

ORIGINAL

DOCKET NO. 951232-TI [Telecommunications Services, Inc.]

WITNESS: Direct Testimony of William Shulman, Appearing on Behalf of Respondent,
Telecommunications Services, Inc..

DATE FILED: June 26, 1998

DOCUMENT NUMBER-DATE

06705 JUN 25 88

FPSC-RECORDS/REPORTING

1 **DIRECT TESTIMONY OF WILLIAM SHULMAN**

2 Q. What is your name?

3 A. William Shulman.

4 Q. By whom are you employed?

5 A. Lopez Levi & Associates, P.A., a Miami accounting firm.

6 Q. Where is Lopez Levi located?

7 A. 815 N.W. 57th Avenue (Red Road), Suite 304, Miami Florida 33126, (305) 266-
8 8580.

9 Q. What is the background of Lopez Levi?

10 A. The principal is Ray Lopez-Lima Levi, a certified public accountant. Mr. Levi was
11 with Arthur Andersen & Co. from April 1985 to 1991. Mr. Levi formed Lopez Levi &
12 Associates, P.A. in June 1992. We employ eight accountants in our office. Our practice is
13 primarily in the field of audit, taxes, and litigation support.

14 Q. What is your position with Lopez Levi?

15 A. I am Director of Litigation Support Services.

16 Q. Are you a Certified Public Accountant.

17 A. Yes.

18 Q. In what states are you licensed and what is the date of your license in the states in
19 which you are licensed?

20 A. I was licensed in New Jersey in May of 1962. I was licensed in New York in 1972. I
21 was licensed in Florida in 1982.

22 Q. What is your educational background?

23 A. I received a Bachelor of Science degree from Rutgers University, cum laude, in 1957.

24 Q. Were you in the military?
25

1 A. Yes, the United States Army, from 1951 to 1953.

2 Q. Did you receive an honorable discharge?

3 A. Yes.

4 Q. What did you do after being discharged from the Army?

5 A. I went to college and received my accounting degree. At that time, you had to clerk
6 for three years with an auditing firm before you could sit for the CPA exam. I was with Ernst
7 and Ernst, now Ernst and Young, working my way up from a junior to a supervisor, for about
8 six years.

9 Q. Have you served as an expert witness in litigation before.

10 A. Yes, approximately 50 times.

11 Q. How many times have you testified in court?

12 A. About 50 times.

13 Q. In what courts have you testified?

14 A. Florida Circuit Court, New York Supreme Court, New Jersey Superior Court, and
15 Pennsylvania Circuit Court.

16 Q. Do you have a curriculum vitae?

17 A. It is Exhibit WS 1.

18 Q. Have you been retained in the Matter of Transcall America Inc. d/b/a ATC Long
19 Distance v. Telecommunications Services, Inc., Docket No. 951232-TI, before the Public
20 Service Commission?

21 A. Yes.

22 Q. Who retained you?

23 A. Telecommunications Services, Inc.

24 Q. What were you asked to do?

25 A. We were asked to review schedules and other information provided by ATC/Transcall

1 for billing errors.

2 Q. Did you receive assistance?

3 A. Yes, an employee of Lopez Levi, assistant, Ignacio DuQuesne, a CPA, assisted me in
4 this analysis.

5 Q. What documents did you review.

6 A. We reviewed:

7 The agreement between the parties dated July 18, 1989 (attached to the complaint in
8 this matter).

9 Customer agreements

10 Customer complaints

11 TSI documentation on billing problems

12 The invoices from ATC to TSI (attached to the complaint in this matter).

13 Canceled checks from TSI to ATC.

14 A report known as the CompuOne report which compared minutes per ATC's records
15 and minutes per TSI's records.

16 Detailed statements provided by ATC to TSI on monthly traffic, referred to as
17 "greenbars."

18 Summaries of statements provided by ATC to TSI on a monthly basis.

19 Q. Has this documentation been made available to Transcall's counsel and accountant
20 and the staff of the Commission?

21 A. Yes.

22 Q. What else did you do?

23 A. We interviewed Joel Esquenazi, the principal of TSI, concerning his relationship with
24 ATC, and we interacted with Kathy Welch, C.P.A., with the staff of the Commission, who
25 was also conducting an audit.

1 Q. Have your results been compiled into a written report?

2 A. Yes. It is attached hereto as Exhibit WS-2.

3 Q. Could you summarize your results.

4 A. We conclude that TSI was overbilled \$468,384.24 by ATC.

5 Q. How does the overbilling break down?

6 A. Into six areas. First, we found ATC failed to credit payments in the amount of
7 \$6,727.62. Second, we found that ATC overcharged TSI \$29,111.28 as a result of a nine
8 second timing error on TSI traffic. Third, ATC overcharged TSI \$91,578.42, as a result of
9 billing the wrong increment (one minute instead of six seconds) to TSI. Fourth, we found
10 that ATC overcharged (again separate from the preceding) TSI the amount of \$314,817.92
11 due to billing for calls over one hour (which we are informed are not legitimate calls for
12 which TSI should be billed), busy signals, duplicate calls, and other errors. Fifth, we
13 credited TSI with \$26,149.00, which was the size of the Commission-ordered payment to TSI
14 as a result of the timing error (TP-7 versus TP-6) in the Bott case. (Although TSI received a
15 check for this amount, it returned it.) Details concerning our analysis are set forth in the
16 report.

17 Q. Did you also find errors in the bills that did not lead to overbilling?

18 A. Yes. That is detailed on page 2, Schedule IV(a), and Schedule VII of the report.
19 There were gross extension errors and beginning balance errors.

20 Q. Have you received supplemental information about the timing error?

21 A. Yes. I understand that the Commission auditor calculated the size of the overbilling
22 due to this error from first principles, and came to the amount of \$83,350.43.

23

ENDORSEMENT No. 2

Attached to and forming a part of
Commitment No. 10826.199 issued under Agent's File No. 10826.199

**Issued by
CHICAGO TITLE INSURANCE COMPANY**

Schedule A, item 1, amount of insurance under the Owner's Policy should read:
\$2,300,000.00.

Schedule B, Section 2, item 8 is hereby deleted.

ALL OTHER ITEMS REMAIN THE SAME.

This endorsement is made a part of the policy or commitment and is subject to all terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy or commitment and prior endorsements, if any, nor does it extend the effective date of the policy or commitment and prior endorsements or increase the face amount thereof.

DATED: June 19th, 1998

CHICAGO TITLE INSURANCE COMPANY

ADORNO & ZEDER, P.A.

Authorized Signatory

Note: This endorsement shall not be valid or binding until countersigned by an authorized signatory.

EXHIBIT _____
(WS - 1)

Curriculum Vitae of
WILLIAM SCHULMAN, CPA
Director of Litigation Support Services
LOPEZ LEVI & ASSOCIATES

EDUCATIONAL BACKGROUND

- * Occupation: Certified Public Accountant in States of Florida, New Jersey and New York
- * College: Graduate Cum Laude Rutgers University, Bachelor of Science (Accounting)

BUSINESS EXPERIENCE

- * Engaged in specialized practice of investigative auditing and accounting for litigation support. Among others, I have prepared valuations of various professional practices, closely-held businesses, forensic investigations and handled cases involving fraud, loss of profits, damage claims, personal injury, wrongful death claims, stockholder suits, partnership litigation, merger and acquisitions, expert testimony and rebuttal and matrimonial accounting.
- * Testified in the courts of Florida, New Jersey, New York and Pennsylvania, as an expert witness on matrimonial matters and equitable distribution.
- * Court-appointed as an accounting expert in the Counties of Bergen, Union, Passaic and Sussex, New Jersey.
- * Court-appointed as provisional director and receivable in Bergen Essex and Passaic Counties.
- * Manager-CPA investigative auditing and accounting firm, primarily handling insurance claims and valuations for matrimonial matters, May 1980 to March 1981.
- * Vice President Finance and Controller for retail department store chains.
- * Ernst & Ernst (now Ernst & Young), Newark, New Jersey supervising accountant responsible for audits of manufacturing, retail, banking and various other commercial enterprises.

10. 757 WJ

PROFESSIONAL ACTIVITIES

Member of:

- * American Institute of Certified Public Accountants
- * Florida Institute of Certified Public Accountants
- * New Jersey State Society of Certified Public Accountants
- * Member of Litigation Services Committee of the New Jersey Society of Certified Public Accountants
- * Chairman of the Matrimonial Accounting Committee of the New Jersey Society of Certified Public Accountant

LECTURER AND AUTHOR

- * Acted as moderator and speaker for a joint seminar between Institute of Continuing Legal Education of the New Jersey Bar Association and the New Jersey Society of Certified Public Accountants on the subjects which included, but not limited to, "Legal and Accounting Aspects of Divorce, fraud investigations, valuation of businesses, insurance claims accounting and professional practices".
- * Participated as a lecturer in a joint meeting of the Bergen County Bar Association and the Bergen County CPA's on the topic of the valuation of a professional practice and the interpretations and impact of the Dugan vs. Dugan decision.
- * Acted as a moderator for a joint tax seminar (The 1984 Tax Reform Act) of Bergen County Bar Association and the Bergen County CPA's.
- * Co-authored book published by Prentice-Hall, edited by Ronald Brown, entitled "Valuing Professional Practices and Licenses -A Guide for the Matrimonial Practitioner".
- * Published articles on matrimonial investigative forensic accounting in Bergen Barrister and Fairshare Magazine.

EXHIBIT _____
(WS - 2)

June 16, 1998

Wesley R. Parsons, Esquire
Adorno & Zeder, Attorneys at Law
2601 South Bay Shore Drive, Suite 1600
Miami, Florida 33133

Re: TSI v. ATC

Dear Mr. Parsons:

Pursuant to your request we have prepared a report on the overbillings suffered by Telecommunications Services, Inc. (TSI) as a result of improper and unprofessional services provided by Transcall America, Inc. (ATC) during the period July 1, 1989 through May 14, 1992. We did not compute interest due on the monetary overbillings incurred by TSI as part of our report. In addition, for the purpose of this report, we did not compute loss of profits resulting in the collapse of TSI's business.

T.S.I. began its telecommunications business on or about July 1989, although it had no significant sales during the 1989 partial year.

Lopez Levi & Associates, P.A. has been engaged as an expert in the field of economic and financial losses, and we have been requested to quantify these losses in TSI's lawsuit against ATC. We have estimated total overbillings to TSI's business as a result of ATC's improper and unprofessional services to be in the amount of \$468,384.24.

We have prepared and included herein a summary of such overbillings. We have also included various schedules detailing how we arrived at the overbillings incurred by TSI. Finally, in separate attachments to this report, we are supplying our workpapers which support the figures we have used in our calculation of overbillings.

1. ATC ERRORS

In conjunction with our report of overbillings, we also enclose the following schedules and explanations thereto:

Schedule IV (a) **ATC Statement Analysis -Extension Errors.** As part of our internal control procedures, we wanted to determine the credibility and accuracy of the books, records and statements of account presented by ATC to TSI. We, therefore, took the statements for the period of July 10, 1989 through October 31, 1990 and we extended the total minutes by the applicable rates and determined the correct amount of the charges and compared them with the amount due as reflected on the ATC statement.

As you can see, there are some very significant errors including what appears to be an inappropriate decimal placement that resulted in a \$250,126.23 error. The total extension errors for this period under review totaled \$304,932.14.

Schedule VII. **ATC Statement Analysis - Beginning Balance Errors.** On this schedule, we took each statement presented to us on a monthly basis for a 26 month period from September 1, 1990 through October 27, 1992 and we compared the amount due as a beginning balance

reflected on the ATC statement to the balance forward amount of the following month, (which should be exactly the same). As you will note, for example, for September 1, 1991 through September 30, 1991 there was a \$392,687.50 discrepancy. In all, there were seven instances of inaccurate statement presentation whereby there was an incorrect balance forward amount.

Although these above cited examples do not result in actual overbillings, they do reflect improper and unprofessional accounting and bookkeeping methods and procedures, and a lack of basic proper internal control.

2. BASIS OF OVERBILLINGS

As a result of its business relationship with ATC, Telecommunications Services, Inc. (TSI) suffered large amounts of overbillings from a period beginning in 1989 and continuing through 1992. These losses occurred due to:

- 1) Poor service by ATC during TSI's business relationship with ATC:
- 2) Over billings by ATC which included
 - (a) the neglect by ATC to bill out on "6 second increments"
 - (b) "Stuck" clock billing
 - (c) double and duplicate charges for the same calls
 - (d) overlapping calls
 - (e) charges for incomplete calls and;
- 3) Improper bookkeeping by ATC in recording TSI transactions.

3. DOCUMENTS RELIED UPON

Lopez Levi & Associates, P.A. obtained and reviewed financial information from a variety of sources to determine which data was the most reliable. The records relied on for the analysis were.

- (1) billings from ATC to TSI,
- (2) the executed agreement between the two parties,
- (3) customer contracts
- (4) customer complaints
- (5) billing problem documentation
- (6) ATC invoices
- (7) The Resales Traffic Report (Green Bar Report)
- (8) Summarized TSI Client Usage Report in Minutes, etc.

4. INTERVIEWS

In gathering the background information and necessary documentation, interviews were primarily conducted with Joel Esquenazi, who is the sole shareholder of TSI.

During the interview process, we were made aware of the particulars of the case and TSI's position on the issues. All documentation relative to the case was requested, including financial records, billings, telephone call records, correspondence and contracts and/or agreements between the parties

5. LIST OF SCHEDULES INCLUDED IN REPORT

SCHEDULE I	AMOUNT DUE PER ATC STATEMENTS
SCHEDULE II	COMPARISON OF PAYMENTS BY TSI AND THE ATC STATEMENTS
SCHEDULE III	CREDITS ISSUED BY ATC
SCHEDULE IV	9 SECOND TIMING ERRORS
SCHEDULE IV (a)	ATC STATEMENT ANALYSIS EXTENSION ERRORS
SCHEDULE V	BILLING IN ONE MINUTE INCREMENTS VS. 6 SECOND INCREMENTS
SCHEDULE V (a)	COMPUTATION OF AVERAGE # OF SECONDS ERROR IN INTERNATIONAL CALLS DUE TO INCORRECT METHOD OF BILLING
SCHEDULE VI	OVERLAPPING, BUSY SIGNALS DUPLICATE AND OTHER ERRORS
SCHEDULE VI (a)	SUMMARY OF DAILY REPORT; MONTH OF AUGUST 1991
SCHEDULE VI (b)	SUMMARY OF DAILY REPORTS; MONTH OF MARCH 1992
SCHEDULE VII	ATC STATEMENT ANALYSIS - BEGINNING BALANCE ERRORS
SCHEDULE VIII	COMPARISON OF DIFFERENCES BETWEEN RESELLER'S TRAFFIC SUMMARY VS. ITEMIZED REPORT OF PHONE CALLS - BY CUSTOMER (SAMPLE OF 5 CUSTOMERS)

6. SUMMARY OF OVERBILLINGS

<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>SCHEDULE NUMBER</u>
Missing payments by ATC	\$ 6,727.62	Schedule II
9 Second Timing Errors	29,111.28	Schedule IV
Billing in one minute increments vs. 6 second increments	91,578.42	Schedule V
Overlapping, busy signals, duplicate and other errors	314,817.92	Schedule VI
"Bott" error	<u>26,149.00</u>	PSC Proceeding
TOTAL OVERBILLINGS	<u>\$ 468,384.24*</u>	

* Excludes judgement interest on overbillings. Also excludes amounts due to loss of profits and judgement interest thereon.

7. ERRORS BY ATC RESULTING IN LOSSES TO TSI

Schedule II. **COMPARISON OF PAYMENTS BETWEEN ATC AND TSI - We compared payments made by TSI with the payments credited in the ATC statements for the period of July 1, 1989 through October 27, 1992 and concluded there were \$6,727.62 of missing payments.**

Schedule IV. **COMPUTATION OF 9 SECOND TIMING ERRORS - For the period of 7/10/89 through 5/27/92, we have calculated the 9 second timing errors which resulted in ATC overcharges. We took the total number of calls during the period, multiplied the number of calls by 9 seconds, divided by 60 seconds to arrive at minutes overcharged. We then computed the percent of instances errors incurred by category of call which we multiplied by the going rate. These resulted in overbillings of \$29,111.28.**

Schedule V. **International calls, billing in one minute increments, computation of dollar value of error. This schedule indicates the average length of international calls for the purpose of establishing the reasonableness of Schedule V (a) which arrived at an average error in international calls by comparing calls up to 8 minute durations. It also shows the total dollars overcharged of \$91,578.42 caused by billing in one minute increments instead of 6 second increments. The total is the result of multiplying total international calls times the average seconds overcharged as determined in Schedule V (a), dividing the total by 60 seconds and multiplying the total by a conservative rate of 80 cents per minute.**

Schedule V (a) **Computation of average number of seconds error in international calls. This schedule indicates the average error in seconds in each international call. This was achieved by analyzing calls ranging from 15 second to 480 seconds and comparing the actual ATC**

seconds billed with the correct billing at 6 second increments instead of one minute increments. On this schedule we determined, based on our sample, that there were 26 seconds per call of overbillings.

Schedules VI (a) and VI (b) Summary of daily reports, analysis of the month of March 1992 and August 1991. These reports show the daily number of telephone calls that were reviewed for errors and the number and the dollar amounts of errors that were discovered.

Schedule VI. Analysis of projected errors based on the errors encountered during the month of March 1992 and August 1991. This report projects the total error value caused by overlapping, stuck clocks, busy signals and duplicate calls over a period of 31 1/2 months. These errors resulted in total overcharges of \$314,817.92.

Schedule VIII. Comparison of differences between the Reseller's Traffic Summary vs the Itemized Report of phone calls by Customer. We took a sample of five (5) customers for the month of August 1991, and we noted that there was a difference of 186.6 minutes which averaged 37.32 minutes per customer. These differences in minutes are the result of billings in one minute increments vs. six seconds. We have quantified the total overbillings due to these differences in Schedule V.

Although, as we have stated previously, we did not accrue interest as a part of our overbillings claim incurred by TSI, as a result of improper billings, had interest been accrued, it would have resulted in additional amounts of \$273,572.53 due to TSI. Our calculation was based on the last month of activity for that particular phase of overbillings incurred through June 30, 1998. We used an interest rate of 10%. The basis of our calculation is considered to be a conservative approach.

SCHEDULE I

**TSI VS ATC
AMOUNT DUE
PER ATC STATEMENTS**

PERIOD	PER ATC INTERNATIONAL	PER ATC 800#	PER ATC DOMESTIC	TOTAL
07/10/89-10/31/89 AMOUNT DUE	\$ 6,723.53	\$ -	\$ 4,294.45	\$ 11,017.98
11/01/89-11/30/89 AMOUNT DUE	7,673.60	391.86	7,476.56	15,542.02
12/01/89-12/31/89 AMOUNT DUE	6,697.57	385.98	3,695.40	16,778.95
01/01/90-01/31/90 AMOUNT DUE	8,674.14	630.42	13,303.30	22,607.86
02/01/90-02/28/90 AMOUNT DUE	9,295.27	603.33	14,660.78	24,559.38
03/01/90-03/31/90 AMOUNT DUE	13,869.35	191.10	16,640.29	30,700.74
04/01/90-04/30/90 AMOUNT DUE	14,262.37	25.62	16,767.61	31,055.60
05/01/90-05/31/90 AMOUNT DUE	17,131.30	1,996.68	11,927.62	31,055.60
06/01/90-06/30/90 AMOUNT DUE	21,036.60	1,454.67	8,564.33	31,055.60
07/01/90-07/31/90 AMOUNT DUE	20,486.02	1,057.98	14,229.65	35,773.65
08/01/90-08/31/90 AMOUNT DUE	23,942.73	3,883.95	13,844.22	41,670.90
09/01/90-09/30/90 AMOUNT DUE	25,137.40	3,053.40	12,252.91	40,443.71
10/01/90-10/31/90 AMOUNT DUE	32,495.70	3,684.87	17,793.78	53,974.35
11/01/90-11/30/90 AMOUNT DUE	26,305.67	1,241.73	14,191.00	41,738.40
12/01/90-12/31/90 AMOUNT DUE	26,305.67	1,273.65	15,458.54	43,037.86
01/01/91-01/31/91 AMOUNT DUE	25,009.39	1,237.11	21,785.86	48,032.36
02/01/91-02/28/91 AMOUNT DUE	22,616.81	1,176.42	19,828.92	43,622.15
03/01/91-03/31/91 AMOUNT DUE	23,595.40	1,099.35	22,626.40	47,321.15
04/01/90-04/30/91 AMOUNT DUE	30,839.48	3,173.52	28,144.08	62,157.08
05/01/91-05/31/91 AMOUNT DUE	32,749.02	1,439.76	30,340.12	64,528.90
06/01/91-06/30/91				

SCHEDULE I

**TSI VS ATC
AMOUNT DUE
PER ATC STATEMENTS**

PERIOD	PER ATC INTERNATIONAL	PER ATC 800#	PER ATC DOMESTIC	TOTAL
AMOUNT DUE 07/01/91-07/31/91	33,247.91	1,657.11	30,282.29	65,187.31
AMOUNT DUE 08/01/91-08/31/91	36,197.44	8,025.78	32,848.00	77,071.22
AMOUNT DUE 09/01/91-09/30/91	47,105.45	9,455.25	36,969.70	93,530.40
AMOUNT DUE 10/01/91-10/31/91	43,878.19	7,993.02	36,204.54	88,075.75
AMOUNT DUE 11/01/91-11/30/91	47,094.31	4,245.15	49,486.88	100,826.34
AMOUNT DUE 12/01/91-12/31/91	43,158.12	5,294.10	42,736.37	91,188.59
AMOUNT DUE 01/01/92-01/31/92	41,038.65	5,212.94	42,009.97	88,261.56
AMOUNT DUE 02/01/92-02/28/92	45,416.81	6,461.28	46,986.80	98,864.89
AMOUNT DUE 02/28/92-03/27/92	49,597.55	6,562.50	45,647.63	101,807.68
AMOUNT DUE 03/28/92-04/27/92	17,726.76	7,554.05	33,420.37	58,701.18
AMOUNT DUE 04/28/92-05/27/92	8,269.16	18,729.31	13,880.31	40,878.78
AMOUNT DUE	6,433.06	13,437.89	7,279.82	27,150.77
TOTAL	\$ 814,010.43	\$ 122,629.78	\$ 731,578.50	\$ 1,668,218.71

SCHEDULE II

**TSI VS ATC
COMPARISON OF PAYMENTS
BETWEEN ATC PAYMENTS
PER STATEMENTS
AND TSI CANCELLED CHECKS**

PERIOD	TSI CHECK NUMBER	CHECK AMOUNT	PAYMENTS PER ATC STATEMENTS	DIFFERENCE BETWEEN ATC AND TSI CHECKS
07/01/89-10/31/89	1008	\$ 11,071.98		
11/01/89-11/30/89	1011	7,771.00		
12/01/89-12/31/89	1020	23,750.20		
01/01/90-01/31/90	1050	19,885.92		
02/01/90-02/28/90	1056	20,875.47		
03/01/90-03/31/90	1077	24,334.27		
04/01/90-04/30/90		-		
05/01/90-05/31/90	1106	48,805.37		
06/01/90-06/30/90	1195 & 1206	35,532.85		
07/01/90-07/31/90	1214 & 1155	37,773.65		
07/01/90-07/31/90 (A)	1240	35,773.85	201,604.88	63,949.48
09/01/90-09/30/90	1207 & 1218	7,094.35	12,768.85	(5,674.50)
10/01/90-10/31/90		-	35,773.65	(35,773.65)
11/01/90-11/30/90		-	-	-
12/01/90-12/31/90	1023 & 1044	60,000.00	-	60,000.00
01/01/91-01/31/91		-	60,000.00	(60,000.00)
02/01/91-02/28/91	1095	30,000.00	-	30,000.00
03/01/91-03/31/91	1126 & 1149	72,890.44	65,000.00	7,890.44
04/01/91-04/30/91	1207	87,321.15	160,985.24	(73,664.09)
05/01/91-05/31/91	1303	40,000.00	40,000.00	-
06/01/91-06/30/91	1330 & 1367	52,095.12	19,830.67	32,264.45
07/01/91-07/31/91		-	32,264.45	(32,264.45)
08/01/91-08/31/91	1436 & 1492	123,044.35	123,044.41	(0.06)
09/01/91-09/30/91		-	-	-
10/01/91-10/31/91		-	-	-
11/01/91-11/30/91		-	-	-
12/01/91-12/31/91		-	-	-
01/01/92-01/31/92		-	-	-
02/01/92-02/29/92	1389	20,000.00	-	20,000.00
02/28/92-03/27/92		-	-	-
03/28/92-04/27/92	N/A	100,000.00	100,000.00	-
04/28/92-05/27/92		-	-	-
05/28/92-06/27/92		-	-	-
06/28/92-10/27/92		-	-	-
TOTAL		\$ 857,999.77	\$ 851,272.15	6,727.62 B

A: STATEMENT INCORRECTLY DATED

B: PAYMENTS NOT CREDITED BY ATC

SCHEDULE III

**TSI VS ATC
CREDITS ISSUED
BY ATC FROM
07/01/89-10/27/92**

PERIOD	AMOUNT	REASON
07/01/89-10/31/89	\$ -	
11/01/89-11/30/89	-	
12/01/89-12/31/89	-	
01/01/90-01/31/90	-	
02/01/90-02/28/90	-	
03/01/90-03/31/90	-	
04/01/90-04/30/90	-	
05/01/90-05/31/90	-	
06/01/90-06/30/90	-	
07/01/90-07/31/90	-	
07/01/90-07/31/90 *	-	
09/01/90-09/30/90	-	
10/01/90-10/31/90	-	
11/01/90-11/30/90	-	
12/01/90-12/31/90	-	
01/01/91-01/31/91	-	
02/01/91-02/28/91	-	
03/01/91-03/31/91	-	
04/01/91-04/30/91	42,957.58	A
05/01/91-05/31/91	-	
06/01/91-06/30/91	22,492.77	B
07/01/91-07/31/91	-	
08/01/91-08/31/91	-	
09/01/91-09/30/91	-	
10/01/91-10/31/91	-	
11/01/91-11/30/91	-	
12/01/91-12/31/91	-	
01/01/92-01/31/92	-	
02/01/92-02/29/92	-	
02/28/92-03/27/92	-	
03/28/92-04/27/92	51,486.96	C
04/28/92-05/27/92	-	
05/28/92-06/27/92	299.05	D
06/28/92-10/27/92	-	
TOTAL	<u>\$117,236.36</u>	

A: \$21581.73 1 MINUTE - NO ANSWER CALLS (7 MONTHS)
 \$21375.85 CREDIT INTERNATIONAL (10/89-6/90), \$35,773.65
 CREDIT ADJUSTMENT TO BALANCE
 B: CREDIT DOUBLE BILLING

C: CREDIT 3 BOXES
 D: GOODWILL

***STATEMENT INCORRECTLY DATED**

Notes:

With regard to Item A of \$21,581.73 which represents one (1) minute no answer calls, we have deducted these credits from the amounts due on Schedule VI.

With regard to Item B of \$22,492.77 which represents double billings, we have deducted these credits from the amounts due on Schedule VI.

With regards to Item A of \$21,375.85, Item C of \$51,486.96 and Item D of \$299.05 there is no conclusive evidence that these credits relate to overbillings we have encountered

SCHEDULE IV

TSI VS ATC
COMPUTATION OF 9 SECOND TIMING
ERRORS BY ATC

PERIOD	NUMBER OF CALLS			TOTAL
	INTERNATIONAL	800 & TRAVEL	DOMESTIC	
07/10/89-10/31/89	2,168.00	0.00	13,216.00	15,384.00
11/01/89-11/30/89	2,842.00	601.00	17,352.00	20,795.00
12/01/89-12/31/89	2,681.00	809.00	21,656.00	25,146.00
01/01/90-01/31/90	3,222.00	1,238.00	30,024.00	34,484.00
02/01/90-02/28/90	3,147.00	1,209.00	32,883.00	37,239.00
03/01/90-03/31/90	4,537.00	595.00	38,941.00	44,073.00
04/01/90-04/30/90	4,702.00	217.00	41,163.00	46,082.00
05/01/90-05/31/90	6,042.00	3,460.00	29,869.00	39,371.00
06/01/90-06/30/90	6,888.00	2,898.00	33,510.00	43,296.00
07/01/90-07/31/90	6,923.00	2,384.00	34,798.00	44,085.00
08/01/90-08/31/90	8,075.00	4,785.00	40,275.00	53,115.00
09/01/90-09/30/90	8,086.00	3,697.00	30,310.00	42,093.00
10/01/90-10/31/90	10,468.00	4,497.00	45,130.00	60,095.00
11/01/90-11/30/90	8,643.00	2,017.00	33,982.00	44,622.00
12/01/90-12/31/90	7,857.00	2,293.00	37,764.00	47,714.00
01/01/91-01/31/91	8,455.00	2,185.00	51,584.00	62,224.00
02/01/91-02/28/91	7,893.00	2,150.00	47,672.00	57,715.00
03/01/91-03/31/91	8,506.00	2,514.00	57,459.00	68,479.00
04/01/91-04/30/91	10,544.00	4,719.00	75,366.00	90,629.00
05/01/91-05/31/91	11,450.00	2,801.00	77,055.00	91,306.00
06/01/91-06/30/91	11,146.00	3,504.00	37,639.00	89,928.00
07/01/91-07/31/91	12,284.00	9,785.00	39,855.50	101,780.00
08/01/91-08/31/91	15,404.00	13,540.00	46,976.50	122,897.00
09/01/91-09/30/91	13,860.00	12,501.00	44,917.00	116,195.00
10/01/91-10/31/91	14,820.00	7,731.00	61,635.00	145,821.00
11/01/91-11/30/91	13,635.00	9,991.00	50,503.00	124,632.00
12/01/91-12/31/91	12,619.00	9,866.00	49,323.50	121,132.00
01/01/92-01/31/92	13,673.00	11,240.00	55,238.50	135,390.00
02/01/92-02/28/92	14,288.00	11,686.00	50,686.00	127,306.00
03/01/92-03/27/92 ****	4,423.00	33,521.00	20,275.50	78,495.00
03/28/92-04/27/92	4,423.00	33,521.00	20,275.50	78,495.00
04/28/92-05/27/92 ****	4,423.00	33,521.00	20,275.50	78,495.00
TOTAL NUMBER OF CALLS	267,907.00	235,416.00	1,287,589.50	2,288,513.00
TOTAL CALLS TIMES 9 SECONDS	2411163	2118744	11588306	
DIVIDED BY 60 SECONDS	40186.05	35312.4	193138.43	
TIMES PERCENT ERRORS OCCURRED	15%	15%	100%	
MINUTES PER CATEGORY	6027.91	5296.86	193138.43	
RATE	0.8	0.21	0.12	
			TOTAL OVERBILLINGS	
	\$ 4,822.33	\$ 1,112.34	\$ 23,176.61	\$ 29,111.28

**** Minutes not available in statements, estimated amount based on the prior month and the month subsequent

SCHEDULE IV (a)

**TSI VS ATC
ATC STATEMENT ANALYSIS
EXTENSION ERRORS**

PERIOD	CATEGORY	TOTAL MINUTES	RATE (A)	AMOUNT DUE PER STATEMENT	CORRECT AMOUNT	ERROR IN EXTENSION
7/10/89-10/31/89	INTRASTATE	3485.7	0.125	\$ 441.72	\$ 435.71	\$ 6.01
12/01/89-12/31/89	INTERNATIONAL	8644.6	0.8	62,697.57	6,915.68	55,781.89
02/01/90-02/28/90	TRAVEL SERVICE	1286	0.195	250,377.00	250.77	250,126.23
09/01/90-09/30/90	INTERSTATE ON NET-N & W	7854.5	0.14	344.64	1,099.63	(754.99)
09/01/90-09/30/90	INTERSTATE OFF NET- N & W	1869.2	0.15	713.63	250.38	466.25
10/01/90-10/31/90	INTERSTATE ON NET-N & W	9304.2	0.14	344.64	1,302.59	(957.95)
10/01/90-10/31/90	INTERSTATE OFF NET- N & W	2670.8	0.15	665.32	400.62	264.70
TOTAL				\$ 315,567.52	\$10,655.38	\$304,932.14

A: INTERNATIONAL RATE IS ESTIMATED AT .80

SCHEDULE V

TSI VS ATC
INTERNATIONAL CALLS
BILLING IN 1 MINUTE INCREMENT
VS 6 SECONDS INCREMENT
COMPUTATION OF DOLLAR VALUE
OF ERROR

PERIOD	AVERAGE		
	# OF CALLS	MINUTES	MINUTES PER CALL
07/10/89-10/31/89	2168	7638.3	3.52
11/01/89-11/30/89	2842	9211.8	3.24
12/01/89-12/31/89	2881	8899.6	3.21
01/01/90-01/31/90	3222	10710.2	3.32
02/01/90-02/28/90	3147	11047.7	3.51
03/01/90-03/31/90	4537	17506.1	3.86
04/01/90-04/30/90	4702	17443.9	3.71
05/01/90-05/31/90	6042	22128.9	3.66
6/1/1990-06/30/90	6888	25284.5	3.67
07/01/90-07/31/90	6923	29072.3	4.05
08/01/90-08/31/90	8075	31805.8	3.94
09/01/90-09/30/90	8086	33824.1	4.18
10/01/90-10/31/90	10468	42943.6	4.10
11/01/90-11/30/90	8643	35208.9	4.07
12/01/90-12/31/90	7857	30551.8	3.99
01/01/91-01/31/91	8485	33883.4	3.97
02/01/91-02/28/91	7893	30016.7	3.80
03/01/91-03/31/91	8506	30815.1	3.62
04/01/91-04/30/91	10544	39072.6	3.71
05/01/91-05/31/91	11480	42825.9	3.74
06/01/91-06/30/91	11148	44891	4.01
07/01/91-07/31/91	12284	48996.9	3.99
08/01/91-08/31/91	15404	63639.5	4.13
09/01/91-09/30/91	13980	60478.5	4.36
10/01/91-10/31/91	14820	64485.3	4.35
11/01/91-11/30/91	13635	59275.8	4.35
12/01/91-12/31/91	12919	56752.4	4.50
01/01/92-01/31/92	13673	63653.7	4.66
02/01/92-02/29/92	14288	73943.1	5.18
02/28/92-03/27/92	5108	28457	5.18
03/28/92-04/27/92	4423	17844.7	3.99
TOTAL	284189	1088247	4

A

A: USE AVERAGE RATE PER CALL FROM PRIOR MONTH, NO INFORMATION IN STATEMENT TO COMPUTE

B. TOTAL OVERCHARGED DUE TO BILLING IN MINUTE INCREMENT INSTEAD OF 6 SECOND INCREMENTS

284189 TOTAL CALL	
TIMES	28 AVERAGE SECONDS OVERCHARGE PER CALL- SEE SCHEDULE V(a)
	8888361.753 TOTAL SECONDS OVERCHARGED
DIVIDED	60 SECONDS PER MINUTE
	114473.0292 TOTAL MINUTES OVERCHARGED
TIMES	0.8 RATE PER MINUTE AVERAGE- SEE SCHEDULE IV (a)
	<u>\$ 91,578.42</u> AMOUNT

SCHEDULE VI

**TSI VS ATC
ANALYSIS OF PROJECTED ERRORS
TO DATE**

PROJECTED ERROR BASED ON
OVERLAPPING , STUCK CLOCK,
BUSY SIGNALS AND DUPLICATE CALLS

MARCH 1992	PROJECTED ERROR	\$ 10,640.00
AUGUST 1991	PROJECTED ERROR	<u>\$ 12,146.62</u>
	TOTAL	<u>\$ 22,786.82</u>
	AVERAGE PER MONTH	<u>\$ 11,393.41</u>
AVERAGE TIMES 31.5 MONTHS	TOTAL ERROR	\$ 358,892.42
LESS: CREDITS ISSUED BY ATC TO TSI (SEE SCHEDULE III):		\$ (21,581.73)
		<u>\$ (22,492.77)</u>
TOTAL NET OVERBILLINGS ADJUSTMENT		<u>\$ 314,817.92</u>

SCHEDULE VI(a)

**TSI VS ATC
SUMMARY OF DAILY REPORTS
ANALYSIS OF THE MONTH OF
AUGUST 1991**

DATE OF REPORT	TELEPHONE CALLS	# OF ERRORS	DOLLAR AMOUNT OF ERRORS
26-Jan-98	2530	148	\$ 197.66
27-Jan-98	2441	67	\$ 22.20
28-Jan-98	3763	206	\$ 151.86
29-Jan-98	3043	77	\$ 35.54
30-Jan-98	4670	342	\$ 465.99
1ST WEEK SUBTOTALS	16447	840	\$ 873.25
PROJECTED ERROR	122897	6277	\$ 6,525.19
2-Feb-98	2168	200	\$ 370.70
3-Feb-98	1103	191	\$ 390.60
4-Feb-98	712	100	\$ 195.20
5-Feb-98	1162	118	\$ 141.35
6-Feb-98	1580	511	\$ 319.16
2ND WEEK SUBTOTALS	6725	1120	\$ 1,417.01
PROJECTED ERROR	122897	10395	\$ 12,146.82
ACTUAL TOTAL TO DATE	23172	1960	\$ 2,290.26

SCHEDULE VI(b)

**TSI VS ATC
SUMMARY OF DAILY REPORTS
ANALYSIS OF THE MONTH OF
MARCH 1992**

DATE OF REPORT	TELEPHONE CALLS	# OF ERRORS	DOLLAR AMOUNT OF ERRORS
26-Jan-98	2239	168	\$ 1,089.62
27-Jan-98	2408	184	\$ 177.50
28-Jan-98	3330	138	\$ 81.31
29-Jan-98	4480	283	\$ 150.02
30-Jan-98	2867	156	\$ 457.68
1ST WEEK SUBTOTALS	15324	929	\$ 1,956.13
PROJECTED ERROR	88673	5376	\$ 11,319.23
2-Feb-98	1770	126	\$ 88.51
3-Feb-98	2345	210	\$ 136.76
4-Feb-98	1097	637	\$ 345.14
5-Feb-98	609	300	\$ 185.55
6-Feb-98	2923	282	\$ 176.05
2ND WEEK SUBTOTALS	8744	1555	\$ 932.01
PROJECTED ERROR	88673	9152	\$ 10,640.69
ACTUAL TOTAL TO DATE	24068	2484	\$ 2,888.14

SCHEDULE VII

**TSI VS ATC
ATC STATEMENT ANALYSIS
BEGINNING BALANCE ERRORS**

PERIOD	AMOUNT DUE BEG BAL	BALANCE FWD ENDING BAL	DIFF BETWEEN BEGINNING AND ENDING BALANCE
09/01/90-09/30/90	SEE A	\$ 117,888.26	
10/01/90-10/31/90	\$ 117,888.26	136,088.96	0.00
11/01/90-11/30/90	136,088.96	177,827.36	0.00
12/01/90-12/31/90	177,827.36	220,865.22	0.00
01/01/91-01/31/91	220,865.22	208,897.58	0.00
02/01/91-02/28/91	208,897.58	252,519.73	0.00
03/01/91-03/31/91	252,519.73	234,840.88	0.00
04/01/91-04/30/91	234,840.88	93,055.14	0.00
05/01/91-05/31/91	93,055.14	117,584.04	0.00
06/01/91-06/30/91	117,584.04	140,447.91	0.00
07/01/91-07/31/91	140,447.91	185,254.68	0.00
08/01/91-08/31/91	185,254.68	155,740.67	0.00
09/01/91-09/30/91	548,428.17	636,503.92	\$ (392,687.50)
10/01/91-10/31/91	155,740.67	256,567.01	480,763.25
11/01/91-11/30/91	256,567.01	347,755.60	0.00
12/01/91-12/31/91	636,503.92	724,765.48	(288,748.32)
01/01/92-01/31/92	347,755.60	446,620.49	377,009.88
02/01/92-02/29/92	446,620.49	548,428.17	0.00
02/28/92-03/27/92	724,765.48	786,466.66	(176,337.31)
03/28/92-04/27/92	750,931.57	640,323.39	35,535.09
04/28/92-05/27/92	640,323.39	667,474.16	0.00
5/28/92-06/27/92	667,474.16	667,457.79	0.00
06/28/92-07/27/92	669,434.97	667,823.73	(1,977.18)
07/28/92-08/27/92	667,823.73	667,918.37	0.00
08/28/92-09/27/92	667,918.37	668,015.44	0.00
09/28/92-10/27/92	668,015.44	668,057.60	0.00

A: ATC STATEMENTS DID NOT SHOW BALANCE FORWARD PRIOR TO SEPT 1,1990

SCHEDULE VIII

TSI vs ATC
Comparison of Difference Between Reseller's Traffic Summary
vs. Itemized Report of Phone Calls by Customer
Month of August 1991
Sample of 5 Clients

Name	Customer #	Minutes per Reseller's Report	Minutes per Itemized Report	DIFFERENCE
Call Express	753	355.3	395.7	40.4
Jacol Cargo	754	410.5	449.9	39.4
Credit Fax	756	4033.6	4081.4	47.8
World Color Tour	760	435.5	522.6	27.1
Corse Inc.	769	248	279.9	31.9
		5542.9	5729.5	186.6
AVERAGE DIFFERENCE OF SAMPLE				37.32