

August 20, 2002



Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

**Re: Ex Parte Statement
Applications of Qwest Communications International Inc. for
Authorization Under Section 271 of the Communications Act
WC Dockets No. 02-148 and 02-189**

Dear Ms. Dortch:

This letter provides information regarding ongoing analysis of the accounting policies and practices of Qwest Communications International Inc. ("QCII") and its affiliates. QCII is analyzing these matters in consultation with its new auditors, KPMG LLP ("KPMG"), and, in addition, has underway a review of its internal controls. Based on such work, this letter updates and corrects information contained in the above-referenced application related to compliance with generally accepted accounting principles ("GAAP").

As the Commission has found, Section 272 is designed to "discourage and facilitate the detection of improper cost allocation and cross-subsidization between the BOC and its section 272 affiliate," and to "ensure that BOCs do not discriminate in favor of their section 272 affiliates." *SBC Communications Inc.*, 16 FCC Rcd 6237, para. 122 (2001). QCII's analysis to date has found that transactions between Qwest Communications Corporation ("QCC"), its Section 272 affiliate, and Qwest Corporation ("QC"), the BOC, have been, and are, accounted for in compliance with GAAP. Note that in 2001 Qwest put in place additional controls that KPMG, the independent auditor, verified were reasonably designed to ensure such compliance. Nothing in the accounting review to date indicates errors have occurred in this area.

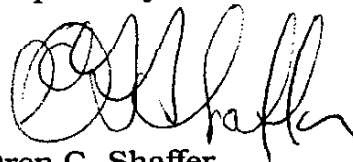
The Commission's implementation of Section 272(b)(2) also requires that QCC maintain its books, records, and accounts in accordance with GAAP. See *Implementation of the Non-Accounting Safeguards of Sections 271 and 272, First Report and Order and Further Notice of Proposed Rulemaking*, 11 FCC Rcd 21905, para. 170 (1996). QCII's internal investigations have now identified, with respect to the QC and QCC financial statements, (1) accounting transactions for QCC that did not comply with the requirements of GAAP, and (2) certain potential adjustments to the financial statements of QC that may be necessary to comply with GAAP. Additional analysis is in progress regarding these matters. The paragraphs in the

Declarations of Judith L. Brunsting and Marie E. Schwartz that addressed GAAP compliance for QCC and QC were believed to be true when submitted. See Declaration of Judith L. Brunsting (QCC) ¶ 29 (June 13, 2002 – Docket No. 02-148); Declaration of Judith L. Brunsting (QCC) ¶ 29 (July 12, 2002 – Docket No. 02-189); Declaration of Marie E. Schwartz (QC) ¶¶ 48, 85-86 (June 13, 2002 – Docket No. 02-148); and Declaration of Marie E. Schwartz (QC) ¶¶ 47, 84-85 (July 12, 2002 – Docket No. 02-189). In light of the developments in the ongoing internal investigation, QCII is currently unable to certify that QCC's or QC's financial statements are accounted for consistently with GAAP, and the paragraphs of the Declarations are impacted accordingly.

It is important to note that the focus of Section 272 is on the relationship between the BOC and the Section 272 affiliate. The GAAP issues identified here do not implicate the Act's concerns regarding improper cost allocation, cross-subsidization and discrimination. As a result, these matters do not affect Qwest's showing that the requested authorization will be carried out in accordance with the requirements of Section 272. Similarly, these matters do not implicate QC's compliance with the market-opening obligations under Section 271.

Qwest takes its obligation to be in compliance with GAAP seriously, and is committed to compliance with GAAP in all circumstances. When Qwest completes its analysis, it expects to restate the QCII financial statements for prior periods and to implement all necessary additional controls designed to ensure QCC's and QC's compliance with GAAP with respect to all financial reporting, as it has already done with respect to transactions between QCC and the BOC.

Respectfully submitted,



Oren G. Shaffer
Vice Chairman and Chief Financial Officer
Qwest Communications International Inc.

cc: William F. Maher, Jr.
Michelle Carcy
Michael Carowitz
John Rogovin
Debra Weiner
Richard Welch



**The FCC Acknowledges Receipt of Comments From ...
Qwest Communications International Inc.
...and Thank You for Your Comments**

Your Confirmation Number is: '2002820977599 '
Date Received: Aug 20 2002
Docket: 02-148
Number of Files Transmitted: 1

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