

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATION AND ENERGY

Verizon New England Inc. d/b/a Verizon Massachusetts
Performance Assurance Plan.

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D.T.E. 03-50

REPLY COMMENTS OF
VERIZON MASSACHUSETTS

On January 12, 2004, the Department issued a notice requesting comments on Verizon Massachusetts' ("Verizon MA") draft request for proposal ("RFP") filed on November 24, 2003, for an audit of the wholesale Performance Assurance Plan ("PAP"). Only two parties, AT&T and MCI, filed comments on the draft RFP. As discussed below, AT&T and MCI raise few substantive issues, and the few they do assert are without merit and should be rejected by the Department.

A. INTRODUCTION

The Department adopted an annual audit requirement for Verizon MA's PAP in D.T.E. 99-271 (*see* Order Adopting PAP dated September 5, 2000). The Department required that the audits be conducted at Verizon MA's expense by an independent auditor selected by the Department through a competitive bidding process.

To initiate the first audit, Verizon MA filed a proposed RFP with the Department in October 2001. The Department approved, with limited changes, the initial RFP on February 8, 2002, and in August 2002, selected PricewaterhouseCoopers ("PwC") to

conduct the audit (*see* Letter Order dated August 26, 2002). PwC issued its final report on January 31, 2003, in which it detailed a highly successful audit showing Verizon MA's strong adherence to the performance guidelines and PAP requirements. In its March 13, 2003 Letter Order concerning the PwC audit, the Department noted that the auditor concluded that, with the exception of three instances of material noncompliance, Verizon MA complied in all material respects with the requirements during the period of evaluation. The Department found that "notwithstanding three instances of material noncompliance, the audit demonstrates that overall, Verizon is complying with the data generation, calculation and reporting requirements, including the bill credit requirements, of the Massachusetts PAP. The three instances of material noncompliance did not impact bill credits and did not demonstrate a level of material noncompliance sufficient to constitute 'backsliding' on its Section 271 obligations. Accordingly, the Department determines that no substantive changes in Verizon's PAP processes and procedures are necessary."

In response to a Department directive for Verizon MA to initiate the bidding process for the next audit in the first quarter of 2003, the Company requested a delay to allow the Department time to determine the timing and scope of the audit. Specifically, Verizon MA requested the Department amend its requirement for an annual audit of the PAP to a review that would be conducted on a tri-annual basis. *See* Letter from Verizon MA to D.T.E. dated July 8, 2003. Following the receipt of comments by several CLECs, the Department issued a ruling on October 22, 2003, in which it decided to proceed at this time with the audit but stated that it would consider amending the frequency and scope of

future audits if the results of the second audit were as strong as those of the previous audit.

The Department directed Verizon MA to file a draft RFP for the audit by November 24, 2003, noting that it “anticipates the scope of this audit to be similar to the scope of the first audit.” Verizon MA filed the draft RFP as ordered. In all material respects, the draft RFP is identical to the RFP adopted by the Department for the first PAP audit under which the Department selected PwC and defined the audit it conducted.

B. AT&T AND MCI COMMENTS

1. Section 2.1 – General Objective

AT&T suggests that the language in Section 2.1 of the draft RFP be modified to more accurately reflect the roles and responsibilities of the Department and Verizon MA. Specifically, AT&T contends that the first paragraph of this section suggests that Verizon is auditing itself and should be modified to clarify that the audit will be conducted by an independent auditor selected by the Department. (AT&T Comments at 3). AT&T’s concern is misplaced.

Contrary to AT&T’s suggestion, there is no possibility that the RFP could be construed to mean that Verizon MA is auditing itself. The PAP is clear that “the audits shall be performed by an independent auditor, selected by the Department through a competitive bidding process ...” *See* PAP Section II(K)(3). Indeed, the very purpose of the RFP is for the Department to solicit proposals from independent auditors, and Section 3.3 of the draft RFP states that the “Department is responsible for supplier selection.” The language of Section 2.1 in the draft RFP is identical to the comparable provision in the first audit RFP, and no issue arose during that first audit concerning the respective

responsibilities of the Department and Verizon MA. AT&T is simply nitpicking, and no change is necessary to this section of the audit.

AT&T also proposes that the last sentence of the second paragraph of Section 2.1 be modified to eliminate the suggestion that both the Department and Verizon MA must consent to audit methods and procedures. AT&T asserts that this provision inappropriately enables Verizon MA to “control” the auditor’s methods and procedures. AT&T’s position is without merit.

Here too, the language to which AT&T objects is identical to language in the first audit RFP, and once more, no issue arose during the first audit concerning this provision. Simply stated, Verizon MA is not seeking to “control” the auditor, as alleged by AT&T. Rather, Verizon MA must reserve its rights in the event that the auditor proposes methods and procedures which are unreasonable. For instance, the auditor should not be allowed to propose a plan that would enable the auditor to access proprietary systems or other data that are not relevant to an audit of the PAP. Likewise, the auditor’s methods and procedures should not give it unfettered access to Verizon MA subject matter experts, thereby consuming valuable resources. In short, the auditor should not receive carte blanche authority to craft a plan that is unreasonably intrusive or excessively costly. The preservation of Verizon MA’s ability to have a say regarding the methods and procedures employed by the auditor is reasonable and ensures that the auditor remains focused on the parameters described in the final RFP.

In AT&T’s comments under the Scope of Work heading, it states that the RFP should be clear that the PAP audit includes the Carrier-to-Carrier (“C2C”) Guidelines upon which the PAP reporting and remedies are based. (AT&T Comments at 4)

AT&T's position is difficult to understand. It is self evident that the C2C Guidelines for the metrics that make up the PAP would be part of the audit because the audit could not verify measurements reporting without reviewing the underlying measurement definitions contained in the C2C Guidelines. However, the C2C Guidelines contain many metrics that are not part of the PAP. To the extent that AT&T is suggesting that measurements in the C2C Guidelines that are not also in the PAP should be examined, its position is completely without merit. The audit requirement that the Department has imposed on Verizon MA relates solely to the PAP, not the stand-alone C2C Guidelines, and the focus of the audit should be solely on the PAP.

2. Section 2.2 – Audit Plan

AT&T's comments on Section 2.2 of the draft RFP are misguided. In its red lined version of the draft RFP, AT&T strikes language and inserts alternative language to explain that the PAP report used in the audit should lag the C2C report by two months. It appears that AT&T does not understand the significance of the words "the most recent month's Final report" which it chose to eliminate from the draft RFP. The "Final" PAP report in Massachusetts does lag the C2C report by two months. By way of example, on January 26, 2004, Verizon MA filed its Final October 2003 PAP report. The October PAP report could not be finalized until the preliminary November 2003 PAP report and the preliminary December 2003 PAP report were completed. AT&T's red line changes to this portion of the draft RFP are duplicative of the existing language and are, therefore, unnecessary.

AT&T also suggests in its redlined version of the draft RFP that an end-of-quarter PAP report be used for the data month to be examined by the auditor. Verizon MA has

no objection to using the Final PAP report for the end of a quarter for the purpose of determining the data month of the audit. However, the last RFP and PwC's audit used the most recent month's Final Report, as provided for in the draft RFP, and there is no good reason to part from the approach taken in the past. In any event, the DTE, not AT&T or Verizon, should ultimately determine the timeframe.

Finally, AT&T adds language at the end of Section 2.2 which states that the audit plan should include an "examination of processes and procedures to detect, disclose to recipients, and correct errors and omissions in the data, calculations, and reports." AT&T also adds similar language in Section 2.3 D. This language is unnecessary.

Verizon MA has instituted rigorous internal controls to ensure the continued quality and accuracy of its performance reporting. These controls include, but are not limited to; the metrics change control process, quality reviews, internal auditing, training, and methods and procedures. When issues with metrics reporting are discovered, the issues are addressed through the metrics change control process, which is the process by which Verizon manages changes to the coding and metrics calculations and Verizon MA's communications of these changes to other parties. In its evaluation of Verizon MA's application for long distance relief, the Department conducted its own review and assessment of Verizon MA's compliance with its defined metrics change control process. Based on its review, the Department concluded: "... in every case, VZ-MA had provided advanced notice of metrics calculation changes through a formal Change Control Notice. The Department concludes that VZ-MA's defined metrics change control process sufficiently records changes to the metrics calculation process and allows for effective

tracking of such changes.”¹ Verizon MA has a clearly defined metrics change control process that has been tested and approved by the Department. The process is further strengthened by the change control enhancement implemented in July 2003, which implemented an email distribution of change control notifications to Verizon MA’s wholesale customers in Massachusetts. As part of the auditor’s functions in evaluating Verizon-MA’s compliance with the Massachusetts PAP, Verizon MA’s internal processes, including metrics change control, would be evaluated. This was included in the PwC audit, and there is no reason to change language that was used for the first RFP and which resulted in a thorough examination of Verizon’s processes.

3. Section 2.3 – Specific Requirements

(a) AT&T’s Comments

AT&T suggests that the third bullet point of Section 2.3(A) be revised to include a requirement that the auditor “document areas in which the Carrier-to-Carrier Guidelines or PAP were ambiguous and Verizon needed to supply an interpretation.” This provision is completely inappropriate and not properly within the scope of an audit of Verizon MA’s compliance with the PAP.

The audit is not intended to be an audit of the PAP and C2C language. Rather, the purpose is to ensure Verizon MA’s compliance with the PAP. Verizon expects that, should the auditor encounter such ambiguities in the process of conducting the audit, the auditor would raise such issues to the Department, similar to that which was done during the first audit. The audit should not, however, be an opportunity for the auditor or parties

¹ Evaluation of the Massachusetts Department of Telecommunications and Energy in CC Docket No. 00-176, dated October 16, 2000, footnote 296.

to question or review the metric definitions or calculations that are set forth in the PAP or C2C Guidelines.

AT&T also suggests additional language in Section 2.3(B)(1) requiring the auditor to secure copies of CLEC-aggregate and CLEC-specific report filed with the Department for the audit examination period and ensure that the reports were timely and complete. In Section 2.3.(B)(2), AT&T makes a similar suggestion to require that the auditor determine the “timeliness” of the data reported. AT&T’s recommended revisions only state the obvious. Indeed, these were matters that PwC verified in the first audit under the language identical to that contained in the draft RFP. Verizon MA does not, however, object to the suggested revision to these subparts.

Finally, AT&T recommends that Section 2.3(C)(2) be modified to include not only the accuracy of bill credits under the Massachusetts PAP but also the timeliness of the bill credits. MCI makes a similar suggestion. Here again, AT&T is simply stating matters that would be covered in the audit and were addressed by PwC in the first audit under the language already contained in the draft RFP. PwC’s Final Report on the first Massachusetts PAP audit, and Verizon MA’s management assertions that accompanied that report, reveals that the timeliness of PAP credits was indeed evaluated. Specifically, PwC validated Verizon’s assertion that “within 30 days of the close of the second month after the month in which performance was reviewed, Verizon processed the appropriate PAP credits for facilities based and non-facilities based CLECs.” Verizon MA does not, therefore, object to AT&T’s suggestion to include the timeliness of bill credits.

However, Verizon MA objects to the insertion of language proposed by AT&T specifying that the audit should test the accuracy and timeliness of the “largest” bill

credits and a “randomly selected bill credit.” Placing language in the RFP that dictates the methods, procedures, and sampling techniques that should be used by the auditor should not be detailed in an RFP. The methodology to be employed by the auditor is best determined by the audit firm chosen to conduct the audit, in consultation with the Department.

(b) MCI’s Comments

MCI’s comments all concern Section 2.3 of the draft RFP. First, MCI objects to the requirement in Section 2.3(A) that the auditor “select a statistically valid sample or other appropriate sample that will provide equivalent assurance from the results reported for Massachusetts for the most recent month’s Final Report.” MCI asserts that all metrics in the PAP should be checked and that three or four months of data should be examined for each measure. MCI Comments at 1. MCI’s recommendation is without merit and should be rejected by the Department.

The provision in the draft RFP is taken directly from the RFP for the first PAP audit and reflects the approach used by PwC in conducting that audit. Certainly, sampling is an accepted technique used throughout the audit industry. Neither Verizon MA nor the Department dictated the sampling technique that PwC used in the first audit. As detailed by PwC, it did not believe that Verizon MA’s PAP metrics constituted a homogenous population that lent itself to the application of statistical sampling and, therefore, used a judgmental sample across the underlying Verizon processes and major service categories. *See* PricewaterhouseCoopers’ Examination Approach for the Performance Assurance Plan Verizon Massachusetts, dated February 12, 2003, page 2. A copy of this report is available at <http://www.state.ma.us/dpu/telecom/99->

[271/313papauditsum.pdf](#). PwC stated that it believed that this was a more effective testing methodology. *Id.* The final result of PwC's sampling included the testing of 128 out of 252 PAP metrics (approximately 51%), including 27 of 33 of high importance by weight measures, 10 out of 12 Critical measures and all 4 Special Provisioning measures. In addition, 2 out of the 4 Change Control Metrics were included in PwC's audit.

Verizon has been subject to numerous external audits and reviews of its various PAPs, and none have audited 100% of the metrics. MCI's suggestion to audit all of the PAP metrics for several months is overly burdensome, would be very expensive and time consuming and is not likely to add to the quality of the audit findings. Moreover, MCI's suggestion could easily extend the duration of the audit to last over a year, causing the audit report to be untimely. Based on the excellent performance of Verizon MA found by PwC in the first audit, there is no basis to impose significantly greater costs and burdens on the Company.

Second, MCI proposes that language be added to Section 2.3(A) concerning the auditing of Verizon MA's performance data for provisioning and maintenance. Specifically, MCI states that "Verizon exclusions for 1) customer not ready, 2) no access for provisioning, and 3) Found OK, Test OK, should be audited by examining the underlying technical documentation to ensure that the exclusion was appropriate." The RFP should not prescribe the specific methods of testing for the auditor. Further, under the requirement set forth in Section 2.3(A)(1) of the draft RFP, if exclusions are contained in a metric being audited, then the auditor will test that exclusions are taken appropriately by Verizon MA.

C. Miscellaneous Comments on the Draft RFP

AT&T and MCI close their comments with the suggestion that the RFP include a requirement that the auditor review the results of PAP audits in other Verizon states. MCI further suggests that the auditor investigate whether any deficiencies identified in those audits is also present in Massachusetts. As discussed in Verizon MA's filings on July 8, 2003 and August 25, 2003, audits of substantially similar PAPs in other Verizon jurisdictions have produced the same excellent results as those from the first Massachusetts PAP audit. Verizon's metrics process is ubiquitous throughout the former Bell Atlantic footprint, and with the exception of New Jersey, Verizon's C2C Guidelines and PAP plans are substantially similar. As both AT&T and MCI are well aware, when audits in other states uncover a deficiency in the PAP, a metric change control is processed and the deficiency is corrected for all impacted states. The Massachusetts audit will identify failings, if any, affecting Verizon MA's reporting in the PAP, and it is not necessary for the auditor to review the results of all other PAP audits for deficiencies.²

D. Conclusion

The Department should approve Verizon MA's draft RFP for the second Massachusetts PAP audit with only the specific revisions suggested by AT&T for which Verizon MA notes its agreement as discussed above. The draft RFP is substantially the same as the RFP used for the first PAP audit which resulted in the selection by the Department of an independent auditor and a thorough review of Verizon MA's PAP

² In its redlined version of the draft RFP, AT&T made two minor revisions in Sections 4 and 5.1. Verizon MA has no objection to those proposed changes.

reports. AT&T and MCI raise no substantive issues in their comments concerning the draft RFP that warrant any other revisions.

Respectfully submitted,

VERIZON MASSACHUSETTS

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