



QWEST CORPORATION

Report of Independent Public Accountants

**Attestation Examination with respect to –
*Report of Management on Compliance with Applicable
Requirements of Section 272 of the Telecommunications Act of 1996***

November 9, 2001



707 Seventeenth Street
Suite 2300
Denver, CO 80202

Report of Independent Public Accountants

To the Management of Qwest Corporation and the regulatory utility
commissions for the following states:

Idaho, Iowa, Montana, New Mexico, North Dakota, Utah and Wyoming
(collectively the State Commissions):

We have examined management's assertion, included in the accompanying *Report of Management on Compliance with Applicable Requirements of Section 272 of the Telecommunications Act of 1996*, that Qwest Corporation (the Company) complied with certain aspects of Section 272 of the Telecommunications Act of 1996 (the Act) and associated Federal Communications Commission (FCC) rules and regulations (specifically Sections 272(b)(2), 272(b)(5) and 272(c)(2) of the Act, C.F.R. Section 32.27 and CC Docket No. 96-150, paragraph 122) during the period from April 1, 2001 to August 31, 2001 (the examination period). Management is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

Our examination disclosed the following instances of noncompliance with certain aspects of Section 272 of the Act and associated FCC rules and regulations (specifically Sections 272(b)(2), 272(b)(5) and 272(c)(2) of the Act, C.F.R. Section 32.27 and CC Docket No. 96-150, paragraph 122) during the period from April 1, 2001 to August 31, 2001:



- We noted the following instances in which the Company did not comply with the FCC's affiliate transaction pricing rules (C.F.R. Section 32.27) during the examination period as required in Sections 272(b)(2) and 272(c)(2) for transactions between the Bell Operating Company (the Qwest BOC) and the Section 272 affiliate (the Qwest 272 Affiliate):

Description	Management's estimated impact during the examination period (pre-tax) (\$ in 000s)
<i>Services provided by the Qwest BOC:</i>	
A. Fair market value (FMV) studies were not performed for ten real estate properties for which FMV studies were required. The ten properties were billed at fully distributed cost (FDC).	\$ 3
B. In pricing the service charge for access to a lab facility, FDC pricing was used instead of a required FMV amount. In this instance, FMV exceeded FDC for such service.	31
<i>Services provided by the Qwest 272 Affiliate:</i>	
C. FMV studies were not performed for nine real estate properties for which FMV studies were required. The nine properties were billed at FDC.	(9)
D. In developing the FDC rate for the service of leasing test equipment, incorrect data inputs were utilized.	22
Net understatement of Qwest BOC's revenue and corresponding net understatement of Qwest 272 Affiliate's expenses during the examination period related to items A through D above.	21

- We noted the following instances in which the Company did not process accounting entries and affiliate billings (including interest, as necessary) and did not reduce to writing certain services provided between the Qwest BOC and the Qwest 272 Affiliate during the examination period as required by Sections 272(b)(2), 272(b)(5) and 272(c)(2) of the Act and CC Docket No. 96-150, paragraph 122:

Description	Management's estimated impact during the examination period (pre-tax) (\$ in 000s)
<i>Services provided by the Qwest BOC:</i>	
E. Photo identification services were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.	\$ 16
F. A certain finance service was provided but not accounted for or billed (including interest charges) during the examination period.	1
G. Data entry services regarding out-of-region long-distance orders were provided but not accounted for or billed (including interest charges) during the examination period.	64
<i>Services provided by the Qwest 272 Affiliate:</i>	
H. The lease agreement for fiber optical capacity was not accounted for, billed (including interest charges) or posted to the website during the examination period.	111
I. Real estate occupancy services and the use of PBX services were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.	74
J. Audio conferencing services were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.	2,479
K. Private line circuits for in-region interLATA official communication services were provided but not accounted for, billed (including interest charges) or reduced to writing during the examination period.	42
L. Calling card services were provided but not reduced to writing during the examination period.	0
Net understatement of Qwest BOC's expenses and corresponding net understatement of Qwest 272 Affiliate's revenues during the examination period related to items E through L above.	2,625
Net understatement of Qwest BOC's expenses and corresponding net understatement of Qwest 272 Affiliate's revenues during the examination period related to all noted exceptions.	\$ 2,604

In our opinion, except for the instances of noncompliance described above, Qwest Corporation complied, in all material respects, with the aforementioned requirements for the period from April 1, 2001 to August 31, 2001.

This report is intended solely for the information and use of management of the Company and the State Commissions and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Denver, Colorado
November 9, 2001

Mark A. Schumacher
Qwest Corporation
Vice President – Corporate Controller
1801 California #2910
Denver, CO 80202



**Report of Management on Compliance with Applicable Requirements of Section 272 of the
Telecommunications Act of 1996**

Management of Qwest Corporation ("QC" or the "Company") is responsible for ensuring the Company's compliance with the applicable requirements of Section 272 of the Telecommunications Act of 1996 and regulations related thereto as promulgated by the Federal Communications Commission ("FCC") ("Section 272 and Related Regulations") as set forth in Section IV of the Seven-state Collaborative Group Liberty Consulting report (the "Liberty Report") dated September 21, 2001.

Management has performed an evaluation of the Company's compliance with the applicable requirements of Section 272 and Related Regulations as set forth in the Liberty Report, including those described below, for the period April 1, 2001 through August 31, 2001 (the "Evaluation Period"). Based on this evaluation, we assert that during the Evaluation Period, the Company has complied with all applicable requirements of Section 272 and Related Regulations as set forth in the Liberty Report. In particular, the Company did the following:

- (a) We have implemented adequate controls to assure the accurate, complete, and timely recording in our books and records of all affiliate transactions between Qwest Corporation (QC), the BOC, and Qwest Communications Corporation (QCC), the Section 272 affiliate, in compliance with Section 272 (b)(2), Separate Books, Records and Accounts, and Section 272 (b)(5), Transactions at Arm's Length, In Writing and Publicly Available.
- (b) We have implemented adequate controls to assure that the relationship between QC, as a vendor or supplier of goods and services, and QCC has been managed in an arm's length manner in compliance with the provisions of Section 272(c), Nondiscrimination Safeguards, which include consideration of what would be expected under normal business standards for similar contracts with an unaffiliated third party.
- (c) We have provided reasonable assurances that a continuation of the practices and procedures examined will continue to provide the level of accuracy, completeness, timeliness and arm's length conduct required to Sections 272(b)(2) & (5) and 272(c).
- (d) We have implemented sufficient control procedures to assure that an officer of QC will sign the Officer Certification required in CC Docket 96-150 in ¶122. This certification will be signed annually in concurrence with the certification letter that accompanies the ARMIS 43-03 report filed with the FCC on April 1.

Qwest Corporation

Dated: November 9, 2001

A handwritten signature in dark ink, appearing to read "Mark A. Schumacher", is written over a horizontal line.

Mark A. Schumacher

Vice President – Corporate Controller