

BST
Costing Methods Group

Docket No. 92-02-60TL

Test Period Ended 12/31/92

November 12, 1993

11/12/93

COPI

DOCUMENT NUMBER-DATE

00053 JAN-3 93

FPSC-RECORDS/REPORTING

COMPANY: BST
TITLE: BSE -- CHAINING SUMMARY
PERIOD: TYE 12/31/92
DATE: JUNE 3, 1993
AUDITOR: RKY

kw
11/1/93

WP NO 51

There are three areas which we concentrated on for BSE.

1. The amounts BSE bill each sub or affiliate. Do they follow CAM?
If not following CAM? What are they doing? Are they at
less than FDC. Document. WP Sections 51-6 and 51-7.
2. The amounts that potentially chain through to BST.
wp Section 51-8.
3. What is the character of the amounts billed to BSE subs and affiliates.
Are the expenses reasonable for rate making?
wp Section 51-9.

The rest of the workpapers in this section are for information purposes and
in many instances support the conclusions in each of these three areas.
These are referenced where support is necessary.

We are not auditing the BSE subs to determine if they are billing
according to the CAM to BST.

In other sections of this audit, we selected BSE sub Sunlink to audit to
determine if they were billing BST according to the CAM.

Other companies that bill BST that we selected to audit, but are not subs
of BSE are Data Serv Inc., and Affiliates which is a sub of BellSouth
Business Systems, which is a sub of BST; Bellcore which is a sub of BST,
BellSouth Communications, Inc., which is a sub of BellSouth Business
Systems, which is a sub of BST. We have also decided to audit the amounts
that are allocated to BST from the parent corporation, BellSouth
Corporation.

This section includes the following:

- 51-1 Description of BSE, What does BSE do?
Description of Chaining.
- 51-2 Comparison of BSE subsidiaries from CAM and from
Organizational Chart for 12/31/92.
Determine the number of BSE subs.
- 51-3 l. Contracts -- BSE with BST
 - a. Bellsouth Enterprises, Inc and BST, Inc. covering
Consulting, Marketing and Support Services . BST says this
agreement covers BSE subs with BST Per answer to 2-023.

31 p 1 88

b. BellSouth Enterprises, Inc., as agent for BellSouth Mobility, Inc. and American Cellular Communications Corp, and BST, Inc. covering Consulting, Marketing and Support Services.

ii. Contracts -- BSE with their own subs

- 51-4 Internal Audits
- 51-5 Notes from C&L Workpapers 1992 CAM Audit

- 51-6 Amounts BSE is billing each of their subs and other affiliates AND DOCUMENTATION FOR BILLING FOR 1992 .for 1992. BSE is billing subs a management fee and not following CAM. They say it is below FDC. Staff has to prove that. See 51-7

- 51-7 Analysis of Determination of less than FDC.
- 51-8 Determination of Potential Chaining
- 51-9 Make up of BSE charges that are in turn a management fee.
- 51-10 Documentation of JCO Requirements
- 51-11 BSE Income Statement Reconciliation
- 51-12 BSE combination with BSC

DISCLOSURES, CONCLUSIONS AND RECOMMENDATIONS FOLLOW THIS PAGE.

BSE AUDIT DISCLOSURE 1

SUBJECT: BELLSOUTH ENTERPRISES' (BSE) BILLING TO NONREGULATED SUBSIDIARIES

STATEMENT OF FACTS:

GENERAL

51-10

According to BSE Accounting Directive 005, Section 5.01 chaining is defined as follows: "When a carrier obtains an asset or service from a nonregulated affiliate that has obtained the asset or service from another nonregulated affiliate."

Section 5.02 says that BSE requires all intercompany transactions comply with the Joint Cost Order because costs that are included in a chaining transactions that are several layers removed from the ultimate destination can be difficult to identify.

BSE Account Directive 008, Section 1.01 presents the rules for pricing goods and services transferred between regulated carriers and their nonregulated affiliates. "If no prevailing market rate exists, the price charged to the regulated affiliate must be based on the JCO fully distributed costing standards (FDC)."

BSE does not bill BST directly. BSE bills their nonregulated subs and in turn, according to the Cost Allocation Manual at 12/31/92, the nonregulated subs bill BST at fully distributed cost, market or tariff, etc. whichever applies.

23

51-6

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BSE bills their subsidiaries a management fee. This fee is of the subsidiaries operating expenses (operating expenses less cost of goods sold, depreciation and management fee). The total management fee billed to subsidiaries for 1992 was:

51-6

29

In order to determine if the management fee is less than FDC, BSE calculated what FDC would have been if it had been used. BSE calculated that FDC was for 1992.

51-7

As explained by the company, FDC is calculated as follows: BSE costs that are not project coded or retained are compiled by Responsibility Code (RC). These costs are then allocated to all subsidiaries based on subsidiary operating expenses, salary costs, marketing costs or equity and debt.

For example, the total costs at BSE associated with Human Resources that are not project coded or retained are compiled under RC costs U12100 to U12500. The total of these costs are allocated to all BSE subs based on the subsidiaries salary expenses. *Explanation of Human Resources 51-7/8*

Total Marketing costs at BSE that are not project coded or retained are compiled under RCU61E00 to RC U61340. The total of these costs are allocated to all BSE subs based on the subsidiaries marketing costs.

The same concepts are used for all RC's that are not project coded or retained.

BSE AUDIT DISCLOSURE 1

SUBJECT: BELLSOUTH ENTERPRISES' (BSE) BILLING TO NONREGULATED SUBSIDIARIES

PSC staff addressed six areas of BSE billing to Nonregulated Subsidiaries. They are as follows: Companies billed the Management fee vs. companies used to calculate FDC, BSE Income Statement Reconciliation, Management Fee, FDC Calculation, Companies billed a Project Fee, Types of Expenses at BSE Headquarters.

Each will be described separately with an opinion from the PSC staff. Finally, a conclusion and recommendation on all areas will be found at the end of this conclusion.

1. COMPANIES BILLED THE MANAGEMENT FEE VS. COMPANIES USED TO CALCULATE FDC.

51-6
BSE subsidiaries billed a management fee were: Mobile Data, BellSouth Advanced Networks (BSAN), BellSouth Information Network (BIN), Sunlink, BellSouth Information Systems, Inc. (BIS), BellSouth Advertising & Publishing Corp. (BAPCO), LM Berry, Stevens Graphics, Techsouth, Bellsouth Cellular, BellSouth Mobile Data, Inc. (BMI), Mobile Communications Corporations of America and affiliates (MCCA), International Operations Group, and BellSouth Financial Services Corp (FINS).

In calculating the FDC, the above companies were included along with those that were not billed a management fee in 1992. These companies were: Marketing Program, Executive Services, Data Service Financial Services, Inc. (DFINS), Corporate Health Network (CHN), Scientific Software, Inc. (SSI), Intelligent Messaging Services Inc. (IntellMmsg), Dataserv International, Intelligent Media, Worldwide Wireless Trials (WWW), Retained Costs at BSE and Miscellaneous costs at BSE.

51-6
The Company states that BSE does not bill management fees to companies "...which fall within the following general categories: (1) corporate development entities, (2) recent acquisitions, (3) international joint venture investments/internationally wholly owned subs..."

OPINION:

BSE did not use the same companies to calculate the FDC as they billed a Management Fee. They are not using the same basis for comparison of whether billing FDC or less.

II. BSE INCOME STATEMENT RECONCILIATION

51-11
Part of BSE's billing to their subs includes Projects that are specifically coded to the subs for which the work was being performed. This is in addition to the Management fee. BSE also retains certain costs at headquarters that are not billed as Project costs or considered part of the FDC calculation.

BSE AUDIT DISCLOSURE 1

SUBJECT: BELLSOUTH ENTERPRISES' (BSE) BILLING TO NONREGULATED SUBSIDIARIES

In order to determine that all costs are used in the FDC calculation, BSE prepared an income statement reconciliation. All costs at BSE are reconciled here to the Trial Balance. These costs are Project Coded Costs, Total Expenses Allocated for FDC, and Costs Retained. BSE has objected to us having access to their financial records to verify these costs.

OPINION:

Because we did not have access to BSE financial records, we could not determine whether the Income Statement Reconciliation to the Trial Balance was correct.

III. MANAGEMENT FEE

51-6

In order to substantiate the management fee billed to each subsidiary, PSC staff requested financial statements for all BSE subsidiaries whether billed a management fee or not for December, 1992. The Company objected to providing the financial statements for all BSE subsidiaries.

OPINION:

If we cannot substantiate the basis for the management fee billed to each subsidiary through the income statements, we do not know whether the amounts that are eventually billed (chained through) to BST from the nonregulated subsidiaries are reasonable. All subsidiaries would have to be billed on the same basis.

IV. FDC CALCULATION

51-7

As explained by BSE, BSE costs that are not project coded or retained are compiled by Responsibility Code (RC). These costs are then allocated to all subsidiaries as listed above based on allocation factors.

The primary allocation factors for calculating FDC cost are subsidiary operating expenses, salary costs, marketing costs, and equity and debt.

PSC staff requested documentation for the allocation factors. We were able to see at company premises, without writing down numbers, the income statement for BSE. Staff traced the operation expenses used in the FDC calculation for BIS, BSAN, Sunlink and Data Serv International to the Income Statements. Marketing Expenses for BIS and Stevens Graphics were tied to "BSE Marketing Costs for year end 12/31/92". Again we were able to see this schedule at company premises, without writing down numbers. The subsidiary salary expense was traced for BIS and Graphics to "BSE Salary Costs for Year end 12/31/92.". We were able to see this schedule on company site, without writing down numbers.

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BSE AUDIT DISCLOSURE 1

SUBJECT: BELLSOUTH ENTERPRISES' (BSE) BILLING TO NONREGULATED SUBSIDIARIES

OPINION:

The allocation procedures to determine FDC might seem reasonable, but if we cannot audit the subsidiary amounts underlying the allocations, we cannot draw a conclusion on the calculation of the FDC.

V. COMPANIES BILLED A PROJECT FEE

51-3
BSE provided us with two formal contracts. One is for BSE, Inc. as agent for BellSouth Mobility, Inc. and American Cellular Communications Corp with BST. The second contract was for BSE, Inc. with BST.

We also requested agreements that BSE has with its nonregulated subsidiaries. We were supplied with agreements in the form of Project Descriptions, Project Budgets and Approval Forms, for only those BSE subsidiaries that bill BST at fully distributed cost (FDC). The company objected to providing agreements with BSE subsidiaries that did not bill BST at FDC.

Staff reviewed the Project Descriptions and Project Budgets and Approval forms, for the projects supplied to us. Many of the projects were allocated 100% to the particular subsidiaries that chain into BST, however, seven out of 31 projects reviewed, allocated parts to different subsidiaries. The parts that are allocated to subsidiaries that don't chain into regulation were not included. A list of these seven Projects follows this disclosure.

OPINION:

In order to obtain a complete picture of the amounts that are chained into the regulated entities from BSE nonregulated subsidiaries, in our opinion it is necessary to know how the determination of billing to each of BSE's subs is arrived at. If the agreements we receive that are with the BSE subs that bill BST at FDC are equitable; we still do not know if BSE subs that do not bill BST are handling their fair share of projects where the project is allocated between subs chaining into BST and subs not chaining into BST.

By withholding these agreements and how the amounts to these other subs are arrived at, the staff cannot draw a conclusion that the amount that is chained into regulation is reasonable.

VI. TYPES OF EXPENSES AT BSE HEADQUARTERS.

51-9
BSE objected to our requests for Financial statements, Cumulative General Ledger, Cumulative Transaction Ledger, and Chart of Accounts as of 12/31/92; and a printout of all disbursements over \$50,000 during 1992.

Without these financial records, we did not have information that would facilitate the selection of a sample of expenses items.

BSE AUDIT DISCLOSURE 1

SUBJECT: BELLSOUTH ENTERPRISES' (BSE) BILLING TO NONREGULATED SUBSIDIARIES

PSC staff reviewed an Internal Audit of "1992 Officer Expense Review -- BSE All Departments." The audit

5
6 51-4

OPINION:

Because we could not have access to BSE's books, we could not select a sample to determine the types of expenses, whether they are reasonable for ratemaking, whether reasonable to include in the FDC calculation, and what types of expenses are theoretically in the management fee.

CONCLUSION

BSE is not using the same number of companies in comparing FDC with the Management Fee. We cannot audit the amounts that make up the income reconciliation, we cannot substantiate the amounts that are used to calculate the management fee, we cannot audit the amounts that make up the FDC calculation that is used to determine whether BSE is billing at FDC or less, and we cannot audit the expenses on the books of BSE, and we cannot determine in some of the projects how the project billing is established.

Because of this we cannot determine whether the FDC calculation is reasonable for ratemaking and whether the management fee is billed to all subs equitably, and therefore, whether the comparison of FDC to management fee is reasonable. We also cannot draw a conclusion that the amount of project billing chained into regulation is reasonable.

RECOMMENDATION:

Disallow the amount of management fee and project billing amounts that are chained through to BST because of billings from BSE subsidiaries. BSE Audit Disclosure 2 addresses the amounts of potential chaining to BST.

BSE AUDIT DISCLOSURE 1

**SUBJECT: BELLSOUTH ENTERPRISES' (BSE) BILLING TO NONREGULATED
SUBSIDIARIES**

SCHEDULE TO BSE AUDIT DISCLOSURE 1

SUBJECT: BSE AGREEMENTS WITH SUBSIDIARIES -- SCOPE LIMITATION

Project number	Department/Subsidiary Billed
ES6090	Accounting Methods and Procedures--Sunlink, BSFin Svs, BSAN, BIS
ES6100	Human Resources -- BSAN, BIS, BAPCO, Berry Co., Stevens Graphics
ES8198	Human Resources--Stevens Graphics, BSAN
ES8199	Human Resources--BaPCO, Sunlink, BIS
ES8200	Human Resources -- BIS, Stevens Graphics, BAPCO, BSAN
ES8201	Human Resources -- Sunlink
ES8212	Human Resources -- Stevens Graphics, BIS, Sunlink, BAPCO, BSAN

**This is 7 projects out of 31 that we do not have full amounts of allocation;
that is 23%.**

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9

51

COMPANY: BST
TITLE: SUMMARY OF CONTRACTS
TEST PERIOD: TYE 12/31/92
DATE: JULY 26, 1993
AUDITOR: RKY

KW 11/6/93

WP NO. 51-3

In order to evaluate the amounts billed by BSE to its nonregulated subsidiaries, staff requested all formal contracts between affiliate companies in 2-023.

BST provided us with two formal contracts. The first BSE, Inc. as agent for BellSouth Mobility, Inc. and American Cellular Communications Corp with BST. The second contract was BSE, Inc. with BST. Staff summaries of these contracts are on wp 51-3/1 and the contracts are on 51-3/1 and 51-3/1.2. Also below is a brief summary of the contracts.

These contracts are with BST and not BSE and its subs, therefore, we further requested agreements that BSE has with its nonregulated subs to determine the types of charges to all nonregulated subs and if the determination of billing to all nonregulated subs was in an equitable manner.

In answer to our request, the Company stated that they would supply in Atlanta (2-097(3) agreements with the BSE subs that bill BST at FDC. The Company objected to providing agreements with BSE subs other than those that bill BST at FDC. This is pending under the Supreme Court decision.

The agreements are in the form of Project Description and Project Budget and Approval forms.

Staff reviewed the Project Descriptions and Project Budget and Approval forms, for the projects supplied to us. Many of the projects were allocated 100% to the subsidiaries that chain into BST, however, there are a number that are allocated between entities and the amounts that are allocated to affiliates that don't chain into BST are not included in the information provided. *See page 4 here*

In order to obtain a complete picture of the amounts that are chained into the regulated entities from BSE nonregulated subsidiaries, in our opinion it is necessary to know how the determination of billing to each of BSE's subs is arrived at. If the agreements we receive that are with the BSE subs that bill BST at FDC, are equitable; we still do not know if BSE subs that do not bill BST are handling their fair share of BSE costs. By withholding these agreements and how the amounts to these other subs are arrived at, the staff cannot draw a conclusion that the amount that is chained into regulation is reasonable.

~~How do we determine the amounts chained into regulation so we can delete?~~

Jan 54 - 8

*51-3
3-1
then
51-3
5-13*

*add Project #'s with
allocated
Project that do not show
100% allocated - show partial
allocated attached a. pg 4*

51-3 p196

COMPANY: BST
TITLE: SUMMARY OF CONTRACTS
TEST PERIOD: TYE 12/31/92
DATE: JULY 26, 1993
AUDITOR: RKY

WP NO. 51-3

PSC STAFF PROCEDURES:

Staff reviewed the Project Descriptions given to us and prepared a description of each project with the number, type, who billed, budget amount, and approval signature.

51-3
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51-3
5-43

Staff requested invoices from BSE to all subs for the months of July and Oct 92 in 2-097 (7). The Company provided for review only those invoices for project billing and management fee for those BSE subs who bill BST at FDC.

oct

The bills for July and Nov were agreed to the Project Descriptions supplied to us in 2-097 (9). While doing this we found certain projects that we had invoices for which we did not receive descriptions, etc. We requested these and received them. The project descriptions agreed with the invoices.

51-3
3pgs

When comparing some of the project descriptions with the answer to 2-097106 which asked for information regarding the various responsibilities under the various responsibility codes which were used to calculate the FDC, staff noticed certain similarities in the Treasury, AUP and Comptrollers, and Human Resources Projects to the FDC allocation codes. We asked the company to explain how the work done for the amounts used for the FDC calculation and the work done for the amounts in the PPjects were different. See Request NO. No answer yet. 51-3
Also reference to 51-11.

51-3
4

The reasons for this comparison was because the amounts that are used to calculate the FDC do not include Project Costs. Project costs are billed separately, not under the management fee. So if the Project work done and the FDC work done are the same, the subs are being billed for the same thing twice under the FDC calculation.

Company explained the difference
in answer to 2-175 -
See 51-3

4-1
On the surface, the answer appears to be reasonable, but without a management audit, we cannot tell whether there is overlapping.

p 2

COMPANY: BST
TITLE: SUMMARY OF CONTRACTS
TEST PERIOD: TYE 12/31/92
DATE: JULY 26, 1993
AUDITOR: RKY

WP NO. 51-3

BRIEF SUMMARY OF CONTRACTS.

Both contracts enumerated the types of services to be provided by either parties. The contracts set forth in Section III, 3.01 DETERMINATION OF CHARGES, THAT All costs associated with the services provided to the Parties shall be in compliance with the rules set forth by any applicable state regulatory authority or the Federal Communications Commission in In The Matter of BellSouthcorporation's Permanent Cost allocation Manual for the Separation of Regulated and Nonregulated Costs, adopted December 28, 1987, released January 14, 1988, and as may be subsequently amended."

PS

COMPANY: BST
TITLE: SUMMARY OF CONTRACTS
BEST PERIOD: TYE 12/31/92
DATE: JULY 26, 1993
AUDITOR: RKY

WP NO. 51-3

BRIEF SUMMARY OF CONTRACTS.

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Project number	Department
ES6090	Accounting Methods and Procedures--Sunlink, BSFin Svs, BSAN, BIS
ES6100	Human Resources -- BSAN, BIS, BAPCO, Berry Co., Stevens Graphics
ES8198	Human Resources--Stevens Graphics, BSAN
ES8199	Human Resources--BaPCO, Sunlink, BIS
ES8200	Human Resources -- BIS, Stevens Graphics, BAPCO, BSAN
ES8201	Human Resources -- Sunlink
ES8212	Human Resources -- Stavens Graphics, BIS, Sunlink, BAPCO, BSAN

This is 7 projects out of 31 that we do not have full amounts of allocation; that is 23%.

P4

AUDIT DISCLOSURE

SUBJECT: BellSouth Enterprises (BSE) Agreements with Subsidiaries
SCOPE LIMITATION

STATEMENT OF FACTS:

BSE provided us with two formal contracts. One is for BSE, Inc. as agent for BellSouth Mobility, Inc. and American Cellular Communications Corp with BST. The second contract was for BSE, Inc. with BST.

We also requested agreements that BSE has with its nonregulated subsidiaries. We were supplied with agreements in the form of Project Descriptions, Project Budgets and Approval Forms, for only those BSE subsidiaries that bill BST at fully distributed cost (FDC). The company objected to providing agreements with BSE subsidiaries that did not bill BST at FDC.

Staff reviewed the Project Descriptions and Project Budgets and Approval forms, for the projects supplied to us. Many of the projects were allocated 100% to the particular subsidiaries that chains into BST, however, seven out of 31 projects reviewed allocated parts to different subsidiaries. The parts that are allocated to subsidiaries that don't chain into regulation were not included. A list of these seven Projects follows this disclosure.

OPINION:

In order to obtain a complete picture of the amounts that are chained into the regulated entities from BSE nonregulated subsidiaries, in our opinion it is necessary to know how the determination of billing to each of BSE's subs is arrived at. If the agreements we receive that are with the BSE subs that bill BST at FDC are equitable; we still do not know if BSE subs that do not bill BST are handling their fair share of projects where the project is allocated between subs chaining into BST and subs not chaining into BST.

By withholding these agreements and how the amounts to these other subs are arrived at, the staff cannot draw a conclusion that the amount that is chained into regulation is reasonable.

51-3
P5

AUDIT DISCLOSURE

SUBJECT: BSE AGREEMENTS WITH SUBSIDIARIES -- SCOPE LIMITATION

Project number	Department/Subsidiary Billed
ES6090	Accounting Methods and Procedures--Sunlink, BSFin Svs, BSAN, BIS
ES6100	Human Resources -- BSAN, BIS, BAPCO, Berry Co., Stevens Graphics
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This is 7 projects out of 31 that we do not have full amounts of allocation; that is 23%.

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AUDITOR:

kw 11/6/93

BST
SUMMARY OF AGREEMENTS WITH SUBS
TYE 12/31/92
AUGUST 5, 1993
RKY

WP NO

NO. 51-3/2

*2-097-(6)
2-097 (6)*

I .BST SAID THEY WOULD SUPPLY FOR EACH SUB AGREEMENT THAT BILLS BST AT FDC THE FOLLOWING: Types of Projects, Budget Form, and Approval Form.

*51-3
2-1*

II. Bellsouth Executive Directive 8 , issued 12/28/90, revised 12/31/91 states that "Specific documentation requirements for the review and approval process will Vary by type of transaction/contract proposed, but should include as a minimum:"

1. Complete description of proposed contract and/or transaction including frequency, magnitude, pricing methodology, etc.
2. Discussion of financial and strategic importance to BellSouth.
3. Evaluation of alternative sources of supply, if any, and
4. demonstration of compliance with FCC and state PSC regulations as ref in ED8.

According to ED8 "the providing entity must also be prepared to produce, on demand, for inspection by the appropriate regulatory authorities, the documents necessary to substantiate the market price or the reasonableness of its costs."

ACCORDING TO AD 10 , JOINT COST ORDER DOCUMENTATION REQUIREMENTS, (51-10),

Each sub must have initial transaction approval, general documetnation and specific documentation. General doc'm includes for FDC Pricing (updated semiannually) a questionnaire.

TO DO

*51-3
3*

First list whether received all three forms for each sub
Then list the four attributes and check from ED 8.
Then get general doc'm (the questionnaire for each) REQUIRED FROM AD 10.
ALSO GET FDC STUDIES, IF AVAILABLE.

COMPANY:
TITEL
PERIOD:
DATE:
AUDITOR:

BST
SUMMARY OF AGREEMENTS WITH SUBS
TYPE 12/31/92
AUGUST 5, 1993
RKY

WP NO

NO. 51-3/2

BST SAID THEY WOULD SUPPLY FOR EACH SUB AGREEMENT THAT BILLS BST AT FDC
THE FOLLOWING: Types of Projects, Budget Form, and Approval Form.

JT/3
2-1
BellSouth Executive Directive 8, issued 12/28/90, revised 12/31/91 states
that "Specific documentation requirements for the review and approval process
will vary by type of transaction/contract proposed, but should include as
a minimum:"

1. Complete description of proposed contract and/or transaction including frequency, magnitude, pricing methodology, etc.
2. Discussion of financial and strategic importance to BellSouth.
3. Evaluation of alternative sources of supply, if any, and
4. demonstration of compliance with FCC and state PSC regulations as ref in ED8.

First list whether received all three forms for each sub
Then list the four attributes and check.

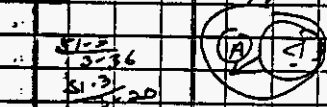
According to ED8 "the providing entity must also be prepared to produce,
on demand, for inspection by the appropriate regulatory authorities,
the documents necessary to substantiate the market price or the
reasonableness of its costs."

5-3
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W/11/16/93
 B 8/11/93

Summary of Project Billing
 from BSE to BAPCO

Source: BSE Bills to Subs for Month		E	F	G
8 Jobs + 0 of 92		Amount	Inv #	Description
Month	Project No			
BSE to BAPCO	513/3122	7/92	ES 4009-H11 ✓	
	513/3123		ES 8292-H43 ✓	
		2/92	ES 7145-U11* ✓	
		7/92	ES 6047 ✓	
	513/3124	7/92	ES 6053-A15 ✓	
	513/3125		ES 4001-H15 ✓	
	513/3126	7/92	ES 6001-U12 ✓	
	513/3127		ES 8195-U12 ✓	
			Not Releasable	
	513/3128		ES 8010-U12 ✓	
	513/3129	7/92	ES 6032-U7 ✓	
	513/3130		ES 6084-U01 ✓	
	513/3131	7/22	ES 4009-H11 ✓	
			ES 8292-H43 ✓	
		7/22	MGMT Fee	
	513/3132	10/19	ES 6049-U11 ✓	
	513/3133	10/19	ES 6032-U7 ✓	
	513/3134	10/19	ES 6034-U7 ✓	
	513/3135	10/19	ES 7130-U6 ✓	
	513/3136	10/19	ES 6001-U12 ✓	
	513/3137	10/19	ES 8199-U11 ✓	
	513/3138	10/19	ES 8000-U2 ✓	
	513/3139	11/11	ES 8010-U12 ✓	



Signatures of Project Description + Number
 X-Date next day

From ESPI 1986

51-3
 3/88

	Month	Proj No	E Amount	F Inv # Decc.	G
BSE to BARCO	14/92	PS045B-HIS	✓		
	1/93	PS4001-HIS	✓		
5.0 3-22	1/93	PS4009-HIS	✓		
	10/92	PS5292-H43			
	10/92	10/92			

X = This was billed to BARCO in error for Co. BSE supplied us w/ credit invoice to BARCO for the projects.

✓ = Agreed w/ Project Description & Number

Per Answer to Reg 2-097.7 C
Why are some of these project BSC HQQ & not BSE

Because of nature of work performed - Some projects that are Subsidies funded directly by BSC HQQ. BSE can be extended by individual BSE sub. In those cases, BSC bills directly to the sub but the billing goes thru BSE.

Examples are: BSC HQQ TAX Dept in preparing specific tax returns, BSC HQQ internal auditing on specific subs.

Summary of Project Billing
 From BSE to BIS
 6/3/1973
 10/11/1973

Source	ASE Bill #	Date	Project	Amount	Inv #	Description								
BSE	7/1/72	7/1/72	ES 0100-011	214766			1/1/72	7307300						
	7/1/72	7/1/72	ES 0100-012	014769										
	7/1/72	7/1/72	ES 0100-013	-										
	7/1/72	7/1/72	ES 0100-014	-										
	7/1/72	7/1/72	ES 0100-015	-										
	7/1/72	7/1/72	ES 0100-016	-										
	7/1/72	7/1/72	ES 0100-017	-										
	7/1/72	7/1/72	ES 0100-018	-										
	7/1/72	7/1/72	ES 0100-019	-										
	7/1/72	7/1/72	ES 0100-020	-										
	7/1/72	7/1/72	ES 0100-021	-										
	7/1/72	7/1/72	ES 0100-022	-										
	7/1/72	7/1/72	ES 0100-023	-										
	7/1/72	7/1/72	ES 0100-024	-										
	7/1/72	7/1/72	ES 0100-025	-										
	7/1/72	7/1/72	ES 0100-026	-										
	7/1/72	7/1/72	ES 0100-027	-										
	7/1/72	7/1/72	ES 0100-028	-										
	7/1/72	7/1/72	ES 0100-029	-										
	7/1/72	7/1/72	ES 0100-030	-										
	7/1/72	7/1/72	ES 0100-031	-										
	7/1/72	7/1/72	ES 0100-032	-										
	7/1/72	7/1/72	ES 0100-033	-										
	7/1/72	7/1/72	ES 0100-034	-										
	7/1/72	7/1/72	ES 0100-035	-										
	7/1/72	7/1/72	ES 0100-036	-										
	7/1/72	7/1/72	ES 0100-037	-										
	7/1/72	7/1/72	ES 0100-038	-										
	7/1/72	7/1/72	ES 0100-039	-										
	7/1/72	7/1/72	ES 0100-040	-										
	7/1/72	7/1/72	ES 0100-041	-										
	7/1/72	7/1/72	ES 0100-042	-										
	7/1/72	7/1/72	ES 0100-043	-										
	7/1/72	7/1/72	ES 0100-044	-										
	7/1/72	7/1/72	ES 0100-045	-										
	7/1/72	7/1/72	ES 0100-046	-										
	7/1/72	7/1/72	ES 0100-047	-										
	7/1/72	7/1/72	ES 0100-048	-										
	7/1/72	7/1/72	ES 0100-049	-										
	7/1/72	7/1/72	ES 0100-050	-										
	7/1/72	7/1/72	ES 0100-051	-										
	7/1/72	7/1/72	ES 0100-052	-										
	7/1/72	7/1/72	ES 0100-053	-										
	7/1/72	7/1/72	ES 0100-054	-										
	7/1/72	7/1/72	ES 0100-055	-										
	7/1/72	7/1/72	ES 0100-056	-										
	7/1/72	7/1/72	ES 0100-057	-										
	7/1/72	7/1/72	ES 0100-058	-										
	7/1/72	7/1/72	ES 0100-059	-										
	7/1/72	7/1/72	ES 0100-060	-										
	7/1/72	7/1/72	ES 0100-061	-										
	7/1/72	7/1/72	ES 0100-062	-										
	7/1/72	7/1/72	ES 0100-063	-										
	7/1/72	7/1/72	ES 0100-064	-										
	7/1/72	7/1/72	ES 0100-065	-										
	7/1/72	7/1/72	ES 0100-066	-										
	7/1/72	7/1/72	ES 0100-067	-										
	7/1/72	7/1/72	ES 0100-068	-										
	7/1/72	7/1/72	ES 0100-069	-										
	7/1/72	7/1/72	ES 0100-070	-										
	7/1/72	7/1/72	ES 0100-071	-										
	7/1/72	7/1/72	ES 0100-072	-										
	7/1/72	7/1/72	ES 0100-073	-										
	7/1/72	7/1/72	ES 0100-074	-										
	7/1/72	7/1/72	ES 0100-075	-										
	7/1/72	7/1/72	ES 0100-076	-										
	7/1/72	7/1/72	ES 0100-077	-										
	7/1/72	7/1/72	ES 0100-078	-										
	7/1/72	7/1/72	ES 0100-079	-										
	7/1/72	7/1/72	ES 0100-080	-										
	7/1/72	7/1/72	ES 0100-081	-										
	7/1/72	7/1/72	ES 0100-082	-										
	7/1/72	7/1/72	ES 0100-083	-										
	7/1/72	7/1/72	ES 0100-084	-										
	7/1/72	7/1/72	ES 0100-085	-										
	7/1/72	7/1/72	ES 0100-086	-										
	7/1/72	7/1/72	ES 0100-087	-										
	7/1/72	7/1/72	ES 0100-088	-										
	7/1/72	7/1/72	ES 0100-089	-										
	7/1/72	7/1/72	ES 0100-090	-										
	7/1/72	7/1/72	ES 0100-091	-										
	7/1/72	7/1/72	ES 0100-092	-										
	7/1/72	7/1/72	ES 0100-093	-										
	7/1/72	7/1/72	ES 0100-094	-										
	7/1/72	7/1/72	ES 0100-095	-										
	7/1/72	7/1/72	ES 0100-096	-										
	7/1/72	7/1/72	ES 0100-097	-										
	7/1/72	7/1/72	ES 0100-098	-										
	7/1/72	7/1/72	ES 0100-099	-										
	7/1/72	7/1/72	ES 0100-100	-										
	7/1/72	7/1/72	ES 0100-101	-										
	7/1/72	7/1/72	ES 0100-102	-										
	7/1/72	7/1/72	ES 0100-103	-										
	7/1/72	7/1/72	ES 0100-104	-										
	7/1/72	7/1/72	ES 0100-105	-										
	7/1/72	7/1/72	ES 0100-106	-										
	7/1/72	7/1/72	ES 0100-107	-										
	7/1/72	7/1/72	ES 0100-108	-										
	7/1/72	7/1/72	ES 0100-109	-										
	7/1/72	7/1/72	ES 0100-110	-										
	7/1/72	7/1/72	ES 0100-111	-										
	7/1/72	7/1/72	ES 0100-112	-										
	7/1/72	7/1/72	ES 0100-113	-										
	7/1/72	7/1/72	ES 0100-114	-										
	7/1/72	7/1/72	ES 0100-115	-										
	7/1/72	7/1/72	ES 0100-116	-										
	7/1/72	7/1/72	ES 0100-117	-										
	7/1/72	7/1/72	ES 0100-118	-										
	7/1/72	7/1/72	ES 0100-119	-										
	7/1/72	7/1/72	ES 0100-120	-										
	7/1/72	7/1/72	ES 0100-121	-										
	7/1/72	7/1/72	ES 0100-122	-										
	7/1/72	7/1/72	ES 01											



51-3
3 p 3

Project Billing
BSE

7/11/93 8/18/93

Project No.	Dept.	Project Type	Start Complete	Description
ES0068	Legal	Internally Funded	1/1/92 - ongoing	
Billed to:				
A.M. Berry & Co				
Budget				
S & W				
GA - OTC				
O/S				
T&C				
% Allow				
Authorized by				
Bosville Gen'l Council				
RC 041000				
Source: Project Description & Project Budget & Approval provided by Gary Stone on letter 8/17, 8/18 8/19-8/20				
✓ - These amounts are not included in the description of the work done that is allocated to determine FOC: SI-11				
From ESPI				

PBS
Project Budget

11/6/93 B&H

D E

Project No.	Dept	Project Type	Start/Complete	Description
ES6104	Legal	Internally Funded	11/92 - ongoing	
Budget: Belknap Belknap Life bytes 51-3/3 P3				
Budget				
S+W				
GA+Oth				
Oth				
TR				
%				
9. Other 100%				
Authorized by Research Center				
K. 041000				
✓ - Same comment as ES 6094				
from ESPI				
51-3/3-3				

BSE

8/18/93

11/6/93

C

E

Project No.	Dept	Report Type	Start/Completion	Description
ES8150	Legal	Internally Funded	1/1/92 - Ongoing	
Bill to: <u>State Graphics</u>				
Budget				
J+W				
GA + DZL				
O/H				
TOL				
Total				
100%				
✓ Same account as ES6094				
From ES81				
513 3/4				

BSE
Project Billing

3/18/93

KW
11/13

C D E F

Project No	Dept	Project Type	Start/Complete	Description		
ES0102 SI-3 313	Controlled Expense Book	Sub Fundal	11/92- ongoing			
Bill to:		S + W	G + A + O	D/H	Total	% Alloc
① Bellmont Budget						100%
Authorized by AVP & Controller		RC 071000				
② Sublet						100%
Some authorization on BIS						
③ Bellmont Island Network						100%
Some authorization on BIS						
④ Bellmont Financial Systems						100%

✓ Cannot tell from description on SI-11
whether this is part of general
routine activities subject to budget
See a project

See SI-3
4 for answer

From
ESPI
data

SI-3
315

BSE
Project Bill

KW 11/16/13
11/16/13

D E

Project No	Dept	Project Type	Start/Comp	Description
ES0101 S-3 3P2	Controlled Payroll	State Funded	11/90 - 01/92	
Billed to: BellSouth Corp System				
Budget: S+W GA+O O/H				
90% billable 100%				
AVP Controller - AL GO RC UTK				
ES0101	Same as above			Same as above
Billed to: BellSouth Advanced Networks				
S+W GA+O O/H Total 90% billable 100%				
ES0101	Same as above			
Billed to: BellSouth				
S+W GA+O O/H Total 90% billable 100%				

From
Info
ESPI
SH3
3-7

BSF
Project Betty

1001/10/1935 8/12/23

D E

Project No	Dept	Project Type	Start/Complete	Description
ES0048	Computerized Financial Control System	Line Item	4/01 - 01/01	
	Bill to Vendor			✓
	SW			
	GA-0			
	0/0			
	Total			
	% Other		100%	
	Cost Adv. Comp		RC	571000
<p>✓ = These activities are not included under regulatory activities that are specified in Section 2 of the contract to sub for FOC SE-11</p>				
30			From ESPI RFA	51-3 38

BSE
Project Billing

1000
11/11/93
R. 11/18/93

D E

Project No	Client	Project Type	Start/Complete	Receipt		
ES 7135	Information Systems	Not Filled ID	11/19/93 / 12/1/93			
Billed to: BSC						
Budget						
Sub-Work						
Am. Alloc. & Other Costs						
Sub						
0/4						
Total						
% Allocated			100%			
Discretionary Entry Authorization						
Excess VP						
			AK 65 AC	068000		
<p>✓ - According to the description of Market Services that are general in nature & projects that are identifiable to specific sub-accounts billed by project, as specified under research activities. Discretionary work & related services are billed to other parties as specified under research activities.</p>						
31						
From						
ES 11						
also						
5/3						
3/9						

BSE
Project Bill

8/18/93

D E 11/16/93

Project no.	Dept	Project Type	Start/Complete	Description
ES0025 51-3 583	Treasury	Sub Funded	11/12 ongoing	
				Billed to BellSouth Info Systems
				S+ W o/s Tol
				9% Alloc 100%
24				<p>✓ According to the description of Treasury Activities under RE 0173000 to 0173110 Treasury provided daily cash management functions to BSE companies. These expenses under Treasury are used to calculate FOC. Why W/B/S has built a project for daily banking & cash management? SI-110</p>
				Same for BellSouth
				See 51-3 of answer 4-1
				From ESPI Info
				51-3 3-10

BSE
Project Billing

8/18/93

KW
11/13

D E

Proj No	Dept	Proj Type	Start/Complete	Description
ES0028	Training	Sub Funded	11/92 ongoing	
Bill to	Subline			
	Stn 014			
	To Account		100%	
Date	Treasury		RC	073000
See notes to ES0028				

From
ESPI
BFO
31-3
2-11

BSE
 Propert Bully

12/18/13

D E

11/16/13

Project No	Dept	Project Type	Start/Complete	Description
1	ESG 081	Acq. Mthg & Procedure	Start 7/20/13	[REDACTED]
2				
3				
4				
5	Bill to: BAPCO			
6	Budget			
7		SW		
8		GAO		
9		OT		
10		TR		
11				
12		% Alloc	100%	
13				
14	Outright			
15	AVP. Corp		RC 071000	
16				
17				
18	✓	On 5/11, description of activities performed under RC code 071000 those that are essential to the sub the FDC, this description is not included		
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				

From 51-3
 ESP1 3-13
 [Signature]

BSE
Project Bill

10/10/83
10/10/83

D E

Proj #	Dept	Project Type	Status/Complete	Description	
1	ES 6082	Acc'y Methods + Procedures	Sub Fund	11/82	[Redacted]
2			Ongoing	[Redacted]	
3				[Redacted]	
4				[Redacted]	
5				[Redacted]	
6	Bill to BARCO				
7					
8	(SW)			[Redacted]	
9	EA + O			[Redacted]	
10	o/d			[Redacted]	
11					
12	Tot				
13	% Alloc		100%		
14					
15	Authorized by				
16					
17	AVP - Conf		RC 471,000		
18					
19					
20					
<p>✓ In answer to 2-077.106 activities performed under RC Code 07100 include day to day accounting activities under general ledger, P/P, payroll + other operations. When will these be this project specific bill?</p> <p>See 51-3 In answer 4</p>					

From
ESPI 513
314

BSE
Project Billing

R 8/14/93

kw
11/6/93

D E

Project No	Dept	Project Type	Start/Complete	Description
ES 6084 51-3 3/1	Ac + Method & Procedures	Sub Fund	11/93 on going	[REDACTED]
<p>Billed to Bates</p> <p>Budget Sub-Ward Confusion - Bk Exp Sub 2/14 Total</p> <p>9. Allow 100%</p>				
<p>Originator: [REDACTED] Authorized AVP - Controller AL 60 RC 07000</p>				
<p>✓ There is no description of this type of work provided in the RC Code description of work performed that would up the \$ in the FOC calculation.</p>				

from
ESP1
513
3-14

BSE
Project Betty

12/11/93

W 11/16/93

E

Project No.	Dept	Project Type	Start/Complete	Account
ES 6083	Ac 4 Methods & Procedures	Spec Fund	11/92 ongoing	Same as ES 6084 on page 7
<p>Called to BSC (ES 6084 billed to BSC)</p> <p>Analysis</p> <p>Salaries - Wages Gen Admin & Bus Exp Fuel O/A</p> <p>Total</p> <p>100%</p>				
<p>Preparing Entry Receipts</p> <p>AVP - Comp AL 60 RC U 71000</p>				

From
ESPI 51-3
Jala 3-16

BSE
Project Billing

10/1/83
11/1/83

Project No	Dept	C Project Type	D Start/Complete	E Receipts	F	
ESL085 512 5/83	Acct Mktg + Procurement	Self Funded	11/82 ongoing	[REDACTED]		
Bill to:		(S+W)	GA+O	0/4	Total	? Alby
① BS Financial Outgoing	AVP+ Comp	[REDACTED]	RC U71000	[REDACTED]		100%
② BS Info Systems Some Acctg and BSE's	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		100%
③ Sunlink Some Acctg and BSE's	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		100%
④ BS Admin Netwks Some Acctg and BSE's	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		100%
BSE Project Mgr for 1, 2, 3+4 is Merle Touche						
⑤ BS Fin Serv Acctg	AVP+ Comp	[REDACTED]	RC U71000	[REDACTED]		100%
⑥ BS Info Systems Acctg	AVP+ Comp	[REDACTED]	RC U71000	[REDACTED]		100%
⑦ Sunlink Acctg	AVP+ Comp	[REDACTED]	RC U71000	[REDACTED]		100%
⑧ BS Admin Netw Acctg	AVP+ Comp	[REDACTED]	RC U71000	[REDACTED]		100%
BSE Project Mgr for 5, 7+8 is Lois Williams						

From
ESPI
[Signature]



BSE
Project Budget

10/11/93
11/16/93

Project No	Dept	C Project Type	D Start/ Complete	E Description	F	G
ESC090	Plant Mills & Process	Start Final	11/92 Ongoing	Dev. Methods & Procedures to support single A/P, P/A, Information system & Support Project Report Writing		
513 383						
Bulk E:		Sub	GA	2/11	TOTAL	%
Vendor						17%
Auth A/P & Comp			RC	071000		
BS For Invt						50%
BS Advanced Network						12%
BS Info System						15.30
Total Budget						100%
W/In & out						
Part V = Same as GOR4						
40						
				From ESPI		11-3 3-18

BSE
Project Billing

3/28/11/13
11/1/10

Project No	Dept	Project Type	Start/Complete	Description
ES 6095	Acc & Method + Procedure	Sub Funded	11/12 - ongoing	
Pmt to BGI:	Social GA + O O/H Tel 9% Allow		 100%	
✓ - Jan ad Proj 6084				
41	From ESTL d/ko			51-3 3-19

BSE
Project Billing

12/14/83

11/10/83

Project No	Dept	C Project Type	Start/Contract	E Description	F	G
ES 6001	Human Resources	Sub Funded	11/1/83 - 12/31/83			
Budget: BellSouth Advs. Network S+W GA+O O/H Total % allow .4%						
Budget: BellSouth Info Systems S+W GA+O O/H Total % allow 7.1%						
Budget: BAPCO S+W GA+O O/H Total % allow 35.5%						
Budget: The Berry Co S+W GA+O O/H Total % allow 4.3%						
Budget: Steam Graphics S+W GA+O O/H Total % allow 1.6%						
42	% allow		1.6%	from ESPT	513	320

BSE
Project Billing

Year 11/6/93
K 2/1/93

			D	E																						
Project No.	Dept	Project Type	Start/Complete	Description																						
ES8178	Human Resources	Self Funded	11/1/92 12/31/92	[REDACTED]																						
<p>Billed to: Thomas Grayland</p> <p>Project Budget:</p> <table> <tr> <td>S+W</td> <td>[REDACTED]</td> </tr> <tr> <td>GA+Other</td> <td>[REDACTED]</td> </tr> <tr> <td>Sub</td> <td>[REDACTED]</td> </tr> <tr> <td>O/H</td> <td>[REDACTED]</td> </tr> <tr> <td>TOTAL</td> <td>[REDACTED]</td> </tr> <tr> <td>% Allow</td> <td>20.6%</td> </tr> </table> <p>Says actual expense on sheet</p> <p>No Total Project Costs Attached</p> <p>Project Authority: A.P. Human Resources AL 60 RC U12000</p> <p>Billed to: BellSouth Commercial Networks</p> <p>Budget:</p> <table> <tr> <td>S+W</td> <td>[REDACTED]</td> </tr> <tr> <td>GA+Other</td> <td>[REDACTED]</td> </tr> <tr> <td>O/H</td> <td>[REDACTED]</td> </tr> <tr> <td>TOTAL</td> <td>[REDACTED]</td> </tr> <tr> <td>% Allow</td> <td>4.1%</td> </tr> </table> <p>No Total Project Costs Attached</p>					S+W	[REDACTED]	GA+Other	[REDACTED]	Sub	[REDACTED]	O/H	[REDACTED]	TOTAL	[REDACTED]	% Allow	20.6%	S+W	[REDACTED]	GA+Other	[REDACTED]	O/H	[REDACTED]	TOTAL	[REDACTED]	% Allow	4.1%
S+W	[REDACTED]																									
GA+Other	[REDACTED]																									
Sub	[REDACTED]																									
O/H	[REDACTED]																									
TOTAL	[REDACTED]																									
% Allow	20.6%																									
S+W	[REDACTED]																									
GA+Other	[REDACTED]																									
O/H	[REDACTED]																									
TOTAL	[REDACTED]																									
% Allow	4.1%																									

From ES81 5-3
1/2

NARUC budget

By 8/17/93

BSE Project Description

Budget: Approval

10/1/93
11/6/93

D E

Budget No./	Dept	Project Type	Start/ Complete	Description
ES 8199 SH3 383	Human Resources	also funded	11/92/ 12/31/92	[REDACTED]
Billed to:	Bill Smith	Director Dept		
Budget:	Salary - Wages G. Admin. Ock. Ep Sur O/H		[REDACTED]	
	TOTAL Project Allocation		[REDACTED]	
Total Project Costs are 3				
	Salary - Wages O/H 60% S.W		[REDACTED]	
	BSS MTE Term/Plan 466		[REDACTED]	
	TOTAL Project Total Billed BSE Return		[REDACTED]	
Approved by	Entity	Authority		
AVP - Human Resources	AL	60	RC	U12600

From
ESP 1
Refer
SH3
322

R 8/12/23

BE
Project Billing
D

KW
11/16/13

Proj# No	Dept	Project Type	Start/End	Description
ES 8199	Human Resources	Full Time	1/1/19/12/31/19	Send as per your B15 - Same Project
$\frac{5.3}{3.81}$				
Billed to: DABCO				
Budget:				
Salaries + Wages				
Gen Admins Otho Ben Exp				
O/H				
Total				
% Allocation 128.6				
Same Total Project Cost as ES 8199 on Page				
Same Origination City Authority				
Billed to: Sealed				
Budget:				
S+W				
GA+Oth				
Sub				
O/H				
Total				
% Alloc 18.26				
Same total Project Costs as ES 8199 on Page				
Same Origination City Authority				
Total % Alloc 66.4				
45				
				from ES 1 Auto
				$\frac{5.3}{3.23}$

BSE
Project Billing

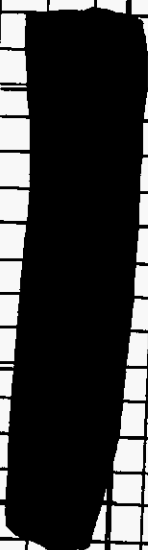
3/2/87

11/6/93

C

E

Project No	Dept	Project Type	Start/Complete	Description
ES 8200	Human Resources	Sub-Fund	11/82-11/91/92	
Billed to:				
Sunk				
Budget crossed out - No #15				
Originating Entity/Authorization				
AVP - Human Resources AL60 ACU 12000				
Total Project Cost				
Salary + Wages				
O/H 60%				
Regional Benefit Fund				
Region				
Regional Disability				
Region				
Financial System Cost				
Report for Form				
Report these SPD'S				
Total Accruals & Other				
Total Project				
Total Billed				
BSE Retainage				



ESP/1/1/90

BSE
Project Billing

100 193 8/18/83
11/61

D

Proj No.	Dept	Project Type	Start/Complete	Description	
ES 8200	Human Resources	Sub Funder	11/1/82	Sum and	51.3
			12/31/82	ES 8200 on Page	
				To Summed	3.24
Billed to:					
Bell South Dept. System					
Project Breakdown					
S/W					
CA + other					
Sub TSD					
0/4					
Grand Total					
% allocated					
232					
Total Project Cost on Page					
51.3					
3.24					

from
ESPI
240 51.3
3.24

BSE
Project Budget

11/16/11
11/16/11

D

Project No.	Dept	Project Type	Start/Comp	Description
ES8200 513 38	Human Resources	New Funded	11/92- 12/31/92	Same as ES8200m Pages 51-3 3-24
Billed to BAPCO				
<u>Project Budget</u>				
	S + W			
	GA + Other			
	G/A			
	Total			
	% allocated		113 %	
Billed to: BellSouth Advanced Networks				
<u>Budget</u>				
	S + W			
	GA + Other			
	G/A			
	Total			
	% allocated		68 %	

From
ESP1
3-27

BSE
Project Billing

R 8/11/13
11/1/01

D E

Proj No.	Dept	Project Type	Start/Complete	Description						
ES8201	Human Resources	Federal	1/1/92 12/31/98							
Billed to:										
Federal										
<table border="0"> <tr> <td>GEN</td> <td rowspan="3"></td> </tr> <tr> <td>CA+O</td> </tr> <tr> <td>1/41</td> </tr> <tr> <td>70%</td> <td></td> </tr> </table>					GEN		CA+O	1/41	70%	
GEN										
CA+O										
1/41										
70%										
2. Billable 70%										
<table border="0"> <tr> <td>From</td> <td>573</td> </tr> <tr> <td>ESPI</td> <td>308</td> </tr> <tr> <td>Info</td> <td></td> </tr> </table>					From	573	ESPI	308	Info	
From	573									
ESPI	308									
Info										

BSE
Project Billing

8/14/73

11/16/73

Project No	Dept	Project Type	Start Complete	Description
ES 8212 SI-3 SP-1-B	Human Resources	Subcontract	11/57 - 12/31/73	[REDACTED]
Billed to: Stevens Graphics				Total Project Costs
Project Budget:			[REDACTED]	S+W
S+W			[REDACTED]	91% (60% S+W)
GA+O			[REDACTED]	Tot
Total			13.6%	
9. allowance				
Billed to: Bell and Howell Information Systems				Total Project Costs
Project Budget:			[REDACTED]	S+W
S+W			[REDACTED]	91% (60% S+W)
GA+O			[REDACTED]	Tot
No. r/H			6.3%	
Total				
9. allowance				
Billed to: Jambich				Total Project Costs
Project Budget:			[REDACTED]	S+W
S+W			[REDACTED]	91% (60% S+W)
GA+O			[REDACTED]	Tot
No. r/H			73.3%	
Total				
9. allowance				
Billed to: BABCO				Total Project Costs
Project Budget:			[REDACTED]	S+W
S+W			[REDACTED]	91% (60% S+W)
GA+O			[REDACTED]	Tot
0/H				
Total				
9. allowance				
51				From ESP
				11/3
				3.29

BSE
Project Billing

12/1/1013

Proj No	Rept	Proj Type	Start/Comp	Description
ES050 513 383	Expense Support	Sub Fund	11/192 12/31/02	
Bill to BIS	S.W. GA+G O/H T-1		100%	From ESPT info
53				513 383

BSE
Project Budget

EW
R4

Project No.	Dept	Project Type	Fiscal Cycle	Description	
AS 8292 513 381	BSE Corporate Security	Affiliate Fund	1/1/92 12/31/92	Security Funded Personnel as Requested by BAPCO	
Allocation Methodology: Salaries and Benefits on Actual Time Worked - Travel Expenses) x Ratio of Project Expenses					
Expenses			1992	1993	1994
12	Salaries		[Redacted]	[Redacted]	[Redacted]
13	Trav. G+A		[Redacted]	[Redacted]	[Redacted]
14	Other Bus Exp		[Redacted]	[Redacted]	[Redacted]
15	Dept O/As		[Redacted]	[Redacted]	[Redacted]
16	Corporate O/As (BSE Sec)		[Redacted]	[Redacted]	[Redacted]
17			[Redacted]	[Redacted]	[Redacted]
18			[Redacted]	[Redacted]	[Redacted]
100% funded by BAPCO					
Authorized by John R. Gertens VP Corp Rep + Cont 12/18/91					

BSE
Project Billing

8/12/93
11/10/93

Project No.	Dept	Project Type	Start/Comp	Description	
P30453 38 38	BSE Tax	Int Federal	1992		
Bill to BAPCC	Expenses	New G+A			
	Dist OH	Cont OH			
	100% allocated				
Authorized by	Can 4 read signature	AVP - TAX		RC 115000 12/10/91	
56				5-3 3-34	
				EST	

BSE
Project Billing

R 8/10/93
10/11/93

Project No	Client	Project Type	Start/Complete	Description
1 ES7130	BSE Information Services	Full Term	11/92 12/31/92	Long range A+P planning by Penny Crim
2 51-3				
3 381				
4				
5 Bill A BARCO				
6				
7	J&W			
8	D/H			
9	T&P			
10				
11	100% above			
12				
13	Outstanding exp A/P - Info Services		7/31/92	05100
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16	Outstanding project Billing			
17	Total Outstanding exp			
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ESP II

BSE
Project Budget

8/18/93

D

10/11/93

Project No	Dept	Proj Type	Status Complete	Description
PS0462	BSC TAX	Sub Fund	1992	Same as PS0453 to BAPCO
SI-3 3/93				
Bill to B13				
	SIW 6x40 Dept 014 Cof OH			
	100% allocation			
Allocation by	AVI-T-Coord		R 15000	8/10/91

SI-3
3-91

ESPL

llw
11/4/93

MEMORANDUM

OCTOBER 4, 1993

TO: TIM DEVLIN, DIRECTOR, AUDITING AND FINANCIAL ANALYSIS
FROM: RUTH K YOUNG, REGULATORY ANALYST, AFA, MIAMI *ry*
SUBJECT: NARUC AUDIT - COSTING METHODOLOGIES GROUP

FURTHER REQUESTS:

THE FOLLOWING THREE REQUESTS INCLUDED CONFIDENTIAL DATA AND ARE SENT DIRECTLY TO KAREN KAETZ.

-00? RE: BSE - PROJECT BILLING VS FDC CALCULATION.
TREASURY PROJECTS

Description Pg 2

-00? RE: BSE - PROJECT BILLING VS FDC CALCULATION.
AVP & COMPTROLLERS PROJECTS
PARTS A & B

Description Pg 2

-00? RE: BSE - PROJECT BILLING VS FDC CALCULATION.
HUMAN RESOURCES PROJECTS

Description Pg 2

SI-3
4

Pg 173

MEMORANDUM

OCTOBER 4, 1993

TO: KAREN KAETZ, BST, BIRMINGHAM
FROM: RUTH K YOUNG, REGULATORY ANALYST, AFA, MIAMI *Ry*
RE: NARUC AUDIT - COSTING METHODOLOGIES GROUP

I BELIEVE THESE HAVE CONFIDENTIAL INFORMATION INVOLVED IN THE QUESTIONS.
TIM WILL SEND THE OFFICIAL NUMBER.

FURTHER REQUESTS:

2-00? RE: BSE - PROJECT BILLING VS FDC CALCULATION.
TREASURY PROJECTS

The description on Projects ES0025 and ES0028 state that BSE Treasury will provide Treasury services including but not limited to: daily banking, cash management, check processing, voucher processing, account reconciliation, providing short term advances for working capital.

The information provided in answer to 2-097.10G states that the Treasury activities "Provides daily cash management functions to BSE companies. The amounts in the Treasury RC are being allocated to the subs in calculating FDC.

Why ARE BIS and SUNLINK being billed under a project for daily banking and cash management which is included in the management fee recovery.

2-00? RE: BSE - PROJECT BILLING VS FDC CALCULATION.
AVP & COMPTROLLERS PROJECTS

A. The description of Project ES6082 states that this is for "Accounting methods and procedures support for payroll, personnel and benefits."

The information provided in answer to 2-097.10G states that the AVP Comptrollers "performs day to day accounting activities including general ledger, accounts payable, payroll and billing operations.

Why is BAPCO being billed under a project when these project activities are included in the management fee.?

B. The same question as Part A but for BS Financial Services, BS Information Systems, Sunlink and BS Advanced Networks. This is project number ES6085.

51-3
4
CONFIDENTIAL

P7283

MEMORANDUM

OCTOBER 4, 1993

TO: KAREN KAETZ, BST, BIRMINGHAM
FROM: RUTH K YOUNG, REGULATORY ANALYST, AFA, MIAMI
RE: NARUC AUDIT - COSTING METHODOLOGIES GROUP

Ry

2-00? RE: BSE - PROJECT BILLING VS FDC CALCULATION.
HUMAN RESOURCES PROJECTS

According to the information supplied to us in 3-063 there are two RC codes for Human Resources, U12000 (Director - Human Resources) and U12100 to U12500 (Human Resources). The amounts in these RC's at BSE allocated in the FDC calculation are \$3,256,491 and \$2,296,543 respectively; total of \$5,553,034.

The project descriptions supplied to use include the following projects that are Human Resource related: ES6001, ES8198, ES8199, ES8200, ES8201, and ES8212.

How do these activities in these projects differ from the activities that are performed under the above RC's, which amounts are included in the FDC calculation? What is the total dollars billed to subs for all these projects?

CONFIDENTIAL

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51-3
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RECEIVED

AUG 20 1993

Florida Public Service Comm.
Miami, Florida

PBC

to R. Young

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit

Date: 07/30/93
Item No. 2-097.1
Page 1 of 1

Request: RE: BSE - Provide a meeting with a representative to discuss the difference between project billing and management fee billing.

Response: Attached is a description of how BSE recovers its costs through project billings and management fee billings. This information was provided in response to Item No. 3-063 which was provided on June 18, 1993.

This material constitutes proprietary confidential business information and is being produced subject to the "Notice of Intent to Request Confidential Classification" dated June 18, 1993.

If after review of this information, the staff still thinks a meeting is necessary, a meeting will be arranged upon request.

For info purposes

Date Provided: August 16, 1993

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PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED
EMPLOYEES OF BELL SOUTH OR BELL SOUTH SUBSIDIARIES.

ITEM NO. 3-863
ATTACHMENT
93 AUG 17 AM 11:35
ADDITIONAL
FINANCIAL ANALYSIS DIV

BELLSOUTH ENTERPRISES, INC.
RECOVERY OF CORPORATE COSTS

BellSouth Enterprises, Inc. (BSE) incurs costs on behalf of its subsidiaries. These costs are recovered through the following:

1. Project Billings
2. Management Fee

Project Billings

21
Projects are services performed by BSE departments at the direction of a subsidiary. Executive Instructions No. 10 addresses the tracking and billing of project related costs. Project costs are directly attributable because they can be identified as incurred for specific subsidiaries. Project numbers are established to track payroll and other costs as they are incurred for the project. In addition to direct costs (salaries and other direct costs), overhead is allocated to each project. Effective 1/1/88, overhead is recovered by applying a loading factor to salaries and wages. This method was implemented in 1988 for the following reasons:

1. It is an efficient and cost effective manner of recovering overhead type costs.
2. Applying an annual average rate spreads the costs over all projects during the year. Therefore, the amount of overhead costs that a project receives in an individual month is not dependent upon the level of activity in other projects. Additionally, unusual occurrences in overhead expense accounts (large one time increases or decreases) are spread evenly among all projects instead of being absorbed by only those projects active in the month. On an annual basis, each project receives its fair share.
- 33
3. During 1988, was the projected annual overhead percentage that was necessary in order to recover all overhead type costs.

36
An annual study is conducted to ensure that the billed overhead percentage () does not exceed the actual overhead percentage. For all years of the study (1988 through 1992) the billed rate is less than the actual. Therefore, for Joint Cost Order purposes, BSE's project billing procedures are in compliance.

PROPRIETARY

Management Fee

All other costs are defined as corporate function costs. These are costs that are not identifiable to specific subsidiaries but rather are incurred on behalf of all or several BSE subsidiaries. The costs are incurred by BSE Headquarters staff in performing the normal functions associated with a holding company.

Effective 1/1/87, BSE recovers corporate function costs through a management fee paid by each BSE subsidiary. This fee is computed as follows:

17
Subsidiary adjusted operating expenses *

X
Monthly Management Fee Paid to BSE

* Computed as Operating Expenses Less Cost of Goods Sold, Depreciation, and the current month management fee

This method of recovering corporate functions costs was implemented 1/1/87 for the following reasons:

1. It is an efficient method to compensate BSE for providing these support functions.
2. The amount can be adequately anticipated by the subsidiaries and BSE.
3. The management fee provides incentives to the subsidiaries to control costs. By reducing subsidiary operating expenses, the management fee can be lowered.
4. The management fee provides incentives to BSE Headquarters staff to control costs. If corporate function costs exceed the management fee, the excess costs must be borne by BSE Headquarters.
5. Computation of the monthly fee is relatively simple to compute and therefore does not require extensive tracking and apportionment of corporate functions costs via the BellSouth Information and Accounting System (BIAS).

In determining the management fee percentage to apply against subsidiary operating expenses, several factors were analyzed.

1. BSE-HQ corporate functions costs (i.e., total operating expenses less costs to be recovered under project billings) were projected for 1987.
2. Subsidiary adjusted operating expenses were projected for 1987.
3. Given the results of items 1 and 2, it was determined that a factor of of subsidiary operating expenses would result in a break even position for BSE-HQ during 1987.

PROPRIETARY

7

Neither the methodology nor the factor have changed since implementation of this method of cost recovery. Less than ██████% of BSE-HQ's costs chain into regulation through affiliated transactions. Because some of BSE-HQ's billings to subsidiaries do chain into regulation, the portion that chains must be in compliance with the JCO. Therefore, an annual study is conducted to evaluate BSE-HQ's management fee billings to its subsidiaries. Because the JCO allows an affiliate to recover all its incurred costs under FDC principles, the study allocates ALL actual incurred corporate function costs on a fully distributed cost basis to either BSE subsidiaries or to a retained pool (in the case of M&A activity). Corporate function costs (non-project coded costs) are reviewed to determine their origin and an appropriate allocation methodology based on cost causative principles. These results are compared to the actual management fee billings. For all years of the study (1988 through 1992), the results prove that BSE-HQ significantly underbilled its subsidiaries when all BSE-HQ incurred costs are apportioned.

Based on the results of BSE's annual studies, BSE is in compliance with the Order because the management fee and overhead rate do not exceed fully distributed cost.

PROPRIETARY

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WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED
PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED
EMPLOYEES OF BELL SOUTH OR BELL SOUTH SUBSIDIARIES.

ITEM NO. 3-063

ATTACHMENT

CONFIDENTIAL
GROUP

93 AUG 17 AM 11:35

BELLSOUTH ENTERPRISES, INC.
RECOVERY OF CORPORATE COSTS

FINANCIAL ANALYSIS DIV.

BellSouth Enterprises, Inc. (BSE) incurs costs on behalf of its subsidiaries. These costs are recovered through the following:

1. Project Billings
2. Management Fee

Project Billings

21
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1. It is an efficient and cost effective manner of recovering overhead type costs.
2. Applying an annual average rate spreads the costs over all projects during the year. Therefore, the amount of overhead costs that a project receives in an individual month is not dependent upon the level of activity in other projects. Additionally, unusual occurrences in overhead expense accounts (large one time increases or decreases) are spread evenly among all projects instead of being absorbed by only those projects active in the month. On an annual basis, each project receives its fair share.
- 33
3. During 1988, 60% was the projected annual overhead percentage that was necessary in order to recover all overhead type costs.

An annual study is conducted to ensure that the billed overhead percentage does not exceed the actual overhead percentage. For all years of the study (1988 through 1992) the billed rate is less than the actual. Therefore, for Joint Cost Order purposes, BSE's project billing procedures are in compliance.

PROPRIETARY

duplicate
copies

Management Fee

All other costs are defined as corporate function costs. These are costs that are not identifiable to specific subsidiaries but rather are incurred on behalf of all or several BSE subsidiaries. The costs are incurred by BSE Headquarters staff in performing the normal functions associated with a holding company.

Effective 1/1/87, BSE recovers corporate function costs through a management fee paid by each BSE subsidiary. This fee is computed as follows:

16
Subsidiary adjusted operating expenses *
X ██████ %

Monthly Management Fee Paid to BSE

* Computed as Operating Expenses Less Cost of Goods Sold,
Depreciation, and the current month management fee

This method of recovering corporate functions costs was implemented 1/1/87 for the following reasons:

1. It is an efficient method to compensate BSE for providing these support functions.
2. The amount can be adequately anticipated by the subsidiaries and BSE.
3. The management fee provides incentives to the subsidiaries to control costs. By reducing subsidiary operating expenses, the management fee can be lowered.
4. The management fee provides incentives to BSE Headquarters staff to control costs. If corporate function costs exceed the management fee, the excess costs must be borne by BSE Headquarters.
5. Computation of the monthly fee is relatively simple to compute and therefore does not require extensive tracking and apportionment of corporate functions costs via the BellSouth Information and Accounting System (BIAS).

In determining the management fee percentage to apply against subsidiary operating expenses, several factors were analyzed.

- 43
1. BSE-HQ corporate functions costs (i.e., total operating expenses less costs to be recovered under project billings) were projected for 1987.
 2. Subsidiary adjusted operating expenses were projected for 1987.
 3. Given the results of items 1 and 2, it was determined that a factor of ██████ of subsidiary operating expenses would result in a break even position for BSE-HQ during 1987.

PROPRIETARY

7.

Neither the methodology nor the factor have changed since implementation of this method of cost recovery. Less than 1% of BSE-HQ's costs chain into regulation through affiliated transactions. Because some of BSE-HQ's billings to subsidiaries do chain into regulation, the portion that chains must be in compliance with the JCO. Therefore, an annual study is conducted to evaluate BSE-HQ's management fee billings to its subsidiaries. Because the JCO allows an affiliate to recover all its incurred costs under FDC principles, the study allocates ALL actual incurred corporate function costs on a fully distributed cost basis to either BSE subsidiaries or to a retained pool (in the case of M&A activity). Corporate function costs (non-project coded costs) are reviewed to determine their origin and an appropriate allocation methodology based on cost causative principles. These results are compared to the actual management fee billings. For all years of the study (1988 through 1992), the results prove that BSE-HQ significantly underbilled its subsidiaries when all BSE-HQ incurred costs are apportioned.

Based on the results of BSE's annual studies, BSE is in compliance with the Order because the management fee and overhead rate do not exceed fully distributed cost.

PROPRIETARY

BSE
Prog Bills

10/31/93
10/31/93

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10/31/93

Costs on these sheets are included in the FDC calculation to determine FDC or less

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 08/24/93
Item No. 2-097.10G
Page 1 of 5

PBC

Request: We would like to interview people who are knowledgeable of the type of work performed under the following RC codes at BSE:

- A. Human Resources - RC U12000;
- B. Legal - RC U41000;
- C. AVP and Comptrollers - RC U71000;
- D. President - UOE000;
- E. AVP Regulatory - RC U71000;
- F. Marketing Costs - RC U61E00 to RC U61340;
- G. Treasury - U73000 to U73110.

Please provide the written response you said you would give us instead of an interview before the interview requested in 2-097.21 that is tentative for September 1 or 2 in Atlanta.

Response: The following are representative lists of functions performed during the period subject to the audit in the BSE-HQ organizations specified. These lists are not all inclusive but should give an overview of the different types of work activities performed in each group.

51-7
1-2
Human Resource
Comp Plan 3-963
allotted to sub

U12000

[REDACTED]

28

U12100 & U12500

[REDACTED]

31

A. Human Resources

- Develops and administers benefits and compensation for officers, key managers and other employees, including analyses of total compensation issues for key positions for BSE subsidiaries.
- Directs planning activities for established companies, start ups and acquisitions to include merger and acquisition due diligence.
- Develops, implements and coordinates policies and monitors activities affecting all BSE international operations and locations.
- Plans, designs, implements and administers domestic benefit plans for BSE companies.
- Develops and implements Quality Programs at BSE Headquarters and within all BSE companies.

[Handwritten signature and a circle]

- Response:(HR) - Administers EEO, performance appraisal, salary and wage plans, relocations and staffing for BSE companies.
- Coordinates Employee Assistance Program planning and services for BSE and subsidiary employees.

Any costs identifiable as being caused by specific subsidiaries, (e.g., staffing, benefits, etc. for international subs) are project billed. Other general costs are subject to Management Fee recovery.

B. Legal

- Provides legal representation, advice and counsel to BSE, its departments and subsidiaries.
- Because most legal services were associated with specific matters or organizations, the substantial majority of departmental expenses were assigned and project billed as they were incurred. For example, attorney time and legal expenses associated with specific acquisitions were project billed to projects established for each matter. Similarly, time spent and expenses incurred in representing specific subsidiaries were project billed to the affected subsidiary. Departmental administrative expenses not attributable on a project basis became part of BSE Headquarters' costs which were included within charges subject to the BSE Management Fee.
- A representative list of entities and matters charged by BSE Legal through the BSE project billing process includes: Mergers and Acquisitions (on an individual matter basis); ~~BellSouth Advertising and Publishing Corporation~~; L.M. Berry; Stevens Graphics; TechSOUTH; Intelligent Media Ventures; BellSouth information Systems; Sunlink; BellSouth Advanced Networks; BellSouth Cellular; BellSouth Mobility; Intelligent Messaging Services; BellSouth Marketing Programs; BellSouth International (and individual foreign affiliates); MCCA; BellSouth Mobile Data; etc.

51-7
1-2
Legal
041000
plus VP + Gen
Counsel
04E000

[REDACTED] 21
How much
if this is 041000
How can we find
out?

57-7
1-2

Response: C. AVP and Comptrollers

V71006

\$

also for checks
AVP Reg Resp E

11

- Establishes overall BSE accounting policy. Reviews and evaluates policy decisions on operations and resolves internal control issues.
- Implements new and maintains current financial and personnel systems methods and procedures for BSE's non-regulated entities.
- Directs the consolidation and financial reporting of all BSE subsidiaries. Provides technical accounting support.
- Directs the BSE company wide accounting for mergers, acquisitions and divestitures.
- Performs day to day accounting activities including general ledger, accounts payables, payroll, and billing operations.
- Provides accounting support services for BSE International subsidiaries.

Projects are utilized to identify and direct charge for costs of activities performed for individual subsidiaries (e.g., G/L, A/P, payroll, etc.). Corporate development costs are charged to projects retained at BSE. Other costs of a general nature are subject to Management Fee recovery.

V02000

D. President

28

- Oversees all aspects of BellSouth Enterprises, Inc. activities and operations including: organization structure and force management, overall strategic business planning, financial management, corporate development, etc.
- Coordinates with executives in BellSouth Corporation to ensure that BSE operations are consistent with BSC corporate policies and plans.

All activities in this area are of a general nature and are subject to Management Fee recovery.

Response: E. AVP Regulatory

U71000
~~Includes A~~
See resp C

- Assesses potential impact on BSE and its subsidiaries from any proposed federal or state legislation.
- Coordinates and develops appropriate responses to all regulatory requests relating to affiliated interest transactions involving BSE entities.
- Monitors and evaluates national trends on significant regulatory and legislative issues, formulates appropriate BSE strategies, provides advocacy for BSE positions.
- Develops legislative and regulatory policies for BSE and its subsidiaries. Evaluates strategic options and develop recommendations for Senior Management regarding such policies and strategies.
- Performs research and analysis on issues sensitive to BSE and its subsidiaries concerning proceedings before the FCC. Coordinates with other BellSouth entities in developing appropriate action plans/responses in those proceedings.

All functions are of a general nature which cannot be identified to a specific subsidiary, therefore, none of the costs of this organization are project billed.

F. Marketing Group

U61E006
661340



32

- Provides corporate oversight for marketing functions within all BSE subsidiaries.
- Provides subject matter expertise on marketing issues for BSE's subsidiaries.
- Coordinates efforts of BSE subsidiaries' marketing organizations for major market research information systems development and similar projects.

Response: (MKTG)

- Coordinates BSE subsidiaries' national accounts efforts.
- Performs marketing due diligence for corporate merger and acquisition activities.

Most activities are of a general nature whose costs are subject to Management Fee recovery. Projects are charged for those costs identifiable to specific subsidiaries, e.g., merger and acquisition activities, specific market research activities, etc.

G. Treasury

U73000 To
U73110

- Provides financial support to BSE companies in establishing third party debt financing.
- Provides equity funding or corporate advances to BSE companies.
- Oversees the capital structure of BSE companies to ensure compliance with overall corporate objectives.
- Provides daily cash management functions to BSE companies.
- Coordinates all foreign exchange transactions between BSE and its subsidiaries.

Most Treasury functions are of a general nature whose costs are subject to Management Fee recovery. However, certain costs (e.g., equity funding, specific cash management transactions, etc.) may be project billed to appropriate subsidiaries.

FAX TRANSMITTAL SHEET
FROM

BST REGULATORY AFFAIRS
3700 COLONNADE PARKWAY
BIRMINGHAM, ALABAMA 35243

FACSIMILE NUMBER: 205/977-1563

DATE SENT: 9/29/95 NUMBER OF PAGES (EXCLUDING COVER): 1

TO: Ruth Young
% Al Carreras

TELEPHONE NUMBER: _____

FAX NUMBER: (305) 264-5646

*****PLEASE CALL ABOVE TELEPHONE NUMBER FOR PICKUP*****

FROM:

Theresa Coplin
205/977-1412

SPECIAL INSTRUCTIONS:

Per your request.
Thanks

IF ANY PROBLEMS WITH TRANSMISSION, PLEASE CALL:

Sherry Cox
(205) 977-1540

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit:
Date: 08/24/93
Item No. 2-097.8C
Page 1 of 1

Request: Why aren't some BSE subs billed a management fee?
Provide a separate answer for each sub not billed a
management fee.

Response: As per Gary Grace's discussion with Ruth Young, the
requested information will be made available for review
in Atlanta, Georgia on September 8-10, 1993.

Date Provided: September 3, 1993

86

P02/

9-29-93 09:59AM

COMPANY: BST
TITLE: SUMMARY OF INTERNAL AUDITS
TEST PERIOD: TYE 12/31/92
DATE: JULY 26, 1993
AUDITOR: RKY
WP NO. 51-4

*kw
7/16/93*

CONFIDENTIAL

Internal Audit B21-23-39-A-S, OCTOBER, 1992 OFFICER EXPENSE
REVIEW -- BSE ALL DEPARTMENTS

*51-4
210
11* According to the above internal audit, [REDACTED]

*51-4
213
14* [REDACTED]

15 According to the Internal Audit [REDACTED]
16 [REDACTED]

*51-4
4* How many executives at BSE take advantage of this financial counseling?
List the amounts paid separately to C&L, AYCO Corp and Creative Financial Group
for the year 1992.

Are these charges that are considered wages and subject to FICA, FUTA and
income tax withholding allocated as part of the management fee to BSE
subs? If so, how much in 1992 to each sub?

*51-4
3* Provide copy of BSC Financial Counseling Plan effective 1992.

24 According to the above internal audit, [REDACTED]

*51-4
225
26
27* [REDACTED]

*51-4
228* Information in the Internal Audit stated that the [REDACTED]
230 [REDACTED]

*51-4
4* What is the Research Study for? What expenses were incurred in 1992 by
BSE employees for this research study? How were these expenses handled?
Were these allocated as part of the BSE management fee? Is so, how much
in 1992 to each sub?

*51-4
Pg 175*

COMPANY: BST
TITLE: SUMMARY OF INTERNAL AUDITS
TEST PERIOD: TYE 12/31/92
DATE: JULY 26, 1993
AUDITOR: RKY

CONFIDENTIAL

WP NO. 51-4

According to the Internal Audit stated above, the summary of results stated that in:

51-4
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[REDACTED]

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[REDACTED]

51-4
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Provide a list of all spouses that were paid for in 1992 and the amounts and reasons for travel. How were these expenses handled? Were these allocated as part of the BSE management fee? Is so, how much in 1992 to each sub?

51-4
4

Please provide answers on or before our meetings in Atlanta, August 17 and have a representative available in Atlanta at our meetings to discuss this.

PSC request 2-097, items 1,2,3,4,5 and 6 were objected to by the Company. The General Ledger, the Cumulative Transaction Ledger, the Chart of Accounts, and a print of all disbursements over \$50,000 during 1992 would have enabled auditors to take a sample of the types of expenses incurred by BSE. These requests were objected to, therefore, we have no idea of the types of expenses in the management fee; or whether any of the the above expenses were a part of the management fee.

Disclosure of these types of expenses that might not be reasonable for returning.

51-4
285

COMPANY: BST
TITLE: SUMMARY OF INTERNAL AUDITS
TEST PERIOD: TYE 12/31/92
DATE: JULY 26, 1993
AUDITOR: RKY

WP NO. 51-4
Internal Audit BSE -Affiliated Transactions - Comptrollers
821-10-04-A-S, september 30, 1992, wp 51-4/2

C&L tested the pricing of products and services from affiliates to determine if in compliance with JCO and following CAM. Companies tested were: BSI; BMP (BELLSOUTH MARKETING PROGRAMS); BIS (BELLSOUTH INFORMATION SYSTEMS); EXECUTIVE SERVICES; WORLD WIDE WIRELESS TRIALS (WWWT); BRI, BES; BELSOUTH MOBILITY; BMI; TSI (TECHSOUTH PUBLISHING SERVICES, INC.); BMD (BELLSOUTH MOBILE DATE)

CONFIDENTIAL

Overall results, controls in place to make sure in compliance with JCO. Those who were billing in excess of FDC, were refunding by end of year.

As stated in 51, we are not auditing the BSE subs to determine if they are billing according to the CAM to BST, but how and what types of expenses BSE billed their subs which then billed BST.

No follow up on this part.

AUDIT DISCLOSURE

SUBJECT: TYPES OF EXPENSES AT BELLSOUTH ENTERPRISES

STATEMENT OF FACTS:

PSC staff reviewed internal audit, B21-23-39-A-S, OCTOBER, 1992 OFFICER
EXEPNSE REVIEW -- BSE ALL DEPARTMENTS.

This internal audit revealed three types of expenses at BSE as follows:

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1. [REDACTED]

2. [REDACTED]

Information in the Internal Audit stated that the [REDACTED]

3. [REDACTED]

COMPANY RESPONSE TO OUR REQUESTS AND OUR OPINION

Financial Counseling Plan.

BSE stated that this was provided to 15 officers in BSE and its subs and objected to providing the amounts paid. The answer to the request stated that none of the expenses are allocated to BSE subs; that BSE subs pay a managements fee based on a formula.

However, staff contends that in order to determine if BSE is billing at FDC or less, BSE performed certain calculations and allocated certain expenses to come up with FDC and compared that to the management fee. As we could not audit the specific type of costs and determine the specific amounts, we cannot determine whether this was included in the FDC calculation, whether it would make an impact on the FDC calculation, and whether it is reasonable for ratemaking.

CONFIDENTIAL

51-4

SP 475

AUDIT DISCLOSURE

SUBJECT: TYPES OF EXPENSES AT BELLSOUTH ENTERPRISES

Participation in Mayo Clinic Research Study.

The Company says that only one employee participates in this study which involves a very small population of individuals who have a rare disease, and the expense is maintained at the BSE sub level. BSE declined to provide the dollar amounts.

Without access to the books, we cannot determine if these costs are retained.

Spousal Expenses.

The company stated that BSE tracks the cost of any spousal expenses for retention by BSE-HDQ. BSE declined to provide the requested list of expenses and objected to providing.

RECOMMENDATION:

As we cannot determine if these costs are included in the FDC calculation to the subsidiaries, and we cannot determine if they are reasonable for ratemaking, the entire amount of the management fee that is chained through to BST from billing from BSE subsidiaries should be disallowed as recommended in Audit Disclosure _____. Audit Disclosure _____ addressed the amounts of potential chaining.

CONFIDENTIAL

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COMPANY: BST
TITLE: REVIEW OF INTERNAL AUDITS
BSE - AFFILIATED TRANSACTIONS - COMPTROLLERS
8-21-10-04--A-S
REPORT DATE 9/30/92
AUDITOR: RKY

kw 11/6/93

CONFIDENTIAL

WP NO.

FINAL RESULTS:

9 [REDACTED]

INTRODUCTION:

The JCO provides guidelines that prevent subsidy of nonregulated activities. The JCO requires the filing of a CAN with the FCC. The CAN identifies affiliates and pricing methodology with BST.

Each BSE sub is individually responsible for JCO compliance. In the BSE Headquarters Comptrollers' Department, the Financial Accounting Matters staff has oversight responsibility for BSE subs."

17 [REDACTED]
18 [REDACTED]

SCOPE:

Purpose: Is BSE in compliance with the JCO by following the CAN. Are there controls to ensure future compliance.

Procedures:

- 23 1. [REDACTED]
- 24 [REDACTED]
- 25 2. [REDACTED]
- 26 [REDACTED]
- 27 3. [REDACTED]
- 28 [REDACTED]
- 29 [REDACTED]
- 30 [REDACTED]
- 31 4. [REDACTED]
- 32 [REDACTED]
- 33 [REDACTED]
- 34 [REDACTED]
- 35 [REDACTED]
- 36 [REDACTED]
- 37 [REDACTED]
- 38 [REDACTED]
- 39 [REDACTED]

RESULTS:

41 Overall, controls in place to make sure in compliance with JCO.

51-4
1

COMPANY: BST
TITLE: REVIEW OF INTERNAL AUDITS
BSE - AFFILIATED TRANSACTIONS - COMPTROLLERS
8-21-10-04--A-S
REPORT DATE 9/30/92
AUDITOR: RKY

WP NO.

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- 8 1. [REDACTED]
- 9 2. [REDACTED]
- 10 [REDACTED]
- 11 3. [REDACTED]
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- 14 [REDACTED]
- 15 [REDACTED]
- 16 [REDACTED]
- 17 [REDACTED]
- 18 [REDACTED]
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- 20 [REDACTED]
- 21 [REDACTED]
- 22 [REDACTED]

MANAGEMENT LETTER RE INTERNAL CONTROLS.

- 24 [REDACTED]
- 25 [REDACTED]
- 26 [REDACTED]
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- 39 [REDACTED]

COMPANY: BST
TITLE: REVIEW OF INTERNAL AUDITS
BSE - AFFILIATED TRANSACTIONS - COMPTROLLERS
B-21-10-04--A-S
REPORT DATE 9/30/92
AUDITOR: RKY

WP NO.

8



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ALSO, AL SMITH IS THE BSE AFFILIATED TRANSACTIONS COORDINATOR.

NOTES FROM INTERNAL AUDIT OF EACH BSE SUB AUDITED:

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COMPANY:
TITLE:

BST
REVIEW OF INTERNAL AUDITS
BSE - AFFILIATED TRANSACTIONS - COMPTROLLERS
8-21-10-04-A-S
REPORT DATE 9/30/97

AUDITOR:

WP NO.

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COMPANY: BST
TITLE: REVIEW OF INTERNAL AUDITS
BSE - AFFILIATED TRANSACTIONS - COMPTROLLERS
8-21-10-04--A-S
REPORT DATE 9/30/92
AUDITOR: RKY
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COMPANY: BST
TITLE: REVIEW OF INTERNAL AUDITS
BSE - AFFILIATED TRANSACTIONS - COMPTROLLERS
B-21-10-04--A-S
REPORT DATE 9/30/92
AUDITOR: RKY

WP NO.

how much to who? This is part of chaining?

Reviewed Budget to Actual for ES projects for June 1992 billed in July 1992.

Project codes are used to track expenses that are either billed or retained by BSE Headquarters. The MSA (G/L) system captures all related expenses which are then billed through the Solomon A/R system.

CONFIDENTIAL

If a project's cost are 125% of the originally budgeted amount, supplemental project papers are required. The following project codes are used by BSE:

ES = used for billing to BSE affiliates
EC= used for tracking purposes; costs retained by BSEHQ
MD= used for Mobile Data only
MC= used for tracking Mobile Data costs that are retained by BSEHQ.
CD--used for capturing corporate development costs; retained by BSEHQ.

ES AND MD are the only two project codes used for revenue recognition purposes.

Auditor obtained copies of the following documents:

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3. BSE Budget to Actual for Split Projects

Get copy of 0-2.0 and 0-2.1 from Internal Audit gives how audited, we should parallel test.

If project billing is in addition to mgat fee, we need to find out how much to each BSE sub for the year, to determine how much is chained in addition to mgat fee and find out what the charges are that are included in the project billing to determine if they are reasonable for rate-making.

COMPANY: BST
TITLE: REVIEW OF INTERNAL AUDITS
BSE - AFFILIATED TRANSACTIONS - COMPTROLLERS
8-21-10-04--A-S
REPORT DATE 9/30/92
AUDITOR: RKY

WP NO.

instructions.

This ED10 describes the Project Billing System -- get.

Per ED 10 BSE common costs are recovered through the monthly mgmt fee, as discussed in paragraphs 4.01 through 4.04.

Whenever possible costs should be directly assigned to subs using the project billing system.

Projects are services which are performed by the BSEHQ depts either at the direction of a sub(ES), the direction of BSE corporate mgmt, or in conjunction with a service provided to a non-affiliate, and due to the nature of the task, require cost identification and billing considerations:

see ED 10 for description of classifications for projects.
ES= sub or affiliate funded
Ec= Corporate functions costs which detailed tracking is desired.
EN= Contract with non-affiliate for specific services.
EF= flow thru billing = Expenses paid by BSEHQ on behalf of a sub which are chargeable 100% back to sub.
ED= corporate development (mergers and acquisitions, R&D, to be reimbursed by BSC.

Section 4 is not in this part of internal audit.

Can get project budget and approval forms explains project.

Part of this audit was on asset transfers. Asset transfers are not part of NARUC scope.

ACC
Very small amount of revenue. June 1992 was \$[REDACTED] Prices to affiliates are at lowest prices offered to comparable non-affiliates.

I/A says [REDACTED]

ACC has a 50/50 ownership with Aitel Mobil of Little Rock, Arkansas. This company is not 100% owned by BSE and BSE does not have complete control or significant over this sub. No further testing done beyond comparison of prices.

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101

5/14

COMPANY: BST
TITLE: REVIEW OF INTERNAL AUDITS
OFFICER EXPENSE REVIEW
BSE - ALL DEPARTMENTS
B21-23-39-A-6
OCTOBER 1992
AUDITOR: RKY

rev 11/16/93

CONFIDENTIAL

WP NO.

INTRODUCTION psc staff get executive inst no 4, section 3

Executive Instruction No. 4, Section 3 outlines the general guidelines for preparation of employee expense vouchers. Also, IRS sets forth documentation guidelines for expenses.

Corporate Policy says that Officers be reimbursed for reasonable and necessary business expenses.

SCOPE

To determine if Officers expenses agreed with Corporate Guidelines and IRS regulations.

For the 12 month period of Sept 1992 through Aug 1993, 341 expense vouchers for BSE President and other officers were examined. I/A was looking for

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[REDACTED]

SUMMARY OF RESULTS

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[REDACTED]

Items that were not of significant business risk are in a management letter under separate cover.

This letter revealed the following voucher errors in Enterprises:

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[REDACTED]

51-4
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CONFIDENTIAL

PSC NOTE -- WHAT CODE SHOULD BE USED FOR SPOUSES
IS THIS ONE OF THE CODES THAT GETS INTO MGMT FEE OR STAYS
BEHIND IN HDQ.

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Part of the workpapers was a [REDACTED]

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A quote from the audit approach states "[REDACTED]

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Internal Auditors [REDACTED]

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SHOULD THE RATEPAYER BE PAYING FOR A SPOUSE NO MATTER WHAT KIND OF
BUSINESS? FIND OUT HOW MANY CHARGES BSC, BSE AND BST FIND OUT HOW
CODED? FIND OUT IF THEY ARE ALLOCATED DOWN TO THE STATES?

FINANCIAL COUNSELING

BSC has a Financial Counseling Plan and applies to execs who are a level higher
than management pay Grade 8 and are a member of the Executive Group.

BSC does this because they feel the exec will spend less time on their personal
responsibilities of financial planning if this was provided to them.

1.
2

[REDACTED]

PSC - comment

how many exec to BSC -- REFER TO RON
HOW ARE THESE CHARGES ALLOCATED FROM BSC TO BST. WHAT GOES TO THE STATES?
SHOULD THE RATEPAYER BE PAYING FOR THIS? ARE THEY?
HOW MANY EXECB AT BSE --
WHAT ARE THE AMOUNTS CHARGES AT BSE -- ARE THIS PART
OF THE MGMT FEE, WHERE ARE THESE CHARGES?

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[REDACTED]

GET COPY OF bsc FINANCIAL COUNSELING PLAN EFFECTIVE IN 1992.
DOES THIS APPLY TO BSE AND BST?? EXECB??

CONFIDENTIAL

PSC NOTE -- READ EXECUTIVE INSTRUCTION ON EXPENSE VOUCHERS TO
DETERMINE WHAT QUESTIONS TO ASK.

NOTES FROM ATTRIBUTE TESTS

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[REDACTED]

[REDACTED]

[REDACTED]

PSC note - Is this appropriate charges for ratepayers?
how much was charged in 191 and 1992. what is the study for?
what amounts were passed through to BSE subs?

Executive Instruction 4, section 5 page 10 talks about the
contributions and donations, etc. that are allowable by BSC and BSE
execs.

Get section and look at what theyt allowed to be reimbursed Find out
what code this goes to and how much was charged in BSE for 1992. how
much of this went out as mgmt fee to subs? should the ratepayer be
paying for this?

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MEMORANDUM

JULY 29, 1993

SPECIFIED CONFIDENTIAL

Pg 182

TO: KAREN KAETZ, BST, BIRMINGHAM
FROM: RUTH K. YOUNG, FPSC, MIAMI *ky*
RE: CONFIDENTIAL QUESTIONS FROM COSTING METHODOLOGIES GROUP.

These are the questions regarding BSE Internal Audits that contain Confidential Text. These are the only copies you will get. Tim will not send them. Tim will send a general question through the Q&A program without the Confidential Text.

Company answers
on on
51-4
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B
[Signature]

2-007 Re: BSE Internal Audit B21-23-39-A-S, OCTOBER, 1992 OFFICER EXPENSE REVIEW -- BSE ALL DEPARTMENTS

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A. According to the above internal audit, [redacted]

[redacted]

According to the Internal Audit the [redacted]

1. How many executives at BSE take advantage of this financial counseling? List the amounts paid separately to [redacted] for the year 1992.

2. Are these charges that are considered wages and subject to FICA, FUTA and income tax withholding allocated as part of the management fee to BSE subs? If so, how much in 1992 to each sub?

3. Provide copy of BSC Financial Counseling Plan effective 1992.

B. According to the above internal audit, [redacted]

Information in the Internal Audit stated that the [redacted]

4. What is the Research Study for? What expenses were incurred in 1992 by BSE employees for this research study? How were these expenses handled? Were these allocated as part of the BSE management fee? If so, how much in 1992 to each sub?

C. According to the Internal Audit stated above, the summary of results

51-4

CONFIDENTIAL

MEMORANDUM
JULY 29, 1993

SPECIFIED CONFIDENTIAL

TO: KAREN KAETZ, BST, BIRMINGHAM
FROM: RUTH K. YOUNG, FPSC, MIAMI *Ry Pg 2/2*
RE: CONFIDENTIAL QUESTIONS FROM COSTING METHODOLOGIES GROUP.

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stated that in general

[REDACTED]

5. Provide a list of all spouses that were paid for in 1992 and the amounts and reasons for travel. How were these expenses handled? Were these allocated as part of the BSE management fee? Is so, how much in 1992 to each sub?

6. Please provide answers on or before our meetings in Atlanta, August 17 and have a representative available in Atlanta at our meetings to discuss this.

CONFIDENTIAL

Part I - Admin
MAPS

MAP 2: Issues Related to Affiliated Transactions

Per ICO - when affiliate performs services for Reg (direct or thru clearing) & there is no contract in mkt. Other at FOC per costing standards.

During today - C+L found some affiliates who do not have an external market with the Reg at less than FOC. C+L says as a result less cost are allowed than to Regs. C+L says while the is not "little of low" it passes less interest, thereby decreasing Reg Reg + giving participants benefit.

Affiliates who charge less than FOC

BSE - wholly owned sub of BSC + holding Co's of non Reg sub. BSE HOB is billed to BSE sub at 90% of sub's operating expenses.

City and a study is required to make sure the Regs then affiliates who charge into Reg the 90% passes less cost than allowed usage.

FOC - C+L says BSE underbilled sub's. Reg's appear to be of this cost claim step (1992 study). So, Reg Commission will apply 90% less than FOC allowed.

Also, no ROR is loaded in profit & expense o/p or billing.

MCCA - MCCA had the services billed out < FOC
1) w/ SBT+T. Partial only of paying units to SBT+T priced \$ 29m < FOC. 2) Reg Agents - MCCA
sent to mkt paying network owned by SBT+T in certain cities, priced approx \$540m < FOC.

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Order I - Admin
MAPS

MAP 2 Issues Related to Affiliated Transactions

Per ICO - when affiliate performs services for Reg (direct or thru clearing) & there is no outside mkt. Other at FOC per Costing Standards.

During testing - C+L found some affiliates who do not have an outside mkt with the Reg at less than FOC & C+L pays and a result less costs are allowed than to Reg. C+L says while this is not "letter of law" it poses less interest, thereby decreasing Reg Reg + giving interpayee benefit.

Affiliates who charge less than FOC

BSE - wholly owned sub of BSC + holding Co's for money sub. BSE HQ is billed to BSE sub at 9% of sub's operating expenses.

Cost study is prepared to make sure that under these affiliates when charged to Reg the 9% passes less cost than allowed under FOC. C+L says BSE unlabelled sub approx 9% of this cost chain etc. (1992 study) No Reg concerned with apply less than FOC allowed.

Also, no ROR to be included in profit or composite O/H billing.

MCLA - MCLA had the services billed at < FOC
1) w/ SBT+T. Partial only of payment units to SBT+T priced \$219m < FOC
2) Reg Agents - MCLA part to mkt pricing network owned by SBT+T in certain cities, priced approx \$540m < FOC

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Print Units - Provides certain printing services to
offices only. Included approx. 4000 copies. FDC

Headline - Leases office & warehouse space to
BST. (increased lease rate over term) of
lease is compared to actual duration of FDC
& all cases are processed at C. TOE

MAP # 6 - Asset Transfer
Annual March 1991

Reorganizations - SCB, BSS & BSHRA would be
merged into Southern Bell (SB) & SB would change
legal name to Bell - Also BST would have a
new sub - Bell South Systems (BSS) which would include
Bell South Communications Inc (BSI), Data Serv & Bell South
Communications Systems (BCS).

In actual results (SEC Form 10K and annual report
to shareholders), reorg. took place FY 1991

For FCC report prepared only - established of BBS &
transfer of BSI to BBS via BSE & purchase
sales price for SB & SCB & BSI took place in FY 1991
Other items are FY 1992 for reorg. purposes

FCC Rate - from non reg > reg. In transfer
at low of - market value (NAV) or FMV, +
transfer from reg to non reg > of NAV or FMV

Based on C+L work asset transfer recorded in accordance
w/ JCO. Requested copy of 1.8 which is list of
names of transfers.

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C+L has on FCC checked in the audit workpapers
part of this check list

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Plenary

The plenary portion of the admin bank, (check)
highlighted on copy in CIB system Request copies 4.1
→ B.T. ASC have oversees group which monitor last
apparentness between Reg & non/Reg entities these CS
+ affiliated companies

Key Plenary Issues Some have

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Page 45 letter Internal Audit stated
Pg 406 is list of BSC - BST Internal Audit Group - Plans

CSO Pam 477 Cell 107 [REDACTED]

of CSO After key at [REDACTED] Cont prod, reg. [REDACTED]
Per Coll next account [REDACTED] 10/4/77

FCS letter to BSC Teller "Plan which to do
detail exp 20, 1977 - Page 4, 11 - get copy of

Audit Program
Request 11+12 giving CSO information
Pg 5-12 for ATG information.

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Order 28 - Affiliated Trans. - Home Office

Purpose of Order: To document aff. trans. that occur between BSE sub's & BBS sub's. Order summarizes transactions + net to who c+l total. Also FOC billing still potentially change into Regulate as discussed.

No results ASE
No results, Mgmt. Letter

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Get Copy of 30.5 Corporate Structure w c+l count on who owned + who must

Get Copy of 30.8 - USTA - Sept 1992 - Accounts + Finance Committee Bulletin No 92-8 - A guide on neto plus + note of return for monies affiliated

Get 30.11, 30.12, 30.13
30.11 is BST report Policy Guidelines on Gross Up ROI + Rate Base Formula.

Compare w/ USTA - is it the same or different

Get Copy of 30.12 -> BSE affiliate Billing Gross Billing Matrix also 1992

What is this - Compare w/ Company - kind - Does BSE bill all Union Co's or only some companies

30.12 is FOC billing only or less? How do you know?

These 3 come from 992 Antenna Third report 4Q in 1992 + Sub's interview billing summary

This Order includes revisions to 30.8 or request (Check Order) Get Copy of whole thing 30.13 Aff. Trans Jan 1991

Get Copy of Account Allocation 30.7 which is Aff. Trans. Process Guidelines for 10'8 - Time-Up Guidelines - ROR items w/ regulated aff. A count be greater than 11.25% during calendar year, if denials from 11.25% aff. should be made to return earnings

23

~~Present~~

BSE Account Director 005 thru 011 + 022
addressed policies regarding following the JCB

Per MAP 6 BSS is owned by BST
+ BSS rules are BCT, BTA, JCB, BCS (BellSouth
Communications
system)

Per 30.71 also include FINS
Per 30.71 w a breakdown of between charges
for BSS Companies
This includes Form BSS Co's to
all other Co's - Charging?
look at 30.71

WP 30.72 is BCI billing by month by alphabet
for all states

BCT put this schedule how billing to other affiliates
Data Serv, MCCA, BIAN, BSE - (These in the terms
also bill BST charging)

BSS - WP denotes all costs onto bills BST
based on labor costs incurred (cost accounting)
Get copy of 30.73 A even though we are not using
May come in handy

FINS - Per C+L WP FINE then reduced the
number of services it provides to BST then
balanced charging off

DATA Serv Remains from BS Board Res
BSS
BS Director
BS Mkt Program

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Cost Transfer

James Esten accepted in Cost Transfer

1) July 1, 1991 RST transfer to BCT

30.90 is RST transfer to BCT from up
Request 3.90. But explain 30.8

FRC's represent different types of assets. Valuation
is matter of organization. Several Valuations more applicable
as I raised the group w/ which assets according
to regulatory requirement; And any dates are not applicable

Accr. Depr. Rates Calculated. A/D can't be
taken directly from the system since A/D relates
to groups as a whole. The A/D for groups
w/ NA assets are average 89-92.

FMV rates provided by Valuation Counselor
This is multiplied by original cost to get FMV

This transfer from reg → non reg, the higher
to NBV + FMV. The market adj is applied
to accr. depr.

Actual JE would then transfer the assets
original costs & adjusted A/D

WP 30.90 A is the asset Counselors
Valuation

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Bank 20 - BSE HQ [redacted] Chain

BSE Chain Analysis
Result [redacted] % of 1,700 m of BSE's billable
operation costs ultimately chain into regulation thru
Subsequent billing at FDC

WP 30.20 A is a summary of billings from
BSE - HQ its affiliates into Bill Bst at FDC
or how. Only [redacted] then which Chain can occur.

Expense	Fact #	%	Potential
(1)	Billable	(2)	Chain (3)

C&L determine the amount that BSE billable
expense affiliates (K1) (Amount Col(2)) through
various methods - all is work product
C&L determine the % that could possibly
go into chainings and determine potential chain
Col (1) x (2)

They determine the total BSE HQ Billing to all
& divide the potential % by that total bill

Potential 1,702,000 BSE HQ Billing to all affiliates to 217

23

[redacted] % - BSE used [redacted] %
get 30.20 A and all suggest will be
determine how % obtained.

on Pay 30.21 which of the Fort notes compare
and at present date to BSE - any backup
Pg 30 24 says BSE affiliates Trend Reports
are a source of all affiliates resources
get 4 of 1992

Pg 30 24 says Affiliate ADDIO Documentation -
BSE affiliate are required to submit information
on a semi-annual basis + present methods on a
quarterly basis. Do not summarize the basis for
all affiliate billing.

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BSE HQO Overhead Allocation

Total Expense allocated at [REDACTED]

Includes: ES Proj } track costs billed to affiliates
EE Proj } costs w/ of T&E files } most of
EB " } " " " } some paid
How do you tell expense

Calculate that went thru Dept
detail of how much was w/ T&E amounts
went back to spreadsheet with detail
WP 43.7

Check O&M Time Costs - West in + partial
see spreadsheet over

Step 2) Test balance by detail 43.7A
Get copies of all + get these books

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The results indicated:

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per

Andi (unintelligible)

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→ BSE HQD upon chemical analysis (JCO Security Standard) regularly

→ Per A + Director 10 each site is complete a JCO questionnaire + report to the BSE JCO coord. Testing showed all samples tested had responded correctly + timely to the request.
Reg. Q. list for 1992

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I/A [redacted]

End Co. Law - JCO Compliance completed

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BIS International Inc. + all derivatives funds

BST has no funds w/ the BOCS. therefore no CAM entry related to "services received from" 1.5%

BSE provides computer consulting services to international sales
BST as part of expenses - not listed for 1992

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Included in the Database is an [redacted]

B2 MPA - BIS Marketing Program

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[redacted]

BIS - Proceeding

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[redacted]

Conclusion: Tentative rebate for MCCA as of June 1992
has not reflected due to omission of formula - correct
action will be made

Q: Was there a rebate? How calculated?
A: 96.7A-1

BIS - Sales reg & number of affiliates

- 3 categories
- 1) Maintenance of field banks 7%
- 2) Time share data processing \$7.02%
- 3) access to office automation 2.61%

Reserve fund
affiliates

As of 6/30/92 approx 1% of BIS total
Revenue was from non affiliates
76% from other BSE subs
15% from BIC

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[redacted]

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BIS - Continued

Per Cxv Cost Mgmt System (CMS) is used to determine FOC amounts for BIS

[REDACTED]

Conclusions: 1) CAM entry & revenue trend report for BIS correct

2) [REDACTED]

The calculations were performed correctly & in compliance w/ ITC rules & Accounting Dir. 11.4.9

Indicated that relative requested w/ up and will be small.

WP 96.9 Corporate allow for R

Cxv [REDACTED]

BIS Dept System - Antenna Revenue
This report shows Low Rev But -
the show reflects.

BST made the following refunds w/ up and did show refunds from three to up'd Co's

BSC	326,000
MCCA	42,000
BSDC	74,000
BOT	108,000
BSE	111,000
BAPCO	517,000
	1,238,000

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Also shown in the \$377 to BSC 1100 Bldg BIS refund

WP 96.9T is allowable returns of up update, w/ refunds shows FOC - As c. to recalculate

Executive Services
Worldwide Wireless Trials
Part I/A WP in C+L Budget

Executive Services has no transactions directly w/ BCS + U.S. Inc. have been appropriately excluded from the CPM. Billing to affiliates are similar to best less than F&B because no return is added to actual costs billed. No TCO costs calculated. WWI provides no services to BCS nor any other affiliate Cos. No TCO found elsewhere.

By Note

WWI billed BSC in 1992
Determine if Exec Servs bills BSC in 1992.

Quotes Revenue from WWI shows no revenue for affiliate

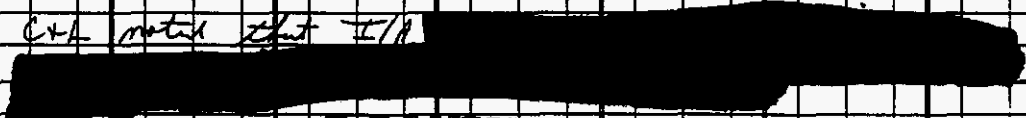
Quotes revenue from WWI executive report shows no revenue from affiliates but C+L sep bills only 2 affiliates
Potential change into regulations is as follows
Bills to:

BSAN 4/26 BSAN bills BST 1,00,000 @ FOC and
MCCA 11/18 MCCA bills BST 1,175,000 @ FOC and
Notes say only small costs of MCCA admin into Reg.

BMT - BellSouth Mobility

Based on audit trail, BMT has a long-term outside market for cellular services. Pricing is the same or less prices to non-affiliates. BMT price of cellular service to affiliates is comparable w/ PSCO.

C+L noted that ITR



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L.M. Berry
I/A W.P.

[REDACTED]

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Anticommunist report by FL-12B

[REDACTED]

To:

[REDACTED]

[REDACTED]

[REDACTED]

C+L says L.M. Berry prepared for FDC analysis
which showed that for FYE 92 and after that
ROK of \$6.5M resulted from the any, most important
calculations.

As ROP is only \$6.5M, C+L wants further analysis
by Nish - PSC might want to look at this

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Top Secret

For Conclusions per I/A:

[REDACTED]

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[REDACTED]

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^{PSC}
Analy of above statement from C-L Workpapers
Final saying chain broken then why
we staying then why to FOC + regarding?
Pg 96.13
Pg 96.13A is revenue trail rest

BellNorth Mobile Data (BMD)

Per F/A [REDACTED]

Attico Revenue Trail sheet is "0"

Project Billing

Project Billing are the other method which
BSE bill -

WP 96.15A is project billing from thru July 4TD
96.15B the March.

Ry notes PSC

Should project billing be at FOC? or less?
because some of Co's shifted for Proj to go
into April Co's that chain into pay
WP 96.15C copies all project billing
along w/ 96.15A.

Where in Workpapers is audit for FOC? or less?

Asset Transfer

General A. affiliate transferred into period in
accordance w/ JCO.

WP 96.16A is list of asset transfer
from BSE +/- BSE

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S-6
S-6

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BSB did not use the same companies to calculate the FDC as they billed a Management Fee. They are not using the same basis for comparison of whether billing FDC or less.

COMPANIES BILLED THE MANAGEMENT FEE VS. COMPANIES USED TO CALCULATE FDC.

OPINION:

The Company states that BSB does not bill management fees to companies "...which fall within the following general categories: (1) corporate development entities, (2) recent acquisitions, (3) international joint venture investments/internationally wholly owned subsidiaries..."

In calculating the FDC, the above companies were included along with those that were not billed a management fee in 1992. These companies were: Marketing Program, Executive Services, DPINS, CHN, SSI, IntelMSB, Dataserv International, Intelligent Media, MW Trials, Retained Costs at BSB and Miscellaneous costs at BSB.

BSB subsidiaries billed a management fee were: Mobile Data, BSN, BIN, Sunlink, BIS, BAPCO, IM BERTY, Stevens Graphics, Techsouth, BellSouth Cellular, BMI, MCCA, International Operations Group, and FINS.

COMPANIES BILLED THE MANAGEMENT FEE VS. COMPANIES USED TO CALCULATE FDC.

In order to determine if the management fee is less than FDC, BSB calculated what FDC would have been if it had been used. BSB calculated that FDC was [redacted] for 1992.

BSB does not bill BSI directly. BSB bills their nonregulated subs and in turn, according to the Cost Allocation Manual at 12/31/92, the nonregulated subs bill BSI at fully distributed cost, market or tariff, etc. whichever applies.

BSB Account Directive 008, Section 1.01 presents the rules for pricing goods and services transferred between regulated carriers and their nonregulated affiliates. If no prevailing market rate exists, the price charged to the regulated affiliate must be based on the JCO fully distributed costing standards (FDC).

Section 5.02 says that BSB requires all intercompany transactions comply with the Joint Cost Order because costs that are included in a chaining transactions that are several layers removed from the ultimate destination can be difficult to identify.

According to BSB Accounting Directive 005, Section 5.01 chaining is defined as follows: "When a carrier obtains an asset or service from a nonregulated affiliate that has obtained the asset or service from another nonregulated affiliate."

S1-10

S1-10

S1-10

S1-6
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S1-6
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GENERAL

Concurrence

WV 11/16/93

BSE Allocation of Corporate Costs W/ 11/16/93
 8/16/93

Prepared by C+L
 PBG

Date Prepared: 3/1/93
 Prepared by: MCB
 Reviewed by: RCB
 Approved by: RCB

BLS Part 64
 Corporate Cost Allocation For Entire Year
 12/31/92

BELLSOUTH ENTERPRISES, INC.
 ALLOCATION OF CORPORATE COSTS
 JANUARY 1, 1992 TO DECEMBER 31, 1992

COMPANY	TOTAL FCO ALLOCATION	TOTAL BILLED MANAGEMENT FEE	DIFFERENCE
MARKETING PROGRAMS	[REDACTED]	[REDACTED]	[REDACTED]
EXECUTIVE SERVICES	[REDACTED]	[REDACTED]	[REDACTED]
MOBILE DATA	[REDACTED]	[REDACTED]	[REDACTED]
WPIVS	[REDACTED]	[REDACTED]	[REDACTED]
CEI	[REDACTED]	[REDACTED]	[REDACTED]
BEAN	[REDACTED]	[REDACTED]	[REDACTED]
BEI	[REDACTED]	[REDACTED]	[REDACTED]
SSI	[REDACTED]	[REDACTED]	[REDACTED]
INTELL HSSG (INST)	[REDACTED]	[REDACTED]	[REDACTED]
SPARK	[REDACTED]	[REDACTED]	[REDACTED]
DATABASE INT'L	[REDACTED]	[REDACTED]	[REDACTED]
DES	[REDACTED]	[REDACTED]	[REDACTED]
DAPCO	[REDACTED]	[REDACTED]	[REDACTED]
EX SECRET	[REDACTED]	[REDACTED]	[REDACTED]
INTELLIGENT MEDIA	[REDACTED]	[REDACTED]	[REDACTED]
GRAPHICS	[REDACTED]	[REDACTED]	[REDACTED]
TECHSOPTE	[REDACTED]	[REDACTED]	[REDACTED]
BELLSOUTH CELLULAR	[REDACTED]	[REDACTED]	[REDACTED]
ERI	[REDACTED]	[REDACTED]	[REDACTED]
YCCA	[REDACTED]	[REDACTED]	[REDACTED]
WVY TRILLS	[REDACTED]	[REDACTED]	[REDACTED]
ST'L OP GROUP	[REDACTED]	[REDACTED]	[REDACTED]
FINS	[REDACTED]	[REDACTED]	[REDACTED]
STAINED	[REDACTED]	[REDACTED]	[REDACTED]
MISCELLANEOUS	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	[REDACTED]	[REDACTED]	[REDACTED]

*Note 2: C+L calculated costs in red by multiplying the corresponding 9/30/92 numbers on 43.6 by 4/3 to analyze the reasonableness of those numbers compared to the 9/30 numbers which were listed in detail by C+L. We noted no unusual fluctuations. We are further work.

Note: C+L did not test this allocation but rely on testing done at interim (see W/p 5.6). C+L reviewed these Y/E numbers, noting that only minor changes had occurred since 9/30. That the client was still billing each sub, at least, than FDC. Pass further work.

*QCO allocation for these subs. is less than the amt. shown on the 9/30/92 summary 43.6. As BSE did not bill DS chd 2 in 1992, C+L did no further analysis. The calculation for FINS has been adjusted, as FINS was transferred to B57 in 1992. Qm. is minor; we are further work.

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✓ Included in CAM Corporate Structure + BSE Allocation of Costs

43.6A
 *Hinders with #'s are just based on C+L reasonable test - Disregard

FOLKREN 002831
 Comb

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BSE - No. Non affiliated work

No allocation system at BSE

4 Recon portion of exp. thru Mgmt fee
Small % of total sub. operating exp. this is the COGS
expense of each ind. Co. - take out COGS
Exp

- COGS

- Depreciation

- Current Mgmt Fee

= Total to apply % to - that's what they
get charged to B.

incentive for sub to keep their expense down
incentive for

operates at a loss - never received exp.

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COMPANY: BST
TITLE: HOW THE COMPANY CALCULATED FDC TO
COMPARE WITH MGMT FEE.
PERIOD: TYE 12/32/92
DATE: AUGUST 3, 1993
AUDITOR: RKY
WP NO. 51-7

WP 11/6/93

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RY opinion of how BST came up with FDC for comparison to management fee. this opinion comes from the C&L workpapers we requested and needs to be verified when in Atlanta.

This is broken down into 2 parts.

I. In a BSE Income statement reconciliation, it appears that BSE is trying to show us all costs that are not project coded, not retained by BSE are included in FDC. Added to these costs are project coded costs, retained costs, then subtract out project coded costs in the management fee. The total agrees with the Income Statement expenses. See wp 51-11 for this reconciliation.

This Income Statement reconciliation includes the

- a. Total expenses allocated under FDC allocation.
This line amount agrees with the total FDC in wp 51-7/1 and 51-7/2.

II. It appears that BSE calculates the FDC in the following manner: (this FDC is then compared with the actual fees billed to subs (See wp 51-6 for actual fees billed to subs).

WP 51-7/3 is BSE's procedures for calculating the FDC cost. This WP says that "the primary allocation factors for most BSE-HQ costs are sub operating expenses, salary costs, marketing costs, or equity and debt." *The actual allocators are on 51-7/4.*

Explanation follows:

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Wp 51-7/2 is a comparison of the FDC allocation with the actual billed. The total FDC allocation is \$ [redacted] of 9/30/92. The total mgmt fee billed as of 9/30/92 is \$ [redacted]. Discussion of the Management fee is on 51-6. Discussion of the comparison is on 51-6. *2 51-7 p 9.*

This is the explanation of the FDC.
Sept 30 Costs was used for explanation, the concept is the same for 12/31/92
BSE costs that are not project coded or retained are compiled by RC (Responsibility Code). These costs are then allocated to all subsidiaries based on the factors stated above, e.g. sub operating expenses, salary costs, marketing costs, etc.

Company supplied 12/31/92 bank up after we analyzed 9/30/92 data provided by C+L. 12/31/92 bank stands on WP 51-7

COMPANY: BST
 TITLE: HOW THE COMPANY CALCULATED FDC TO COMPARE WITH MGMT FEE.
 PERIOD: TYE 12/32/92
 DATE: AUGUST 3, 1993
 AUDITOR: RKY
 WP NO. 51-7

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From C&I workpapers we found the following.

DIRECTOR OF HUMAN RESOURCES.

11
 $\frac{51-7}{2-2}$

The total costs at BSE associated with the Director of Human Resources at 9/30/92 were [redacted] this is RC U12000. These costs were allocated to BSE subs based on the subsidiaries salary expenses from a column called "Allocatin of Direct Reports" (find out what this is); added to that is "Direct Reports, Project coded Costs" (find out what this is) [redacted] (BSE)

17
 18
 20
 $\frac{51-7}{2-2}$
 1

The total column allocation of direct reports project coded costs was [redacted] added to this is direct reports : project coded of [redacted] a total of [redacted]. These totals are broken down into subs. A % for each sub to the total is taken and that % is applied to the RCUI2000 of [redacted] total to come up with the FDC to each sub. This is called allocation of functional costs. There is a functional cost for each sub that has a salary cost of their own.

What types of expenses are here in this RC? Can we find out.

Req. 2-097 Part 10(G) asked for interview w/ person knowledgeable to work performed under this RC. See 51-7
 HUMAN RESOURCES

28
 $\frac{51-7}{2-2}$

The total costs at BSE associated with Human Resources at 9/30/92 were [redacted] this is RC U12100 to U12500.

These costs were allocated to BSE subs based on the subsidiaries salary expenses from a column called "Allocatin of Direct Reports" (find out what this is); this is the same as the Director of Human Resources, However, here the Direct Reports Project Coded are not added to the total to come up with a % for allocating BSE functional costs.

35
 36
 $\frac{51-7}{2-2}$
 1-1

The total column allocation of direct reports project coded costs was [redacted]. This total is broken down into subs. A % for each sub to the total is taken and that % is applied to the U12100 to U12500 [redacted] total to come up with the FDC to each sub. This is called allocation of functional costs. There is a functional cost for each sub that has a salary cost of their own.

What are these Human REsources Expenses? What types of expenses are here?

Req 2-097 Part 10(G) describes the costs
 $\frac{51-7}{8}$

COMPANY: BST
 TITLE: HOW THE COMPANY CALCULATED FDC TO
 PERIOD: COMPARE WITH MGMT FEE.
 DATE: TYE 12/32/92
 AUDITOR: AUGUST 3, 1993
 RKY
 WP NO. 51-7

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PRESIDENTS

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 $\frac{51-7}{2-2}$
 $\frac{51-7}{2-2}$
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The total costs at BSE for the President are [redacted]. These costs are allocated based on the Subs operating expenses. The workpapers that we have do not give the total dollars of each subs operating expenses. The workpapers that we have from C&L only have the % of each sub to the total. These % are then applied to the RC UOE000 of [redacted]. There is a functional cost for each sub that has a % of operating expenses.

These may be in C&L workpapers but we apparently have not requested them.

What is RC UOE000, what types of expenses are included in BSE here.

Reg 2-097, Part 10(G) - Sec 51-7
 8

MARKETING COSTS

21
 $\frac{51-7}{2-2}$

The total costs at BSE associated with marketing as of 9/30/92 were [redacted]; These were RC U61E00 to RC U61340.

24
 26
 $\frac{51-7}{2-2}$
 4

These costs were allocated to BSE subs based on the subsidiaries marketing costs. The total column of marketing costs from each sub was [redacted]. A % of each subs costs to the total cost is calculated and that is applied to the total of RC U61E00 to RC U61340 of [redacted]. There is a functional cost for all subs who have marketing costs.

What type of costs are in these RC's.

Part 2-097 (10(G)) Sec 51-7
 8

TREASURY

31
 $\frac{51-7}{2-2}$

The total costs at BSE associated with Treasury as of 9/30/92 were [redacted]. These were RC (cannot read the RC's on C&L workpaper).

These costs were allocated to BSE subs based on the subs YTD avg debt and equity. Debt and equity were used as treasury personnel oversee bookkeeping for these accounts.

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 $\frac{51-7}{2-2}$
 5

The total for all subs for debt and equity as of 12/31/91 and as of 9/30/92 and the average of the two are not readable on the page provided to us. However, a % of each to the total was calculated and that % was applied to the Treasury Costs at BSE of [redacted] to come up with the amount to allocate to each sub for FDC purposes.

What type of charges are in the [redacted]

Part 2-097 10(G) Sec 51-7
 8

Conclusion for FDC Based on SI-7
Pg 1-4
See Page 6 here

GENERAL

According to BSE Accounting Directive 005, Section 5.01 chaining is defined as follows: "When a carrier obtains an asset or service from a nonregulated affiliate that has obtained the asset or service from another nonregulated affiliate."

9-10

Section 5.02 says that BSE requires all intercompany transactions comply with the Joint Cost Order because costs that are included in a chaining transactions that are several layers removed from the ultimate destination can be difficult to identify.

SI-10

CONFIDENTIAL

BSE Account Directive 008, Section 1.01 presents the rules for pricing goods and services transferred between regulated carriers and their nonregulated affiliates. "If no prevailing market rate exists, the price charged to the regulated affiliate must be based on the JCO fully distributed costing standards (FDC).

SI-10

BSE does not bill BST directly. BSE bills their nonregulated subs and in turn, according to the Cost Allocation Manual at 12/31/92, the nonregulated subs bill BST at fully distributed cost, market or tariff, etc. whichever applies.

SI-6

BSE bills their subsidiaries a management fee. This fee is [redacted] % of the subsidiaries operating expenses (operating expenses less cost of goods sold, depreciation and management fee). The total management fee billed to subsidiaries for 1992 was [redacted]

21

SI-7
1

24

In order to determine if the management fee is less than FDC, BSE calculated what FDC would have been if it had been used. BSE calculated that FDC was [redacted] for 1992.

27

SI-7
1

COMPANIES BILLED THE MANAGEMENT FEE VS. COMPANIES USED TO CALCULATE FDC.

BSE subsidiaries billed a management fee were: Mobile Data, BSAN, BIN, Sunlink, BIS, BAPCO, IM Berry, Stevens Graphics, Techsouth, Bellsouth Cellular, BMI, MCCA, International Operations Group, and FINS.

SI-6

In calculating the FDC, the above companies were included along with those that were not billed a management fee in 1992. These companies were: Marketing Program, Executive Services, DFINS, CHN, SSI, IntellMssg, Dataserv International, Intelligent Media, WWW Trials, Retained Costs at BSE and Miscellaneous costs at BSE.

The Company states that BSE does not bill management fees to companies "...which fall within the following general categories: (1) corporate development entities, (2) recent acquisitions, (3) international joint venture investments/internationally wholly owned subs..."

CONFIDENTIAL

Conclusion based on SI-7 pg 1-4

AUDIT DISCLOSURE

SUBJECT: BELLSOUTH ENTERPRISES' (BSE) BILLING TO NONREGULATED SUBSIDIARIES

BSE INCOME STATEMENT RECONCILIATION

SI-8
3-1

Part of BSE's billing to their subs includes Projects that are specifically coded to the subs for which the work was being performed. This is in addition to the Management fee. BSE also retains certain costs at headquarters that are not billed as Project costs or considered part of the FDC calculation.

In order to determine that all costs are used in the FDC calculation, BSE prepared an income statement reconciliation. All costs at BSE are reconciled here to the Trial Balance. These costs are Project Coded Costs, Total Expenses Allocated for FDC, and Costs Retained. BSE has objected to us having access to their financial records to document these costs.

MANAGEMENT FEE

SI-6

In order to substantiate the management fee billed to each subsidiary, PSC staff requested financial statements for all BSE subsidiaries whether billed a management fee or not for December, 1992. The Company objected to providing the financial statements for all BSE subsidiaries.

SI-7 FDC CALCULATION

SI-7
pg 1-4

As explained by BSE, BSE costs that are not project coded or retained are compiled by Responsibility Code (RC). These costs are then allocated to all subsidiaries as listed above based on allocation factors.

The primary allocation factors for calculating FDC cost are subsidiary operating expenses, salary costs, marketing costs, and equity and debt.

SI-7
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SI-7
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SI-7
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4-2

PSC staff requested documentation for the allocation factors. We were able to see on company site, without writing down numbers, the income state for BSE. Staff traced the operation expenses used in the FDC calculation for BIS, BSAN, Sunlink and Data Serv International to the Income Statements. Marketing Expenses for BIS and Stevens Graphics were tied to "BSE Marketing Costs for year end 12/31/92". Again we were able to see this schedule on company site, without writing down numbers. The subsidiary salary expense was traced for BIS and Graphics to "BSE Salary Costs fo Year end 12/31/92.". We were able to see this schedule on company site, without writing down numbers.

CONFIDENTIAL

684

AUDIT DISCLOSURE

SUBJECT: BELLSOUTH ENTERPRISES' (BSE) BILLING TO NONREGULATED
SUBSIDIARIES

TYPES OF EXPENSES AT BSE HEADQUARTERS.

51- BSE objected to our requests for Financial statements, Cumulative General Ledger, Cumulative Transaction Ledger, and Chart of Accounts as of 12/31/92; and a printout of all disbursements over \$50,000 during 1992.

Without these financial records, we did not have information that would facilitate the selection of a sample of expenses items.

PSC staff reviewed an Internal Audit of "1992 Officer Expense Review -- BSE All Departments." The audit revealed certain expenses that were questionable for ratemaking purposes. See Audit Disclosure for details.

OPINION:

COMPANIES BILLED THE MANAGEMENT FEE VS. COMPANIES USED TO CALCULATE FDC.

51-6 BSE did not use the same companies to calculate the FDC as they billed a Management Fee. They are not using the same basis for comparison of whether billing FDC or less.

BSE INCOME STATEMENT RECONCILIATION

Because we did not have access to BSE financial records, we could not determine whether the Income Statement Reconciliation to the Trial Balance was correct.

MANAGEMENT FEE

51-6 If we cannot substantiate the basis for the management fee billed to each subsidiary through the income statements, we do not know whether the amounts that are eventually billed (chained through) to BST from the nonregulated subsidiaries are reasonable. All subsidiaries would have to be billed on the same basis.

→ FDC CALCULATION

The allocation procedures to determine FDC might seem reasonable, but if we cannot audit the subsidiary amounts underlying the allocations, we cannot draw a conclusion on the calculation of the FDC.

140

CONFIDENTIAL

~~AUDIT DISCLOSURE~~

~~SUBJECT: BELLSOUTH ENTERPRISES' (BSE) BILLING TO NONREGULATED
SUBSIDIARIES~~

~~TYPES OF EXPENSES AT BSE HEADQUARTERS.~~

78"

AUDIT DISCLOSURE

SUBJECT: BELLSOUTH ENTERPRISES' (BSE) BILLING TO NONREGULATED
SUBSIDIARIES

TYPES OF EXPENSES AT BSE HEADQUARTERS.

SI-1 Because we could not have access to BSE's books, we could not select a sample to determine the types of expenses, whether they are reasonable for ratemaking, whether reasonable to include in the FDC calculation, and what types of expenses are theoretically in the management fee.

CONCLUSION

SI BSE is not using the same number of companies in comparing FDC with the Management Fee. We cannot audit the amounts that make up the income reconciliation, we cannot substantiate the amounts that are used to calculate the management fee, we cannot audit the amounts that make up the FDC calculation that is used to determine whether BSE is billing at FDC or less, and we cannot audit the expenses on the books of BSE.

Because of this we cannot determine whether the FDC calculation is reasonable for ratemaking and whether the management fee is billed to all subs equitably, and therefore, whether the comparison of FDC to management fee is reasonable.

RECOMMENDATION:

SI Disallow the amount of management fee that is chained through to BST because of billings from BSE subsidiaries. Audit Disclosure addresses the amounts of potential chaining to BST.

CONFIDENTIAL

Southern Bell Tel. & Tel. Co.
FPC Docket No. 920260-TL
Audit
Date: 03-01-93
Amended Response to
Item No. 2-026
Page 1 of 1



Request: Coopers and Lybrand workpapers, Binder 34, Page 96, 31 contained a company prepared schedule comparing an estimated JCO allocation to actual BST billing. How did you determine the dollars in the "Total JCO Allocation" column? Provide explanations and documentation.

Response: Subject to our clarification with Ruth Young on March 11, 1993 that this request is "Concerning a comparison of JCO allocation to actual BSE billing to its subsidiaries," we are submitting the following response to this request.

The referenced schedule, titled "BellSouth Enterprises, Inc., Allocation of Corporate Costs" compared the 1991 BellSouth Enterprises, Inc. (BSE) charges to its subsidiaries, based on a management fee formula, to the fully distributed costs (FDC) which it could have charged to its subsidiaries. The column titled "Total JCO Allocation" represented the cost allocation which would have resulted had BSE-HQ used the FDC method to bill its subsidiaries. The column titled "Total Billed Management Fee" represented the actual costs billed by BSE-HQ to its subsidiaries based on BSE's management fee formula.

The comparison showed that BSE-HQ actually billed less costs to its subsidiaries using the management fee method than they would have billed using FDC. BST benefits from BSE's use of this methodology when they received billing from a BSE subsidiary at FDC because the BSE subsidiary's FDC includes BSE-HQ's costs billed using the management fee methodology which is less than what would have been billed using FDC.

Date Provided: April 15, 1993

142

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51-7
98-11
M1 00:00 00-01-93

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 03-01-93
Amended Response to
Item No. 2-0026
Page 1 of 1



Request: Coopers and Lybrand workpapers, Binder 34, Page 96, 31 contained a company prepared schedule comparing an estimated JCO allocation to actual BST billing. How did you determine the dollars in the "Total JCO Allocation" column? Provide explanations and documentation.

Response: In its response on March 8, 1993 the Company stated that it would provide a response or a status report on March 23, 1993. The Company is still in the process of gathering the requested information and will provide a response or a status report on April 7, 1993.

Change

Date Provided: March 24, 1993

143

P07/**

*11/8/01
L-15*

03-24-93 04:53PM

03-10-93 08:07AM

P17/**

*Chang
BSE*



Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 3-2-93
Item No. 2-0026
Page 1 of 1

Request: Coopers and Lybrand workpapers, Binder 34, Page 96, 31 contained a company prepared schedule comparing an estimated JCO allocation to actual BST billing. How did you determine the dollars in the "Total JCO Allocation" column? Provide explanations and documentation.

Response: The Company is gathering the requested information and expects to provide the information or a status report on March 23, 1993.

Date Provided: March 9, 1993

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A ~~CONFIDENTIAL~~ B
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Corporate Dev. Not on list
062000 TO 062900

VP of 4 Special Admin
063000 TO 063900

Exec Dir Info Serv Not the
065000 TO 065900

C D
VP Finance
070000

E
AVP & Controller
071000

F
Corporate Plan 4
071100 TO 071200

G H
Domestic Financial Support
071200 TO 071250

I
Asst & Credit Administration
071300

J
Financial Plan
071400

K
Mergers & Acq
071500

L
Operations Plan
071600

071700 TO 071740
Dist L Support System

[REDACTED]

51-7
1-2-6

3

~~CONFIDENTIAL~~ PROPRIETARY

CONFIDENTIAL 002707



ITEM NO. 3-803 ATTACHMENT

CONFIDENTIAL

①

U16100 Government & Safety Policy
 U16200 Purchasing/Value Relations
 U16300 Records Retention; Strategic alliances
 - Intellectual Property, Records Retention Policy

②

U152000 VP Mobile Data
 U152100 Director "
 U152200 Mobile Data Director

③

U12100 Personal Mgr
 U12200 Benefits Mgr
 U12300 Mgr - Compliance - International Personnel

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BSE
Confidential Memo to BSE

8/8/93
11/11/98

Sept 8, 1993

#4

FDC To: Karen Kaetz
From: Kate Young
Confidential Requests

FDC

CONFIDENTIAL

2-097.10.K

For all answers to 2-097.10.K. Please provide as much info as possible on BSE sub office Memo of BST Office in Mass

In response to 2097.10, the Company provided an interview with Malice Whitley and Confidential info as source documentation for the FOC study. Please answer the following questions re FOC study abstracts

10.K 1) Total subsidiaries salaries were used to allocate BSE RCU12000 (Director - Human Resources Costs) This total cost per Bates 1) is F02KU2003303 to [redacted] Provide financial statements for all sub located in the Bates Division. Salary costs are not evident on the financials provide further documentation linking salary costs to financial statements for each company for 12/31/92.

18 Malice

CONFIDENTIAL

10.K.1. Sub Salaries
Direct - Human Resources

Company let us view docs in allentown 10/5 - We could not copy any of the #'s from the info supplied nor could we take possession - under appeal 51-7/9

Transl Salary exp per for BIS + Graphic on WP 51-7 to "BSE Salary Costs for 1-2

yr. end 12/31/92" agreed. Transl the salaries for June 92 on "BSE Salary Costs for yr. end 12/31/92" to Seg 17 (T/B) for BIS + Graphic - agreed. For Graphic adding up Direct Labor plus supervisory + indirect labor

51-7/1-2/2-1

10.K. 2) Total Subsidiaries operating expenses were used to allocate BSE-RC UOE000 per Bates member FO1K02W10365. The costs per sub were not on this sheet, only 90's. Provide operating expense amount for all subs to back up the 90's on the Bates # FO1K02W10365 - Provide financial statements for all subs listed on the Bates #. If operating expense amounts used for this allocation are not available. Pg 17

Confidential

Provide further documentation linking operating expenses on this Bates member to financial statements for 12/31/92 for each company.

10.K. 2

To see operating expenses, Malin showed me Income Statement for BSE which has 8 categories unredacted - For BIS related the total operating expenses less Mgmt fee to a page called "BSE - Allocation of Corporate Costs 1/1/92 - 12/31/92" to a column called Operating Expenses Yr to Date Under BIS operating expense the amount was the same as the main stmt. Also traced BSA, Semlinks, & Dept Sem Int'l. The expenses in this column were on the income statement. These expenses less COGS was taken to all operating expenses resulting in the return on WP 51-7. For BIS was [redacted].

Source: We were down info for Malin. We could not copy this as it is a BSA procedure. Walker signed 51-7

30

CONFIDENTIAL

161

51-7
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7

10. K. 3) Total ^{subsidiary} marketing expenses were used to allocate BSE RC U61200 to U61340 (Marketing Expenses) per Bates # FOIK2W 10368. The total sub marketing expenses were ~~██████████~~. Provide financial statements for all subs listed on this Bates number. If marketing costs are not evident on the financial statements, provide further documentation linking marketing costs to financial statements for each company for 12/31/92.

We were shown as done
We could not copy #'s or take
Possession - but copy $\frac{51.7}{9}$

10. K. 3 Marketing Expenses
Process similar to salary
Travel MKT costs on $\frac{51.7}{1.2}$ to for
 $\frac{4}{4}$
BIS + Graphics to "BSE Marketing
Costs for yr end 12/31/92" schedule. Travel
the month of June on this schedule to
June 92 July 17 for BIS which account
is called. "Adv. Other Supp Programs"
Travel the month of June 92 on BSE MKT
schedule to Stone Graphics T/B for June 92

CONFIDENTIAL

$\frac{51.7}{1.2}$
 $\frac{4}{4}$

PBC

BSE
 SUMMARY OF PROJECT COSTS
 FOR USE IN ALLOCATIONS BASED ON "COMPOSITE OF DIRECT REPORTS"
 JANUARY 1, 1992 TO DECEMBER 31, 1992
 file name: PRJ1292
 Overhead Ra

CONFIDENTIAL

PROJECT REPORTING FOR BREWER(U71000 DIRECT REPORTS):U71100;U71200;
 U71300; U71400; U71500; U71600; U71700; U71800; U71900)

PROJECT COMPANY SALARIES OVERHEAD OTHER EXP TOTAL

PROJECT NUMBER	COMPANY BILLED	SALARIES	OVERHEAD	OTHER EXP	TOTAL
ES0100 TO	MISC	5.9			24
ES0105					
ES0106	BIS				
ES0107	INT'L				
ES0108	FINS				
ES0109	BSAN				
ES0110	EX SVCS				
ES0111	SUNLINK				
ES0112	WWWT				
ES0113	TECHSOUTH				
ES0114	BSIN				
ES0115	BSMP				
ES0116	BSNM				
ES0117	BSMD				
ES0118	INT MSSG				
ES0004	MCCA	10			25
ES6081	BAPCO				
ES6082	BAPCO				
ES6083	BSC				
ES6084	BAPCO				
ES6085 &	MISC				
ES6090					
ES6093	MCCA				
ES6095	BCI				
ES6099	AIRCALL				
ES0037	AUSTRALIA				
VARIOUS	INT'L COS	11			
ES0048	SUNLINK				
ES6056	RETAINED				
VARIOUS (RCINT'L COS		13			26.5
VARIOUS (RCINT'L COS					28
ES7135; ES7RETAINED					25
ES0255	AIRCALL				
ESADMN	INT'L COS				
ES0140	MCCA				26
EC PROJECTS	RETAINED	2			33
CD PROJECTS	RETAINED	9			20
MC PROJECTS	MOBILE DA	1			48
MD PROJECTS	MOBILE DA	4			

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 WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS

✓ Included in "retained" category - conservative approach

55
56
57

✓ 20 (misc) R. 37
 ✓ 20 (Int'l cos)
 ✓ 23 mobile data
 (retained) P. 37
 (MCCA)
 (BAPCO)

FC1102W1037

CONFIDENTIAL

Agues of 51.7 / 1.2

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BSE
BellSouth Corporate Costs 7/92

B 10/24/93
NW 11/16/93

PBC

Date Prepared 11/13/93
Prepared by [Signature]
Reviewed by [Signature]
Approved by [Signature]

BLS 86-111
9/30/92
12/31/92
2.1 % Analysis Summary

PBC [Signature]

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A-1

BELLSOUTH ENTERPRISES, INC.
ALLOCATION OF CORPORATE COSTS
JANUARY 1, 1992 TO DECEMBER 31, 1992

COMPANY	TOTAL FDC ALLOCATION	TOTAL-BILLED MANAGEMENT FEE	DIFFERENCE
MARKETING PROGRAMS	51.9	C-1	43.0
EXECUTIVE SERVICES			
HOSTILE DATA			
DEPMS			
CR			
✓ BSAH			
BIS			
BSE			
INTELL MSGC (MISC)			
✓ SURELINE			
✓ MASTERS INT'L			
✓ BIS			
✓ BAPCO			
✓ IN BEHAT			
INTELLIGENT MEDIA			
✓ GRAPHICS			
✓ TUCESOUTH			
BELLSOUTH CELLULAR			
SMI			
✓ NCCA			
VWV LOCALS			
INT'L CP GROUP			
FCSE			
✓ TACKER			
MISCELLANEOUS			
TOTAL			

Note: This W/P compares actual management fees billed to allowable billings calculated at FDC. Since BSE bills subsidiaries for % of the sub's adjusted operating expenses (as described on W/P 43.4, this comparison is needed to ensure BSE is billing at or under FDC. BSE personnel pay particular attention to billings to entities whose costs drain into regulation. Should billings to these cos. be more than the allowed FDC, refunds would be issued.

Call noted that in this analysis for the first 9 months of 1992, BSE billings are less than FDC for all subs.

The following W/P's support this analysis & update it through year-end.

CONFIDENTIAL

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Cont

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BSE

PBC

Salaries + wages (A-9)
No. of agents (A-10)

B C D E F G H I

DETAILS OF NON-PROJECT COSTS AND RELATED BUREAU-WIDE COSTS BY AC (USD)

AC	BLANK COSTS BY DATE	PLUS ADDITIONAL ALLOCATED S.C. EXP BY PROJECTS	SET SALARY COSTS CURRENT PERIOD ANALYSTS	OTHER COSTS BY DATE	PLUS ADDITIONAL ALLOCATED S.C. EXP BY PROJECTS	NET OTHER COSTS CURRENT PERIOD ANALYSTS	ALLOCATION OF USD PERIOD GENERAL THE BILL ACCUMULATED EXPENSES YEAR TO DATE	TOTAL
----	------------------------	--	--	------------------------	--	---	---	-------

01000								43.9
01100								4.11
01200								1.2
01300								1.3
01400								148.7
01500								15.7
01600								1.9
01700								1.8
01800								1.9
01900								2.1
02000								2.3
02100								2.5
02200								2.0
02300								2.87
02400								2.8
02500								2.0
02600								3.3
02700								3.7
02800								3.6
02900								3.3
03000								3.9
03100								4.2
03200								4.3
03300								4.1
03400								4.6
03500								4.7
03600								4.8
03700								5.0
03800								5.2
03900								5.3
04000								5.4
04100								4.4

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Agents Non-project
Salary Exp. Report
for Sept. 92

Agents Non-project
Costs Other Exp. Report
for Sept. 92

CONFIDENTIAL

F01K02W 002842

Excludes only in report
returned or included
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51/2

BSE
Disassembly JOC Calculation 9/92
Rg 10/22/93
(W) 11/16/93

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062000 TO 062100 063000 TO 063100 065000 TO 065100

070000

071000 071100 TO 071150 071200 TO 071250

071300

071400

071500

071600 071650 TO 071700

[REDACTED]



CONFIDENTIAL

BJE
Documentation of FOC Calc

2/10/22/93
WJ/16/19

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BSE
Documentation of FDC Calc

12/22/92

12/11/92

Doc # 113123
Prepared for
G.C.L.
By
W.H.D.B.
Reviewed by
S.C.B.

BLS 86-11
Allocation of Dir. HR Costs
12/11/92

PBC

A14

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WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED
PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED
EMPLOYEES OF BELL SOUTH OR BELL SOUTH SUBSIDIARIES.

RC:
FUNCTION:
COSTS:
METHOD:

W2400
DIRECTOR-DUHAN RESOURCES
SUBSIDIARY SALARY COSTS

Costs associated with the Director of HR.

14

COMPANY	ALLOCATION OF DIRECT REPORTS	DIRECT REPORTS: PROJECT CODES COSTS	TOTAL	% TO TOTAL	ALLOCATION OF FUNCTIONAL COSTS
MARKETING PROGRAMS					
SELECTIVE SERVICES					
MOBILE DATA					
DP/DS					
CEX					
DSAN					
DTN					
SSI					
INTELL MSGG (INSE)					
SHWLINK					
DATASERV INT'L					
BIS					
SAPOC					
SM BERRY					
INTELLIGENT MEDIA SERVICES					
TECHSOUTH					
BELLSOUTH CELLULAR					
SWT					
HCCA					
VTV TRIALS					
INT'L OP GROUP					
FIN					
REPAIRS					
MISCELLANEOUS					
TOTAL					

Note: This w/p shows allocation of Dir. HR's costs by subsidiary. Project coded costs above are added resulting to base salary costs with which to calculate % per subsidiary. The Director of HR's costs are allocated based on subsidiary's salary costs, which is the same method used on 43.0 to allocate other HR costs. This method seems reasonable in that HR relates to employees & salary expense is indicative of the number of employees.

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PBC

BSE
 SUMMARY OF PROJECT COSTS
 FOR USE IN ALLOCATIONS BASED ON "COMPOSITE OF DIRECT REPORTS"
 JANUARY 1, 1992 TO SEPTEMBER 30, 1992
 file name: PRJ992
 Overhead Rate 78.76%

PBC

BSE-2.1

Projects

PROJECT REPORTING FOR COOPER (U12000 DIRECT REPORTS): U12100 TO U12500

PROJECT NUMBER	COMPANY BILLED	C SALARIES	D OVERHEAD	E OTHER EXP	F TOTAL	G				
ES8201	INT'L	G,	[REDACTED]				43.9			
ES6001	MISC									43.9
ES8198	MISC									
ES8199	MISC									
ES8200	TECHSOUTH									43.9
ES8202	RETAINED									
EC PROJECTS	RETAINED H.I.									
ED PROJECTS	RETAINED J.I.									
										43.9

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Note: These are the Director-HR's salary costs that have already been project billed to a sub. or are being retained by BSE. They have been added to the allocation from the direct report costs on 43.9 to arrive @ total salary costs related to the Dir-HR. Totals are then used to determine % per sub. /

These have an unusual impact on the allocation (see 43.9). Please further follow-up.
 43.9B

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BellSouth Enterprises, Inc.
Analysis of Management Fee
For Compliance With The JCO

Note: BSE personnel
employ the following
procedures when
performing the 2.1%
analysis. Included
as info.

Procedures To Be Performed

1. Review the BSE-HQ Corporate Structure for changes in reporting structures, division of responsibilities, or functions performed by each group. If significant changes have occurred, update the allocation methodology to ensure all costs are allocated using the best cost causative method available.
2. Review the current list of BSE-HQ subsidiaries. If new subsidiaries have been added since the last study, they must be added to the LOTUS spreadsheet. Additionally, all changes as identified in #1 above must be made to the LOTUS spreadsheet.
3. Obtain a Sequence 17 (Trial Balance) from BSE Accounting Services, consolidating worksheets from FAM-Consolidation staff, and the payroll and marketing costs summary from the JCO coordinator. Input the management fee billed to subsidiaries obtained from the sequence 17 into the spreadsheet.
4. The primary allocation factors for most BSE-HQ costs are subsidiary operating expenses, salary costs, marketing costs, or equity and debt. This information can be found in either the consolidating schedules or the marketing and salary costs summary. Enter this information for the period under review into the LOTUS spreadsheet. Refer to the following pages:
5. Request BSE Accounting Services to run the following reports generated from Information Expert (IE):

• Non-project coded salary expenses	Tab E
• Non-project coded other expenses	Tab F
• Salary and non-salary expenses for ES projects	Tab G
• Salary and non-salary expenses for EC projects	Tab H
• Salary and non-salary expenses for EB projects	Tab I
• Salary and non-salary expenses for CD projects	Tab J
• Salary and non-salary expenses for MC projects	Tab K
• Salary and non-salary expenses for MD projects	Tab L

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Note: Information Expert is an MSA report writing package that gives the user the capability to generate reports with specified parameters.

Reconcile the IE reports to the general ledger to ensure all costs have been identified (See W/P A-3).

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6. The IE reports for non-project coded costs includes those costs that are subject to recovery through the 2.1% management fee. The report contains two major sections: (1) non-project coded salary and wages (see Tab E) and (2) non-project coded G&A expenses (see Tab F). These reports are in order by RC. It is important that salaries and wages be separately identified due to the fact that an

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overhead loading must be applied to salaries only. Enter the costs from these reports into the LOTUS spreadsheet (See Page A-9 for an example of the Table where these costs are entered by RC).

- 7
7. "EC" projects are used as a means to track certain types of costs for cost identification purposes as well as costs related to specific foreign subsidiaries which cannot be billed currently. The costs which are used for tracking purposes only are subject to recovery through the 10% management fee. Because the costs have been project coded, they will not appear on the reports of non-project coded costs (Tab E and F). See the memo behind Tab H for procedures in analyzing and allocating EC project costs.
 - 18
8. Obtain a copy of the YTD BSHQ general service bill for the period under review as well as the January bill (December actuals) to BSE (See W/P A-8). The YTD bill and the January bill must be added together in order to account for each period since the BSC general services bill is issued one month in arrears. These bills from BSHQ represent the allocation of their corporate function costs using the JCO allocation requirements. Each bill identifies the total amount due, as well as a detail of the costs by department. Because each bill identifies the source of the costs by BSHQ department, for purposes of the 10%, these costs are allocated first to BSE departments and then to BSE subsidiaries according to how that department's costs are allocated. The detail from each BSHQ general service bill must be entered into the LOTUS spreadsheet. (See Page A-7 for an example of the Table where these costs are entered).
 - 25
9. Obtain the detail of all President's Club costs (see Tab I). As is the case with "EC" Project Numbers, these costs are not billed to subsidiaries and therefore are subject to recovery through the 10% management fee. The President's Club is an annual conference to recognize the top marketing personnel throughout BSE and its subsidiaries. Therefore, these costs are allocated based upon the marketing allocator. *But, C-2 Note says they are*
 10. Several RC's are allocated based upon a composite of their direct reports. An example is RC U7E000, VP-Finance (Ron Dykes). The costs incurred by Ron Dykes are allocated to BSE subsidiaries based upon the allocation of total costs (project coded and non-project coded costs) of his direct reports (RC U71000, AVP & Comptroller, RC U72000, Director--Financial & Business Planning, and RC U73000, Treasurer). The allocation of non-project coded costs for RC's U71000, U72000, U73000 is obtained from the LOTUS spreadsheets. The allocation of project coded costs to subsidiaries is obtained from the IE Reports obtained in step 5 above (See Tabs G-L). These reports are in order by RC and list each project which the RC charges costs to. The reports have two sections: (1) project coded salaries and wages and (2) project coded G&A expenses. All project coded costs for the direct reports of any RC which uses "composite of direct reports" as an allocation methodology must be summarized from these IE reports. Pages N-2 through N-6 summarizes this information for the applicable RC's. This information is entered into the LOTUS spreadsheet for the applicable RC's (See Page A-36 for an example of how this information is entered for RC U7E000).

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Date Prepared	1/13/93
Prepared by	
of C & I	
to Client and	WAHDB
Examined by	RCB
Performed by	
C & I SW/P	

BLS 8/6-111
 2.19 Analysis Procedures
 12/31/92

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11. In billing out project billed cost, BSE-HQ uses an overhead rate of \bullet * applied to project coded salaries and wages. This overhead rate is analyzed at the same time that the \bullet analysis is done (See Tab P). All employee related costs such as benefits, payroll taxes, and occupancy type costs are included in BSE's overhead rate. The dollar amounts of the items included in overhead are obtained from the reports behind Tab E (for compensated absences) and Tab F (for G&A type costs included in overhead). Additionally, some overhead costs are coded to EC projects for tracking purposes.
12. After the analysis is completed, a reconciliation must be performed to ensure that allocated costs do not exceed actual costs incurred (See Page A-2 for an example of this reconciliation).
13. The final step in the review process is to compare the actual management fee billed to the allocation of costs to subsidiaries as prescribed by the JCO. See Page A-1 for an example of this comparison. For those subsidiaries that bill fully distributed costs (FDC) to the regulated affiliates, the management fee cannot exceed the allocations as determined through this study. Those companies that bill FDC directly into regulation are identified in the CAM. Those companies that bill FDC in a chaining transaction are not identified in the CAM but also must be considered as well. If the management fee exceeds the amount as allowed by the JCO, steps must be taken to ensure that the excess amount does not enter regulation through billings by the BSE subsidiary. This may include a refund of the excess amount to the subsidiary or instructions to the subsidiary to retain the excess amount and not bill it into regulation.

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* Note that the \bullet overhead rate applied thru project billing is not included in the JCO calculation in these W/P's.

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BSE
Procedure for FDC Case

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