

AT&T's Response to Exception 26

In Exception Report 26, KPMG discusses Ameritech's arbitrary methods for restating performance measurement data. KPMG notes that "Ameritech does not consistently adhere to its process for notifying CLECs and regulators of restatements made of published performance results." According to KPMG, Ameritech has posted restated data late, posted restated results with improper disclaimers, and in some cases, has indicated it would be posting restated data and then failed to do so.

Ameritech has responded to Exception 26 by acknowledging only that notification of restatements "via the *Website News* page of the CLEC OnLine web site did not occur according to the communicated schedule." Ameritech states that it has "redefined internal process timelines, checkpoints and critical dates for restatement of previously posted measurement result..." and that it will "formalize" its new processes in a document ("SBC/Ameritech Performance Measurements Internal Change Management Process & Procedures") that will be delivered to KPMG prior to January 20, 2002.

AT&T does not believe that Ameritech's response to Exception 26 adequately addresses the Exception Report issued by KPMG or that it addresses other fundamental issues that arise as result of Ameritech's flawed performance measurement processes. As Ameritech's response concedes, KPMG is fully justified in concluding that Ameritech's track record of publishing and then re-publishing unreliable performance data results "impedes the ability of CLECs [like AT&T] and regulators to assess and rely on posted performance measurement results." CLECs and regulators should have an expectation that Ameritech's performance measurement reporting will be consistently and demonstrably accurate.

But given Ameritech's current processes, CLECs and regulators can have no reasonable expectation that Ameritech's performance is being reported accurately. While minor mistakes may be expected from time to time, restatements should be infrequent and not the rule as appears to be the case currently. The only explanation for Ameritech's evident need to continually restate its performance measurement results is that Ameritech's *systems* for measuring and reporting its performance apparently are fundamentally flawed. From other Observation and Exception Reports published by KPMG (see, e.g., Observations 125, 136, Exceptions 19, 20), AT&T believes that many of Ameritech's errors in computing and reporting its performance measurement data arise from the extensive application of manual processes that it employs. It appears that Ameritech continues to build its internal systems almost entirely on such manual processes and activities. Only yesterday Ameritech reported to the Commission that it will attempt to improve its performance in generating line loss notifications by attempting to modify *its current manual processes* and not by designing more modern electronically driven systems.

Ameritech's response does not analyze or even address the problem underlying inaccurate and untimely restatement of measures. Instead, it focuses solely on the timeliness and regularity of the restatement reports. While timely reporting is important, it does not cure the condition that Ameritech's reports are consistently erroneous and thus must be later restated (hopefully) with accurate results. AT&T recommends that KPMG not close Exception 26 until after it has completed its evaluation of whether Ameritech's measurement data gathering,

calculation, and reporting processes are inherently capable of producing consistently accurate results. See Exceptions 19 and 20; MTP Table IV-1 “Collection of Data”, Table IV-4 “Data Integrity”, and IV-5 “Metrics Calculation and Reporting”.

Another fundamental flaw in Ameritech’s performance measurement system is that if such results must be continually restated, so should its remedy plan payments. As part of any overall resolution of the problems inherent in Ameritech’s restatement of performance measurement results, Ameritech must agree to implement procedures that require issuance of restated remedy reports consistent with restated performance measurement results. AT&T recommends that KPMG’s Test PMR5: “Metrics Calculations and Reporting Verification and Validation Review” include assessment of the procedures and processes that Ameritech employs that are to result in restatement of remedy payments along with restatements of performance results. AT&T believes that Ameritech should restate all of its remedy payment obligations that are affected by restated performance measurement data. To date, Ameritech has not done so.

Finally, consistent with its response to Exception Reports 19 and 20, because inaccurate calculation of performance measurement results also impact the calculation of other service quality measures (e.g., retail metrics, remedy plan payments), AT&T recommends that the state commissions and their staffs investigate whether Ameritech should use the information developed by the KPMG performance measurement audit to restate those measures or remedy plan payments.

Recommendations

Consistent with the positions explained above, AT&T recommends the following actions:

1. AT&T recommends that KPMG not close Exception 26 until after it has completed its evaluation of whether Ameritech’s measurement data gathering, calculation, and reporting processes are inherently capable of producing consistently accurate results. See Exceptions 19 and 20; MTP Table IV-1 “Collection of Data”, Table IV-4 “Data Integrity”, and IV-5 “Metrics Calculation and Reporting”.
2. AT&T recommends that KPMG’s Test PMR5: “Metrics Calculations and Reporting Verification and Validation Review” include assessment of the procedures and processes that Ameritech employs that are to result in restatement of remedy payments along with restatements of performance results.
3. AT&T recommends that each state commission and their staffs require Ameritech to use the information developed by the KPMG performance measurement audit to restate measures or remedy plan payments.