

Ameritech Response to KPMG Exception (*continued*)

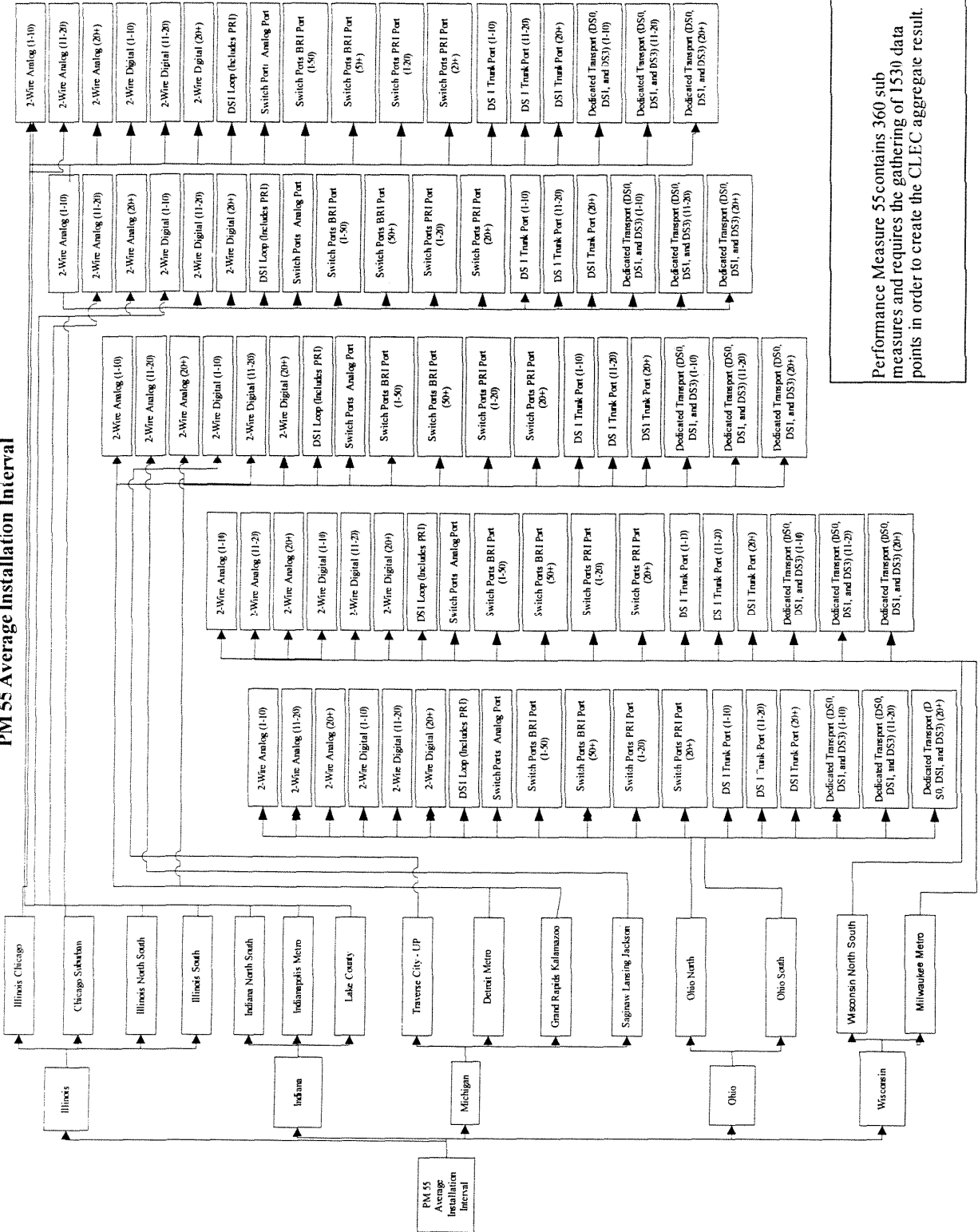
- Increased the education level of employees involved in the manual processes, which produce a number of restatements.
- Implemented a materiality policy in order to reduce unnecessary restatements.
- Directly involved the business owner staff support resources in the PM process to increase knowledge and involvement at the working/production level in each organization.
- Convened cross-functional team to review all requests for restatement and provide input on the decision based on content and the scope of the restatement.
- Established a team of subject matter experts to review and analyze restatements to determine cause and develop preventive action going forward.
- Implemented a policy requiring Officer level approval of all restatements. The Officer responsible for the PM being restated and the VP of LD compliance must provide written confirmation in order that the restatement has been approved prior to posting. This process also involves a root cause review of the reason for the restatements.
- Ameritech has undertaken a review of other RBOC restatement policies in order to either validate or propose improvements to the current Ameritech policy.
- Ameritech has named a Director of Performance Measure Change Management, who is to be the focal point for the change management issues.

Conclusion

When viewed in proper context, Ameritech's restatements that impact the accuracy or reliability of reported results are very small, changing the outcome on less than one half of one percent of reported results. Ameritech is committed to continuing its efforts to reduce restatement activity on an ongoing basis as outlined in the above initiatives.

When Ameritech's restatement activity is analyzed as provided above, it is clear that the number of restatements does not indicate that Ameritech's reported performance results are materially inaccurate or incomplete. Ameritech's actions have satisfied the base elements identified by KPMG in Exception #20 and respectfully requests that this Exception be closed.

PM 55 Average Installation Interval



Performance Measure 55 contains 360 sub measures and requires the gathering of 1530 data points in order to create the CLEC aggregate result.

kpmg Consulting

Exception Report	41	Version	1	Owner	KPMG Consulting
Issued	February 11, 2002	Test	PMR3	Role	Test Manager
Applicability	Michigan, Illinois, Indiana, Ohio, Wisconsin				

Ameritech's metrics change management process does not require the identification of changes to source data systems that impact metrics reporting and the communication of those changes to relevant parties.

Issue

As part of the PMR3 (Metrics Change Management) test, KPMG Consulting reviewed Ameritech's change management procedure manual *SBC/Ameritech Performance Measures Internal Change Management Policy & Procedure*. The review revealed that Ameritech's change management process does not provide for the monitoring and communicating of changes made to upstream data systems that impact metrics. Upstream systems are the systems that come directly before and provide data to metrics reporting systems.

KPMG Consulting also interviewed Ameritech's personnel responsible for the eleven systems used in calculating performance measurements: Regulatory Reporting System (RRS); Decision Support System (DSS); Mechanized Order Receipt/Tel (MORTel); Ameritech Customer Information System (ACIS); Ameritech Service Order Negotiation System (ASON); Work Force Administration (WFA-/C/DI/DO); Loop Maintenance Operation Support (LMOS); Mechanized Trouble Analysis System (MTAS); Facilities Modification Orders (FMOD); 114-115 Database System; and Collocation Database System. The interviews revealed that there are no requirements for communication between the owners of the OSS source systems and owners of the metrics reporting systems about changes that impact metrics reporting.

Assessment

Without communication between system owners, Ameritech personnel responsible for producing metrics reports may be unaware of changes made to such systems that impact metrics reporting. This may lead to incorrect reporting of performance measurement results.

This exception report is for discussion purposes only and is subject to change without notice.

*Ameritech OSS Test Exception Process
Additional Questions Document*

Exception Report: 41	State Applicability: Michigan, Illinois, Indiana, Ohio, Wisconsin
Author: KPMG Consulting	Role: Test Manager
Release Date: February 11, 2002	Additional Information: September 16, 2002

Additional Questions:

In response to Exception Report 41, SBC Ameritech stated they would modify their change management process to include a requirement to monitor source systems for changes that could impact performance metrics reporting. SBC Ameritech provided draft documents (Change Management Process_07_02.doc, E41 Owners.doc) on July 1 and followed up later with reference to ER 719R-0702. Neither the ER nor the draft documentation provided outline processes and procedures for monitoring source systems. The responsible parties are listed as well as a statement that Change Management Process document supplied applies to this issue, but an actual process structure is not included.

KPMG Consulting requests that SBC Ameritech provide supporting documentation outlining the processes and procedures for monitoring source systems for changes that could impact performance metrics reporting. In addition, KPMG Consulting requests a description of any updated procedures that have been implemented to ensure this problem does not occur in the future.

kpmg Consulting

Exception Report	42	Version	1	Owner	KPMG Consulting
Issued	February 11, 2002	Test	PMR4	Role	Test Manager
Applicability	Michigan, Illinois, Indiana, Ohio, Wisconsin				

Ameritech failed to extract all the April 2001 data from the Regulatory Reporting System (RRS) required to calculate certain performance measurements.

Issue

During attempts to resolve discrepancies KPMG Consulting identified in the PMR5 (Metrics Calculation and Reporting) test for the month of April, Ameritech identified a flaw in the data extraction process that limits the extracted data from RRS used in the calculation of performance measurements to a maximum capacity of 2 Gigabytes. As a result data records beyond the 2 Gigabyte limit were not properly extracted and could not have been included in the published performance measurement calculations.

KPMG Consulting's review found that extracts for POTS Install and POTS Repair data exceeded the 2 Gigabyte limit, affecting a total of 48 performance measurements. At current rates of growth, KPMG Consulting believes this extraction issue would eventually impact all RRS based performance measures.

Assessment

CLECs and regulators rely on Ameritech's published performance measures to assess the quality of service provided by Ameritech. Ameritech's failure to completely extract complete data for use in these calculations resulted in inaccurate performance measures that impede the ability of CLECs and regulators to assess and rely on posted performance measurement results.

This exception report is for discussion purposes only and is subject to change without notice.

kpmg Consulting

Exception Report	42	Version	1	Owner	KPMG Consulting
Issued	February 11, 2002	Test	PMR4	Role	Test Manager
Applicability	Michigan, Illinois, Indiana, Ohio, Wisconsin				
Closure Date	June 27, 2002				

Ameritech failed to extract all the April 2001 data from the Regulatory Reporting System (RRS) required to calculate certain performance measurements.

Issue

During attempts to resolve discrepancies KPMG Consulting identified in the PMR5 (Metrics Calculation and Reporting) test for the month of April, Ameritech identified a flaw in the data extraction process that limits the extracted data from RRS used in the calculation of performance measurements to a maximum capacity of 2 Gigabytes. As a result data records beyond the 2 Gigabyte limit were not properly extracted and could not have been included in the published performance measurement calculations.

KPMG Consulting's review found that extracts for POTS Install and POTS Repair data exceeded the 2 Gigabyte limit, affecting a total of 48 performance measurements. At current rates of growth, KPMG Consulting believes this extraction issue would eventually impact all RRS based performance measures.

Assessment

CLECs and regulators rely on Ameritech's published performance measures to assess the quality of service provided by Ameritech. Ameritech's failure to completely extract complete data for use in these calculations resulted in inaccurate performance measures that impede the ability of CLECs and regulators to assess and rely on posted performance measurement results.

Disposition

SBC Ameritech provided responses to this Exception Report to KPMG Consulting on February 22, 2002 and March 6, 2002. In these responses, SBC Ameritech indicated that the issue of truncated data files from the Regulatory Reporting System (RRS) was not limited to data provided to KPMG Consulting. SBC Ameritech stated that in 2001 published performance measurements were affected by this truncation problem for the months of May (Illinois), June (Illinois), July (Illinois), August (Illinois and Michigan), and October (Illinois).

KPMG Consulting has determined that the issues outlined in Exception Report 42 are related to a larger issue regarding the lack of edits and controls within SAS.¹ It appears that the truncation issue would have been identified had adequate edits and controls been in place within SAS to determine that the entire dataset had not been loaded.

The remaining issues covered by this Exception Report will be addressed through Exception Report 47, version 2, which identifies SAS as lacking adequate edits and controls to ensure that data is received and successfully loaded.

¹ SAS is a commercial statistical software package and also the name that SBC Ameritech uses to refer to the system in which the RRS related performance measures are calculated.

This exception report is for discussion purposes only and is subject to change without notice.

kpmg Consulting

Exception Report Issued	47 February 27, 2002	Version	1 Test	Owner	KPMG Consulting
Applicability	Michigan, Illinois, Indiana, Ohio, Wisconsin				
		Role	PMR1		Test Manager

Several Ameritech Performance Measurement reporting systems lack the controls and edits to ensure that data is received and successfully loaded into these Performance Measurement reporting systems.

Issue

As part of the PMR1 (Data Collection and Storage) test, KPMG Consulting has identified a number of systems that have inadequate edits and controls in place to ensure that records used in the calculation of performance metrics are transferred error free. Error detection procedures are required to ensure that data transfers from operational systems into the systems used to calculate performance metrics are error free.

Below is a list of the Performance Measurement Reporting Systems that have inadequate edits and controls and the performance measurements that are impacted.

System Name	Performance Measure #(s)	Edits and Controls	Comments
104.1 Database	104.1	No	There are no documented procedures for verifying that all data has been correctly imported and accounted for.
114_115 Database	114, 115	Limited	KPMG Consulting has been informed that calls are held once per week with the Local Operations Center to discuss necessary corrections. However, there are no formal procedures for verifying the validity of data or that all records are transferred into this database.
LOOPS	14,15	Limited	A query is run to identify all of the rate mismatches between CABS data and the "control rate" table maintained by the Financial Assurance group. However, there are no checks in place to ensure that the entire CABS files (857OCC and 714EOM) are loaded into the LOOPS database.
PRS_PRSplus	- all measures-	Limited	During the loading procedures, there is a check to ensure that all of the files (which are expected) are received and loaded. However, there are no controls in place to verify the data is loaded completely and without error.
RRS	27, 28, 29, 30, 31, 32,33, 35, 37, 38, 39, 40, 41, 42, 43, 44,	Limited	Error checking is limited to checking for error messages associated with the loading process. The individual loading the data determines if the load finished successfully by locating error messages. If

This exception report is for discussion purposes only and is subject to change without notice.

kpmg Consulting

System Name	Performance Measure #(s)	Edits and Controls	Comments
	45, 46, 47, 48, 49, 50, 51, 51.1, 52, 53, 54, 55, 55.1, 55.2, 55.3, 56, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 73, 74, 75, 76, 78, 92, 96, 97, 98, 100, 101, CLEC WI 11, CLEC WI 5, MI 1, MI 2, WI 1, WI 2, WI 9		the load is unsuccessful, unloadable records are identified and either fixed or deleted and the data reloaded. If all of the records load without error then the data is assumed to be correct. Some manual checks are performed to see if the number of loaded records is deemed 'reasonable,' but no comparisons are performed between source systems and RRS.

Assessment

Without adequate internal controls, confidence in the ability of Ameritech to identify and correct errors as data moves between systems is reduced. Data transferred into performance measurement reporting systems may be incorrect due to a lack of edits and controls. As a result, posted performance measurement results may also be incorrect.

This exception report is for discussion purposes only and is subject to change without notice.

kpmg Consulting

Exception Report	47	Version	2	Owner	KPMG Consulting
Issued	June 17, 2002	Test	PMR1	Role	Test Manager
Applicability	Michigan, Illinois, Indiana, Ohio, Wisconsin				

Several Ameritech Performance Measurement reporting systems lack the controls and edits to ensure that data is received and successfully loaded into these Performance Measurement reporting systems.

Issue

As part of the PMR1 (Data Collection and Storage) test, KPMG Consulting has identified a number of systems that have inadequate edits and controls in place to ensure that records used in the calculation of performance metrics are transferred error free. Error detection procedures are required to ensure that data transfers from operational systems into the systems used to calculate performance metrics are error free.

Below is a list of the Performance Measurement Reporting Systems that have inadequate edits and controls and the performance measurements that are impacted.

System Name	Performance Measure #(s)	Edits and Controls	Comments
104.1 Database	104.1	No	There are no documented procedures for verifying that all data has been correctly imported and accounted for.
114_115 Database	114, 115	Limited	KPMG Consulting has been informed that calls are held once per week with the Local Operations Center to discuss necessary corrections. However, there are no formal procedures for verifying the validity of data or that all records are transferred into this database.
LOOPS	14,15	Limited	A query is run to identify all of the rate mismatches between CABS data and the "control rate" table maintained by the Financial Assurance group. However, there are no checks in place to ensure that the entire CABS files (857OCC and 714EOM) are loaded into the LOOPS database.
PRS_PRSpplus	- all measures-	Limited	During the loading procedures, there is a check to ensure that all of the files (which are expected) are received and loaded. However, there are no controls in place to verify the data is loaded completely and without error.
RRS	27, 28, 29, 30, 31, 32,33, 35, 37, 38, 39, 40, 41, 42, 43, 44,	Limited	Error checking is limited to checking for error messages associated with the loading process. The individual loading the data determines if the load finished successfully by locating error messages. If

This exception report is for discussion purposes only and is subject to change without notice.

kpmg Consulting

System Name	Performance Measure #(s)	Edits and Controls	Comments
	45, 46, 47, 48, 49, 50, 51, 51.1, 52, 53, 54, 55, 55.1, 55.2, 55.3, 56, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 73, 74, 75, 76, 78, 92, 96, 97, 98, 100, 101, CLEC WI 11, CLEC WI 5, MI 1, MI 2, WI 1, WI 2, WI 9		<p>the load is unsuccessful, unloadable records are identified and either fixed or deleted and the data reloaded. If all of the records load without error then the data is assumed to be correct.</p> <p>Some manual checks are performed to see if the number of loaded records is deemed 'reasonable,' but no comparisons are performed between source systems and RRS.</p>

Assessment

Without adequate internal controls, confidence in the ability of Ameritech to identify and correct errors as data moves between systems is reduced. Data transferred into performance measurement reporting systems may be incorrect due to a lack of edits and controls. As a result, posted performance measurement results may also be incorrect.

Version 2: June 17, 2002

As part of PMR1, KPMG Consulting has determined that SAS,¹ the system which is used by SBC Ameritech to calculate the RRS related performance measures, lacks the controls and edits to ensure that data is received and successfully loaded.² This issue has affected 48 performance measures. Below two separate incidents are described which illustrate the problems encountered by SBC Ameritech and affected the published performance metrics for April and October 2001.

In the calculation process for RRS measures, SBC Ameritech creates a data extract which is loaded into SAS and used in the calculation of all results posted on the CLEC website, including CLEC values, Retail values and Z-Scores. For the April 2001 reporting month, SBC Ameritech identified a flaw in the data extraction process that limits the extracted data from RRS used in the calculation of performance measurements to a maximum capacity of 2 Gigabytes. As a result data records beyond the 2-Gigabyte limit were not properly extracted and were not included in the published performance measurement calculations.

¹ SAS is a commercial statistical software package and also the name that SBC Ameritech uses to refer to the system in which the RRS related performance measures are calculated.

² Through subsequent discussion with SBC Ameritech metrics subject matter experts in April 2002, KPMG Consulting determined that the lack of edits and controls within SAS was the root cause of two data integrity issues that SBC Ameritech experienced and resulted in the restatement of the RRS measures.

This exception report is for discussion purposes only and is subject to change without notice.