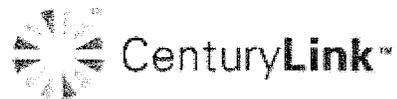




GSAssociates
Business Partners and Certified Public Accountants

Payphone Compensation Audit
CenturyLink, Inc.



Independent Auditor's System Report
For Payphone Compensation
As required by FCC Order 03-235
Docket No. 96-128



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Independent Auditor's Report System Audit Report

Board of Directors
CenturyLink, Inc.

At the request of CenturyLink, Inc., and on behalf of the local exchange companies identified in Exhibit A that are doing business as "CenturyLink" (hereinafter collectively referred to as "CenturyLink"), which are all wholly-owned subsidiaries of CenturyLink, we have examined the call tracking systems of CenturyLink for payphone calls in compliance with FCC Order 03-235, Docket No 96-128. CenturyLink management is responsible for compliance with those requirements. Our responsibility is to express an opinion on CenturyLink compliance based on our examination.

Our examination included procedures to obtain reasonable assurance about whether the controls included in our audit were suitably designed to achieve the control objectives – namely, that the call tracking system of CenturyLink accurately tracks payphone calls to completion and that CenturyLink satisfactorily complied with and applied these controls and such controls will be placed in operation consistently in the future.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about company 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 company compliance with specified requirements. Our examination is expressly limited to the local exchange companies identified in Exhibit A, and exclude the operations of CenturyLink's Qwest subsidiaries, which management has represented to us will be addressed by another independent auditor, KPMG LLP.

In our opinion, CenturyLink complied, in all material respects, with the requirements outlined in FCC Order 03-325, Docket 96-128 for the audit period. CenturyLink has sufficient controls in place to provide reasonable assurance to achieve the control objectives namely that the company call tracking system accurately tracks payphone calls to completion.

The description of policies & procedures concerning Payphone Compensation at CenturyLink as of June 30, 2011, as well as information concerning tests of the operating effectiveness and payments made includes the period of Q4 2010. Future projection of such information is subject to the inherent risk that, because of change, the description may no longer portray those procedures in existence. The potential effectiveness of specific controls at CenturyLink is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that, (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for the information and use of CenturyLink, and is not intended to be and should not be used by anyone other than the specified party.

GSAssociates, CPA's

GSAssociates
June 30, 2011

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CenturyLink Acquisition of Embarq.

CenturyLink, Inc. is a leading provider of high-quality voice, broadband and video services over advanced communications networks to consumers and businesses in 37 states. CenturyLink, Inc. (formerly CenturyTel, Inc.), headquartered in Monroe, La., acquired Embarq Corporation on July 1, 2009 and subsequently changed corporate identification. Embarq Corporation became a wholly owned subsidiary of CenturyLink, Inc.

CenturyLink management and responsible personnel explained that the consolidation of the two companies has had no impact on payphone call tracking, data storage, reporting, or compensation systems or processes. CenturyLink explained that those processes and systems have not been changed, and it advised that it expects those systems to remain unchanged for the foreseeable future.

CenturyLink management explained that it had been transitioning billing and accounting systems and processes of Embarq companies from Embarq platforms to CenturyLink platforms over the last 18 months. This transition was to occur on a state by state basis, with all states transitioned from Embarq billing platforms by July 31, 2011. CenturyLink also explained that the pre-merger CenturyTel companies, like Embarq Corporation's long distance subsidiary, do not receive or process compensable payphone originated calls, due to their reliance on pure resale of toll free long distance services provided by other carriers. CenturyLink management and responsible parties explained that, to date, the merger has not changed this aspect of their business or operations.

CenturyLink Acquisition of Qwest.

CenturyLink management also advised that CenturyLink acquired Qwest Corporation in a transaction that closed on April 1, 2011. Qwest Corporation and its subsidiaries are now wholly-owned subsidiaries of CenturyLink, Inc.

CenturyLink management and responsible personnel explained that Qwest Corporation and its wholly owned subsidiary Qwest Communications Company, LLC (formerly known as Qwest Communications Corporation) receive and process compensable payphone originated calls using their own systems for payphone call tracking, data storage, reporting, and compensation. Those systems will remain in place for the legacy Qwest companies for the foreseeable future.

CenturyLink management explained that the acquisition of Qwest has had no impact on payphone call tracking, data storage, reporting, or compensation systems or processes either for legacy CenturyLink operations or for legacy Qwest operations.

CenturyLink management also explained that the report of management of compliance provided to GSAssociates addresses only legacy CenturyLink operations. Qwest Corporation and Qwest Communications Company, LLC will be covered separately by audit reports prepared by KPMG LLP and based on reports from Qwest management. Qwest companies are expressly outside the scope of the Independent Auditor's Report of GSAssociates.



Overview of System Audit Requirements

This System Audit Report covers FCC Order (03-235, Docket No 96-128), effective July 1, 2004 (the "Order"), requiring Interexchange Carriers (IXCs), LECs, CLECs and Switch Based Resellers (herein collectively or individually referred to as a "Carrier"), to establish and maintain a comprehensive Call Tracking System (CTS) which accurately reports and compensates Payphone Service Providers (PSPs).

The Order calls for an independent third party audit report in conformity with AICPA standards. The independent auditor's report shall conclude whether the CARRIER complied, in all material respects, with the factors set forth (below) regarding the CTS as follows:

- 1) Whether the Carrier's procedures accurately reflect the Commission's rules, including the attestation reporting requirements.
- 2) Whether the Carrier has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.
- 3) Whether the Carrier has effective data monitoring procedures.
- 4) Whether the Carrier adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.
- 5) Whether the Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers.
- 6) Whether the Carrier has procedures to incorporate call data into required reports.
- 7) Whether the Carrier has implemented procedures and controls needed to resolve disputes.
- 8) Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial.
- 9) Whether the Carrier's have adequate and effective business rules for implementing and paying payphone compensation.

CenturyLink processes all compensation in house and as such is responsible for all points of the FCC order.



Audit Process & Procedures

Our audit reports on all nine (9) factors listed in the Order. The guidelines used to conduct and prepare the report are established in the AICPA's Statements on Standards for Attestation Engagements (SSAE), specifically, SSAE 10, AT Section 101 Attest Engagements and AT Section 601 Compliance Attestation.

Those standards required that we:

- 1) Have adequate technical training and proficiency in the attest function.
- 2) Perform the attest function using practitioners having adequate knowledge of the subject matter.
- 3) Evaluate the subject matter against suitable criteria such as:
 - a) *Objectivity* – free of bias
 - b) *Measurability* – reasonable consistent measurements, qualitative or quantitative, of subject matter.
 - c) *Completeness* – sufficiently complete so that relevant factors that would alter a conclusion about subject matter are not omitted.
 - d) *Relevance* – criteria relevant to the subject matter.
- 4) Maintain an independent mental attitude in all matters relating to the engagement.
- 5) Exercise due professional care in the planning and performance of the engagement.
- 6) Obtain sufficient evidence to provide reasonable basis for our conclusion expressed in the report.

CenturyLink utilizes an internal tracking and compensation system, solely for the purpose of calculating and remitting payphone compensation. As the LEC that provisions the payphone, the company has the ability to identify by customer type every ANI to the PSP (which is their customer) without necessarily having to read the leading info digit. This guarantees that no payphone can be missed because of dropped leading digits or incorrectly provisioned payphones. This audit focuses on Q4 2010 which is the latest quarter that CenturyLink has remitted compensation.



PAYPHONE COMPENSATION Policies & Procedures

CenturyLink has established and documented policies & procedures specifically in compliance with the FCC Dial Around Compensation order and industry best practices. These include, but are not limited to:

1. Backup Policy
2. Core Security / Critical Data Requirements Policy
3. Software Quality Testing Process
4. Change Control Policy
5. Host / Server Security Policy
6. Password Policy
7. Log Tracking & Archive Process
8. Physical Security Policy
9. Information Access Control Policy
10. Monitoring Policy

CenturyLink management has verified through interviews, and written attestation that these policies and others are still in effect and that no material change has occurred through the audit period.

Responsible Dedicated Staff

CenturyLink has dedicated staff responsible for tracking, compensating, reporting and resolving disputes concerning completed calls as follows:

1. Joe Mack, Manager Information Technology, is responsible for drafting necessary business requirements.
2. Joe Mack, Manager Information Technology, is responsible for developing & maintaining systems to create payphone call records from switch records.
3. Robin Latimer, Product Manager, is responsible for implementing & maintaining procedures that check the validity of identified payphone records.
4. Robin Latimer, Product Manager, is responsible for implementing & maintaining procedures that create final compensation data sets.
5. Joe Mack, Manager Information Technology, is responsible for developing compensation tracking reports.
6. Robin Latimer, Product Manager, is responsible for dispute resolutions.



Data Monitoring Procedures

CenturyLink has developed a systematic reporting process to generate monthly and quarterly reports on payphone call counts, PSP identities, and numbers called.

These reports reflect:

- a) Trends of switch traffic volumes entering their payphone compensation systems.
- b) Possible fraud on potential illegitimate payphone calls.
- c) Trends of excluded calls.
- d) The capability to develop customized reports to help resolve disputes.
- e) Capacity for other appropriate trending reports.

GSA requested and received customized reports that demonstrated the flexibility of the system. Specifically, a Call Detail Record (CDR) trend analysis report was requested to test the consistency of the call tracking system as well as the trend of compensation. Specific and custom reports were found to be complete and accurate.

Compensation Assurance Protocols

CenturyLink has established procedures which guarantee that the company will remain in compliance with current FCC requirements. These procedures ensure that software, personnel, or any other network changes or additions to the payphone compensation process are done in accordance with guidelines and approvals documented in aforementioned procedure section and do not adversely affect its call tracking capabilities.

GSA, through interviews and written attestation, validated that compensation assurance procedures are in effect and enforced. CenturyLink validated that no changes to procedures and policies were made during the audit period. The systems, policies, and procedures for tracking, reporting, and compensating for eligible payphone calls remain in force and unchanged.



Compensable Call File and Reporting

CenturyLink extracts all data directly from all platforms that carry payphone traffic. This CDR is consolidated and used to prepare online reports for utilization in the compensation process. As the LEC which provisions the payphone, CenturyLink has the ability to identify the payphone owner from the company customer master database. This database contains all of the information to match the originating ANI with the payphone owner. This eliminates the need to match the identifiers, and the possibility of missing a call due to a dropped, misread id or incorrectly provisioned payphone.

GSA reviewed the compensable call file and determined that it contained all the necessary data to perform the ANI match and to prepare detailed reports for compensation to each separate PSP or Aggregator.

Dispute Resolution Procedures

CenturyLink has assigned its representative, Robin Latimer, as the individual responsible for processing payments to PSPs and aggregators and for managing the in-house payphone compensation system.

Management has verified that there were no disputes raised by payphone owners.

Compensation Verification

GSAssociates has determined that CenturyLink has properly compensated PSP's through the 4th Quarter of 2010.

Management has confirmed that no changes have occurred to the process through the audit period and that no errors or deficiencies in processing of payments to payphone owners had occurred throughout 2010. Our sampling of payment vouchers for Q4 2010 indicated that no discrepancies were evident and that all compensation was correctly paid for Q4 2010. This test, along with the lack of non-payment disputes, provides reasonable assurance that previous quarter payments were completed successfully.



Audit Conclusions

FCC Relevant Rules Accurately Stated

CenturyLink has established, defined, and documented in accordance with relevant FCC Rules each of the following:

- Per-call rate.
- Per-phone requirements.
- Calls included as compensable calls
- Definition of completed call.
- Reporting requirements.
- Data storage requirements.

Established Security Protocols

CenturyLink has implemented security protocols to limit access to call tracking systems in a controlled environment to authorized personnel.

Monitoring tracking systems have been installed to limit access to the company's call tracking system.

Access to compensation systems is controlled and monitored as well as limited to authorized personnel through security measures which have been implemented.

Audit Findings

CenturyLink, Inc. began operations in 1930. Through acquisition, it has positioned itself as the third largest telecommunications provider in the United States, based on access lines. CenturyLink, through its subsidiaries, including Qwest companies, serves 37 states with 17 million access lines, more than 5 million broadband customers, and more than 600,000 video subscribers, together with a nationwide core fiber network. As discussed earlier in this report, CenturyLink acquired Embarq Corporation and its payphone compensation operations as of July 1, 2009, and acquired Qwest Corporation and its payphone compensation operations as of April 1, 2011. GSA has documented that the compensation system in use as of the date of this report is effective and complete, and it has validated payments made for Q4 2010.

CenturyLink is in compliance for the audit period and compensation has been appropriately made to the PSPs or Aggregators for the audit period.



Exhibit A

Applicable CenturyLink Local Exchange Companies

Embarq Missouri, Inc., a Missouri corporation d/b/a CenturyLink
Embarq Florida, Inc., a Florida corporation d/b/a CenturyLink
Embarq Minnesota, Inc., a Minnesota corporation d/b/a CenturyLink

United Telephone Company of Kansas, a Kansas corporation d/b/a CenturyLink
United Telephone Company of South-central Kansas, an Arkansas corp. d/b/a CenturyLink
United Telephone Company of Eastern Kansas, a Delaware corporation d/b/a CenturyLink
United Telephone Company of Indiana, Inc., an Indiana corporation d/b/a CenturyLink
United Telephone Company of New Jersey, Inc., a New Jersey corp. d/b/a CenturyLink
United Telephone Company of Ohio, an Ohio corporation d/b/a CenturyLink
United Telephone Company of Texas, Inc., a Texas corporation d/b/a CenturyLink
United Telephone Company of the Carolinas LLC, a South Carolina corp. d/b/a CenturyLink
United Telephone Company of the West, a Delaware corporation d/b/a CenturyLink
United Telephone Company of the Northwest, an Oregon corporation d/b/a CenturyLink
United Telephone Southeast LLC, a Virginia corporation d/b/a CenturyLink
The United Telephone Company of Pennsylvania LLC, a PA corp. d/b/a CenturyLink

Central Telephone Company of Virginia, a Virginia corporation d/b/a CenturyLink
Central Telephone Company of Texas, a Texas corporation d/b/a CenturyLink
Central Telephone Company, a Delaware corporation d/b/a CenturyLink

Carolina Telephone and Telegraph LLC, a North Carolina corp. d/b/a CenturyLink



Exhibit B



**Report of Management on Compliance with Applicable Requirements
of Section 64.1310(a)(1) of the FCC's Rules and Regulations**

The management of those local exchange telephone companies identified in Exhibit A, which are doing business as "CenturyLink" (hereinafter collectively referred to as "CenturyLink") is responsible for establishing and maintaining adequate systems and processes for its Pay Telephone Call Tracking System and for ensuring the Company's compliance with the applicable requirements of Section 64.1310(a)(1) of the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.¹

The companies identified in Exhibit A are subsidiaries of Embarq Corporation. Embarq Corporation was acquired by CenturyTel, Inc. on July 1, 2009. CenturyTel, Inc. subsequently changed its name to CenturyLink, Inc. and adopted the business name CenturyLink for customer-facing operations, including the local operating companies listed on Exhibit A. Other CenturyLink companies not identified in Exhibit A -- including local operating company subsidiaries of CenturyTel, Inc. before its acquisition of Embarq Corporation -- do not receive compensable payphone-originated calls. Management's evaluation considered all CenturyLink companies, and this Report of Management addresses all CenturyLink companies that receive compensable payphone-originated calls.

Management has performed an evaluation of the Company's compliance with the applicable requirements of CC Docket No. 96-128 using the criteria in 64.1320(c) as the framework for the evaluation. Based on this evaluation, we assert that as of July 1, 2004, the Company complies with all applicable requirements of CC Docket No. 96-128.

We have prepared the required assertion statements relating to the CenturyLink Payphone Call Tracking Systems.

¹ On April 1, 2011, CenturyLink, Inc. acquired Qwest Corporation and its subsidiaries. These assertions do not cover Qwest Corporation or its subsidiaries.



CenturyLink is acknowledged as the "LEC Completing Carrier" in the following call scenarios:

- Local toll-free and Local operated assisted calls with payphone-specific Info Digits (7, 27, and 70) completed by CenturyLink ("0" indicator).

All assertions for CenturyLink are from the point CenturyLink have visibility to the call tracking data.

CenturyLink utilizes an in-house program for payphone compensation settlement for local operating companies that receive compensable payphone-originated calls. CenturyLink has procedures in place to verify that controls and procedures relating to these assertions have been established and maintained. An independent accounting firm has performed an independent assessment of the effectiveness of such controls.

CenturyLink represents the following assertions where it is identified as the LEC Completing Carrier:

FCC Compliance Factor (1) – CenturyLink ("Completing Carrier") procedures accurately track calls to completion.

- The CenturyLink definition of a "per-call rate" of \$.494 is in compliance with FCC rules that became effective on September 27, 2004. The "per-call rate" prior to this date was \$.24.
- The CenturyLink definition of a "Compensable Call" (payphone-originated call that completes over CenturyLink network in which CenturyLink identifies itself as the Completing Carrier) is in compliance with the FCC rules.
- The CenturyLink definition of a "Completed Call" (call that is answered by the called party) is in compliance with the FCC rules.
- The CenturyLink system is able to generate the following reports on a quarterly basis:
 - a) A list of the toll free and access numbers dialed and completed from each Payphone Service Provider's (PSP's) payphones along with the ANI for each payphone.



- b) The volume of calls for each toll free and access number that was completed by CenturyLink.
- c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling CenturyLink payphone compensation.
- CenturyLink data storage requirement (27 months) is in compliance with FCC rules.

FCC Compliance Factor (2) – CenturyLink (“Completing Carrier”) has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls.

- CenturyLink has designated personnel responsible for drafting the business requirements associated with tracking, compensating, and resolving disputes concerning payphone-compensated calls.
- CenturyLink has designated personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data.
- CenturyLink has designated personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets.
- CenturyLink has designated personnel who are responsible for developing compensation-tracking reports.
- CenturyLink has designated personnel who are responsible for payphone compensation dispute resolution.

FCC Compliance Factor (3) - CenturyLink (“Completing Carrier”) has effective data monitoring procedures.

- CenturyLink has the ability to prepare quarterly reports on payphone call counts.
- CenturyLink performs data monitoring procedures on call record volumes entering the payphone compensation systems.
- CenturyLink has the ability to produce trend reports of excluded calls.
- CenturyLink works with its IT department, for fraud-monitoring procedures and processes to identify potentially illegitimate payphone calls.



- CenturyLink has the ability to resolve any PSP disputes and assist in any of the identification processes.

FCC Compliance Factor (4) - CenturyLink (“Completing Carrier”) adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.

- CenturyLink has security controls in place to control access to and monitor call-tracking data.
- CenturyLink has a department that is responsible for making software changes that affect payphone compensation.
- CenturyLink has established protocols to implement and test software changes affecting payphone compensation.
- CenturyLink has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

FCC Compliance Factor (5) – CenturyLink (“Completing Carrier”) creates a compensable payphone call file by using internal customer information matched to toll free records. This file contains all payphone traffic with payphone identifiers.

- CenturyLink utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
- CenturyLink uses customer number information compared to call detail information (FROM NUMBER field in the Call Detail Record) to identify a compensable payphone call record.
- CenturyLink applies validation and control procedures to compile the Compensable Call File.

FCC Compliance Factor (6) – CenturyLink (“Completing Carrier”) has procedures to incorporate call data into required reports and making payment to PSPs.

- CenturyLink systems are able to generate a quarterly file from their raw switch records that contains completed pay phone calls. This data is formatted based on internal requirements and passed over for producing all necessary reports and making payments to PSP’s.



FCC Compliance Factor (7) - CenturyLink (“Completing Carrier”) has implemented procedures and controls needed to resolve payphone compensation disputes.

- CenturyLink maintain required call tracking data for at least 27 months.
- CenturyLink has the ability to investigate and resolve PSP disputes.
- CenturyLink has designated personnel who are responsible for payphone compensation dispute resolution.

FCC Compliance Factor (8) – Critical controls and procedures have been tested by CenturyLink (“Completing Carrier”) to verify that errors are insubstantial.

- CenturyLink has procedures to identify payphone-terminated calls, and has tested the effectiveness of these procedures to management satisfaction.
- CenturyLink has procedures to capture dial-around calls and has tested the effectiveness of these procedures to management satisfaction.
- CenturyLink has procedures to accurately populate CDR in the Compensable Call File and has tested the effectiveness of these procedures to management satisfaction.

FCC Compliance Factor (9) – CenturyLink (“Completing Carrier”) has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which Completing carrier owes compensation.

- CenturyLink has business rules that identify calls originated from payphones.
- CenturyLink has business rules that identify compensable payphone calls.
- CenturyLink has business rules that exclude incomplete calls.
- CenturyLink maintains a customer list of PSP’s to determine the identities of the PSP’s for which CenturyLink owes compensation.



CenturyLink – Required Disclosures per 64.1320(d)

- CenturyLink has criteria for identifying calls originating from payphones which include a call record info-digit identification of 7, 27, or 70.
- CenturyLink has criteria for identifying compensable payphone calls include all calls with info-digits 7, 27 or 70 and call duration greater than 0. Calls originating from payphones where CenturyLink has a separate compensation agreement in place are excluded from the Compensable Call File.
- CenturyLink has criteria for identifying incomplete or otherwise noncompensable calls which include: a) calls that do not have info-digits 7, 27, or 70, b) calls with duration of 0 or c) calls that originate from payphones where CenturyLink has a separate compensation agreement in place.
- CenturyLink has criteria that are used to determine the identity of the PSPs to which CenturyLink owes compensation is established by CenturyLink customer master.

Dated: June 30, 2011

William Cheek
President Wholesale Operations
CenturyLink