

MEMORANDUM

October 4, 1994

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *av*

RE: DOCKET NO. 920260-TL -- SOUTHERN BELL TELEPHONE COMPANY
AFFILIATE TRANSACTIONS AND COST ALLOCATIONS AUDIT
AUDIT CONTROL NO. 94-220-4-1

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Southern Bell Telephone Company
Marshall M. Criser, III
150 South Monroe Street, Suite 400
Tallahassee, Florida 32301-1556

DNV/sp

Attachment

cc: Chairman Deason
Commissioner Clark
Commissioner Johnson
Commissioner Kiesling
Commissioner Garcia
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Mailhot/Causseaux/
Wright w/o attach./File Folder)
Miami District Office (Welch)

Office of Public Counsel

DOCUMENT NUMBER-DATE

10272 OCT-6 8

FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

FIELD WORK COMPLETED

SEPTEMBER 30, 1994

BELLSOUTH TELECOMMUNICATION INC. AND

CERTAIN AFFILIATED COMPANIES

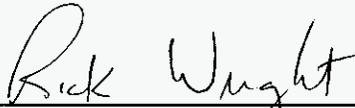
ATLANTA, GEORGIA

AFFILIATE TRANSACTIONS AND COST

ALLOCATIONS AUDIT

DOCKET NO. 920260-TL

AUDIT CONTROL NUMBER 94-220-4-1



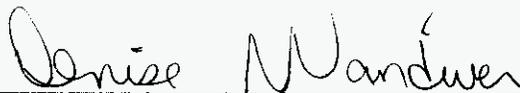
RICK WRIGHT
AUDIT MANAGER

AUDIT STAFF

RUTH YOUNG

MINORITY OPINION

YES _____ NO *ou/ten*
PK



DENISE VANDIVER
BUREAU CHIEF
TALLAHASSEE

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

I. EXECUTIVE SUMMARY

AUDIT PURPOSE: To evaluate whether the company has complied with the Florida Supreme Court ruling of March 10, 1994 and whether reasonable access is permitted during the audit.

SCOPE LIMITATION: An audit exit conference was held on August 16, 1994. This report is based on confidential information which is separately filed with the Commission Clerk.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied on for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY FINDINGS:

The company has complied with the Florida Supreme Court ruling of March 10, 1994 by providing responses to outstanding data requests that had been subject to an objection by the company.

The company did provide copies of certain document request responses excluding three responses that the company deemed must stay in the direct control of BellSouth Corporation. The responses that BellSouth believes must remain in their control were sent to legal firms in Miami and Tallahassee in order for the auditors to review.

The auditors were allowed to take and retain notes without company review.

AUDIT DISCLOSURE NO.1

SUBJECT: COMPLIANCE WITH SUPREME COURT RULING

STATEMENT OF FACTS: On August 15 and 16, 1994, audit responses were reviewed at the BellSouth office in Atlanta, Georgia as a means of determining compliance with the Supreme Court ruling of March 10, 1994. BellSouth had objected to providing the audit responses on the grounds Southern Bell did not have possession, custody or control of such information, the entity that is in control is not subject to the jurisdiction of this Commission and the information requested was irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. The Supreme Court ruling required BellSouth to provide the information requested.

Based on the review performed on August 15 and 16 in Atlanta, the staff has concluded that BellSouth has complied with the Supreme Court ruling by providing the responses to the data requests.

OPINION: The company has complied with the Supreme Court ruling of March 10, 1994 in regards to outstanding audit requests.

RECOMMENDATION: No further action is required by Southern Bell to be in compliance with the Supreme Court ruling.

AUDIT DISCLOSURE NO. 2

SUBJECT: REASONABLE ACCESS TO COMPANY RECORDS

STATEMENT OF FACT:

Southern Bell provided copies of all but three documents that were requested by the auditors. The three documents that BellSouth did not provide copies of were instead sent to law offices in Miami and Tallahassee depending on where the auditor requesting the document is based. The company explained that, due to the competitive sensitivity of certain of the material requested, these documents must be retained within the direct control of BellSouth Corporation. The specific request item sent to the Tallahassee law office was 3-034 which asked the company to provide any forecast financial data regarding electronic yellow pages. The audit request responses sent to the Miami law office were 2-054 and 2-097.10K. Audit request 2-054 asked the company to provide leases and financial data in control of certain BellSouth affiliates. Audit request 2-097.10K asked the company to provide BellSouth Enterprises subsidiary expense information.

OPINION: The company should have provided copies of 3-034, 2-054, and 2-097.10K to the auditors since the Commission has procedures to protect confidential information pursuant to 25-22.006, F.A.C. and 366.093, F.S..

RECOMMENDATION: Southern Bell should provide the auditors with copies of the aforementioned audit request responses and then follow the appropriate rules and Florida Statutes if the company believes the documents warrant confidential treatment.

AFA/PELT
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FLORIDA PUBLIC SERVICE
COMMISSION

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AUDITING &
FINANCIAL ANALYSIS DIV

MEMORANDUM

October 4, 1994

TO: DIVISION OF RECORDS AND REPORTING (FLYNN)
FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (PELT)
RE: DOCKET NO. 920260-TL -- BELLSOUTH TELECOMMUNICATIONS, INC.
SUPPLEMENTAL AUDIT WORK TO NARUC AUDIT
AUDIT CONTROL NO. 94-220-4-1

Volume II of II is forwarded, pursuant to Rule 25-22.006, F.A.C.
Volume I of II and the administrative section for the work papers
have been filed as unclassified in DAFA files.

The audit exit conference was held August 16, 1994.

A one-page index list all confidential papers.

Attachments:

Confidential Document Index, 1 Page 10097-94
Work papers, Volume II of II 10098-94

cc: Legal (Hatch)
Mary Andrews Bane

J. Jackson
RECEIVED BY

10/4/94
DATE

State of Florida

Commissioners:

J. TERRY DEASON, CHAIRMAN
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 488-8371

Public Service Commission

October 11, 1994

Mr. Marshall M. Criser, III
Southern Bell Telephone & Telegraph Company
150 South Monroe Street
Suite 400
Tallahassee, FL 32301-1556

Dear Mr. Criser:

RE: Docket No. 920260-TL - Southern Bell Telephone & Telegraph
Company - Affiliate Transactions and Cost Allocation Audit

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayo

BSB/kes

Enclosure

cc: Public Counsel