

Iowa Communications Network
Report on Controls Placed in Operations for
Dial-Around Compensation Services
As of March 31, 2011

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INDEPENDENT SERVICE AUDITOR'S REPORT

To the Board of Directors
Iowa Communications Network
Des Moines, IA

We have examined the accompanying description of the controls at *Iowa Communications Network (ICN)* applicable to recordkeeping, reporting, and payment provided to payphone service providers serviced through the switch. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of ICN's controls as it related to PSP compensation, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and (3) such controls have been placed in operation through March 31, 2011. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

We did not audit the controls in place at third parties associated with ICN's PSP compensation. Those controls as related to PSP compensation were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for ICN, is based solely on the report of the other auditors. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the accompanying description of the aforementioned controls of ICN, presents fairly, in all material respects, the relevant aspects of ICN's controls that have been placed in operation through March 31, 2011. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that dial around compensation objectives, as documented in FCC Order 96-128 and related Orders, would be achieved if the described controls were complied with satisfactorily and third parties applied those aspects of internal control contemplated in the design of ICN's controls.

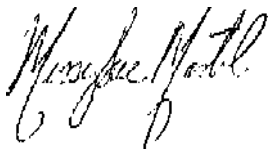
In addition to the procedures we considered necessary to render our opinion as expressed in the prior paragraph. This information has been provided to all interested parties. In our opinion, the controls that we tested are operating with sufficient effectiveness to provide material and reasonable assurance that the control objectives were achieved during the period between April 1, 2009 and March 31, 2011. The specific control objectives and controls and the nature, timing, extent and results of the tests are listed in Section V.

The relative effectiveness and significance of specific controls at ICN and their effect on assessments of control risk for PSPs are dependent on their interaction with internal control, and other factors present at PSPs and PSP aggregators, as well as the internal controls of third parties involved in ICN ' processing of PSP dial around compensation. We have performed no procedures to evaluate the effectiveness of internal control at any third party associated with this process.

The description of controls at ICN is as of March 31, 2011 and information about tests of the operating effectiveness covers the period from April 1, 2009 to March 31, 2011. Any projection of such information into the future is subject to the risk that, because of change, the description may no longer portray the system in existence. The potential effectiveness of specific controls at ICN is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in the processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for use by management of ICN Telecommunications, PSPs and other vendors of interest, the FCC in verification of fulfillment of Order 96-128, and the independent auditors associated with such organizations.

Signed,

A handwritten signature in black ink, appearing to read "Missy Sue Mastel". The signature is written in a cursive, flowing style.

Missy Sue Mastel, CPA

Mass-Tel Communications

August 8, 2011

Section II: Operation and Internal Controls Review

Overview of Operations

Iowa Communications Network (ICN) continues their relationship with Atlantax, Inc. to provide an outsourced solution to the record-keeping, validation and payment of Dial-Around Compensation requirements. To that end, much of the process described in the current processing and handling of Dial-Around Compensation (“DAC”) is internal to Atlantax and has been audited by independent auditors. While we may reference aspects from their report in describing the overall process, we have not audited these systems and processes, and are relying on the information provided and audited by Atlantax and their independent auditors.

DAC is the system whereby owners of payphones are compensated when a user places a calling card or other dial-around service to place a long distance call. Every time a person uses a payphone to place a long-distance call and dials a long-distance company other than the one assigned to the payphone, the dialed company must pay the payphone owner a fee. Payphone service providers and aggregators bill the SBR or LEC by providing a list of ANIs, and the LEC and SBR match those ANIs to call Detail Records (CDRs) from the switch, and pay on all calls that require compensation. Since payment is only due on completed calls from properly identified payphones when dial around services are used, ICN’s Acecom program captures all relevant data pertaining to whether the call requires DAC or not.

Continuing prior year relationships, Atlantax is providing reconciliation and payment services with regard to PSP compensation for Iowa Communications Network for all the quarters under review.

As such, we have reviewed the report on internal controls verified by the Atlantax Auditors, GSA Associates. While we have not reviewed the internal controls at Atlantax, we note that they have been audited, and that we are relying on their internal controls over the processes that affect the accuracy of the PSP compensation services provided.

General Operations

ICN is responsible for the state communications network in Iowa, providing service to the city of Des Moines, the Regents, Polk County, and the public libraries and schools in the state. While the various campuses are linked through PBX Lucas Switches and a frame, each direct or PIC’d trunk that attempts to make a long distance or toll-free call is routed to the Nortel DMS 500 switch with 540 T1 switching trunks (T1 and PRI). The Nortel DMS switch processes both 800 and 1+ dialing.

Since 2nd quarter 2005, Atlantax has handled all payment, validation, and dispute management relating to dial-around compensation.

General Reconciliation Process

Atlantax, as a contracted third party, manages the PSP vendors, receives invoices relating to the BTNs under management by the various payphone providers and their associations, and submits invoices, or claim reports, to Iowa Communications Network for payment. The PSP submits their ANIs and invoices to Atlantax. Under these procedures, Iowa Communications Network relies on the ANI records or databases of the third party and provides sorted call records for reconciling to the ANI Master List maintained by Atlantax.

Each month, reports on CDRs (Call Detail Records) are generated by the Netplus Accounting system, using parameters that ensure that all eligible compensation calls appear. In particular, for ICN, all completed calls with a 27, 70, or 07 in the infodigit field are considered eligible for DAC. 29 is an uncommon digit identifier since it indicates a prison payphone.

Per discussion with Kevin Heinzeroth, Finance Director, the prison system does process calls through the DMS and subsequently the Netplus accounting system, however, the calls are made from specialized phones with debit accounts for the prisoners, and are not privately held payphones. Thus, there is no DAC due on prisoner calls. We noted in our testing that the system is reconciled under a separate program, and that none of the testing reports or dates had a 29 infodigit. Appears consistent.

The following narratives describe the payphone processes of Iowa Communications Network as of July 13, 2011. This documentation represents an end-to-end description of the payphone compensation processes for the following call scenarios identified through Mass-Tel's observations and inquiry with responsible parties at ICN.

1. 8XX Toll Free calls
2. Post Paid Travel Card calls
3. Operator assisted Calls

1. 8XX Toll Free calls

As ICN services exclusively state and government offices, calls that hit the switch are generally in-state calls for state agencies and offices. However, dialers can use 800 services that may be dialed from any domestic payphones, and these calls are tracked for dial-around compensation.

If the call is routed to a LEC switch, the LEC switch looks up the terminating ANI (i.e. ICN8XX terminating ANI) in the toll free database for routing instructions. The LEC switch determines that the terminating ANI belongs to ICN and routes the call to the Nortel completing switch.

For ICN:

- 1.1 800 calls hit the Nortel 500 exclusively, switches, and uploaded real-time via control hosts and switch apparatus mail control host at the Nortel. Connections to Lucas PBXs are all private line trunks.
- 1.2 At 2 am each morning, the control host processes a binary file which is uploaded to Acecom rating and summarizing protocol.

1.3 Each month, queries on the system are run to identify call records meeting the following criteria;

- (1) 800 number dialed
- (2) Payphone information digits recognized,
- (3) Payphone calling number is not null.
- (4) Call is answered

1.4 When criteria are met, the call records are duplicated into .txt files and FTP'd for processing by Atlantax.

1.5 Reconciliation reports are run on each batch to validate that the appropriate number of records are processed between applications. Records in this folder are not deleted from the Sonus, and are backed-up daily.

1.6 Call type, origination, and termination are trended against the established benchmarks for fraud testing.

2. Post Paid Travel Card calls

The call is routed to an access tandem switch where the call is subsequently routed to MCI's network for validation and completion. MCI assumes all responsibility for tracking and compensating PSPs.

3. Operator assisted calls

Operator assisted calls are identified using.

Operator assist calls originated in Iowa are processed by third parties. Once the calls have been authorized, the calls are routed back to ICN for completion. These calls are subject to processing described from step 1.1 onward.

All compensable records are written to the file according to the format table required by Atlantax. The file is then compressed and put into another server with public internet access so that Atlantax can access the approved records via FTP on the 5th of the month.

Atlantax performs reconciliation on a quarterly basis, whereby they compare ANIs reported by the PSPs to the database of calls provided by the Nortel switch reports, and validate the claims for payment by the PSPs. All ANIs provided by the PSPs are kept in a database with status and status codes, and are validated by the LECs.

Claim reports are sorted into various spreadsheets by carrier, by check, and by submission are available and are submitted to ICN, and once ICN validates the report and the total, the agreed-upon amount is paid via wire transfer. Atlantax makes payment to the PSPs and aggregators accordingly.

Data Integrity

Per Kelly Harrison, IT Specialist 4, and Barb Jones, DMS Switch Technician, all Netplus/Acecom records are downloaded daily and have been kept since inception.

Information related to CDRs is maintained live on the system for 13 months. Each month, these files are burned to CD and stored off-site, although the storage onsite is in a nuclear fall-out shelter. , Per Kelly, data integrity on these CDs is ensured through regular testing of the back-up data, including uploading the offline database to an archive server and restoring the data to a server which is running Informix. We further note that the DMS 500 call record tape back-ups are written over after four months, as new media was purchased in the current year to enhance storage capacity. We note that ICN pulls the CDRs daily for call rating purposes.

Reconciliation Process Detail of DAC for PSPs

We reviewed the agreed-upon procedures documentation for our understanding of the reconciliation process undertaken at Atlantax, conducted by the audit firm of McKean, Paul, Chrycy, Fletcher & Co as submitted and included in our work papers.

Atlantax is responsible for validating the files coming in from the LEC and the PSPs, creating the databases and updating them for the new information and disconnect information each quarter. A Utility program is used to process the disconnect files, then the LEC files and the PSP files (prior quarter changes are processed at the same time as the current quarter files). The processing creates reports, which are stored and archived to CD. Calls are sorted into categories by PSP and LEC, or SBR, and invalid claims, meaning ANIs without calls, and calls that are unmatched, are kept in suspense account n case the PSP will make a later claim on them.

At this point, ownership errors are identified and verified manually by Atlantax. Discrepancies in ANI reporting are attempted to be resolved first by comparing the data to prior quarter is used to try to identify the error. If the ANI is not located, it is reported to the PSP and updated to the payment information.

Once the errors have been corrected, ANI status report files are created for each PSP satisfying the reporting requirement to the PSP.

At any time during the quarter, the SBR may submit new information relating to the ownership of certain ANIs, and they are incorporated into the quarter being processed and run against the prior 6 quarters, as noted above.

Call Records

Iowa Communications Network ensures the completeness and accuracy of the call records through their CDR gathering process.

When an 800 number owned by ICN is dialed from a payphone, Qwest, the IXC for the call, sends the call to the ICN switch. The DMS receives the call and searches for an available OB trunk. The trunk routes through the Lucas switches for a phone on the campus, or grabs another Qwest trunk to route to one of the federal agencies that is their customer, and the call is attempted. The call is attempted for a full minute, and then sent

back with no answer supervision. If the call connects, then answer supervision is sent to the ICN Switch and billing time begins.

Each phone number that represents an originating payphone number is sent quarterly by PSPs for entry into the reconciliation process. New lists are compared to old lists before they are entered into the look-up table by Atlantax. All 800 calls made from payphones are sent over Qwest lines, who uses the 800 number dialed to assign the call to ICN, thus there is no opportunity for a call to be processed that is unrecognized. If a PSP number is not listed, it is not reconciled and may be unpaid. Unpaid numbers are kept in files for prior quarter reconciliation, and the detail calling is reported back to ICN within one quarter of reconciliation.

For each CDR, the system generates fields to identify origination and completion information on the call. For our testing, the CDRs have been downloaded to text files from the DMS and Netplus system. Explanations of each field are available in the customer service guide.

The underlying carrier sends DNIS and infodigits as headers for each call. The info digits identify the service originating the call. 07, 27 and 70 are used; there are no 29 info digits. Correctional facilities do not have access to payphones in the Iowa system. Appears reasonable.

Per Barb Jones and Kelly Harrison, all completed CDRs with answer supervision are compared to PSP invoiced ANIs. Re-origination calls, where the same customer hits the # key, or “pounds,” to release his current call and make a new call without hanging up, are not made on this system where there are no calling cards. All calling card calls are handled and processed by MCI directly, whereby ICN is a non facilities based reseller. Appears reasonable. There is no field for recording whether the call is new or re-originated, thus, there is no possibility for segregating out these calls. Appears reasonable.

Switch records indicate whether the call is completed. Per discussions with Kelly Harrison and Barb Jones, ICN processes calls in two phases. Initially, the call is sent to the ICN switch by the underlying carriers and the call is time stamped for set-up. Per Barb Jones, a call is only good when it has an answer type of 4, indicating it completed and had answer supervision. The duration of the call is recorded from the time answer supervision from the terminating number is received—this data is stored in a separate field, and consequently, represents a shorter time period than between the origination and termination time recorded by the switch. Appears reasonable.

Upgrades to the switches and database system are tested to ensure that info digits and other key indicators are protected. Only 2 people have access to the DMS.

All DMS CDRs from the previous day are dumped to a binary file before 8 am the following morning. This binary file is picked up by Kelly and processed into

Acecom/Netplus, where it is stored and summarized on a monthly basis. All CDRs is backed up on CD ROM every month and kept forever, appears reasonable.

For each CDR, the system generates fields to identify the origination and completion information on the call. These are set up through logic that is programmed into the Iowa Communications Network Netplus Platform.

- INFODIG identifies what the service originating the call. 27, 70, and 07 are the proper identifiers for payphone services.
- RECCD-indicates record type. F0 is used for standard call, F1 for operator services
- ANSTYPE - Determines whether or not the call was completed in the switch-04 indicates answer supervision was attained.

The Nortel DMS will attempt completion for up to a full minute before determining an incomplete call.

CDRs are sorted via the Netplus accounting program into a report, called the Atlantax_OutPut_QXYXX table. This report is prepared on the 5th of the month for the previous month.

Files are sent over in the pre-approved formats, as loaded on to an FTP. Once validated, the files are backed-up to CD, and copied to the server, and processed.

The call records sent over are then run against the ANI master database for the quarter, and the calls are allocated to PSP and LEC, as required. Quarterly reports are generated 65 days after the quarter close to indicating what is being paid out to the LEC on behalf of the PSPs.

A reconciliation by PSP is prepared by Atlantax and sent to ICN for approval. Kevin Heinzeroth, Finance Director, approves the PSP payments and sends the warrant request over to Accounting for processing. One wire transfer is made to Atlantax, who subsequently pays the PSPs according to the schedule.

Once payments are sent, the Payment Detail files are used to mark the payment date in the Call Record entries and stored in the Invoice Summary tables, thus recording which calls have been paid upon and which remain outstanding due to ANI validation dispute or fraud. We recommended that unclaimed calls be accrued quarterly and decreased when paid or expired, although the state accounting system may not allow for accruals in the traditional sense.

Quarterly information is stored for two years. Stored databases at Atlantax are analyzed periodically to ensure that the data remains intact. The switch records are stored by Iowa Communications Network for 2 years, and are analyzed regularly to ensure that they remain intact. Appears reasonable.

Disputes

If a PSP or aggregator has a dispute about the payment made, the PSP can request that its original file (or a newly submitted file) be checked in greater detail. While the responsibility to resolve the dispute remains with ICN, both clearinghouses will try to resolve the issue by hand-checking the reports, and if clearinghouse management cannot resolve the dispute, then the information is passed on to the LEC to try to obtain additional information.

ICN historically has had no disputes with PSP carriers and no instances where additional information was requested by a PSP in the period under review. Appears reasonable. We note that there are no material disputes outstanding.

Internal Controls

Control Environment and Organizational Chart

Switch responsibilities lie with Barb Jones, DMS Switch technician, who programs the system to locate info digits and other information relevant to the DAC system. Only 2 people have access to the Nortel system, but these are limited, user-profiled, and secure.

Reports are gathered and sent to Atlantax via Kelly Harrison, IT Specialist 4, who sends them to Atlantax and sends a summary to Kevin Heinzeroth, who reviews the reports before sending them out to ensure that they appear materially accurate and that there are no large or unusual aspects to the report before they are sent over. If there are discrepancies, Kelly is asked to rerun the report, and then the report is reviewed manually.

At this point, the remainder of the processing of PSP compensation is processed by Atlantax and is reliant on their internal control structure.

The payment detail report is received within 65 days after the quarter end; it is reviewed by Kelly Harrison and is both trended against prior quarters for reasonableness and reconciled against summary monthly reports on payphone records collected. After review, it is approved by Kevin Heinzeroth, Finance Director, and this approval is communicated to Atlantax and payments are made to the PSPs by the end of the month. As approval and preparation of reporting information are kept separate, there appears to be little room for internal employee fraud outside of collusion. The wire transfer to Atlantax is due two weeks before the following quarter close, so that the PSP can be paid 90 days from the end of the quarter. Appears reasonable.

We note that the Atlantax reconciliation process and the overall integrity of the DAC system rely on several internal controls to ensure the integrity of the system. These controls are communicated and complied with by Iowa Communications Network in the following:

III. General Control Considerations

Per the agreement between Atlantax and Iowa Communications Network, each company and their representatives are responsible for maintaining compliance with laws, regulations, tariffs, and other general requirements in the course of doing business. Iowa Communications Network has provided documentation that they recognize these requirements and understand their responsibilities to comply with them. At the same time, the integrity of the compensation system requires that Atlantax remains in compliance with all their attestations under the agreement. We also obtained and reviewed an executed copy of the agreement, which indicates each party understands of their obligations. Appears reasonable.

Access Controls

Iowa Communications Network has maintained sufficient controls over who has access to switch and the reporting systems and under which circumstances changes and updates can be performed. The controls in place include:

- Limited access to switch and reconciliation processes
- Segregation of duties among report generation, reconciliation, and payment approval

Appears reasonable.

File Completeness and Timeliness

Iowa Communications Network provides complete files; including completed call records for payphone originated calls, and are responsible for the completeness, accuracy, and timeliness of the call record files. The controls in place to provide such files are:

- Infodigit/payphone logic that is standardized and verified
- Easily tracked sorting and filtering parameters
- Verification field in the reports
- Monthly reports generated on the 5th and transferred on the 5th of the subsequent month

Payment Authorization

Iowa Communications Network reviews and authorizes Atlantax to make payments to PSPs and aggregators from the summary payment documents submitted and validated with the LEC. Proper approval is controlled by Kevin Heinzeroth, Finance Director.

Completeness of Records Processed

Iowa Communications Network validates the summary payment reports received from the reconciliation process at Atlantax by creating a reconciliation report, the PP800, by month to ensure that all calls sent were processed. This ensures that the quarterly reports provided by Atlantax that summarize the number of records received and the results of

the processing of those records, including the payments made on their behalf, are reconciled to the total number of records submitted. Appears reasonable.

Dispute Resolution

The FCC requires that a standardized process be in place to settle disputes that is data reliant. Iowa Communications Network allows Atlantax to handle all disputes between the LEC and PSP with regard to ANI ownership, and to provide whatever detail support may be necessary to validate any particular claim against a CDR or its DAC status. Appears reasonable.

Payment Rate

All Iowa Communications Network customers use the default rate with their PSPs, there are no exceptions. For in-house procedures, the carriers were charging a slight margin on each compensable call, but these charges have been eliminated with the adoption of the Atlantax outsourced reconciliation and payment process. Internal controls relating to rate verification include validating on Atlantax's summary report that all calls are included at the .494 per eligible call rate.

Contingency Procedures

In the event of emergency, DAC information can be reloaded from the monthly CD back-ups stored in the nuclear-fallout shelter, and processed by another third-party clearing house. Appears reasonable.

IV: Summary of Significant Control Objectives

The principal objectives of the system of internal controls pertaining to recordkeeping, reporting, and payment verification are as follows:

- Policies and procedures are in place to ensure payment rates conform to FCC rules, either by default or as agreed to between parties.
- Policies and procedures are in place relating to reporting elements as required in the DAC service Agreement
- Data is stored for a period at least as long as required by FCC rules.
- Procedures are in place to establish, corroborate and validate proper PSP ownership SBR
- System reporting for all eligible calls is both accurate and complete
- Specific personnel have been identified as responsible for drafting and maintaining necessary business requirements relating to system requirements.
- Specific personnel has been identified for verifying compensation to PSPs
- Specific Personnel has been identified for handling dispute resolution with PSPs
- Quarterly reports verified for payphone call counts, PSP identities, numbers called, and infodigits.
- Procedures are in place to identify and investigate potentially fraudulent calls and are resolved.
- Policies and procedures are in place to properly compensate all compensable calls originated from validated payphone ANIs. In addition, such reports are maintained for the period required by the FCC.
- Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes, ensuring that the changes do not negatively affect integrity of the records processed or the results of processing such records.

V. Description of Controls and Tests Performed

Our test of the effectiveness of the policies, procedures, and controls included tests we considered necessary to evaluate whether those controls, and the extent of the compliance with them, is sufficient to provide reasonable, but not absolute, assurance that the specified control objectives were achieved during the period between January 1, 2011 and March 31, 2011. Our tests of the operational effectiveness of controls were designed to cover the period from January 1, 2011 and March 31, 2011.

Test procedures performed in connection with determining the operational effectiveness of controls are described as follows:

1. Corroborative inquiry – Made inquiries of appropriate personnel and corroborated responses with other personnel to ascertain the compliance of controls.
2. Observation – Observed application of specific controls.
3. Inspection of evidentiary material –inspected documents and reports indicating the performance of the systems and controls.
4. Transaction testing – Used reports to recreate and document controls.

Key Control Objectives

Key Control Objective #1

Payment rates can either be based on a rate negotiated between the user and the PSP or the FCC default rate.

Tests Performed

- 1) Atlantax calculates ICN's DAC obligations based on the rates negotiated between the SBR and the PSP, or where applicable, the rates included in FCC Order 96-128. There are no agreements for alternative rates with PSPs, since all PSP interaction prior to the clearinghouses was handled through the carriers. All rates at this point are the FCC default rate, which is currently .494 cents per compensable call.

We reviewed the DAC service summary report, noting that the calls paid for the quarter for PSPs of carriers processed by Billing Concepts and/or NPC were at the default rate of .494. Appears reasonable.

Key Control Objective #2

Policies and procedures are in place relating to reporting elements as required in the DAC service Agreement

Policy or Procedure

Clearinghouse reports are prepared on a quarterly basis for use by LECs, SBRs, and PSPs detailing the calls that originate by owner, the rate paid on each of those calls, carrier IDs, and information regarding the validity of the claim presented. Additional reports may be constructed for any party including ANI Master Lists, potentially fraudulent calls, dispute items, and other, as deemed necessary by any party.

Tests Performed

1. We reviewed the reports that were prepared and reconciled against total CDRs by Atlantax.
2. For the category “unmatched records”, we noted that the detail for these calls was provide for accrual and investigation purposes.

Key Objective #3

Data is stored for a period at least as long as required by FCC rules.

Policy or Procedure

Through interviews with key personnel, we noted that all records are kept on CDs burned monthly, and information related to CDRs is maintained live on the system keep 13 months. Per Kelly data integrity on these CDs is now regularly tested, including uploading the offline database to an archive server and restoring the data to a server which is running Netplus, is performed. Per discussion with Kevin Heinzeroth, information is pulled on a daily basis for call rating, and data tape backup from the DMS is stored in a nuclear fall-out shelter.

Key Objective #4

Procedures are in place to establish proper PSP ownership

Policy or Procedure

Since ICN and its affiliates do not deal with the PSP directly anymore, it relies on the controls at the clearinghouses and the LEC to validate PSP ownership. To validate PSP ownership of the ANI being claimed by any specific PSP, the LEC is required to provide to Atlantax a list of all ANIs for which the LEC provided dial-tone service during the quarter. In this way, every claim for compensation should be verified by LEC information validating the owner and the ANI.

Test Performed

We reviewed the Internal Control report of Atlantax and note that their auditors have tested PSP ownership validation, and concur with the steps taken to verify such. Appears reasonable.

Key Objective #5

System reporting for all eligible calls is both accurate and complete

Policy or Procedure

See above for detail description of payphone flag switch validation. In summary, the switch platform generates call detail records with infodigits, and any completed call with an appropriate infodigit is picked up in a summary report run from the Informix reporting database and processed to Atlantax. These summaries are sent to Atlantax, and payphone reports are validated before wire funds or warrants are transferred in payment.

Tests Performed

- 1) We interviewed personnel responsible for various aspects of the reconciliation process, and reviewed the process in place at Atlantax to gain an understanding of the process and the internal control environment. Appears reasonable.
- 2) We reviewed the payphone logic and determined that the field parameters are sound.
- 3) We statistically sampled calls from the original CDR for those dates to the payphone reports generated for Atlantax, noting that the entire sample of payphone flagged calls tested appears on the Atlantax report.
- 4) We recreated the reconciliation of the PSP payment report to the Iowa Communications Network monthly reconciliation report for the 4th quarter 2006, without exception.

Key Objective #6

Specific personnel have been identified as responsible for drafting and maintaining necessary business requirements relating to Iowa Communications Network's system requirements.

Specific personnel has been identified for verifying compensation to PSPs

Specific Personnel has been identified for handling dispute resolution with PSPs

Policy or Procedure

Iowa Communications Network has substantially segregated and assigned responsibility for drafting and maintaining necessary business requirements, like switch program logic, report preparation and formatting, validation of payment to PSPs and validation of reporting to various parties within the Iowa Communications Network organization.

Tests Performed

We interviewed various personnel to understand their roles in the DAC process, noting:

- 1) That Barb Jones as Switch Technician, is responsible for all the validity of the initial CDRs
- 2) That Kelly Harrison, IT Specialist 4, runs the report in Netplus that is ultimately the basis for the formatted report that is submitted to Atlantax
- 3) That Kevin Heinzeroth, Finance Director authorizes the wire transfer to enable PSP payment after review of the report sent by Atlantax
- 4) That Atlantax is responsible for dispute resolution, generating CDRs and reports that are used in dispute resolution, although no disputes have been processed to date.

Appears reasonable.

Key Objective #7

Quarterly reports are verified for payphone call counts, PSP identities, numbers called, and infodigits.

Policy or Procedure

The detailed process narrative for Atlantax explains the procedures for generating these reports in greater detail. Iowa Communications Network does ensure that Atlantax has monthly files of CDRs with payphone flags, ANIs, numbers called and infodigits so that originated calls with eligible DAC can be determined and validated ANIs, non-validated ANIs, potentially fraudulent calls and calls with ownership issues can be identified.

Tests Performed

We reviewed the total CDR report generated by the dump of the CDRs into Netplus and compared it to the summary payment report generated by Atlantax/Kelly Harrison without exception.

Key Control Objective #8

Procedures are in place to identify and investigate potentially fraudulent calls and are resolved.

Policy or Procedure

Atlantax is responsible for identification and investigation of fraudulent calls. Per Jill Gabriel, Finance Director, Atlantax, a report is run by Atlantax on each ANI to determine if the call volume exceeds a 2000 call threshold of calls per month. For all ANIs that exceed this limit, a fraud report is prepared that is submitted to Iowa Communications Network, the PSP and the LEC which includes the ANI, PSP and call count. The threshold is modifiable by the customer at their request.

Tests Performed

We noted that in a prior year a number was misidentified as payphone, but was corrected and managed appropriately. Identification came from complaints from the owner of the number. For ICN, there have been no further instances of fraudulent calls, thus, this is an untested procedure.

Key Control Objective #9

Policies and procedures are in place to properly compensate all compensable calls originated from validated payphone ANIs. In addition, such reports are maintained for the period required by the FCC.

Policy or Procedure

See the narrative on DAC reconciliation and payment process above for greater detail. In summary, CDRs from the switch are sorted for payphone flags, these records are summarized in the appropriate format for the clearinghouses, who validate, reconcile and pay PSPs based on the intersection of information provided from the switch, the LEC and the PSP. A summary report of valid and invalid claims is sent to ICN each quarter, which validates the report before wiring funds for payment of the PSP.

All data is stored on CD and 13 months are stored live on the system. Per discussion with key personnel, this data will be taken out and restored to an active, but not live, server to test control totals and ensure that the call records remain unchanged.

Tests Performed

- 1) We interviewed personnel responsible for various aspects of the reconciliation process, including processes at the clearinghouses to gain an understanding of the process and the internal control environment. Appears reasonable.

- 2) We statistically sampled calls from the original CDR for those dates to the payphone reports generated for Atlantax and ICN, noting that the sample of payphone flagged calls tested appears reasonably on the summary PSP report.
- 3) We materially created the reconciliation of the PSP payment report to the ICN reconciliation reports, without exception.

Key Control Objective #10

Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes, ensuring that the changes do not negatively affect integrity of the records processed or the results of processing such records.

Policy or Procedure

ICN has established policies and procedures regarding system changes, including specific policies regarding:

- System change approval
- Identification of responsible persons
- System security controls
- Program security controls
- Capabilities to test changes and compare to known results

Tests Performed

We interviewed key personnel and reviewed the logic associated with capturing infodigits and completed call logic. We reviewed documentation with regard to the above and noted that it was consistent with stated policy.