

ORIGINAL

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 7, 2004

TO: All Parties and Interested Persons

FROM: Patricia A. Christensen, Senior Attorney, General Counsel *PAC*

RE: Docket No. 000121A-TP - Investigation into the establishment of operations support systems permanent performance measures for incumbent local exchange telecommunications companies. (BELLSOUTH TRACK)

Please file the attached Draft Audit Scope and Methodology Document in docket 000121A and copy all parties of record. If you have any questions regarding the filing please call me at (850) 413-6220 or Lynn Fisher at (850) 413-6822.

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**Audit of
BellSouth's Performance Assessment Plan
SCOPE AND METHODOLOGY DOCUMENT
DRAFT**

This Scope and Methodology Document sets forth the audit scope and basic methodology for completing an audit of BellSouth's Performance Assessment Plan, which includes its Performance Measures Quality Assurance Plan (PMQAP), Service Quality Measurement (SQM) Plan and its Self Effectuating Enforcement Mechanism (SEEM) Administrative Plan. This document was developed through the input of representatives from BellSouth, Competitive Local Exchange Carriers (CLECs), and the Florida Public Service Commission (FPSC). BellSouth's audit policies for completing annual audits of the PMQAP, SQM and SEEM Plans, on which this document is based, are documented in the SQM Plan, sections C-1 and C-2 and in the SEEM Administrative Plan, section 4.4.5. These policies are attached to this document as Appendix I.

This document is intended to direct a third party auditor in the successful completion of the prescribed audits, and is not intended to limit the auditor in any aspect of developing and completing the audit program. Section I, General Audit Scope, describes the three related audits to be completed within this scope of work. Section II more specifically describes the intended audit scope for completing audits of the SQM Plan, version 3.00, issued July 1, 2003, and the SEEM Administrative Plan, version 2.7, updated June 16, 2003. These audits will utilize data from BellSouth's 2003 results to complete the statistical evaluation and testing of SQM performance measurements and SEEM payments.

Based on the Scope and Methodology Document, a third party auditor jointly chosen by the parties will develop an audit plan to complete the audit scope. The auditor will also utilize the methodology put forth in the Audit Scope and Methodology Document to complete the performance of audit testing. The auditor is also free to utilize additional methodology it deems necessary to facilitate the statistical evaluation and testing of pertinent performance and penalty data within the scope of the audit.

I. GENERAL AUDIT SCOPE

The general scope of the third party audit will include:

1. A compliance audit of BellSouth's Performance Measurements Quality Assurance Plan (PMQAP)
2. An audit to determine the completeness and accuracy of BellSouth's SQM data as reported in SRS
3. An audit to determine the completeness and accuracy of BellSouth's SEEM data and SEEM payments as reported in PARIS

II. SPECIFIC AUDIT SCOPE

The audit scope should be directed toward the successful completion of testing in the following areas:

1. Documentation Review
 - a. Verify that supporting documentation for replication of PMAP 4.0 and PARIS 2.0 job flows are sufficient, clear and complete
 - b. Verify that BellSouth is in compliance with PMQAP documentation
 - c. Verify that BellSouth is in compliance with SQM and SEEM documentation and other Commission orders
2. Data Validation
 - a. **Verify** correct transaction flow from legacy system files in RADS to the PMAP Data Warehouse, SRS and PARIS
 - b. Verify the accuracy of data fields in PMAP Data Warehouse, SRS and PARIS
 - c. Verify the alignment of CLEC and BellSouth retail cells for parity submeasures
3. Calculation Compliance
 - a. Benchmark Measures
 - i. Verify the correct application of benchmark standards
 - ii. Verify the accuracy of computed benchmark results
 - iii. Verify accurate determinations of compliance
 - b. Parity Measures
 - i. Verify modified z scores are accurate
 - ii. Verify truncated z scores are accurate
 - iii. Verify delta values are accurate
 - iv. Verify balancing critical values are accurate
 - v. Verify correct application of retail parity measures
 - vi. Verify accurate determinations of compliance
4. Remedy Calculations and Payments
 - a. **Verify** accuracy of calculated remedy amounts with the fee schedule
 - b. **Validate** the accuracy of remedy payments made to CLECs
 - c. **Validate** the accuracy of remedy payments made to the State of Florida
 - d. Verify the correct implementation of Administrative penalty provisions
5. Adjustments
 - a. **Validate** that the sources of adjustments to SEEM payments are appropriate
 - b. **Validate** that adjustments comply with Reposting Policy time frames
 - c. **Validate** the amounts of adjustments made are appropriate
 - d. Verify all adjustments have been made

6. Reporting
 - a. Validated the accuracy of data reported in SRS reports for selected individual CLEC and aggregate PARIS reports and the Tier-1 Transmitted Payment by State Reports
 - b. Validate accuracy of the Tier-2 State Summary Reports
7. Metric Change Management Process
 - a. Verify that documented procedures exist for the metric change process and are sufficient, clear and complete
 - b. Validate compliance with established procedures for the metric change management process
 - c. Verify that changes to metrics are necessary and appropriate
 - d. Verify changes are accurately and timely implemented
 - e. Validate the time frames of changes with related SEEM adjustments

III. METHODOLOGY

1. Statistical and testing methodologies for completing the audit will include the validation of data in accordance with methodologies and statistical formulas provided in Appendices C, D and E of the BellSouth SEEM Administrative Plan Version 2.7.
2. Materiality for purposes of reporting will be jointly determined by the auditor and the Public Service Commission.
3. Any exceptions identified by the auditor will be addressed in the final report. If resolution activity is beyond the end of the audit period, BellSouth will provide continuing reports to the PSC until all exceptions have been resolved.
4. Measurements recommended to be audited are as follows
 - a. O-3/O-4 Percent Flow-Through Service Request Summary and Detail
 - b. O-8 Reject Interval
 - c. O-9 Firm Order Confirmation Timeliness
 - d. P-3 Percent Missed Installation Appointments
 - e. P-4 Average Completion Interval
 - f. P-7/P-7c Coordinated Customer Conversion Interval
 - g. P-9 Percent Provisioning Trouble with 30
 - h. M&R-1 Missed Repair Appointments
 - i. M&R-2 Customer Trouble Report Rate
 - j. M&R-3 Maintenance Average Duration
 - k. M&R-4 Percent Repeat Troubles with 30 days
 - l. M&R-5 Out of Service > 24
 - m. B-1 Invoice Accuracy

Note: **Staff does** not intend that all measurements be audited in each of the seven audit areas.

5. The auditor will audit at least two months results for each metric selected within a given audit area as applicable.
6. Metric selection and months to be audit for each audit area will be jointly determined by the auditor and FPSC.

BELLSOUTH AUDIT POLICY DOCUMENTATION

BellSouth SQM

Appendix C: BellSouth Audit Policy

C-1: BellSouth's Internal Audit Policy

BellSouth's internal efforts to make certain that the reports produced by the PMAP platform are of the highest accuracy has been formalized into a Performance Measurements Quality Assurance Plan (PMQAP) that documents and augments existing quality assurance processes integral to the production and validation of Performance Measurement data.

The plan consists of three sections:

1. Change Control addresses the quality assurance steps involved in the introduction of new measurements and changes to existing measurements.
2. Production addresses the quality assurance steps used to create monthly SQM reports.
3. Monthly Validation addresses the quality assurance steps used to ensure accurate posting of monthly results.

The BellSouth PMQAP will ensure that BellSouth effectively and consistently provides accurate performance measurements data for the activities included in the SQM. The BellSouth Internal Audit department will audit this plan and its quality assurance steps annually, beginning in 4Q01.

C-2: BellSouth's External Audit Policy

BellSouth currently provides many CLECs with audit rights as a part of their individual interconnection agreements. BellSouth has developed a proposed Audit Plan for use by the parties to an audit. If requested by a Public Service Commission or by a CLEC exercising contractual rights, BellSouth will agree to undergo a comprehensive audit of the current year aggregate level reports for both BellSouth and the CLECs for each of the next five (5) years (2001-2005), to be conducted by an independent third party auditor jointly selected by BellSouth and the CLEC. The results of audits will be made available to all the parties subject to proper safeguards to protect proprietary information. Requested audits include the following specifications:

1. The cost shall be borne by BellSouth.
2. The independent third party auditor shall be selected with input from BellSouth, the PSC, if applicable, and the CLEC(s).
3. BellSouth, the PSC and the CLECs shall jointly determine the scope of the audit

These comprehensive audits are intended to provide the basis for the PSCs and CLECs to determine that the SQM, PMAP and SEEM produce accurate data that reflects each States Order for performance measurements. Once this has been verified by an initial audit, the BellSouth PMQAP will provide the basis for future audits.

BellSouth SEEM Administrative Plan

Section 4.4.5

At the end of each calendar year, an independent accounting firm, mutually agreeable to the Florida Public Service Commission and BellSouth, shall certify that all penalties under Tier-1 and Tier-2 Enforcement Mechanisms were paid and accounted for in accordance with Generally Accepted Account Principles (GAAP). These annual audits shall be performed based upon audited data of BellSouth's performance measurements.