

FLORIDA PUBLIC SERVICE COMMISSION
FLETCHER BUILDING
101 EAST GAINES STREET
TALLAHASSEE, FLORIDA 32309-0850

M E M O R A N D U M

MARCH 14, 1990

TO : DIRECTOR OF RECORDS AND REPORTING

FROM : DIVISION OF AUDITING AND FINANCIAL ANALYSIS [DEVLIN, DOUD]
DIVISION OF COMMUNICATIONS [MAILHOT, HOLMAN]
DIVISION OF LEGAL SERVICES [CROSBY]

RE : DOCKET NO. 891008-TL APPLICATION OF GTE FLORIDA INCORPORATED
REQUESTING AUTHORITY TO RELOCATE RECORDS PURSUANT TO COMMISSION
RULE 25-4.020.

AGENDA : APRIL 3, 1990 - CONTROVERSIAL AGENDA - PARTIES MAY PARTICIPATE

PANEL : FULL COMMISSION

CRITICAL DATES: NONE

ISSUE AND RECOMMENDATION SUMMARY

ISSUE 1: Should the request of GTE Florida Incorporated be approved to withdraw its petition to relocate its records outside the state of Florida Pursuant to Commission Rule 25-4.20?

RECOMMENDATION: Yes, the request should be approved and the company should be allowed to withdraw its petition.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed.

FILED IN NUMBER 8115
02974 MAR 22 1990
FPSC-RECORDS/REPORTING

CASE BACKGROUND

On July 31, 1989, GTE requested authority to relocate its accounting records to six different out-of-state locations, and one additional out-of-state headquarters locations where certain tax records are maintained. (Attachment A)

On August 14, 1989 staff sent a letter to GTE Florida requesting certain financial information, procedures to be followed, and out-of-state travel of the Commission and its staff. (Attachment B)

The company responded on August 25, 1989. In this response, the company listed its projection of costs and benefits.

Staff members met to discuss the advantages and disadvantages of this proposed action. It was decided that staff needed more information, and that an audit should be performed on the amounts given in the response. Accordingly, an audit request was initiated on September 29, 1989. The audit was completed on November 30, 1989. (Attachment C) Some of the pertinent findings of the audit were that the company cannot (with certainty) determine the cost benefits related to moving the books and records; that the relocation will cause additional audit time; and that the costs associated with the audits will increase.

Staff met with the company on January 23, 1990 and expressed its concerns regarding the pros and cons of having the books and records in seven different locations.

DOCKET NO. 891008-TL
MARCH 14, 1990

Staff on February 12, 1990 requested that certain information regarding cost benefits, record retention, internal audit functions, and company contact personnel be provided by February 21, 1990. (Attachment D)

The company responded on February 9, 1990 (Attachment E) that it would comply with the most restrictive requirements of the agencies that require record retention. As regards internal audits, the company does not have an internal audit department. Internal audits are conducted by GTE Service Corporation. The company also provided contact personnel that the FPSC staff requested. The company reiterated its responses in its letter dated March 9, 1990, and added that it did not wish to pursue the petition any further at this time. (Attachment F)

DISCUSSION OF ISS: 5

ISSUE 1: Should the request of GTE Florida Incorporated be approved to withdraw its petition to relocate its records outside the state of Florida Pursuant to Commission Rule 25-4.20?

RECOMMENDATION: Yes, the request should be approved and the company should be allowed to withdraw its petition.

STAFF ANALYSIS: The company responding to a request by staff for information on benefits provided an exhibit that showed an 18 percent reduction in Finance staff. The company could not demonstrate that these reductions were associated with record dispersement. The trend throughout the telecommunications industry is to reduce staff for competitive reasons and to implement technological advances which do not require the same staffing requirements as previously. In this instant case, the company has not been able to isolate the effect of record dispersement.

In any audit of GTE Florida, records located in seven different locations would mean an increase in audit time and travel expense. The effectiveness would be reduced since access to records and company personnel would not be readily available. The following are the locations GTE Florida plans to maintain for various categories of records.

The company had plans to relocate the following records to:

- 1) General ledger to Westfield, Indiana during September, 1989, along with tax accounting and business segment reporting.
- 2) Cost Accounting (Labor Distribution) will move to Everett, Washington, in 1989.

- 3) Accounts Payable (vouchers) will move to San Angelo, Texas in approximately 1990.
- 4) Customer Accounting (billing records) moving to Durham, North Carolina, over a phase-in period running from 1989 through 1992.
- 5) Centralized Toll Investigation and Asset Management (plant records) will be housed in Tampa, Florida.
- 6) Regulatory accounting (Form M, Surveillance) and executive expense accountant statements will transfer to Irving, Texas, during 1990.
- 7) Payroll (registers) will be relocated to Bloomington, Illinois, in 1990.

The company stated that internal audits would be performed by GTECC.

The above dispersment of activities physically throughout the United States makes it clear that the audit process would be greatly more complex. Therefore, the expense, in time and money, would be greater. The effectiveness would also be reduced because there would be no ready access to records and company personnel.

The company cannot demonstrate concrete cost savings. The audit process would be compressed with moving the books and records to other locations outside the state. The company should be required to maintain original source documents associated with GTE Florida transactions in Tampa. The auditors should have ready access to those records as well as access to key personnel. This will create the climate to have an effective audit. The company, at the January 23, 1990 meeting with staff agreed to maintain original source documents associated with GTE transactions in Tampa.

DOCKET NO. 891008-TL
MARCH 14, 1990

On March 9, 1990, the company has taken the position that it does not wish to pursue this petition asking to move its records. In accordance with this position, the staff would recommend that the company's request be granted.

DOCKET NO. 891008-TL
MARCH 14, 1990

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed.

STAFF ANALYSIS: The company has stated that it does not wish to pursue its petition; therefore, this docket should be closed.

0616C

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of GTE Florida)
Incorporated Requesting Authority)
To Relocate Records Pursuant to)
Commission Rule 25-4.020)

cket No. 891008-TL
Filed: July 31, 1989

APPLICATION

Comes now GTE Florida Incorporated (hereinafter referred to as "GTEFL"), pursuant to the provisions of Commission Rules 25-22.036(3) and 25-4.020, Fla. Admin. Code, and moves the Florida Public Service Commission to enter its Order allowing the Company to relocate its records as described infra. In support thereof, GTEFL states as follows:

1. GTEFL is a "telephone company" as that term is defined in Section 364.02(4), Fla. Stat. (1987). As such, its regulated intrastate operations are subject to the jurisdiction of this Commission.

2. Communications regarding this petition should be directed to:

Thomas R. Parker
Associate General Counsel
GTE Florida Incorporated
P. O. Box 110, MC 7
Tampa, FL 33601

3. In response to the dynamic environment surrounding telecommunications, GTE Telephone Operations has implemented a plan for corporate reorganization called "Winning Connection II." Winning Connection II is a plan designed to position the General Telephone operating companies to provide the best and most efficient service in the new environment. Winning Connection II consists of consolidation efforts and

07615 JUL 31 1989

the establishment of a general office staff to provide centralized functions.

4. In this regard, the Company plans to relocate the general ledger to Westfield, Indiana during September, 1989, along with tax accounting and business segment reporting. Cost Accounting (Labor Distribution) will move to Everett, Washington, in 1989. Accounts Payable (vouchers) will move to San Angelo, Texas in approximately 1990 with customer accounting (billing records) moving to Durham, North Carolina, over a phase-in period running from 1989 through 1992. Centralized Toll Investigation and Asset Management (plant records) will be housed in Tampa, Florida. Regulatory accounting (Form M, Surveillance) and executive expense accountant statements will transfer to Irving, Texas, during 1990. Payroll (registers) will be relocated to Bloomington, Illinois, in 1990.

5. Commission Rule 25-4.020 entitled "Location and Preservation of Records" requires that all records that a utility is required to keep by the Commission shall be kept at the offices of the company within the State of Florida unless otherwise authorized by the Commission. Subsection (2) of said rule states that any company who obtains permission to keep its required records outside of the State of Florida shall reimburse the Commission for the reasonable travel expense of the Commission's representatives during any out-of-state office with a minor exception not applicable to GTEFL.

6. GTEFL submits that the Commission should authorize the Company to relocate its records in such a manner as to facilitate the efficient conduct of its business. The Company hereby commits that it will comply with all provisions of Commission Rule 25-4.020 if the authority is granted herein.

7. GTEFL recognizes that the relocation of its records to several locations throughout the United States may, at first blush, seem to cause an inconvenience for the Commission audit staff. However, such is not the case. While GTEFL may have several locations where records are housed, GTEFL will have the capability to print records in a centralized location including Tampa even though the data base may be maintained several states away. The only exception to this statement is that vouchers will either have to be faxed or overnighted into a central location if and when requested. However, GTEFL submits that this does not create any inconvenience or prejudice to the Commission or its Staff.

8. Indeed, AT&T Communications of the Southern States Inc., MCI Communications Corporation, Centel Corporation, and Southern Bell Telephone and Telegraph Company all maintain records, to some extent, outside of the State of Florida. GTEFL is not aware that the location of these records outside of the State of Florida has resulted in any problems for this Commission.

WHEREFORE, GTE Florida Incorporated moves the Florida Public Service Commission to enter its Order authorizing the

relocation of records outside the Stat, of Florida in order
to promote the efficient conduct of GTEFL's business.

Respectfully submitted this the 31st day of July, 1989.

JAMES V. CARIDEO
THOMAS R. PARKER
LORIN H. ALBECK
LESLIE R. STEIN
JOE W. FOSTER
WAYNE L. GOODRUM



Thomas R. Parker
Associate General Counsel
GTE Florida Incorporated
P.O. Box 110 MC 7
Tampa, FL 33601
Telephone: 813-228-3087

Attorneys for
GTE Florida Incorporated

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of GTEFL's Application Requesting Authority to Relocate Records Pursuant to Commission Rule 25-4.020, new Docket No. _____, has been furnished by United States mail this the 31st day of July, 1989, to:

Charles J. Beck
Office of the Public Counsel
Florida House of Represen.
The Capitol
Tallahassee, FL 32399-1300

Donald Crosby
Legal Department
Fla. Public Svc. Commission
101 E. Gaines Street
Tallahassee, FL 32301



THOMAS R. PARKER

Commissioners:
 MICHAEL MCK. WILSON, CHAIRMAN
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. (JERRY) GUNTER
 JOHN T. HERNDON



DIVISION OF COMMUNICATIONS
 DIRECTOR, WALTER D'HAESELEER
 (804) 488-1280

Public Service Commission

August 14, 1989

Mr. Thomas R. Parker
 Associate General Counsel
 GTE Florida Incorporated
 Post Office Box 110, MC 7
 Tampa, Florida 33601

Dear Mr. Parker:

In response to the application of GTE Florida Incorporated requesting authority to relocate records pursuant to Commission rule 25-4.020, the Communications division needs to have answered certain questions. In your application dated July 31, 1989, you have indicated that you intend to move part of your records during September of this year. Rule 25-4.020(1) states that all records that a utility is required to keep, by reason of these or other rules prescribed by the Commission, shall be kept at the office or offices of the company within the state unless otherwise authorized by the Commission. Unless this application is approved by September then your records cannot be moved by this date.

The data request concerns the following three areas:

1. Please provide the financial impact on the Florida ratepayers giving detailed information on (1) costs (2) savings and (3) benefits; the response to this data request should contain a narrative explaining this impact as well as monetary amounts for each category, and how the amounts were derived.
2. As the records will be dispersed around the United States, it is imperative that your company pay for all cost including out of state travel and associated expenses involved in regulating GTE Florida, not just the cost of audits. This would include the review of any consolidated information that would or could affect GTE of Florida. This list would include but not be limited to audits, reviews, depositions, and conferences involving any record impacting GTE Florida. Please give the intent of your company to comply with paying for these out of state travel costs.

Letter to Mr. Parker
Page Two

3. Please identify the procedures that you have in place to minimize delays in answering interrogatories, data requests, audit requests and other information and data gathering request from the Commission staff. In your response to this request include the methods that you propose to expedite the identification of the "knowledgeable" individuals concerning any subject matter that the staff has questions. These individuals are usually the ones who actually are responsible for doing the work. We have found it essential to meet and talk with these individuals in the course of performing audits and reviews of GTE Florida.
4. Finally, if it is your intent to implement EDI (electronic data interchange) to link up with suppliers for a paperless accounting system in the order-delivery-invoice-payment cycle, will GTE provide the Commission on an on-going and current basis, access, file data, and computerized data to perform an audit on the automated accounting systems, inventory management, reporting subsystems?

Please provide answers to this data request by August 28, 1989.

Should you have questions, or if you need additional information please contact Mr. Mailhot or Mr. Holman at (904) 488-1280.

Sincerely,


Walter D'Haeseleer, Director
Division of Communications

WD'H/chf

ATTACHMENTS

0525C

RECEIVED
FLORIDA PUBLIC
SERVICE COMMISSION
AUG 31 AM 8:53
MAIL ROOM



General Telephone Company
of Florida

One Tampa City Center
Post Office Box 110
Tampa, Florida 33601-4003

August 25, 1989

Mr. Walter D'Haeseleer, Director
Division of Communications
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0865

Dear Mr. D'Haeseleer:

SUBJECT: QUESTIONS CONCERNING MOVEMENT OF CORPORATE RECORDS

Attached is information regarding the various impacts of moving GTE Florida's corporate records out of the state of Florida per your letter to Thomas R. Parker dated August 14, 1989.

If we can be of further assistance, please contact Margo Hammar at (813) 224-4405.

Sincerely,

Beverly Y. Menard
Area Regulatory and Industry Affairs Director

bym/mbh
Attachments

RECEIVED

AUG 31 1989

Florida Public Service Commission
Communication Department

Attachment: Impacts for relocating corporate records out of state

1. Please provide the financial impact on the Florida ratepayers giving detailed information on (1) costs, (2) savings and (3) benefits; the response to this data request should contain a narrative explaining this impact as well as monetary amounts for each category, and how the amounts were derived.

Response

Attached Exhibit 1 details both the cost to the Florida ratepayer of moving the accounting records and the associated expense reductions resulting from the consolidation of accounting functions. The reorganization costs were first derived on a total GTE Florida basis and were then allocated based on the amount of Accounting relocation activities involved. Costs of the reorganization consisted of relocation, severance pay, continuation pay and temporary facilities expenses.

Reorganization savings are created by the consolidation of functions into one location thereby reducing employee levels. Total Telephone Operations Controller Department head count reductions (exhibit 2) by year was applied against GTE Florida 1988 accounting expenses to determine the amount of savings. The savings amounts were not adjusted for wage inflation.

Accounting functions will be located separately to limit relocation expenses involved while consolidating job tasks. The largest benefit to the Florida ratepayer is realized through lower operating expenses, however, other benefits accrue to the ratepayer as well. Reduced levels of organization within accounting should enhance both the responsiveness to inquiries and the provisioning of financial information.

2. As the records will be dispersed around the United States, it is imperative that your company pay for all costs including out of state travel and associated expenses involved in regulating GTE Florida, not just the cost of audits. This would include the review of any consolidated information that would or could affect GTE Florida. This list would include but not be limited to audits, reviews, depositions and conferences involving any record impacting GTE Florida. Please give the intent of your company to comply with paying for these out of state travel costs.

Response

While the input and processing functions of accounting will be dispersed, the reports generated by the accounting systems can be printed at any company location, including Tampa. The only portion of the accounting records which cannot be printed remotely are the source documents. Source documents generally are not released outside the area in which they are located, however, copies can be made and sent to any location.

Page two

Attachment: Issues for relocating corporate records out of state

In an audit of the Company's records, normally only samples of source documents are required rather than the entire population of documents. Reports detailing each journal entry can be printed at any Company location, which can be used to construct an appropriate sample of documents. The sample sizes requested are normally of a size that copying the documents would be more cost effective rather than an on-site visit.

Although the company does not foresee that travel by the PSC staff will be necessary to effectively audit GTEFL, the possibility does exist that such a trip may be warranted. To the extent that the PSC requires a site visit to examine source documents previously located in Tampa, then GTE would pay for the costs of out of state travel and associated expenses by PSC staff members.

3. Please identify the procedures that you have in place to minimize delays in answering interrogatories, data requests and other information and data gathering request from the Commission staff. In your response to this request include the methods that you propose to expedite the identification of the "knowledgeable" individuals concerning any subject matter that the staff has questions. These individuals are usually the ones who are responsible for doing the work. We have found it essential to meet and talk with these individuals in the course of performing audits and reviews of GTE Florida.

Response

The departments which served as our Commission contact in the past will remain in Tampa and will continue as our Commission contact in the future. All requests for information will continue to be funnelled through this group and communicated to the various departments which are needed to respond to any particular set of requests.

In responding to requests, we have various communication tools at our disposal which will be utilized to effectively answer your questions and requests for interviews. These tools include electronic mail, facsimile, teleconferencing and video conference. We anticipate that nearly all data requests can be met in this fashion, however, subject matter experts can travel to the audit site if alternatives prove to be ineffective.

Page three

Attachment: Impacts for relocating corporate records out of state

4. Finally, if it is your intent to implement EDI (electronic data interchange) to link up with suppliers for a paperless accounting system in the order-delivery-invoice-payment cycle, will GTE provide the Commission on an on-going and current basis, access, file data, and computerized data to perform an audit on the automated accounting systems, inventory management, reporting subsystems?

Response

GTE is currently experimenting with EDI on a limited basis. Although this involves the electronic transfer of information, the process is not entirely paperless. To the extent the Commission requires an audit of our inventory management and reporting subsystem, GTEFL will make available necessary information to perform the audit.

Exhibit 1

GTE FLORIDA
REORGANIZATION COSTS AND SAVINGS
RELOCATION OF ACCOUNTING RECORDS
(in millions)

	<u>REORGANIZATION EXPENSE BY YEAR</u>	<u>EXPENSE SAVINGS BY YEAR</u>	<u>NET EXPENSE (SAVINGS)</u>
1989	\$1.7	\$0.5	\$ 1.2
1990	0.7	0.6	0.1
1991	0.3	1.3	(1.0)
1992	<u>0.0</u>	<u>1.4</u>	<u>(1.4)</u>
TOTAL	<u>\$2.7</u>	<u>\$3.8</u>	<u>\$(1.1)</u>

Exhibit 2

GTE TELEPHONE OPERATIONS
CONTROLLER DEPARTMENT
PROJECTED REORGANIZATION HEADCOUNTS

<u>YEAR</u>	<u>CONTROLLER HEADCOUNT BY YEAR</u>	<u>REDUCTION FROM BASE YEAR</u>
1988	1,273	
1989	1,128	11.39%
1990	1,106	13.12%
1991	905	28.91%
1992	885	30.48%
1993	867	31.89%

MEMORANDUM

November 30, 1989

RECEIVED

DEC 1 1989

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF AUDIT AND FINANCE (DOUD)
RE: DOCKET NO. 891008-TL -- GTE OF FLORIDA
REVIEW OF COST BENEFITS AND AUDIT PROCEDURES
EXPECTED FROM GTE RECORD RELOCATION

Florida Public Service Commission
Communication Department

Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit findings disclose information that may influence the decision process.

The company response to Audit Disclosure #2 that "...The company has used..(a single contact to handle all questions and requests for documents)...to ensure the quality and accuracy of information provided to the commission staff...." suggests editing. In an audit context editing means that the auditee determines which documents will or will not be examined by the auditor.

This appears to be supported by the response on Page 4 of the November 28, 1989 GTE letter regarding the QUAD BLOCK AUDIT that, despite the fact that certain records were destroyed, "... numerous records exist to perform a meaningful audit...." This suggests that audit evidence provided was so strong and compelling that the auditor must accept it as truth.

An audit and judgement of past events must rely on a critical evaluation of gathered evidence as to: (1) Whether the material is genuine or not; (2) The degree of probability that the evidence is true; and (3) Whether the evidence is complete. The results of that evaluation alone determines the need for more or less evidence.

GTE's own action during the QUAD BLOCK AUDIT supports the need for this critical evaluation. After the audit exit conference the company found a document entitled "AGREEMENT FOR EXCHANGE OF REAL ESTATE" to refute audit findings on the price of property sold to LYKES BROS., INC. The contested audit finding was based on an analysis of documents earlier provided by the company and additional documents obtained from the official court house records. Were it not for the adverse finding the company might not have provided the sales agreement located after the audit was complete.

Time is a controlling factor in an audit because audit judgement must be made in a relative short time period. Any procedure, such as a review for quality and accuracy, that delays or prevents the gathering or examination of raw evidence by the auditor adversely affects the timely formation of an audit judgement and the quality of the audit.

Memorandum - Records and Reporting
GTE Florida, Inc.
November 30, 1989
Page 2

The above practices will exacerbate normal audit problems if GTE is authorized to relocate records from Florida without a strong audit support commitment from GTE and an order reinforced with a contingency to reverse that decision should the need arise. Audit working papers are available for review on request.

Please forward a complete copy of this report to:

GTE Florida, Inc.
Attn: Beverly Y. Menard
Post Office Box 110 MC 616
Tampa, FL 33601-4003

FD/sp
Attachment

cc: Chairman Wilson
Commissioner Beard
Commissioner Gunter
Commissioner Herndon
Commissioner Easley
Bill Talbott, Deputy Executive Director/Technical
Legal Services (Crosby/Vandiver)
Division of Auditing and Financial Analysis (Devlin)
Division of Communications (~~D'Haeseleer/Holman~~)
Tampa District Office (Bouckaert)

Florida Public Service Commission

Audit Report

As of November 28, 1989

Field Work Completed

November 27, 1989

GTE Florida

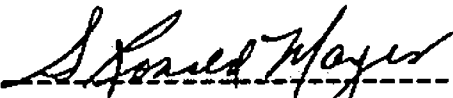
Tampa, Florida

Hillsborough County

Movement of Corporate Records

Docket Number 891008-TL

AUDIT CONTROL NUMBER 89-303-2-1




S. Ronald Hayes
Audit Manager

Audit Staff Assigned

Minority Opinion

Lynn Whitehead

Yes _____ **No** sw



Ann Bouckaert
Audit Supervisor

INDEX

	PAGE ----
I. Executive Summary	
Audit Purpose	1
Disclaim Public Use	1
Opinion	1
Summary Findings	1
II. Audit Scope	
Scope of Work Performed	2
III. Audit Disclosures	
1. Cost Benefits	3-5
2. Audit Procedures	6-7
3. Source Documents	8-9
4. Travel requirements	10-11
IV. COMPANY'S VERBATIM COMMENTS	
Exhibit I	12-15

I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to the information provided by GTE Florida in support of Docket 891008-TL to determine if such information is based on supportable facts and assumptions; and that facts which may influence the Commission decision process are disclosed.

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 audit standards and produce audited financial statements for public use.

OPINION: Based on information furnished and related discussions with Company personnel, it is our opinion that cost benefits associated with the movement of Corporate records are not supportable by underlying documentation and that the movement of records will result in additional time and expense of Commission personnel while performing audits that require the review of original source documents.

SUMMARY: See Section III for details.

The Company can not, with certainty, determine the cost benefits related to the relocation of accounting records. However, based on the fact that there are overall savings to the entire GTE operations, which in part include the movement of accounting records, it is probable that some savings will accrue to GTE Florida.

(Audit Disclosure No. 1)

The relocation of accounting records will result in additional time requirements for the Commission auditors, either by increased time in waiting on documents or people, or by increased time to travel to the remote locations or a combination of the two.

(Audit Disclosure No. 2)

The relocation of original source records to out of state sites will result in additional costs for audits that are performed by FPSC personnel.

(Audit Disclosures No. 3. & No. 4)

II. AUDIT SCOPE

This report is based on the audit work described below.

WORK PERFORMED:

Recomputed work papers supporting the cost benefits associated with the relocation of Accounting records.

Queried Company personnel and their representatives on the procedures that would be followed in the audit of out of state records.

Compared current FPSC audit procedures to procedures that would be in effect if records are relocated.

Investigated additional costs that would be incurred if records were relocated out of state.

III. DISCLOSURES

AUDIT DISCLOSURE NO. 1

SUBJECT: COST BENEFITS

STATEMENT OF FACTS: Pursuant to Rule 25-4.020 F.A.C., the Company has requested the authority to relocate records out of the State of Florida.

The records referred to are the Accounting records for the Company and will be relocated to various sites throughout the United States as detailed on the attached schedule.
(Attachment 1)

The Company does not have data available that separates the cost and benefits associated with the relocation of Accounting records from the overall cost and benefits associated with the high level study that resulted in expense savings for total Telops. (telephone operations)
Note: The study was a GTE plan to reduce overall costs throughout their telephone operations. The savings related to the relocation of accounting records are embedded within this plan.

The Company's original reply to the Commission of 8/25/89, Menard to D'Haeseleer, with reference to cost benefits, contained a math error. Total savings as stated by the Company was originally \$1.1 million over 4 years. The amount, using the Company's methodology and assumptions as recomputed by the auditor is \$9.5 million over 4 years. (Attachment 2)

As a result of conversations concerning the above differences the Company determined they had some invalid assumptions in their original estimate and submitted a revised calculation of estimated cost savings that resulted in an amount of \$1.4 million savings over 4 years. This calculation could not be verified by the auditor as it contained GTE Telops amounts that were not available at the audit site. (Attachment 2)

AUDIT OPINION AND CONCLUSION: The Company can not, with certainty, determine the cost benefits related to the relocation of accounting records. However, based on the fact that there are overall savings to the entire GTE operations which in part include the movement of accounting records, it is probable that some savings will accrue to GTE Florida.

COMPANY'S VERBATIM COMMENTS: See Exhibit I

ATTACHMENT 1

AUDIT DISCLOSURE NO. 1

SUBJECT: COST BENEFITS

PROPOSED LOCATIONS FOR GTE FLORIDA ACCOUNTING RECORDS

Westfield, Indiana

- Annual and Quarterly reports
- Trustee filing requirements
- Monthly operating reports and statistics
- General ledger
- Capital recovery (Financial portion)
- Tax accounting
- Working Capital, including material and supplies inventory

Durham, North Carolina

- Customer billing
- Central toll investigation

San Angelo, Texas

- Accounts payable

Irving, Texas

- FCC and FPSC reports

Bloomington, Illinois

- Payroll/labor records

Tampa, Florida

Asset Management:

- Work Orders
- Continuing Property Records
- Material placement, retirement, lap entries
- Other accounts receivable entries
- Furniture and fixtures retirements
- Booth retirement entries
- Amortization entries for items under \$500.
- Retirement entries for COE, PABX, Land and buildings
- Property held for future use entries
- Miscellaneous adjustments and corrections

Everett, Washington

Cost Accounting:

- Primarily data from other companies mechanized systems and/or data bases.

ATTACHMENT 2

AUDIT DISCLOSURE NO. 1

SUBJECT: COST BENEFITS

ESTIMATED SAVINGS AS A RESULT OF THE RELOCATION OF ACCOUNTING RECORDS

PER COMPANY'S ORIGINAL RESPONSE

Year	Finance Expense	% Savings	Gross Savings	Expenses	Net Savings
1988	\$ 4.6	Base year			
1989	4.6	11.39	\$.5	\$1.7	\$- 1.2
1990	4.6	13.12	.6	.7	- .1
1991	4.6	28.91	1.3	.3	1.0
1992	4.6	30.48	1.4	0	1.4
Total net savings					\$ 1.1

PER AUDIT

Year	Finance Expense	% Savings	Gross Savings	Expenses	Net Savings
1988	\$14.5	Base year			
1989	14.5	11.39	\$ 1.7	\$1.7	\$ 0
1990	14.5	13.12	1.9	.7	1.2
1991	14.5	28.91	4.2	.3	3.9
1992	14.5	30.48	4.4	0	4.4
Total net savings					\$9.5

PER COMPANY'S REVISION

Year	Telops Expense	% to GTEFL	Total GTEFL	GTEFL Base	Net Change	Expenses	Net Savings
1989	\$108.0	13.62	\$14.5	\$14.5	\$- .2	\$ 1.7	\$ -1.9
1990	102.4	13.62	14.0	14.5	.5	.7	- .2
1991	92.7	13.62	12.6	14.5	1.9	.3	1.6
1992	92.5	13.62	12.6	14.5	1.9	0	1.9
Total net savings							\$ 1.4

NOTE: All dollar amounts are in Millions

AUDIT DISCLOSURE NO. 2

SUBJECT: AUDIT PROCEDURES

STATEMENT OF FACTS: Prior to the consolidation of GTE Florida into the GTE South Area, Company procedures for answering document requests and questions from auditors were:

A single contact within the Company, the Regulatory Compliance staff, handled all questions. The contact routed all queries to the respective area of the Company that was responsible for the answer. That area returned the reply to the Company contact who in turn gave the response to the auditors. If there were problems with answers the Company contact arranged a meeting with all parties concerned to resolve the problem.

Since the consolidation into areas the Company has added a secondary contact, the Director of Regulatory Accounting - South Area, located in Irving, Texas. This individual will have the responsibility to answer all Accounting questions. The overall procedure remains as is described above except that the Company contact will forward all questions related to Accounting to the secondary contact. This individual will return the reply to the Company contact who will give it to the auditors.

Original source documents, when requested, will be forwarded via overnight mail to the audit site. (Note: Audit site is defined as Tampa unless otherwise noted.) (See Audit Disclosure No. 3.)

Other audit procedures will remain as they are currently with the exception that other source information such as copies of ledgers, computer printouts, etc., will be printed in Tampa or faxed from the remote location.

AUDIT OPINION: The dedication of one individual to handle all accounting related items will potentially add personnel to the audit procedure. However, it could create a funnel effect with all information going to one point. This creates the probability of delays in information. Although the secondary contact has a staff to aid him in replying, he is ultimately responsible for the reply to all Accounting questions regardless of the magnitude of the question.

PAGE TWO

AUDIT DISCLOSURE NO. 2

SUBJECT: AUDIT PROCEDURES

Should it become necessary for the auditor to meet with the individual that is directly involved with the preparation of the source documents the relocation of Accounting records throughout the United States will make this difficult. Although the Company states that teleconferencing and video conferencing are viable means to accomplish this, the logistics of getting the various parties together at one time will be more complicated than if all parties were in one location.

Obtaining original source documents will take longer than is currently the case due to distance from the audit site and the possibility that the people at the remote site may feel that other responsibilities are more important.

It is likely that even with the Company providing information in a timely manner, that the Audit Manager will find requirements that will necessitate trips to one or more of the remote locations or the Company will have to transport specified individuals to the audit site to answer specific detail questions.

CONCLUSION: The relocation of accounting records will result in additional time requirements for the Commission auditors, either by increased time in waiting on documents or people, or by increased time to travel to the remote locations or a combination of the two.

COMPANY'S VERBATIM COMMENTS: See Exhibit I

AUDIT DISCLOSURE NO. 3

SUBJECT: SOURCE DOCUMENTS

STATEMENT OF FACTS: Pursuant to the official FPSC Document Request, the Company has to provide the requested information within 3 working days. The Company has electronic mail and facsimile capabilities to transport minimal amounts of document copies to the audit site (Tampa offices). In the event a large volume of documents is requested, shipping documents overnight to the audit site would take less than 24 hours. The Company states that if originals are necessary, they will bring them to the audit site. Company provided costs are on the attached schedule (Attachment 1).

AUDIT OPINION AND CONCLUSION: FPSC audits require the viewing of original documentation to avoid reliance on a potentially altered copy. In response to the question of providing original source documents, the Company originally failed to give a positive answer. Prior to the exit conference, Company verbally stated that the original response would be rewritten to state that original documentation would be furnished at the audit site if needed.

Audit hours may not increase, however elapsed time for the audit probably will.

COMPANY VERBATIM COMMENTS: See Exhibit I.

ATTACHMENT 1

AUDIT DISCLOSURE NO. 3

SUBJECT: SOURCE DOCUMENTS

PROPOSED COSTS FOR PRODUCTION OF DOCUMENTS

Electronic mail

Company provided no costs for this function

Facsimile

Rental	\$2.00 per day
Transmittal	\$0.25 per minute

Overnight mail

Letter	\$ 5.90
One Pound	6.40
Five Pounds	10.00
Ten Pounds	15.00
Fifteen Pounds	22.50
Twenty Pounds	28.40

AUDIT DISCLOSURE NO. 4

SUBJECT: TRAVEL REQUIREMENTS

STATEMENT OF FACTS: If records are relocated out of the State of Florida and at various locations throughout the United States (see Attachment 1 to Audit Disclosure No. 1), the Company has agreed to reimburse any valid travel expense associated with a proper audit.

In the event that out of state company personnel are needed at the audit site, the Company has submitted estimated costs that would be incurred traveling from Irving, Texas. (Attachment 1) Cost per trip to Tampa, assuming a one night stay would be approximately \$550.

In the event that contact by Commission staff with out of state Company personnel is necessary the Company has at its disposal teleconferencing and video conferencing. Estimated costs of using these are listed on the attached. (Attachment 1)

AUDITOR OPINION: In the course of any FPSC audit of the Company, it is possible that travel by Commission staff to the location of specific records or travel by Company personnel to the audit site would be necessary to perform the audit.

Either circumstance could increase audit time and would result in additional expenses for the audit.

RECOMMENDATION: Company be required to reimburse travel expenses associated with any FPSC audit.

COMPANY VERBATIM COMMENTS: See Exhibit I.

ATTACHMENT 1

AUDIT DISCLOSURE NO. 4

SUBJECT: TRAVEL REQUIREMENTS

PROPOSED COSTS FOR TRAVEL FROM IRVING, TEXAS TO TAMPA, FLORIDA

Travel from Irving, Texas to Tampa, Florida (1)

Airfare		\$400.00
Hotel		\$50.00 - \$95.00
Car Rental		\$31.00/day with unlimited mileage
Meals	Breakfast	\$10.00
	Lunch	\$10.00
	Dinner	\$25.00

(1) FPSC Document request specified from Irving, Texas to Tampa, Florida. Company provided the reverse. Auditor sees no significant difference.

PROPOSED COSTS FOR COMMUNICATION FROM IRVING, TEXAS TO TAMPA, FLORIDA

Teleconferencing	\$14.75/hour/each line on call
Video conferencing	No costs provided by company



General Telephone Company
Florida

One Tampa City Center
Post Office Box 110
Tampa, Florida 33601-4003

November 27, 1989

Mr. S. Ron Mayes, Auditor
Florida Public Service Commission

Dear Mr. Mayes:

SUBJECT: GTEFL RESPONSES TO AUDIT DISCLOSURES

Attached is GTEFL's responses to Audit disclosures regarding GTEFL's petition to relocate records.

If we can be of further assistance, please contact Margo Hammar at (813) 224-4405.

Sincerely,

Beverly L. Menard
Area Regulatory and Industry Affairs Director

bym/mbh

GTEFL's response to Audit disclosure #1

GTEFL agrees with the audit opinion and conclusion that the company does not have detailed data available which separates the costs and benefits associated with the relocation of accounting records on a stand alone basis. In addition, GTEFL agrees with the audit conclusion that it is probable that savings will accrue to GTEFL as a result of the relocation of accounting records.

The reason that the company does not have Florida specific information associated with the books and records petition is that the movement of books and records is a sub-part to the overall consolidation of Financial department personnel. The savings associated with the consolidation of the Financial department come from the efficient utilization of finance department employees. The efficiencies obtained come through proper placement and consolidation of functions which is largely irrelevant to the actual physical location of the books and records. However, if the books and records are not physically located with the new financial department structure, the overall savings and efficiencies will be reduced to some extent.

Attachment I is an analysis which reconciles GTEFL's \$1.4 million savings to the staff's recalculated \$9.5 million amount. The differences are created by the revised headcount numbers when including total Finance instead of only the controller function (Please note the controller numbers used originally omit customer accounting which has significant headcount requirements) and the rest of the difference comes from using allocated dollars based on total Telops Finance instead of using GTEFL's Finance expenses as a base.

GTEFL's response to Audit disclosure #2

GTEFL disagrees with the auditor's opinion that a "funnel" effect will be created through the company's procedure for establishing a regulatory accounting contact and coordination point. First, the regulatory accounting staff responsible for Florida has sufficient resources to handle any demands placed upon it for information requests from this commission. Second, audit disclosure two seems to give the overall impression that there will be a change in procedure by the company. The company disagrees with this impression. The company's utilization of specific contact and coordination personnel has been in effect for an extended period of time and has been successful. The company has utilized this procedure to insure the quality and accuracy of information provided to the commission staff. The alleged probability of delays in receiving information has not been a problem in the past, in the company's opinion, and the company does not perceive that there will be a problem in the future. The company is dedicated to providing all requested information to the commission staff in a timely manner in the form requested, where possible. Third, the company disagrees with the assertion that there will be delays in the provision of information. The company believes that overnight mail, FAX, videoconferencing and other such tools can be utilized to provide timely responses.

GTEFL's response to Audit disclosure #2 continued

Page 2

The company is of the opinion that to the extent that there are any minor inconveniences associated with the movement of books and records that such operational defects can be readily alleviated through experience. Furthermore, the company is of the opinion that the efficiencies and savings associated with the books and records petition more than overrides any small inconveniences or implementation problems that will be experienced by the commission staff in the short term.

GTEFL's response to Audit disclosure #3

The company disagrees with the assertion that the company failed to give a positive answer in response to providing original documents upon the request of commission staff. The company views its answer as positive and responsive to the audit request. Furthermore, the company hereby reasserts that it will provide all original documentation at the request of the commission staff.

GTEFL's response to Audit disclosure #4

The company agrees with the recommendation that it be required to reimburse the commission for all reasonable expenses associated with a valid off site audit. However, the company wishes to point out that it believes that the issue of travel outside of Tampa and the costs associated therewith have been dwelled on to a much larger extent than necessary in this audit. The company makes the foregoing statement because it is the company's intent to satisfy all information requests in Tampa. The company does not envision any commission staff travel in the ordinary course of business. All documentation, personnel and other matters will be provided to the commission staff in Tampa, or provided through the utilization of telephone conferencing, videoconferencing, etc. Therefore, travel and the time associated therewith, should not be a major concern.

GTE FLORIDA
COST BENEFIT ANALYSIS RECONCILIATION
REORGANIZATION OF FINANCE DEPARTMENT
(Dollars in Millions)

<u>Year</u>	<u>Headcount Reduction Controller Dept.</u>	<u>Headcount Reduction Finance Dept.</u>	<u>Diff.</u>	<u>Impact From Changed Headcount</u>	<u>Impact From Allocation Changes</u>
1988					
1989	11.39%	4.34%	7.05%	\$1.0	\$0.8
1990	13.12%	9.27%	3.85%	0.6	0.8
1991	28.91%	17.90%	11.01%	1.6	0.7
1992	30.48%	18.04%	12.44%	<u>1.8</u>	<u>0.7</u>
				<u>\$5.0</u>	<u>\$3.1</u>
Impact From Revised Headcounts					\$5.0
Impact from Recognition of Allocation Changes					3.1
Projected Savings - Company revised study					<u>1.4</u>
Staff Recalculated Savings					<u>\$9.5</u>

State of Florida

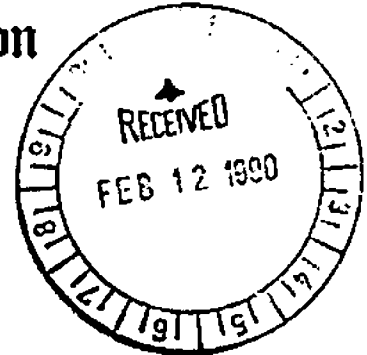


Commissioners:
JHAEL MCK. WILSON, CHAIRMAN
THOMAS M. BEARD
TY EASLEY
ALD L. (JERRY) GUNTER
JOHN T. HERNDON

TIMOTHY J. DEVLIN, Director
Auditing & Financial Analysis Division
(904) 488-8147

Public Service Commission

February 12, 1990



Ms. Bev Menard
Post Office Box 110 MC 616
Tampa, Florida 33601-4003

Dear Ms. Menard:

Attached is an analysis of your petition concerning moving GTF records out of state. At this point staff would recommend this petition not be approved. It is my understanding that GTF would be willing to maintain original source documents in Tampa even though this is not your preference. Please inform if this is incorrect. Also, at our last meeting on January 23, 1990 you agreed to respond to our request for the following:

- 1) Cost benefit or other study that was relied upon by the Company in making the decision to consolidate records.
- 2) How GTE intends to provide for state by state record retention requirements in the consolidated system.
- 3) The reorganization of the internal audit function and how it will affect access to internal audit workpapers by PSC staff.
- 4) Schedule of contact people who are knowledgeable of the various systems.

Please provide this information by February 21, 1990.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tim Devlin".

Timothy J. Devlin
Director

TJD/ss

Docket No. 891008-TL, Agenda April 3, 1990

On July 31, 1989, GTF requested authority to relocate its accounting records to six different out of state locations (see attachment 1). FPSC Rule 25-4.020 requires Commission approval for this purpose.

Staff met with the Company on three different occasions in an effort to identify the advantages and disadvantages of this proposed action. The main concern that staff has is: Will this records move affect the credibility of audit process; Will this structure proposed by GTF impair the reliance the Commission can place on information filed in various Commission matters; Are there any measurable benefits for Florida revenues (reduced administrative costs) resulting from the records move; And, what, if any, additional regulatory costs are associated with auditing records in multiple locations. Is the audit process compromised in any way with this proposed organization?

In response to the question on associated benefits the Company provided an exhibit that showed a 18% reduction in Finance staff over the next five years on a consolidated basis. Assuming Florida is equally affected on a relative basis there is about a \$3 million impact. However, the Company could not demonstrate that these projected staff reductions were associated with record consolidation. There has been a general trend in the telecommunications industry to cut back staff as overall technological advance and increased competition takes place. Therefore, the Company has not been able to isolate the effect of record consolidation. The decision was made at the parent company level and GTF staff does not have the supporting detail.

From a regulatory perspective, it is clear that records housed at seven different locations would complicate the audit process and increase costs both in terms of travel expense and staff audit hours. The effectiveness of an audit would be reduced since there would no longer be ready access to records and Company personnel with expertise relating to a particular accounting function.

The Company has begun to relocate personnel and consolidate some of the accounting systems. For example, the depreciation and tax accounting have already been relocated. It appears the open question is where will the underlying records for these systems be located. Information from mechanized systems can be accessed remotely. If GTF's request is denied, the records should be readily available but key personnel to explain the records will be, in many cases, out of state and not readily accessible.

We believe the Company's request should be denied since it could not demonstrate cost savings and such a move would compromise the audit process. The Company should be required to maintain original source documents associated with GTF transactions in Tampa. The auditors should have ready access to those records and key personnel. This facilitates spontaneity necessary for an effective audit. At the January 23, 1990 meeting, the Company agreed to maintain original source documents associated with GTF transactions in Tampa.



GTE Florida
is operated

O. Tampa City Center
P.O. Office Box 110
Tampa, Florida 33601-0110

February 9, 1990

Mr. Walter D' Hasselaar, Director
Division of Communications
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0865

Dear Mr. D'Hasselaar:

SUBJECT: GTE FLORIDA'S PETITION TO MOVE CORPORATE RECORDS

Attached is GTE Florida's responses to the data requested as a result of the January 23 meeting between members of the Commission staff and GTE representatives.

If we can be of further assistance, please contact Margo Hammar at (813) 224-4405.

Sincerely,

Beverly V. Minard
Area Regulatory and Industry Affairs Director

bym/mbh
Attachments

Attachment: GTE FLORIDA'S PETITION TO MOVE CORPORATE RECORDS
Page 1

1. Furnish the names of the South Carolina staff personnel who were involved in the recent compliance audit.

Response

Thomas L. Elliston, Auditor in Charge
South Carolina Public Service Commission
P.O. Drawer 11649
Columbia, SC 29211
(803) 737-5203

2. Retention of records: If various Commissions and the FCC have different requirements for retention of records, how will this be handled?

Response

GTE Florida is subject to retention requirements established by the FCC, FPSC, IRS and GTE management. Since the requirements set by the FCC, IRS and GTE management are the same for all GTE Telcos, the most restrictive of these will be the minimum standard for the company. To the extent that a majority of PSCs have more restrictive policies, then the more restrictive policy will be adopted as a standard.

To the extent that an individual PSC has a policy which is more restrictive than the other requirements, then the affected company will have its records treated differently than the rest of the Telcos. Due to the existence of seven (7) legal entities, each GTE Telco will have its own identifiable records so longer retention can be accommodated.

3. With the move of internal audit, what impact will this have on the FPSC's capability to review internal audit reports?

Response

GTE Telephone Operations does not have an internal audit department. Internal audits will be conducted by GTE Service Corporation (GTESC) for all GTE Operating companies out of its three regional offices in California, Massachusetts and Tampa, Florida. All such reports which impact GTE Florida will be made available for review in Tampa.

Attachment: GTE FLORIDA'S PETITION TO MOVE CORPORATE RECORDS
Page 2

4. With the movement of books and personnel, what impact will this have on the FPSC's capability to review Arthur Andersen work papers concerning Florida books?

Response

All Arthur Andersen work papers dealing with GTE Florida will be retained by Arthur Andersen and will be made available by their Tampa, Florida office.

5. What information was relied on to make the decision to move the books (what studies, cost/benefit analysis, etc.)?

Response

The attached Finance reorganization Plan was the primary document which addresses the reasons for the derived organization and plans for departments which produce the books and records.



SEARCHED INDEXED

GTE Florida
Incorporated

One Tampa City Center
Post Office Box 110
Tampa, Florida 33601-0110

March 9, 1990

Mr. Timothy J. Devlin, Director
Division of Auditing and Financial Analysis
Florida Public Service Commission
101 E. Gaines Street
Tallahassee, FL 32399-0865

**SUBJECT: DOCKET NO. 891008-TL; APPLICATION OF GTE FLORIDA INCORPORATED
REQUESTING AUTHORITY TO RELOCATE RECORDS PURSUANT TO COMMISSION RULE 25-4.020**

Dear Mr. Devlin:

This letter is in response to your correspondence dated February 12, 1990, concerning the Company's Petition filed with the Commission on July 31, 1989, requesting authority to remove its physical books and records from the state of Florida. As I understand your letter and its attachment, it is the Staff's position that the petition should be denied because of concerns relating to the audit process, reliability of information, regulatory costs, and the savings associated with the request. The purpose of my response is to advise you as to the Company's position regarding your preliminary Staff Recommendation to the Commission.

It is the Company's belief that the relocation of its physical books and records resides within management prerogative and that a waiver of Commission Rule 25-4.020 should be granted upon showing by the Company that all documentation will be made available to the Commission Staff in a timely manner. The Company believes that it has demonstrated that it will provide all such documentation to the Staff. Indeed, beyond implementing the necessary systems to remotely print the majority of the information in Tampa, the Company has committed to paying for the Commission Staff's travel expense to remote locations if the Commission Staff deems such travel to be appropriate. The Company has also demonstrated that there will be savings to the Company associated with this consolidation as evidenced by Audit Disclosure 1 to the Staff's audit regarding this petition. Therefore, we disagree with the Staff's conclusions that the credibility of the audit process will be impaired and that there will be additional time and expense associated with Staff audits.

Notwithstanding our best efforts, it is apparent that the Commission Staff, as evidenced by its preliminary recommendation, is opposed to the removal of physical books and records from the state of Florida. Accordingly, it is the Company's position that we do not wish to pursue the petition any further at this time. Further, as stated in your letter of February 12, 1990, the Company has committed to maintain in Tampa the original source documentation and will make available any personnel deemed necessary to inform the Commission Staff regarding questions.

Mr. Timothy J. Devlin
Page 2
March 9, 1990

If there are any questions concerning this letter, please contact me at your convenience at 813-224-4825.

Sincerely,

Beverly Y. Menard
Beverly Y. Menard
Area Director - Regulatory & Industry Affairs

bym/mgb