

1 SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY
2 TESTIMONY OF ROBIN MADDEN
3 BEFORE THE
4 FLORIDA PUBLIC SERVICE COMMISSION
5 IN
6 DOCKET NOS. 900960-TL, 910163-TL,
7 910727-TL, AND 920260-TL
8 FEBRUARY 15, 1993

9
10
11 Q. PLEASE STATE YOUR NAME AND POSITION WITH SOUTHERN
12 BELL TELEPHONE AND TELEGRAPH COMPANY.

13
14 A. MY NAME IS ROBIN L. MADDEN AND MY CURRENT POSITION
15 WITH SOUTHERN BELL IS THAT OF STAFF MANAGER -
16 CUSTOMER SERVICES IN THE STATE OF FLORIDA. MY
17 BUSINESS ADDRESS IS 6451 NORTH FEDERAL HIGHWAY IN
18 FT. LAUDERDALE.

19
20 Q. PLEASE GIVE A BRIEF DESCRIPTION OF YOUR BACKGROUND
21 AND EXPERIENCE.

22
23 A. I BEGAN MY CAREER WITH SOUTHERN BELL IN FT.
24 LAUDERDALE IN 1971, AS A SERVICE REPRESENTATIVE IN
25 CUSTOMER SERVICES. AS A SERVICE REPRESENTATIVE, I

1 WORKED WITH BOTH RESIDENCE AND BUSINESS CUSTOMERS
2 AND WAS RESPONSIBLE FOR COLLECTING BILLS, HANDLING
3 BILLING INQUIRIES, ISSUING SERVICE ORDERS AND
4 SELLING PRODUCTS AND SERVICES. I WAS PROMOTED INTO
5 MANAGEMENT AS A BUSINESS OFFICE SUPERVISOR IN 1977.
6 AS A SUPERVISOR I WAS RESPONSIBLE FOR MANAGING
7 SERVICE REPRESENTATIVES.
8
9 I WAS PROMOTED TO ASSISTANT STAFF MANAGER IN 1980
10 AND HANDLED VARIOUS STAFF AND FIELD ASSIGNMENTS
11 UNTIL 1988. I HELD THE POSITION OF DEPARTMENTAL
12 SALES COORDINATOR FROM 1982 THROUGH 1987. MY DUTIES
13 INCLUDED ESTABLISHING SALES OBJECTIVES AND
14 DEVELOPING GUIDELINES FOR RECOGNITION/AWARD
15 PROGRAMS. IN ADDITION, I HELPED DEVELOP A RECORD
16 KNOWN AS THE NETWORK SALES REFERRAL (NSR) FORM,
17 WHICH WAS USED TO DOCUMENT NEW NON-CONTACT SALES.
18 IN 1988, I WAS PROMOTED TO ASSOCIATE MANAGER AND
19 TRANSFERRED TO THE FLORIDA INTERNAL AUDITING
20 ORGANIZATION. I WORKED IN INTERNAL AUDITING UNTIL
21 JANUARY OF 1992, WHEN I ASSUMED MY CURRENT POSITION
22 OF FLORIDA CUSTOMER SERVICES DEPARTMENTAL
23 COORDINATOR FOR QUALITY. IN MY CURRENT POSITION, I
24 AM RESPONSIBLE FOR SUPPORTING THE CUSTOMER SERVICES
25 DEPARTMENT'S CORPORATE QUALITY INITIATIVE EFFORTS.

1 MY DUTIES INCLUDE DEVELOPMENT OF PLANS AND
2 STRATEGIES FOR IMPLEMENTING THE QUALITY INITIATIVE,
3 ASSISTING WITH THE IMPLEMENTATION OF PLANS AND
4 MANAGING QUALITY IMPROVEMENT ACTIVITIES.

5

6 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

7

8 A. THE PURPOSE OF MY TESTIMONY IS TO EXPLAIN THE
9 PROCESS USED BY SOUTHERN BELL TO PERFORM ITS
10 INTERNAL INVESTIGATION OF NON-CONTACT SALES. IN
11 THIS REGARD, I WILL DISCUSS THE METHOD WE USED TO
12 IDENTIFY EMPLOYEES WITH A HIGH NUMBER OF SALES
13 RELATIVE TO OTHER EMPLOYEES AND THE METHODS WE USED
14 TO DETERMINE WHETHER THE SALES OF SERVICES WERE
15 PROPER. I WILL ALSO DISCUSS THE CONTROLS IN PLACE
16 FOR THE NON-CONTACT SALES PROGRAM. FINALLY, I WILL
17 PROVIDE SOUTHERN BELL'S POLICIES WITH REGARD TO
18 INFORMING CUSTOMERS OF THE LEAST EXPENSIVE SERVICE
19 ALTERNATIVE AVAILABLE TO THEM.

20

21 Q. DID SOUTHERN BELL DETERMINE WHETHER ANY OF THE
22 COMPANY'S CUSTOMERS WERE CHARGED FOR SERVICES THEY
23 DID NOT REQUEST?

24

25 A. YES. AN INTERNAL INVESTIGATION CONDUCTED BY

1 SOUTHERN BELL IN 1990, REVEALED THAT THREE CRAFT
2 EMPLOYEES IN THE COMPANY'S NETWORK DEPARTMENT ADDED
3 THE COMBINED INSIDE WIRE MAINTENANCE PLAN,
4 IDENTIFIED BY THE UNIVERSAL SERVICE ORDER CODE
5 "SEQ1X," TO APPROXIMATELY 36,000 CUSTOMERS' RECORDS.
6 IT APPEARED THAT A SUBSTANTIAL NUMBER OF THESE
7 CUSTOMERS HAD THESE SERVICES ADDED WITHOUT THEIR
8 KNOWLEDGE.

9
10 Q. WHAT CAUSED SOUTHERN BELL TO INITIATE AN
11 INVESTIGATION INTO THIS MATTER?

12
13 A. IN JUNE OF 1990, AN OPERATIONS MANAGER IN CUSTOMER
14 SERVICES IN THE ORLANDO AREA INFORMED HIS NETWORK
15 COUNTERPART THAT FOUR BROOKSVILLE CUSTOMERS HAD
16 STATED THAT THEY HAD BEEN BILLED FOR COMBINED INSIDE
17 WIRE MAINTENANCE PLANS THEY HAD NOT AUTHORIZED.
18 ACCORDING TO THE SUBSCRIBERS, THEY HAD NOT
19 AUTHORIZED AN UPGRADE FROM INSIDE WIRE MAINTENANCE
20 (WMR) AT \$1.50 PER MONTH TO THE FULL SERVICE PLAN OF
21 SEQ1X AT \$2.50 PER MONTH. UPON REVIEW, THE CUSTOMER
22 SERVICES LOCAL MANAGEMENT DETERMINED THAT SEQ1X HAD
23 BEEN ADDED TO THESE CUSTOMERS' BILLS THROUGH NSRS,
24 WHICH HAD BEEN FORWARDED BY A NETWORK EMPLOYEE,
25 GEORGE SLOAN, TO THE CUSTOMER SERVICES SERVICE ORDER

1 GROUP FOR PROCESSING. THE LOCAL MANAGEMENT THEN
2 OBTAINED ADDITIONAL NSRS FROM THE ORDER GROUP AND
3 CONTACTED TWENTY ADDITIONAL CUSTOMERS TO DETERMINE
4 IF THEY HAD AUTHORIZED THE ADDITION OF SEQ1X. OF
5 THE TWENTY, SIXTEEN ADVISED THAT THEY HAD NOT.
6 THESE "SALES" HAD BEEN MADE BY MR. SLOAN AS WELL AS
7 A SECOND NETWORK EMPLOYEE, MARSHA TAYLOR.

8
9 THE NETWORK OPERATIONS MANAGER REFERRED THIS
10 INFORMATION TO THE SECURITY DEPARTMENT, WHICH
11 PROCEEDED WITH ITS INVESTIGATION OF THE CASE. THE
12 INITIAL SECURITY REPORT OF OCTOBER 3, 1990, WAS
13 REVIEWED BY THE LEGAL DEPARTMENT AND A STATEWIDE
14 INTERNAL INVESTIGATION WAS INITIATED. ITS PURPOSE
15 WAS TO DETERMINE THE EXTENT THROUGHOUT THE STATE OF
16 ANY CUSTOMER MISBILLING CAUSED BY NON-CONTACT
17 EMPLOYEES.

18
19 Q. HOW WAS THIS INVESTIGATION CONDUCTED?

20

21 A. AT THE DIRECTION AND UNDER THE SUPERVISION OF THE
22 LEGAL DEPARTMENT, THE SECURITY DEPARTMENT CONTINUED
23 WITH ITS INVESTIGATION IN THE ORLANDO AREA. IN
24 ADDITION, THE INTERNAL AUDITING ORGANIZATION WAS
25 CALLED UPON TO IDENTIFY OTHER LOCATIONS IN THE STATE

1 WITH HIGH VOLUME SALES OF SEQ1X BY NETWORK
2 EMPLOYEES. THIS PROCESS BECAME PART OF THE SCOPE OF
3 THE AUDIT THAT WAS SUBSEQUENTLY CONDUCTED BETWEEN
4 OCTOBER AND DECEMBER OF 1990. THE PURPOSE OF THIS
5 AUDIT WAS TO REVIEW THE CONTROLS OVER THE VALIDITY
6 OF NON-CONTACT SALES AND THE ADMINISTRATION OF AWARD
7 PROGRAMS. I CONDUCTED THIS AUDIT.

8
9 CONCURRENTLY, COORDINATION EFFORTS BEGAN WITH THE
10 COMPTROLLERS DEPARTMENT AND OTHER GROUPS TO PREPARE
11 A COMPUTER PROGRAM THAT WOULD EXTRACT ACTUAL SERVICE
12 ORDER DATA FOR THOSE EMPLOYEES WHO WOULD BE
13 IDENTIFIED AS HIGH SELLERS OF SEQ1X. THESE DATA
14 WERE TO BE USED TO CONTACT SUBSCRIBERS TO DETERMINE
15 IF THEY HAD AUTHORIZED BILLING OF SEQ1X.

16

17 Q. WHAT PROCESS WAS USED TO IDENTIFY EMPLOYEES WHO
18 MIGHT HAVE ISSUED ORDERS FOR UNAUTHORIZED SALES?

19

20 A. THE INITIAL INVESTIGATION OF THE TWO ORLANDO
21 EMPLOYEES INDICATED THAT THEY HAD ACCUMULATED
22 EXTREMELY HIGH SALES OF SEQ1X DURING 1988 AND 1989.
23 BASED ON THE INFORMATION GAINED FROM THE ORLANDO
24 INVESTIGATION, WE SEARCHED FOR OTHER EMPLOYEES WITH
25 HIGH LEVELS OF NON-CONTACT SALES.

1
2 TO PUT WHAT WE DID IN PERSPECTIVE, LET ME BRIEFLY
3 OUTLINE THE PROCESS FOR ORDER ISSUANCE AND
4 SUBSEQUENT TRACKING OF RESULTS IN THE NON-CONTACT
5 SALES PROGRAM. SALES WERE NEGOTIATED WITH CUSTOMERS
6 BY NETWORK EMPLOYEES AND FORWARDED TO CUSTOMER
7 SERVICES VIA NSRS FOR ORDER INPUT. CUSTOMER
8 SERVICES PERSONNEL INPUT THE SERVICE ORDER
9 INFORMATION, INCLUDING THE NETWORK EMPLOYEE'S SALES
10 CODE. UPON COMPLETION OF SERVICE ORDERS IN THE
11 CUSTOMER RECORD INFORMATION SYSTEM, THE TOTAL
12 SERVICES SOLD AND ASSOCIATED REVENUES WERE
13 ACCUMULATED FOR TRACKING PURPOSES ON THE CUSTOMER
14 SERVICES SALES REPORT, FORM 2011A. THE 2011A
15 TRACKED SALES RESULTS BY INDIVIDUAL EMPLOYEE SALES
16 CODE AND ALSO SUMMARIZED THE RESULTS BY MANAGEMENT
17 LEVEL. HIGH SELLERS OF SEQ1X WERE THUS IDENTIFIED
18 BY REVIEWING 2011AS. RESULTS AT THE DISTRICT LEVEL
19 WERE ANALYZED FIRST. REPORTS FOR SECOND LEVEL AND
20 FIRST LEVEL MANAGERS (PAYGRADES 5, 3) AND INDIVIDUAL
21 NON-MANAGEMENT EMPLOYEE SALES CODES WERE ANALYZED
22 NEXT TO IDENTIFY INSTANCES OF HIGH SALES AND TO
23 DETERMINE IF SALES WERE CONCENTRATED IN PARTICULAR
24 GROUPS OR SPECIFIC INDIVIDUALS. THERE WAS NO
25 SPECIFIC DOLLAR AMOUNT USED AS A CRITERION; RELATIVE

1 LEVELS OF SALES WAS THE PERTINENT CONSIDERATION.
2 BASED ON COMPANY RECORDS, EMPLOYEE NAMES WERE
3 ASSOCIATED WITH THE SALES CODES PROVIDED BY THE
4 DISTRICTS. AFTER THIS LIST WAS COMPILED AND
5 REFERRED TO THE LEGAL DEPARTMENT, DISTRICTS WITH
6 LOWER RESULTS WERE ALSO ANALYZED AND A SECOND LIST
7 WAS COMPILED AND PROVIDED TO THE LEGAL DEPARTMENT.

8
9 ADDITIONAL ANALYSIS WAS PERFORMED FOR SALES MADE
10 UNDER THE GOLDLINE REFERRAL PROGRAM, WHICH HAD
11 REPLACED ALL NON-CONTACT SALES PROGRAMS IN 1990.
12 THE FLORIDA GOLDLINE REFERRAL PROGRAM ESTABLISHED A
13 CENTRALIZED GROUP TO HANDLE SALES REFERRALS FROM ALL
14 NON-CONTACT EMPLOYEES. GOLDLINE INCLUDED PROCEDURES
15 FOR CALLING THE CUSTOMERS TO VERIFY AND CLOSE THE
16 SALE AFTER REFERRAL BY THE EMPLOYEE. A LIST OF
17 EMPLOYEES WHO HAD 50% OR MORE OF THEIR REFERRALS TO
18 GOLDLINE REJECTED WAS ALSO PROVIDED TO THE LEGAL
19 DEPARTMENT.

20

21 Q. WHAT DID THE COMPANY DO NEXT?

22

23 A. THE INFORMATION DERIVED FROM MY ANALYSIS WAS
24 PROVIDED TO THE LEGAL AND SECURITY DEPARTMENTS.
25 THEY THEN INTERVIEWED INDIVIDUALS BELIEVED TO HAVE

1 PERTINENT INFORMATION ON THESE MATTERS. IN
2 ADDITION, THE COMPANY CALLED CUSTOMERS WHO HAD
3 SERVICES ADDED TO THEIR BILLS BY NON-CONTACT SALES
4 EMPLOYEES. THE PURPOSE OF THESE CALLS WAS TO ASK
5 THE CUSTOMERS IF THEY REMEMBERED ORDERING THE
6 SERVICES IN QUESTION.

7

8 Q. WHAT WAS THE RESULT OF THE COMPANY'S INVESTIGATION?

9

10 A. THE COMPANY DETERMINED THAT THREE CRAFT EMPLOYEES,
11 TWO FROM THE ORLANDO DISTRICT AND ONE FROM THE WEST
12 PALM BEACH DISTRICT, HAD ADDED SEQIX TO CUSTOMER
13 ACCOUNTS WITHOUT THEIR KNOWLEDGE. THE SALES CODE OF
14 A FOURTH EMPLOYEE WAS ALSO USED IN CONNECTION WITH
15 UNAUTHORIZED SALES. THIS WAS PROBABLY DONE BY ONE
16 OF THE DISCIPLINED EMPLOYEES AND WITHOUT THE FOURTH
17 EMPLOYEE'S KNOWLEDGE. THE FIRST THREE EMPLOYEES
18 WERE TERMINATED AS WERE ONE PAYGRADE 3 MANAGER IN
19 ORLANDO AND ONE PAYGRADE 5 MANAGER IN WEST PALM
20 BEACH. THE COMPANY DID NOT FIND ANY EVIDENCE OF
21 IMPROPRIETY AMONG THE OTHER 2300 EMPLOYEES WHO WERE
22 ELIGIBLE TO PARTICIPATE IN THE COMPANY'S NON-
23 CONTACT SALES PROGRAM.

24

25 Q. DID SOUTHERN BELL HAVE CONTROLS IN PLACE THAT SHOULD

1 HAVE PREVENTED THE ABUSE OF THE NON-CONTACT SALES
2 PROGRAM THAT OCCURRED?
3
4 A. YES. SOUTHERN BELL HAD IN PLACE A NUMBER OF
5 CONTROLS THAT SHOULD HAVE ALERTED LOCAL MANAGEMENT
6 TO ANY ABUSE OF THE NON-CONTACT SALES PROGRAM. FOR
7 EXAMPLE, A REVIEW OF THE RESULTS SHOWN ON THE 2011A
8 FORMS SHOULD HAVE PROMPTED INQUIRIES BY MANAGEMENT
9 AS TO WHY A FEW EMPLOYEES HAD MUCH HIGHER SALES
10 LEVELS THAN ALL OTHER EMPLOYEES. THESE SAME FORMS
11 WERE PROVIDED TO AREA NETWORK SALES COORDINATORS WHO
12 SHOULD HAVE INQUIRED AS TO WHY SOME SALES LEVELS
13 WERE SIGNIFICANTLY HIGHER THAN OTHERS. IN ADDITION,
14 CUSTOMER SERVICE PERSONNEL RESPONSIBLE FOR INPUTTING
15 THE NSRS SHOULD HAVE RECOGNIZED ABNORMALLY HIGH
16 VOLUMES OF SALES FOR PARTICULAR EMPLOYEES, OR OTHER
17 UNUSUAL TRENDS, AND REPORTED THESE TO THEIR
18 MANAGEMENT TO INVESTIGATE. FINALLY, SINCE INSIDE
19 WIRE WAS, THROUGHOUT THIS PERIOD, ITEMIZED MONTHLY
20 ON CUSTOMER BILLS, CUSTOMERS THEMSELVES COULD HAVE
21 IDENTIFIED ERRORS AND BROUGHT THEM TO SOUTHERN
22 BELL'S ATTENTION. THIS LAST MEASURE, OF COURSE,
23 SHOULD NOT HAVE BEEN NECESSARY, BUT IT DID GIVE US
24 ANOTHER OPPORTUNITY TO DETECT AND CORRECT ANY ERRORS
25 IN BILLING.

1
2 THERE CAN BE NO QUESTION THAT, EVEN IN AN
3 ENVIRONMENT THAT IS ADEQUATELY CONTROLLED, THERE IS
4 A POTENTIAL FOR NOT DETECTING INTENTIONAL DISREGARD
5 OF ESTABLISHED PROCEDURES. IT IS NOT POSSIBLE FOR A
6 BUSINESS TO VERIFY THE DETAILS OF EVERY TRANSACTION
7 ENGAGED IN BY AN EMPLOYEE. THE FACT IS, HOWEVER,
8 THAT THE CONTROLS SOUTHERN BELL HAD IN PLACE DID
9 ALLOW IT TO IDENTIFY THE THREE EMPLOYEES WHO
10 INTENTIONALLY ADDED SERVICES TO CUSTOMERS' BILLS
11 WITHOUT THE CUSTOMERS' AUTHORIZATION.

12

13 Q. WHAT IS SOUTHERN BELL'S POLICY REGARDING THE
14 OFFERING OF THE LEAST EXPENSIVE SERVICE ALTERNATIVE
15 AVAILABLE TO ITS CUSTOMERS?

16

17 A. SERVICE REPRESENTATIVES ARE REQUIRED TO ADVISE
18 CUSTOMERS OF THE LEAST EXPENSIVE SERVICE ALTERNATIVE
19 AVAILABLE. THIS IS PART OF THEIR FORMAL TRAINING
20 AND IT IS REINFORCED THROUGH ON-THE-JOB TRAINING.
21 SERVICE REPRESENTATIVES ARE RESPONSIBLE FOR
22 IMPARTING ACCURATE AND COMPLETE INFORMATION TO
23 CUSTOMERS WHEN NEGOTIATING ORDERS. IN ADDITION TO
24 DISCLOSING THE LEAST EXPENSIVE SERVICE ALTERNATIVE
25 AVAILABLE, THEY MUST DISCLOSE INFORMATION RELATIVE

1 TO OPTIONAL SERVICES, RATES MUST BE QUOTED FOR
2 SERVICES ORDERED AND INFORMATION NEGOTIATED MUST BE
3 VERIFIED. A CONFIRMATION LETTER IS ALSO SENT TO THE
4 CUSTOMER FOLLOWING SERVICE ORDER ACTIVITY. THE
5 CONFIRMATION LETTER ITEMIZES THE SERVICES ORDERED
6 AND THE ASSOCIATED CHARGES. FURTHER, SERVICES ARE
7 ITEMIZED ON THE CUSTOMER'S MONTHLY BILL. BUSINESS
8 OFFICE MANAGEMENT AND STAFF MANAGEMENT REGULARLY
9 MONITOR ALL SERVICE REPRESENTATIVES TO ENSURE
10 COMPLIANCE WITH THESE REQUIREMENTS, INCLUDING THAT
11 OF INFORMING CUSTOMERS OF THE LEAST EXPENSIVE
12 SERVICE ALTERNATIVE AVAILABLE.

13

14 Q. HAS SOUTHERN BELL MADE CHANGES TO HELP PREVENT THE
15 RECURRENCE OF PROBLEMS WITH NON-CONTACT SALES?

16

17 A. YES. SOUTHERN BELL DISCONTINUED ALL NON-CONTACT
18 SALES AND REFERRAL PROGRAMS EFFECTIVE JULY 1991.

19

20 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

21

22 A. YES.

23

24

25