



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: January 21, 1998
TO: Division of Records and Reporting
FROM: Division of Auditing and Financial Analysis (Vandiver)
RE: Docket No. 960833-TP -- BellSouth Telecommunications, Inc.
Investigation of Cost Study Inputs for Non-Recurring Charges
Audit Control No. 97-353-4-1

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

The audit was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and Lotus 1-2-3 and WordPerfect software. There are confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

BellSouth Telecommunications, Inc.
Ms. Nancy H. Sims
150 South Monroe Street, Suite 400
Tallahassee, FL 32301-1556

DNV
Attachment

- cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Jacobs
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causeaux/File Folder)
Division of Communications (Siriani)
Miami District Office (Welch)
Division of Research and Regulatory Review (Harvey)
Office of Public Counsel

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FPSC-RECORDS/REPORTING

STATE OF FLORIDA

Commissioners:  
JULIA L. JOHNSON, CHAIRMAN  
J. TERRY DEASON  
SUSAN F. CLARK  
JOE GARCIA  
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DIVISION OF RECORDS & REPORTING  
BLANCA S. BAYÓ  
DIRECTOR  
(850) 413-6770

**Public Service Commission**

January 21, 1998

BellSouth Telecommunications, Inc.  
Ms. Nancy H. Sims  
150 South Monroe Street, Suite 400  
Tallahassee, FL 32301-1556

**Re: Docket No. 960833-TP; Investigation of Cost Study Inputs for Non-Recurring Charges**

Dear Ms. Sims:

The enclosed report is forwarded for your review.

The audit report and any company response filed with this office within ten (10) working 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  
Director

Enclosure



**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS  
BUREAU OF AUDITING*

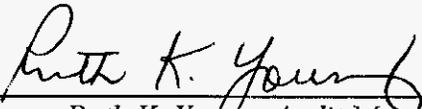
*Miami District Office*

BELL SOUTH TELECOMMUNICATIONS

INVESTIGATION - COST STUDY INPUTS FOR NON-RECURRING CHARGES

ESTIMATED YEAR END DECEMBER 31, 1997

DOCKETED NO. 960833-TP  
AUDIT CONTROL NO. 97-353-4-1

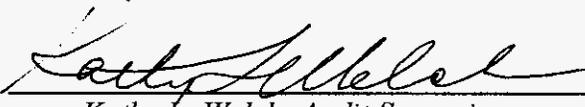
  
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*Iliana Piedra, Audit Staff*

  
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*Raymond Grant, Audit Staff*

  
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*Gabriela Leon, Audit Staff*

  
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*Kathy L. Welch, Audit Supervisor*

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS  
AUDITOR'S REPORT**

**January 20, 1998**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED  
PARTIES**

We have applied the procedures described later in this report to audit the pages from the BellSouth Cost Study, a list of which are attached to this report. These schedules were prepared by the utility as part of Docket No. 960833-TP. Confidential information related to this audit has been filed with the Commission Clerk.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly this report should not be relied upon 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.

In addition our scope was limited by the following:

Staff made a verbal request for data on December 31, 1997 with a due date of January 6, 1998. This request was followed by a fax on January 2, 1998. The company refused to provide the information and at an emergency prehearing conference on January 9, 1998, the company agreed to produce the answers to the requests on Tuesday, January 13. Although they did provide some information, they did not provide the following:

1. Supporting documentation for material costs for several pages of the cost study. Because of time restrictions staff did not follow up on these items and the information was never provided.
2. Supporting documentation for labor hours. The company did arrange for an auditor to travel with the technicians. The request asked for detailed supporting documentation. During the December 31 phone conversation, we suggested that information from the mechanized time reporting system would be the type of supporting documentation needed. On January 13, the only information provided was a map to other schedules in the filing. During this meeting, the company agreed to provide information used by their subject matter experts. This information was not received until late on the 15th and the BellSouth representative delivering the data could not explain it. Staff did not receive an explanation of the data until late on Friday the 16th. We never received the information from the mechanized time reporting system that we believed would be adequate supporting documentation.
3. Supporting documentation for direct labor dollars. On December 31, the company was informed that adequate supporting documentation for payroll dollars would be payroll registers or other similar reports from the payroll system. On January 13th, the company provided a map to supporting schedules in the cost study and no other backup. Late on January 15th, the company provided disks

and a software program for a system which was supposed to be extracted from the payroll system and used to create the cost study. By Friday afternoon, January 16, the company was still unable to reconcile the output of this system to the filing.

4. Plans for collocation in Dade County Central offices. Although the floor plans were provided, there was no space shown for BellSouth future growth or areas available for collocation. We did not have time to visit all of the Central Offices because of the time limitations. We were told that the space available at each location was determined and exemptions from collocation filed with the FCC. We verbally requested this report on January 14. We did receive the FCC orders showing the exemptions but not the report that determined the space available at each location.

In our opinion, the schedules referred to above do not present fairly, the utility's books and records as discussed in the exceptions and disclosures attached.

## SUMMARY OF SIGNIFICANT FINDINGS

Direct labor hours and payroll dollars could not be traced to supporting documentation.  
Dorissa Redmond's testimony conflicted with supporting documentation.  
The company did not maintain adequate support for its labor time estimates.

## SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

**Scanned**-The documents or accounts were read quickly looking for obvious errors.

**Compiled**-The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Reviewed**-The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

**Examined**-The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

**Confirmed**-Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

**Verify**-The item was tested for accuracy, and substantiating documentation was examined.

**Direct Labor Hours:** Attempted to determine the methodology used by the subject matter experts. Reconciled labor hours in the cost study for loop tasks to the labor hours in the supporting documents for same. Interviewed two subject matter experts to determine the type of tasks performed and the methodology used to estimate the labor hours. Traveled with the Technicians to determine reasonableness of estimates.

**Direct Labor Dollars:** Verified inflation Indices to source documentation. Due to time restrictions we were unable to determine the accuracy or methodology used to compile those indices. Attempted to trace rates and hours used to documentation from the payroll system. Attempted to determine whether regional or state numbers were used.

**Central Office Collocation:** Read testimony and FCC orders. Obtained and read layouts for all Dade County Central offices. Toured a central office that had virtual and physical collocation.

Determined the difference between local and long distance collocation. Reviewed the first request for physical collocation. Obtained the cost spreadsheet used in BellSouth's testimony and determined how costs were obtained. Reviewed estimates and specifications. Reviewed FCC orders related to space available in the Central Offices.

## **EXCEPTIONS**

### **Exception No. 1: Hourly Labor Rates**

#### **Subject: Labor Rates**

**Statement of Fact:** In order to verify the hourly labor rates on schedules provided by the company in their cost study, staff used the company's supporting schedules. These supporting schedules detail the total hours and total dollars by job function codes for 1995. The dollars are divided by the hours to come up with an hourly labor rate for each job function code. The 1995 dollars were inflated to estimate 1997. The hours used for 1997 estimates were the same as for 1995.

Staff was unable to reconcile the 1995 dollars to the payroll register provided by the company in the Paradox Software.

Bell South provided access to Paradox Software and disks of payroll information on January 15, 1998. BellSouth staff attempted to reconcile the information on the disks to the cost study. As of January 16, 1998 this was not successful.

Staff ran a report of JFC (Job Function) 4330- Benefit and was unable to reconcile to the company's supporting schedules. After contacting Dan Meeks, a Bell South Employee in Birmingham, Alabama, he faxed the PSC a table of the components of job function with the EXTC and OTC codes. Staff used this information to extract a report of JFC 4330 Benefits, EXTC - CQR, and OTC - L01 of Florida and still was unable to reconcile to the company's support schedules.

On January 19, 1998, staff decided to run a report of all nine states of JFC 4330 Direct Labor - Productive, EXTC- KP1, and OTC - L01. The total of this component was zero. Staff faxed a copy of the report and left a message in Mr. Meeks' voice mail. Mr. Meeks contacted PSC staff at approximately 2:30PM. He explained that the benefit component, EXTC - KPL would require more information for staff to extract the correct dollar amount from the Paradox. However, he stated that staff could reconcile the remains of the components to the supporting schedule by simply running a report of all nine states instead of just Florida. Staff did run a report of all nine states of JFC 4330 Direct Labor - Productive, EXTC- KP1, and OTC - L01 earlier. The result was zero.

**Opinion:** Because staff could not reconcile the 1995 dollars and hours to the payroll register, staff could not determine whether the hourly labor rates used for different job function codes were based on company's records, and could not determine whether the estimates for dollars are based on all nine states or Florida only.

It is known that the company has had restructuring since 1995, which would reduce the number of the work force. If the work force reduction included primarily high salaried employees, then the total dollars for labor in 1997 would be subject to change. Perhaps the inflation rate should be replaced with another factor that would demonstrate the work force reduction.

## **DISCLOSURES**

### **AUDIT DISCLOSURE NO. 1**

#### **SUBJECT: COST ESTIMATING FOR COLLOCATION PROJECTS**

#### **STATEMENT OF FACTS:**

##### Section I -

Per Dorissa C. Redmond's testimony, page 16, BellSouth's approach in estimating cost is "using a cost estimating spread sheet that has been created in-house by Property Management personnel. This tool has been developed by gathering data from previous jobs and updating the data as necessary. Some of the data have been populated from direct contractor quotes (Exhibit DCR-2). This spread sheet is used by Property Management for the high level cost estimating required at the inception of projects for the purpose of developing budgets for approval."

The staff auditor requested the spreadsheet along with the backup documentation including contractors prices and data from previous jobs.

The answer to staff's request is as follows:

"The cost estimating spreadsheet was developed in-house in the Property Management Department of BellSouth. It has been developed over the years by personnel responsible for the front end estimating of projects. As these estimates become out of line, or as new trends are noticed, information is updated to reflect the changes. There is no data that can be produced to back up this spreadsheet other than the experience of personnel that has performed this function for years."

##### Section II -

Staff auditor compared Exhibit DCR-2 of D. Redmond's testimony to the cost spreadsheet created by Property Management (see attachment to this Disclosure). The Exhibit consists of four contractor quotes for collocation unit costs.

##### Section III -

Per D. Redmonds' testimony, page 23, she "developed a mean for what the total linear feet of gypsum board wall for each arrangement would be. Cost for dust barriers, doors, mechanical and electrical considerations was applied, and finally, architectural and engineering fees were assessed at 8% of the construction cost."

However, the total dollars for Labor, Material and Subcontract in the spreadsheet created by Property Management, are increased by applying 25% for supervision, overhead and taxes. This arrives at a total contract amount. Then an additional 28% is added. This represents 25% for architectural, engineering and inspections fees and 3% for BellSouth services planning and engineering.

Section IV -

The quotes reviewed by staff, found in Exhibit DCR-2 of D. Redmond's testimony, were from contractors based in three states.

Bailey & Owens	Birmingham, Alabama
Professional Construction Services, Inc.	New Orleans, Louisiana
Gene Short Construction, Inc.	Kennesaw, Georgia
H.E. Hennigh, Inc.	Cedartown, Georgia

**AUDIT OPINION:**

Section I -

There appears to be a conflict between the testimony and the answer to staff's request. The testimony explains that the spreadsheet was prepared by gathering data from previous jobs and also contractor quotes. The answer to the request explains that there is no data that can be produced to back up the spreadsheet other than the experience of personnel.

Section II - See the spreadsheet in the following page.

Staff found that the contractor quotes mentioned above were not used to determine the costs for Demolition, Air Conditioning and Electrical. No data was provided for these areas. Some of the contractor quotes were used for some general construction costs, however, none for walls, fire rated and floor vinyl new. Also a discrepancy appears for the door, frame/hardware component.

The cost per the spreadsheet is as follows:

Door, frame/hardware, int, no ratin	\$800	see attached spreadsheet
Door, frame/hardware, ext	\$1100	see attached spreadsheet

The cost per the quotes were as follows:

Bailey & Owens	\$499.52 each
Professional Construction Services, Inc.	\$900 each.
H.E. Hennigh, Inc.	\$909 each

Section III -

Also, per D. Redmond's testimony the company is adding 8% to the total construction cost for Architectural and Engineering fees. Per the spreadsheet a 25% is added to arrive at the total contract costs including supervision, overhead and taxes. An additional 28% for Architectural, Engineering, Inspection and Services Planning is added to this total contract cost.

Section IV -

Staff auditor may not have been provided with all contractors quotes used, however, based on the above, it appears that no state specific costs for Florida were used.

CLC NAME HAS BEEN REMOVED

Collocation Costs-Actuals

1/12/98  
1:10 AM

BLDG: MMPH Eastland		GLC: #####		Common SF: 800		Date: 1/12/98						
CUST:		CLL: MMPHTNEL		Collocator SF: 400								
Total Cost 27,171		Cost/sf 33.9636		Total \$20,388		Total \$6,782						
CODE	DESCRIPTION	AMT	UNIT	COST	Common			Vendor				
					Common	Collocator	Capital	Removal	Expense	Capital	Removal	Expense
10-X	Demo, ceiling susp.	0	SF	0.60						0.00		
10-X	Demo, door & frame	0	Ea	50.00						0.00		
10-X	Demo, elect. lights	0	Ea	15.00						0.00		
10-X	Demo, floor carpet	0	SF	0.35						0.00		
10-X	Demo, inter. part	0	LF	15.00						0.00		
<b>Total -Demolition</b>												
10-M	Asbestos tile rmvl	0	SF	6.00						0.00		
<b>Total - Asbestos Abatement</b>												
10-C	Door, frme/hdwe,int,no ratin	0	Ea	800.00					1600.00			
10-C	Door,frme/hdwe, ext	1	Ea	1100.00	1100.00				0.00			
10-C	Walls, Enclosure	0	LF	80.91	0.00				0.00			
10-C	Walls, Barrier	60	LF	92.11	5526.60				0.00			
10-C	Walls, Fire-Rated	0	LF	115.00	0.00				0.00			
10-C	Walls, Int, Non-Rated	0	LF		0.00				0.00			
10-C	Wall, dust protection	60	LF	20.95	1257.00			1257.00		419.00		
10-C	Security fence- collocator	60	LF	10.37	622.20				0.00			
10-C	Floor, vinyl cmp.new	0	SF	3.00	0.00				0.00			
110_C	Card reader	0	Ea	10000.00	0.00				0.00			
10-M	General rekeying, lock cha	1	Ea	200.00				200.00		0.00		
<b>Total - GenConstruction</b>					8505.80	0.00	1457.00	1600.00	0.00	419.00		
10-C	HVAC duct, new	0	Ea	4000.00	0.00				0.00			
10-C	HVAC relief air damper	0	Ea	800.00	0.00				0.00			
10-C	HVAC new CW fan unit	0	Ea	40000.00	0.00				0.00			
10M	HVAC Rebalance	1	Ea	1000.00			1000.00			0.00		
<b>Total - HVAC</b>					0	0	1,000	0				
10-C	Pow & Tel outlets, new	2	Ea	90.00	180.00				720.00			
10-C	Light fixtures, new	2	Ea	125.00	250.00				500.00			
10-M	Light fixtures, relocated	0	Ea	50.00				0.00		0.00		
10-C	EWFD System, new	0	SF	1.50	0.00				0.00			
10-M	EWFD System, rearrangemen	2700	SF	0.50				1350.00		0.00		
10-C	120V/40 Amp Fuse Disconn	0	Ea	1000.00				1000.00				
<b>Total -Electrical</b>					430.00	0.00	1350.00	2220.00	0.00	0.00		
Total for Labor, Material and Subcontract:					8935.80	0.00	3807.00	3820.00	0.00	419.00		
Gen Cond, Supervision, OH&P & Taxes:					25%	1.25	2233.95	0.00	951.75	955.00	0.00	104.75
<b>Total Contract:</b>					11,170	0	4,759	4,775	0	524		
Arch / Engr Design & Insp. Fee :					0.25	2792.44	0.00	1189.69	1193.75	0.00	130.94	
BellSouth Services Planning & Engr :					0.03	335.09	0.00	142.76	143.25	0.00	15.71	

INFO USED FOR ESTIMATING  
master ALL OTHER FIGURES POPULATED FOR PARTICULAR PROJECT



## **AUDIT DISCLOSURE NO. 2**

### **SUBJECT: CENTRAL OFFICE COLLOCATION**

**STATEMENT OF FACT:** Staff reviewed the floor plans of all Dade County Central Offices. Most appear to have vacant space. The Golden Glades and Palmetto ESS did not. The Golden Glades Central Office was on the list of central offices that BellSouth requested exemption on from the FCC. It is possible we are missing pages from other floors of the Palmetto ESS. Because of time restrictions staff was unable to make a physical inspection of all offices. It was impossible to determine the actual space available without knowing the space needed for BellSouth expansion. BellSouth has determined their expansion needs and the available space for collocation but did not provide it in time for inclusion in this audit.

In FCC docket number 91-141, BellSouth petitioned for a waiver from physical collocation for twenty-nine central offices, nine of which were in Florida. One of these was the Golden Glades Central Office. BellSouth filed a later petition adding a central office in Jupiter and two in West Palm Beach to their request. The FCC partially granted the request. One was granted exemption only until March of 1995, one was granted and for the other they were required to file collocation tariffs.

According to the first petition for waiver, BellSouth performed the following procedures to determine potential collocation space:

1. Determined the total square footage within the Central Office
2. Determined unavailable space (e.g., restrooms, hallways, stairs, etc.)
3. Determined assigned space currently occupied by BellSouth switch, transmission, power and other equipment, and administrative space
4. Determined space reserved to satisfy future (5 year) growth requirements of BellSouth switch, transmission, power and other equipment, and administrative space
5. Identified any vacant space unusable for collocation (e.g., basement subject to flooding)
6. Determined available collocation space

Staff did tour the Miami Grande Central Office. They had two virtual collocations on the second floor with BellSouth equipment. These were the first requests for collocation and consisted on one which provided dial tone and was being served by a DS1 back to the competitor. The other was a virtual collocation that was being served by a DS1 to a competitor. It did not have dial tone. BellSouth cannot determine if a company is providing local or long distance service with equipment unless BellSouth is providing dial tone for them.

Also on this floor, BellSouth rented and maintained multiplexing and fiber optic equipment that allowed competitors access to BellSouth's fiber rings or connected their rings to BellSouth rings.

More recent collocations are being done in a caged area on the fourth floor. One collocation has dial tone and three did not. The other three were a combination of fiber and copper facilities at the DS1 to DS3 level which meant that BellSouth could not tell if they were being used for local or long distance. On this floor, the company has also built a 400 square foot drywall enclosure for a physical collocation. It was not complete. A cage next to it was where BellSouth was going to provide the interconnection. The room was accessible by a hallway connected to the elevators. The virtual collocations were in caged area that would not have been accessible to the people accessing the physical collocation. Even the existing virtual collocation was not layed out according to the MCI and AT&T model of four 100 square foot enclosures, two to a side. The existing virtual collocations were layed out parallel to each other with a three to four foot space between the bays. There was a large area around the bays that was empty and still included in the fenced area.

BellSouth witness Dorissa Redmond in her rebuttal testimony of December 9, 1997, page 18 discusses that wire mesh walls are unsafe because their use raises the possibility of introducing multiple isolated and integrated ground planes in close proximity to each other. According to personnel interviewed, this could only occur if the power cable was not shielded which should not be the case. In addition, BellSouth has used this method for encasing their virtual collocation facilities.

Staff questioned whether the competitor requesting the physical collocation had asked for a drywall enclosure. According to their request, they asked for a "cage option" and a "cage to be constructed by BELLSOUTH". BellSouth believes the term cage can mean drywall or wire walls. BellSouth's response indicates that they provided the competitor with a proposed floor plan drawn as a four wall room with a door and the plan was not rejected. BellSouth also provided a memo from the competitors engineer which specifically requested information about the "measurement from wall for door placement."

### **AUDIT DISCLOSURE NO. 3**

#### **SUBJECT: HOURS USED IN COST STUDY**

**STATEMENT OF FACT:** Staff requested the documentation for the labor hours included in the cost studies. We received documents on January 15, 1998 that were supposed to support the cost study.

Sub-loop 2-Wire Analog Documents  
4-Wire Analog Voice Grade Loop Documents  
2-Wire ADSL Compatible Loop Documents  
2-Wire HDSL Compatible Loop Documents  
4-Wire ADSL Compatible Loop Documents  
Operation Support Systems Documents  
Director Transport Study Documents  
Interoffice Transport-Dedicated, and Local Channel-Dedicated Documents  
Exchange Ports Documents  
Physical and Virtual Collocation Documents

We were not able to reconcile any of these to the schedules in support of BELLSOUTH filing by just reading these documents. We set up a conference call on Friday, January 16, 1998 late in the day. At that time we went through the Loop documents. The company explained how the schedules could be reconciled to the documents for each function and job function code for the loops. The schedules reconciled were:

A.2.2.-Loop Distribution per 2-Wire Analog Voice Grade Loop  
A.2.11.-Loop Distribution per 4-Wire Analog Voice Grade Loop  
A.6.1.-2-Wire Asymmetrical Digital Subscriber Line (ADSL)Compatible Loop  
A.7.1.-2-Wire High Bit Rate Digital Subscriber Line (HDSL)Compatible Loop  
A.8.1-4-Wire High Bit Rate Digital Subscriber Line (HDSL) Compatible Loop

We did not attempt to go through any of the other documents because of time limits.

Some of the hours for certain job function codes were included in the loop documents. The source documentation for the hours included in the loop documents were input data sheets signed by the subject matter experts. (SME's). The company explained that those hours not in the documents were input verbally from the SME's and based on the SME's judgment. No written documentation is available for any of the methodology, and/or calculation of the hours in the cost study.

Staff interviewed two subject matter experts to determine their methodology for input. For JFC 32XX, Service Inquiry for Outside Plant for schedule A.2.2 and schedule A.6.1 the SME said the hours were developed based on best estimates because the service for this was never done before. There was no written documentation available.

For JFC 4WW, Service Order, Work Management Center for schedule A.2.2. the SME said that he went on site to two work management centers and spent one day at each. The SME also spoke with other management center people to determine the hours. The SME and his people felt the time they came up with was low. No written documentation is available for these judgments.

Staff tried to determine which of the JFC and descriptions would be similar to work previously done by the company and new unbundled work for which there was no history. Company personnel said that certain tasks in the cost study were similar and certain were new. We could not determine which without interviewing each SME.

**OPINION:** More time would need to be spent with the SME's to adequately understand their methodology. However, staff believes that the Mechanized Time Reporting System contains the information necessary to determine average times for jobs that are similar to functions in the study and should have been used to support the hours. For those functions that have not been performed, the SME's should have documented how they determined their estimates. From the information provided it does not appear that this was done.

**DISCLOSURE NO. 4**

**SUBJECT: TRAVEL WITH TECHNICIANS**

**STATEMENTS OF FACT:** In order to verify the installation times on the schedules provided by the company in their cost study, staff traveled with technicians to observe time for one job for each of the services below as a reasonableness test.

1. Non-recurring Dedicated DS-1 Facility Termination
2. Non-recurring Directory Transport-Local Channel DS1
3. Loop Distribution per 2 Wire Analog Voice Group and NID
4. Loop Distribution per 4 Wire Analog Voice Grade loop

Staff did not perform a statistical sample. Only one area within the state was tested; therefore, we could not determine the average for the whole state. In order to be accurate, staff would have to perform a statistical sample.

**OPINION:** The results of staff's test for reasonableness of installation time for the services selected are as follows:

	DS1 Facility Termination	Directory Trans. Local Channel DS1	2 Wire Analog Voice Grade	4 Wire Analog Voice Grade	N I D
Connect & Test Per Co.	50 min	128 min	95min	155min	45 min
Connect & Test Per Staff:	32min	135min	115min	105min	45 min
<b>Difference</b>	<b>18min</b>	<b>(7)min</b>	<b>(20)min</b>	<b>50min</b>	<b>0min</b>
Travel Time Per Co.	N/A	18min	20min	20min	N/A
Travel Time Per Staff:	N/A	30min	15min	15min	N/A
<b>Difference</b>	<b>N/A</b>	<b>(12)min</b>	<b>5min</b>	<b>5min</b>	<b>N/A</b>

In order to accurately determine time, an average from the company's mechanized time reporting system should be used. Staff was unable to obtain this information.

## EXHIBITS

The following pages from the cost study were the items included in the audit scope. Since the company has claimed confidentiality for the cost study, only a list is attached.

Schedule	Page	Columns
D.4.2	1837	A,B,C
D.4.3	1837.2	A,B,C
F.1.1	1837.4	A
F.1.1	1837.7	WORK TIME, DIRECT LABOR
F.1.1	1837.8	DIRECT COST
F.1.1	1837.9	A,B,C
G.6.1	1889	A
G.6.1	1893	A,B,C
G.6.2	1895	A
G.6.3	1899	A
G.6.6	1905	A,B,C
G.6.6	1905.2	A,B,C
G.6.10	1905.4	A,B,C
A.2.6	113	A
A.2.6	114	H
A.2.12	124	C
A.2.6	116	C
B.1.2	146	A,D,D3,C1
B.1.2	150	C
A.2.2	1637	A,B,C
A.2.11	1648	A,B,C
A.6.1	1658	A,B,C
A.7.1	1664	A,B,C
A.8.1	1670	A,B,C