and other BOC affiliates, and nonaffiliates in each state where Verizon has been authorized to provide in-region interLATA services. If the section 272 affiliates, or BOC and other BOC affiliates, are treated differently than nonaffiliates, note and describe all differences in the report. Obtain from management and disclose in the report the BOC's internal controls and procedures designed to implement its duty to provide nondiscriminatory service.

2. For each state where Verizon has been authorized to provide in-region interLATA services, document in the working papers the processes and procedures followed by the Verizon BOC/ILEC to provide information regarding the availability of facilities used in the provision of special access service to its section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates. Note any differences in the provision of information to the various parties. Inquire of management whether any employees of the section 272 affiliates or other affiliates have access to, or have obtained, information regarding special access facilities availability in a manner different from the manner made available to nonaffiliates (e.g., direct calls, placed prior to ordering, from the section 272 affiliates or BOC account managers to employees who may have facilities availability information). Obtain from management and disclose in the report any such instances.

3. For each state where Verizon has been authorized to provide in-region interLATA services, obtain from management the written methodology which the Verizon BOC/ILEC follows to record time intervals for processing orders (for initial installation requests, subsequent requests for improvement, upgrades or modifications of service, or repair and maintenance), provisioning of service, and performing repair and maintenance services for the section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates for the services described in Procedure 4, below. Document in the report the methodology obtained from management. If the company does not have any written procedures inquire and document why in the report.

4. For each state where Verizon has been authorized to provide in-region interLATA services, obtain and include as an attachment to the report, performance data maintained by each Verizon BOC/ILEC during the engagement period, by month. Indicate the following performance measurements for the section 272 affiliates, the BOC and other BOC affiliates, and nonaffiliates, as separate groups, as defined in FCC 05-184, APPENDIX G, Attachment A (pages 132-138):

    - Firm Order Confirmation (FOC) Timeliness
    - Percent Installation Appointments Met
    - New Installation Trouble Report Rate
    - Failure Rate/Trouble Report Rate
    - Average Repair Interval/Mean Time to Restore

Provide performance data for the following services:

- Exchange access services as submitted through an Access Service Request (ASR) for DSO, DS1, DS3 and above, as individual groups. For the BOC and other BOC affiliate group, exchange access measurements should cover services provided to end users on a retail basis and services provided to affiliates on a wholesale basis.

- Presubscribed Interexchange Carrier (PIC) change orders for intraLATA toll services and interLATA services.

The table below should be used as guidance for the information to be included in the metrics.

If performance measures are applicable for either the "section 272 affiliates" or the "BOC and other BOC affiliates" groups, performance metrics for nonaffiliates are required. If performance measures are not applicable for the "nonaffiliated" group, performance metrics are not required to be reported for either the "section 272 affiliates" or the "BOC and other BOC affiliates" groups. When reporting performance measures for the "nonaffiliates" group, only performance measures for the services purchased by the "section 272 affiliates" and/or the "BOC and other BOC affiliates" need be reported.

For each group (section 272 affiliates, the BOC and other BOC affiliates, and nonaffiliates) and each service category (exchange access service and PIC change orders) combination in the table below for which Verizon makes a claim of "not applicable", the practitioner must confirm independently that there are no such measurements to be reported, or get a representation letter from management as to why such measurements do not need to be reported in this engagement.

SUMMARY OF COMPANY TYPE AND SERVICE TYPES FOR PERFORMANCE MEASUREMENT REPORTING

Company Type	Exchange Access Service (ASRs Only)	PIC Change Orders (both interLATA and intraLATA PIC changes)
Section 272 Affiliate	Included	Included
Other Affiliates, Including the BOC(s)	Included - to measure services provided to end users on a **Retail** basis, and **Wholesale** services provided to affiliates	Included if applicable
Non-Affiliates (includes all entities purchasing services for resale or on a wholesale basis)	Included	Included

The performance measures should include the requested performance data by month, including standard deviation calculations and respective volumes, for each state beginning with the first whole month of data following January 3, 2005, or section 271 approval if later, for that state and ending on December 31, 2006. For clarification purposes, MCI data will be required for the entire engagement period. In addition, all MCI affiliates will be classified in the "nonaffiliated" group from January 2005 through May 2005. For June 2005 through December 2006, the MCI affiliates will be classified either as a "BOC and other BOC affiliate" or a "section 272 affiliate" as appropriate for that affiliate. Where appropriate, the performance measures data shall reflect the standard deviation, as well as mean. For purposes of inclusion in the report, the practitioner should obtain all restatements of any performance data, and include in the report the latest restatement. For any months, states, or standard deviation for which Verizon makes a

claim of "not applicable" or "not available," the practitioner must confirm independently that there are no such measurements to be reported, or get a representation letter from management as to why such measurements do not need to be reported in this engagement.

For each of the above service categories, except for PIC change orders, the measurements shall be those that Verizon has committed to maintain in APPENDIX G, Attachment A of the Verizon/MCI Merger Conditions to prove compliance with these nondiscriminatory requirements, as follows:

a. Firm Order Confirmation (FOC) Timeliness: i.e., The percentage of FOCs returned within the Company-specified standard interval. Counts are based on the first instance of a FOC being sent in response to an ASR. Activity starting on a weekend or holiday will reflect a start date of the next business day. Activity ending on a weekend or holiday will be calculated with an end date of the last previous business day. Requests received after the company's stated cutoff time will be counted as a "zero" day interval if the FOC is sent by close of business on the next business day. The standard interval will be that which is specified in the company-specific ordering guide. Indicate the total number of FOCs for each service and for each group of customers.

b. Percent Installation Appointments Met: i.e., The percentage of installation met on or before the confirmed due date for circuit orders completed during the current reporting period. This measurement is calculated by dividing the number of circuit orders completed during the reporting period, on or before the confirmed due date, by the total number of orders completed during the same reporting period. Installation appointments missed because of customer caused reasons shall be counted as met and included in both the numerator and denominator. Example of customer caused reasons include, but are not limited to, the following situations: 1) customers not ready, 2) customers requested later date, 3) premises not ready, 4) customer not prepared to test, 5) no access to premises. Indicate the total number of service orders for each service and for each group of customers.

c. New Installation Trouble Report Rate: i.e., The percentage of circuits where trouble was found in Verizon facilities or equipment within thirty days of order completion. Only the first customer direct trouble report received within thirty calendar days of a completed service order is counted in this measure. Only customer direct trouble reports that required the Regional Bell Operating Company (RBOC) to repair a portion of the RBOC network will be counted in this measure. The RBOC completion date is when the RBOC completes installation of the circuit. Indicate the total number of installation orders for each service and for each group of customers.

d. Failure Rate/Trouble Report Rate: i.e., The percentage of initial and repeated circuit-

specific trouble reports completed per 100 in-service circuits for the reporting period. Only customer direct trouble reports that require the RBOC to repair a portion of the *RBOC network will be counted in this report. The trouble* report rate is computed by dividing the number of completed trouble reports handled during the reporting period by the total number of in-service circuits for the same period. Indicate the total number of circuit-specific trouble reports for each service, and for each group of customers.

e. Average Repair Interval/Mean Time to Restore: i.e., The average time between the receipt of a customer trouble report and the time the service is restored. The average outage duration is only calculated for completed circuit-specific trouble reports. Only customer direct trouble reports that require the RBOC to repair a portion of the RBOC network will be counted in this measure. The average outage duration is calculated for each restored circuit with a trouble report. The start time begins with the receipt of the trouble report and ends when the service is restored. This is reported in a manner such that customer hold time or delay maintenance time resulting from verifiable situations of no access to the end user premise, other competitive local exchange carriers (CLEC)/ interexchange carriers (IXC) or RBOC retail customer caused delays, such as holding the ticket open for monitoring, is deducted from the total resolution interval ("stop clock" basis). Typical reasons for delay include, but are not limited to, premise access when a problem is isolated to the location or absence of customer support test facilities. This amount is calculated by dividing the total hours for the total trouble reports by the number of total trouble reports. Indicate the total number of trouble reports for each service, for each group of customers.

For PIC change orders, the measurements shall be as follows:

Average Time of PIC Change: i.e., Time measured from receipt of carrier initiated change to completion at switch. Indicate the total number of PIC change orders for each group of customers.

Note and disclose in the report differences in performance for each type of request for the same services from the section 272 affiliates, the BOC and other BOC affiliates, and nonaffiliates. Elicit explanations from Verizon where fulfillment of requests from nonaffiliates took longer than for either the section 272 affiliates or the BOC and other BOC affiliates. Provide in the report a linear graph for each state, for each performance measure, for each service, over the entire engagement period, depicting the performance for the section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates.

5. Using the reported data (i.e., by state, by service, by performance measure, by month) in Procedure 4 above, randomly select one month during the engagement period for all states where Verizon has obtained authority to provide in-region interLATA services.

For the selected month, apply the business rules to the underlying raw data and compare the results to those tracked and maintained by the Verizon BOCs for that performance metric. Applying the business rules must include all stages of the performance metric including definitions, exclusions, calculations, and reporting structure. Document any differences in the report.

6. Determine by inquiry, first, and then by inspection, how and where the Verizon BOC/ILEC makes available to unaffiliated entities information regarding service intervals that were experienced in providing any service to the section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates. Document in the report how the Verizon BOC/ILEC makes this information available to the parties.

OBJECTIVE IX. Determine whether or not the Bell operating company and an affiliate *subject to section 251(c) of the Act* have made available facilities, services, or information concerning its provision of exchange access to other providers of interLATA services on the same terms and conditions as it has to its affiliate required under section 272 that operates in the same market.

STANDARDS

The FCC in CC Docket No 96-149, Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended, indicates that a BOC may not discriminate in favor of its section 272 affiliate in the following manner:

- by providing exchange access services to competing interLATA service providers at a higher rate than the rate offered to its section 272 affiliate. (See First Report and Order, para. 16)

- by not making available facilities and services to others on the same terms, conditions and prices that it provides to its section 272 affiliate. (See First Report and Order, para. 316)

PROCEDURES: This objective is closely related to Objective XI which contains procedures for the provision by the BOCs of interLATA facilities and services. Therefore, these procedures may be performed in conjunction with the procedures for Objective XI.

1. Obtain a list of exchange access services and facilities with their related rates offered to each section 272 affiliate and inspect to determine whether the Verizon BOC/ILECs make these services and facilities available at the same rates and on the same terms and conditions to all carriers. For this purpose, inspect brochures, advertisements of any kind, bill inserts, correspondence, or any other media used to inform carriers of the availability of these services. Using a statistically valid sample of the informational media identified above, compare rates, terms, and conditions offered to each section 272 affiliate with those offered to unaffiliated carriers. Note in the report all exceptions.

2. a. Select three months at random from October 2005 through September 2006. For each of the three months selected, obtain a listing of all exchange access services and facilities (Universal Service Order Code ("USOC")/class of service) rendered to the section 272 affiliate(s). From the listing of all exchange access services and facilities that were rendered by the BOC/ILECs to any section 272 affiliate during the three months selected, determine the 9 exchange access services/facilities billed to section 272 affiliates with the highest billing volume in dollars (determination should be made based on accumulated billing to all section 272 affiliates). In addition, randomly select one

service from among the remaining services for a total of 10 services to be tested. Verify that each of the "highest 9" and "random" services meets both of the following conditions: (i) the USOC/class of service was also rendered to unaffiliated third parties, and the dollar amount of billing for such service to third parties was greater than 25% of the total quantity of such service sold by the BOC/ILECs, and (ii) at least one of the unaffiliated third parties purchasing such service was an interLATA service provider. If either of the two conditions is not met, select the next "highest" dollar billing volume service, or another random service if applicable, until both conditions are met. For each of the final exchange access services/facilities to be tested, determine which billing system the BOC/ILEC(s) uses to bill the selected service/facility, and disclose in the report whether the same system(s) is used for the billing of both section 272 affiliates and other IXCs.

(1). Inquire, obtain from management and document in the report the BOC/ILEC procedures for ensuring that the applicable tariff or agreement rate is billed to both the section 272 affiliate and nonaffiliates (e.g., the same rate table is used for all carriers). For each exchange access service and facility selected to be tested, and for each billing system used to bill the section 272 affiliates, obtain the billing system rate tables including any applicable discounts, surcharges, late fees, etc., used to bill the selected service. Determine, through comparison of rates, if the rate tables in place reflect the current tariff or agreement rates, and disclose in the report. For the services selected, determine whether the applicable rates used to bill the section 272 affiliates are equal to or greater than those billed to nonaffiliates. Inquire, obtain from management and document in the report the BOC/ILECs' procedures for updating the rate tables for the Test Period.

NOTE: As an alternative to obtaining the billing system rate tables, the practitioner may instead obtain a list from Verizon of the rates contained in the rate tables for each USOC included in the 90 selected billing transactions in step b above. If this option is elected, the practitioner must also obtain from Verizon a written representation that the rates provided were taken from the billing system rate tables.

(2). For each billing system identified that is used to bill section 272 affiliates, document in the work papers the practices and processes each Verizon BOC/ILEC has in place to ensure the billing system bills the section 272 affiliate and nonaffiliates at the same rates and under the same terms and conditions. Document the BOC's internal controls and procedures designed to ensure non-discriminatory billing. Include in the description of internal controls a summary of controls in place for overseeing the system, e.g., who has access to the systems to examine bills for accuracy, who authorizes changes if there is an error, and who has control and access over changing the rate tables (or the equivalent mechanized/system controls). Inquire, obtain from management and include in the report a summary of

what each billing system is, what services are billed under that system, what controls are present for each system, and whether the controls apply equally to both the section 272 affiliates and nonaffiliates. Also inquire, obtain from management and include in the report a summary of the controls that the BOC/ILEC(s) has in place for recording billed amounts as revenue, and the controls in place for recognizing and recording when the billed amount is actually paid. For each control identified, inquire of management and document in the report how these controls exist and apply equally to both the section 272 affiliates and nonaffiliates.

b. For each month selected in step a, obtain the billing records for each of the 10 services to be tested (each of the 10 USOCs to be tested) identified in step a above that were billed to section 272 affiliates. Billing records should be for all BOC/ILECs, all states. For each USOC, randomly select three billing transactions (e.g., three line items or three circuits) for a total of 90 transactions.

(1). For each billing transaction selected, test each transaction for the proper application of the rate per the appropriate rate tables, including all applicable discounts, surcharges, late fees, etc. Determine if the amount billed was calculated using the appropriate rate in the rate table.

(2). Also test that the transaction, including the subsequent receipt of payment or the equivalent, was properly recorded by the BOC/ILEC, and that the billed amount was paid. This can be accomplished, for example, by inspecting the Accounts Receivable record of the BOC/ILEC (may be a computer screen) that identifies the method of payment such as check number(s), wire transfer(s), or any intercompany automatic settlement payment and/or treasury payment process, and, if needed, summaries of invoiced amounts corresponding to the amount paid. Obtain copies of relevant documents and records, e.g., screens, summaries, etc., for the work papers. Disclose in the report each instance where a discrepancy is found in the billing or recording by the BOC/ILEC of the billing of the service to the section 272 affiliate, and each instance where the payment of the bill was not properly recorded, or not recorded.

(3). Also test that the transaction (and the same amount) was properly recorded on the section 272 affiliate's books, and that the same amount was paid by the section 272 affiliate. Document in the report each instance where the payment by the section 272 affiliate was not properly recorded, and where any differences were found in the recorded vs. paid amounts.

c. For each billing system that is used by the BOC/ILEC(s) to bill exchange access services or facilities to an unaffiliated entity that is different than a billing system used to bill the same services or facilities to the section 272 affiliates, perform the procedures

listed under steps a(1) and a(2) above. For each service to be tested identified in step a, compare the rates (including all terms and conditions, discounts, surcharges, late fees, etc.) charged for the service (in this system to bill unaffiliated entities) to the comparable rate charged in the system used to bill the service to a section 272 affiliate. Disclose in the report any differences. Disclose the results of all the billing system testing, outlined above, in the report.

d. Using the same three randomly selected months from step a above, and the same 10 services to be tested identified in step a above, obtain the billing records for each of the services to be tested from each billing system used by the BOC/ILEC(s) to bill exchange access services or facilities to nonaffiliates that is different than the billing system used to bill the same services to the section 272 affiliates. Billing records should be for all BOC/ILECs, all states. For each USOC, randomly select three billing transactions (e.g., three line items or three circuits) for a total of 90 transactions. For each billing transaction selected, test each transaction for the proper application of the rate per the appropriate rate tables tested in step c above, including all applicable discounts, surcharges, late fees, etc. Determine if the amount billed was calculated using the appropriate rate in the rate table. Also test that the transaction, including the subsequent receipt of payment or the equivalent, was properly recorded by the BOC/ILEC, and that the billed amount was paid. This can be accomplished, for example, by inspecting the Accounts Receivable record of the BOC/ILEC (may be a computer screen) that identifies the method of payment such as check number(s), wire transfer(s), and, if needed, summaries of invoiced amounts corresponding to the amount paid. Obtain copies of relevant documents and records, e.g., screens, summaries, etc., for the work papers. Disclose in the report each instance where a discrepancy is found in the billing or recording by the BOC/ILEC of the billing of the service to the third party, and each instance where the payment of the bill was not properly recorded, or not recorded.

OBJECTIVE X. Determine whether or not the Bell operating company and an affiliate *subject to section 251(c) of the Act have charged its separate affiliate under section 272, or* imputed to itself (if using the access for its provision of its own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service.

STANDARDS

The FCC has issued rules and regulations in CC Docket No. 96-149, Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended. These rules require that,

- A BOC may not discriminate in favor of its section 272 affiliate by providing exchange access services to competing interLATA service providers at a higher rate than the rate offered to its section 272 affiliate (See First Report and Order, para. 16). This requirement is met,

    - If the affiliate purchases exchange service and exchange access service at tariffed rates. (See First Report and Order, para. 256)

    - If the affiliate acquires services or unbundled elements from a BOC at prices that are available on a nondiscriminatory basis under section 251. (See First Report and Order, para. 256)

    - If the BOC files with the State Commission a statement of generally available terms pursuant to section 271(c)(1)(B) which would include prices that are available on a nondiscriminatory basis in a manner similar to tariffing, and a BOC's section 272 affiliate obtains access or interconnection at a price set forth in the statement. (See First Report and Order, para. 256)

    - If a BOC makes volume and term discounts available on a nondiscriminatory basis to all unaffiliated interexchange carriers. (See First Report and Order, para. 257)

- BOCs are required to charge nondiscriminatory prices, and to allocate properly the costs of exchange access according to the affiliate transactions and joint cost rules. (See First Report and Order, para. 258)

- For integrated operations (for operations performed within the company and not under a separate affiliate), a BOC must impute to itself an amount for access to its telephone exchange service and exchange access that represents tariffed rates (See First Report and

Order, para. 256). This tariffed rate must be the highest rate paid for access by unaffiliated carriers. The BOC may consider the comparability of the service provided. (See CC Docket No. 96-150 Report and Order, para. 87)

PROCEDURES

1. Obtain a list of interLATA services offered by the Verizon BOCs and discuss the list with appropriate Verizon BOC employees to determine whether the list is comprehensive. Compare services appearing on the list with the interLATA services disclosed in the Verizon BOCs' Cost Allocation Manual (CAM) and note any differences in the report. Compare the nonregulated interLATA services listed in the Verizon BOCs' CAM with those defined as incidental in section 271(g) of the Act and those interLATA services allowed under FCC order (for example E911) and note any differences and disclose in the report.

2. From the list of services obtained in Procedure 1 above, by using a statistically valid sample of interLATA services offered by the Verizon BOCs and not through an affiliate, determine whether each Verizon BOC is imputing (charging) to itself an amount for access, switching, and transport. Obtain usage details and tariff rates for each of the above elements. Match rates used in calculations with the tariff rates or the highest rates charged other interexchange carriers (IXCs) and note any differences in the report. After inquiry, obtain from management and document in the report the reasons for these occurrences. Trace the amount of the journal entry to the general ledger of the Verizon BOC. The entry should be a debit to nonregulated operating revenues (decrease) and a credit to regulated revenues (increase). If the process followed by the Verizon BOC is different from the one described above, disclose in the report.

3. For each of the following categories of services, viz., exchange access services, local exchange services and unbundled network elements, provided by any Verizon BOC/ILEC to the section 272 affiliates for the last 12 months of the engagement period, document the total amount the section 272 affiliates have recorded as expense for those services in their books, and compare the amounts booked as revenues by the Verizon BOC/ILECs to the amounts recorded by the section 272 affiliates. Also compare the amount recorded as expense to the amount paid by the section 272 affiliates to the Verizon BOC/ILECs. Where there is a difference in any of the comparisons, inquire and obtain from management an explanation of any differences, and disclose in the report.

OBJECTIVE XI. Determine whether or not the Bell operating company and an affiliate *subject to section 251(c) of the Act have* provided any interLATA facilities or services to its interLATA affiliate and made available such services or facilities to all carriers at the same rates and on the same terms and conditions, and allocated the associated costs appropriately.

STANDARDS

Valuation and recording procedures for sales or transfers of any interLATA or intraLATA facilities to each section 272 affiliate, leasing of any unbundled network elements, or provision of any service by the BOC to each section 272 affiliate are covered in Objectives V and VI of this program, under the affiliate transactions rules.

BOC services and unbundled network elements made available under section 251 to each section 272 affiliate must also be made available at the same price to unaffiliated companies. (See CC Docket No. 96-149, First Report and Order, para. 256)

PROCEDURES: This objective is closely related to Objective IX which contains procedures for the provision by the BOC of exchange access services. Therefore, these procedures may be performed in conjunction with the procedures for Objective IX.

1. Obtain a list from the Verizon BOC/ILECs of interLATA services and facilities with their related rates offered by the Verizon BOC/ILECs to each section 272 affiliate to determine whether the Verizon BOC/ILECs make these services and facilities available at the same rates, terms, and conditions to all carriers. For this purpose, also obtain and inspect brochures, advertisements of any kind, bill inserts, correspondence, or any other media used to inform carriers of the availability of these services.

   Compare the list of interLATA services offered obtained from the Verizon BOC/ILECs to the services found in the obtained information media and note any differences in the report. In addition, compare the list obtained from the Verizon BOC/ILECs to the list of interLATA services purchased by section 272 affiliates and obtained in Objective V/VI, Procedure 4, and to the list of interLATA services purchased by section 272 affiliates and obtained in Objective X, Procedure 1 (after comparison to the CAM). Document in the report any instance where services were found in either the list of services from Objective V/VI, Procedure 4, the list of services from Objective X, Procedure 1, or in advertising media that were not reported by the Verizon BOC/ILECs in response to this procedure. Also document in the report any interLATA services that are provided to any section 272 affiliate, but which are not covered by any written agreements.

2. Using the information media obtained in Procedure 1 above, select a statistically valid

sample of such media. Compare the rates, terms, and conditions offered each section 272 affiliate with the rates, terms, and conditions offered unaffiliated carriers. Disclose any *differences in the report.*

3. a. Obtain a listing of all interLATA services and facilities rendered to the section 272 affiliate(s) and other interexchange carriers (IXCs) during the Test Period. From the listing of all interLATA services and facilities that were rendered during the Test Period by the BOC/ILEC(s) to both unaffiliated entities and any section 272 affiliate in any state, determine the 9 interLATA services/facilities billed to unaffiliated third parties with the highest billing volume in dollars (determination should be made based on accumulated billing to all unaffiliated entities). In addition, randomly select one service from among the remaining services for a total of 10 services to be tested. If there were not 10 different interLATA services/facilities rendered to unaffiliated entities, for purposes of this procedure select each interLATA service or facility rendered to an unaffiliated entity. Determine which billing system the BOC/ILEC(s) uses to bill each of the selected interLATA services and facilities, and disclose in the report whether the same system(s) is used for the billing of both section 272 affiliates and other IXCs.

NOTE: If the billing system(s) used to bill each of the selected interLATA services and facilities has already been tested elsewhere in this program (e.g., for Procedure V/VI-6, VII-4, or IX-2), it is not necessary to retest the system. In such cases, step a(1) through step d need not be performed. Instead, disclose in the report which interLATA services and facilities were selected for the procedure, which selected services and facilities are billed using each system, and cross-reference where in the report the results for that system may be found.

(1). Inquire, obtain from management and document in the report the BOC/ILEC procedures for ensuring that the applicable tariff or agreement rate is billed to both the section 272 affiliates and nonaffiliates (e.g., the same rate table is used for all carriers). For each interLATA service and facility selected, and for each billing system used to bill the section 272 affiliates, obtain the billing system rate tables, including any applicable discounts, surcharges, late fees, etc., used to bill the selected service to the section 272 affiliates. Determine if the rate tables in place reflect the current tariff or agreement rates, and disclose in the report. For the services selected, determine whether the applicable rates used to bill the section 272 affiliates are equal to or greater than those billed to nonaffiliates. Inquire, obtain from management and document in the report the BOC/ILECs' procedures for updating the rate tables for the Test Period.

(2). For each billing system identified above that is used to bill section 272 affiliates, document in the work papers the practices and processes the Verizon BOC/ILEC has in place to ensure the billing system bills the section 272 affiliates

and nonaffiliates at the same rates and under the same terms and conditions. Document the BOC/ILEC internal controls and procedures designed to ensure *non-discriminatory billing. Include in the description of internal controls a* summary of controls in place for overseeing the system, e.g., who has access to the systems to examine bills for accuracy, who authorizes changes if there is an error, and who has control and access over changing the rate tables (or the equivalent mechanized/system controls). Inquire, obtain from management and include in the report a summary of what each billing system is, what services are billed under that system, what controls are present for each system, and whether the controls apply equally to both the section 272 affiliates and nonaffiliates. Also include a summary of the controls that the BOC/ILEC(s) has in place for recording billed amounts as revenue, and the controls in place for recognizing and recording when the billed amount is actually paid. For each control identified, document how these controls exist and apply equally to both the section 272 affiliates and nonaffiliates.

b. Randomly select three individual non-consecutive months during the Test Period. For each month selected, obtain the billing records for the 10 services to be tested identified in step a. above that were billed to section 272 affiliates. Billing records should be for all BOC/ILECs, all states. For each service to be tested, randomly select 10 billing transactions from the three months of billing records. If fewer than 10 interLATA services/facilities are used for this procedure, continue selection of billing transactions at random until 100 such transactions are selected. If there are four or fewer interLATA services/facilities used for this procedure, randomly select a total of 25 billing transactions for each service (e.g., the test population may range from 25 to 100 billing transactions depending upon how many services are being tested).

(1). For each billing transaction selected, test each transaction for the proper application of the billing rate table tariff or agreement rate in effect at the time of the transaction. Determine if the amount billed was calculated using the appropriate rate in the rate table. If historic rate tables are not available and the number of line items/rates is 10 or less, note in the report that the rates were not available and that the test could not be performed for those items. Note how many items were not able to be tested. If more than 10 historic line item rates are not available, perform the test by obtaining the most recent month of billing records available for the service shown on the line items. Test that the current rate tables obtained in step a. above, including all applicable discounts, surcharges, late fees, etc., are being applied to the applicable line item service, and that the amount billed was calculated using the appropriate rate in the rate table. Note that this alternate procedure was performed, and the results, in the report.

(2). Also test that the transaction, including the subsequent receipt of payment

or the equivalent, was properly recorded by the BOC/ILEC, and that the billed amount was paid. This can be accomplished, for example, by inspecting the *Accounts Receivable record of the BOC/ILEC (may be a computer screen)* that identifies the method of payment such as check number(s), wire transfer(s), or any intercompany automatic settlement payment and/or treasury payment process, and, if needed, summaries of invoiced amounts corresponding to the amount paid. Obtain copies of relevant documents and records, e.g., screens, summaries, etc., for the work papers. Disclose in the report each instance where a discrepancy is found in the billing or recording by the BOC/ILEC of the billing of the service to the section 272 affiliates, and each instance where the payment of the bill was not properly recorded, or not recorded.

(3). Also test that the transaction (and the same amount) was properly recorded on the section 272 affiliate's books, and that the same amount was paid by the section 272 affiliate. Document in the report each instance where the payment by the section 272 affiliate was not properly recorded, and where any differences were found in the recorded vs. paid amounts.

c. For each billing system that is used by the BOC(s) to bill interLATA services or facilities to an unaffiliated entity that is different than the billing system used to bill the same service to the section 272 affiliates, perform steps a(1) and a(2) above. For each service to be tested identified in step a above, compare the rates (including all terms and conditions, discounts, surcharges, late fees, etc.) charged for the service (in this system to bill unaffiliated entities) to the comparable rate charged in the system used to bill the service to a section 272 affiliate. Disclose in the report any differences. Disclose the results of all the billing system testing, outlined above, in the report.

d. Using the same three randomly selected months from step b above, and the same 10 services to be tested identified in step a above, obtain the billing records for the 10 services to be tested from each billing system used by the BOC/ILEC(s) to bill interLATA services or facilities to nonaffiliates that is different than the billing system used to bill the same services/facilities to the section 272 affiliates. Billing records should be for all BOC/ILECs, all states. If there were not 10 different interLATA services/facilities rendered to unaffiliated entities, for purposes of this procedure select each interLATA service or facility rendered to an unaffiliated entity. For each service to be tested, randomly select 10 billing transactions from the three months of billing records. If fewer than 10 different interLATA services/facilities are used for this procedure, continue selection of billing transactions at random until 100 such transactions are selected. For each billing transaction selected, test each transaction for the proper application of the billing rate table tariff or agreement rate in effect at the time of the transaction. If historic rate tables are not available, perform the test with the current rate tables obtained in step c above, including all applicable discounts, surcharges, late fees,

etc. Determine if the amount calculated to be billed was calculated using the appropriate rate in the rate table. Also test that the transaction, including the subsequent receipt of payment or the equivalent, was properly recorded by the BOC/ILEC, and that the billed amount was paid. This can be accomplished, for example, by inspecting the Accounts Receivable record of the BOC/ILEC (may be a computer screen) that identifies the method of payment such as check number(s), wire transfer(s), and, if needed, summaries of invoiced amounts corresponding to the amount paid. Obtain copies of relevant documents and records, e.g., screens, summaries, etc., for the work papers. Disclose in the report each instance where a discrepancy is found in the billing or recording by the BOC/ILEC of the billing of the service to the third party, and each instance where the payment of the bill was not properly recorded, or not recorded.

Procedures for Subsequent Events

1. Inquire of management whether companies' processes and procedures have changed since the time of execution of these procedures and the end of the engagement period. If so, identify those changes and re-perform the related procedures to allow the specified parties to determine continued compliance with those requirements. Disclose in the report changes and results of the procedures re-performed.

2. Inquire of and obtain written representation from management as to whether they are aware of any events subsequent to the engagement period, but prior to the issuance of the report, that may affect compliance with any of the objectives described in this document. Disclose in the report any such event. (*See* Paragraph 4 within the Compliance Requirements of these agreed-upon procedures for the scope of the audit.)

Objectives V & VI; Procedure 5
Assessing Individual Web Postings

Form 1 (or electronic equivalent) required for each sample.

Sample # _____ *Posting Reference* _____

Col. A	Col. B	Col. C	Col. D	Col. E		Col. F	Col. G	Col. H
			Accuracy of Web Posting				Completeness of Web Posting	
Category	Is This "Category" Included in The Underlying Written Agreement?	Quantification of Columns D and E for Each Category in Column A	Total Number of Items Checked in Sample	Errors[1] Found in Sample		Quantification of Columns G and H for Each Category in Column A	Total Number of Items Checked in Sample	Errors[2] Found in Sample
T&C – Description of Service [includes title of service and what is the service]	Yes	1 per posting				1 per posting		
Rates-Level[3]	Yes	1 per rate				1 per rate		
Rate-Pricing Criterion [Tariff, PMP, FMV/FDC Designation]	Varies—generally not included	1 per rate				1 per rate		
T&C – Parties Providing Service[4]	Yes	# of parties to agreement				1 per posting		
T&C – Parties Receiving Service[5]	Yes	# of parties to agreement				1 per posting		
T&C –Contract Period [Effective Date of Service and Termination Date of Service]	Yes	2 per posting				Generally 2 per posting		
T&C – Renewal Clause	Yes	1 per posting				1 per posting		
Frequency of Recurring Transactions	Yes	Generally 1 per rate; may be summarized for a posting				Generally 1 per rate; may be summarized for a posting		
Number of Personnel	Yes[6]	1 per rate				1 per rate		
Personnel Type	Yes[6]	1 per rate				1 per rate		
Expertise Level[7]	Yes[6]	1 per rate				1 per rate		

[1] An error is any instance where an agreement contains an item(s) that does not agree with the corresponding item on the internet.
[2] An error is any instance where the internet did not contain sufficient details.
[3] For those websites that the rate is hyperlinked to the FCC/state tariffs, the Total Number of Items Checked in Sample will be one (1) and the link must go to the correct tariff for the number of errors found in that sample to be zero (0), when comparing the agreement to the web posting.
[4] Column D – If the section 272 affiliate is providing the service, regardless of the names/numbers of other parties also providing the service in the contract, only the section 272 affiliate name need be identified on the website.
[5] Column D - If the section 272 affiliate is receiving the service, regardless of the names/numbers of other parties also receiving the service in the contract, only the section 272 affiliate name need be identified on the website.
[6] Applies to this section only if the agreement contains applicable language, otherwise N/A.
[7] Expertise level is considered the "job title" of the person doing the work.

Col. A	Col. B	Col. C	Col. D	Col. E		Col. F	Col. G	Col. H
			Accuracy of Web Posting				Completeness of Web Posting	
Category	Is This "Category" Included in The Underlying *Written* Agreement?	Quantification of Columns D and E for Each *Category in* Column A	Total Number of Items *Checked in* Sample	Errors[1] Found in *Sample*		Quantification of Columns G and H for Each *Category in* Column A	Total Number of Items *Checked in* Sample	Errors[2] Found *in Sample*
Special Equipment	Yes[6]	1 per posting				1 per posting		
Completion Time for Transaction	No	NA		NA		Generally 1 per rate		
Contains notation / footnote that the labor rate is a fully loaded rate	No	NA		NA		1 per posting		
Contains notation / footnote that the labor rate includes material cost	No	NA		NA		1 per posting		
Contains notation / footnote that the rate includes all direct and indirect misc. and overhead cost	No	NA		NA		1 per posting		
Assets - Quantity Transferred	Yes	Varies-quantity for each type of asset transferred				Varies-quantity for each type of asset transferred		
Assets - Quantity Transferred	Yes	Varies-quantity for each type of asset transferred				Varies-quantity for each type of asset transferred		
Total Items/Results (Move to Form 2)								

Attachment 2

Objectives V & VI; Procedure 5
Summary of Web Posting Completeness and Accuracy Results

Form 2 - These results would be developed based on the Form 1 results for each sample.

Col. A	Col. B	Col. C		Col. D	Col. E
	Accuracy of Web Postings			Completeness of Web Posting	
	Total Number of Items Checked in Sample	Errors Found in Sample		Total Number of Items Checked in Sample	Errors Found in Sample
Sample # 1					
Sample # 2					
Sample # 3					
Sample # 4					
Sample # 5					
Sample # 6					
Sample # 7					
Sample # 8					
Sample # 9					
Sample # 10					
Sample # 11					
Sample # 12					
Sample # 13					
Sample # 14					
Totals					
Error Rate as a Percentage		Col. C Total / Col. B Total x 100			Col. E Total / Col. D Total x 100

See underlying Comments from Verizon Communications Inc.

VERIZON RESPONSE TO YEARS 2005/2006 SECTION 272 AUDIT REPORT

ion 272 Audit Report Issue/Report Language	*Management Response*
X A-	
, Procedure 4 l by the procedure, Verizon self disclosed instances ome point during the January 3, 2005 to January 2, d, services were provided between the Verizon and section 272 affiliate without a written agreement e parties.	Since the launch of its Section 272 website prior to long distance entry, Verizon ha established an extensive array of comprehensive service arrangements for transact between ILECs and Section 272 affiliates. For this audit, the services provided wi written agreement were very narrow in scope and included: 1) minor administrativ 2) activities already disclosed in the last section 272 audit report; or 3) amendme services or features to well established services or agreements. Verizon continues training and written reminders to its employees on the requirements to document a transactions between ILECs and Section 272 affiliates before the transaction begin corporate-wide e-mail was sent to all employees on July 27, 2005, stating the impo adhering to all affiliate regulations including Section 272. Also, on October 19, 20 designated Senior Vice Presidents in the legal department issued letters to key mar emphasizing the importance of having a written agreement prior to the service bei provided. All of the items noted in the audit were discovered by Verizon, self-disc the auditor, and corrected through the execution of written contracts.
, Procedure 5 s sampled agreements and noted instances where the sting took place after ten days from the signing of the or provision of service (whichever came first).	The report noted 5 instances of late postings. Although four of those agreements w posted more than 10 days after the services were provided, they were posted withi days of the date that the agreements were executed. As written, the audit report counts the same "lateness" issue twice in the procedure services without a contract and contracts posted more than 10 days from execution of the agreements that are listed in Procedure 5 were for the same services that we disclosed to the auditors in response to Procedure 4 concerning services provided p the execution of a written contract.

VERIZON RESPONSE TO YEARS 2005/2006 SECTION 272 AUDIT REPORT

, Procedure 7 ıple of 50 invoices containing over 100 transactions, mpared the amount paid by the BOC/ILEC and the orded on the 272 affiliates books and noted the voices - the BOC/ILEC had not yet paid the invoice oices - noted a difference between the amount paid by OC/ILEC and the invoice amount oices - information could not be located by the /ILEC.	Verizon's review of the causes for this billing discrepancy found that: • For 7 of 10 invoices that have not been paid, it has been determined that VS performed the service for their own customer and an invoice was issued to tl BOC/ILEC in error. A credit invoice was not issued resulting in an audit tes indicated that the BOC/ILEC's payment to the 272 affiliate bill had not occu • For the 8 invoices where the payment was not the same as the invoice amou Verizon has concluded this was either the result of a billing dispute or paym made later and information could not be located. In 6 out of 8 invoices, the was under $100. For the remaining 2 invoices, the difference was under $40
, Procedure 10 ıle of 95 invoices, Deloitte compared the price the OC/ILEC charged to the section 272 affiliate to the e in the publicly-filed agreements or statements and ollowing: unable to identify a rate/price within the invoice. ıot able to verify that the price per the invoice agrees licly-filed agreements or statements.	For 16 invoices, Deloitte & Touche could not perform the verification procedure b the invoice format did not contain rates. The invoices did not contain rates becaus were (1) credit invoices, (2) summary invoices, or (3) invoice amounts of $0. For 2, documentation was not readily available and research could not be completed b deadline.