

WORLD COM**Internal Audit Correspondence**

Topic:	Capex
Date:	6/13/02
Participants:	Cynthia Cooper, Max Bobbitt, and Ferrell Malone
Method of Communication:	Meeting at Hampton Inn Conference Room - Clinton MS

Max Bobbitt called Cynthia Cooper and asked that she meet him and Ferrell Malone at the Hampton Inn to discuss issues related to the Capex Audit. Max requested Cynthia bring a schedule of Line Costs as a percentage of Revenue.

Max stated that he had discussed the issue of prepaid capacity with Ferrell and that they believed the best course of action would be for KPMG to address it as part of their Q102 audit. Cynthia stated that she believed IA needed to complete the Capex audit as well as any audit testing related to this issue.

At the meeting, Cynthia provided Max and Ferrell with a summary of journal entries capitalizing line costs for Q201 through Q102 and a summarized Consolidated Statement of Operations as originally reported and with the effects of capitalized line cost reversals. Cynthia, Ferrell and Max discussed the schedules.

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Max stated that he believed it was premature to discuss the prepaid capacity issue at the 6/14/02 AC meeting. Cynthia stated that she believed the AC should be apprised of the facts to date. Ferrell agreed that it was premature to discuss the issue with the AC because IA was still in the middle of the audit and support had not yet been obtained.

Max stated that he wanted to share the schedules with Scott Sullivan on the return flight from Jackson after the AC meeting. Cynthia and Ferrell both agreed it would be best for Max to just ask Scott about the issue without presenting Scott with preliminary schedules. Max agreed he would discuss the issue with Scott on the return flight and that IA could carry on with their audit as planned Monday morning (6/17).