

**Verizon's Request for Proposal (RFP) to
Provide Audit Services for Verizon**



RFP # TBD

**TBD, 2007
Sr. Sourcing Process Leader:
Suzanne Del Giudice-Smith**

1. Introduction

1.1 Statement of Purpose

Verizon is issuing this RFP to solicit proposals from one or more potential Audit CPA suppliers (each a "Supplier") for cost, delivery, and product/service information with respect to selecting an Auditor in conjunction with the Massachusetts Department of Telecommunications and Cable (hereafter DTC or Department, which was formerly Department of Telecommunications and Energy prior to April 11, 2007) to perform the Massachusetts Performance Assurance Plan (PAP) Triennial Audit.

Verizon makes no representations, warranties or agreements with respect to this RFP. In addition, Verizon makes no commitment to purchase any products or services or take any other action, including but not limited to, awarding an agreement to any or multiple suppliers.

The Department reserves the right to amend or cancel this RFP at any time for any or no reason. All amendments to this RFP shall be in writing.

1.2 Description of Services for MASS PAP Audit - Regulatory Requirements

The Department instituted the requirement for a periodic audit of Verizon Massachusetts' PAP in the Order Adopting Performance Assurance Plan, D.T.E. 99-271 (September 5, 2000) ("Order Adopting PAP"). The Department ordered that the PAP would be effective upon Verizon's entry into the Massachusetts long distance market.

The PAP is a self-executing remedy plan designed to ensure that Verizon MA will provide quality wholesale services to competitive carriers by imposing penalties on itself for substandard performance.

The FCC approved Verizon to provide in-region, interLATA service originating in the state of Massachusetts in an Order issued on April 16, 2001, based on its conclusion that Verizon had taken the statutorily required steps to open its local exchange markets to competition in Massachusetts.

The first audit of the Massachusetts PAP was completed with the auditors issuing a Final Report on January 31, 2003. The Department issued a Letter Order on March 13, 2003 stating that, as a result of the first audit, no substantive changes in Verizon's PAP processes and procedures were necessary. (Performance Assurance Plan, D.T.E. 99-271. Letter Order, March 13, 2003.)

On July 8, 2003, Verizon MA requested that the Department amend its requirements for an annual audit of the PAP to a triennial audit based on the positive results of the first audit. On October 22, 2003, the Department declined to amend the annual audit requirement.

The second PAP audit of Verizon Massachusetts was completed with the auditors issuing a Final Report on June 29, 2005. The Department issued a Letter Order on September 14, 2005, which concluded that based on the results of the second PAP audit, Verizon MA was in full compliance with the PAP and that no substantive changes in Verizon MA's PAP compliance procedures were appropriate. (Performance Assurance Plan, D.T.E. 03-50, Letter Order, September 14, 2005.)

On November 8, 2005, Verizon MA filed a second request with the Department to amend the annual PAP audit requirements to a triennial requirement that would be conducted at the discretion of the Department.

On April 24, 2006, the Department approved Verizon's proposal to change the annual PAP audit requirement to a mandatory triennial audit requirement.

The third audit will be conducted in 2008, and will evaluate the results of the last month filed during the most recent twelve month period of wholesale performance. A Request for Proposal (RFP) is due to the department for review, no later than June 30, 2007.

1.3 Critical Proposal Dates (for illustrative purpose)

Time	Date*	Day of Week	Description
5:00 PM, EST	TBD	Thursday	Intent to Respond Letter Due
5:00 PM, EST	TBD	Monday	Final date for Questions or Comments from Supplier Due
5:00 PM, EST	TBD	Thursday	Verizon Responses to Questions or Comments Due
5:00 PM, EST	TBD	Tuesday	Proposals Due TWO WEEKS AFTER RFP ISSUE DATE

* At its sole option and without advanced notice to Supplier, Verizon reserves the right to revise these dates.

1.4 RFP Coordinator

Upon Supplier receipt of this RFP, all communications concerning the RFP must be directed to Verizon's RFP Coordinator (the "RFP Coordinator") listed below. Thereafter, contact regarding the RFP with other Verizon employees may result in Supplier being disqualified from further participation in this solicitation or from further business with Verizon. Oral communications between Verizon and Supplier regarding this RFP are unauthorized and non-binding.

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2. RFP Response Guidelines & Information

2.1 Errors, Omissions and Delays

Verizon shall not be responsible for or liable to any party for any errors, omissions or delays that may exist in this RFP or may occur during the RFP process. However, in the event of such an error, omission or delay, Verizon may elect to amend this RFP.

2.2 Submittal Requirements and Delivery

2.2.1 Suppliers are responsible for errors or omissions contained in their Proposals.

A Proposal may be withdrawn or amended prior to the Proposal Due Date. To withdraw or amend a Proposal, the Supplier Contact Person identified in Section 3.2.1 must submit a written request to the RFP Coordinator. After withdrawing a Proposal, Supplier may submit another Proposal at any time up to the Proposal Due Date. Suppliers are referred to Section 3.1, below, for additional proposal submission instructions.

Supplier shall not be permitted to alter its Proposal after the Proposal Due Date.

2.2.2 Your proposal shall be received and responded to via Verizon's SAP e-mail process. 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.**

2.3 Intent to Respond

The Supplier is required to notify the RFP Coordinator in writing, using an Intent to Respond form, to be provided, VIA FAX by 5:00 PM EST on **TBD**, 2007 of its intention to submit a Proposal.

The Intent to Respond Form must provide the name and title of the single point of contact within Supplier's organization who should be contacted in the event Verizon has questions or other communications regarding Supplier's Proposal.

Suppliers declining to submit a proposal must return the Verizon RFP package to the RFP Coordinator, at the address specified in Section 1.4. In addition, Supplier shall decline the invitation to bid in TBD System.

2.4 Proposal Preparation and Format

2.4.1 **Proposal Costs**

Any resources and costs expended by Supplier in responding to this RFP are the sole responsibility of the Supplier.

2.4.2 **Proposal Format**

Suppliers shall furnish all the information required by this RFP in the format set forth in Section 3. Failure to do so may be grounds for rejection of Supplier's Proposal.

If Supplier considers it beneficial to expand upon an issue, statement or requirement, or address an issue that is not addressed in this RFP, please do so.

2.5 Exceptions, Variances and Alternate Proposals

Any exceptions, variances or alternative proposals to the requirements of this RFP, including but not limited to terms, delivery dates and provisions, must be specifically identified in Supplier's Proposal. Such submissions must comply with Section 3.4, below. Exceptions and variances may be a basis for Proposal rejection.

Signature on its Proposal will indicate unqualified acceptance by Supplier of all the terms and provisions of this RFP, subject to any variances agreed to by Verizon.

2.6 RFP Communications

2.6.1 **Supplier Questions or Requests for Clarification**

- (a) It is Supplier's obligation to become fully acquainted with all aspects of this RFP.

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- (b) Supplier questions or requests for clarification must be submitted by **TBD, 2007** to the RFP Coordinator.
 - (c) Inquiries must be made in writing and shall make reference to the applicable RFP requirement section and page number. Verizon may communicate a question and its response or clarification to other suppliers.
 - (d) All responses or requests for clarification are due from Verizon to all Suppliers via blind copy by **5pm on TBD, 2007**
 - (e) Questions directed to anyone other than the RFP Coordinator will not be answered.

2.6.2 Contact with Verizon Personnel

- (a) All communications regarding this RFP must be submitted as provided in Sections 1.4 and 2.6.1.
- (b) No communications or inquiries may be made by Supplier to any other individual within Verizon unless specifically instructed to do so by the RFP Coordinator(s). Unauthorized communications regarding this RFP with any other Verizon employee, even those employees associated with current supplier relationships and existing agreements with Verizon, may result in the disqualification of Supplier from further consideration for this RFP and even future Verizon business.

2.7 Terms of Negotiation

Supplier's response to this RFP indicates its understanding and agreement that the RFP is not an offer to contract by Verizon or the DTC with Supplier. The DTC reserve the right, in its sole discretion, to withdraw or amend the RFP, to reject or disqualify proposals; to select or not select suppliers, including, without limitation, participants in this RFP process; and/or to identify one or more RFP participants with whom the DTC and/or Verizon wants to solicit additional or supplemental offers (e.g., "best and final" offers) and/or to whom the DTC and/or Verizon may want to issue a modified RFP. The foregoing is without limitation of Verizon's and the DTC's further right, in their discretion, to award any or all of its business to one or more Suppliers or potential Suppliers, within the context of this RFP or independently of it, or to discuss matters related to such business with any of the foregoing.

2.8 Validity Period

Supplier must guarantee that its pricing and other terms provided in its Proposal shall remain valid for a period of at least **6 months** following submission of its Proposal.

2.9 Proposal Evaluation

Upon receipt of Proposals from potential Suppliers, an evaluation process will be conducted using requirements and criteria set forth in this RFP. Responses to this RFP will be evaluated on the basis of net program cost, the completeness of the response, and the ability of a Supplier to meet all requirements set forth in this RFP. Evaluation criteria will generally include financial stability; Supplier management; billing procedures; warranty, maintenance and other technical support; and Supplier quality controls, including compliance with Verizon's quality and service standards. Any prior experience with the Supplier as well as information obtained from references, public resources, or other parties for whom the Supplier has provided products or services may also be considered.

The selection of the Supplier may be made without discussion and/or negotiation on price or other terms; therefore, the Proposal should be submitted complete and should include the most favorable terms that the Supplier is prepared to offer to Verizon. Note: The selection of

the Supplier will be made by the Massachusetts Department of Telecommunications and Cable.

2.10 Notification of Award

In the event of a selection, Verizon will give notice to the selected Supplier regarding the award. However, Verizon will not provide information concerning any selection, if any, to non-selected Suppliers nor will Verizon provide the basis for any non-selection to non-selected Suppliers.

2.11 Agreement Terms and Conditions

2.11.1 Agreement Provisions

- (a) Nothing in the materials for this RFP or any Supplier Proposal shall create any contractual relationship between Verizon and Supplier. The entering into of any agreement to provide services and/or products hereunder shall be subject to Verizon's internal review and approvals, including approval by Verizon's senior management.
- (b) Supplier's response to this RFP shall constitute its agreement to accept the terms and conditions set forth in this RFP, as the basis for an agreement, if one should be offered by Verizon to Supplier. Any award made pursuant to this RFP is expressly conditioned upon the execution of a final agreement between the parties in the form of a contract.

2.11.2 Subcontracting Requirements

Verizon will not accept proposals which include the use of subcontractors.

2.12 New Agreement to Supersede Existing Agreement

Verizon may already have an agreement/contract in place with Supplier for products and services that are the subject of this RFP ("Existing Agreements"). In the event that Supplier is a party to one or more Existing Agreements, by submitting a Proposal in response to this RFP, Supplier hereby agrees (i) that Verizon, at its sole option, may choose to supplant any Existing Agreements, at the earliest possible convenience, with the agreement that may result from this RFP, or (ii) to offer Verizon the option of terminating those Existing Agreements upon thirty (30) days' notice.

In addition, Supplier agrees to allow such early termination without any termination liability or increased prices on the remaining portion of the Existing Agreements. Supplier agrees to refund any prepayments or credits on a prorated basis if terminated.

If Supplier is party to any Existing Agreement(s), a copy of each Existing Agreement shall be provided by Supplier to the RFP Coordinator.

3. Proposal Content and Format

3.1 Proposal Instructions

3.1.1 General Instructions

Supplier's Proposal must contain all the information set forth below. Non-conforming Proposals may be disqualified.

3.1.2 Proposal Format

*If your RFP is to be considered, your response must reference the **RFP # TBD** and must be received by Verizon **no later than NOON 12:00 PM, EST TBD, 2007**. Your proposal shall be received and responded to via Verticalnet/B2E Systems e-mail process and mike.isenberg@state.ma.us. 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. You proposal shall include the following:

(a) **Proposal Cover Letter**

Supplier shall submit a cover letter transmitting its Proposal Package to Verizon. The cover letter shall be signed and dated by an individual authorized to contract with Verizon on behalf of Supplier.

(b) **Executive Summary**

This section shall include a summary of the technical, management and pricing proposals; Supplier's qualifications; and any other information Supplier believes is relevant to the Proposal.

(c) **Statement of Qualifications**

The statement of qualifications is a presentation of the qualifications and experience of Supplier and the staff that will be participating in the agreement.

(d) **Detailed Proposal Requirements**

This portion of Supplier's Proposal addresses the Proposal requirements in detail. Technical specifications, product support, maintenance, warranties, pricing and other relevant product and service requirements will be addressed.

3.2 Executive Summary

Supplier shall summarize Supplier's business, *e.g.*, its corporate history, identity, and experience in the marketplace so that Verizon may better understand Supplier's ability to provide products and services that will be compliant with this RFP and meet Verizon's business needs. The summary should be in a form appropriate for executive management review.

3.2.1 General

Enter the information requested in the spreadsheet provided below:

Company:	
Address:	
Phone:	
Fax:	
Contact Person:	
Title:	
Fax:	
E-mail:	
Phone:	

3.2.2 Company Profile

Provide a background of Supplier's company, including size, lines of business, technical resources, date established, ownership type, total number of employees and number of employees engaged in providing supporting services which are the subject of this RFP.

3.2.3 Company Experience

Summarize past and present experience in support of the services called for in this RFP. Highlight any technological leadership, awards, innovative service, service support and customer care programs. Include any experience that Supplier has in developing services

3.2.4 Executive Summary

Provide a description of the product and/or service that Supplier is proposing noting any distinguishing or differentiating characteristics of the product(s) and/or service. Future evolution plans may also be summarized.

3.3 Statement of Qualifications

3.3.1 Corporate Revenues

Enter responses in the spreadsheet provided.

	Year	Year	Explanation
Other (in \$MM)			
Total Revenues (in \$MM)			

3.3.2 References

Provide the names, telephone numbers and addresses of three (3) current customer references. These references must be organizations of comparable size and complexity with needs similar to those of Verizon. The list shall provide the appropriate person at this site who can be independently contacted by Verizon.

3.3.3 Financial Statements

Provide audited financial statements for the past three (3) years.

3.3.4 Complaints and Lawsuits

Indicate whether Supplier has been involved as a defendant in, or the subject of, any administrative complaint, investigation, or civil or criminal actions in the past six (6) years. Supplier should attach a separate sheet furnishing details, including the name of plaintiffs, investigatory body or regulatory agency, action number or other reference number, style of complaint and the current status.

3.4 Detailed Proposal Requirements

All numbered paragraphs shall be addressed.

3.4.1 Project Requirements

- Conduct the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants.

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- Produce a report giving an opinion on Verizon Communications Inc.'s ("Verizon" or the "Company") assertion regarding its compliance with the Verizon Revised Performance Assurance Plan (PAP), D.T.E. 03-50, Order issued on March 29, 2007, by the Massachusetts Department of Telecommunications and Energy (now the Department of Telecommunications and Cable).

The audit will be conducted in 2008 and will evaluate the results of the last month filed during the most recent twelve month period of wholesale performance.

3.4.2 Scope of Work (SOW)

The Massachusetts PAP is based on the New York PAP. The Massachusetts PAP requires that Verizon Massachusetts shall, at its own expense, engage an independent auditor or auditors to audit Verizon MA's data and reporting. The measures and standards in the PAP are a subset of the measures derived directly from the effective version of the Carrier-to-Carrier Guidelines Performance Standards and Reports (the "Guidelines"), and cover the areas of Pre-order, Ordering, Provisioning, Maintenance and Repair, Billing, Network Performance and Change Control.

On September 25, 2006, the New York Public Service Commission (NYPSC) amended the New York PAP in its Order in case 99-C-0940 and made significant changes.

On October 25, 2006, Verizon New York filed its Compliance Filing to make the changes in its PAP in accordance with the Order. On November 2, 2006, Verizon MA filed a revised PAP which reflected the NYPSC's September 25, 2006 Order.

On December 15, 2006, the NYPSC issued an Order in Case 99-C-0949 requiring modifications to Verizon New York's October 25, 2006 PAP Compliance filing. On December 26, 2006, Verizon New York made a further Compliance Filing in its PAP proceeding.

Subsequently, on January 5, 2007, Verizon filed with the Department further revisions to its Massachusetts PAP, stating that these revisions were consistent with the NYPSC December 15, 2006 Order ("Verizon Subsequent Filing").

On March 29, 2007, the Department in its Letter Order (D.T.E. 03-50) determined that the proposed changes to the Massachusetts PAP were reasonable and accordingly the Department approved the revised Massachusetts PAP filed by Verizon on January 5, 2007.

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 third PAP audit in Massachusetts. The independent auditor shall be selected by 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 American Institute of Certified Public Accountants (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.

3.4.3 Audit Plan

This audit of Verizon Massachusetts' PAP will cover the most recent month's report of wholesale performance and cover the major service categories of the performance measurements as reported by Verizon Massachusetts, 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

3.4.4 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 month's filed 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 state the 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.

Report Timeliness and Completeness

- (1) Secure copies of Competitive Local Exchange Carrier (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.

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 the PAP and PAP-file name: VZMAPAP.doc, effective July 2007.
- (2) Verify the accuracy of the bill credits for both facilities based and non-facilities based CLECs receiving bill credits are in accordance with the attached PAP- file name VZMAPAP.doc, effective July 2007.

3.4.5 Pricing Schedule for the Project

Supplier to populate pricing matrix to reflect the fee for this engagement in an Excel file in a format to be provided. Travel & Expenses if applicable will be reimbursed with prior written advanced approval and must be accordance with Verizon’s Policy which will be provided if necessary.

3.4.6 References from Clients with Similarly Scoped Projects

Supplier please include references from other clients for similar engagement and work performed that Verizon may contact.

3.4.7 MWDVBE (Minority Women Disabled Veterans Business Enterprise)

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

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

MWDVBE Questionnaire Requirement

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

1. 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?
2. 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.
 - A. What are your projected MWDVBE purchases in direct support of this product or service line?
 - B. Specify the product or service to be subcontracted to the MWDVBE.
 - C. Specify the MWDVBE suppliers to be used for this subcontracting activity, include the following: Name, address, telephone number, contact person, and e-mail address.
3. Verizon has a corporate goal for MWDVBE inclusion in its procurement process of 17% in 2004 and 2005, TBD 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.
4. If you are awarded the business, you must submit the Prime Supplier Quarterly Reports via the web site at www.verizon.com/supplierdiversity to Verizon on a quarterly basis (30) thirty days following the end of the quarter.
