

Once the errors have been corrected, ANI Status report files are created for each PSP to show the status of all ANIs submitted. The ANI Master List file, which is provided to the customers, is also created. This DAC Utility process creates several disk files from the ANI Master table: a file of the ANIs; a file of ANIs and assigned PSP IDs; a file of the PSP IDs with PSP names; and certain other customer specific files, as requested.

At any time during the quarter, LECs may submit prior quarter documentation for establishing ANI Ownership. This information must be processed to remove owner conflicts from ANIs.

Approximately 45 days after the end of the quarter, customers' call records begin to be received. These files must be checked for format. Once validated, the files are archived to CD, copied to the server, and processed.

During the processing of call records, the invoice summary table is updated with payment information that is displayed and processed in the DAC Utility to determine the payments required by each customer.

When the call records have been processed and the invoice summary table has been updated, the DAC clerks check for potentially fraudulent ANIs. A threshold was applied during the call record processing based on threshold entries in the FraudANI table (default or per customer). First, the High Calls report is run to see if the thresholds applied were reasonable and then adjust the value for any customer. Following this, the FraudANI report is run to see what PSPs had high call count ANIs. If the threshold should be changed to either add or delete records from FraudANI status, the DAC Utility Fraud screen will be used. The DAC Utility will execute a program to scan the CallSum### table to add entries if the threshold is lowered; it will do the processing for a raised value itself.

As each customer's final payment schedule is set and saved, the system creates a Detail Invoice file for the customer. This file must be matched to the payment schedule information to create a Payment Detail file for the customer and for the individual PSPs. There is software available to double-check the totals in each of the files should a question arise concerning their accuracy.

These quarterly reports summarize call records processed into one of the following categories:

- **No Claim** – reflects calls associated with recognized ANIs based on LEC validation data submitted, but have not yet been claimed by a PSP.
- **Claim Validated** – reflects calls associated with ANIs belonging to payphone owners that have requested compensation from users for the applicable quarter and BCI has been able to verify the claimant is the legal owner.
- **Claim Not Validated** – reflects calls associated with ANIs belonging to payphone owners that have requested compensation from users for the applicable quarter, but the LECs have not reported ownership information for the nonvalidated ANIs.

- **Suspense** – reflects calls associated with ANIs involved in an ownership dispute. Ownership disputes can result when the LEC reported ownership information does not match the PSP ownership information, or when multiple PSPs claim ownership of the same ANI and the LEC information does not support any of the claims.
- **High Volume Calls** – reflects calls associated with ANIs that exceeded the user-defined threshold for number of calls per ANI per month. Users may adjust their threshold each quarter. This “potential fraud” is reported to users for further investigation.

When PSP payments are approved by the customers, the payment schedule files are used to create a spreadsheet containing the payment information which will be sent to Accounting. The files will also be used to create Payment Summary Reports that will be sent to the PSPs along with their payment checks.

Once payments have been sent, the Customer Payment Detail files are used to mark the payment date in the Call Record entries. After this has been done, the Invoice Summary table will be updated again to reflect both the payments and the remaining payment information data.

When a quarter becomes ineligible for new Compensation Requests, unpaid Call Records for the quarter can be marked as Expired (Paid Date is set to 99999999). A program is run that uses the final payment schedule data, saved by the DAC Utility, to determine PSPs whose calls should be expired; all unclaimed Call Records will be expired by the program.

Each quarter’s information is stored for three years. Periodically, the stored databases are analyzed to ensure the record totals maintained are correct.

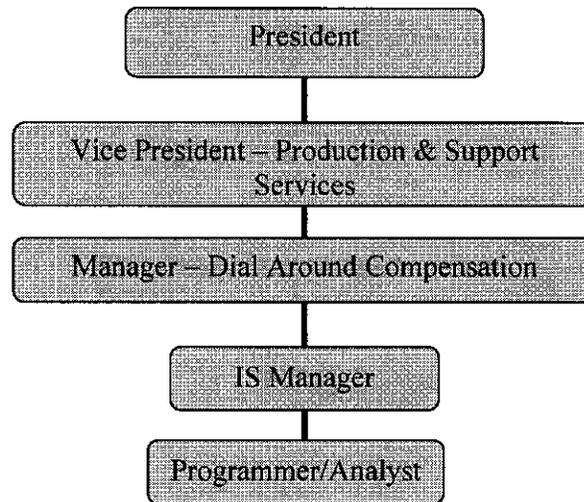
If a PSP has a dispute or question about the payment made, the PSP can request that its original file (or a newly submitted file) be checked in more detail. Software can extract the ANI Master data and all call record information from a designated quarter for ANIs in the submitted file. The DAC Manager and/or DAC Administrator can review the report and explain the status and payments to the PSP. If the DAC Manager or Administrator cannot resolve the dispute, the information will be submitted to the user for additional information. The DAC Manager will coordinate the resolution of the dispute with the PSP and the user.

Internal Control Features

Control Environment Elements

BCI’s organizational structure, its management’s responsibilities, and its culture are important components of the DAC System’s control structure. The DAC System is under the direction of the Executive Vice President and Chief Operating Officer. The assignment of responsibility and authority to deal with the goals and objectives of the DAC System’s goals and objectives, system requirements, including regulatory requirements and customer obligations, have been completed

by BCI's management. The following organizational chart summarizes those with responsibility for DAC services:



BCI's DAC System is a small segment of its overall business. However, within the DAC team, segregation of key functions has been achieved in the following areas:

- **Marketing** – Marketing for DAC services is primarily done by a contract service person whose sole responsibility is to serve as a liaison between users and BCI.
- **Customer Service** – Customer service is provided in two areas. First, customer service representatives in the Customer Service Department provide services to DAC customers to assist in handling PSP disputes and general questions. In addition, the DAC Manager provides assistance directly to the DAC customers.
- **Information Systems (“IS”)** – IS provides for the development and support of the DAC System. This department is responsible for the design, documentation, programming, disaster recovery, and other general and specific requirements of the DAC System. IS is responsible for maintaining the integrity of its software by managing system performance, updates, system changes, and overall management of the DAC System's applications, including hardware and applicable software applications.
- **DAC Services** – The DAC team has the primary responsibility to manage BCI's DAC services. This department consists of staff members with varying responsibilities, who overall manage the entry of data, creation of the ANI Master Database, processing of customer records, working with customers to handle PSP disputes, preparing applicable reports, aggregating payment information, and paying and reporting to PSPs.

- **Human Resources** – Human Resources, as it does for the other business segments of BCI, is responsible for maintaining proper policies and procedures relating to the overall work environment. Furthermore, this department, in tandem with the operating departments, has overall responsibility for recruiting, hiring, and training qualified personnel.
- **Delegation of Responsibility and Authority** – BCI has assigned and delegated responsibility and authority to key leaders to carry out their job descriptions, including meeting BCI’s overall goals and objectives, but more specifically to meet the goals and objectives of the DAC System. While some of these employees have responsibilities in other business segments within BCI, they have no duties, responsibilities, or authority at the user organizations.

BCI has a Mission and Vision Statement that guides the organization’s culture. Further, BCI understands that maintaining its core system, software, services, and related business practices, including satisfying customers’ needs and meeting relating commitments, is critical to continuing to meet its business goals and objectives.

III. General User Control Considerations

The DAC System has been designed assuming certain control procedures would be implemented by users in order to achieve stated control objectives. Accordingly, users of the DAC System and their auditors should be aware of the following control procedures, which are the responsibility of the user:

- **The DAC Services Agreement** – specifies the responsibilities of BCI and the user organization. Users and their auditors should refer to the agreement with respect to these responsibilities.
- **Access Controls** – control and security of systems relating to the user’s DAC System and interface with BCI should be maintained by the user.
- **File Completeness and Timeliness** – the DAC System processes for payment call data record files for user-provided files, including completed call records for payphone originated calls. Users are responsible for the completeness, accuracy, and timeliness of these initial call record files. Users and their auditors should understand the controls in place to create accurate completed call files for calls originating from PSPs, and that such files are submitted to BCI in a timely manner.
- **Payment Authorization** – BCI provides notice to users of the estimated amount of DAC due each PSP based on available information. Users are responsible for reviewing and authorizing BCI to pay the PSPs. Users and their auditors should understand the controls in place to ensure proper approval of PSP payments by the users.

- **Completeness of Records Processed** – BCI provides users with quarterly reports summarizing the number of records received and the results of the processing of those records, including those detailing payments made on behalf of the users. The users are required to review these reports and notify BCI of any inaccuracies within 15 days of the date of such reporting. Users should understand the controls in place to review these reports, reconcile the number of records processed, paid, or otherwise categorized to the total number of call records submitted.
- **Dispute Resolution** – BCI serves as the principal point of contact in matters of dispute resolution with respect to PSP payments and related issues. While BCI attempts to resolve such disputes, many times the resolution of disputes requires input from the user. It is the responsibility of the user organizations to identify and communicate specific personnel responsible for dispute resolution in their organization. Users and their auditors should understand the controls in place for ultimate resolution of disputes. Note, however, with any disputes involving ANI ownership, the information provided by the LECs will prevail.
- **Payment Rate** – payments to PSPs are based on either rates negotiated by users and PSPs or the FCC default rate. The users are responsible for communicating to BCI any exceptions to the FCC default rate. Users and their auditors need to understand the controls in place to ensure that proper rates are used in determining payment to PSPs.
- **High Volume Call Identification** – users are required to define the threshold for number of calls per ANI per month. Users may adjust their threshold each quarter. This threshold is the basis for identifying potentially illegitimate calls. These calls are reported to users for further investigation. Users are responsible for establishing the thresholds and ultimately resolving matters with respect to potentially illegitimate calls. Users and their auditors should understand the policies and procedures with respect to establishing such thresholds and how identified calls are reviewed and ultimately resolved.
- **Regulatory Requirements** – users are required to obtain and keep current all applicable federal, state, and local licenses; tariffs; certifications; and approvals and to fully comply with, and have full responsibility to comply with, all other applicable federal, state, and local regulations; laws; rules; and tariffs. BCI assumes no responsibility for such compliance, except as specifically stated in the DAC Services Agreement. Users and their auditors should understand the controls in place to ensure that the users are in compliance with all such regulatory requirements.
- **Contingency Procedures** – if the services of BCI were unavailable or inoperative due to system or communications failure, the user could expect some delay before the backup system used by BCI is established. Each user organization should establish procedures to ensure continued operations during the interim period.

- **DAC System Documentation** – BCI supplies users with technical information relating to file format and other procedures as it relates to submitting call records and other information. If changes are required, such changes are communicated to representatives at each user organization. It is the user organizations' responsibility to ensure all such changes are appropriately updated in their user manuals in a timely manner.

IV. Summary of Significant Control Objectives

The principal objectives of the system of internal controls pertaining to recordkeeping, reporting, and payment services provided by BCI to its DAC customers include:

- Policies and procedures are in place to ensure payment rates conform to FCC rules.
- Policies and procedures are in place relating to the reporting elements as required in the DAC Services Agreement.
- Data is stored for a period at least as long as required by FCC rules.
- Procedures are in place to establish proper PSP ownership.
- Specific personnel have been identified as responsible for drafting and maintaining necessary business requirements relating to BCI's DAC System requirements.
- BCI has identified specific personnel responsible for developing compensation tracking reports.
- BCI has identified specific personnel responsible for handling the initial customer service role in dispute resolution.
- Quarterly reports are prepared for each user organization on payphone call counts, PSP identities, numbers called, and infodigits (if used).
- Reports are prepared that identify potentially illegitimate calls and are submitted to carriers for resolution.
- Reports are available for users to monitor call trends.
- Policies and procedures are in place to provide the availability to create customized reports to assist customer service and the user organizations to assist in the resolution of disputes. Such reports and call data are maintained for at least 12 quarters.
- Payments are authorized by users and controls are in place that limit access to the disbursement system.

- Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes that ensure the changes do not negatively affect the integrity of the records processed or the results of processing such records.
- Policies and procedures are in place to properly report compensable calls originated from valid payphone ANIs. In addition, such reports are maintained for the period required by the FCC.

V. Description of Controls and Tests Performed

Our tests of the effectiveness of controls included such tests as we considered necessary in the circumstances to evaluate whether those controls, and the extent of compliance with them, are sufficient to provide reasonable, but not absolute, assurance that the specified control objectives were achieved during the period from April 1, 2006 to March 31, 2007. Our tests of the operational effectiveness of controls were designed to cover the period from April 1, 2006 through March 31, 2007. In selecting particular tests of the operational effectiveness of controls, we considered the (a) nature of the items being tested, (b) the types and competence of available evidential matter, (c) the nature of the control objectives to be achieved, (d) the assessed level of control risk, and (e) the expected efficiency and effectiveness of the test.

Test procedures performed in connection with determining the operational effectiveness of controls detailed in Section III are described below:

Test	Description
1. Corroborative inquiry	Made inquiries of appropriate personnel and corroborated responses with other personnel to ascertain the compliance of controls
2. Observation	Observed application of specific controls
3. Inspection of evidential material	Inspected documents and reports indicating performance of the controls
4. Transaction testing	Reperformed application of the controls

Key Control Objective – Policies and procedures are in place to ensure payment rates conform to FCC rules.

Policy or Procedure

Payment rates can be based either on a rate negotiated between the user and an individual PSP or the FCC default rate. The rates used for each user are established by the applicable user organization. These user-provided rates are entered into the payment system used to calculate the PSP obligation. At this time, all such rates are based on the FCC default rate.

Tests Performed

Padgett, Stratemann & Co., L.L.P. (“PS&Co.”) judgmentally selected invoice summaries provided to users and recomputed the rate per record, comparing the recomputed rate to the FCC default rate to the current FCC rate, noting agreement. In addition, PS&Co. obtained a sample of call record files and recomputed amounts due applicable PSPs using the FCC default rate and agreed the payment amount calculated by BCI, noting agreement.

Key Control Objective – Policies and procedures are in place relating to the reporting elements as set forth in the DAC Services Agreement.

Policy or Procedure

As a part of its DAC services, BCI processes and prepares reports for users and PSPs on a quarterly basis detailing calls originated from ANIs by owner, including the amount of relating compensation and carrier identification elements. In addition, customized reports are prepared upon request that provide information available to research disputes, potentially illegitimate calls, or other specified call trends.

Tests Performed

PS&Co. inquired of appropriate DAC personnel as to the processes for generating such reports. On a sample basis, PS&Co. reviewed the quarterly reports to determine they included the following:

- Identification of PSP
- Identification of ANIs by PSP
- Identification of calls originating by ANI
- Identification of amounts due to PSP
- Summary of potentially illegitimate calls

Key Control Objective – Data is stored for a period at least as long as required by FCC rules.

Policy or Procedure

BCI, as specified in the DAC Services Agreement, maintains call data records and relating reports for a period of three years.

Tests Performed

PS&Co. inquired of appropriate personnel as to the time the data files and relating information are stored, noting agreement of the stated policy.

Key Control Objective – Procedures are in place to establish proper PSP ownership.

Policy or Procedure

Review the detail processing narrative above which describes the processes for creating the ANI Master File. In summary, on a quarterly basis, BCI receives PSP ownership submissions directly from PSPs listing all ANIs that the submitting PSP claims as owned. BCI populates a database using these submissions, which arrive in several formats, including paper, e-mail, electronic transmission, or files on disk or CD.

To validate PSP ownership of the ANIs being claimed, every LEC is required by the FCC to provide a list of payphone ANIs and owners for whom the LEC provided dial tone service on the last day of each quarter. The LECs also provide lists of ANIs that have been disconnected during the quarter. Most submit complete quarterly data, but in the absence of current quarter LEC data, previous quarter information must be presumed valid. BCI populates a second database of all the LEC submissions.

BCI matches the LEC information with the PSP data to determine the actual owner of each ANI. When software cannot determine the owner of an ANI, DAC staff members will examine the ANI data to determine (if possible) the true owner. One consideration in the system processing is the LECs are required to submit only data that has changed from quarter to quarter.

Once the validated ANI Master is created, each PSP receives a status report of the ANIs submitted. Where the owner of an ANI could not be determined (mismatched data or no LEC data), the PSP must contact the servicing LEC to have proper documentation submitted. This documentation is used by the DAC staff for assigning the proper PSP owner to the ANIs.

Tests Performed

In order to test the creation of the ANI Master File, PS&Co. inquired of appropriate personnel as to the specific procedures performed, noting agreement with the stated policy. To test the actual file, PS&Co. selected a sample of PSP submissions from source documents and agreed pertinent information to the PSP ANI ownership database. In addition, PS&Co. selected a sample of PSPs

from the PSP ownership database and agreed pertinent information to the source document. The same tests were performed for the LEC submissions. PS&Co. also inquired as to the matching of the previous quarter validated ANI Master list to the new quarter's validated ANI Master list. Any ANIs not included in the current quarter which have not been reported as disconnected are added to the current quarter listing.

Key Control Objective – Specific personnel have been identified as responsible for drafting and maintaining necessary business requirements relating to BCI's DAC System requirements.

Policy or Procedure

BCI has assigned responsibility to members of the DAC Group to ensure the DAC System is adequately assigned. Primary responsibility for the daily DAC Group's responsibilities has been assigned to the DAC Manager.

Tests Performed

PS&Co. made inquiries of appropriate personnel, noting primary responsibility has been assigned to the DAC Manager.

Key Control Objective – BCI has identified specific personnel responsible for developing compensation tracking reports.

Policy or Procedure

BCI has assigned the responsibility for the development of compensation tracking reports to the DAC Management Information System Analyst and the DAC Manager.

Tests Performed

PS&Co. made inquiries of appropriate personnel, noting primary responsibility has been assigned to the DAC Management Information System Analyst and the DAC Manager.

Key Control Objective – BCI has identified specific personnel responsible for handling the initial customer service role in dispute resolution.

Policy or Procedure

BCI has assigned the responsibility for dispute resolution to the DAC Manager and the Customer Service Manager.

Tests Performed

PS&Co. made inquiries of appropriate personnel noting primary responsibility for dispute resolution has been assigned to the DAC Manager and the Customer Service Manager.

Key Control Objective – Quarterly reports are prepared for each user organization on payphone call counts, PSP identities, numbers called, and infodigits (if used).

Policy or Procedure

See the detailed process narrative above for more detail. In summary, on a quarterly basis, BCI processes each user organization's call record file in order to determine originated calls from validated ANIs, nonvalidated ANIs, potentially illegitimate calls, and calls from ANIs with an ownership dispute. Reports are prepared which summarize the detail of the processed records.

Tests Performed

For selected users, PS&Co. obtained call record files and performed an analysis to self-determine the number of calls placed by originating ANI and identification of the ANI owner. Using the compensation report generated by PS&Co. from the original completed call files submitted by the selected users, PS&Co. agreed selected PSP call totals and ANI lists to those included in the compensation file generated by BCI.

Key Control Objective – Reports are prepared that identify potentially illegitimate calls and submitted to carriers for resolution.

Policy or Procedures

BCI runs a report on each call record file to determine whether any call volumes for a particular ANI exceed the specified call volume threshold established by the user. For all ANIs that have originating calls in excess of this threshold, BCI prepares a high volume call report which includes the PSP, ANI, and call count and which is submitted to the user.

Tests Performed

PS&Co. inquired of appropriate personnel as to the procedures relating to the high volume call reporting process, noting agreement with the stated procedures. In addition, PS&Co. obtained a high volume call report that had been prepared for a selected user and determined the applicable information had been included for submission to the user.

Key Control Objective – Reports are available for users to monitor call trends.

Policy or Procedure

Data is maintained as set forth in the DAC Services Agreement for a period of three years. The data retained includes the original call record data submitted and all reports generated. As users request, IS can run various adhoc reports specifically designed to provide summary information requested by the users. To ensure the data is properly maintained, BCI regularly runs control totals on stored data to ensure the call record totals remain unchanged.

Tests Performed

PS&Co. inquired of appropriate personnel, noting data is maintained for a period of at least three years in order to run any reports requested by the users to research and identify trends, and that the data is reviewed on a regular basis to ensure call record totals remain unchanged. In addition, we noted the IS department receives occasional requests from the users to generate specific reports, and the reports are created and run on a customized basis.

Key Control Objective – Policies and procedures are in place to provide the availability to create customized reports to assist customer service and the user organizations to assist in the resolution of disputes. Such reports and call data are maintained for at least 12 quarters.

Policy or Procedure

Data is maintained as set forth in the DAC Services Agreement for a period of three years. The data retained includes the original call record data submitted and all reports generated. To ensure the data is properly maintained, BCI regularly runs control totals on stored data to ensure the call record totals remain unchanged. This information is available to be researched for use in resolution of disputes.

Tests Performed

PS&Co. inquired of appropriate personnel, noting data is maintained for a period of at least three years in order to run any reports requested by the users to research and resolve disputes, and the data is reviewed on a regular basis to ensure call record totals remain unchanged. In addition, we noted the IS department receives occasional requests from the users to generate specific reports, and the reports are created and run on a customized basis.

Key Control Objective – Payments are authorized by users, and controls are in place to limit access to the disbursement system.

Policy or Procedure

Once compensation files are created, they are submitted to the user for review and payment authorization. Once payments are authorized, they are submitted by the DAC Manager to BCI's Accounting Department. All payments to PSPs are made directly by the Accounting Department, and the DAC group has no access to the disbursement system.

Tests Performed

PS&Co. inquired of appropriate personnel as to access to the disbursement system, noting access is properly limited and segregated from those having direct access to the DAC System.

Key Control Objective – Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes, ensuring the changes do not negatively affect the integrity of the records processed or the results of processing such records.

Policy or Procedure

BCI has established policies and procedures regarding system changes, including specific policies regarding:

- Formal system change requests
- System change approval
- Monitoring/evaluation of changes to other systems
- Identification of responsible persons
- System security controls
- Program security controls
- Capabilities to test changes and compare to known results

Tests Performed

PS&Co. obtained and reviewed written documentation regarding the policies and procedures in place to control, execute, and implement system changes, including limitation of access to make changes without proper authorization. In addition, PS&Co. made inquiries of appropriate DAC and IS personnel, noting consistency with stated policies.

PS&Co. also observed DAC and IS personnel accessing the system through the use of unique user IDs and passwords. Additionally, we observed a BCI employee who is not part of the DAC personnel attempt to access the system without success. We also noted we were not able to physically enter into BCI's facilities without the use of a key card obtained from BCI management. Finally, we noted there were sprinklers and fire alarms throughout the building that houses the DAC System.

Key Control Objective – Policies and procedures are in place to properly report compensable calls originated from valid payphone ANIs. In addition, such reports are maintained for the period required by the FCC.

See above control objectives for more detailed description of key control objectives, related policies and procedures, and tests performed.