

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Request for Review by AT&T Inc.	)	CC Docket No. 96-45
of Decision of Universal Service Administrator	)	WC Docket No. 05-337

**COMMENTS OF VERIZON<sup>1</sup> AND VERIZON WIRELESS**

The Commission should grant AT&T's appeal<sup>2</sup> and reverse two universal service audit conclusions regarding (1) a \$100,000 materiality threshold for audit findings; and (2) self-corrected line count data filed with the Universal Service Administrative Company (USAC).

AT&T challenges use of a real-dollar threshold of \$100,000 by USAC's contracted auditor to determine whether a universal service audit finding is reported as "material noncompliance" or something short of that. AT&T Appeal at 1. In AT&T's case, the relevant audit findings relate to certain of its wireless subsidiaries' line count filings and resulting high cost universal service payments. *Id.* It is not clear where this \$100,000 materiality threshold comes from or how it was developed. Regardless, it does not make sense to use such a low, real-dollar threshold in all situations, especially where the focus of an audit is an amount that significantly exceeds this threshold.

Any materiality threshold used for audit purposes must account for, in some way, the size of the provider and the total amount of payment or funding subject to audit. Without such a

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<sup>1</sup> In addition to Verizon Wireless, the Verizon companies participating in this filing ("Verizon") are the regulated, wholly owned subsidiaries of Verizon Communications Inc.

<sup>2</sup> Request for Review by AT&T Inc. of Decision of Universal Service Administrator, CC Docket No. 96-45, WC Docket No. 05-337 (April 24, 2009) ("AT&T Appeal").

perspective, the scope of the provider's operations itself will in most cases dictate whether an audit finding is considered to be for "material noncompliance" or something less severe. In its appeal, AT&T correctly observes that various auditing standards recognize a "one size fits all" approach to materiality does not work. AT&T Appeal at 6. The auditor in this instance was also apparently aware of a more appropriate 5 percent quantitative threshold for material findings in other circumstances. AT&T Appeal at 7.

AT&T also challenges the auditor's failure to consider corrected line count forms in determining the severity of audit findings. AT&T Appeal at 4. In some cases, AT&T filed corrected forms long before it was notified of the audits. *Id.* Providers are, and should be, responsible for submitting accurate line counts to USAC for universal service funding. Line counts, however, are not generated merely by "pressing a button." It is often necessary to derive these data from dynamic billing and other systems that change over time as customers and services are added and dropped and as technology evolves. Mergers and acquisitions, and other transfers of lines, add further complexity. It is, therefore, inevitable that providers will sometimes need to correct or update data filed with USAC. The Commission should encourage providers to self-correct data.

The FCC Form 525 ("Competitive Carrier Line Count Report") itself recognizes that corrections will sometimes be necessary. *See* Instructions for Completing Competitive Carrier Line Count Report, FCC Form 525, at 5 (June 2005) ("Where CETCs require corrections to previously submitted information, a mark should be placed in the "Revision" column. In the event that a CETC files a "Revision", please be sure to double check the "Lines Reported as of" date for accuracy so that USAC can adjust the appropriate time frames.") Nonetheless, the auditor in this instance apparently audited against AT&T's original line count filings, not its

corrected forms. This approach fails to recognize that the Commission has a legitimate, and approved, process to self-correct line count data submitted to USAC and that auditing procedures should not undermine this process.

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For these reasons, the Commission should grant AT&T's appeal.

Respectfully submitted,

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