Request for Proposal to
Provide Audit Services for Verizon Communications

RFP #

June 21, 2004

1. Overview

1.1. Verizon

On June 30, 2000, Bell Atlantic Corporation and GTE Corp. completed a merger to form Verizon Communications ("Verizon"), one of the world's leading providers of communications services. A Fortune 10 company, Verizon Communications is one of the world's leading providers of communications services, with approximately $67 billion in revenues and 221,000 employees. Verizon companies are the largest providers of wireline and wireless communications in the United States, with more than 139 million access line equivalents and 36 million Verizon Wireless customers. Verizon is the third largest long-distance carrier for U.S. consumers, with nearly 16 million long-distance lines.

1.2. Verizon MA Long Distance Entry and Regulatory Approval

Pursuant to a Massachusetts Department of Telecommunications and Energy ("Department") Memorandum of March 2, 2000, Verizon New England Inc., d/b/a Verizon Massachusetts ("Verizon MA"), filed a proposed Performance Assurance Plan ("PAP"). A PAP is a self-executing remedy plan to prevent "backsliding" (i.e., a degradation in the quality of wholesale services provided to competing carriers) by an incumbent local exchange carrier ("ILEC"), once the ILEC gains entry into the long distance market, pursuant to section 271 of the Communications Act of 1934, as amended.[1] In its filing, Verizon MA proposed that the PAP take effect when it entered the long distance market in Massachusetts. On September 5, 2000, the Department ordered that the PAP would be effective upon Verizon's entry into the Massachusetts long distance market.

On January 16, 2001, Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), and Verizon Global Networks Inc. (Verizon) filed an application with the Federal Communications Commission pursuant to section 271 of the Act for authority to provide in-region, interLATA service originating in the state of Massachusetts.[2] The FCC granted Verizon's application in an Order issued on April 16, 2001, based on its conclusion that Verizon

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[1] In 1996, Congress amended the Communications Act of 1934 to foster the development of local exchange competition, among other things. The Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996). We refer to the Communications Act of 1934, as amended by the Telecommunications Act of 1996, as the Communications Act or the Act.

[2] Supplemental Filing of Verizon New England Inc., CC Docket No. 01-9 (filed Jan. 16, 2001) (Verizon Massachusetts II Application).

had taken the statutorily required steps to open its local exchange markets to competition in Massachusetts.

2. Scope of Work

2.1. General Objective

The PAP (Attachment A) requires that Verizon MA shall, at its own expense, engage an independent auditor or auditors to audit Verizon's data and reporting. The first audit of the PAP was completed with the auditors issuing a Final Report on January 31, 2003. The
The Department issued a Letter Order on March 13, 2003 determining that, as a result of the first audit, no substantive changes in Verizon MA's PAP processes and procedures were necessary. In a subsequent Letter Order, issued on October 22, 2003, the Department determined that Verizon MA was to conduct a second audit in accordance with the PAP.

The objective of this RFP is to select the audit firm, or firms, for such engagement and to enter into appropriate contractual arrangements for a second PAP audit in Massachusetts. The independent auditor shall be acceptable to the Department. The independent audit shall be supervised by persons licensed to provide accounting services and shall be conducted in accordance with the relevant standards of the AICPA. For purposes of this engagement, the Department and Verizon MA shall be the only specified users; the Department and Verizon MA must both consent to the audit methods and procedures to be used; and the independent auditor must accept those methods and procedures.

2.2. Audit Plan

This audit of Verizon MA's PAP will cover the most recent end of quarter month's Final Report of wholesale performance and cover the major service categories of the performance measurements as reported by Verizon MA, as documented in the PAP:

Pre-Ordering
Ordering
Provisioning
Maintenance and Repair
Billing
Network Performance

The audit plan should enable the verification of Data and Reporting of the following during the actual audit:

?? Examination of data reliability through verification of the existence of measurement reporting business rule requirements, reporting methods and procedures and reporting system documentation specifying performance measurement definitions, calculations and performance standards using a sample of measurement results from the audit examination period.

- ?? Timeliness and completeness of reported results including data collection, data retention, and data protection.
- ?? Implementation of ordered statistical methodology for determining Verizon's compliance with reporting requirements

2.3 Specific Requirements

A. Examination of Data Reliability

Select a statistically valid sample or other appropriate sample that will provide equivalent assurance from the results reported for Massachusetts for the most recent end of quarter month's Final Report. The metrics chosen should fairly represent the various major service categories listed above. Explain the sample methodology you will use and the reason(s) for choosing that sample methodology. Clearly statethe number of metrics and the identities of the metrics you will examine for the audit. Your explanation of the chosen sample methodology should address the following, as appropriate:

- ?? An explanation of how you arrived at your sample size
- ?? If a confidence interval is utilized, provide the margin of error and the level of confidence
- ?? What is your success rate in determining sample size
- ?? If you would consider a judgment sample as an alternative to a statistically valid sample, please indicate this in your response.

For each selected metric:

(1) Verify existence of business rule requirements, reporting methods and procedures, and reporting system documentation through interviews with Verizon employees and a review of the Verizon documentation.

(2) Compare Massachusetts PAP language and other plan requirements against performance measurement definitions specified by Verizon systems.

(3) Verify data calculations from the pull point (the point in the Verizon systems where raw data are gathered) are accurate and in accordance with the PAP language.

(4) Verify performance standards reported by Verizon are in accordance with the PAP language through an examination of the report.

B. Report Timeliness and Completeness

(1) Secure copies of CLEC-aggregate and CLEC-specific reports filed with the Department for the audit examination period. Verify reports were timely and complete in accordance with the PAP requirements.

(2) Review report and interview Verizon employees responsible for generating the report to determine timeliness and completeness of the data, as reported.

(3) Evaluate policies and practices for collecting and storing data from the pull point, which are necessary for the creation of performance metrics. Conduct interviews with Verizon data collection and storage experts and review of the Verizon documentation.

C. Implementation of Ordered Statistical Methodology

(1) Verify that the statistical formulas used by Verizon to determine if "parity" exists between Verizon MA's wholesale and retail performance are in accordance with Appendix D of the attached PAP-file name: VZMAPAP.doc, effective July 2003.

(2) Verify the accuracy of the bill credits for both a facilities based and non-facilities based CLEC receiving bill credits are in accordance with the attached PAP- file name VZMAPAP.doc, effective July 2003.

This RFP requests your proposal setting forth:

?? How your firm is qualified to provide the services required by this RFP,

?? How your firm plans to meet the requirements of this RFP, and

?? The estimate of professional resources to be devoted to this Engagement and proposed costs of providing such services and timeline for completion (assume an average of 10 business day turnaround time from Verizon to respond to data requests and schedule requested interviews).

3. Proposal Process

3.1. Proposal Contents

Verizon requests that bidders respond to the RFP in the exact manner the information is requested. However, this does not preclude the addition of clarifying comments, explanations, or remarks where deemed necessary by you. Any such additional comments, explanations, or remarks should be listed separately with cross-reference notes citing the applicable numbered section. Proposals shall contain the following minimum information for each of the Engagements **(to the extent you have provided most of this information before you may resubmit relevant portions thereof, and you may incorporate duplicate information by reference):**

1. Supplier Firm Information: Please provide in sufficient detail a summary of your firm's expertise and experience in the types of engagement(s) contemplated hereby. To the extent possible:

    ?? Describe similar project engagements for other clients, including an indication of the size, scope and complexity of such projects.

    ?? Describe your firm's other credentials in engagements on issues related to reviews of regulated parties' compliance with regulatory imposed conditions, and providing reports thereon to the governing regulatory body. In particular, describe whether your firm has previously engaged in similar engagements before the Department.

    ?? Affirm that your firm has not previously been rejected as unqualified or unacceptable for similar engagements by the Department, or for similar engagements by other Federal or State regulatory bodies.

    ?? Provide the names and positions of your staff who will be assigned to this engagement and their credentials, in the subject matter. To the extent possible, list your team's experience in leading similar engagements.

    ?? Provide three relevant client references for the key members of the project team.

2. Work Plan: For the Engagement contemplated hereby provide a plan for how your firm would accomplish the requirements of this RFP, including the examination methods and procedures to be used. Include a summary (including time line) of the steps necessary to complete the Engagement. Describe the people resources that your firm will be able to dedicate to this project. Describe the level of support and resources you estimate might be required from the Department and Verizon.

3.2. Pricing and Fees

In a separate section of your proposal, describe the fee structure you propose for the Engagement and indicate your best estimate of what this engagement and expenses might cost. For example: Are you proposing a "Time & Material" or a "Fixed Fee" arrangement? What are your proposed hourly rates for professional fees? Are there any discounts available? Were any discounts reflected in the estimate provided?

For this engagement, please complete the attached " Pricing Matrix" (Attachment B) to set forth pricing and staffing resources for the MA PAP and additional state audit services.

3.3. Role of Verizon and the Department

In order to assure a competitive, objective and fair evaluation and selection process, the process for soliciting, and evaluating proposals is being administered and managed by the Department jointly with Verizon. The Department is responsible for supplier selection. After receipt of this RFP, all requests for information, clarifications or discussions concerning this RFP should be directed as follows via e-mail:

Primary contact will be:

Suzanne Del Giudice-Smith
Sourcing Process Leader
Verizon Corporate Sourcing
Rm. 14K00
240 E. 38th Street
New York, NY 10016
Tel. No: 212 338 1086
Fax. No: 212 516-706-6697
E-mail:
suzanne.delgiudice-smith@verizon.com

The foregoing person shall be responsible for obtaining and providing all substantive answers or clarifications to all responders on an equal basis, and shall be responsible for arranging any bidder's meetings or other discussions with Verizon personnel concerning this RFP. **Any requests for extensions of time to respond must be directed to the foregoing person in order to be considered.**

3.4. Response Date and Method of Response Submission

a. If it is to be considered, your response must reference the above stated **RFP#xxxx**. It should be sent via E-mail to the B2E Markets address in the welcome letter and name@state.ma.us and must be received by Verizon Corporate Sourcing and the Department no **later than 12:00 PM, [insert date]** . Your Proposal should be in MSOFFICE compatible format. Please avoid complex graphics and visuals, etc. **Failure to receive your RFP response on the due date may result in disqualification from consideration**.

b. Do not send a copy of your RFP response to any other Verizon or Department employee.

c. If you do not intend to respond to this RFP, please contact the Sourcing Process Leader and return your package to the Quotation Registrar prior to the deadline, marked "No Bid".

d. This RFP is not a purchase order and should not be considered as such. All estimated quantities and requirements contained in this RFP reflect the best information available to Verizon at the time of RFP preparation and are estimates only and do not constitute commitments.

e. All responses and related information submitted by you shall be deemed to be submitted to Verizon on a nonproprietary and non-confidential basis, any restrictive notices or legends to the contrary notwithstanding, and shall become the property of Verizon.

4. Terms and Conditions of Engagement

Indicate whether your firm already has a consulting agreement or other engagement contract in place with Verizon. If your firm does not have such an agreement in place, Verizon and the selected provider shall enter into a mutually acceptable engagement agreement.

5. Diversified Suppliers

Verizon is committed to supplier diversity and believes in providing equal opportunity to diversified suppliers, otherwise known as minority and women-owned business enterprises, as well as those businesses owned by individuals who are disabled or Vietnam veterans ("MWDVBEs"). As such, Verizon makes every effort to utilize MWDVBE firms to the fullest extent possible.

As a potential supplier to Verizon, in any proposal submitted to Verizon, you must provide information that demonstrates your commitment to the inclusion and participation of diverse suppliers in support of Verizon's requirements.

5.1. MWDVBE Questionnaire Requirement

As a part of your response to Verizon's Request for Proposal, please provide the following:

a. Indicate whether you are a diverse supplier (MWDVBE). If you are, attach a copy of your certification obtained from any federal, state or local agency, private corporation or advocacy organization that confirms MWDVBE qualifications. If you are a MWDVBE, but have not been certified or are in the process of being certified, to which agency or advocacy group have you submitted your application?

b. Provide the Scope of Work that you perceive would be attributable to your use of MWDVBEs. The business must be in direct relation to the contract.
   1. What are your projected MWDVBE purchases in direct support of this product or service line?
   2. Specify the product or service to be subcontracted to the MWDVBE.

3. Specify the MWDVBE suppliers to be used for this subcontracting activity, include the following: Name, address, telephone number, contact person, and an e-mail address.

c. Verizon has a corporate goal for MWDVBE inclusion in its procurement process of 16% in 2003, 17% in 2004 and 2005, and 18% in 2006 and thereafter. Verizon expects its suppliers to meet the same goal. Your percent commitment will be evaluated as part of the overall RFP. Participation will be measured based upon the amount of business where you utilize diverse suppliers. Specify the percentage of business you will subcontract to diverse supplier firms if you are awarded the business.

d. If you are awarded the business, you must submit the Prime Supplier Quarterly Reports to Verizon via the website at www.verizon.com/supplierdiversity on a quarterly basis (30) thirty days following the end of the quarter.