meets compliance validation.

6.5 Changes to Work Requests and Management Processes

The objective of this examination was to validate that AT&T had modified its procedures for requesting IT work in support of disputes to conform to the AT&T corporate standards.

According to the Dispute Resolution documentation, an IT standardized Rapid Deployment (RD) process template (Number 631) is to be utilized to request IT support of disputes. A sample of completed templates was reviewed and the audit team validated that AT&T is following the standardized process.

7.0 Audit Conclusions and Findings

Based on the results of the detailed examination of the PCC processing, reports, and dispute resolution documentation as well as the end-to-end testing of the AT&T overall PCC processes and procedures, the audit team concludes that AT&T Finance Operations and the call tracking system for PCC remains in compliance with the FCC criteria specified in §64.1320 of the Final Rules of FCC 03-235/CC Docket No. 96-128 and that AT&T's assertions of compliance with the aforementioned requirements and criteria are fairly stated in all material respects as of 6/30/2006.

7.1 Contact Information

Please direct any questions regarding this audit to AT&T Finance Operations:

- Email (PCCDISUTE@sbcc.com)
- Hotline (866-556-5055)

8.0 Appendices

Appendix Document

A "FCC Audit Assertions 2006, AT&T Payphone Per Call Compensation (PCC) Operations"

AT&T Finance Operations

FCC 03-235/CC 96-128, FCC 04-182/WC 03-225 & FCC 04-251/CC 96-128

FCC Audit Assertions 2006 AT&T Payphone Per Call Compensation (PCC) Operations

Introduction

This audit approach does not include specific branding changes associated with the SBC and AT&T merger. However, all references to the "SBC" name will now appear as "AT&T" (AT&T ILEC Companies).

2004 FCC Audit Basis

Management of AT&T ILEC Companies (herein referred to as AT&T) asserts that AT&T is still in compliance with the following, as independently audited, found in compliance and filed with the FCC, June 30, 2004:

The FCC's Report and Order of October 3, 2003 (FCC 03-235/CC Docket No. 96-128) in the Matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, which provides that Completing Carriers perform an independent third-party audit of the AT&T call tracking system that supports the payphone compensation payments. The order requires each switch-based reseller ("SBR") to establish its own call tracking system and to have a third party attest that the system accurately tracks calls to completion.

2005 FCC Audit Basis

Management of AT&T Companies asserts that, effective July 1, 2005, AT&T is in compliance with the following:

The FCC's Report and Order of October 3, 2003 (FCC 03-235/CC Docket No. 96-128) in the Matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, which provides that a Completing Carriers is responsible for payment of PCC, must provide the PSPs with a quarterly sworn statement by the CFO of PCC accuracy and must also provide to Payphone Service Providers (PSPs) quarterly reports of 8YY calls completed by the Carrier;

The FCC's Report and Order of August 12, 2004 (FCC 04-182/ WC Docket No. 03-225) in the Matter of the Request to Update Default Compensation Rate for Dial-Around Calls from Payphones, which provides that Completing Carriers increase the default payphone compensation rate paid to Payphone Service Providers on each call that qualifies to receive compensation made from a payphone; and

The FCC's Report and Order of October 22, 2004 (FCC 04-251/CC Docket No. 96-128) in the Matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, Order on Reconsideration, which clarifies that Completing Carriers are responsible for retaining records for payment of PCC for 27 months, are responsible for providing to PSPs on quarterly reports only those 8YY numbers calls completed by the Carrier, and are responsible for reporting to PSPs on quarterly reports only

AT&T Finance Operations

FCC 03-235/CC 96-128, FCC 04-182/WC 03-225 & FCC 04-251/CC 96-128

FCC Audit Assertions 2006 AT&T Payphone Per Call Compensation (PCC) Operations

those 8YY numbers called to access numbers or subscriber toll-free (8YY) numbers that a LEC maintains.

Based on the Final Rules as specified in the FCC Orders noted above, AT&T represents the following:

2006 AUDIT – GENERAL ASSERTIONS

2006-1. No changes other than noted below have been made to any documentation, policies, procedures, processes or data formats audited successfully in 2004 and 2005, subsequent to the FCC PCC Audits concluded on June 30, 2004 and June 30, 2005. Audit Assertions (FCC Order (FCC 03-235/CC Docket No. 96-128) APPENDIX C – FINAL RULES, Section 64.1320 Payphone Call Tracking System Audits), #1 through #9, apply to and support PCC operations associated with the mandated business process changes implemented subsequent to June 30, 2005, as noted in the following Minor Change 1 through Minor Change 4.

2006-2. Therefore, AT&T asserts that all AT&T PCC areas audited in 2004 and 2005 remain in compliance to date and are not included in the scope of the 2006 audit.

2006-3. All scope limitations asserted in 2004 and 2005 apply in 2006.

2006-4. All corporate standards and controls asserted in 2004 and 2005 are still in place in 2006.

BUSINESS/OPERATIONAL CHANGES SUBJECT TO 2006 AUDIT

The following are considered still in compliance and not subject to 2006 audit, as there have been no substantive operational or procedural changes since the conclusion of the 2005 FCC audit. The minor changes noted are not mandated requirements, but instead are AT&T business decisions for customer service and revenue assurance purposes.

Minor Change 1. “PSP Per Call Compensation (PCC) Subscriber Toll- Free Processing Rules AT&T 13-State” (FCC 03-235/CC Docket No. 96-128 & FCC 04-251/CC Docket 96-128):

- Documentation was updated to include the Local Number Portability (LNP) existing processing.
- Effective August 1, 2005, formalized approval and authorization process for check feeds was added to the appropriate documentation.

Minor Change 2. “FCC Per Call Compensation (PCC) Quarterly Report Processing Rules AT&T 13-State”- Controls (FCC 03-235/CC Docket No. 96-128 & FCC 04-251/CC Docket 96-128):

AT&T Finance Operations

FCC 03-235/CC 96-128, FCC 04-182/WC 03-225 & FCC 04-251/CC 96-128

FCC Audit Assertions 2006 AT&T Payphone Per Call Compensation (PCC) Operations

- Report format was redesigned for ease of customer use (report header rows and readme file).
- Business decision to provide additional 8YY Call report to Facilities-Based CLECS. (outside the FCC mandated scope)

Minor Change 3. “FCC Per Call Compensation (PCC) Dispute Resolution Process AT&T 13-States” (FCC 03-235/CC Docket No. 96-128 & FCC 04-251/CC Docket 96-128)

- Documentation expanded to include ILEC dispute process and Facilities-Based/CLEC dispute process.

Minor Change 4. Processes, Documentation and Personnel Assignment Upgrades Associated With PCC Payment and Dispute Resolution Management -

- Business Process change aligning with AT&T corporate IT best practices pertaining to standardized work request templates and procedures.

AT&T GENERAL 2004 & 2005 ASSERTIONS AS AUDITED

The following were found to be in compliance by the Independent Auditor as filed (Audit Report, APPENDIX A) with the FCC on June 30, 2004 and June 30, 2005. These assertions continue to apply and remain in compliance in 2006, and are considered out of scope for the 2005 audit.

1. The AMA/EMR /EMI records are correct.
2. The new quarterly report is limited to 8YY access numbers dialed from payphones in AT&T territory and call volumes related to completed 8YY access calls by 8YY number.
3. AT&T accurately pays PSPs per call compensation.
4. Quarterly ANI verification reports and processes are outside the scope of this audit.
5. . This audit does not represent processes relative to the LEC’s long distance operations (SBCLD and/or AT&TLD).
6. The AT&T Finance Operations data retention standard of retaining all payphone data for a minimum of two (2) years is adhered to relative to ANI identification, call detail records, and payment of PCC.
7. The AT&T Finance Operations AMA “conversion” to call detail results in a standardized record across all AT&T Regions.

AT&T Finance Operations

FCC 03-235/CC 96-128, FCC 04-182/WC 03-225 & FCC 04-251/CC 96-128

FCC Audit Assertions 2006 AT&T Payphone Per Call Compensation (PCC) Operations

FCC Order (FCC 03-235/CC Docket No. 96-128) APPENDIX C – FINAL RULES, Section 64.1320 Payphone Call Tracking System Audits

The following were found to be in compliance by the Independent Auditor as filed (Audit Report, APPENDIX A) with the FCC on June 30, 2004. These assertions continue to apply and remain in compliance in 2006.

1. AT&T has procedures in place to accurately track payphone calls to completion.

No substantive change.

2. AT&T has assigned a specific person or persons responsibility for tracking, compensating, and resolving disputes concerning payphone completed calls.

No substantive change.

3. AT&T has effective data monitoring procedures in place.

No substantive change.

4. AT&T adheres to established protocols to ensure that any software, personnel, or network changes do not adversely affect its payphone call tracking ability.

No substantive change.

5. AT&T has created a compensable payphone call file by matching call detail records against payphone identifiers.

No substantive change.

6. AT&T has procedures in place that incorporate payphone call data into required reports.

No substantive change.

7. AT&T has implemented procedures and controls needed to resolve disputes.

No substantive change.

8. AT&T has implemented critical controls and procedures to verify payphone compensation errors are insubstantial.

No substantive change.

9. AT&T has implemented adequate and effective business rules to identify and pay correctly on compensable payphone calls.

AT&T Finance Operations

FCC 03-235/CC 96-128, FCC 04-182/WC 03-225 & FCC 04-251/CC 96-128

FCC Audit Assertions 2006 AT&T Payphone Per Call Compensation (PCC) Operations

No substantive change.

AT&T Management asserts that AT&T Finance Operations has business and technical processes and personnel in place to maintain ongoing compliance in accordance with “FCC Order (FCC 03-235/CC Docket No. 96-128) APPENDIX C – FINAL RULES, Section 64.1320 Payphone Call Tracking System Audits”, Items 1 through 9, (as noted below and as stated in Minor Changes #1 through #4 above under “BUSINESS/ OPERATIONAL CHANGES SUBJECT TO 2006 AUDIT”.

The following describes the criteria by which the above is in continued compliance relative to the FCC changes subject to 2006 audit:

For each of the Minor Changes #1 through #4, as noted below and also above in this document under “BUSINESS/OPERATIONAL CHANGES SUBJECT TO 2006 AUDIT”, samples of e-mail, customer communications/notifications, call documentation, process documentation and/or reports will be made available for verification of compliance of the following.

In Minor Change #1 above, AT&T Management asserts that AT&T Finance Operations has “procedures” in place to accurately track payphone calls necessary for accurate payment of PCC.

In Minor Change #2 above, AT&T Management asserts that there are “processes and procedures” in place to identify, collect, compile, and distribute quarterly reports of AT&T-completed 8YY calls.

In Minor Change #3 above, AT&T Management asserts that AT&T Finance Operations has “effective payphone data monitoring procedures” in place to identify 8YY calls completed by AT&T versus not completed by AT&T.

In Minor Change #4 above, AT&T Management asserts that AT&T Finance Operations has in place processes, documentation, and personnel assignments necessary to administer the PCC payment responsibility associated with call-completing carrier.

FCC Order Verbiage – 2004 Audited

FCC Order (FCC 03-235/CC Docket No. 96-128) APPENDIX C – FINAL RULES, Section 64.1320 Payphone Call Tracking System Audits., Paragraph (d)(1):

“(d) Consistent with standards established by the American Institute of Certified Public Accountants for attestation engagements, the System Audit Report shall consist of: (1) the Completing Carrier’s representation concerning its compliance; and (2) the independent auditor’s opinion concerning the Completing Carrier’s representation of compliance.

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FCC Audit Assertions 2006 AT&T Payphone Per Call Compensation (PCC) Operations

The Completing Carrier's representation must disclose (i) its criteria for identifying calls originating from payphones; (ii) its criteria for identifying compensable payphone calls; (iii) its criteria for identifying incomplete or otherwise noncompensable calls; (iv) its criteria used to determine the identities of the payphone service providers to which the completing carrier owes compensation; (v) the identity of any clearinghouses the Completing Carrier uses; and (vi) the types of information that the Completing Carrier needs from the payphone service providers in order to compensate them."

AT&T, as the Completing Carrier, represents that it will disclose the following as required in Paragraph (d) above:

- (i) its criteria for identifying calls originating from payphones;
- (ii) its criteria for identifying compensable payphone calls;
- (iii) its criteria for identifying incomplete or otherwise noncompensable calls;
- (iv) its criteria used to determine the identities of the payphone service providers to which the completing carrier owes compensation;
- (v) the identity of any clearinghouses the Completing Carrier uses; and
- (vi) the types of information that the Completing Carrier needs from the payphone service providers in order to compensate them.

AT&T Management asserts that Paragraph (d), (i) through (vi), remain in compliance, except where changes are previously noted and considered changes to be audited in 2005.

FCC Order Verbiage – 2005 As Audited

AT&T Management asserts that AT&T Finance Operations has business and technical processes in place to maintain ongoing compliance in accordance with:

FCC Order (FCC 03-235/CC Docket No. 96-128) APPENDIX C – FINAL RULES

Section 64.1300 Payphone compensation obligation, Paragraphs (a) and (b):

“(a) For purposes of this subpart, a Completing Carrier is a long distance carrier or switch-based long distance reseller that completes a coinless access code or subscriber toll-free payphone call or a local exchange carrier that completes a local, coinless access code or subscriber toll-free payphone call.

(b) Except as provided herein, a Completing Carrier that completes a coinless access code or subscriber toll-free payphone call from a switch that the Completing Carrier either owns or leases shall compensate the payphone service provider for that call at a rate agreed upon by the parties by contract.”

AT&T, as the Completing Carrier, represents that it will disclose the following as required in Paragraph (a) above:

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In (a) above, AT&T Management asserts that Finance Operations qualifies as a Completing Carrier operating as a Local Exchange Carrier that completes local, coinless access code or subscriber toll-free payphone calls, as specified above in (a).

AT&T, as the Completing Carrier, represents that it will disclose the following as required in Paragraph (b) above:

In (b) above, AT&T Management asserts that AT&T the LEC as a Completing Carrier that completes a coinless access code or subscriber toll-free payphone call from a switch that the Completing Carrier either owns or leases shall compensate the payphone service provider for that call at a rate as specified in FCC Order (FCC 04-182/ WC Docket No. 03-225), APPENDIX A – FINAL RULE, Paragraph (c), and as asserted to in Change #1 above, and all subsequent references, and as clarified in (FCC 04-251/CC Docket No. 96-128) APPENDIX B –FINAL RULES.

Section 64.1310 Payphone compensation procedures, Paragraphs (a), (b), (c) and (g)

“(a) Unless the payphone service provider agrees to other compensation arrangements, each Completing Carrier identified in section 64.1300(a) shall compensate the payphone service provider as follows:

- (1) Each Completing Carrier shall establish a call tracking system that accurately tracks coinless access code or subscriber toll-free payphone calls to completion.
- (2) Each Completing Carrier shall pay compensation to payphone service providers on a quarterly basis for each completed payphone call identified in the Completing Carrier’s quarterly report required by paragraph (a) (4) of this section.
- (3) At the conclusion of each quarter, the chief financial officer of the Completing Carrier shall submit to each payphone service provider to which compensation is tendered a sworn statement that the payment amount for that quarter is accurate and is based on 100% of all completed calls that originated from that payphone service provider’s payphones.
- (4) At the conclusion of each quarter, the Completing Carrier shall submit to the payphone service provider, in computer readable format, a report on that quarter that includes:
 - (i) A list of the toll-free and access numbers dialed from each of that payphone service provider’s payphones and the ANI for each payphone;
 - (ii) The volume of calls for each number identified in paragraph (a)(4)(i) of this section that were completed by the Completing Carrier;
 - (iii) The name, address, and phone number of the person or persons responsible for handling the Completing Carrier’s payphone compensation; and

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(iv) The carrier identification code (“CIC”) of all facilities-based long distance carriers that routed calls to the Completing Carrier, categorized according to the list of toll-free and access code numbers identified in paragraph (a)(4)(i) of this section.”

AT&T, as the Completing Carrier, represents that it will disclose the following as required in Paragraph (a)(1) through (a)(4) above:

In (a) above, AT&T Management asserts that Finance Operations on behalf of AT&T the LEC as the Completing Carrier compensates the payphone service provider as follows:

- (1) Finance Operations has established a call tracking system that accurately tracks coinless access code or subscriber toll-free payphone calls to completion.
- (2) Finance Operations pays compensation to payphone service providers on a quarterly basis for each completed payphone call identified in the quarterly report required by paragraph (a)(4) of this section.
- (3) At the conclusion of each quarter, the chief financial officer of AT&T makes available to each payphone service provider to which compensation is tendered a sworn statement that the payment amount for that quarter is accurate and is based on 100 percent of all completed calls that originated from that payphone service provider’s payphones.
- (4) At the conclusion of each quarter, Finance Operations of behalf of AT&T, as the Completing Carrier provides to the PSP, in computer readable format, a report on that quarter that includes:
 - (i) A list of the 8YY toll-free and access numbers dialed from each of that payphone service provider’s payphones and the ANI for each payphone;
 - (ii) The volume of calls for each number identified in paragraph (a)(4)(i) of this section that were completed by AT&T as the Completing Carrier;
 - (iii) The name, address, and phone number of the person or persons responsible for handling the AT&T’s, as the Completing Carrier’s, payphone compensation; and

Also, as clarified in *FCC Order on Reconsideration* (FCC 04-251/CC Docket No. 96-128), Item (a)(4)(iv) as stated in the order is *not* required for LEC quarterly reporting to PSPs, and is out of scope for the 2006 audit.

(iv) The carrier identification code (CIC) of all facilities-based long distance carriers that routed calls to AT&T, as the Completing Carrier, categorized according to the list of toll-free and access code numbers identified in paragraph (a)(4)(i) of this section.

“(b) For purposes of this subpart, an Intermediate Carrier is a facilities-based long distance carrier that switches payphone calls to other facilities-based long distance carriers.”

AT&T, as the Completing Carrier, represents that it will disclose the following as required in Paragraph (b) above:

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In (b) above, AT&T Management asserts that in accordance with the FCC order, Footnote 145, AT&T does not qualify as an Intermediate Carrier as defined in (b) above. Therefore, this requirement is out of scope for the 2006 audit.

“(c) Unless the payphone service provider agrees to other reporting arrangements, each Intermediate Carrier shall provide the payphone service provider with quarterly reports, in computer readable format, that include:

- (1) A list of all the facilities-based long distance carriers to which the Intermediate Carrier switched toll-free and access code calls dialed from each of that payphone service provider’s payphones;
- (2) For each facilities-based long distance carrier identified in paragraph (c)(1) of this section, a list of the toll-free and access code numbers dialed from each of that payphone service provider’s payphones that all local exchange carriers have delivered to the Intermediate Carrier and that the Intermediate Carrier switched to the identified facilities-based long distance carrier;
- (3) The volume of calls for each number identified in paragraph (c)(2) of this section that the Intermediate Carrier has received from each of that payphone service provider’s payphones, identified by their ANIs, and switched to each facilities-based long distance carrier identified in paragraph (c)(1) of this section; and
- (4) The name, address and telephone number and other identifying information of the person or persons for each facilities-based long distance carrier identified in paragraph (c)(1) of this section who serves as the Intermediate Carrier’s contact at each identified facilities-based long distance carrier.”

AT&T, as the Completing Carrier, represents that it will disclose the following as required in Paragraph (c) above:

In (c) above, AT&T Management asserts that AT&T is in compliance with the quarterly reporting requirements as specified in Items (a)(4)(i) through (4)(iv) above, and in accordance with the FCC order, Footnote 145, and that AT&T does not qualify as an Intermediate Carrier as defined in (c) above. Also, as clarified in *FCC Order on Reconsideration* (FCC 04-251/CC Docket No. 96-128) as not required for LEC quarterly reporting to PSPs. Therefore, this requirement is out of scope for the 2006 audit.

“(g) Each Completing Carrier and each Intermediate Carrier must maintain verification data to support the quarterly reports submitted pursuant to paragraphs (a)(4) and (c) of this section for 18 months after the close of that quarter. This data must include the time and date that each call identified in paragraphs (a)(4) and (c) of this section was made. This data must be provided to the payphone service provider upon request.”

AT&T, as the Completing Carrier, represents that it will disclose the following as required in Paragraph (g) above:

In (g) above, AT&T Management asserts that Finance Operations has the necessary business and technical processes and procedures in place to maintain the verification data associated

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with the payment of PCC for no less than a period of 18 months. And again clarified in *FCC Order on Reconsideration* (FCC 04-251/CC Docket No. 96-128) as no less than 27 months, which AT&T Management also asserts compliance.

FCC Order (FCC 04-182/ WC Docket No. 03-225) APPENDIX A – FINAL RULE

“(c) In the absence of an agreement as required by paragraph (a) of this section, the carrier is obligated to compensate the payphone service provider at a per-call rate of \$.494.”

AT&T, as the Completing Carrier, represents that it will disclose the following as required in Paragraph (c) above:

In (c) above, AT&T Management asserts that Finance Operations has implemented business and technical processes and procedures necessary to pay PCC at the new rate as specified above in (c), and as asserted to in Change #1 and all subsequent references.

FCC Order (FCC 04-251/CC Docket No. 96-128) APPENDIX B - FINAL RULES

Revisions to Section 64.1310, Paragraphs (a) and (g):

“(a) Unless the payphone service provider consents to an alternative compensation arrangement, each Completing Carrier identified in Section 64.1300 (a) shall compensate the payphone service provider in accordance with (a)(1)-(a)(4). A payphone service provider may not unreasonably withhold its consent to an alternative compensation arrangement.”

“(g) Each Completing Carrier and each Intermediate Carrier must maintain verification data to support the quarterly reports submitted pursuant to Paragraphs (a)(4) and (c) of this section for 27 months after the close of the quarter. This data must include the time and date that each call identified in paragraphs (a)(4) and (c) of this section was made. This data must be provided to the payphone service provider upon request.”

In (a) and (g) above, AT&T Management asserts that Finance Operations has implemented business and technical processes and procedures necessary to collect, report and retain data associated with AT&T payment of PCC as clarified in *the Order on Reconsideration*, including all references in all above applicable sections where noted (Refer to **Section 64.1310 Payphone compensation procedures, Paragraphs (a), (b), (c) and (g)**).