



826 Broadway, 9th floor
New York, NY 10003

The Honorable Harvey L. Pitt
Chairman
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: COMPLAINT: CEO sworn statements and uncertainty about assets claimed by Bell companies

Dear Chairman Pitt:

This letter seeks a review of the Regional Bell Telephone Company Verizon (NYSE: VZ), SBC (NYSE SBC), and BellSouth (NYSE: BLS) compliance with the Commission's June 27th order requiring the filing of sworn statements pursuant to Section 21(a)(1) of the Securities Exchange Act of 1934.

TeleTruth Alliance is a national, independent, customer advocacy group, dedicated to fixing the problems in telecommunications -- from customer overcharging and harm to competitors, to the customer issues surrounding Broadband deployment and competition

Exhibit A of the June 27th order describing the sworn statements requires the assertion: “* no covered report omitted to state a material fact necessary to make the statements...”

TeleTruth requests a review of whether the failure to note unresolved discrepancies between FCC and Bell company property audits means the “report omitted to state a material fact.”

Audits by government agencies regulating the Bell companies at state and federal levels can't verify the assets they claim. The assets identified on Continuing Property Records (CPR) represent a starting point for setting retail and wholesale rates. The FCC audit found missing assets represented 20% of the total.

"The CPR audits found that, combined, these carriers could not account for approximately \$5 billion of central office equipment."

"Additional \$13.6 billion of equipment was categorized as "no assets found" or "unverifiable assets."

The GAO and the National Association of Regulatory Utility Commissioners pushed the FCC to pursue the audits as far back as 1987. The findings were vigorously opposed by the Bell companies, but the re-audits performed by accounting firms hired by the Verizon, SBC, and BellSouth were unable to significantly discredit the results.

The DC and NY Public Service Commissions found similar problems. Investors have no assurance the same discrepancies don't exist in the general ledger numbers used for SEC and IRS filings. How did Bell company CEOs comply with the SEC order given a scale of the uncertainty that exceeds even that faced by Worldcom? The creditability of the larger sworn statements and the meaning of compliance depends on resolving this question.

Sincerely,

Bruce Kushnick, Chairman, TeleTruth, bruce@newnetworks.com, 212.777.5418
Daniel Berninger, Director, TeleTruth, dan@pulver.com, 410.279.1220

ENCLOSURES:

TeleTruth Alliance:

<http://www.teletruth.org>

TeleTruth Audits Page:

<http://www.teletruth.org/audit.html>

FCC Audit Report:

<http://www.fcc.gov/wcb/asd/audits>

FCC Commissioner's comments on public release of audit report:

http://www.fcc.gov/Bureaus/Common_Carrier/Orders/1999/fcc99034.pdf

MCI Comments on FCC Audit Results:

<http://www1.worldcom.com/us/about/publicpolicy/industry/filings/files/bellauditreply.pdf>

Representative Tauzin's Letter to FCC on Bell company audits:

http://www.house.gov/commerce_democrats/press/106ltr5.htm

New York Public Service Commission Audit of New York Telephone confirming FCC findings:

<http://newnetworks.com/Nyplantdoc10309.pdf>

TeleTruth Complaint to New York State Attorney General requesting audit follow-up:

<http://www.newnetworks.com/fccauditcomplaintny.html>

GAO Report Recommending FCC Audit of Bell companies:

Reports available by search on Report Number at <http://www.gao.gov:8765>

GAO/RCED-88-34 (Oct. 23, 1987)

GAO/RCED-93-34 (Feb. 3, 1993)

SEC Documents:

- General info regarding Sworn Statements <http://www.sec.gov/news/press/2002-115.htm>
- Exhibit A <http://www.sec.gov/rules/other/4-460a.htm>
- Compliance list <http://www.sec.gov/rules/extra/ceocfo.html>

Recent Washington Post article on audits:

<http://www.washingtonpost.com/wp-dyn/articles/A28615-2002Aug16.html>