



Toni R. Acton
Director

AT&T Services, Inc.
1120 20th Street, N.W.,
Suite 1000
Washington, D.C. 20036

202.457.3039 Phone
202.457.3070 Fax

June 29, 2007

Via Electronic Submission

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

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

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 Incumbent Local Exchange Companies, 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 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 3120.08
Dallas, Texas 75202
866-556-5055

If you have any questions, please contact the undersigned at 202-457-3039.

Sincerely,

A handwritten signature in cursive script, appearing to read "Toni Acton".

Toni R. Acton
Director

Engel

Independent Accountant's Report

We have examined management's assertions, included in the accompanying "*FCC Audit Assertions 2007 – 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.

Medore B. Liguori, CPA

Engel Consulting Group
June 29, 2007



**AT&T ILEC Payphone Per Call
Compensation Process
2007 FCC Audit Report**

June 29, 2007

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1.0 Introduction

AT&T Payphone Per Call Compensation (PCC) Finance Operations engaged the services of the Engel Consulting Group to perform the annual audit of the PCC processes and procedures to validate that no material changes have occurred since the filing of the June 30, 2006 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 2007*, AT&T Finance Operations Management stated that there have been no substantive operational or procedural changes to its PCC practices and procedures from July 1, 2006 to June 29, 2007. With the merger of the former BellSouth Company, AT&T advised that this year's audit would also include the PCC processes for the new AT&T Southeast Region (formerly BellSouth), which had been audited per the FCC criteria during each of the three prior years.

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. Since the Southeast Region contracts with the National Payphone Clearinghouse (NPC) for its PCC payment and report processing, the end-to-end test compared the compensable file created by the audit team with the compensable file sent to the NPC.

An examination of the updated documentation which included the Southeast Region requirements for PCC processing, quarterly reports, and dispute resolution was also 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 engaged 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. Engel was also engaged to conduct the 2005 and 2006 Audits 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.*

An initial System Audit Report was also filed with the FCC by Independent Auditors engaged by the former BellSouth (AT&T Southeast Region) in 2004 followed by subsequent Audits for 2005 and 2006.

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, 2006 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 Audit as of June 30, 2006.

The audit test plan as of June 29, 2007 was designed to validate 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 reporting¹, and 2) examined process documentation and reports to validate that the end-to-end process continues to meet the compliance criteria.

5.0 Audit Test Plan

There were four audit areas of the test plan:

- AT&T Payphone Compensation Processes: Ongoing compliance with the FCC criteria

¹ For the AT&T Southeast Region, the call detail was traced from identification of payphone calls through the creation of the compensable file which was sent to the NPC

- “PSP Per Call Compensation (PCC) Subscriber Toll-Free Processing Rules AT&T 22-State”
 - Updated to detail the Southeast Region processing of 8YY calls originated from payphones
- “FCC Per Call Compensation (PCC) Quarterly Reports Processing Rules AT&T 22-State”
 - Updated to reflect Southeast Region use of NPC for provision of the quarterly reports
- “FCC Per Call Compensation (PCC) Dispute Resolution Process”
 - Updated to include Southeast Region processes for handling PCC Disputes

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 22-State”

AT&T Management Assertion	Validation Test
<ul style="list-style-type: none"> • AT&T has procedures in place to accurately track payphone calls to completion. • AT&T has created a compensable payphone call file by matching call detail records against payphone identifiers 	Examine PCC documentation for detail of processing steps for the Southeast Region

5.3 “FCC Per Call Compensation (PCC) Quarterly Report Processing Rules AT&T 22-State”

AT&T Management Assertion	Validation Test
AT&T has procedures in place that incorporate payphone call data into required reports.	Examine PCC documentation for inclusion of Southeast Region procedures for quarterly reporting through the NPC

5.4 “FCC Per Call Compensation (PCC) Dispute Resolution Process”

AT&T Management Assertion	Validation Test
AT&T has implemented procedures and controls needed to resolve disputes	Review PCC Dispute Process for inclusion of Southeast Region dispute processes

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.

Since the Southeast Region contracts with the NPC for the processing of PCC payments and provision of the quarterly reports, the end-to-end test started with the identification of payphone calls through to the creation of the compensable file which was sent to the NPC. The NPC processes for PCC payment to the PSPs and delivery of the quarterly reports are audited separately and are outside the scope of this audit. A sample of PSPs was selected and call detail requested for 25 ANIs with call dates occurring during the March 2007 calendar month. The call detail was independently analyzed to determine which calls were compensable and which were not due compensation.

The results were then compared with the 1st Quarter 2007 compensable file which was sent to the NPC. After eliminating the calls on the Engel file which were terminated to a Facilities-Based CLEC and not due compensation from AT&T, there were a few calls, as expected, with call dates after the call detail was pulled for the quarterly NPC file. Examination of the process for collecting the call detail for the quarterly file and acknowledgement that compensation for these specific calls would occur for the 2nd Quarter 2007 reporting period confirmed that the compensable calls determined by Engel matched those determined by AT&T. The test validated that AT&T in the Southeast Region correctly identifies those calls where PCC is appropriate and incorporates the detail into the compensable file which is sent quarterly to the NPC.

The end-to-end test for the other AT&T Regions traced payphone calls from a sample of ANIs through the payment and reports processes. From a list of the 1st Quarter 2007 FCC Reports, four customers were selected and call detail requested for a sample of payphone ANIs with call dates occurring October 1, 2006 – December 31, 2006. 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.

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. No calls terminated to an Exception number in the audit sample.

For all four 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. No discrepancies, inconsistencies, or exceptions were noted.

The second part of this test included a review of the CFO sworn statements of PCC accuracy made for the 4th Quarter 2006 and 1st Quarter 2007 reporting periods. 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 22-State”

The objective of this examination was to validate that AT&T had updated its documentation to include the PCC processing for the Southeast Region. Because of the contractual relationship with the NPC for the actual payment and reports processing, AT&T’s responsibility is to capture the call detail and, using the business rules for identifying payphone classes of service and 8YY completions, to create a compensable file to be sent to the NPC. Exclusions for calls terminating to Facilities-Based CLECs are maintained and the CLEC lists are updated quarterly.

The process outlined in the PCC documentation was tested during the end-to-end test of the Southeast Region and there were no discrepancies observed or exceptions noted.

6.3 “FCC Per Call Compensation (PCC) Quarterly Report Processing Rules AT&T 22-State”

The objective of this analysis was to verify that AT&T had updated its documentation to include the requirements from the Southeast Region for the provision of the quarterly reports. As outlined in the PCC processing documentation, AT&T gathers call detail on a monthly basis for 8YY calls originating from payphones. The compensable calls are then compiled into a file sent to the NPC on a quarterly basis. The NPC has prescribed the format of the compensable file and sends a control report to AT&T each quarter specifying receipt of the file and the counts of the records accepted. AT&T sends back confirmation that the record counts match. A copy of the compensable file specifications and record layout along with a sample of the NPC control report was reviewed as part of this examination. All documentation was in order and there were no discrepancies or exceptions observed.

6.4 “FCC Per Call Compensation (PCC) Dispute Resolution Process”

The objective of this examination was to verify that AT&T had updated its documentation to include the processes for handling PCC disputes in the Southeast Region. In addition to containing information about the dispute process including how a PSP should initiate a dispute, the AT&T documentation also provides examples of the types of disputes that might arise and the process for resolution. Most of the PCC disputes for the Southeast Region are handled by the NPC and the process is described on the NPC website,



<https://www.npc.cc/>; however, AT&T also accepts PCC disputes for all Regions, including the Southeast, via PCCDISPUTE@att.com.

PCC Disputes and inquiries continue to be logged whether the dispute comes in via email or through the hotline. The Dispute log was reviewed for the period starting January 1, 2007 through the present day and all documentation was in order with no inconsistencies or exceptions noted.

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 June 29, 2007.

7.1 Contact Information

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

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

8.0 Appendices

Appendix Document

A “FCC Audit Assertions 2007, AT&T Payphone Per Call Compensation (PCC) Operations”



APPENDIX A

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 2007

AT&T Payphone Per Call Compensation (PCC) Operations

Introduction

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.

2007 AUDIT – GENERAL ASSERTIONS

2007-1. No changes have been made to any documentation, policies, procedures, processes or data formats audited successfully in 2004, 2005 and 2006 subsequent to the FCC PCC Audits concluded on June 30, 2004, June 30, 2005 and June 30, 2007. 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, 2006,, as noted .

2007-2. Therefore, AT&T asserts that all AT&T PCC areas audited in 2004, 2005 and 2006 remain in compliance to date and are not included in the scope of the 2007 audit.

2007-3. All corporate standards and controls asserted previously audited are still in place in 2007.

AT&T GENERAL 2007 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, June 30, 2005 and June 30, 2006. These assertions continue to apply and remain in compliance in 2007, and are considered out of scope for the 2006 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.

APPENDIX A

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 2007

AT&T Payphone Per Call Compensation (PCC) Operations

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.

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

Except where noted, AT&T shall include the former BellSouth Region. The following were found to be in compliance by the Independent Auditor as filed (Audit Report, APPENDIX A) with the FCC on June 30, 2004¹. These assertions continue to apply and AT&T remains in compliance.

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.

¹ BellSouth was found in compliance with their Audit filed June 30, 2006.

APPENDIX A

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 2007

AT&T Payphone Per Call Compensation (PCC) Operations

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.

No substantive change.

10. AT&T has implemented and continues to post after the close of each quarter, the chief financial officer's sworn statement of accuracy, based on 100% of all completed calls, to the website that is mentioned in said letter.

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

FCC Order Verbiage – Previously 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. The Completing Carrier's representation must disclose (i) its criteria for identifying

APPENDIX A

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 2007

AT&T Payphone Per Call Compensation (PCC) Operations

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