



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

June 30, 2014

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## **Independent Auditor's Report** **System Audit Report**

Senior Management  
Logical Telecom, LP

At the request of the management of Logical Telecom, LP (Logical Telecom), we have examined the call tracking systems of Logical Telecom for payphone calls in compliance with FCC Order 03-235, Docket No 96-128. Logical Telecom management is responsible for compliance with those requirements. (See Appendix 'A') Our responsibility is to express an opinion on Logical Telecom's 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 Logical Telecom accurately tracks payphone calls to completion and that Logical Telecom 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 of 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 Logical Telecom's compliance with specified requirements.

Our conclusion is that, Logical Telecom complied, in all material respects, with the aforementioned requirements for the period mentioned through June 30, 2014. Logical Telecom has sufficient controls in place to provide reasonable assurance to achieve the control objectives namely that the Logical Telecom's call tracking system accurately tracks payphone calls to completion.

The description of policies & procedures concerning Payphone Compensation at Logical Telecom, as well as information concerning tests of the operating effectiveness covers the period to June 30, 2014. Information concerning payments made includes the period of Q4 2013. 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 Logical Telecom 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 Logical Telecom, and is not intended to be and should not be used by anyone other than the specified party.



GS Associates  
June 30, 2014

## **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”), incumbent local exchange carriers (“LECs”), competitive local exchange carriers (“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) Where 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, and
- 9) Whether the Carriers have adequate and effective business rules for implementing and paying payphone compensation.

## **Audit Process & Procedures**

Our audit tests and 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.

Logical Telecom utilizes the services of an outsourced payphone compensation clearinghouse, Atlantax, to process payments to PSP's, however this does not eliminate the liability of Logical Telecom for compliance with all points of the order. It is incumbent on Logical Telecom to continuously monitor the processes of Atlantax. The scope of this audit as it relates to compensation is through December 31, 2013. The scope of this audit as it relates to Logical Telecom's processes and procedures subject to the Order is through June 30, 2014. Utilizing the services of a third party clearinghouse does not relinquish any responsibility by the carrier to comply with any of the rules of the order. This audit evaluates Logical Telecom's compliance with all points of the order.

## ***PAYPHONE COMPENSATION***

### ***Policies & Procedures***

Logical Telecom has established and documented policies & procedures in compliance with the Dial-Around Compensation FCC order. These include, but are not limited to:

1. Backup Policy
2. Core Security Policy
3. Software Quality Testing Process
4. Change Control Policy
5. Host / Server Security Policy
6. Physical Security Policy
7. Password Policy
8. Information Access Control Policy
9. Monitoring Policy
10. Firewall Policy

Logical Telecom has in place a detailed process document which outlines the steps necessary to retrieve and consolidate data for transfer to Atlantax. This procedure guarantees that the integrity of data on a month by month/quarter by quarter basis will be consistent. This document includes but is not limited to:

1. Responsible parties
2. Location of databases
3. Steps for uploading data to clearing house

Logical Telecom 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***

Logical Telecom has staff responsible for tracking, compensating, reporting and resolving disputes:

1. CEO, Raul Cardenas, is responsible for drafting necessary business requirements.
2. CIO, Jorge Cuevas is responsible for developing & maintaining systems to create payphone call records from switch records.
3. CIO, Jorge Cuevas is responsible for implementing & maintaining procedures that check the validity of identified payphone records.
4. COO, Victor Ochoa is responsible for implementing & maintaining procedures that create final compensation data sets.
5. COO, Victor Ochoa is responsible for developing compensation tracking reports.
6. COO, Victor Ochoa is responsible for dispute resolutions.

These individuals have expertise regarding the systems and procedures involved.

### ***Data Monitoring Procedures***

Logical Telecom has developed a systematic reporting process that can generate daily, monthly and quarterly reports on payphone call counts, numbers called, and info digits used as a subset of their total CDR accumulation. GSA has determined that Logical Telecom, in conjunction with Atlantax can produce reports on a regular basis that 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.

Logical Telecom regularly reviews carrier CDR in relation to its switch CDR, errors are immediately addressed with the carrier in question, and corrections are made.

### ***Compensation Assurance Protocols***

Logical Telecom 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 the aforementioned procedure section and do not adversely affect its call tracking capabilities. Management has attested to continued compliance with these procedures (Appendix 'A').

### ***Compensable Call File and Reporting***

Logical Telecom retrieves all data directly from company CDR and prepares online reports for utilization in the compensation process. Logical Telecom compiles the appropriate call detail in a predetermined format required by Atlantax, and electronically transmits this data to the clearinghouse for matching and payment. Logical Telecom provided samples of CDR, and also provided to GSA the raw switch data from their server and the Atlantax formatted data for comparison and also provided CDR specifically for test calls that GSA made for review. We determined that these files contained all of the necessary data that is required by the clearinghouse to perform the ANI match and to prepare detailed reports for compensation. Logical Telecom achieved 100% accuracy with test calls conducted.

### ***Dispute Resolution Procedures***

Logical Telecom has also drafted and implemented a dispute resolution process which includes but is not limited to:

1. Responsible parties
2. Data file Retention period
3. Compensation file Retention period
4. Compensation reporting requirements

The Company has assigned Victor Ochoa as the responsible party for handling any disputes that may arise from the compensation process. Atlantax through its contract with Logical Telecom will handle all disputes that arise from the matching and payment of payphone compensation. Disputes that do not arise from matching or ownership questions are forwarded to the Company.

## **Compensation Verification**

GSA has determined that Logical Telecom has properly compensated PSP's through the 4th Quarter of 2013. Q4 2013 payment files have been matched with Company provided CDR and we have found no discrepancies. In addition, Atlantax has verified that funds were received and remitted to the appropriate PSPs.

## **Audit Conclusions**

### ***FCC Relevant Rules Accurately Stated***

Logical Telecom 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.
- Dispute resolution
- Data Storage Requirements.

### ***Established Security Protocols***

Logical Telecom 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***

Logical Telecom, a Texas Limited Partnership with principal operations in San Antonio, Texas is a provider of prepaid telecom products and services since 2005.

GSA has validated payments made for Q413. Logical Telecom is in compliance with all factors of FCC Order 03-235, Docket No 96-128 for the period audited and compensation has been appropriately made to the PSPs or Aggregators through December 31, 2013.

GSA has determined that the Company will be able to continue to operate their compensation system accurately and consistently in the future.

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**APPENDIX 'A' – Management Attestation**



Logical Telecom, LP

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

The management of Logical Telecom LP 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*.

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 the Company currently complies with all applicable requirements of CC Docket No. 96-128.

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

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

- Local Toll and Local Operated assisted calls with the Info Digits (7, 27, and 70) completed by Company ("0" indicator).

All assertions for Company are from the point Company has visibility to the call tracking data.

Company utilizes a payment clearinghouse for payphone compensation settlement. As such, Factors (6) and (7) in their entirety and Factors (8) and (9) collectively are covered under the SAS-70 compliance report issued for the clearinghouse. Company 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.

A handwritten signature in black ink, appearing to be the initials "JK" or similar, written in a cursive style.

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

**FCC Compliance Factor (1) – Company (“Completing Carrier”) procedures accurately track calls to completion.**

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

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

**FCC Compliance Factor (4) - Company (“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.**

**FCC Compliance Factor (5) – Company (“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.**

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

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

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

**FCC Compliance Factor (9) – Company (“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.**

Dated: 6/19/2014

  
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Ricardo Cardenas  
Chief Financial Officer  
Logical Telecom, LP