

MEMORANDUM

December 15, 1993

TO: DIVISION OF RECORDS AND REPORTING (FLYNN)

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (PELT)

RE: DOCKET NO. 920260-TL -- SOUTHERN BELL TELEPHONE COMPANY
CONTINUING PROPERTY RECORDS COMPLIANCE AUDIT
ISSUED UNDER DENISE N. VANDIVER'S DECEMBER 15, 1993
TRANSMITTAL LETTER
AUDIT CONTROL NO. 93-245-5-1

Audit Disclosures 1, 2, 3 of the audit report and workpapers, Volumes 2, 3, and 4 of 4, are forwarded, pursuant to Rule 25-22.006, F.A.C. The non-confidential part of the audit report, Volume 1 workpapers, and the administrative section for the workpapers are being filed as unclassified in the DAFA files.

The audit exit conference was held by telephone December 1, 1993.

An attached 2-page index lists all confidential papers.

Attachments: Confidential Document Index, Pages - 2 ~~19334-93~~
Confidential Part of Audit Report, ~~13335-93~~
Dated December 10, 1993
Confidential Workpapers - Volumes 2, 3, and 4

cc: Memorandum Only - Legal
Beverly Meeks

Vol. 2 - 13336-93
Vol. 3 - 13337-93
Vol. 4 - 13338-93

Katherine Smith
RECEIVED BY

12/15/93
DATE

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

FIELD WORK COMPLETED

DECEMBER 10, 1993

SOUTHERN BELL TELEPHONE COMPANY

MIAMI, FLORIDA

DADE COUNTY

CONTINUING PROPERTY RECORDS COMPLIANCE

DOCKET NUMBER 920260-TL

AUDIT CONTROL NUMBER 93-245-5-1

Costas Panagiotopoulos
COSTAS PANAGIOTOPOULOS
AUDIT MANAGER

Audit Staff

Leon Cherok

Minority Opinion

Yes ___ No LC

Ann Bouckaert
ANN BOUCKAERT
PUBLIC UTILITIES SUPERVISOR
TAMPA DISTRICT OFFICE

CONFIDENTIAL
Declassified

*Non-Conf. part of
Audit Report filed
in DAFA.*

DOCUMENT NUMBER-DATE

13335 DEC 15 88

FPSC-RECORDS/REPORTING

III. AUDIT DISCLOSURES

DISCLOSURE NO. 1

SUBJECT: Retirement Units Not **READILY** Identifiable

STATEMENT OF FACTS:

47 CFR CH I, SUBPART C, 32.2000 Instructions for Telecommunications Plant Accounts, (f), (5) Identification of Property Record Units states " There shall be shown in the continuous property record or in record supplements thereof, a complete description of the property units. The description shall include the identification of the work order under which constructed, the year of installation (unless not determinable per ... 32.2000(f)(4) of this subpart, specific location of the property within each accounting area in such a manner that it can be readily spot-checked for proof of physical existence, the accounting company's number or designation, and any other description used in connection with the determination of the original cost. Descriptions of units of similar size and type shall follow prescribed groupings."

Many categories of retirement units could not be identified by Teams of Public Service Commission (PSC) Engineers and Southern Bell Telephone (SBT) Technicians who worked the inventoried locations, with the descriptions listed on the CPR's. To aid in identifying the plug-in equipment it was necessary to have SBT employees in Jacksonville search the national property record catalog for Human Equipment Category Identification (HECI) codes to positively identify most of the description deficient retirement units.

No specific location within each accounting area was listed in the continuous property records.

OPINIONS:

SBT was requested (Request 17) and furnished a hard copy of the CPR record for location E0605 (no supplemental reports were included). This report contained the identical information under the description column as the CPR report furnished by FPSC's EDP Group for location E0605 which was used during the inventory. Therefor it can be assumed that the FPSC produced CPR reports for the locations inventoried are comparable to the SBT reports.

Based on the descriptions contained in the CPR reports provided it appears that Southern Bell Telephone Company is not in compliance with Code of Federal Regulations, Subpart C, 32.2000, (f), (5).

Many categories of the retirement units could not be **readily** identified with the descriptions provided on the CPR records. The

HECI code needs to be added to the description column on the CPR's in order to make a positive identification of the retirement units. Also the continuous property record does not list the specific location (frame, rack, shelf) for each retirement unit for it to be readily spot-checked for proof of physical existence.

RECOMMENDATIONS:

Southern Bell Telephone Company should include the HECI code as part of the description of the plug-in retirement units. The specific location within the Central Office area of all retirement units should also be included.

COMPANY COMMENTS: The Company may respond at a later date.

DISCLOSURE NO. 2

SUBJECT: Account COE Circuit-Other Inventory Discrepancies

STATEMENT OF FACTS:

Nine locations in the South East SBT Region were inventoried on November 8,11,12, 1993.

The data base which produced the CPR records used for the inventory were as of 10/11/93 for the hardwired and as of 10/13/93 for the plug-in CPR records.

The subaccounts (of CFR Account 2232) audited were FRC codes 57C, 257C, 357C, 457C, 557C, 597C, 857C.

The results of the inventory were as follows:

A. Line Entries of CPR Records

	<u>Total No. Entries</u>	<u>No. Entries W/dscrpncs</u>	<u>% Of Entries W/O dscrpncs</u>	<u>% Of Entries W/dscrpncs</u>
Hardwired	180	68	62.22%	37.76%
Plug-In	693	175	74.75%	25.75%

B. Dollar Amounts Of Discrepancies

	<u>Total \$ Booked</u>	<u>\$ Amt Of Dscrpncs</u>	<u>Percent of Dscrpncs</u>
Hardwired	\$782,813.50	\$187,945.48	24.01%
Plug-In	510,000.00	117,868.37	23.11%

The inventory results include CPR entries labeled Unallocated Costs and Plug-in Other Costs. The Company has not yet reconciled the discrepancies which were found to be both over and under stated during the inventory.

OPINIONS:

Unless the Company can provide documents supporting the Unallocated Costs and the discrepancies found, the dollar amounts listed for hardwired and plug-in discrepancies should be adjusted in the Company books.

RECOMMENDATIONS:

COMPANY COMMENTS: The Company may respond at a later date.

DISCLOSURE NO. 3

SUBJECT: Obsolete COE Circuit-Other Telephone Equipment

STATEMENT OF FACTS:

A list of retirement units thought to be obsolete or un-identifiable by the Depreciation group of the division of Audit and Financial Analysis (AFA) was tabulated from the mechanized files provided by the Company. Locations in the South East SBT Region were judgmentally selected for audit with further limitations to dollars booked in the material and/or the in-place columns of the CPR records.

The list of possible obsolete COE Circuit-Other telephone equipment inventoried consisted of 16 hardwired and 8 plug-in of different types of retirement unit categories.

Seven of the hardwired and four of the plug-in categories were found to be not used at the locations inventoried.

Three of the hardwired categories could not be identified.

OPINIONS:

The results of the inventory of the judgmentally selected sample list of possible obsolete items indicate a need for the Company to examine their CPR records and remove all the retirement units that are no longer useful due to technological innovations.

RECOMMENDATIONS:

The Company should update their CPR records to eliminate any obsolete retirement units due to technological innovations.

COMPANY COMMENTS: The Company may respond at a later date.

CONFIDENTIAL