

**STATE OF MICHIGAN**

**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

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**In the matter, on the Commission's own motion, )  
to consider Ameritech Michigan's compliance )  
with the competitive checklist in Section 271 of )  
the federal Telecommunications Act of 1996. )**  
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**Case No. U-12320**

**AFFIDAVIT OF TIMOTHY M. CONNOLLY**

**ON BEHALF OF**

**AT&T COMMUNICATIONS OF MICHIGAN, INC. AND TCG DETROIT**

**November 5, 2002**

1. I, Timothy M. Connolly, submit this Affidavit on behalf of AT&T Communications of Michigan, Inc. and TCG Detroit (“AT&T”).

**Professional Background**

2. My business address is 2005 Arbor Avenue in Belmont, California.

3. I am a business systems analyst. Currently, I operate the consulting firm of C2 Technology Analysts (“C2TA”). In my current capacity as a business systems analyst, I serve as a consultant to AT&T Corp. and its subsidiaries concerning OSS, third-party testing of the OSS of incumbent local exchange carriers (“ILECs”), ILEC Change Management Processes (“CMP”), incumbent-to-competitor testing procedures, and performance measurement systems. I have consulted with AT&T and its subsidiaries on OSS matters for more than six years.

4. Prior to starting C2TA, I worked for technical consulting companies and partnerships that were engaged to evaluate and recommend technology platforms for communications carriers, including incumbent OSS offerings. Several of these consulting assignments have involved the OSS obligations of ILECs under the Telecommunications Act of 1996 and, in particular, State and federal regulatory commission requirements for the operational readiness of OSS to meet Section 271 checklist requirements. Prior to becoming a consultant, I worked for AT&T Corp. for fourteen years in a variety of capacities, including management of an international systems integration business unit that developed software packages of business and network support systems for domestic and overseas customers of AT&T.

5. I have degrees from Creighton University in Omaha, Nebraska, and from the University of Illinois at Chicago.

6. I have testified on the OSS capabilities of incumbent carriers across the country in State and federal proceedings, including the proceedings before the Federal

Communications Commission (“FCC”) involving Bell Atlantic’s Section 271 application for New York, Southwestern Bell’s Section 271 application for Texas and the three Qwest multi-state Section 271 applications.

**Topics Addressed By This Affidavit**

7. In this Affidavit, I address the findings of the Final Report issued by Ernst & Young (“E&Y”) on October 21, 2002 (“E&Y Report” or “Supplemental Report”), and to a lesser extent I address the three months of performance data issued by Ameritech Michigan (that data is also addressed directly by the Affidavit of Karen Moore filed concurrently with my own).

Additionally, although I intend to provide a complete discussion of the BearingPoint, Inc.<sup>1</sup> (“BearingPoint”) Report Submitted on October 30, 2002 in the filing due November 15, 2002, I discuss that report herein to the extent it identifies certain flaws and as a basis of comparison to the E&Y Report.

8. More specifically, in this Affidavit, I explain the defects in Ameritech Michigan’s performance reporting systems and procedures identified by the E&Y Report and the testing being conducted by BearingPoint. At the same time, I expose the inherent limitations and methodological deficiencies of the E&Y Report. I conclude that these limitations and methodological deficiencies completely undercut Ameritech Michigan’s claim (in the affidavit of Mr. James Ehr) that the three months of performance data it has submitted to the Commission is reliable or accurate. I further explain that the absence of any reliable data in turn prevents the Michigan Public Service Commission (the “Commission”) from determining with any confidence the status of Ameritech Michigan’s systems and procedures as they relate to the

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<sup>1</sup> KPMG Consulting, Inc. changed its name to BearingPoint, Inc. on October 2, 2002.

requirements of the Commission (first enunciated in its orders in Case U-11830 and then in this docket) and under 47 U.S.C. § 271.

**Background**

9. In preparation for its Section 271 Consultation, the Commission directed Ameritech Michigan to “complete a minimum of three consecutive months of data reporting its compliance with all performance measures required by the Commission’s orders in Case No. U-11830.” (02/09/00 Order at 5.)

10. In early 2000, the Commission Staff, interested CLECs, and Ameritech Michigan collaboratively developed the Ameritech OSS Evaluation Project Master Test Plan (“MTP”). Ameritech Michigan retained BearingPoint to conduct the test of the Ameritech Michigan systems and procedures used to provide CLECs with the services they require to access Ameritech Michigan’s local telephone network. BearingPoint is approaching completion of many parts of its testing under the MTP. The major exception to this are those portions that concern the accuracy and reliability of the Ameritech Michigan systems and procedures that measure and report the performance of Ameritech Michigan in providing CLECs with the services needed for competition. (This is known as the PMR portion of the test.) In other words, BearingPoint cannot yet attest to the accuracy and reliability of the systems that measure and report on the quality of Ameritech Michigan’s operations support systems (“OSS”), because the PMR portion of the test has generally produced unsatisfactory or indeterminate results.

11. Rather than complete the BearingPoint testing required by the collaboratively-established Master Test Plan, Ameritech Michigan requested that BearingPoint issue a “Draft Final Report” and unilaterally retained its regular outside auditor, E&Y, to conduct an “audit” of Ameritech Michigan’s compliance with the Business Rules. These rules are the interpretive

guidelines that establish the correct way to calculate the performance measures identified by the Master Test Plan (*i.e.* they govern the calculations that indicate whether or not Ameritech Michigan passes or fails a particular performance measurement standard). E&Y conducted this audit by reviewing the procedures and methods Ameritech Michigan used to calculate its performance measurement data for March, April and May of this year (“Evaluation Period”), even though, as discussed further below, Ameritech Michigan has submitted performance data from June through August, which was not audited by E&Y.

12. Ameritech Michigan submitted the E&Y Report as a substitute for the unfinished portion of the BearingPoint testing, (principally PMR4 “Metrics Data Integrity Verification and Validation Review” and PMR5 “Metrics Calculations and Reporting Verification and Validation Review” of the Master Test Plan) with the October 30 Report of BearingPoint addressing all other topics.

**I. The Commission Should Not Rely Upon The Three Months Of Performance Data Submitted By Ameritech Michigan To Make Its Section 271 Determination Because The Systems And Procedures Providing That Data Are Not Reliable**

13. The Commission directed Ameritech Michigan to submit three consecutive months of performance results showing its compliance with the performance measures adopted by the Commission. A necessary prerequisite to compliant results are data that the Commission can rely on as accurate, reliable and complete. It is clear that those threshold characteristics are not possessed by the data underlying Ameritech Michigan’s reported results. Indeed, Ameritech Michigan’s concern about the performance reporting shortcomings identified by the BearingPoint testing – and not resolved by Ameritech Michigan to date – prompted its engagement of E&Y. The transparent purpose behind Ameritech Michigan’s submission of the E&Y report was to “paper over” the shortcomings flagged by BearingPoint with a traditional

audit that would provide Ameritech Michigan with a colorable basis for asserting that its systems were reliable and that the Commission properly could proceed with its Section 271 review.

Unfortunately for Ameritech Michigan, the result of E&Y's audit highlights the flaws in the performance reporting systems and thus confirms the need for completion of the BearingPoint testing. (Attached to this affidavit as Exhibit TMC-01 is a matrix showing the ways in which Ameritech Michigan's failures to accurately and completely report performance results have been uncovered by E&Y.)

14. In the following paragraphs of this affidavit, I provide a detailed discussion of the flaws in Ameritech Michigan's systems and procedures revealed by the E&Y Report, the BearingPoint testing to date, as well as the inherent weaknesses of the methodologies E&Y employed to both uncover and remedy errors in the systems and procedures. The number of identified instances of non-compliance indicate that the data submitted by Ameritech Michigan simply does not meet the threshold criteria for permitting the Commission to assess its performance. Accordingly, it is premature to draw conclusions of compliance based on the three months of data submitted by Ameritech Michigan to the Commission.

**A. The E&Y Report Cannot Validate The Submitted Data Because E&Y Did Not Audit The Reporting Of That Data**

15. As an initial matter, I must emphasize that the three months of performance data submitted by Ameritech Michigan *has not been audited by E&Y*. As noted above, the Evaluation Period for the E&Y Report was the months of March, April and May. The data submitted by Ameritech Michigan and addressed by Mr. Ehr in his affidavit, however, were from the months of June, July and August. Thus, the E&Y Report does not speak to the data offered by Ameritech Michigan for the Commission's review.

16. The lack of synchronization between the audit period and the data period is no minor flaw. E&Y acknowledges unequivocally that its report has no validity outside the Evaluation Period. E&Y expressly states that its Opinion is limited to the March through May 2002 Evaluation Period (Supplemental Report, p. 1), and E&Y represented orally at the October 14, 2002 Technical Conference that its findings cannot apply to other months and cannot form the basis for a prediction of future performance. Tr. 4696. Further, E&Y's Attestation Report regarding the effectiveness of controls and the integrity of the reported data states as follows:

[P]rojections of any evaluation of controls over the process to calculate and report accurate and complete performance measurements with the requirements referenced above to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

17. For this reason alone I believe Ameritech Michigan has not provided any foundation for the Commission to conclude that the performance data submitted are accurate (in that the performance reporting systems conform to the Business Rules and the underlying data has integrity).<sup>2</sup> Neither E&Y nor BearingPoint have audited the data. Accordingly, there is no reliable information currently before the Commission for determining whether Ameritech Michigan has satisfied the Commission's requirement that it submit data showing three consecutive months of compliance with the performance measurement requirements defined by the Commission in its orders.

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<sup>2</sup> As I explain later in this affidavit and as Ms. Moore demonstrates in her affidavit, there is considerable information that shows that Ameritech Michigan's data is highly inaccurate. My point here, however, is that the E&Y *did not audit* the time period for the data submitted by Ameritech Michigan.

**B. The E&Y Report Identifies Numerous Defects In Ameritech Michigan's Performance Measurement and Reporting Systems**

18. The E&Y Report demonstrates that Ameritech Michigan's performance measurement systems abound with problems and deficiencies: (a) E&Y reports that 69 restatements of performance measure results have been made during the Evaluation Period (and, as I explain below, actually understates the total by reporting according to its own materiality perspective); (b) E&Y has identified 46 Exceptions – problems areas that remain under investigation to determine how Ameritech Michigan will correct these known errors in more than 77 performance measures; and (c) E&Y relied on 49 Ameritech Michigan Interpretations of the performance measure Business Rules (which can impact whether Ameritech Michigan has satisfied a particular performance measure) that differed from a “literal” reading of the Business Rule. Put another way: the number of restatements reflects the number of times that Ameritech Michigan's noncompliance with a Business Rule was detected by any source and Ameritech Michigan attempted to correct that error; the number of exceptions indicates the number of times that E&Y detected non-compliance with a Business Rule through its transaction testing process; and the number of interpretations reveals the number of instances in which E&Y and Ameritech Michigan disagreed on the interpretation of a Business Rule, and E&Y chose simply to note the disagreement as opposed to count it as an exception.

19. Therefore, these restatements, exceptions and interpretations all signal instances of non-compliance. Taken together, the vast number of problems in each of these categories uncovered by the E&Y Report indicate that the systems and processes used by Ameritech Michigan to collect, store, calculate and publish performance data are unstable, unreliable, have inadequate controls, and simply are not sufficient to produce accurate and complete reports on Ameritech Michigan's wholesale and retail operations. I discuss each

category separately below, but first I address several claims made by Mr. Ehr in his Affidavit regarding Ameritech Michigan's overall performance. (These claims are not addressed by Ms. Moore in her affidavit.)

20. As part of his overall plan to minimize the degree to which Ameritech Michigan fell short of the performance measurement standards, Mr. Ehr paints a picture of the performance measurement system as vast and complex, making it hard for him to administer. (Ehr Aff. ¶¶ 188-91.) In reality however, that system has become largely automated, greatly minimizing the administrative burden. As Ameritech Michigan stated in response to AT&T / SBC AM Question 48 (which is attached to this affidavit as Exhibit TMC-02), only 43 of the performance measures involve manual processes and, of those, just 28 require manual data collection and a mere 20 involve manual calculation of the results. Thus, because the vast majority of the work has been programmed by Ameritech Michigan, I do not find compelling Mr. Ehr's apparent request for forgiveness of errors. Indeed, if the systems were programmed correctly – a task BearingPoint has been trying to address through its testing – it would be very unlikely for errors to creep into the process as Mr. Ehr suggests.

21. In this same regard, Mr. Ehr makes the astounding claim, without the support of any evidence including the E&Y Report, that “. . . of the 64,560 transactions tested per performance measure, E&Y noted 819 exceptions . . . .” (Ehr Aff. ¶ 191.) Nowhere in its report does E&Y claim to have submitted anywhere near that number of transactions during all of its transaction testing, let alone that many transactions for each performance measure. Presumably Mr. Ehr is trying to minimize the errors found, but in doing so he demonstrates a fundamental misunderstanding (or misrepresentation) of what E&Y did. In reality, E&Y tested 8,300 transactions and found the 819 errors in 38 different types of exceptions. E&Y clearly reports

the number of *unique* transactions it tests per performance measure group – and it did not report 64,650 for any one of them. The 64,000 or so transaction estimate by Mr. Ehr appears to be his calculation of the number of transactions across the regimen of performance measures even though a single set of transactions was frequently reviewed for multiple measures. For example, the same 1,081 orders were reviewed for 29 separate provisioning measures. Under Mr. Ehr’s misguided approach, he would suggest that the provisioning tests using 31,349 transactions. In other words, Mr. Ehr’s manipulation highly distorts the scope of E&Y’s activities.

22. Mr. Ehr further clouds the issue of performance measure accuracy with a statistical spin by noting the overall error rates for the critical OSS functions of Pre-Ordering, Ordering, and Provisioning to be 7%, 2%, and 0% respectively. Again Mr. Ehr’s math is incorrect. Viewed properly, Pre-Ordering exceptions constituted 5 of the 38 types of exceptions, or **13%** of all exceptions found, while Ordering involved more than **44%** of the exceptions found and Provisioning, **10%**. Thus, these operational functions that CLECs need to have operated correctly and effectively contain the clear majority of the identified measurement problems.

**(1) Restatements: Ameritech Michigan’s OSS Generate An Inordinately Large Number Of Performance Measure Restatements.**

23. The source for my calculation of the number of restatements is the “CLEC Online” portion of its website, where Ameritech Michigan publishes its monthly performance measure results. The results for all CLECs in the aggregate are available on a state-specific basis, which provides regulators and CLECs with a readily accessible tool for assessing the overall performance of Ameritech Michigan. CLECs, through use of a password-protected system, can also obtain access to data on Ameritech Michigan’s performance on an individual

basis, which provides CLECs the opportunity to analyze how Ameritech Michigan is performing for them versus the industry as a whole, as well as to identify any discrepancies between the reported results and their records. On a monthly basis, Ameritech Michigan publishes a list of the restatements made for that month, as well as a list of the prior months impacted by the restatement.

24. There are several paths to a restatement, not the least of which are the third-party testing by BearingPoint and this Business Rules compliance audit by E&Y. Because these activities have achieved visibility, Ameritech Michigan shows every appearance of more diligence in reporting its errors and making restatements, bowing to those testing forces. However, the other root causes of restatements, e.g., CLEC-reported discrepancies, regulatory agency decisions, Ameritech Michigan self-identified and reported problems, etc., also serve as catalysts. When Ameritech Michigan determines that the reported result for a particular performance measure is incorrect, it is required to: (a) correct the problem in its systems or procedures that caused the error; (b) apply the correction and report the new, correct results both for the current month *and* for each prior month in which results were misreported due to the error; and (c) publish a notice that explains the problem, the involved performance measure(s), and the months for which the earlier-reported results will be restated (which it does on the CLEC Online website).

25. Many times a single error will permeate the performance measure system and cause several different performance measures to be restated. Accordingly, to fully understand the impact of a given Restatement, one must view the number of performance measures that had to be corrected as a result of the error that prompted the Restatement. Further, if Ameritech Michigan's performance does not meet the benchmark or parity standard for certain performance

measures, it must make remedy payments to CLECs, and in certain circumstances to the State of Michigan. Accordingly, when a Restatement changes the result for such a performance measure from pass to fail (or vice-versa), the corresponding remedy payment must also be restated (increased or decreased).

26. The problem is that restatements are being experienced on a regular, monthly basis in the Ameritech region. Mr. Ehr makes no statement that the performance measurements system is stable or reliably operated such that restatements projects are not expected to be a continuing activity. In my experience and to my knowledge, no other ILEC's performance results require the number of restatements as do Ameritech Michigan's. Worse, as indicated by the following chart, the restatements have become more and more pervasive during the period of E&Y's evaluation:

Restatement Report Month (2002)	March Results Affected	April Results Affected	May Results Affected
May	4	0	0
June	8	0	0
July	8	54	0
August	8	31	32
September	8	24	82
October	132	138	138
total	168	247	252

(See Exhibit TMC-03 for a printout of the restatement information published for each month on the CLEC Online website.)

27. The above chart strikingly illustrates that the Commission simply cannot rely on the three months of performance data submitted by Ameritech Michigan remaining stable. Indeed, it is almost assured that the June, July and August data presented by Ameritech Michigan

and Mr. Ehr will be restated in the future, and if the recent past provides any indication, will be restated on several occasions with dramatic results.

28. Further, there is a discrepancy between the number of restatements reported by E&Y and the number I report here. This discrepancy stems from two factors. First, E&Y reports only the number of instances of non-compliance with the Business Rules (*i.e.* the reasons for restatement reported), whereas I report the number of performance measures impacted by the failure to comply with the Business Rules. Second, E&Y reported only those restatements that passed its invented “materiality” threshold.

29. Accordingly, the E&Y Report does not completely disclose, and indeed obscures, the Restatements’ full impact on Ameritech Michigan’s reported performance. The E&Y Report is inadequate because it does *not* list the number of performance measures that went from pass to fail (or vice versa) on account of a Restatement. E&Y acknowledges that 18 Restatements were made that had a material impact on the result of at least one performance measure, but does not state that these Restatements changed the pass / fail result for a staggering *99 performance measures* during the Evaluation Period – roughly **65%** of the total number of performance measures.

30. Additionally, as indicated, the E&Y Report understates the number of restatements because it reports only the restatements that meet its materiality standard (which, of course, is a standard of its own creation): (E&Y Report at 2):

- a. The error, if corrected, would change the original reported performance measurement (“performance measure”) result by five percent or more, or
- b. The error, if corrected, would cause the performance measure’s original reported parity attainment/failure or benchmark attainment/failure to reverse.

Throughout the system of Ameritech Michigan performance measures, tolerances are provided to account for errors in data, processes, and operations. These error tolerances are increased by E&Y's application of an additional materiality standard that gives even more leeway against parity and benchmarks of performance. Whatever the considerations are that might support the use of a materiality standard for reporting errors with respect to a single performance measure, such considerations are irrelevant here. What is relevant to the Commission's analysis is the sheer volume of the performance measures that have needed to be restated thus far as a result of Ameritech Michigan's failures to comply with the Business Rules – **667!** "Material" or not – that number of mistakes demonstrates that Ameritech Michigan's performance systems and processes that are not performing as they should and are not subject to adequate controls as the E&Y reports point out.

31. Finally, several measures have been restated month-after-month. For example the performance measures for flow through (PMs 13 and 13.1) and provisioning measures (such as PMs 27 to 33, and 37 to 50) are consistently restated. Business rule discrepancies should be found on a systematic basis by thoroughly reviewing all of the operations and systems that serve to collect, calculate, and report each measure and one restatement should be all that is necessary, were Ameritech Michigan's effort to focus on cleaning up problems that are being reported an aggressive one. This further evidences that Ameritech Michigan's performance reporting system is not under control, and is unstable.

**(2) Exceptions: The Numerous Exceptions Identified By E&Y Indicate That Ameritech Michigan Routinely Fails To Comply With Its Business Rules.**

32. According to its description of its methodology, E&Y reported an exception when its sample transaction testing found that Ameritech Michigan incorrectly included or

excluded a transaction from the performance measure calculations (per the Business Rules). If Ameritech Michigan took corrective action in response to E&Y's finding, or indicated an intention to take such action, E&Y would "close" the exception if it was satisfied that the action or proposed action would address the problem. Exceptions for which Ameritech Michigan took no corrective action (or inadequate action) remain "open."

33. E&Y cited exceptions identified through the use of various testing methodologies in its audit. Those methodologies consisted of the following:

34. Site Visits: Through site visits, E&Y sought to examine the manual processes Ameritech Michigan uses to generate performance measure results. Although E&Y's site visits constituted a wide-ranging investigation, it was at best a cursory one. In a short seven day span, E&Y visited fifteen cities in seven different states and observed more than 80 separate functional areas. Further, these visits were not unannounced, and their value as a test measure is diminished as a consequence.

35. Performance Measure Code Review: These reviews involved E&Y auditors reading the programmed instructions within Ameritech Michigan's software systems to determine whether they comport with the Business Rule interpretations made by E&Y. E&Y also examined methods and procedures documentation for compliance with the manual process components of those measures. It would have been more appropriate for E&Y to write complementary programming logic that comports with the Business Rule, as interpreted by E&Y, and process the same transaction files used by Ameritech Michigan for calculating and posting the measures. Differences between the two sets of results would then pinpoint problem areas. Code reviews – the approach taken by E&Y – are notoriously an ineffective way to test the implementation of complex programming requirements. Because E&Y does not reveal

which measures were evaluated on the basis of methods and procedures documentation, it is impossible to determine whether all the manual measures that Ameritech Michigan identified in its response to AT&T/SBC AM 48 (*see* Exhibit TMC-02), submitted in the Commission's Collaborative Meetings of October 14 to 18, have been evaluated by E&Y.

36. Performance Measurements Recalculation: The performance measures recalculation is the audit step wherein E&Y obtained the Ameritech Michigan underlying data, on a sample basis, and recalculated the numerators and denominators for the March, April and May data disaggregations. E&Y also performed "z-score" recalculations for the May results (except for those measures requiring permutation calculations). E&Y did not, however, verify that the "raw data" it used was accurately and completely collected, because it relied on the assertions of Ameritech Michigan that its methods and procedures are correctly followed, a fact belied by the significant Observations and Exceptions found by BearingPoint in like testing. Accordingly, the E&Y audit would not detect an error at the "raw data" level.

37. Analytical Review: E&Y undertook an analysis of "volumes, fluctuations in results and reasons for parity or out-of-parity results for the period under examination." (October 18, 2002 Supplemental Report, at 6. ("Supplemental Report")) Essentially, E&Y discussed those issues with Ameritech Michigan, listened to Ameritech Michigan's explanations and excuses for poor results, and then determined if the explanation was "reasonable." No additional testing or corrective measures were required, and E&Y did not consult with any third parties for input on the "reasonableness" of Ameritech Michigan's explanations.

38. Restatement Testing: E&Y reviewed Ameritech Michigan's stated reasons for making restatements that affected the Evaluation Period to determine the impact, if any, on the results for the period. E&Y deemed any such impacts found to be errors, subject to a

materiality standard, and provides those in its Attachment B to its report. E&Y did not verify that the restatements that Ameritech Michigan advised would be made were actually made. *See* Technical Conference AT&T/E&Y Question/Answer 110:

**Question:** Did E&Y observe any occasions where SBC Ameritech communicated a planned restatement, but failed to provide such a restatement according to the notice to external parties?

**Answer:** Our engagement was not designed to test that CLECs were notified of restatements and as such, we have not tested such notification or reported on such notification in our compliance report.

39. In its Report of Independent Accountants to The Management Of SBC Communications, Inc., E&Y states: “Our examination also disclosed certain instances of material noncompliance with the Business Rules during the Evaluation Period as described in Attachment A to this report.” Each of the exceptions found by E&Y contribute to its qualified opinion on the extent to which Ameritech Michigan complies with the Business Rules when it provides the Commission, other regulators, and CLECs with its monthly reports of performance measurement results. Because the problems and exceptions are so widespread and pervade the system to the extent they do, E&Y provides only a qualified attestation:

In our opinion, considering the Company’s interpretations of the Business Rules discussed in Attachment B and *except for the material noncompliance described in Attachment A*, the Company complied, in all material respects, with the Business Rules during the Evaluation Period.

(Report of Independent Accountants at 1, (emphasis added).

40. BearingPoint also has made findings that are consistent with, but are more expansive than, those found by E&Y. But BearingPoint’s findings come as a result of a far more robust testing methodology than that employed by E&Y. The E&Y attestation engagement was initiated by Ameritech Michigan without any collaboration with the industry, and its methodology suffers from the limited engagement that Ameritech Michigan gave it. In contrast,

the Michigan Master Test Plan (“MTP”) – BearingPoint’s roadmap – was the product of industry-wide meetings, give-and-take, and informed consensus on what to test and how testing would be conducted and reported. In fact, Ameritech Michigan was adamant that the BearingPoint test conform to New York style testing, which included performance measures auditing as described in Section IV of the MTP. Since beginning the 3<sup>rd</sup> party test, BearingPoint has issued 19 Exceptions and 169 observations<sup>3</sup> to attempt to resolve detected problems specifically with Ameritech Michigan’s performance measurement processes and systems. Of these, 13 Exceptions and 59 Observations remain open pending Ameritech Michigan action to correct the processing of measures data

41. By way of comparison, BearingPoint’s methodologies for conducting the performance measures audit require five (5) specific types of tests that are interwoven such that there will be confidence that the system is operationally stable and produces results that are reliable for the Commission, and others, to determine the nature and levels of service provided by Ameritech Michigan to its competitors. These are enumerated in the following paragraphs:

42. **PMR1** – Data Collection and Storage Verification and Validation Review – to determine the adequacy and completeness of key policies and procedures for collecting and storing performance data. This test will also evaluate the extent to which Ameritech’s operations are consistent with the policies and procedures – i.e., are the policies and procedures being followed consistently.

43. **PMR2** – Metrics Definitions and Standards Development and Documentation Verification and Validation Review – to determine the adequacy and completeness of key

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<sup>3</sup> These Exceptions and Observations have applied in some cases to Michigan alone and in other cases to one or all of the Ameritech states.

procedures for developing, documenting, and publicizing standards and definitions for performance metrics.

44. **PMR3** – Metrics Change Management Verification and Validation Review – to determine the adequacy and completeness of key procedures for developing, conducting, monitoring, and publicizing change management of the performance metrics. This test will also evaluate the extent to which Ameritech’s practices and procedures used to effect change in the performance metrics systems conform to the documented Ameritech change management process for performance metrics. Additionally, this test will analyze the policies and procedures used by Ameritech to recalculate applicable payments when performance remedy metrics are restated by the company.

45. **PMR4** – Metrics Data Integrity Verification and Validation Review – to determine the integrity of key procedures for processing the data necessary for the production of performance metrics.

46. **PMR5** – Metrics Calculations and Reporting Verification and Validation Review – to determine the accuracy of recent metrics calculations and to verify that the metrics as produced by Ameritech are consistent with its documentation and stated objectives. In the case BearingPoint finds test results that fall short of its expectations and requirements, it has two standards for reporting the nature and severity of the problem in the context of the evaluation criteria provided in the MTP: BearingPoint can issue an **Observation**, which means that the tester determines that a test reveals one of Ameritech’s practices, policies, or system characteristics might result in a negative finding in the final report. BearingPoint can also issue an **Exception**, which means that it has determined that a test reveals one of Ameritech

Michigan's practices, policies, or system characteristics is not expected to satisfy one or more of the evaluation criteria defined for the test.

**(3) Interpretations: Each Of The Business Rule Interpretations Noted By E&Y Is An Instance Of Ameritech Michigan Not Complying With The Business Rules Because The Ameritech Michigan Interpretation Has Not Been Approved By The Commission Or Agreed To By The CLECs.**

47. The Business Rules are the guidelines that define the manner in Ameritech Michigan's results for the performance measures must be calculated. Each performance measure thus has one or more Business Rules that serve as an interpretive guide to implementing its calculation. The Business Rules dictate things such as the circumstances in which a particular transaction must be excluded from the measurement, the start and end times for interval measurements, and the like.

48. The process employed by E&Y called for E&Y to read the Business Rule and formulate an opinion as to its literal meaning. If E&Y's interpretation differed from Ameritech Michigan's, Ameritech Michigan would explain to E&Y the reasons for its interpretation, and then E&Y would decide whether the interpretation was reasonable. If E&Y found the explanation reasonable, the initial disagreement was not reported. It is my understanding that the initial disagreements were recorded as "issues" and maintained in an Issues Log by E&Y. (Ameritech Michigan has maintained that the Issues Log is a confidential document and has refused to make it generally available in this proceeding.) If E&Y found the explanation not to be reasonable, the disagreement was reported. The latter half of this approach can be gleaned from the following exchange at the October 14-18 Technical Conference:

MR. CONNOLLY: But these interpretations, are they where -- as they're provided in the report -- are they where Ernst & Young's interpretation is seemingly different from Ameritech's?

MR. HORST: No. We're saying, "The way you implemented this business rule is not literally in agreement with the 1.8 version of the business rules."

MR. CONNOLLY: But you're judging the literal interpretation of it?

MR. HORST: Yes. Yes.

MR. CONNOLLY: So when you read it, you read it this way, and you talk to Ameritech and they read it a different way?

MR. HORST: Right.

MR. CONNOLLY: That's an interpretation issue.

MR. HORST: That's correct. Well, as opposed to an error.

(Tr.4707)

49. Ameritech Michigan and the CLECs conduct regular evaluations of the Business Rules in a process called the "six-month review." Through that process, suggested changes to the Business Rules have been made, discussed (perhaps for an extended period of time), and if acceptable to all the parties, proposed to the Commission for approval. Mr. Ehr discusses this process at paragraph 14 of his affidavit.

50. Given their function as the foundation for calculating each performance measure, the Business Rules need to be expressed in plain, unambiguous terms. The parties who develop the performance measures and the Business Rules – CLECs and Ameritech Michigan – are, of necessity, very close to the nature of the operation that is the subject of the measurement and use the terminologies and shorthand phrases that are not as well understood by others who later become involved in administering the system of performance measures. The performance measures cannot be unilaterally derived; they must be the product of balanced collaboration. Nor can they be interpreted unilaterally. Jointly negotiated performance measurements have nuances that each side has contributed in reaching agreement. E&Y, therefore, is at a severe disadvantage when it comes to interpreting the Business Rules. It was not a party to the past or current Business Rule negotiations. It has had no opportunity (nor, should I mention, has it

sought an opportunity) to inform itself of CLEC perspectives on the current or future Business Rule interpretations.

51. A CLEC that may come to question a series of operational results published by Ameritech Michigan may find that its interpretation of the Business Rules gives support to a claim against Ameritech Michigan for not achieving results – based on the CLEC’s data – that are inconsistent with the published results. These time consuming and frustrating problems are avoidable when the ambiguity of Business Rules language is removed. Many of the proposed changes in the current round of six-month review of the existing performance measures are intended to rephrase Business Rules for that express purpose.

52. As E&Y is unfamiliar with the drafting and crafting of the Ameritech Michigan Business Rules, except, as explained to it by Ameritech Michigan, its identification of interpretation issues is meaningful input that Ameritech Michigan should bring to the six-month review process. As Mr. Ehr points out in Attachment Q to his affidavit, many of the interpretation issues noted by E&Y are under discussion in the current review. What is not clear in that Attachment is whether the E&Y review and the current proposed changes to the Business Rules aligned to resolve this issue. Mr. Ehr should make clear the Ameritech Michigan perspective on the extent to which the E&Y ambiguity is being addressed by specific language proposals within the current red-lined version of the proposed revisions to the performance measurements.

53. What is clear, however, is that the red-lined versions of the Business Rules being discussed are not in effect and have not been agreed to by the CLECs (or approved by the Commission). Accordingly, E&Y is mistaken when it advises in its footnote 3 to Attachment B

of its report that the CLECs' failure to respond to date has resulted in their agreement to certain changes:

The Company represented that discussions were held regarding proposed changes to the current Business Rules at the most recent six-month review. These proposed changes have been incorporated by SBC into a red-lined version of the Business Rules that were circulated to the CLECs. The Company also represented that a time period was established to comment on the red-lined version of the Business Rules which has now expired and the interpretations noted in Attachment B as being approved were not disputed by the CLECs during this process. The Michigan Public Service Commission has not approved the proposed changes to the Business Rules as of the date of this report.

54. The six-month review does not function as Ameritech Michigan has represented to E&Y. The CLECs and Ameritech Michigan have been working to revise the performance measurements in the six-month review process. That process is an agreed-to way of adding new measures, removing measures that are no longer needed, and changing measures that require fine-tuning based on the industry's experience with the underlying operations or the ways in which the measurement has been implemented and *interpreted*. However, there is no "time period" during which the CLECs must comment, with the consequences being the automatic acceptance of Ameritech Michigan's version of the Business Rules. As Mr. Ehr admitted at the Technical Conference, the six-month review process continues:

MR. REIDY: CLECs can still propose changes to the performance measure's business rules right now?

MR. EHR: I believe our facilitator is trying diligently to try and bring this to an end, and I agree with him, and I know Ameritech has been guilty of late proposals. But I agree, since we have not filed a joint motion, any party can still make any proposal.

MR. REIDY: In fact, Ameritech could make another proposal as well, correct?

MR. EHR: Ameritech could, as could AT&T.

MR. REIDY: And no party has agreed to implement the performance measurement business rules that are being discussed now early in any matters in terms of a stipulation?

MR. EHR: Nobody has agreed to implement any of those business rules. But clearly those business rules require interpretation to be implemented, and Ameritech has been very up front in the six-month review and identified where interpretations have been made that have not been strictly supported by the letter of the business rule.  
(Tr. 5030)

55. Thus, the fact that red-lined versions of the proposed changes have been circulated among the parties does not signify anything more than the fact that the discussions are centered on a series of proposals that are in progress – they have not matured to agreement or acceptance by CLECs or by Ameritech Michigan. Further, as acknowledged by E&Y, the Commission has not approved any of these changes. The only Business Rules in effect are those identified in the Joint Motions filed by the parties (and approved in the Commission’s July, 2000 Orders in Case No. U-11830), and are as noted in E&Y’s report. Supplemental Report, at p. 1 (“Business Rules” refer to Version 1.8\_05\_20\_02 of the Ameritech Performance Measure User Guide as set forth in the Michigan Public Service Commission Order in Docket No. U-11830, as amended.”)

56. E&Y’s misconception that certain Business Rule change proposals are *approved and effective* manifests itself in 19 of its 49 interpretation issues.<sup>4</sup> In two additional areas, Interpretations 22 and 39, E&Y reports that a proposal has been advanced to change the performance measure in the context of the current review cycle, but does not conclude that there has been acceptance on those changes. It is unclear what gives rise to these not being “accepted” and the other 19 being “accepted”, since no closure has been reached on *any* of the proposed changes.

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<sup>4</sup> Interpretations 1, 4, 6, 10, 11, 16, 17, 18, 20, 23, 26, 31, 33, 34, 37, 40, 41, 46, and 49 are noted by E&Y as having been agreed to or accepted by the CLECs.

57. E&Y did not properly conduct its audit regarding these interpretation disputes. E&Y seems to have been aware that only the Commission may approve new Business Rules; yet, E&Y apparently was swayed to Ameritech Michigan's new interpretation of a Business Rule in numerous instances. E&Y apparently believed it could appropriately be persuaded by a party as to whether the current or a proposed Business Rule applies, but it sought only Ameritech Michigan's view. To AT&T's knowledge, E&Y consulted with no party other than Ameritech Michigan. At the very least, E&Y should have consulted with Staff or the Staff's facilitator to determine whether a dispute existed. It did not. E&Y also did not seek any opinion of the CLECs while conducting its attestation engagement as to the status of proposals to effect change to the existing performance measurements system.

MR. TRABARIS: These interpretations, these are Ameritech told you that the CLECs agreed to these interpretations?

MR. HORST: I believe we actually had the document which indicated which ones had been preliminarily agreed to.

\* \* \*

MR. TRABARIS: But these documents came from Ameritech?

MR. HORST: Yes, they did come from Ameritech.

MR. TRABARIS: And you didn't talk to any CLECs and determine whether these documents are accurate?

MR. HORST: No, we did not.

Tr. 4709-4710.

58. In the Ehr affidavit, (See ¶¶ 193-195) the interpretations are discussed and Ameritech Michigan contends that these are, for the most part, not problems, as its interpretation "is correct and appropriate." Ameritech Michigan has absolutely no basis for such an assertion. Indeed, the only other party to review Ameritech Michigan's interpretations was E&Y, and clearly E&Y found the Ameritech Michigan interpretations suspect, otherwise no interpretation would have been reported. Thus, even though the only party to consider the interpretations disagrees with them, Ameritech Michigan states unequivocally that its interpretation is the right

one. The Commission has not accepted (or even been presented with) such statements and certainly has not ruled in favor of any approach. E&Y had no basis for concluding that Ameritech Michigan's interpretation was valid.

59. E&Y notes 21 Interpretations that involve proposed Business Rule language changes. However, Ameritech Michigan provides no indication of what corrective action would be taken to resolve the Business Rule language or other discrepancy and indicates that the discrepancy has no impact on June through August reported results. These conclusions have no basis in fact, and the Commission should disregard them.

60. Ameritech Michigan intends to take specific corrective action on a mere six (6) of the Interpretations involving 17 performance measures that are affected. (Ehr Affidavit Attachment Q) The corrective steps that are described are so vague as to make them unconvincing that they will actually address the problems found by E&Y and the Ameritech Michigan claim that these corrections will have no impact on June to August results is dubious.

61. Because Ameritech Michigan's interpretations of the Business Rules have not been validated, each of the 97 measures affected by the interpretation reported by E&Y must be considered an incident of non-compliance.

**(4) Controls: The Absence Of Effective Controls In The Ameritech Michigan Processes Contribute To The Erroneous Reported Results**

62. In addition to its report on the significant non-compliance with established Business Rules for performance measures, E&Y evaluated the Ameritech Michigan system of controls that surround the processes to determine their adequacy and practice.

The Company's management is responsible for maintaining effective controls over the process to calculate and report accurate and complete performance measurements in accordance with the Business Rules. Our responsibility is to express an opinion based on our examination.

(October 18, 2002 Report of Independent Auditors, at 1.)

E&Y found controls missing in critical areas of the Ameritech Michigan performance measures system:

[C]ertain processes used to generate performance measurements, primarily related to the manual collection and processing of data and computer program coding and modifications, *did not include certain controls* to ensure the accuracy of the reported performance measurements.

*Id.* (emphasis added).

63. The absence of these controls is directly connected to the frequency of restatements and in the case of the introduction of OSS interface changes in April, 2002, the missing controls allowed pre-ordering and ordering results for April and May to be incomplete. Mr. Ehr asks that Ameritech Michigan be forgiven its absence of controls for three reasons (See Ehr at 197) “1) Initial implementation of the performance measures in the year 2000; 2) Implementation of the LASR application as part of the Plan Of Record (“POR”) release in April 2002, and 3) the execution of certain manual activities required in the monthly performance measure result generation process.”

64. The 2000 implementation of the performance measurements was related to the merger of SBC and AIT, but all timelines, deadlines, and obligations to effect the performance measurement system were agreed by the merging companies. That the system was implemented *sans* controls such that the E&Y audit two years later notes missing controls should be an embarrassing admission by Ameritech Michigan of its failure to be diligent in its operation of the performance measurement system and its OSS.

65. The implementation of the LASR interface in April 2002 was brought about by the SBC-AIT merger also, in that SBC-AIT agreed to implement uniform OSS interfaces and

uniform business rules for those interfaces as a condition for FCC approval of the merger. Once again, the timetables for implementation were agreed upon by SBC Ameritech and the April implementation was certainly no surprise for the performance measures ramifications of the LASR interface. SBC Ameritech decided to incorporate the LASR system into the Ameritech region to meet its POR obligations.

66. In February, 2002 BearingPoint issued Exception 41 when it discovered that “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.” This means it found no internal control that ensures system changes that are planned prompt Ameritech Michigan management to assess the impact of those changes on the measurements process prior to the implementation of a new interface or system change. This is the same control that E&Y reported missing and because of the lack of such controls, the LASR system was installed without consideration of the requirement for connecting it to the measurements process. The restatements would have been avoided had Ameritech Michigan implemented the control in the first place, but at a minimum when noticed by BearingPoint’s Exception that this process failure exists. E&Y does not report that the control has been established and BearingPoint holds Exception 41 open to date.

67. The extent of manual processes used in the collection, calculation, and reporting of results is Ameritech Michigan’s choice. Mr. Ehr claims that the reason not to computerize the process is “where the volume of transactions involved is not sufficient to warrant a mechanized process”. Ehr Aff., ¶ 200. That statement does not reconcile with the facts because there are several manually processed measures that involve large volumes of transactions. In its response to Technical Conference AT&T/SBC AM Question 48 (this is

Exhibit TMC-02 to my affidavit)<sup>5</sup> Ameritech Michigan displays the measures that are manually collected, calculated, and reported. These include such measures as PM 20 “Unbillable Usage,” which averaged 198 million transactions during the June to August period; PM 25 “Local Operations Center Grade of Service,” which averaged more than 54 thousand transactions each month; PM 79 “Directory Assistance Grade of Service” and PM 80 “Directory Assistance Average Speed of Answer,” which both averaged in excess of 8 million transactions each month. Many of the mechanized measures, i.e., those not indicated in the Ameritech Michigan response to AT&T/SBC AM 48 involve far lower volumes than are some that are manually processed. Transaction volume is not a clear indication of whether a measure is manually processed, contrary to Mr. Ehr’s statements in his affidavit

**(5). Summary of the Ernst & Young-detected Errors, and Deficiencies**

68. The Ameritech Michigan system is comprised of 149 separate measures in 18 different groups representing the support functions and checklist items that have been agreed by the parties and approved by the Commission. Through its audit of Ameritech Michigan’s implementation of the measures, E&Y has found 128 individual measures that have either been restated, need to be restated, are not in compliance with the Business Rules or that have interpretations that conflict with the plain language reading that E&Y gives them. This is an astonishing rate of failure – **86%** in error for the months of March, April, and May. While some of the problems have been fixed, the test of the corrections will not be known to be successful for

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<sup>5</sup> Pursuant to the Commission’s September 16, 2002 order, AT&T (and other parties) submitted questions to E&Y, BearingPoint and Ameritech Michigan prior to the October 14-18 Technical Conferences. Some of these questions received written response; others received an oral response during the Conference.

some time. The promise of a future compliance audit (Ehr Aff., ¶ 202) may be helpful, but it cannot be convincing demonstration that the problems found by E&Y have been fixed.

69. The chart referred to in Paragraph 13 above and attached as Exhibit TMC-01 shows the minimum extent to which E&Y found that Ameritech Michigan's implementation of the Business Rules is flawed, from a number of different perspectives. It corresponds to the flaws in the Ameritech Michigan system that have been found to date, and provides needed context for Mr. Ehr's remark that "70% of all of the [E&Y] identified errors are scheduled for correction by year-end." (Ehr Aff. ¶ 191.) This chart directly rebuts Mr. Ehr's wholly unsupported claim that "taken in context, it is clear that Ameritech Michigan's reported performance results are reasonably accurate and reliable." (Ehr Aff. ¶ 182.) The performance results are not accurate, and they are not reliable. The chart shows, on a conservative basis,<sup>6</sup> the extent to which Ameritech Michigan's March to May results are inaccurate even as found by its own auditor. This chart demonstrates the significant flaws in the Ameritech Michigan systems, and thereby counters the conclusions reached by Mr. Ehr.

70. First, the system is unstable, which results in a high number of restatements that are necessary to correctly report previous reports that are erroneous. This pattern existed for the months of March through May, and it does not improve in the Ameritech Michigan submitted data for the months of June through August. Thus, Ameritech Michigan cannot claim that the published reports are accurate. Moreover, as evidenced by my analysis of the October

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<sup>6</sup> In preparing this chart, I do not show each problem detected for each performance measure. If a measure has multiple restatements, or multiple errors or has multiple interpretation issues, I only show the measure once per type of E&Y exception. If I enumerated each of the measures and each of the problems that infect the measure, there would be far more "X" indications in this chart. The chart is an indicator of the extent of problems and not a complete inventory of the errors detected by E&Y.

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restatements, March through May continue to undergo further revisions. If Mr. Ehr had prepared his Attachment R to be forthcoming about the impact of the Interpretations on June through August results, that would also show that more restatements will be necessary.

71. Second, TMC-01 also shows which performance measurements are to be restated – a number of these are for measures that have been restated in prior months – on the basis of prospective changes that E&Y notes are necessary. As Mr. Ehr explains through his Attachment Q in the Prospective Changes section, more restatements will be made for June through August also.

72. TMC-01 further demonstrates errors that E&Y has found in the processes, operations, and measurements that need to be corrected to bring the Business Rules into compliance with the agreed-upon language.

73. Finally, TMC-01 shows where E&Y found problematic interpretations in Ameritech Michigan's implementation of the business rules. As I explain (elsewhere), these interpretations are likely to be considered in the six-month review process, but as they stand today, the column indicates a source of probable dispute between Ameritech Michigan and CLECs on the meaning of the Business Rules.

74. In sum, E&Y identified 268 defects (exceptions, restatements, interpretations, etc.) across the 149 performance measures.

75. The number and nature of the restatements, exceptions and interpretations indicate the Ameritech Michigan's performance measurement systems are not stable and are thus incapable of producing accurate, reliable performance data. Accordingly, the Commission has substantial and indeed conclusive grounds for rejecting the three months of performance data submitted by Ameritech Michigan for failure to comply with the Commission's requirements.

**C. E&Y Reports Its Audit Results Based On A Methodology That The Commission Has Not Embraced And That Is Inadequate**

76. The goal of third party testing of an incumbent's OSS, including its a performance measure system, is to achieve operational stability of that system. The most expeditious way to achieve that stability is to conduct a carefully crafted and thorough test of the systems, including the retesting necessary to remedy defects that are identified in the course of the test. That is precisely what the Commission has called for through the BearingPoint OSS test. With regard to the validation of the Ameritech Michigan performance measurements reporting systems, the parties collaboratively designed and incorporated into the MTP a comprehensive review of these systems. The performance measurement portion of the MTP is principally the Performance Measures Audit. (Michigan Master Test Plan Version 3.0, April 2, 2002 at Section IV "Performance Metrics Audit Test.")

77. While E&Y's Business Rules audit found many systems, process and operations errors, the limited nature of E&Y's approach suggests that a great many more such errors went undetected. Further, the E&Y approach provides no verification or assurance that any of the problems that were found have been effectively corrected. The limitations found in the E&Y "audit" methodology are not resident in the MTP approach managed by BearingPoint.

78. The third-party approach approved by the Commission had as its basis the comprehensive, military-style testing approach perfected by BearingPoint (then KPMG Consulting) in the test of Verizon's (then Bell Atlantic) systems in New York. In Michigan, the MTP was developed through several months of collaboration with industry participants, using the New York test as a template. In fact, Ameritech Michigan insisted that the test plan incorporate the test approach used in New York, i.e., a test that would enable it to implement corrections to its systems within the context of the test to avoid getting a report at the end of the

test that showed failing results. The MTP's "military-style" testing, also referred to as "test until pass" has proven to be the accepted methodology by it being the basis for 7 of the 14 FCC 271 applications that have been approved.

79. Military-style testing ensures that the systems are reliable and stable after the testing is complete. Problems that are detected are recorded as Observations or Exceptions depending on severity and retesting is performed once Ameritech Michigan implements a correction to the failed system, operation, or process. The end-to-end process provides assurance that the system being tested has been remedied. This is not to say that there will be no future problems with system components: rather it means that detected problems have been sufficiently resolved or adequately remedied.

80. The lack of military-style testing is the critically important defect in E&Y's approach to its audit. When problems were uncovered, E&Y noted them and asked Ameritech Michigan to explain what it did to fix the problem, or what it intended to do. If E&Y agreed with the stated approach to the fix, E&Y considered its work for the exception resolved. Thus, in contrast to the BearingPoint testing methodology, in the E&Y audit approach there is no way of knowing whether the fix (a) actually took place (in the case of a prospective action) (b) actually fixed the problem, or (c) ended up creating other problems. BearingPoint, on the other hand, waits until the fix takes place and then retests until the affected system(s) pass. The BearingPoint approach eliminates doubt regarding the fix created by the E&Y approach, and provides confidence that the systems are reliable going forward. It therefore should not be a surprise that the Section 271 Applications noted above were approved on the basis of military-style testing.

81. As a final note on methodology, I point out that by issuing its report in the style of an auditor, E&Y does not identify those problems in the manner typical of reports of systems issues, with which I am familiar. E&Y states in its “Report of Independent Accountants”:

In our opinion, considering the Company’s interpretations of the Business Rules discussed in Attachment B and except for the material noncompliance described in Attachment A, the Company complied, in all material respects, with the Business Rules during the Evaluation Period.

82. E&Y perhaps felt itself constrained by the rules surrounding attestation audits, but that, I believe, is the point. A report that attests to “qualified” success and then ignores serious flaws in the systems examined is the wrong form for this kind of work, or, even worse, highly subject to manipulation by other parties.

83. I would find it hard to believe that the Commission can credit the “audit-speak” statements of E&Y – they make little practical sense and provide no real information for the Commission to evaluate. Unlike E&Y, however, I am not an auditor and I was not engaged to opine on Ameritech Michigan’s compliance. My affidavit points out the many faults I have found in Ameritech Michigan’s performance reporting systems through my analysis of the E&Y report and by closely monitoring the work of BearingPoint during its OSS test. I believe this to be a more credible (and helpful) approach – rather than simply giving a “qualified” thumbs-up which is the same as a thumbs-down, as E&Y has done.

**D. The Fault For The Delay In Completing The BearingPoint Testing Rests Solely With Ameritech Michigan, And The Commission Should Not Jeopardize The Safeguards It Established In Requiring The BearingPoint Testing By Allowing Ameritech Michigan To Short-Circuit The Process.**

84. Ameritech Michigan advised the Commission in its July 30 Notice of Intent to Request a Draft Final Report from BearingPoint that the testing which began in January 2001 was nearing completion, with the exception of data integrity and recalculation testing of the performance measure system. In that Notice, Ameritech Michigan stated that:

Based on SBC's active participation during all phases of KPMG's work, SBC believes that the PPR testing is *near completion at this time*. SBC further believes that KPMG has substantially completed the TVV testing and that it will be *completed or near completion by end of August 2002*. With regard to the PMR, SBC believes that PMR-1 (Data Collection and Storage), PMR-2 (Metrics Definitions and Standards Development and Documentation), and PMR-3 (Metrics Change Management) portions of the review should be *substantially completed in August* as well. Although there is progress on the two remaining portions, PMR-4 (Metrics Data Integrity) and PMR-5 (Metrics Calculations and Reporting), SBC does not expect that KPMG will complete these sections of the audit by the end of August. [Emphasis added.]

85. Ameritech Michigan gave the Commission an update on this testing progress in its September 5, 2002 Notice to the Commission, stating as follows:

KPMG's PPR testing *is complete* at this time. KPMG has *substantially completed all material aspects of the TVV testing*; any remaining open issues should not delay the 271 review process in Michigan, including the issuance of a draft report at this time. In other words, even if each of the individual open TVV issues were found to be "not satisfied" or "inconclusive" by KPMG, the evidence as a whole will show that SBC's OSS interfaces meet the legal standards established by the FCC. With regard to the PMR, SBC has provided to KPMG *all the documentation and information that KPMG needs to complete its evaluation* for PMR-1 (Data Collection and Storage), PMR-2 (Metrics Definitions and Standards Development and Documentation), and PMR-3 (Metrics Change Management). KPMG is in the process of validating this documentation. Although there is steady progress for the two

remaining portions, PMR-4 (Metrics Data Integrity) and PMR-5 (Metrics Calculations and Reporting), SBC does not expect that KPMG will complete these sections of review in the near term.

(emphasis added)

86. The Commission granted Ameritech Michigan’s request, and issued an order directing BearingPoint to product a Draft Final Report, based on the extent of testing that it had been able to complete for Michigan by August 30, 2002. A tabular summary of that report follows:

Test Family	Number of Evaluation Criteria				Total
	Satisfied	Not Satisfied	Indeterminate	Not Applicable	
Performance Metrics Reporting (5 tests)	26	133	117	27	303
Processes and Procedures Review (16 tests)	270	3	9	3	285
Transaction Verification and Validation (9 tests)	158	29	8	2	197
<b>TOTAL</b>	<b>454</b>	<b>165</b>	<b>134</b>	<b>32</b>	<b>785</b>

In its October 30, 2002 Report, reflecting testing that has been completed BearingPoint reports the following statistics:

Test Family	Number of Evaluation Criteria				Total
	Satisfied	Not Satisfied	Indeterminate	Not Applicable	
Performance Metrics Reporting (5 tests)	30	136	108	29	303

Processes and Procedures Review (16 tests)	299	1	3	10	313
Transaction Verification and Validation (9 tests)	166	24	5	2	197
<b>TOTAL</b>	<b>495</b>	<b>161</b>	<b>116</b>	<b>41</b>	<b>813</b>

The additional Process and Procedures test results that are provided in the latter report are due to the inclusion of test evaluations from the PPR5, Interface Development -- (Billing Interfaces) Evaluation Criteria and Results and PPR7, Manual Ordering Processing Evaluation dealing with Directory Listing ordering procedures.

87. Other than Ameritech Michigan’s obvious inability to predict the speed at which it would proceed through testing and retesting of Process & Procedure tests and Transaction Verification & Validation testing, its general prediction of eventual success is correct. The issue that has been its bane – and it is one of its own choosing – is the speed with which it proceeds to resolve BearingPoint identified problems in the Performance Measurement Reporting test.

88. The problems extant in Ameritech Michigan’s performance measurement systems are not unusual. All ILEC 3<sup>rd</sup> Party performance measurement tests that led to Section 271 approval have revealed problems in the performance measurement systems, which the carrier then corrected. The difference, and the cause of the delay, in this instance is the failure of Ameritech Michigan to take the problems seriously and make a suitable effort to address them.

89. Ameritech Michigan's lack of diligence in addressing the problems identified by BearingPoint is, if anything, more of a concern than the problems themselves, as it evidences an unwillingness to take its non-discriminatory access obligations seriously. Unresolved problems in PMR4 and PMR5 testing account for 64 of the 105 remaining Observations and Exceptions in BearingPoint's testing. However, when I personally observe the Ameritech Michigan participation in the weekly BearingPoint-hosted conference calls that provide the opportunity for Ameritech Michigan to describe corrective action it is taking to resolve PMR issues, Ameritech Michigan representatives effectively do not even participate. Rather, they "defer one week" any discussion or proposed resolution of the issue more often than not. This is the direct (and really only) cause for the test taking longer than scheduled. Observation 461's history provides a representative example of Ameritech Michigan's lack of participation. This Observation which identifies that Ameritech Michigan calculates performance under measure 14 "Billing Accuracy" for the Other Unbundled Network Elements disaggregation in a manner that is not in compliance with the business rules has not been resolved for six months. I attach as Exhibit TMC-04 a copy of the Observation from the Commission's OSS test web site and provide the history of Ameritech Michigan asking for deferral of discussion on the resolution of the problem 20 separate times. The history is tracked by BearingPoint and reflects the events of the "Tuesday" Observation and Exception conference call held between Ameritech Michigan, BearingPoint, and Staff.<sup>7</sup> I attach a copy of Exception 47 "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." and its history

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<sup>7</sup> Note that CLECs may "monitor" these calls, but may not participate except to ask "clarifying" questions.

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record to further note the lack of serious attention paid to resolving Exceptions by Ameritech Michigan in Exhibit TMC-05. This Exception was issued in February and remains unresolved to date. Ameritech Michigan's dilatory behavior is also highlighted by comparison with the cooperation provided by other ILECs in the testing of their performance measurement systems. For example, the third party OSS test in the Qwest territory (13 states) was administered by BearingPoint (albeit under its prior name KPMG Consulting) and similar to the Ameritech Michigan test, featured an audit of the Qwest performance measure system. Consistent with the requirement to audit the Qwest performance measure system, using a somewhat different concept of responsibility for the audit, the ROC test employed a different firm to function as the auditor, Liberty Consulting Group ("Liberty"). The Liberty audit comprised like tests for Qwest as described in the Michigan MTP, i.e., Section 8.2 of the ROC MTP Version 5.2, April 9, 2002 states as the objectives of the Performance Measurements Audit:

- Validate that all aspects of Qwest's processes, procedures, business rules, calculation methods, etc. used in measuring wholesale operations processes are valid and that Qwest personnel adhere to those processes
- Provide a qualitative assessment of the process for developing wholesale and retail measurements

In this respect, Liberty was responsible to administer the auditing principle described in the ROC MTP – "Rigorous, scientific measurement of any process, quantity, etc. requires that the measurement processes, standards and yardsticks themselves be validated in a rigorous, scientific manner." Not unlike BearingPoint's Ameritech Michigan experience, Liberty found that it could not replicate Qwest's reported results across multiple performance measures and found that Qwest did not conform its system to the business rules. Liberty, like BearingPoint, used

classifications of problems according to a defined testing process, agreed among the 13 state commissions, the testing agents, Qwest and the CLECs:

An Observation or Exception will provide Qwest with an early warning of an issue uncovered during the course of the test that, if left unresolved, may result in one or more negative findings in the Final Report. Issues may be found with respect to the various Qwest components under evaluation such as practices, procedures, policies, business rules, systems, or documentation. Issues may also be raised addressing obstacles to the execution of the test.

An Observation is a means of identifying a potential deficiency in a Qwest component that *may* result in a negative finding in the Final Report. Observations are meant to alert Qwest, and all concerned parties, of the existence of potential deficiencies so that they can be addressed in a timely and satisfactory manner.

An Exception is a means of identifying a deficiency in a Qwest component that is expected to result in a finding of “Not Satisfied” for one or more evaluation criteria in the Final Report if left unresolved. Exceptions are meant to alert Qwest, and all concerned parties, of the existence of deficiencies so that they can be addressed in a timely and satisfactory manner.

90. Liberty’s findings were received by Qwest and acted upon or given more appropriate attention than the BearingPoint problems have been received by Ameritech Michigan. Liberty raised 46 Exceptions in the testing period from August 2000 to December 2001. Its 38 Observations were issued between August 2000 and March 2002. While Ameritech Michigan’s system has been found to be more saturated with errors across the five performance measurement testing areas, it has failed to be as responsive as Qwest was in resolving problems. I believe Qwest’s response shows a much higher level of commitment to addressing and resolving performance measure problems than Ameritech Michigan has demonstrated. This significant difference in corporate commitment explains the reason that Ameritech Michigan’s history of performance measure problem resolution is orders of magnitude different. BearingPoint issued its first performance measure Exception in July, 2001 and its first

performance measure Observation in September, 2001. When contrasted with Qwest's response, the fact that 13 Exceptions and 59 observations for PMR testing remain open to this date is strong and convincing evidence of the lack of Ameritech Michigan's commitment to the completion of testing.

91. Another recent Section 271 testing analog is the Verizon Virginia test, which was also conducted by BearingPoint and was governed by a Master Test Plan that closely resembles the Michigan plan. In the Verizon Virginia test, BearingPoint issued PMR Exceptions between the months of October, 2001 and February 2002, and Observations between August 2001 and February, 2002. Verizon worked on the underlying problems with sufficient determination and resolve to care for the defects by mid-April 2002.

92. The lengthy delays in resolving Michigan observations and exceptions have been caused solely by Ameritech Michigan. These avoidable delays must be placed at Ameritech Michigan's door-step and not at the Commission's, BearingPoint's, or CLECs. Had Ameritech Michigan been diligent, had it been committed to resolving the BearingPoint-reported problems, the test results and the Ehr Affidavit would have been before the Commission far sooner. When I worked on the New York OSS Test during 1998 and 1999, there came a time when Bell Atlantic realized that inaction on its part was the reason the test progress had dramatically slowed. It was not responding to test Exceptions sufficiently to allow KPMG to stage, conduct, and evaluate results from retests. It became obvious when Bell Atlantic's senior management began to devote suitable time, effort, and resources to answer the KPMG Exceptions and propose the necessary solutions. Earlier this Summer in a meeting in Chicago, the KPMG Consulting executive who managed the test in New York also recalled that point

when a significant attitude shift was felt and testing got back on a progressive track. Mr. Ray Sears recalled:

MR. SEARS: I think the dam probably broke when I got a call from the executive vice president saying we're ready to test pre-orders now and we hear you are holding it up, and I said, well I'll give you the 11 trouble ticket numbers that we have open on the 11 of 12 pre-orders that don't work at all, and somebody woke up to the fact they couldn't bluff their way through this.

CHAIRMAN MATHIAS: That was the vice president of what company?

MR. SEARS: Verizon.

CHARIMAN MATHIAS: So the incumbent local exchange carrier woke up to the recognition that they had to comply with the test?

MR. SEARS. I will not pretend to know what the New York commissioner was doing during this time. I have no idea, but there was clearly a point where things - - in fact we almost became overwhelmed with the pace of things that were getting fixed and how much good stuff was being thrown at us during that time period.

CHAIRMAN MATHIAS: So the incumbent local exchange carrier became more responsive to your requests and observations?

MR. SEARS: I think there was a - - begrudging acceptance that we were right more often than we were wrong when we found problems.

(Transcript of Proceedings Before the Illinois Commerce Commission, attached to AT&T Comments, as Exhibit 1, pages 90-91.)

93. The Commission appropriately has required BearingPoint to continue its testing to fulfill the requirements of the MTP. The decision made in 2000 to use the OSS test to move the Ameritech Michigan systems to operational readiness in support of an eventual Section 271 application was the right choice and one that needs to be executed to completion. The performance measurements systems within the Ameritech Michigan OSS need to be brought into compliance with the Business Rules that the Commission approved and to do so, BearingPoint Observations and Exceptions must be responsibly addressed by Ameritech Michigan. The systems, once they are brought into compliance, can more assuredly be considered to produce timely, accurate, and complete reports of Ameritech Michigan's operations in the wholesale and

retail markets. Until that occurs, the Commission will not have an accurate gauge of the extent of competition in Michigan nor the ways in which Ameritech Michigan has approached satisfying its Section 271 checklist obligations.

94. This concludes my affidavit.