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**Sent:** Friday, June 25, 2004 3:11 PM  
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**Subject:** Docket 000121A-TP  
**importance:** High

- A. Brenda Slaughter  
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- B. Docket No. 000121A-TP: Investigation into the establishment of operations support systems permanent incumbent local exchange Telecommunications companies
- C. BellSouth Telecommunications, Inc.  
 on behalf of Robert A. Culpepper
- D. 15 pages total
- E. BellSouth Telecommunications, Inc.'s Presentation pursuant to Notice of Staff Workshop

Brenda Slaughter (sent on behalf of Robert A. Culpepper)  
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CR  
 iCL <<000121A-TP BellSouth Presentation.pdf>>

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June 25, 2004

Mrs. Blanca S. Bayó  
Director, Division of the Commission Clerk and  
Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Docket No. 000121A-TP  
In Re: Investigation into the establishment of operations support  
systems permanent incumbent local exchange Telecommunications  
companies

Dear Ms. Bayó:

Pursuant to the Notice of Staff Workshop dated June 10, 2004, please find enclosed BellSouth Telecommunications, Inc.'s presentation regarding the audit scope and methodology, which we ask that you file in the captioned docket.

Copies have been served to the parties shown on the attached Certificate of Service.

Sincerely,



Robert A. Culpepper

Enclosures

cc: All parties of record  
Marshall M. Criser, III  
Nancy B. White  
R. Douglas Lackey

DOCUMENT NUMBER-DATE

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**CERTIFICATE OF SERVICE**  
**Docket No. 000121A-TP**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via  
Electronic Mail and First Class U. S. Mail this 25th day of June, 2004 to the following:

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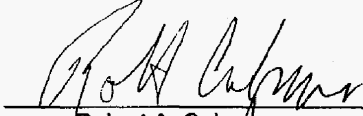
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Robert A. Culpepper

**(+) Signed Protective  
Agreement**

#237366



**BellSouth Proposed >>  
Florida Audit Plan**



## Objectives

The Florida Audit Plan in this document has been developed to meet the following objectives:

- To meet audit requirements of SQM manuals and SEEMS Administrative Plans for Florida. These audit requirements are outlined in the following pages.
- For all material aspects, the auditor will report whether BellSouth met the requirements of the Performance Measurements Quality Assurance Plan (PMQAP) as well as certify Tier 1 & Tier 2 Penalties were accounted for in accordance with GAAP standards and paid.



# >> Presentation Outline

- Slides 4 – 5 Current audit policy requirements for SQM and reports for Florida.
- Slides 6 - 8 BellSouth's Florida SQM Audit Policy Proposal
- Slide 9 Current Florida SEEM Audit Policy
- Slides 10 BellSouth's Florida SEEM Audit Policy Proposal
- Slide 11 BellSouth's Exception Resolution Proposal

## >> Current Florida SQM Audit Policy (Appendix C1)

### **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 Measurements data. The plan consists of four 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.
4. SEEMS Validation addresses the quality assurance steps used to ensure accurate SEEMS Remedy Payments.

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.**

# >> Current Florida SQM Audit Policy (Appendix C2)

## **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 audit 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 and PMAP 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 Audit Plan Proposal (Appendix C1)

**The BellSouth Internal Audit department will audit this plan (PMQAP) and its quality assurance steps annually beginning in 4Q01.**

- As described in the current SQM Manual Audit Policy Requirements, the PMQAP will be the basis for this component of the audit.
- BellSouth's adherence to the processes and methodologies as specified in the PMQAP document will be tested.
- BellSouth proposes to utilize an external auditor to conduct the audit.
- Auditor will determine appropriate testing procedures for the agreed upon scope of the audit in accordance with American Institute of Certified Public Accountants (AICPA) guidelines.
- BellSouth proposes to have auditor conduct audit at regional level to the greatest extent possible e.g: change control, production and validation.

## >> BellSouth Audit Plan Proposal (Appendix C2)

- **These comprehensive audits are intended to provide the basis for the PSCs and CLECs to determine that the SQM and PMAP produce accurate data that reflects each State's Order for performance measurements. Once this has been verified by an initial audit, the BellSouth PMQAP will provide the basis for future audits.**
- Initial audit completed by BearingPoint.
- Audit of PMQAP per Appendix C1 will complete this requirement.

## >> BellSouth Audit Plan Proposal (Appendix C2)

- An appropriate SQM materiality threshold to determine exceptions should be employed. The Florida Reposting criteria listed below should be used as a basis to determine this threshold:
  - “Performance sub-metric calculations that result in a shift in the performance in the aggregate from an “in parity” condition to an “out of parity” condition will be available for reposting.”
  - “Performance sub-metric calculations with benchmarks that are in an “out of parity” condition will be available for reposting whenever there is a  $> 2\%$  deviation in performance at the sub-metric level.”
  - “Performance sub-metric calculations with retail analogues that are in an “out of parity” condition will be available for reposting whenever there is a .5 change in the z-score at the sub-metric level.”

## >> Current Florida SEEM Administrative Audit Policy

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 Accounting Principles (GAAP). These annual audits shall be performed based upon audited data of BellSouth's performance measurements.**

## >> SEEMS Remedy Payment Certification

**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 Accounting Principles (GAAP).**

- BellSouth's 2003 financial records have been audited and reported to the financial community. We are now prepared to certify Tier 1 & Tier 2 remedy payments were accounted for in accordance with Generally Accepted Account Principles (GAAP) standards and paid.
- Auditor will determine appropriate audit procedures.
- BellSouth proposes to use same auditor for PMQAP and SEEM audits.



## >> BellSouth's Exception Resolution Proposal

- 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.