

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	File No. EB-00-TC-053
Verizon Communications	)	NAL/Acct. No. X3217-010
	)	

**ORDER**

**Adopted: October 16, 2000**

**Released: October 17, 2000**

By the Chief, Enforcement Bureau:

1. In this Order, we adopt a Consent Decree terminating an investigation into possible violations of section 64.1120(a)(1)(ii) of the Commission's rules by Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance (Verizon).

2. On May 19, 2000, Verizon voluntarily disclosed to the Enforcement Bureau (Bureau) that it could not locate records of third-party verifications ("TPV") for an estimated 20-25,000 residential consumers who had recently switched their preferred carrier to Verizon during an inbound call to one of the residential sales and service centers ("RSSCs"). Verizon's subsequent investigation disclosed that the number of affected customer lines was approximately 34,000. The Bureau has received no evidence, such as complaints from any of the affected customers, indicating that Verizon changed the customers' preferred interexchange carrier without proper authorization. Accordingly, the issues before us solely relate to third-party verification and record maintenance, and not to the practice commonly known as "slamming."

3. The Bureau and Verizon have negotiated the terms of a Consent Decree that would terminate the staff's investigation. A copy of the Consent Decree is attached and is incorporated by reference. As detailed in the Consent Decree, Verizon has taken and/or agreed to take various actions to rectify the matter and prevent a recurrence, including, but not limited to: contacting and crediting affected residential consumers; requiring TPV contractors both to formally train their employees at the time of hiring and at least twice per year thereafter on Commission rules and policies, and to sign an agreement to take disciplinary action against their employees who violate section 64.1120(a)(1)(ii); and

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periodic monitoring of TPV contractors to ensure compliance with the Commission's third-party verification and record retention rules. Verizon has also agreed, *inter alia*, to observe the verification activity of the TPV contractors through regular on-site visits and/or telephonic monitoring, and to perform monthly audits of all TPV contractor's operations.

4. We have reviewed the terms of the Consent Decree and evaluated the facts before us. In light of Verizon's commitment to be bound by various principles regarding its third-party verification and records retention procedures, we believe that the public interest would be served by approving the Consent Decree and terminating the investigation.

5. Based on the record before us, and in the absence of material new evidence relating to this matter, we conclude that there are no substantial and material questions of fact as to whether Verizon possesses the basic qualifications, including its character qualifications, to hold or obtain any FCC licenses or authorizations.

6. Accordingly, IT IS ORDERED, pursuant to section 4(i) of the Communications Act, 47 U.S.C. § 154(i), and the authority delegated by sections 0.111 and 0.311 of the Commission's rules, 47 C.F.R. §§ 0.111, 0.311, that the attached Consent Decree IS ADOPTED.

7. IT IS FURTHER ORDERED that the Commission staff inquiry into the matter described here IS TERMINATED.

FEDERAL COMMUNICATIONS COMMISSION

David H. Solomon  
Chief, Enforcement Bureau

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	)	File No. EB-00-TC-053
Bell Atlantic Communications, Inc.	)	NAL/Acct No. X3217-010
	)	

**CONSENT DECREE**

1. The Enforcement Bureau of the Federal Communications Commission (“FCC” or “Commission”) and Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance (“Verizon”) hereby enter into a Consent Decree terminating an informal Bureau investigation into possible violations of section 64.1120(a)(1)(ii) of the Commission’s rules, which, among other things, requires telecommunications carriers to maintain and preserve records showing that they have verified consumer authorization to change the consumer’s telecommunications service provider. Verizon is a common carrier that provides interstate interexchange telecommunications services in the State of New York pursuant to tariffs on file with the Commission. Verizon voluntarily brought this matter to the Bureau’s attention.

2. For the purposes of this Consent Decree the following definitions shall apply:

- a) “Commission” or “FCC” means the Federal Communications Commission;
- b) “Bureau” means the Enforcement Bureau of the Federal Communications Commission;
- c) “Verizon” means Bell Atlantic Communications, Inc., d/b/a Verizon Long Distance;
- d) “Parties” means Verizon Communications Inc., its affiliate Verizon, and the Commission or Bureau;
- e) “Adopting Order” means an Order of the Bureau adopting the terms and conditions of this Consent Decree;
- f) “Effective Date” means the date on which the Bureau releases the Adopting Order.
- g) “PIC Change” is an order transmitted to a local exchange carrier (“LEC”) by an interexchange carrier or request from a consumer to a LEC requesting a change of the consumer’s preferred interexchange and/or intraLATA toll carrier (“PIC”);
- h) “Residence Sales and Service Centers” refers to telephone company service centers that serve residential service consumers. Among other things, employees at these centers accept requests from residential service consumers to change their presubscribed interexchange carrier and initiate the processing of these requests.

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3. The Parties agree that the provisions of this Consent Decree shall be subject to final approval by the Bureau by incorporation of such provisions by reference in an Adopting Order of the Bureau.

4. The Parties agree that this Consent Decree shall become effective on the date on which the Bureau releases the Adopting Order. Upon release, the Adopting Order and this Consent Decree shall have the same force and effect as any other Order of the Commission and any violation of the terms of this Consent Decree shall constitute a violation of a Commission Order entitling the Commission to exercise any and all rights and to seek any and all remedies authorized by law for the enforcement of a Commission Order.

5. Verizon admits the jurisdiction of the Commission for purposes of this Consent Decree and the Adopting Order.

6. Verizon waives any rights that it may have to further procedural steps and any rights it may have to seek judicial review or otherwise challenge or contest the validity of the Adopting Order or this Consent Decree.

7. Verizon waives any rights it may have under any provision of the Equal Access to Justice Act, 5 U.S.C. § 504.

### **Statement of Facts**

8. Verizon provides long distance service to residential service customers in New York, and employees in its affiliated telephone company residence sales and service centers (“RSSCs”) handle incoming calls from consumers who want to change their presubscribed carrier. On May 19, 2000, Verizon voluntarily disclosed to the Bureau that it could not locate records of third-party verifications (“TPV”) for an estimated 20-25,000 residential consumers who had recently switched their preferred carrier to Verizon during an inbound call to one of the RSSCs. Verizon’s subsequent investigation disclosed that the number of affected customer lines was approximately 34,000. Verizon represented to the Bureau that it had recently discovered the problem, and that the missing records related to PIC changes dating back to March 2000.

9. Verizon’s auditing of the billings from its TPV contractor, The Sutherland Group, Ltd. (“Sutherland”), revealed that Sutherland was charging Verizon for fewer TPV transactions than Verizon expected based on the number of carrier selection orders generated through the RSSC. Although not all inbound requests for long distance service required TPV, Verizon nevertheless recognized that a problem existed.

10. Verizon represents that Sutherland contributed to the problem of locating verification records by storing verification data in a manner that was difficult to track and retrieve. For example, Verizon noted that Sutherland, after verifying a customer’s carrier selection for multiple lines at a single residence, stored the information according to the billing telephone number, which created problems when retrieving and recording the related working telephone numbers in the accounts that were verified during the same transaction. In addition, Verizon pointed out that Sutherland stored verifications for PIC changes on existing additional lines under the billing telephone numbers, and that Sutherland stored

some residential verifications in its business validation database.

11. Verizon also represents that it encountered other problems reconciling the data. For example, an area code split in Long Island, New York resulted in verification records being stored under the original area code rather than the new one. In other cases, Verizon states that when its service representative assigned a telephone number to a subscriber whose area code changed prior to completion of the order, the service representative performed the TPV under the old area code, but the completed service order record reflected the new one. In addition, Verizon admits that in some cases, the RSSC representative may have inadvertently given incorrect customer information to Sutherland, or Sutherland may have inadvertently entered incorrect information into its database.

12. Verizon represents that it promptly and voluntarily implemented a number of remedial actions with respect to approximately 34,000 residential customers for whom it could not locate TPV records. These actions include the following:

- a) It has contacted customers to reconfirm PIC change authorizations and is crediting these consumers up to the date of the completed TPV or the consumers' stated desire to switch to another carrier. Verizon represents that, to date, some 10,000 of these customers still have not responded to its repeated attempts to reach them. Verizon will credit the consumers that it has been unable to reach for all long distance charges since they were switched to Verizon through October 18, 2000. If any of these customers contacts Verizon to dispute his or her carrier selection before April 19, 2001, Verizon will process a PIC change at its expense and credit the customer for all Verizon charges billed since October 18, 2000.
- b) It continues to work with Sutherland to ensure that source code modifications are implemented to address the database entry and retrieval problems identified in the operational review.
- c) It has held, except during the August 2000 work stoppage, and will continue to hold, monthly performance review meetings and discussions with senior executives of Sutherland to discuss programming and system changes and staffing levels, to review changes in procedures, and to conduct joint observation sessions to identify any training process or performance issues.
- d) It deployed a new feature in its ordering systems that prevents a service representative from initiating an order before TPV has been successfully obtained by requiring a confirmation code on every Verizon presubscription order for which TPV is necessary. This code is communicated to the RSSC by the third-party verifier only after TPV has been successfully completed. The service order systems will not process such an order if it has no code or if the code provided does not conform to the encryption algorithm established with the third-party verifier. Any questionable orders are immediately forwarded to a special group in Verizon for investigation and resolution.
- e) All customer service representatives and supervisory employees in the RSSCs were retrained on TPV requirements and procedures, emphasizing the legal requirements and making clear that failure to comply with these requirements was also a violation of the company's code of conduct and would result in disciplinary action, including dismissal.
- f) Where Sutherland's records indicated that an RSSC employee had a high incidence of unverified PIC change orders, the company monitored the employee's customer contacts. Consistent with the company's labor practices, if any problems were found with these representatives or other representatives identified through random monitoring, the representative was reinstructed on the

required procedures. As a result of these actions, the company has taken initial disciplinary action against several employees, had “second discussions” with some of those from the initial group, and subsequently issued formal warnings of potential dismissal against some employees. In addition, the company terminated one supervisor for falsifying reports of her monitoring activities.

- g) It appointed compliance managers in each RSSC director group to serve as the primary contact point for compliance issues, including compliance with the Commission’s requirements regarding PIC conversions.

13. During its May 19, 2000 meeting with the Bureau, Verizon described the corrective actions taken and the schedule to be followed with respect to further corrective actions. Verizon made follow-up visits and calls to the Bureau to update the Commission staff on the course of the investigation and the status of the corrective actions taken. Verizon memorialized the information presented to the Bureau in subsequent letters.<sup>1</sup>

### **Terms of Settlement**

14. In consideration for the termination by the Bureau of its investigation into whether Verizon has violated section 64.1120(a)(1)(ii) of the Commission’s rules, 47 C.F.R. § 64.1120(a)(1)(ii), pertaining to TPV record retention, and in accordance with the terms of this Consent Decree, Verizon agrees to the following terms.

15. Verizon shall make a voluntary contribution to the United States Treasury in the total amount of \$250,000 (two hundred fifty thousand dollars). This amount shall be paid within 30 days of the date on which the order adopting this Consent Decree becomes final. Such contribution shall be made, without further protest or recourse, by certified check, cashiers check, or money order drawn to the order of the Federal Communications Commission, and shall be mailed to the Federal Communications Commission, P.O. Box 73482, Chicago, Illinois 60673-7482.

16. Verizon agrees to subject its employees and TPV contractors to the following oversight mechanisms to help insure compliance with PIC change rules:

- a) Upon entering into any contract with a TPV contractor and within 30 days of the effective date of this Consent Decree for existing TPV contracts, Verizon shall require that the TPV contractor:
  - 1) both at the time of hiring and at least twice a year thereafter, formally train its employees on the Commission’s rules regarding PIC-change requests. Should those rules and orders change, Verizon will ensure that its TPV contractors are promptly apprised of such changes so that the TPV contractors can promptly update their training material to reflect the new rules.
  - 2) sign an agreement with Verizon specifying that any of the verifiers found to have engaged in

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<sup>1</sup> Letters from Marie T. Breslin, Director Federal Regulatory, Verizon Communications, to Catherine W. Seidel, Chief, Telecommunications Consumers Division, Enforcement Bureau, F.C.C., File No. EB-00-TC-053 (July 5, 2000 and August 16, 2000).

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practices that violate section 64.1120(a)(1)(ii) of the Commission's rules shall be subject to disciplinary action, including, at a minimum, periodic telephonic monitoring described in paragraph 16(b) and retraining on Commission PIC-change rules and policies. Further, any pattern of such practices by the contractor shall subject the contractor to prompt termination of its relationship with Verizon.

b) Verizon shall observe the verification activity of the TPV contractor through regular on-site visits and/or telephonic monitoring to ensure that the verifiers are operating in compliance with the Commission's verification and record retention rules.

c) Verizon shall perform monthly audits of all TPV contractors' operations comparing orders forwarded by the Verizon representative to the verifier, and orders actually verified by the verifier. If this comparison reveals that any of the unverified orders were the result of noncompliance with Commission rules, Verizon agrees to further audit the verifier's operations and implement necessary corrective measures.

17. While this Consent Decree is in effect, Verizon agrees to maintain and make available to the Bureau, on a quarterly basis and within 14 days of the receipt of any specific written request from the Bureau, business records demonstrating compliance with the terms and provisions of this Consent Decree.

18. In light of the covenants and representations in this Consent Decree, and in light of the fact that Verizon brought this matter voluntarily to the Bureau's attention, the Bureau agrees to terminate its investigation into possible violations of section 64.1120(a)(1)(ii) of Commission rules in connection with the facts specified above, without any finding of liability on the part of Verizon.

19. Nothing in this Consent Decree shall prevent the Commission from adjudicating complaints against Verizon or its affiliates for alleged misconduct regarding unauthorized PIC conversions or for any other type of alleged misconduct regardless of when such misconduct took place, or from instituting new investigations or enforcement proceedings against Verizon in the event of alleged future misconduct. If such enforcement proceeding is initiated, Verizon's earlier conduct as set out in this Consent Decree may be adduced, but not for the purpose of assessing monetary forfeitures.

20. This Consent Decree is for settlement purposes only and Verizon does not admit any liability for violating Commission rules in connection with the matters that are the subject of this Consent Decree.

21. The Commission expressly reserves the right to investigate and take enforcement action against Verizon if the Commission staff receives consumer complaints or other information indicating that Verizon may have violated section 258 of the Communications Act of 1934, as amended, (Act) and the Commission rules and orders governing PIC conversions by failing to obtain authorization to effect the PIC changes that are the subject of this Consent Decree. Such enforcement action may include, inter alia, a monetary forfeiture pursuant to Section 503(b) of the Act.

22. The Parties agree that any provision of the Consent Decree that conflicts with any subsequent rule or order adopted by the Commission will be superseded by such Commission rule or order.

23. The Parties agree that this Consent Decree shall expire twenty-four (24) months from the

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release date of the Order adopting this Consent Decree. Verizon shall issue a report to the Bureau within 60 days from the release date demonstrating compliance with the terms and provisions herein.

24. This Consent Decree may be signed in counterparts.

For the Enforcement Bureau,  
Federal Communications Commission

For Bell Atlantic Communications, Inc.

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David H. Solomon  
Chief

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Maura Breen  
Group President – Verizon Long Distance

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Date

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Date