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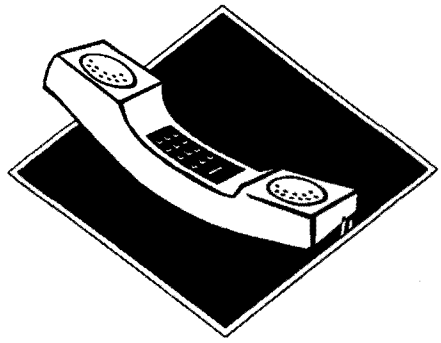

Review of

BellSouth Telecommunications, Inc. Maintenance and Repair Practices

June 2004

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By Authority of
The State of Florida for
The Public Service Commission
Division of Competitive Markets and Enforcement
Bureau of Regulatory Review

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BellSouth Telecommunications, Inc. Maintenance and Repair Practices

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1.0 EXECUTIVE SUMMARY

1.0 Executive Summary

1.1 Objectives

In April 2003, the Executive Director of the Florida Public Service Commission (FPSC or the Commission) requested that the Bureau of Regulatory Review (BRR or the Bureau) investigate allegations of improper practices by BellSouth Telecommunications, Inc. (BellSouth or the company) related to Installation and Maintenance (I&M) services. The review was initiated based on a complaint received by the Commission's Division of Consumer Affairs in January 2003.

The complaint, placed by a former BellSouth I&M Service Technician, alleged that BellSouth employees were being instructed and pressured by management to falsify company records and to improperly bill customers to meet internal BellSouth installation and maintenance performance measurements. The complaint states that BellSouth's performance measures are difficult for a Service Technician to meet without providing inferior service or generating incorrect bills. The Bureau of Regulatory Review identified four basic allegations from the complaint.

The objectives of this review were to investigate the allegations presented in the complaint and any other issues that arose during the process. Specific focus was placed on the following:

- Investigate alleged manipulation of trouble report closeouts, leading to improper billing of customers, and
- Investigate alleged failure by technicians to follow BellSouth's repair procedures by splitting pairs[1], leading to less-than-reliable service quality for the end user.

1.2 Scope

The scope of this review focuses on the activities of Installation and Maintenance Service Technicians and management within the I&M operations of the company. This group is the direct point of contact for the customer when a service issue arises. These technicians make the determination regarding a reported problem, correct it, and, if applicable, bill the customer for the service call. The Bureau focused its examination on certain disposition codes to determine whether the technicians were correctly billing for the services rendered and whether the company's procedures were being followed in documenting work completed. Staff also examined whether customers with the Inside Wire Plan (IWP) were misbilled by the company.

[1] "Splitting Pairs" refers to the practice of using one wire each from two different twisted copper pairs. If one wire in a pair is not operating, this technique can be used to restore service.

Based on the complainant's allegations, the BRR staff reviewed information from 2000 through 2003, with a particular emphasis on 2002 information. Staff reviewed Commission complaints and internal BellSouth complaints concerning maintenance problems over the 2000 through mid-2003 time frame.

1.3 Methodology

In researching these allegations, the Bureau gathered information from several sources. Staff conducted interviews with BellSouth Service Technicians, network management, and subject matter experts concerning BellSouth policies and procedures. Staff also participated in field observations with Service Technicians to attain a better understanding of their daily work activities. Through six data requests, the Bureau obtained detailed information in order to gain an understanding of BellSouth's I&M operations.

Staff specified and analyzed in detail a statistical sample of more than 8,000 trouble tickets involving charges for trouble determinations and related customer billing records for the year 2002. Staff developed a number of findings while reviewing whether errors existed in BellSouth's application of the trouble determination charge. Staff also analyzed the adequacy of BellSouth's applicable internal controls for preventing and detecting the alleged improper activities. BRR staff's findings are detailed in Chapters 3 and 4.

1.4 Allegations and Findings

Based on the analysis and review of the information gathered through this investigation, the Bureau of Regulatory Review identified the following findings. Findings based on the complainant's allegations are followed by staff findings discovered during the course of the investigation. Chapter 4 contains a more detailed discussion of each allegation and related findings.

1.4.1 Allegations

Allegation 1: The complainant asserted that many Service Technicians manipulated trouble report closeouts to enhance their scores under the Integrated Technician Performance program, causing wrongful billing of customers for Trouble Determination.

Allegation 2: The complainant asserted that BellSouth network operations managers encouraged Service Technicians to wrongfully bill customers for Trouble Determination in order to inflate revenues and to earn bonuses. The complainant alleged that management did so by pressuring employees directly and by manipulating the evaluation criteria within the Integrated Technician Performance program.

Allegation 3: The complainant asserted that Ethics Hotline complaints were inadequately investigated or ignored and prescribed procedures (including providing feedback to complainants) were not followed.

Allegation 4: The complainant asserted that the use of "split pairs" for temporary repairs was contrary to BellSouth and Florida Public Service Commission policies and procedures and was employed by some managers to enhance Integrated Technician Performance program scores, resulting in service quality degradation for customers.

1.4.2 Findings

BRR staff's findings are listed below. BellSouth's comments on the findings are included in Chapter 6.

Finding 1: Some Service Technicians could have been able to manipulate trouble report closeouts to enhance their scores under the Integrated Technician Performance program due to control weaknesses. However, BRR staff's interviews, document requests and trouble report sample analysis do not validate the widespread harm to customers alleged by the complainant.

Finding 2: Management's actions and changes to the Integrated Technician Performance program, in addition to other outside factors, increased use of the 1203 disposition code (Trouble Determination-Bill customer) over the last few years. However, BRR staff's interviews, document requests and trouble report sample analysis do not validate the complainant's allegations of extensive misuse of the code, inappropriate motives or widespread harm to customers.

Finding 3: Ethics Hotline investigations failed to identify and resolve repeated complaints of a similar nature.

Finding 4: "Split pairs" were used with local management's endorsement in limited instances as a temporary repair method. At the time, this practice was not documented within BellSouth procedures. Some failure to replace temporary split pairs did occur, but it does not appear to have resulted in significant service quality degradation as alleged.

Finding 5: Significant numbers of Service Technicians and first level managers have not completed required training, leading to some Service Technicians showing a lack of understanding of installation and maintenance billing procedures.

Finding 6: Customers with the Inside Wire Plan may be misbilled for trouble determination because BellSouth's billing system lacks sufficient automated edits, a lag exists in IWP records updates, and inaccurate maintenance plan information is available to technicians.

Finding 7: Inconsistent monitoring of Service Technicians' work reduced the effectiveness of basic controls provided through first level managers and Technical Support Managers.

Finding 8: Network operations management took insufficient action in response to compliance reviews, Ethics Hotline complaint investigations, and internal and external audits regarding network operations, thus causing delays in resolution of identified problems.

Finding 9: Network operations compliance reviews have been conducted less frequently than is appropriate due to resource constraints.

1.5 Recommendations

Staff has identified eight recommendations for improvements to BellSouth practices. These recommendations are based on staff's analysis of the information collected regarding the complainant's allegations and BellSouth's internal controls. BellSouth's comments on the recommendations are included in Chapter 6.

Recommendation 1: BellSouth should study the feasibility of reducing the interval between service order completion and maintenance data updates given to field technicians via TechNet and implement the most economically and functionally feasible solutions.

Recommendation 2: BellSouth should study the feasibility of creating automated Installation and Maintenance system edits to prevent unauthorized combinations of disposition and cause codes and implement the most economically and functionally feasible solutions.

Recommendation 3: BellSouth should study the feasibility of creating automated billing system edits to prevent charging the trouble determination charge to customers covered by the Inside Wire Plan and implement the most economically and functionally feasible solutions.

Recommendation 4: BellSouth should conduct regular periodic network operations compliance reviews and should provide adequate resources for those reviews. This should include increasing review frequency in all districts, updating compliance review procedures, and adhering to a mandated timetable. Written follow-up by local management should be required to document improvement in areas found deficient.

Recommendation 5: Installation and Maintenance management should implement timely and effective corrective action in response to internal and external audits, network operations compliance reviews, and Ethics Hotline investigations.

Recommendation 6: The Office of Ethics and Compliance should exercise sufficient authority to ensure the implementation of corrective action when Ethics Hotline allegations prove to be valid.

Recommendation 7: BellSouth should ensure all Service Technicians and first level managers complete required training courses and assure the training develops the skills necessary to competently perform their job duties.

Recommendation 8: BellSouth should implement the remaining corrective actions and programs under study and evaluation, as identified in its response to staff's Document Request 6, where economically and functionally feasible.

Based on BellSouth's response to Document Request 6 and interviews conducted with BellSouth subject matter experts, BRR staff is aware of the following improvements that are either being considered or that have been completed by BellSouth during the review process. These changes are discussed further in Chapter 4:

- A job aid, entitled "POTS & Reseller Inside Wire Plan & Billing Job Aid" was distributed to the field in September of 2003 and revised in October of 2003,
- BellSouth is in the process of creating a new field identifier in Mechanized Trouble Analysis System (MTAS) to recognize when a customer has the maintenance plan,
- A new Inside Wire Certification training program was introduced in September of 2003 entitled "Automated Billing Certification for Technicians Florida." All service technicians were required to complete this program by the end of December 2003,
- BellSouth is planning to remove the 30-day waiting period from the Inside Wire Plan terms and conditions,
- A split pair job aid was created in August of 2003 to address the conditions necessary for the use of split pairs, the approvals required and the follow-up needed to complete the job,
- BellSouth is reviewing whether technicians need to have additional training on the use of correct DSL codes,
- BellSouth is planning a mid-2004 update to TechNet that will block the use of the 1203 disposition code when the customer record in Loop Maintenance Operating System (LMOS) indicates Inside Wire Plan coverage is in place, and
- In August of 2003, BellSouth instituted daily analysis of 120X and 0900 disposition codes for each district area.

2.0 BACKGROUND AND PERSPECTIVE

2.0 Background and Perspective

2.1 Basis for Review

On January 15, 2003, the Commission's Division of Consumer Affairs received a telephonic complaint from a Miami area Service Technician who had been recently dismissed by BellSouth. The complaint included several allegations of improper treatment of customers by BellSouth Installation and Maintenance operations personnel. The complaint was forwarded to the Bureau of Regulatory Review for investigation.

Using the original complaint, preliminary telephone interviews and several in-person interviews, BRR staff compiled the complainant's list of four basic allegations enumerated in Section 1.4. Based upon this initial information, BRR staff believed there was potential merit in investigating the complainant's allegations, and this review was launched on April 23, 2003.

2.2 BellSouth Installation and Maintenance Organization

BellSouth's Installation and Maintenance functions are performed by the Network Operations organization. This organization is headed at the corporate level by the President of Network Services, who is responsible for both staff and operations performance within BellSouth's nine state operations. The corporate level Assistant Vice President Network Operations coordinates field operations and performance, while the Assistant Vice President of Staff coordinates staff functions, in support of the nine BellSouth state operations. A state level President also oversees and coordinates state operations.

In Florida, the Network Operations organization is broken into six district areas or "turfs." They are overseen by five General Managers and a Director who report to the Senior Vice President Network Operations. General Managers are responsible for engineering, provisioning, maintenance, and repair of network plant and services within their assigned turfs. The six Florida turfs are listed below:

- Northwest Florida
- Northeast Florida
- Central Florida
- Palm
- Broward
- South Florida

Network Operations Managers, referred to as "second level" managers, are responsible for I&M forces, construction, planning, provisioning, and network operations support functions within

their assigned turfs. Multiple Network Managers report directly to each General Manager or Director. These managers also coordinate efforts to support field forces within the turf.

2.3 BellSouth Installation and Maintenance Systems

BellSouth's installation and maintenance systems work together to provide both retail and wholesale products and support services. Retail and wholesale service orders are entered into BellSouth's Service Order Completion System (SOCS) through different interfaces and manual processes and are tracked and closed through SOCS.

BellSouth retail and wholesale repair requests are inputted through both electronic interfaces and manual processes. The Intelligent Dispatch System (IDS) tracks simple non-designed repair reports and submits the final status repair information to the Loop Maintenance Operating System (LMOS), which records the data into a trouble history file. The Work Force Administration (WFA) system tracks the status of complex and designed trouble reports and submits the final repair data to LMOS for recording the trouble history. According to BellSouth, LMOS maintains information regarding each trouble submitted and creates a trouble history of reported repair problems for each customer line. A Detailed Abbreviated Trouble History (DATH) is kept in LMOS for approximately 45 days. After that time, it is recorded in the Detailed Long Extended Trouble History (DLETH) and eventually archived.

BellSouth's Mechanized Trouble Analysis System is used to develop reports for management review and analysis. When management requests a report, the data comes from the MTAS database. As an example, BRR staff requested that BellSouth provide a list of all customers billed with a 1203 code during the period of 2000-2003 that also had a BellSouth maintenance plan. BellSouth used the MTAS system to extract historic data from LMOS and provide the responsive report.

BellSouth Service Technicians electronically receive repair tickets and submit data related to the repair process through the TechAccess system and the TechNet terminal. Generally speaking, completed repair tickets are sent to the LMOS or WFA database as appropriate, depending on the type of service involved. Billable charges associated with the repair are sent to the TechAccess server, via the Service Technician's TechNet terminal, using a RF-141 form for simple residence and business services and a RF-1356 form for business and complex services.

Forms are sent to the TechAccess server and batch processed to the billing systems each evening. Simple non-designed products and services are formatted and billed through the Customer Record Information System (CRIS). Complex and designed services are billed through the Carrier Access Billing System (CABS). BellSouth billing systems retain the charges until the regular monthly bill cycle is complete, at which time, all monthly recurring, non-recurring, and usage charges are summed and formatted into the monthly customer bill.

2.4 Service Technician Duties and Procedures

The I&M group is mostly made up of craft level Service Technicians. These associates' main responsibilities are installation of new service, on-site determinations of service problems, and making service repairs when necessary. Along with establishing service for a new account, the Service Technician can be dispatched for any service-related concern a customer might have.

2.4.1 Basic Service Technician Duties

Every Service Technician hired by BellSouth must complete a formal training program called BellSouth University. This is a two-week program that provides in-depth training on all aspects of telephone network maintenance. Once the technician has completed this training, the new employee will partner with an experienced Service Technician and ride along on service calls to obtain a working understanding of the job. Each Service Technician has a TechNet computer terminal where all daily work activity is recorded. Through the TechNet system, the Service Technician will be dispatched throughout the day on service calls based upon factors including the urgency of the work and the location of the technician. If a problem is located within the BellSouth network, the technician repairs the problem or refers the problem to the cable repair work group. If a problem is determined by the Service Technician to be a customer premise issue, the Service Technician must obtain approval from the customer to repair the problem. If the customer is not available during the visit, the technician would leave a notice of the visit at the location by use of a door-hanger.

2.4.2. Trouble Determination Process

When BellSouth receives a trouble call, there is a series of steps taken by the repair service representative to determine if the problem can be corrected for the customer over the phone. A script is used by the repair service center to help determine and, if possible, to correct the problem. The customer is directed to perform a test of each phone set and jack in hopes of solving the problem without dispatching a BellSouth technician. The call center staff may also conduct a mechanized loop test (MLT) to help diagnose the problem and rule out certain causes. If the call center is unable to determine the cause of the problem after the MLT test and the customer would like for a Service Technician to go to the site to examine the problem, the request is put into a dispatch pool for pending assignment.

Each customer facility is equipped with a network interface device, which is the point where BellSouth's line connects with the customer's line. BellSouth is responsible for all repairs on its side of the interface, while customers are responsible for the wiring and equipment on their side of the interface unless they have inside wire plan coverage. For the purposes of billing, the Service Technician must determine on which side of the interface the problem lies. This is known as the onsite trouble determination process. The Service Technicians run tests at the interface to determine whether there is a problem such as a short or other fault on either the customer's side or the BellSouth side.

2.4.3 Maintenance Plans

Throughout the years, BellSouth has offered several versions of this plan to its customers. Presently, there is one plan being offered to customers who request this service. The current plan, identified by the universal service order code of SEQ1X, covers the trouble determination/isolation charge and both inside wire repair and jack replacement unless the subject work falls under one of the exceptions to the maintenance plan. BellSouth still has a small group of customers in Florida who subscribe to one of the older plan options. These plans have been "grandfathered" under the maintenance umbrella and provide different levels of coverage to the customer.

The Inside Wire Plan is offered to all basic retail residential and business customers of BellSouth. Resale CLEC customers are also eligible if the CLEC chooses to offer the service. However, CLEC UNE-P and UNE-L customers are not eligible for the plan. When a new account is set up, a customer can add the service and the plan will take effect immediately. An existing customer may add the service at any time, but will have to wait 30 days for the plan to take effect. As noted in Chapter 4, BellSouth is planning to remove this waiting period requirement to eliminate confusion.

2.4.4 Cause Codes, Disposition Codes, and Narratives

When a Service Technician is dispatched to a location with a trouble and completes the necessary work, he must log the work as complete. The Service Technician notes on each job what was done at the location and bills accordingly. The Service Technician uses the TechNet system to record this information. There are three main components that the Service Technician must record regarding each trouble cleared: the disposition code, the cause code, and the written narrative. These three components allow BellSouth to record and monitor the work that has been done and provide data to analyze concerning trouble patterns. All three are required for all trouble visits regardless of whether the customer has IWP coverage.

The disposition code is a four-digit code used by the Service Technician to categorize the type of trouble at the location. There are eleven different categories of disposition codes grouped by the type of trouble. Within these eleven categories are subgroups that isolate the specific type of trouble that occurred. For example, a problem inside the customer premise would be closed to a 12XX disposition code, while if it is a problem with BellSouth's equipment from the cross box to the customer's home, the Service Technician would use a code in the 0300s or 0400s.

Along with the disposition code, the Service Technician enters a cause code to note what caused the outage or problem. This is used by BellSouth to isolate patterns of equipment problems as well as other monitoring purposes. The cause code is a three-digit code that is categorized into six groups. Within the six groups are several options to further isolate the problem.

Along with assigning a disposition and cause code, the Service Technician must enter a narrative describing the work completed during the visit. The TechAccess system allows for a 42 character explanation to be entered in the narrative field. [redacted] **Exhibit 1** displays narrative guidelines provided in this training material.

BellSouth Narrative Requirements	
Item	Information Required
1	[redacted]
2	[redacted]
3	[redacted]
4	[redacted]
5	[redacted]
6	[redacted]
7	[redacted]
8	[redacted]

EXHIBIT 1 *Source: DR 1-4*

The same training material also provides a sampling of commonly used abbreviations for closeout narratives. Because of the limited character space, the Service Technicians are required to use abbreviations to fit all the required information into the field. A list of standard abbreviations is intended to create consistency in narratives.

While the disposition code and cause code allow BellSouth to quickly categorize the trouble, the narrative provides more specific and descriptive information needed to justify a billable service repair. Staff was told repeatedly by BellSouth employees during interviews and field observations that when a bill is generated, the narrative must state specifically that the trouble existed and was located on the customer's side of the network interface device.

2.5 Integrated Technician Performance Program

In 1997, BellSouth created a performance measurement program to objectively monitor and evaluate Service Technicians region-wide. This program, known as the Integrated Technician Performance (ITP) program, focuses on key components of the Service Technicians' job functions and calculates a score based on how well the Service Technician meets certain prescribed criteria.

2.5.1 ITP History

This program was introduced as a means for Network Managers to quantitatively evaluate the Service Technicians' job performance. BellSouth states that this was initiated both to monitor and to improve the job performance of the Service Technicians. Each Service Technician is

reviewed against a set of standards that are established using historical data for the subject geographical area from the previous year. The Service Technicians are grouped based on the geographic and demographic nature of their primary service territory. BellSouth's expectation is that the Service Technicians will meet or exceed the standards set for the program.

In response to staff's requests, BellSouth could not provide a history of the ITP benchmarks in place from 1997 through 2003. Staff was told by both BellSouth managers and Service Technicians that benchmarks were routinely evaluated and raised during the seven-year period. The complainant stated that this created increased pressure on Service Technicians to meet and exceed the target scores set in each area. A comparison of ITP standards over time is further discussed in Section 2.5.2. As of July 2003, BellSouth replaced the ITP program with the Engineered Service Measures program, which is discussed in Section 2.5.3.

2.5.2 Basic Performance Measures

The ITP program monitors the following Service Technician performance indicators through quantified measurements:

BellSouth weights each component and combines all three to produce a composite ITP score. This score is rated against the benchmarks set by BellSouth, and the Service Technician is evaluated on the result. BellSouth states that the program is designed so the Service Technician cannot improve one component while neglecting the others without impacting the overall performance score. The overall goal for the company is to increase the Service Technician's productivity.

[redacted] The next job is then assigned to the Service Technician. [redacted] For example, [redacted] For this component, [redacted]

[redacted] To account for these situations, [redacted] An example would be [redacted] For this component, [redacted]

The last component of the ITP score is the [redacted] BellSouth defines [redacted] BellSouth calculates [redacted] In the example, [redacted] For this component, [redacted]

Once the rates are figured for each measure, BellSouth formulates a composite score for the Service Technician. The following formula is used to derive this score:

[redacted]

In the example we have been reviewing, the composite score would [redacted] This score and the individual scores for each area are used to determine whether the Service Technician is meeting the standards set forth by the ITP program. There are three benchmarks that each Service Technician is evaluated against: the [redacted] the [redacted] and the [redacted].

The [redacted] and [redacted] to determine whether acceptable levels of quality work are being maintained. [redacted] If the Service Technician meets the [redacted] he is reviewed against the [redacted] The [redacted] the more efficient the Service Technician is at meeting the standards.

[redacted] This standard is established as the acceptable benchmark for the Service Technicians. The standard is [redacted] If the Service Technician has met the [redacted] and his ITP score is equal to or lower than the minimum performance standard, he has met the benchmark.

The [redacted] is the score BellSouth has set for each Service Technician to strive to obtain. According to BellSouth, this score is used to stress continuous performance improvements for each Service Technician. This score is [redacted] If a Service Technician meets this goal, it is noted by BellSouth on the monthly ITP scorecard that the associate has exceeded objectives.

While a detailed history of the ITP benchmarks was not available, BellSouth did provide staff with the Florida minimum ITP standard for the first quarter of 2003. Staff also received the initial roll-out material for ITP from 1997 from a former BellSouth employee. This material included the minimum ITP standard and objectives for South/Southeast Florida. These figures were based on the Service Technicians' 1996 performance. While there have been regional and district changes during the period 1996 through 2002, the overall geographic makeup has remained the

same. When looking at the southern half of Florida, in 1996 the average ITP performance standard was [redacted] For the same geographic area in 2002, the minimum standard has dropped to [redacted]. This change represents a 33 percent increase in required efficiency over the period, which equates to an average increase of 5.5 percent per year.

BellSouth management uses the ITP results to evaluate the overall performance of the Installation and Maintenance division. This information, along with other evaluation criteria, allows upper management to compare each turf, district, and region to the overall company performance.

2.5.3 Engineered Service Measures (ESM)

ESM, an enhancement to ITP, was developed through a joint effort by BellSouth and the consultant firm of [redacted] to better understand work task content, to translate work into reasonable expectations, and to improve the way Service Technicians are given credit for work completed.

As stated in Section 2.5.2, ITP performance indicators measure [redacted] and [redacted] One problem noted with ITP was the failure to measure separate tasks performed on the job site within each dispatch. Under the most recent method, [redacted]

Units for each task performed were developed. ESM have units to report for all field tasks that are classified as either [redacted] The Service Technician earns both [redacted] and [redacted] tasks on each job.

The basic improvement over ITP is a switch from a [redacted] to an [redacted] The Service Technician is now being measured on [redacted] Thus, each Service Technician is measured on all [redacted]

BellSouth states that ESM will produce next day and weekly summary reports for feedback so managers can recognize opportunities for improvement and see components that drive costs. Performance summaries will be available as they were in ITP, ranging from individual to company-wide levels.

It appears ESM will represent an improvement over ITP. Management features include analysis of [redacted] The company states that these indicators should improve overall field operations. A pilot ESM was completed and the program was fully integrated on July 1, 2003.

2.5.4 State and Regional Incentive Programs

Based on information provided by BellSouth, there have only been two corporate level incentive programs implemented for improved ITP results since 1997. The [redacted] program was implemented in the second quarter of 1997 and continued through 1998. This program included only BellSouth network managers and supervisors. Service technicians did not receive monetary awards for performance.

In the [redacted] Service technicians received [redacted] Monetary awards to managers were based on the following three factors:

- [redacted]
- [redacted]
- [redacted]

A second limited scope trial incentive program, named [redacted], was implemented in January 2002 and terminated in March 2003. [redacted] implementation was also limited to seven trial districts within the nine state BellSouth operations. Only two of the seven trial districts were located in Florida: North Florida Northeast and South Broward. BellSouth staff stated that [redacted] was negotiated with union organizations in each state to assure their agreement and approval.

According to BellSouth information, [redacted] design was based on "lessons learned from previous incentive programs," and "included many checks and balances" to ensure "BellSouth was driving the correct behavior." Standards placed emphasis on [redacted] The [redacted] pilot incentive plan was suspended in March 2003, with the scheduled implementation of the new EMS plan to replace the ITP program.

2.6 Installation and Maintenance Controls

Internal controls ensure proper adherence to procedures and allow management to detect and prevent improper activity by employees. Service Technicians act as company representatives, interacting directly with customers. They make customer-affecting judgement calls regarding repairs and plant changes, charge for work performed, and update customer and company records. All of these work activities are governed by internal controls.

Controls regarding installation and maintenance activities involve corporate support, district support, and local supervision. Corporate support includes internal audits, external audits, operational reviews, and an Ethics Hotline operating under the Office of Ethics and Compliance. Area and district controls are provided by Technical Support Managers, network managers, and area managers. These controls are described below.

2.6.1 Technical Support Managers

Technical Support Managers are supervisory administrators who support customer service, quality control, cost control, and many other administrative duties. They report to the area managers, who are sometimes referred to as second levels. Technical Support Managers and other managers also analyze data input within I&M operations. Their primary objective is to ensure company policy compliance, to find irregularities, to ask questions, and to provide feedback.

Technical Support Managers or other managers make daily reviews of work center data including errors made in billing codes, access codes, exclusions, and narratives. They may be requested to analyze ITP performance. These data are all taken from Mechanized Trouble Analysis System data as reported by the Service Technician. Feedback is given to the first level managers so that they may address problems observed with their own Service Technicians.

The Technical Support Managers have an important control function. However, it appears Technical Support Managers may be utilized differently in each area. Staff interviews indicate they are used at the discretion of each area manager. Additionally, as indicated by the sample analysis described in Chapter 3.0, it appears that some deficient narratives and other errors occur despite managers' efforts.

2.6.2 First-Level Network Managers

First level supervisors are classified as network managers and are responsible for Service Technicians headquartered at the I&M work centers. First levels report to the area general manager, who has the responsibility of several work centers. The first level's primary functions are briefing and sending out Service Technicians in the morning, making initial work assignments, performing field observations, assisting customers, assisting the Service Technicians, and reporting ITP results. Additionally, they must counsel employees, provide training, interface with superiors, and review work performed by Service Technicians.

2.6.3 Ethics Hotline

Another corporate control over network practices is the Ethics Hotline. It is maintained by the Office of Ethics and Compliance under the direction of the Corporate Compliance Officer, as suggested by the United States Sentencing Commission's compliance guidelines. Also in keeping with those guidelines, the Ethics Hotline handles employee complaints of alleged improper or unethical business practices or behavior. All employees are encouraged to call the Ethics Hotline if they believe an ethics violation may have occurred. The Office of Ethics and Compliance can be contacted by the toll-free Ethics Hotline number, email, Internet, direct calls, walk-ins, or the U.S. Postal Service.

The Ethics Hotline 1-800 number is the primary means for employee contact. It is a 24 hours a day and seven days a week means of contact that is staffed by a third-party contractor. The Ethics Hotline receives more than 1,200 calls per year with allegations and complaints such as fraud, human resource problems, EEO violations, harassment, and theft. These are reviewed by two investigators covering the nine state area. The investigators either analyze allegations or assign them to other departments for investigation. The Ethics Hotline is discussed with more detail in Section 4.2.3.

2.6.4 BellSouth Network Compliance Reviews

Periodic operational review by the company's Installation & Maintenance support staff for network operations is a major component of BellSouth's system of controls. BellSouth instituted this type of compliance verification years ago as a network monitoring tool to measure results and to identify areas of improvement needed in the handling and disposition of trouble reports.

These operational reviews are now called "compliance reviews." According to BellSouth, their purpose is to provide a method to validate the accuracy, reliability, and integrity of IMC data provided to the Federal Communications Commission and the FPSC. The reviews are based upon sample analysis of trouble report documentation. The reviewers are subject matter experts from the network I&M support staff. The review format is prescribed BellSouth Practices Section 002-500-018BT Issue D, which outline the compliance review process. The practice does not designate how often these reviews will be conducted. An interview conducted with managerial review staff indicated that BellSouth attempts to conduct these annually in each district.

The sample transactions reviewed are taken from trouble reports from the MTAS database. Areas such as narratives of employee reports, trouble history, disposition codes used, and common user IDS are checked for accuracy using various inputted source documents. These reviews do not include checking the appropriateness of the cause codes used in combination with the disposition code. Upon the completion of a review, the findings will be specified as compliant or noncompliant and shared with local management. Report results are given to all affected managers as well as the Network Vice-president. Based upon managements' response, corrective actions are taken as necessary.

From 2000 to date, six compliance reviews of Florida network operations were performed by compliance support staff. The first review was a February/March 2000 North Dade customer billing review. The second review, dated September 2001, was in South Florida and was used to validate accuracy of data such as disposition codes. The third review was a 2002 Southeast Florida special request review of 500 selected items to assure management was in line with proper reporting of disposition codes. The fourth review was in North Florida and was the same type validation review. The fifth and sixth reviews were conducted in South Florida in September and October of 2003. [redacted] In total, BRR staff analysis found reviews two through six reflect a continuing problem with [redacted]

2.6.5 Internal Audits

Another key component of BellSouth's controls is internal audits. Internal audits assess the adequacy of systems and controls. These audits are conducted by the Internal Audit Department headquartered in Atlanta. Staff focused on five audits completed during the time period of 1999 through 2003 relating to Florida network operations. Additional BellSouth audits addressed other network operations workgroups and issues but were not considered relevant to this review by BRR staff.

Internal Audit No. 90-2004 was a four-state audit (including Florida) that covered the Installation and Maintenance group thereby including installation and repair services. The audit also included [redacted] Internal Audit No. 259 was a four-state audit, with one portion covering Florida. [redacted]

Internal Audit No. 1307 was a follow-up from Internal Audit No. 90-2004. It addressed the [redacted] Internal Audit No. 1307 also retested [redacted] The follow-up audit contained the following four findings [redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]

The latter [redacted] from Audit No. 90-2004.

Internal Audit No. 2245 was a detailed audit of I&M technician activity in South Florida and two other states. According to BellSouth, [redacted] It was also a follow-up of Audit No. 1307. The audit report noted that, [redacted]

[redacted]

Lastly, Internal Audit No. 2197 was completed in June of 2003. It reviewed [redacted] The audit report findings included the following:

[redacted]

Staff did not obtain operational management's response to these audit findings, but notes that some of BellSouth's recent initiatives appear to address these audit findings. For further discussion of these initiatives, refer to Section 4.2.5.

In an attempt to determine the prior history of the [redacted] noted in Audit No. 2245, staff requested a list of other network operational audits between 1995 and 1999. BellSouth refused on the grounds that the request is "overbroad, burdensome, and irrelevant to the issues audited."

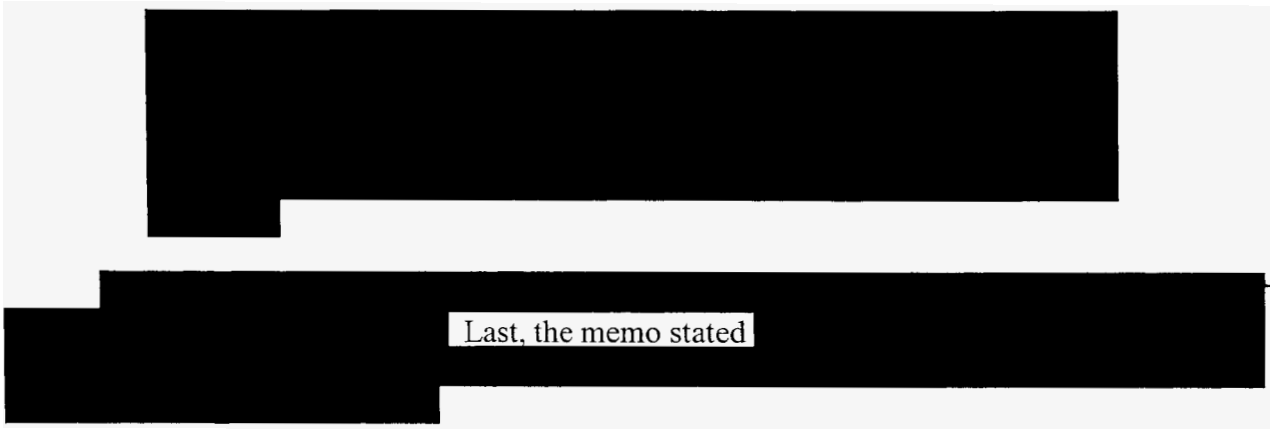
2.6.6 External Audits

According to BellSouth, one external audit (No. 43-03) related to network operations was completed in 2002 by [redacted] for the years 2000 and 2001. The audit analyzed [redacted]

[redacted] findings [redacted]

[redacted] also noted that [redacted] Essentially, [redacted] The audit found [redacted] concluded: [redacted]

BellSouth management's response to the external audit included a memo to all operational vice presidents, general managers, and directors that stated in part:



2.6.7 BellSouth Executive Complaints

BellSouth has an internal group responsible for reviewing complaints that have been escalated to executive management. These complaints were received by BellSouth through internal management escalations, through letters directly addressed to executive management and, in some cases, through the Commission's Division of Consumer Affairs. Staff requested from BellSouth a listing of the executive complaints received in the state of Florida that directly addressed maintenance issues. Staff received 426 maintenance complaints covering the time of 2000 through April 2003.

BellSouth determined that some of the 426 complaints were valid due to employee error. In these cases, a refund was given to the customer. In a portion of the cases, it was determined that the dispute was unfounded and no billing adjustment was necessary. In a number of cases, BellSouth refunded a portion or all of the charge as a gesture of "customer good will" even though it was unable to substantiate the customer's claim that BellSouth was in error.

Staff determined that approximately 90 complaints involved errors made by Service Technicians. This represents 21 percent of the total executive complaints provided by BellSouth. Of these 90 errors, 56 were noted by BellSouth as cases of Service Technicians failing to either properly troubleshoot, identify the problem, or conduct the necessary tests at the premises. Many of these errors by the Service Technicians required a second visit to correct the problem. One example is a Service Technician who billed the customer for an inside wire problem when there was no Network Interface Device with testing capabilities. Without such a Network Interface Device, the Service Technician was not able to accurately determine whether the problem was a network or premise problem.

Another trend identified in reviewing the data was that customers stated they were not told about the trouble determination charge when calling in a trouble report. Staff noted 56 claims where the customer stated they were not made aware of the charges or they were told the charge only applied if the Service Technician had to do work inside the home.

There were 44 complaints disputing the problem being an inside wiring versus outside wiring (BellSouth) issue. Because of the technical nature of the service being provided, customers can

become confused about the type of work being performed at the premises. Many of the complaints referenced that the problems were corrected after the Service Technician did some work "outside," but they were still charged for an inside problem.

2.6.8 FPSC Consumer Affairs Complaints

BRR staff reviewed the FPSC cases to determine if there was a link between the investigation and the complaints being logged with the Commission's Division of Consumer Affairs. BRR staff reviewed cases for the period of 2001 through 2003. There were complaints that supported staff's finding in Section 4.2.5. Several cases occurred during 2003. One example of an error that was resolved though the Division of Consumer Affairs was Complaint No. 559486T. This case involved a customer who was charged a trouble determination charge of $80.00 after a service visit. The customer disputed the visit being an inside problem, and, after investigation, BellSouth notified the Commission that the Service Technician had in fact replaced the Network Interface Device during the visit. This device is considered BellSouth network equipment, and, therefore, not a billable repair.

Another example of a case reviewed was Complaint No. 557175T. This case involved a customer who also disputed the trouble determination charge of $80.00. The customer explains that she was able to obtain a refund, but that she wanted to make the Commission aware of the problem. When the Commission requested a response from the company, BellSouth stated the customer was billed in error and that the Service Technician has been educated on correct trip charges. The complaints reviewed are consistent with BRR staff's overall findings and recommendations discussed in Chapters 4 and 5.

3.0 TROUBLE REPORT SAMPLE ANALYSIS

3.0 Trouble Report Sample Analysis

The complainant's allegations centered around incorrect or improper resolution of trouble reports, particularly those involving a charge for Trouble Determination via the 1203 disposition code. To provide an objective basis for evaluating the correctness of 1203 disposition codes assigned by BellSouth Service Technicians, staff conducted a sample analysis. This sample was drawn from trouble reports closed to code 1203 (Trouble Determination Only-Bill) during the year 2002. Staff selected 2002 data because it reflected the period immediately before the complainant's allegations and a high point of 1203 usage.

3.1 Process and Sample Selection Methodology

BellSouth stated that there were 2.8 million Florida trouble reports created in 2002, of which, 122,312 were closed to a 1203 disposition code. BellSouth provided staff a detailed listing of all completed 1203s transactions in the year 2002. The data included a spreadsheet detailing certain information for each transaction. One field included in the spreadsheet was the NMC or "No Maintenance Contract" field. This field was originally created to indicate whether the customer had the Inside Wire Plan. As shown in **Exhibit 2**, initially-provided BellSouth data indicated that 52,541 transactions were closed to a 1203 disposition code, despite the customer having the Inside Wire Plan. BellSouth then informed staff that the original information provided by the NMC field was incorrect. The field indicator was not correct, therefore, not all the 52,541 customers noted to have the Inside Wire Plan were in fact subscribing to the plan. BellSouth was not able to provide a revised listing of 1203s for 2002 with the correct Inside Wire Plan information. Further information on this incorrect field indicator is discussed in Chapter 4.

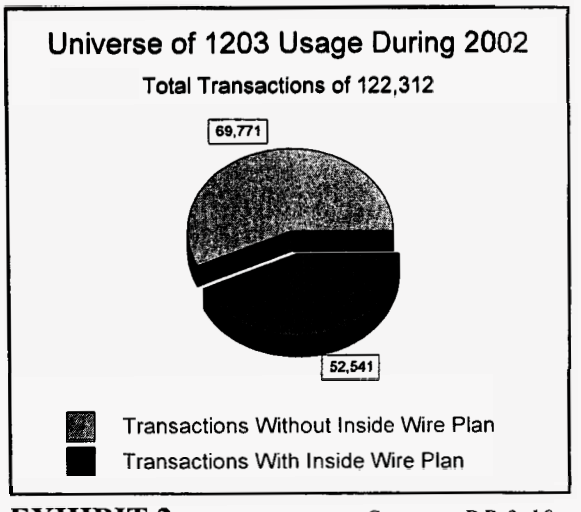


EXHIBIT 2 *Source: DR 3-10*

Staff requested a sample of 8,147 transactions be pulled from the 52,541 transactions indicated to have the plan, as shown in **Exhibit 3**. Staff specified sample sizes for each BellSouth turf based on the volume of 1203 transactions in each district.

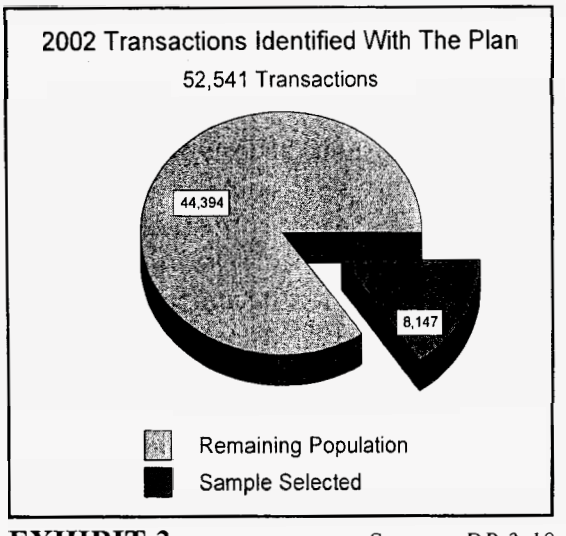


EXHIBIT 3 *Source: DR 3-10*

Staff requested that BellSouth analyze each of the trouble reports in which a technician used the 1203 code with an Inside Wire Plan customer to determine whether the customer was appropriately billed. Staff also conducted its own independent analysis of each of the 8,147 trouble reports, as described in Sections 3.1.2 and 3.1.3.

3.1.1 BellSouth's Sample Analysis

In its analysis, BellSouth considered whether the technician used the 1203 code appropriately in order to address the allegations made by its former employee that technicians were abusing the code. In step one of the analysis requested by staff, BellSouth reviewed each of the 8,147 transactions to determine which customers had the Inside Wire Plan. To account for the problems that BellSouth had discovered with the accuracy of the NMC field, BellSouth reviewed a variety of records to confirm whether a customer in fact had the Inside Wire Plan at the time of the subject trouble report. BellSouth looked at the maintenance plan indicators (SEQ1X, WMR or WMQ), the Detailed Line Extended Trouble History (DLETH), Customer Service Records (CSR), Service Order Activity, customer billing records, MTAS (Mechanized Trouble Analysis System) data, and RF141 and RF1356 billing data. BellSouth also reviewed the Class of Service and Service Code from the 2002 MTAS data. This showed the type of service the customer had at the time of the trouble report (i.e., 1FR, 1FB, or UNE), thus enabling BellSouth to confirm whether the customer was even eligible for the Inside Wire Plan.

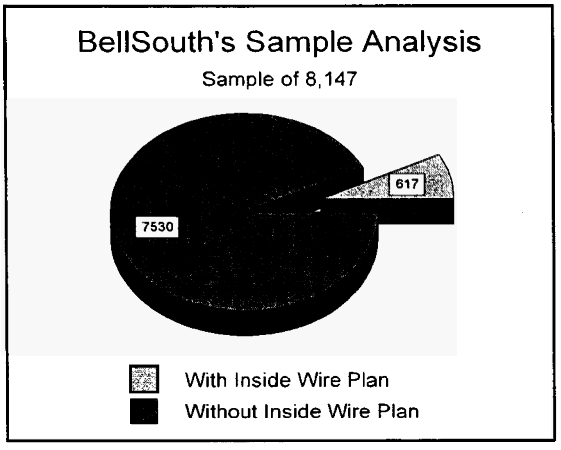


EXHIBIT 4 *Source: DR 3-10*

BellSouth identified 617 accounts out of the 8,147 sampled that were covered by the Inside Wire Plan, as shown in **Exhibit 4**. In addition to reviewing the records mentioned above, BellSouth considered issues such as Inside Wire Plan coverage effective date and exclusions (such as customer-caused damage or substandard wiring) to determine whether customers were billed correctly. BellSouth stated that the "main focus of the review was to determine whether BellSouth technicians had used 1203 correctly when the customers had the maintenance plan."

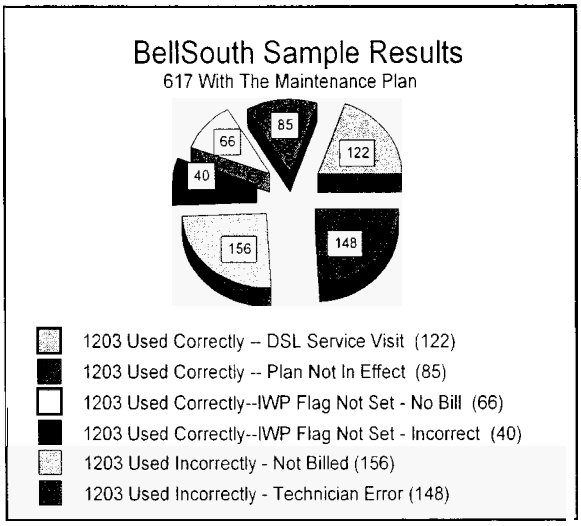


EXHIBIT 5 *Source: DR 3-10*

BellSouth examined the 617 trouble reports, and divided them into several categories displayed in **Exhibit 5**. BellSouth determined that 122 of the 617 plan customers received a 1203 because the trouble

involved a Digital Subscriber Line (DSL) problem. BellSouth explained that because DSL is not covered under the wire protection agreement, a DSL trouble visit is billable and the Service Technicians were correct in using a 1203 in these situations. BellSouth stated that, as of July 8, 2003, new disposition codes were put in place to separately code DSL trouble determinations where billing for the visit is required.

Exhibit 5 also shows that BellSouth determined that 85 of the 617 were issued to existing customers in instances where the Inside Wire Plan was not effective (i.e., because the plan had not yet been in place for 30 days or was cancelled before the service visit.) Therefore, it was correct to use the 1203 code and charge these customers.

BellSouth noted that 106 (66 plus 40) of the 1203 codes were "used correctly by the tech since [the] Inside Wire Plan Flag was not set to notify technician [that the] customer had the plan." These were classified by BellSouth as 1203s that were wrong but not as the fault of the technician. This problem occurs when new or transfer orders flow through the Loop Maintenance Operating System (LMOS) and a time lag occurs in passing the information to the LMOS front-end system. This lag, of one to four days, creates temporary instances where the correct information is not yet being transmitted to the TechAccess system. If a customer calls in a trouble report during this lag period, the Service Technician does not have the correct plan information during the repair visit. BellSouth further explains that of the 106 in this category, 66 accounts were refunded or never received a bill for the trouble. The company contends, therefore, that only 40 of these 106 1203s were improper.

BellSouth's last category consists of 1203 codes that were used incorrectly by the Service Technician. BellSouth gave the following reasons why these errors may have occurred:

> (1) the technician not providing sufficient justification in the narrative to support using the code, (2) use of the 1203 code when it was clear that another code should have been used, (3) confusion about the application of the plan, and (4) reliance on incorrect [data in the] NMC field.

There were 304 troubles classified as incorrect by the company. Of these 304, BellSouth stated that 68 were not billed and 75 were adjusted/refunded. BellSouth also noted that 13 were billed to CLECs. Because CLEC billing is handled differently, BellSouth said it was not able to determine whether an adjustment was made. Therefore, BellSouth considered remaining 148 of the 304 to be incorrect.

Ultimately, BellSouth determined that 188 customers were incorrectly billed the trouble determination charge and did not receive a billing adjustment (40 from the Inside Wire Plan system lag grouping plus the 148 from the technician incorrect usage grouping). These incorrectly-handled trouble reports represent 2.3 percent (188/8,147) of the sample. BellSouth concluded that all of the remaining 7,530 trouble reports in the sample were appropriately coded and billed because the customers had no maintenance plan coverage at the time.

3.1.2 Staff's Review of BellSouth's Analysis

To assess the validity of BellSouth's analysis, staff reviewed BellSouth's analysis of the 617 transactions for the customers with the Inside Wire Plan. Staff reviewed each of the 617 CSR records, DLETHs (where provided), and BOCRIS records (where provided). BellSouth states that not all DLETH and BOCRIS records were available on-line for each of the 617 transactions because some information had been purged from the database in accordance with BellSouth's data retention practices.

After reviewing the 617 transactions, staff did not agree with the company's interpretation of the number of incorrect transactions. Staff differs with the analysis in that it significantly understates the basic underlying problem being examined – that of 1203 disposition codes being incorrectly issued. While BellSouth did not categorize refunded or non-billed accounts as incorrect, staff notes that these were, in fact, incorrect transactions. The fact that a bill was not generated or that the customer went through the process of requesting a refund does not negate the fact that an incorrect application of the 1203 code occurred. Also, BellSouth was not able to provide details on the non-billed transactions. BellSouth noted that because they could not locate a charge on the customer's billing record, the assumption was made that the customer was not billed.

Staff also reviewed the transactions that BellSouth noted as DSL issues and, therefore, valid 1203s. BellSouth noted that 122 transactions were valid because the troubles were DSL issues, which are not covered by the Inside Wire Plan. Staff does not contest this conclusion. As stated above, this was a valid use of the 1203 disposition code through mid-2002. However, staff notes that after July 8, 2002, all DSL-trouble determination troubles should have been closed to a disposition code 1207, 1208, 1215, or 1216. After staff's review of these troubles, it was determined that 39 of the 122 occurred after the July effective date. While these transactions could be correctly bills based on the DSL agreements, the 1203 disposition code was incorrectly used for the type of trouble worked. Staff notes these isolated errors had no impact on the customers involved, since the 1203, and the 1207 and 1208 DSL codes involve the same charges.

BellSouth focused its review to "determine whether BellSouth technicians had used 1203 correctly when the customers had the maintenance plan," and also whether the customer was charged incorrectly. While technician error is a main focus of the investigation, there are other errors that occurred through the process. Staff focused its review on whether a customer with the Inside Wire Plan received an incorrect 1203. As seen in **Exhibit 6**, staff's approach translates into 410 incorrect transactions including all 304 initially noted as incorrect by the company, plus the 106 related to the system lag issue. Therefore, after completing its review of the 617 transactions, BRR staff believes that 5 percent (410/8,147) of the transactions involved a 1203 code

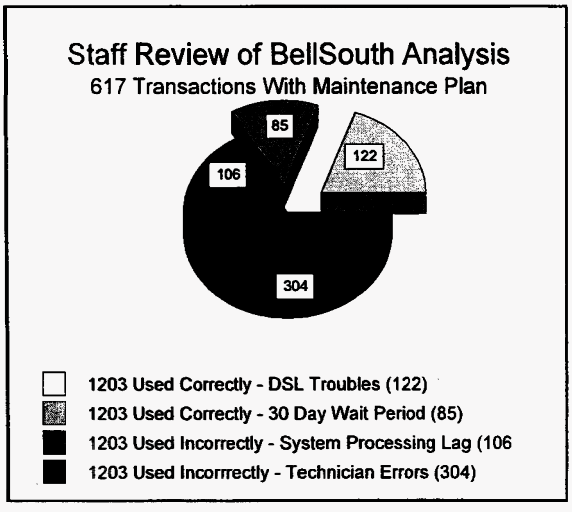


EXHIBIT 6 *Source: DR 3-10*

applied incorrectly. Staff notes that 1.3 percent of these transactions were caused by the lag in system reporting and 3.7 percent were incorrectly coded by the technicians. Staff's final determinations and figures are discussed in Section 3.1.4 and 3.2.

3.1.3 Staff's Sample Analysis

Independent of BellSouth's analysis of the 617 Inside Wire Plan customers, staff conducted a detailed analysis of the 7,530 remaining trouble reports. Staff focused on the final status narratives entered by each Service Technician via the TechNet unit in describing the conditions encountered and action taken. These narratives record up to 42 characters of information. As noted in BellSouth's training material ND 300B-Module 10, the narrative is required to support the cause code and disposition code selected by the Service Technician. Staff believes the closeout narrative provides valuable, detailed, and relevant information for reconstructing both the situation at the time of the technician's visit and the actions the technician took.

Only retail and resale customers are eligible for the Inside Wire Plan. UNE customers are not eligible because the CLEC has taken responsibility for the local network loop component equipment. On trouble visits involving retail and resale customers who are not covered by the Inside Wire Plan, BellSouth states that the company is obligated to isolate the problem on either the BellSouth network side or to the customer's side of the interface. While BellSouth is not obligated to repair or isolate the problem within these retail or resale customers' premises, the company is obligated to determine whether there is an active trouble on the customer's side at the time of the visit.

BellSouth indicated whether each customer was a UNE or CLEC resale and BellSouth retail customer. Of the remaining 7,530 non-plan customers, 4,626 were UNE customers and 2,904 were retail and resale customers. Staff performed a narrative analysis on each subgroup. Because BellSouth training materials state that the narrative should contain the information required to "satisfy audit trail requirements for source documentation," staff reviewed the narratives for the 2,904 retail and resale accounts looking for documentation that this obligation was fulfilled.

Staff's analysis of the retail and resale accounts led to the separation of the sample trouble reports into three categories: Incorrect 1203 codes, Correct 1203 codes, and Insufficiently Supported 1203 codes. For purposes of staff's analysis the categories were defined as follows.

- **Incorrect 1203 codes** – The narrative provided contradicts use of 1203, for example, stating Trouble Came Clear, Test OK, Trouble in BellSouth Facilities or other indications that there was either no trouble anywhere or that the trouble was on BellSouth's side of the network interface device.

- **Correct 1203 codes** – The narrative provided affirms that a trouble was found on the customer side of the network interface, stating Trouble on Subscriber's Side, Short Going Inside, Defective Customer Equipment or similar indication of trouble determined to exist and located on the customer's side.

- **Insufficiently Supported 1203 codes** – The narrative provided leaves in doubt the existence of a trouble found on the customer's side of the network interface device, such as Test OK to Outside Network Interface, Trouble Determination Only or similar failure to specify that trouble was found to be on the customer's side.

On the basis of the review of the final status narratives, staff identified 20 instances of the use of the 1203 code it believes were incorrect. These 20 narratives contradicted the technicians' use of disposition code 1203 by stating that no trouble existed. In these instances, no trouble was determined to exist; therefore, a trouble determination charge is completely inappropriate. These incorrect 1203 sample items represent .24 percent of the total sample. This and other narrative findings are depicted in **Exhibit 7**.

Through the review of the BellSouth retail and CLEC resale accounts, staff was able to verify that in 1,840 of the 2,904 transactions (63.3 percent), the narrative detailed the location of a fault or trouble on the customer's side of the network interface device. With a trouble clearly identified and located on the customer's equipment, the trouble determination charge is appropriate.

Staff found that in 1,044 (35.9 percent) of the non-IWP BellSouth retail and CLEC resale sample transactions, the narratives did not sufficiently justify the 1203 code. These 1,044 transactions represent 12.8 percent of the total 8,147 sampled. These narratives failed to document both the existence of a fault or trouble *and* its location on the customer's side of the network interface device. However, staff was told during interviews, observed during field observations, and noted in both the Service Technician's training manual and in BellSouth Practice 002-500-018BT that both notations are required by BellSouth to establish the proper basis for the trouble determination charge.

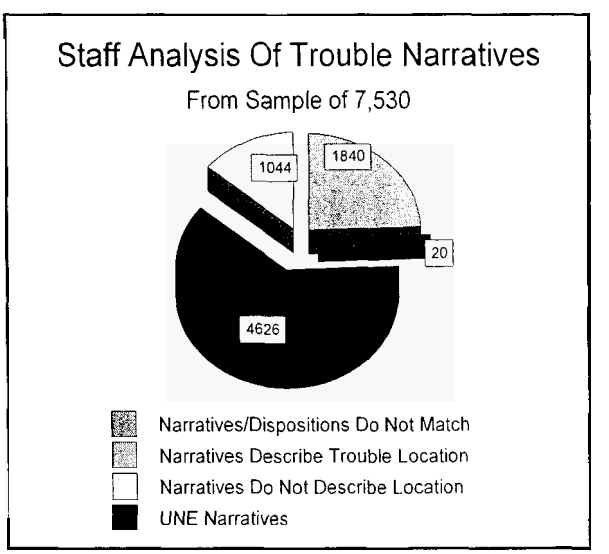


EXHIBIT 7 *Source: DR 3-10*

Staff recognizes the possibility that these omissions from narratives could be merely that – a failure to record conditions the Service Technician may have actually seen. However, staff believes that, based upon BellSouth's own guideline, a narrative that fails to indicate an active trouble or customer problem is inadequate and that it is not appropriate to assume that an inadequate narrative represented adequate performance by the Service Technician. Instead, staff believes that the determination should be based upon what is reflected in the available narrative.

Staff also reviewed the narratives of the 4,626 UNE customers within the sample. Because UNE customers are not eligible to purchase the Inside Wire Plan, BellSouth states that it is not obligated to test for an active trouble on the customers' side of the interface. BellSouth must only

verify that there is not an active trouble on the network side of the interface. Taking this into consideration during the review, staff's analysis determined that, while Service Technicians are not required to test and note in the narrative whether the trouble is on the customers' side, in 2,513 narratives (54 percent), the technician did note the location of trouble for a UNE visit. Apparently the Service Technicians are frequently still providing this service on a UNE customer trouble visit despite not being obligated to do so.

3.1.4 Sample Analysis Totals

Due to the sample's design, staff believes that an error rate of five percent (the 410 incorrect 1203s out of the sample of 8,147) can be applied to the universe of 52,541 transactions from which the sample was drawn. Therefore, as many as 2,627 of the 52,541 may have involved instances of incorrect 1203 codes issued to customers with the Inside Wire Plan. Similarly, staff believes that the proportion of insufficiently supported non-IWP retail and CLEC resale 1203 codes can be applied to the same universe. As noted in Section 3.1.3, these instances represented 12.8 percent of the 8,147 sample transactions. Therefore, potentially 6,725 transactions may have been closed with narratives that did not fully support justification of the 1203 code. A detailed and time-consuming analysis of billing data would be required to determine whether each instance resulted in incorrect billing and overpayment by customers.

Staff notes one cannot correctly assume that each instance where a 1203 code is used in error goes undetected, is incorrectly billed, or results in a loss to the customer. It is certain that in some undeterminable percentage of instances, the customer recognizes the error, calls BellSouth's business office and gets it corrected. BellSouth's own analysis indicated that 24.6 percent of the studied trouble determination charges did not result in a bill to the customer. It is also possible that BellSouth's internal controls, such as the daily reviews conducted by local network managers, may detect and lead to correction of erroneous use of the 1203 code. However, staff believes that some percentage of these BellSouth customers may have been incorrectly billed and may have paid without the error being detected.

3.2 Sample Analysis Conclusions

After staff completed the review of the sampling of trouble reports for 2002, several issues were apparent. Customers with and without the Inside Wire Plan received incorrect 1203s during 2002. For sample trouble tickets where the customer had the Inside Wire Plan, approximately five percent were incorrectly closed to the 1203 disposition code. For those without the Inside Wire Plan, staff believes approximately 13 percent of the time the sampled trouble tickets' narratives did not fully support the 1203 disposition code.

While staff cannot determine from the sampling the reasons for each incorrect use of 1203, there are clear instances of BellSouth's training procedures and practices not being followed by the technicians. Because the sample consisted of troubles broken out by districts, staff was able to review it for patterns of problems on both by district and statewide. The sample shows that during 2002, each district in the state had incorrect 1203s issued in the sample. Because certain areas of

the state are more densely populated than others, certain regions have a higher concentration of trouble calls and 1203s. Taking this into account, the ratio of troubles to incorrect 1203 uses were consistent, showing that the cause for these errors is experienced statewide.

Specifically, staff believes the sample analysis supports its finding that incorrect use of the 1203 code did occur during 2002. However, the statistical analysis did not lead to any conclusions as to the intentional incorrect use of the 1203 code or widespread misbilling of customers. Staff's sample analysis also contributed to findings regarding the adequacy of monitoring controls that review the handling of trouble reports. Staff's sample analysis and its review of BellSouth's analysis were considered in developing the overall findings described in Chapter 4.

4.0 ALLEGATIONS AND FINDINGS

4.0 Allegations and Findings

4.1 Allegations

This section provides a statement of allegations made by the BellSouth ex-employee complainant and staff analysis of information relevant to the allegation. Also included are staff's findings relative to the complainant allegations as well as additional staff findings made during the review. The allegations are identified in Section 4.1 in italics. Staff's findings relative to each of the complainant's allegation and the additional issues discovered are described in Section 4.2.

4.1.1 Allegation 1

The complainant asserted that many Service Technicians manipulated trouble report closeouts to enhance their scores under the Integrated Technician Performance program, causing wrongful billing of customers for Trouble Determination.

4.1.2 Allegation 2

The complainant asserted that BellSouth network operations managers encouraged Service Technicians to wrongfully bill customers for Trouble Determination in order to inflate revenues and to earn bonuses. The complainant alleged that management did so by pressuring employees directly and by manipulating the evaluation criteria within the Integrated Technician Performance program.

4.1.3 Allegation 3

The complainant asserted that Ethics Hotline complaints were inadequately investigated or ignored, and prescribed procedures (including providing feedback to complainants) were not followed.

4.1.4 Allegation 4

The complainant asserted that the use of "split pairs" for temporary repairs was contrary to BellSouth and Florida Public Service Commission policies and procedures and was employed by some managers to enhance Integrated Technician Performance program scores, resulting in service quality degradation for customers.

4.2 Findings

This section describes staff findings relative to the four complainant allegations analysis above. There are also five additional findings below which were discovered during staff's review of the repair process.

4.2.1 Finding 1

Some Service Technicians could have been able to manipulate trouble report closeouts to enhance their scores under the Integrated Technician Performance program due to control weaknesses. However, BRR staff's interviews, document requests and trouble

report sample analysis do not validate the widespread harm to customers alleged by the complainant.

The complainant's allegation asserts that BellSouth Service Technicians manipulated disposition and cause codes to improve Integrated Technician Performance (ITP) program results, thereby falsifying monthly repair reports. The allegation also asserts that technicians wrongfully billed retail and wholesale customers covered by a BellSouth Inside Wire Plan for repair services. A key assertion of the allegation is that BellSouth technicians abused 0900 (Found OK-out) and 1203 (Trouble Determination Only-Bill) repair disposition codes to improve ITP results and to increase repair billing revenues for the company. Furthermore, the allegation also contends that technicians greatly reduced the use of the 0900 code once the 1203 disposition code became nonrepeatable.

BellSouth documents show that management has continued to place emphasis on improved technician billing accuracy throughout the period of 2000-2003, including the implementation of electronic billing through TechNet and required training. Memos as far back as January 2000 discuss the condition of technicians failing to bill in instances where it was clearly appropriate, often because they felt uncomfortable presenting bills to customers. BellSouth corporate staff memos consistently document efforts to encourage Network General Managers to assure technicians "are billing when appropriate."

The complainant's allegation contends that making the 1203 code nonrepeatable was largely responsible for causing the 0900 disposition code use to drop and use of the 1203 code to multiply. Beginning with the October 2000 ITP results, BellSouth began excluding the 1203 Trouble Determination Only-Bill code from the revisit base in calculating ITP results for technicians. BellSouth data confirms the 0900 code usage in Florida dropped 52 percent between 2000 and the end of 2003, while the annual 1203 code usage increased by 100,704 (299 percent), during the period. **Exhibit 8** shows the trends of usage of 0900 and 1203 codes between 2000 and 2003.

However, staff notes that other causes influenced the reduction of 0900 code usage and the increase in 1203 code usage. Telecom market changes, such as the increase in UNE-based CLEC customers and in DSL subscribers, and changes to BellSouth's installation and repair operations, such as the addition of automated TechNet billing capability, could have influenced 0900 and 1203 code usage.

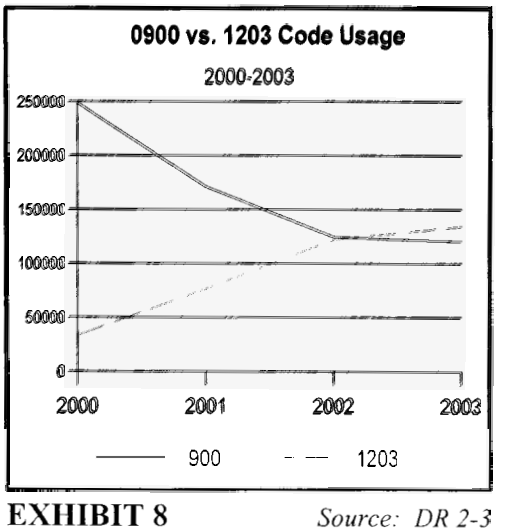


EXHIBIT 8 *Source: DR 2-3*

4.2.2 Finding 2

Management's actions and changes to the Integrated Technician Performance program, in addition to other outside factors, increased use of the 1203 disposition code (Trouble Determination-Bill customer) over the last few years. However, BRR staff's interviews, document requests, and trouble report sample analysis do not validate the complainant's allegations of extensive misuse of the code, inappropriate motives, or widespread harm to customers.

The complainant's allegation is twofold. First, it asserts that BellSouth management's decision to make the 1203 nonrepeatable encouraged technicians to use the code to improve ITP scores and improve company revenues. In addition to that allegation, the complainant places a large measure of blame on network operations management for pressuring Service Technicians through the Integrated Technician Performance program. In order to meet increasingly tighter productivity goals within ITP and to maximize associated incentive pay awards, it is alleged that managers began to encourage abuse of customers through misuse of disposition codes. As an example, the complainant remarked that two of his managers were known for their mottos "bill until it hurts" and "when in doubt, bill and get out."

As noted, BellSouth changed the calculation of the ITP revisits percentage in October 2000, excluding the 1203 disposition code troubles from the revisit base. BellSouth asserts that the 1203 disposition code was made nonrepeatable based upon a two-quarter trial review initiated to assess the potential impact of that change. However, in response to staff's document request, which asked for the trial review, the company stated "they conducted the trial, but did not create a formal trial report or review . . . . Therefore there are no documents." BellSouth further asserts that the 1203 code was made non-repeatable "based upon negotiations with the Union."

A letter dated November 2000 from corporate management to all Florida General Managers stated that the reason the 1203 was changed to a non-repeatable code was to provide an incentive for Service Technicians to bill properly. It further stated that feedback from Service Technicians told management that they would rather be penalized on the dispatch efficiency measure within ITP than on the revisits measure. Before this change, the Service Technician could circumvent a revisit being counted against him by using no access codes, exclude codes, or other non-billable disposition codes. At that time, a 1203 code would be counted as causing a revisit to the detriment of the technician's ITP scores.

To assure Service Technicians were correctly using the 1203 disposition code a BellSouth corporate staff memo dated May 14, 2001, urged Network Area Managers to place greater importance on having Technical Support Managers monitor the usage of the 1203 billing code. Technical Support Managers were to monitor and assure that the 1203 code was only used when appropriate.

In the course of this review, staff found that the 1203 disposition code was the only billable code reclassified as nonrepeatable when reporting in the ITP system. The change to this code was instituted only in the five BellSouth states where trouble determination involved a customer charge. BellSouth did not provide an answer as to why this was the only billable code made nonrepeatable.

BellSouth documents show that technicians' use of the 1203 code increased each year from 2000-2003. **Exhibit 9** depicts the increased level of 1203 code usage during the period 2000-2003. The total number of charges made via the 1203 code for the period 2000-2003 is 367,196. At $60 per charge, the total revenue associated with 1203 billing during the period would be approximately $22,031,760. It should be noted that BellSouth increased this charge to $80 starting in August 2003, therefore, this estimate is only approximate. Any estimate of the trouble determination charges billed during this time period, however, would be offset by 1203 codes corrected as a result of BellSouth internal controls and by charges adjusted at the customer's request.

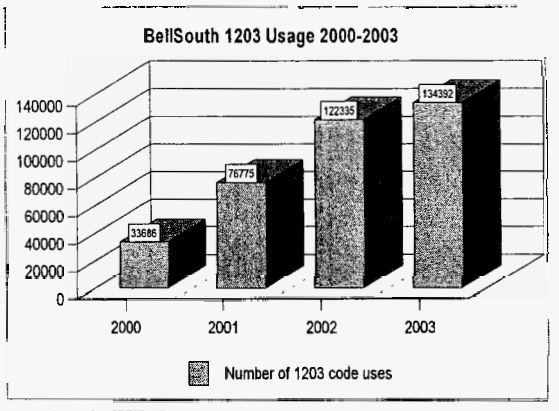


EXHIBIT 9 *Source: DR 3-1*

Based on BRR staff's review of BellSouth controls, interviews with technicians, supervisors, managers, and corporate staff, letters and memos related to improved technician billing accuracy, technician training materials and other documents requested from BellSouth, staff believes that increased emphasis on ITP measurements and repair billing may have increased the incorrect use of the 1203 disposition code. Whatever the intent of the original motivation for the change, it is staff's opinion that the current status of a 1203 provides an incentive for the technician to misbill. While staff found that it was possible for misuse of the code to go undetected, BellSouth has recently put in place internal controls (and plans to implement others) to prevent abuse of the 1203 code. Additional controls are recommended by staff for BellSouth's consideration in Chapter 5.

Staff notes that during this time frame, CLECs' migrations of numerous customers from resale to UNE-based service and the growth of DSL customers also increased the frequency of the use of the 1203 disposition code. UNE customers are not eligible for the Inside Wire Plan and DSL service is not covered under the plan. Therefore, both groups would more frequently incur trouble determination charges.

As Section 3.2 of this report points out, there are some customer overbilling problems under current conditions. However, contrary to the complainant's allegation of widespread intentional 1203 misuse, BRR staff found no proof of intentional misbilling on a widespread basis nor the inappropriate motives attributed to managers by the complainant.

4.2.3 Finding 3

Ethics Hotline investigations failed to identify and resolve repeated complaints of a similar nature.

The Corporate Compliance Officer directs the Office of Ethics and Compliance. The Office of Ethics and Compliance is sanctioned by the Board of Directors and its procedures are approved by the Audit Committee. The Office of Ethics and Compliance has the responsibility of handling all complaints related to business and ethical conduct such as allegations of fraud for 67,000

BellSouth employees. It also provides guidance and advice to complainants via the toll-free Ethics Hotline and through the Internet. Any one may contact the Office of Ethics and Compliance, including customers via the Ethics Hotline, email, Internet, direct calls, walk-ins, or the U.S. Postal Service.

The Office of Ethics and Compliance uses a toll-free number as the primary means for employee contact. It is a round-the-clock means of contact that is staffed by a third-party contractor. The hotline receives a region wide total of more than 1,200 calls per year regarding allegations and complaints such as fraud, human resource problems, EEO issues, harassment, and theft. About one-half of the 1,200 contacts are basically easily resolved inquiries. The remaining 600 or so require investigation of allegations. Each complaint can be handled anonymously if the caller wishes.

Until recently, the Office of Ethics and Compliance consisted of a Senior Manager, a policy director, and four managers. The two case managers split the workload for the nine-state region. One manager is located in Atlanta and the other in Birmingham.

The Office of Ethics and Compliance contracts with an outside company to handle all incoming hotline calls. The calls are processed, encrypted, and forwarded to the company's Ethics Administration System. Each complaint is then categorized by type. For internal reference, all complaints received via the Ethics Hotline get a specific prefix with a sequential numerical suffix. All other categories of contacts are numbered with a different prefix and numerical suffix. Upon receipt of a complaint, the case manager tracks the investigation of each complaint's allegations by entering them in the Ethics Administration System log.

The Office of Ethics and Compliance contacts all complainants who leave a contact number to obtain additional information. Some complaints may be handled and corrected by the Office of Ethics and Compliance within a few days. Approximately 50-60 percent of all complaints are forwarded to the local management where the complaint originated or to one of the following departments: legal, security, human resources, or internal auditing. The department assigned the complaint must investigate the allegations and report back to the Office of Ethics and Compliance. The Office of Ethics and Compliance enters data received into the log and monitors each case's progress. After the investigation is complete, the case is closed and the Office of Ethics and Compliance informs the complainant of the results using the assigned case number for reference.

According to the Office of Ethics and Compliance, over the period of January 2000 through July 2003, Florida had 1,027 Ethics Hotline complaints that originated from network operations employees. In 2000, the average number of complaints was 25 per month. During the first half of 2003, the average was 29 per month. BellSouth asserts this increase is due to widespread awareness and availability of the hotline. Staff analyzed all 1,027 complaints and extracted 40 cases relevant to the complainant's allegations.

Some complaint cases involving ongoing serious allegations were not fully resolved by the Ethics Hotline process. Miami network operations accounted for 34 of the 40 cases (85 percent)

reviewed by staff. Of the 34 complaints, 14 (41 percent) were found to be valid by investigations. During 2002, at least 20 of the 34 Miami area complaints were filed. Many of these complaints were repeat allegations made only a few days after the prior allegation was supposed to have been resolved by Office of Ethics and Compliance.

Staff notes the U.S. Sentencing Commission's compliance program guidelines state that due diligence by a corporate compliance program includes taking all reasonable steps to prevent recurrences, including modification to procedures and controls after an offense is detected. These guidelines also instruct that an organization must have established standards and procedures reasonably capable of reducing the risk of misconduct.

Within the 34 Miami Ethics Hotline cases, one specific relieving supervisor is the subject of 14 of the calls. A relieving supervisor is a Service Technician who substitutes for a supervisor in his/her absence. Over a span of 17 months, this same individual was cited for manipulating computer data, acting in a threatening manner, making inappropriate comments, and harassing subordinates. The investigative outcomes in at least eight of the complaints reflect validity in the accusations. However, the ongoing problem seemed to persist because the same type of complaint continued to surface as late as July of 2003, with the same employee still relieving as a supervisor.

In addition, there were also two instances of what could be considered questionable judgement by Miami network management. Managers were found to have posted information ridiculing employees; one case involved low ITP-performers, and another involved those who used competing long distance providers. In both instances, the information was ordered to be removed.

Lastly, regarding effectiveness of the Ethics Hotline, staff noted two derogatory comments at investigative interviews with network employees who had used the Ethics Hotline. Comments such as "I will never use the hotline again," and "I never received a response to my complaint" were noted.

4.2.4 Finding 4

"Split pairs" were used with local management's endorsement in limited instances as a temporary repair method. At the time, this practice was not documented within BellSouth procedures. Some failure to replace temporary split pairs did occur, but it does not appear to have resulted in significant service quality degradation as alleged.

"Splitting Pairs" refers to the practice of using one wire each from two different twisted copper pairs. If one wire in a pair is not operating, this technique can be used to restore service. Splitting pairs can create problems because the shielding effect of the original copper pair is reduced and the potential for interference is much greater. Customers may complain of noise and humming on the line, loss of connections, and loss of modem service in these cases. Some customers experience no problems with service quality related to split pairs. In sum, the interviews with Service Technicians and managers regarding the splitting of pairs indicated no consensus regarding service quality impact of split pairs.

Until recently, BellSouth procedures have not included a policy on using split pairs. However, staff notes that some managers encouraged the practice in the past to get a customer back in service. One Network Manager in Miami admitted to instituting a split pairs initiative on a trial basis. However, the pilot was less than successful, largely due to extra work caused by peak summer periods of outages. With the extra work load, the split conditions were not being repaired in a timely basis. Therefore, he eventually discontinued the pilot program.

At interviews, some Service Technicians stated they will not split pairs and that they were not required to do so. Other Service Technicians asserted they will split pairs to restore service when given no other alternative. The unofficial company policy was that, if the Service Technician split a pair, it should be tagged at the source, noted on the repair order, and the immediate supervisor should be notified. The supervisor would then notify the facilities group. The facilities group has the labor resources for larger and more technical repairs. BellSouth management stated that any known split would be repaired within two to four days. The interviewees stated it should not be considered to be a permanent field condition.

When staff observed technicians in the field, two tagged split pair conditions were noted at one cross box. One was seven months old and the other was two months old. BellSouth management speculated that perhaps the tags had not been removed even though the split pair condition had been corrected or that the line may be working well despite being served by a split pair.

Staff also analyzed inquiries sent to the Commission that could relate to splitting of pairs such as humming and noise on the telephone line. For a 46-month period, from 2000 into 2003, staff found 199 inquiries related to noise and static on the customer's line. Of these, several were customer-caused problems, but the majority were due to moisture in BellSouth facilities, bad pairs, and defective cables. Split pairs were not specifically identified as an issue. Therefore, no evidence of widespread service quality degradation due to split pairs was found in recent complaints to the FPSC.

Commission rules require timely restoration of troubles and it appears that splitting pairs is an acceptable alternative for BellSouth. There is no Commission rule that forbids the action, and it may get the customer back in service relatively quickly. However, staff agrees that splitting pairs should only be a temporary repair measure and that it may ultimately affect the quality of service. Follow-up to correct the split pairs is essential for long-term quality of service. There were indications that split pairs exist from days to years. Even when used as a last resort, follow-up must be accomplished to correct the situation within days. The complainant's allegation is substantiated that split pairs are used. However, BRR staff sees little evidence of harm to customers resulting.

During the course of this investigation, BellSouth informed staff that it had created a technician job aid that addresses proper use of split pairs. The "Florida Emergency Restoration Cable Pair Change Job Aid" specifies required approval and proper follow-up involved in the use of split pairs.

4.2.5 Finding 5

Significant numbers of Service Technicians and first level managers have not completed required training, leading to some Service Technicians showing a lack of understanding of installation and maintenance billing procedures.

BellSouth Internal Audit No. 2197, "Technician Dispatch Process" was completed in third quarter 2003. Auditors noted [redacted] The audit states [redacted]

[redacted] Additionally, auditors noted [redacted] Staff notes that the audit covered operations in multiple BellSouth states, including Florida. Therefore, the Florida-specific percentages may have been higher or lower than the aggregate results.

[redacted] the interviews conducted by staff with Service Technicians indicated a less-than-adequate understanding of the proper use of certain disposition codes, specifically the 1203 code. There were also inconsistencies with the understanding of the Inside Wire Plan. When asked about the specifics of the plan, staff received an array of answers from the Service Technicians, some of which did not agree with BellSouth's official policy concerning the product.

BellSouth discusses the uses of disposition codes, cause codes and narratives in the BellSouth University training material ND300B, Module 10. This section states [redacted] An example is the applicable use of the 600 cause code. The material gives the following definition of the 600 cause code:

[redacted]

This definition directly addresses the use of the 600 cause code with the 1203 disposition code, but staff noted numerous uses of the "unknown cause" with a 1203 code.

BellSouth provided staff with a listing of the 122,338 uses of the 1203 disposition code for the year 2002. After reviewing these items, staff determined that 43,804 of these 1203 transactions were closed with a 600 cause code. This would show that 36 percent of all trouble determinations for the year 2002 were closed out as trouble reason "unknown." While BellSouth does note there are exceptions, these alone could not account for the frequency of this error.

Another related issue is the customer's understanding of BellSouth's maintenance plan and billing procedures. Based on the complaints received directly by the Commission and from executive complaints directly handled by BellSouth, some customers stated they were not clearly told when and why they would be charged for a service call. According to BellSouth's procedures, a customer without the Inside Wire Plan will be charged if the problem is located on the customer's side of the network interface. The wiring is commonly referred to as "outside" wiring on BellSouth's side and "inside" wiring on the customer's side of the interface. This terminology can cause confusion for the customer. Customers have claimed to both the Commission and BellSouth directly that, when calling in a service request, they are told that they will not be billed unless the trouble is inside. This leads customers to believe that they will only be charged if the Service Technician enters their home to isolate/repair the problem. Based on the final resolutions of the executive complaints provided to staff, staff notes that BellSouth refunds many trouble determination charges because of this confusion.

There is also confusion among customers on the charge for trouble determination. Many customers do not understand that they could be charged for the visit to the home if the Service Technician finds the problem on the customer's side, whether or not he does any repairs. In reviewing BellSouth's executive complaints for the years 2002 through mid-2003, 15 percent of the complaints reference confusion over when the customer should be billed for a service, while 13 percent of the complaints disputed the problem being inside rather than outside. The client's understanding, in both situations, depends on the quality of the information provided by both the repair center telephone representative and the Service Technician during the visit.

In October 2002, BellSouth implemented a follow-up training program called "Billing Certification." This provided a refresher course for experienced technicians to help remind them of billing procedures and protocol. This certification is obtained by completing a computer-based training course. The course reviews three scenarios related to potential billing opportunities. Service Technicians must determine the correct charges to pass on in each situation. While the certification was a step in the right direction in assuring accurate billing, it was not apparently effective. Based on the answers provided by Service Technicians to staff during the interview process, it is evident that the certification did not accomplish the intended results of reminding the technicians of the correct billing procedures.

Because of the technical nature of the service being provided, it is imperative that BellSouth clearly and fully explains to the customer what steps are involved in determining the problem and what charges could be billed to a customer who does not have the Inside Wire Plan. This needs to take place when the customer makes the initial request with the company. The customer service representatives must have a full understanding of the potential charges a customer may incur during a service visit. Also, it is apparent that Service Technicians do not currently understand the waiting

period provision of the Inside Wire Plan. Both of these issues can be resolved by implementing a formal, ongoing training program that periodically reviews BellSouth's policies and procedures concerning installation and maintenance on customers' accounts.

BellSouth has put in place several modifications to its training structure during the course of this review. Job aids and refresher programs have been implemented during the later part of 2003. A "POTS and Reseller Inside Wire Plans and Billing Job Aid" was issued in September 2003 (revised in October 2003). Also a Split Pair Job Aid was created in August 2003. BellSouth states the purpose of this aid was to "address the conditions necessary for the use of split pairs, the approvals required and follow up." BellSouth also plans to remove the IWP waiting period for existing customers.

In September 2003, BellSouth implemented a new Service Technician certification program titled "Automated Billing Certification for Technicians Florida" to provide a refresher course on proper billing practices. According to BellSouth, this program was completed by the technicians before December 31, 2003. The program appears to be similar to the "Billing Certification" program implemented in the fourth quarter of 2002. Staff hopes this is a move in the right direction and that this program will not experience the same problems seen with the "Billing Certification" program.

4.2.6 Finding 6

Customers with the Inside Wire Plan may be misbilled for trouble determination because BellSouth's billing system lacks sufficient automated edits, a lag exists in IWP records updates, and inaccurate maintenance plan information is available to technicians.

Based on interviews conducted with BellSouth Service Technicians and supervisors and BellSouth's responses to document requests, staff believes that BellSouth Inside Wire Plan data provided to Service Technicians is partially inaccurate, sometimes causing Service Technicians to incorrectly bill customers having the maintenance plan. BRR staff also believes that BellSouth billing system edits did not effectively prevent incorrect billing of customers covered by the Inside Wire Plan. Three primary deficiencies contribute to this condition:

- BellSouth's service order batch process for Inside Wire Plan updates to I&M systems
- Erroneous MTAS data
- Inefficient billing system edits

The LMOS front end system updates the TechAccess server with updated Inside Wire Plan information that is provided to the Service Technician through the TechNet terminal. The update process generally takes BellSouth one to four days to complete, depending on the volume of service order activity for the region. This delay contributes to Service Technician misinformation and could cause customers to be incorrectly charged for repair services covered under the Inside Wire Plan.

BRR staff noted another deficiency with the BellSouth maintenance plan data updates. Staff issued a document request asking for a listing of 1203 disposition codes billed to BellSouth customers during 2002. In response to the document request, BellSouth provided a listing pulled from its in-house MTAS database. BellSouth later discovered that the No Maintenance Contract (NMC) field MTAS used to query data for the report was populated with incorrect information due to the way the field was originally established. Therefore, the Inside Wire Plan information provided to BRR staff was incorrect. Through their TechNet terminal, Service Technicians had access to both incorrect NMC data and correct Inside Wire Plan data to determine whether a customer had the maintenance plan.

The third deficiency that BRR staff identified that contributes to incorrect billing of customers with the IWP was ineffective billing system edits. BellSouth billing systems have numerous automated edits to verify the accuracy of information submitted for monthly bill processing. However, current edits do not effectively identify and prevent trouble determination charges from being billed to BellSouth IWP customers. Currently, trouble determination charges are batch processed daily from the TechAccess server to the billing systems, with all other billing submitted by Service Technicians. Billing system edits do not presently compare the trouble determination charges submitted for billing against customer records to identify if the customer has the Inside Wire Plan.

Additional automated billing edits could be designed to efficiently compare trouble determination charges submitted against current customer IWP data, and identify and prevent improper charges that pass through field level controls prior to final processing. These billing system edits would further improve and strengthen BellSouth controls and prevent future incorrect IWP customer billing.

In response to a BRR staff document request, BellSouth indicated that changes are in progress that may improve or resolve some of these deficiencies. BellSouth reported the following changes designed to address the conditions and concerns relative to this finding:

- A TechNet edit will be implemented in mid 2004 to block the use of 1203 codes when a customer record in LMOS has the IWP flag indicating the SEQ1X Inside Wire Maintenance Plan and should reduce the potential for BellSouth maintenance plan customers from being incorrectly billed for a trouble determination

- BellSouth is creating a new field identifier in MTAS to "recognize when a customer has a maintenance plan," to address the problem BRR staff encountered with erroneous "NMC" maintenance plan data and to provide more accurate management reports related to maintenance plan data.

BRR staff believes that these planned changes are good improvements and will certainly strengthen BellSouth I&M controls. BRR staff also believes additional automated billing system edits would assure field level edits and controls are not circumvented, and would compare submitted trouble determination billing against customer IWP billing data. The current update process takes

up to four days to complete. During the update process, IWP customers could be incorrectly billed for trouble determination even though they have already ordered the maintenance plan. BRR staff believes that, in addition to other planned improvements, BellSouth should reduce the IWP update interval to further improve controls and implement additional billing system edits to minimize customer exposure to improper charges.

4.2.7 Finding 7

Inconsistent monitoring of Service Technicians' work reduced the effectiveness of basic controls provided through first level managers and Technical Support Managers.

Each regional manager has direct oversight of local supervisors and a Technician Support Manager (TSM) who, along with other responsibilities, are charged with monitoring the performance of the Service Technicians. Staff was told during interviews that the TSM is charged with monitoring the accuracy of the work of Service Technicians in each group. This includes the monitoring of closeout codes and bills. Staff interviewed a TSM to gain an understanding of his daily work activities. The main focus of the TSM is to review the Service Technicians' TechAccess entries and to determine if there are any unusual patterns, such as in the use of exclude codes. The TSM also reviews closeout narratives that disagree with a closeout code. When the TSM locates a problem, he or she sends a message to the Service Technician's direct manager for review.

Along with the TSM, the local supervisors are responsible for monitoring and evaluating the actions of the Service Technicians. Besides the daily managerial responsibilities, the supervisors are responsible for verifying the closeout codes and narratives used by the technicians who are under their direct report. This is to help assure quality work is being performed in the field, as well as proper billing of the customers.

Service technicians have been instructed to provide detailed narratives describing the work done at a site. The regional and local management should monitor these narratives to make sure all relevant information is included by the technician. It is also the responsibility of both the direct supervisor and the regional TSM to make sure there is consistency between the disposition codes, cause codes, and narratives. For example, if a technician uses a 1203 disposition code (trouble determination only) with a narrative that reads "no trouble found," this would indicate there was no trouble on the line when the technician arrived. BellSouth does not charge a retail customer in this situation, so a 1203 billable disposition code should not have been used by the technician in this case. The management should question the technician on why this pairing was used and correct the closeout.

Along with providing detailed narratives, the Service Technicians uses certain cause codes to support the disposition codes used when closing out a trouble. This combination of disposition and cause codes allows BellSouth to determine the type of trouble and the reason the trouble occurred. There are certain combinations of disposition and cause codes that should not be paired together. An example is the pairing of the 1203 disposition code (a billable trouble) with the 503 cause code, defined as "customer action-not billed". Because these two codes contradict, they should not be used by the technician. BellSouth has identified other codes that should not be paired

together when closing out a trouble. The regional and local management should monitor these combinations along with the narrative to make sure the customer is being correctly billed for the services rendered.

After analyzing the sample 2002 data, it is evident there is inconsistency among supervisory staff regarding monitoring of Service Technicians' work results. During an interview with a TSM, staff was shown several reports used to monitor and identify inconsistencies with the Service Technician's close out information. One of the key verifications performed by the TSM was ensuring that the closeout narrative on a 1203 disposition code indicates "trouble found on customer side." This requirement was also noted in an interview with a supervisor in the same work center.

The sample data reveals that this requirement is not met in many closeout narratives. Out of the sample, 35.9 percent of the BellSouth retail and CLEC resale troubles' narratives did not contain information showing that there was a trouble and that the trouble was located on the customer's side of the network interface. If the TSMs and other managers are correctly monitoring the close out narratives for the required detail, there would not be this large number of questionable troubles over the duration of a year.

Staff received from BellSouth the job description used to evaluate the TSMs and local supervisors. The information received was the job responsibilities for the position titled Supervisor, I&M group. This description is very broad, including nine different points of responsibility. Only one directly addresses auditing the compliance of guidelines and verifying billing activities. Most of the responsibilities address managing the overall work site. Some of the responsibilities do focus on broad quality control and monitoring of the technicians and customers. In the case of the TSMs, the description applies more to a supervisor of the Service Technicians than to a support manager charged with auditing the work of the technician.

One second level manager described during an interview that the TSM position is one that can be customized to the specific needs of the coverage area. While the above monitoring and reviews are done throughout the state, they are not necessarily all done in the same manner. The TSMs do share ideas and methods, but each second level manager is free to customize the position to meet his/her own needs.

BellSouth should place a strong focus on auditing and monitoring within the Installation and Maintenance division to ensure quality work is being done by BellSouth employees. It is important for BellSouth to monitor the actions of the technicians to help identify potential problems. These functions can prevent fraud and identify areas where additional emphasis is needed for training/retraining. The effectiveness of the technical support and supervisory staff could be enhanced by adopting some standardized review procedures for examining trouble reports across the state. This would be achieved by consistent statewide oversight and procedures to assure cohesiveness monitoring supervisors.

4.2.8 Finding 8

Network operations management took insufficient action in response to compliance reviews, Ethics Hotline complaint investigations, and internal and external audits regarding network operations, thus causing delays in resolution of identified problems.

Analyzing audit data from Internal Audit Department and external audit sources, BRR staff noted [redacted]. As mentioned in Sections 2.6.5 and 2.6.6, internal audits and an external audit report pointed out [redacted] The 2002 external audit by [redacted] also discussed the possibility that [redacted]

In addition to internal audits, I&M corporate staff compliance reviews documented a [redacted] As noted in Section 2.6.5, staff was not allowed to conduct a review of BellSouth's relevant 1995-1999 internal audits. Therefore, staff was unable to establish the origination point of the repeat findings. When staff requested a listing of these audits, BellSouth refused on the grounds the request was "burdensome and irrelevant" to the issues being audited. The company also refused on the grounds of attorney–client privilege and the attorney work product doctrine.

Staff believes I&M management inadequately responded to the 34 Ethics Hotline allegations pertaining to Miami area operations. While staff recognizes that repeated calls on the same subject within a short period do not necessarily reflect a serious problem, staff believes that all calls should be fully investigated. To ensure that problems do not recur, the Office of Ethics and Compliance should have sufficient authority to motivate operations management to implement corrective action.

4.2.9 Finding 9

Network operations compliance reviews have been conducted less frequently than is appropriate due to resource constraints.

BellSouth has curtailed staff compliance reviews since 2000. For example, North Florida did not have a review from 2001 through 2003. The corporate compliance staff specified that they prefer to conduct compliance reviews once a year in each district which equates to eleven per year in Florida. However, compliance staff notes other demands on the department have reduced review frequency. BellSouth compliance staff currently dedicates approximately one-half of a full time employee equivalent (or FTE) to these compliance reviews. Compliance reviews should take higher priority than currently given. Adequate resources should be allocated to continue the review program.

5.0 RECOMMENDATIONS

5.0 Recommendations

Below are BRR staff's recommendations based on analysis of the complainant allegations and additional staff findings discovered during the review. Staff recommendations are offered to further enhance BellSouth installation and repair processes, controls and procedures.

Recommendation 1: BellSouth should study the feasibility of reducing the interval between service order completion and maintenance data updates given to field technicians via TechNet and implement the most economically and functionally feasible solutions.

Recommendation 2: BellSouth should study the feasibility of creating automated Installation and Maintenance system edits to prevent unauthorized combinations of disposition and cause codes, and implement the most economically and functionally feasible solutions.

Recommendation 3: BellSouth should study the feasibility of creating automated billing system edits to prevent charging the trouble determination charge to customers covered by the Inside Wire Plan and implement to most economically and functionally feasible solutions.

Recommendation 4: BellSouth should conduct regular periodic network operations compliance reviews and should provide adequate resources for those reviews. This should include increasing review frequency in all districts, updating compliance review procedures, and adhering to a mandated timetable. Written follow-up by local management should be required to document improvement in areas found deficient.

Recommendation 5: Installation and Maintenance management should implement timely and effective corrective action in response to internal and external audits, network operations compliance reviews, and Ethics Hotline investigations.

Recommendation 6: The Office of Ethics and Compliance should exercise sufficient authority to ensure the implementation of corrective action when Ethics Hotline allegations prove to be valid.

Recommendation 7: BellSouth should ensure all Service Technicians and first level managers complete required training courses, and assure the training develops the skills necessary to competently perform their job duties.

Recommendation 8: BellSouth should implement the remaining corrective actions and programs under study and evaluation, as identified in its response to staff's Document Request 6, where economically and functionally feasible.

6.0 COMPANY COMMENTS

6.0 Company Comments

This chapter includes company responses related to staff's recommendations in chapter 5.0. Staff made eight recommendations for improvement as a result of this review. The company's agreement or disagreement with each recommendation and any comments related to the recommendations are included below.

BellSouth's Final Comments

BellSouth's Final Comments follow the structure of the *Review of BellSouth Telecommunications, Inc. Maintenance and Repair Practices* (the "Report").

Chapter 1 - Executive Summary

Section 1.4.2 Findings

BellSouth's comments on Staff's findings are outlined in BellSouth's response to Chapter 4 of the Report.

Section 1.5 Recommendations

BellSouth's comments on Staff's recommendations are outlined in BellSouth's response to Chapter 5 of the Report.

Chapter 2 - Background and Perspective

Section 2.3 - BellSouth Installation and Maintenance Systems

The fourth sentence of the third paragraph is inaccurate. MTAS (Mechanized Trouble Analysis System) does not extract "historic data" from LMOS (Loop Maintenance Operating System). MTAS extracts information from LMOS on a regular basis. When management requests a report, the data comes from the MTAS database.

Section 2.4.4 - Cause Codes, Disposition Codes, and Narratives

Staff discusses narratives in the last three paragraphs of this Section. Please refer to BellSouth's comments on narratives contained in Section 3.1.3.

Section 2.5.1 - ITP History

As clarification, the term "previous year" in the third sentence of the first paragraph means previous 12 months, not calendar year.

Section 2.5.2 - Basic Performance Measures

BellSouth objects to the representations made in the ninth paragraph, regarding the documentation provided by a former employee. While the subject documents address the Integrated Technician Performance Program ("ITP"), BellSouth cannot determine whether the objectives set forth in the document represent the actual, final standards used by the local turfs.

Additionally, in the ninth paragraph, Staff portrays an incomplete picture of changes to the ITP standards by highlighting the fact that BellSouth increased efficiency requirements, while failing to relay any of the justifications for the increased expectations. BellSouth increased its ITP composite standards because of a more widespread use of advanced technology in the field, including, but not limited to the implementation of wireless dispatch capabilities and electronic billing through TechNet, use of cell phones and the Integrated Dispatch System (IDS). Additionally, the business office and repair center made efforts to obtain better information from customers to facilitate access for the technicians during premises visits.

Section 2.6.1 - Technical Support Managers

The primary objective of the Technical Support Manager ("TSM") is to assist the Area Manager with administrative tasks. In this role, the TSMs assist with the control functions referenced by Staff in this Section. Other network staff members may also help with these control functions and, as such, BellSouth objects to the Staff's attempt to broaden the TSM's job description. In August 2003, Network Operations Staff at Headquarters issued a memorandum directing each turf in Florida to analyze 12XX and 0900 codes on a daily basis. BellSouth implemented internal controls, but did not mandate that the tasks be done by the TSMs. For example, Area Managers may also use Administrative Support Managers ("ASM") to perform the tasks outlined in this Section.

Section 2.6.4 - BellSouth Network Compliance Reviews

In the third paragraph, Staff comments that the compliance reviews do not include checking for cause codes when a technician bills a customer. It is unclear why the Staff is pointing this out as cause codes do not drive billing and, thus are irrelevant to an evaluation of potential misbilling. The Company uses cause codes internally to manage issues in the network. As information, local network staff monitors use of cause codes.

The statement in the sixth sentence of the fourth paragraph is confusing as written. As clarification, the narrative problems referenced relate specifically to [redacted] Also, since Staff highlights the exclude code in several sections, BellSouth would like to point out that a misuse of the exclude code does not result in the overbilling of customers.

Section 2.6.5 - Internal Audits

BellSouth objects to the current wording of the fourth paragraph as an incomplete summary of the audit findings on [redacted] The Staff highlights that the Company was not meeting the minimum standards [redacted] but fails to adequately address the noted improvements in the area. The audit report noted that [redacted]

Also, as previously mentioned, a misuse of the exclude code does not result in overbilling of customers.

Section 2.6.6 - External Audits

The second and third paragraphs are confusing as written. The second paragraph implies that the [redacted] report addressed two items (1) [redacted] and (2) [redacted] The third paragraph implies that the [redacted] report addressed a third item – [redacted] The second item referenced in paragraph two actually refers to the scenario described in paragraph three.

BellSouth objects to the fourth paragraph of this section as an incomplete summary of management's response to the external audit. Page 19 of the [redacted] report indicates that management did much more than issue a memo. BellSouth's management responded to the external audit finding in several ways, including the following:

- [redacted]

Additionally, it should be noted that Staff's block quote in the fourth paragraph is from the [redacted] report, not from the subject memo.

Section 2.6.7 - BellSouth Executive Complaints

In the last sentence of the first paragraph, Staff states that it received 426 maintenance complaints covering the time of 2000 through April 2003. BellSouth believes that this number should be placed into context and suggests replacing the last sentence with the following: "Of over 10 million trouble reports received, BellSouth's executive management received 426 maintenance complaints during the time period of 2000 through April 2003."

BellSouth disagrees with the last sentence of the third paragraph. A technician can accurately determine the location of a problem even when the Network Interface Device does not have testing capabilities.

Chapter 3 - Trouble Report Sample Analysis

Section 3.1 - Process and Sample Selection Methodology

In addition to evaluating whether customers were appropriately billed, in its analysis of the sample, BellSouth also considered whether technicians used the 1203 code appropriately in order to address the allegations made by its former employee that technicians were abusing the code.

Section 3.1.1 - BellSouth's Sample Analysis

As clarification for the fourth sentence of the fifth paragraph, SOCS (Service Order Control System) updates the LMOS Host in 24 hours and the LMOS Host updates the LMOS front-end within 24-48 hours. As a general rule, the updating process completes within two days, with three or four day time lags being more of an exception than the rule.

Section 3.1.2 - Staff's Review of BellSouth's Analysis

Regarding the third sentence in the first paragraph, BellSouth admits that not all DLETH (Detailed Long Extended Trouble History) and BOCRIS (Business Office Customer Records Information Systems) records for the 617 transactions were available "on-line." BellSouth did, however, give Staff access to hard copies of the reports.

BellSouth objects to the Staff's description throughout section 3.1.2 of any improper use of 1203 as an "incorrect transaction." One of the focuses of Staff's Repair Review, as indicated in Lisa Harvey's letter to Marshall Criser dated April 23, 2003, was to determine if customers were being improperly charged as a result of technicians abusing the 1203 code in order to increase their ITP scores. BellSouth examined the technicians' reasons for using the 1203 code to determine whether such calculated abuse was taking place. BellSouth discovered that it was not, and the Staff agreed as noted in Findings 1 and 2 of the Report. The fact that a technician may have used the 1203 code incorrectly (i.e. to describe a DSL repair after July 8, 2002) is not of great significance if the end result was not an improper charge to the customer. Classifying an instance like this as an "incorrect transaction" is misleading. In all fairness, Staff should conclude section 3.1.2 by highlighting that while Staff found evidence of miscoding by BellSouth technicians, Staff found no widespread harm to customers. In fact, approximately 10% of the time when technicians used 1203 "incorrectly," the end result was a decreased charge to the customer.

Section 3.1.3 - Staff's Sample Analysis

With regard to the last sentence of the first paragraph, BellSouth agrees that the closeout narrative provides valuable and relevant information. The DLETH, however, is the most detailed

and accurate record. Not only is the closeout narrative truncated, but it does not show whether BellSouth tested the trouble before the dispatch (which might impact whether a customer was later billed for a premises visit).

In the third bullet of the fourth paragraph, Staff classifies a "Trouble Determination Only" narrative as insufficient support for use of the 1203 code. BellSouth disagrees in that "Trouble Determination" is defined as an instance where the technician tests at the Network Interface Device ("NID") and sees a problem on the customer's side. Such an instance would justify use of a 1203 code.

Staff claims, in the seventh paragraph, that 1,044 of the narratives in the sample were insufficient to justify a trouble determination charge. BellSouth disagrees. As BellSouth indicated above, "trouble determination" would be an appropriate narrative. This represents 397 of the 1,044 narratives in the sample. BellSouth argues that another 29 of the narratives are also sufficient. It is important to note that many of the alleged "insufficient" narratives likely resulted from a failure by the technicians to detail their work. The trouble determination charges were arguably warranted. Further, as illustrated by the sample, we can assume that where a trouble determination charge was not warranted, in many instances it was either not billed or an adjustment was made.

Section 3.1.4 - Sample Analysis Total

While BellSouth admits that human error will always result in some percentage of incorrect billing, BellSouth disagrees with the numbers and percentages cited in the first paragraph of this section. Staff essentially speculates as to the number of trouble reports that did not justify use of the 1203 code. Staff's numbers represent a universe of trouble reports where the use of 1203 code may not have been justified. In fact, the sample indicated that only a small percentage of trouble tickets closed to a 1203 resulted in incorrect billing. Further, the Staff concluded that there has been no widespread harm to the public.

Section 3.2 - Sample Analysis Conclusions

BellSouth objects to the reference to 5% in the third sentence of the first paragraph. As explained in the section above, this figure is overstated. The majority of 1203 codes are justified, even if the truncated narrative does not provide precise language to support use of the code. Further, in instances where the 1203 code was incorrectly used, BellSouth's internal controls (i.e. review of 1203s by management) may have caught the error and prevented a bill from being sent to the customer. Also, in instances where bills were sent, customers could have called in and received an adjustment. BellSouth also objects to the reference to 13% in the last sentence of the first paragraph. Based on BellSouth's review of the narratives, as explained in Section 3.1.3 above, the figure should be 8%.

Chapter 4 - Allegations and Findings

Section 4.2.1 - Finding 1

As a comment on the allegation referenced in the first sentence of the first paragraph, manipulation of cause codes does not drive ITP results.

BellSouth objects to Staff's statement in the last sentence of the fourth paragraph that other causes "could" have influenced 0900 and 1203 code usage. A review of the history of 1203 code usage after 2000 indicates that the other factors were the primary reasons for an increase in the use of the code. The increase in use of the 1203 code during this period can be attributed, primarily, to a 1,183% increase in UNEP offerings (premises visits to UNE customers are almost always accompanied by a trouble determination charge), a 506% increase in DSL subscriptions and the implementation of electronic billing through TechNet. Further, it should be noted that BellSouth management began discouraging technicians from using the 0900 code because the "Found OK" code does not describe the specific conditions the technician encountered in the field. Management encouraged technicians to use other codes that better described the field conditions (i.e. a cable problem) so that management could better track field conditions. Management did not instruct technicians to use the 1203 code instead of the 0900 code. In fact, use of 1203, while it may favorably impact a technician's ITP score, is still counted as a revisit in calculating a manager's ITP results.

Section 4.2.2 - Finding 2

As clarification for the second to last sentence of the seventh paragraph, BellSouth always had internal controls in place to prevent abuse of the 1203 code (i.e. reports pulled by local managers, local managers reviewing bills). Recently, BellSouth improved the internal controls by enhancing TechNet so that a technician cannot use the 1203 code to bill a customer with the maintenance plan.

Section 4.2.3 - Finding 3

BellSouth disagrees with Staff's finding that the Ethics Hotline failed to "identify and resolve repeated complaints of a similar nature." Staff bases its conclusion on a series of complaints emanating from one yard in Miami. [As information, the former employee who prompted this investigation by Staff of BellSouth's installation and maintenance practices worked in this yard.] Staff does not consider that a primary purpose of an investigation is to determine the veracity and seriousness of the subject allegations. Repeated calls to the hotline on the same subject within a given time period do not necessarily reflect a series of valid, ongoing problems. The calls may stem from an isolated instance or, as was evidenced in this group of complaints, from an abuse of the hotline. As Staff is aware, at least two calls regarding activities in this yard were found to be fraudulent (i.e. the caller would represent to the Hotline that they were another technician in the yard). The OEC not only investigated (or facilitated the investigation of) the multiple complaints

relating to this yard, but the OEC also discussed the results and trends with the Network Department so that the Department could address any valid problems.

Moreover, it is inaccurate to say that eight cases over a seventeen-month period related to the relieving supervisor were substantiated. There were five alleged incidents that prompted 14 calls to the OEC: (1) August 2001 (1 call), (2) December 2001/January 2002 (7 calls, 3 of them anonymous), (3) March/April 2002 (2 anonymous calls), (4) December 2002 (2 anonymous calls) and (5) June/July 2003 (2 anonymous calls):

- The instance in August 2001 was investigated by Security, and not substantiated. The General Manager of the Department was aware from the outset of the allegations and the investigation, and was advised of all subsequent calls described below.
- In December 2001, no evidence was found to substantiate the allegations that the relieving supervisor was assigning himself easy jobs or threatening other employees. In fact, it was noted that the dispatching system was automated, making it impossible for the employee to manipulate his workload. Also, it was discovered during Staff's interviews conducted during this audit that one of these complaints was not made by the person whose name was allegedly given to the Ethics Hotline, showing an abuse of the hotline during this time period.
- After looking into the cases in March/April 2002, the Area Manager was not able to substantiate that the relieving supervisor made derogatory comments to other employees. As a precautionary measure, the department reviewed the BellSouth policy on harassment and the OPR booklet with all employees in the work center. It was noted that the relieving supervisor was a top performer and that, as a result, some people did not like him.
- The December 2002 cases were not substantiated. The investigation revealed that a former employee made the false accusations about the relieving supervisor.
- Legal investigated the cases that arose in the summer of 2003 and found no evidence to substantiate the allegations that the relieving supervisor was making inappropriate remarks.

The above-referenced complaints arose out of a yard that had undergone a number of management changes. Two work groups had merged under one manager, resulting in a tense and competitive atmosphere. The OEC discussed the complaints with the General Manager of the district and measures were taken to reduce the apparent personality conflicts between the relieving supervisor, a top performer and motivated employee, and others in the work group. Contrary to Staff's findings, this is not an example of repeated unethical behavior that went unaddressed by the Ethics Department.

With regard to the second paragraph of Section 4.2.3, BellSouth would like to clarify an inaccurate statement that may have resulted from Staff's interviews with a BellSouth employee. Of the approximate 1,200 calls received by the Ethics Hotline, approximately 80% (or 960) require investigations. The remaining 20% represent inquiries that are handled by one of the Ethics managers.

Also, regarding the fifth paragraph of this Section, approximately 90% of the complaints that are investigated outside of the OEC are referred to Legal, Security, Human Resources or Internal Auditing for handling. While local management may be contacted in the course of these investigations, very few complaints are investigated solely by the local management for the area where the complaint originated.

In response to the eighth paragraph, BellSouth's OEC has established standards and procedures in place to reduce the risk of misconduct and prevent reoccurrences of misconduct. The OEC reviews both open and closed cases at least every two weeks to determine whether complaints are properly addressed and to identify trends. Current procedures provide for Ethics managers to escalate to the Compliance Officer matters the managers believe are not being handled appropriately by the subject department.

Lastly, BellSouth objects to the reference to the "management intimidation" complaints in the tenth paragraph as irrelevant and inflammatory. These two unrelated complaints do not evidence a trend as Staff suggests. They were isolated events that were investigated, escalated and promptly addressed. In fact, the handling of these complaints demonstrates the effectiveness of the Ethics Hotline.

Section 4.2.5 - Finding 5

BellSouth objects to this finding as overbroad and inflammatory. BellSouth stands by the skill and professionalism of its technicians. Regarding training, during time periods when there was a high volume of hiring, some turfs established training "boot camps" to facilitate the training of the technicians. While technicians received the training necessary to perform their jobs, adequate guidelines were not in place to ensure that all of the technicians' training records were updated. Since Audit No. 2197, Network has been reviewing and developing system enhancements to the current database. Network is currently conducting a trial in Florida of a database called [redacted] to track training and inform local management of training requirements. Formal enhancements to the current BellSouth University system are scheduled for the fourth quarter of 2004 that will help better track training data.

As indicated in second paragraph of this Section, the percentages referenced by Staff do not necessarily reflect the status of training completion in Florida. According to the General Manager who oversees Network Operations in North Dade (the area in which the complainant worked), since at least 1998, the percentage of training course completion has been 98% or higher.

With regard to the fifth paragraph of this Section, BellSouth points out that the rise in UNEPs likely accounts for many instances where 1203 is used with a 600 cause code. Because BellSouth technicians are not required to test past the demarcation point in a UNEP situation, the technician may use 1203 to show that he or she went to the premises and tested at the NID together with the 600 code since the technician would not know what caused the problem. Further, it is BellSouth's position that use of the 600 code would also be appropriate with a 1203, in both retail and wholesale situations, where the tech was unable to gain access past the demarcation point to

identify specifically what caused the problem, or where the technician was not required to test inside.

Section 4.2.6 - Finding 6

As clarification for the second sentence of the second paragraph and the third sentence of the seventh paragraph, SOCS (Service Order Control System) updates the LMOS Host in 24 hours and the LMOS Host updates the LMOS front-end within 24-48 hours. As a general rule, the updating process completes within two days, with three or four day time lags being more of an exception than the rule.

As clarification for the last sentence in third paragraph, the incorrect NMC data was an error that favored the customer. Because the NMC field defaulted to the customer having a maintenance plan, a technician would think that a customer had the maintenance plan when it did not. Thus, the technician might not have billed a customer that should have been billed.

In the last paragraph of this Section, Staff makes recommendations regarding billing system edits. BellSouth will provide comments on this recommendation in its response to Chapter 5.

Section 4.2.7 - Finding 7

To the extent that Staff is attributing 1203 use to an alleged ineffectiveness on the part of the TSMs, BellSouth objects. The Staff only interviewed one TSM and can only speculate as to how other TSMs are monitoring the technicians. Also, first level managers interviewed stated that they review bills generated in conjunction with the 1203 code. As noted in BellSouth's response to Section 2.6.1, Network Area Managers may also use ASMs to assist them with the types of functions outlined in this Section. BellSouth requests that the Staff provide the evidence to support the conclusions set forth in this Section.

In the second sentence of the sixth paragraph, 37.5% should be 35.9% to be consistent with Staff's statement in paragraph 12 of Section 3.1.3. BellSouth disputes Staff's conclusion that 35.9% of narratives are insufficient for the reasons stated in section 3.1.3 above.[2]

Section 4.2.8 - Finding 8

BellSouth generally objects to this finding. Staff draws the broad conclusion that "[n]etwork operations management took insufficient action in response to compliance reviews, Ethics Hotline complaint investigations, and internal and external audits....." This is Staff's opinion; not a statement of fact. For example, in the context of the audits, reports noted that management's actions had resulted in progress toward compliance and that additional actions were planned to further compliance.

[2]Staff agrees and has made the suggested correction on page 51 of this report.

More specifically, BellSouth objects to the first sentence of the first paragraph as overbroad and inaccurate. It leads the reader to believe that Network did not comply with audits. The subject audits did not state that Network did not comply with previous audits. Rather, they found that BellSouth fell short of meeting internally set standards in the areas of technician time reporting and coding. It should also be noted that, in response to the external audit, management calculated the error associated with the incorrect coding and made necessary financial adjustments.

With regard to Staff's findings in the last paragraph of this Section regarding the Ethics Hotline complaints, BellSouth refers to its comments to Section 4.2.3, above.

Section 4.2.9 - Finding 9

In response to the last two sentences of this Section, BellSouth is currently reviewing its compliance review process to determine whether improvements can be made.

Chapter 5 - Recommendations

Recommendation 1: BellSouth does not think that the percentage of possible non-adjusted bills attributed to the delay in updating the IWP flag is sufficient to justify a potentially expensive upgrade to the billing systems.

Recommendation 2: BellSouth is agreeable to studying the feasibility of implementing an automated or manual solution to the unauthorized combinations of disposition and cause codes.

Recommendation 3: Effective April 26, 2004, BellSouth implemented an enhancement to TechNet whereby a 1203 code cannot be used to a close a job for a maintenance plan customer. Technicians are required to download this software enhancement within 30 days.

Recommendation 4: BellSouth is currently reviewing its compliance review process to determine whether improvements can be made. Current practices already require follow-up responses by local management.

Recommendation 5: As a general rule, Installation and Maintenance management implements timely and effective corrective action in response to internal and external audits, network operations compliance reviews, and Ethics Hotline investigations. As with most aspects of a business, there is always room for improvement. As such, BellSouth Installation and Maintenance management will continue to strive to meet internal and external standards.

Recommendation 6: As noted in section 4.2.3 above, the OEC's current practices provide a mechanism for Ethics managers to escalate trouble cases to the Compliance Officer. While BellSouth recognizes that there may have been alternate ways to handle personality conflicts in the subject Miami yard, BellSouth stands by the professionalism and effectiveness of the OEC.

Recommendation 7: BellSouth stands by its technicians and believes that they are adequately trained. As noted in BellSouth's response to Section 4.2.5, Network is currently conducting a trial in Florida of a database called "A-Train" to track training and inform local management of training requirements. Formal enhancements to the current BellSouth University system are scheduled for the fourth quarter of 2004 that will help better track training data.

Recommendation 8: BellSouth will follow through with the commitments made in its response to the subject document request.