

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Investigation into SOUTHERN)
BELL TELEPHONE AND TELEGRAPH)
COMPANY's non-contact sales)
practices.)

Docket No. 900960-TL
Filed: February 15, 1993

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DIRECT TESTIMONY

OF

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On Behalf of the Citizens of The State of Florida

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DIRECT TESTIMONY
R. EARL POUCHER
FOR
OFFICE OF PUBLIC COUNSEL
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 900960-TL

Q. Please state your name, business address and title.

A. My name is R. Earl Poucher. My business address is 111 West Madison St., Room 812, Tallahassee, Florida 32399-1400. My title is Legislative Analyst.

Q. Please state your business experience.

A. I graduated from the University of Florida in 1956 and I was employed by Southern Bell in July 1956 as a supervisor-trainee. I retired in 1987. During my career with Southern Bell, I held positions as Forecaster, Gainesville; Business Office Manager, Orlando; District Commercial Manager, Atlanta; General Commercial-Marketing Supervisor, Georgia; Supervisor-Rates and Tariffs, Florida; District Manager-Rates and Tariffs, Georgia; General Rate Administrator, Headquarters; Division Staff Manager--Business Services, Georgia; Profitability Manager-Southeast Region, Business Services; Distribution Manager-Installation, Construction & Maintenance, West Florida and LATA Planning Manager-Florida. In addition,

1 I was assigned to AT&T in 1968 where I worked for three
2 years as Marketing Manager in the Market and Service
3 Plans organization. I joined the Office of Public
4 Counsel in October 1991.

5 Q. Have you ever appeared before this Commission?

6 A. Yes I have. I testified on behalf of Public Counsel in
7 United Telephone's Docket No. 910980-TL on rate case
8 matters and Docket No. 910725-TL on depreciation matters.
9 I testified in GTE Docket 920188-TL on Inside Wire
10 activities. I recently testified for Public Counsel in
11 BellSouth's depreciation Docket No. 920385-TL and I have
12 submitted testimony in the BellSouth Rate Stabilization
13 Docket No. 920260-TL. In addition, as an employee of
14 Southern Bell I testified in rate case and anti-trust
15 dockets before the Public Service Commissions in Georgia
16 and North Carolina. I also participated as the
17 representative of Public Counsel in the negotiations and
18 settlement of the depreciation rates established by the
19 FCC for General Telephone and BellSouth earlier this year
20 and I negotiated the stipulation which settled the
21 General Telephone depreciation docket in August of this
22 year.

23 Q. What is the purpose of your testimony?

24 A. The purpose of my testimony is to describe the sales
25 activities of the Company which have led to the abuse of

1 its customers. I recommend to the Commission a variety
2 of actions which will serve to prevent the recurrence of
3 such activities in the State of Florida in the future.

4 Q. Could you please summarize your testimony?

5 A. During the past several years, Southern Bell's pursuit of
6 increased revenues in the State of Florida has resulted
7 in widespread customer abuse, that was revealed as a
8 result of employee revelations, customer complaints,
9 Public Counsel, PSC, Grand Jury and external litigation.
10 Southern Bell's sales programs were mismanaged. The
11 programs lacked adequate controls to protect the public.
12 Thousands of customers were billed millions of dollars
13 for services they did not order and did not want. The
14 Company ignored clear and compelling signs that there
15 were problems with their sales procedures, opting instead
16 to turn their backs to the problem and to continue to
17 pursue their financial goals, which took priority over
18 service goals during the incentive regulation period.

19

20 When confronted with the green light of Incentive
21 Regulation, the top management of the Company pushed
22 harder for increased revenues from non-traditional
23 sources, placing inordinate pressure on middle and lower
24 management to generate new revenue streams that would
25 place the Florida operation at the top of BellSouth's

1 nine states in terms of earnings. Corporate managers
2 were encouraged to hatch a flurry of revenue stimulation
3 programs that created the opportunity for greed and
4 avarice to take hold and grow in the daily operations of
5 the company. In its rush to increase revenue, **corporate**
6 **management forgot its obligations to the public and its**
7 **customers.** Sales programs were adopted with little
8 regard for controls and audits. While the Company still
9 tries to maintain that the problems in the Florida Sales
10 Scam were the product of a few misguided individuals, **the**
11 **real facts are that this is the worst case of customer**
12 **abuse in the history of the company.**

13

14 Finally, major changes have been implemented during the
15 past year in order to protect the consumer from abuse by
16 the Company and it's personnel. Don't believe Southern
17 Bell when they tell you **THEY** found the problem and **THEY**
18 fixed it. These internal changes were the product of
19 external pressures. Public Counsel, the Attorney
20 General, the Statewide Prosecutor, the Statewide Grand
21 Jury and the threat of action by the Commission in this
22 docket mandated that the Company take strong steps to
23 institute administrative controls over the sales
24 functions. In my opinion, the changes implemented would
25 never have been adopted had it not been for these

1 external pressures. I will discuss later the new
2 procedures which have now been instituted. It goes
3 without saying that if the Company had implemented these
4 controls at the onset, we would not be discussing the
5 subject today.

6
7 The Commission should require the Company to adopt the
8 new procedures implemented by the Company under duress
9 during the past year. **Additional safeguards should be**
10 **ordered, as necessary, to insure that the activities of**
11 **the Company in the future are fully cognizant of the**
12 **rights of its customers to expect fair, honest and**
13 **ethical treatment in their dealings with the Company.**

14
15 **The Commission should penalize the Company for the abuse**
16 **of its customers.** The Commission should send a message
17 that is loud and clear to Southern Bell and any others
18 who might be tempted to abandon their public trust in the
19 future. That message should read, **"If you mistreat,**
20 **abuse, cheat or defraud the citizens of the State of**
21 **Florida, your stockholders will pay dearly for your mis-**
22 **deeds."** This Commission has no real power over the
23 management team of a Company that has abused its public
24 trust. The only effective way to deal with Southern Bell
25 is to impose a penalty of sufficient magnitude to insure

1 that the Company's Board of Directors gets the message
2 and deals properly with the upper echelons of management
3 that allowed those practices to exist.

4 Q. Has the Company been guilty of falsifying its sales and
5 fraudulently billing its customers for services they did
6 not order nor want?

7 A. Yes. The first part of this question deals with the
8 Company. The second part deals with activities of the
9 Company's employees. In a large Company such as Southern
10 Bell, one may assume that, to some extent, some
11 individuals may always be tempted to cheat the Company
12 and/or its customers for personal gain. A process of
13 management controls and audits is absolutely essential to
14 weed out bad actors and deliver clear messages to
15 employees that fraud, theft, customer abuse, fraudulent
16 activities, and other actions which are not in the best
17 interest of the corporation will not be tolerated.

18
19 One may assume that there has always been a small
20 percentage of customer abuse and even fraud in the sales
21 process in Southern Bell. The Company is responsible for
22 each and every such fraud, whether it is one, or a
23 million. However, when each and every case of fraud,
24 abuse or falsification is not vigorously ferreted out,
25 then the Company should be held liable for its failure to

1 properly manage the business with the best interest of
2 its customers in mind. Widespread customer abuse and
3 fraud has been allowed to grow and mature during the late
4 1980's and into the 1990's because of the mismanagement
5 of the sales and service process in Southern Bell.

6
7 Further, many of the excessive "sales" activities of the
8 Company were conducted by Network service personnel in a
9 "boiler room" environment. The activities of these
10 special sales teams reduced the Company's capabilities of
11 providing basic services to its customers.

12
13 To restate it more simply, the Company is responsible for
14 the failure of its management team in Florida to correct
15 abusive sales practices that were allowed to exist
16 between 1987 and 1990.

17 Q. Do you have proof that the customer abuses you have
18 identified really happened?

19 A. Yes. There is no question that it happened. The only
20 questions are why it happened and to what extent the
21 abuses occurred. The Statewide Grand Jury report dated
22 September 16, 1992 states: "Southern Bell created,
23 promoted and sustained an atmosphere that served to
24 foster and reward certain fraudulent practices...We
25 believe that the Company countenanced the conception of

1 a culture that allowed corporate executives to look the
2 other way when the specter of consumer fraud stared them
3 in the face." [REP-1, pg. 2].

4
5 The Company settled its case with the Statewide
6 Prosecutor by agreeing to make \$10.5 million of refunds
7 to customers who were targeted by the Network Sales
8 programs between 1987 and 1991. In addition, double
9 billing of customers for inside wire maintenance was
10 uncovered as a result of the audit, and the Company
11 agreed to a \$1.7 million rebate to those customers. Both
12 of these rebate programs are in addition to rebates which
13 were already processed by the Company during 1991 and
14 1992. [REP-3]

15
16 The Company's own security investigation, conducted in
17 Orlando between June 26 and October 3, 1990 [REP-4]
18 resulted in the termination of three employees due to the
19 falsification of sales. In addition, three managers were
20 suspended and five other managers were disciplined. Two
21 employees admitted that they alone falsified the majority
22 of 44,000 sales they had processed in Orlando.

1 The BellSouth Internal Audit that began in Florida on
2 October 16, 1990, stated:

3 "Some Network employees took credit for sales of
4 SEQ1X that they did not negotiate with customers.
5 Customers were unaware that they had the service on
6 their records or were paying for it...This was
7 caused by a lack of employee integrity, the failure
8 of the Network field management to review or verify
9 sales, and the absence of reviews conducted by the
10 Network Sector Staff and the absence of guidelines
11 for field review. It resulted in thousands of
12 customers being billed for services in error and a
13 subsequent correction effort that was very costly."

14 (emphasis added)

15 Q. What is the relevance of SEQ1X?

16 A. SEQ1X is the billing code for the latest Inside Wire
17 Maintenance plan offered by the Company. It includes
18 maintenance of inside wiring and jacks, plus the
19 isolation of troubles for \$2.50 per month. WMR is the
20 code for the original inside wire maintenance service,
21 which included only wiring and jacks. WMQ is the code
22 for the original trouble isolation service, which was
23 originally offered separately. When the \$2.50 per month
24 Service Plan (SEQ1X) was introduced, the separately
25 priced plans were grandfathered and no longer offered to

1 new subscribers.

2

3 In addition to the revelation that the Network sales
4 program resulted in customer abuse, **the audit contained**
5 **eleven "Significant Adverse Findings"** relating to the
6 sales programs conducted in Florida during the incentive
7 regulation period. The report was released on February
8 6, 1991. Similar audits conducted in Georgia and North
9 Carolina during the same time period were deemed to be
10 satisfactory by the Internal Auditor. Georgia and North
11 Carolina did not have incentive regulation during the
12 period studied; Florida did. [REP-13]

13 Q. Were employees disciplined because of the audit?

14 A. Yes. As a result of the Company's various
15 investigations, **forty four Company employees have been**
16 **disciplined** for improper sales activities [REP-6].
17 Twenty six Service Representatives have been disciplined,
18 three of which were terminated. In Network, at least two
19 managers were terminated and a total of twelve managers
20 were disciplined for sales abuses. In addition, six
21 Network craftpersons have been terminated for sales
22 abuse. An unknown number of management personnel retired
23 prior to the application of the discipline, such as the
24 General Manager-Network in charge of Southeast Florida
25 where boiler rooms prevailed and significant sales

1 falsifications were identified. In addition, all of the
2 Network General Managers in charge of operations were
3 disciplined, but it is not entirely clear whether their
4 discipline related to sales abuse, falsification of
5 repair records, or both. Mr. C. J. Sanders, Vice-
6 President Network--South Area, a witness subpoenaed by
7 Public Counsel, can speak to that subject, since he
8 administered the discipline.

9

10 When you consider a grand jury report, a Florida Security
11 Investigation, a BellSouth Internal Audit, discipline of
12 44 people, 11 terminations and approximately \$20 million
13 of refunds, I believe it is correct to assume that the
14 Company was responsible for the billing of services not
15 ordered by their subscribers.

16 Q. Were there indications of customer abuse in the sales
17 process?

18 A. The answer to that question, I believe, is that **a simple,**
19 **inquiring mind could have easily suspected consumer fraud**
20 **and abuse in Florida's Network organization.** A minimal
21 effort could have detected it during the Incentive
22 Regulation time frame. If Florida's top management was
23 unaware of the problem of consumer abuse and
24 falsification of records, then **they chose not to look.**

1 Q. Do you have any examples?

2 A. Yes. The Company sales coordinators, as part of their
3 job, produced a continuous stream of employee
4 information dealing with sales programs, prizes, contest
5 rules, weekly and monthly results, which were distributed
6 to all levels of the organization, covered in group
7 meetings and posted prominently on Company bulletin
8 boards. Exhibit, REP-7A, is a sampling of those reports,
9 which was used to "motivate the troops" to respond to the
10 various sales programs conducted by the Company.

11

12 These reports show **massive inconsistencies** between the
13 sales results of each of the operational entities under
14 the various General Managers. For instance, page 1 of
15 this report shows that the Orlando Operations Manager's
16 group sold \$38,427 of revenue in one month, accounting
17 for 73 percent of the sales in all of North Florida. An
18 inquiring mind would want to know how he did it. Why
19 couldn't the other nine Operations Managers equal this
20 success? If they could do as well, it would have
21 produced \$340,000 a month in additional revenue.

22

23 An inquiring mind could have easily determined that the
24 Orlando Operations Manager's operation was different. It
25 included "boiler room" sales, a number of dedicated

1 network personnel working full time on "sales", who were
2 adding many services to customer bills without the
3 customer's knowledge and consent. Surely, someone in the
4 corporation must have been interested in learning the
5 secret for success of the Orlando Operations Manager.

6
7 The final results of that 1989 statewide contest are
8 shown in Exhibit REP-7B. The total Network organization
9 in Florida generated \$2 million in "sales", 25% of them
10 from the Orlando Operations Manager. Two of his
11 individuals "sold" \$185,000 in new services. Both
12 employees later admitted to falsifying their sales and
13 named their manager as the person who suggested the
14 procedure. Surely, someone should have been interested
15 in the reasons for the phenomenal success of Marsha
16 Taylor, who was supposed to be working in the Maintenance
17 Center. She produced 10 times more sales than the
18 runner-up in the contest and 140 times the sales of the
19 third place finisher.

20
21 Then, one must also consider the case of Mr. George
22 Sloan, who was supposed to be a Services Technician in
23 Orlando Network. He was selling at the rate of \$1000 per
24 day of revenue. That equates to 66 successful sales
25 every day of the contest from June 1 through December 31.

1 Mr. Sloan's sales were predominantly maintenance plan
2 sales, which resulted in an average of \$15.00 per sale
3 (six months' revenue).

4
5 Surely someone must have been interested in Mr. Sloan's
6 phenomenal success which equalled 13 percent of his
7 entire Network organization in North Florida and 6.5
8 percent of the entire state. Of course, Mr. Sloan had a
9 simple solution. According to his signed statement,
10 [REP-4], **During this period (March 1989-May 1990), I only**
11 **submitted unauthorized referrals on the upgrade of the**
12 **Maintenance Plan.** All other sales referrals that I
13 submitted on Custom Calling features or RingMaster were
14 actual sales from a customer contact." The analysis of
15 Mr. Sloan's sales in this investigation indicated that he
16 sold 25,292 Wiring Maintenance Plans and 119 other
17 services.

18
19 Mr. Sloan's statement describes how he was introduced to
20 the concept of **"assumptive sales"**. He stated, "My
21 supervisor...came to me..to discuss my low sales. He
22 suggested that one way to increase my sales was to review
23 customer records and find those subscribers that have
24 only the Inside Wiring and Jacks Plan (WMR) and upgrade
25 them to the full Maintenance Plan (SEQ1X), **without making**

1 **a sales contact with the subscriber.** He stated that the
2 subscriber really needed the upgrade, and it would only
3 cost them an extra \$1.00 per month that they would not
4 notice on their bill."

5
6 According to the security investigation conducted in
7 Orlando, instructions were given in late June, 1990, that
8 all sales in the Orlando Network Division would be
9 referred through GoldLine (requiring Service
10 Representative contact with the customer). This simple
11 procedure put a stop to the falsification of Network
12 sales in Florida. The sales printouts for July, August
13 and September, 1990, reflect that the total sales
14 submitted by employee Sloan was eight Wiring Maintenance
15 Plans.

16
17 Exhibit REP-7C is an example of weekly sales results,
18 which show not only the wide variation of results in
19 sales, but also the continuous prodding by network
20 managers who were urging their forces to increase their
21 sales. Salary bonuses for Southern Bell managers are
22 based, in part, on achieving the financial objectives of
23 the Company. The sales revenue generated by Network was
24 seen as a major factor in that process.

25

1 The North Florida Network General Manager was also on top
2 of the sales results. The General Manager's motivational
3 memo in March 1989 included the following revealing
4 statement regarding the February results, "Orlando
5 strikes again!!" [REP-7D]

6
7 Sales results were distributed throughout the
8 organization, listing individual and group sales. Casual
9 review of the August report in Orlando for the NFL Sales
10 contest [REP-8A, pg. 1] shows the same two names, Sloan
11 and Taylor, as conspicuously different than the rest of
12 the organization. Again, in November, Sloan and Taylor
13 are on top of the list [REP-8B, pg. 1]. No one else was
14 close. Why were they so successful? Did anyone ask?

15
16 Q. Was the problem confined to Orlando?

17 A. No. Forty four employees were disciplined throughout the
18 state. However, since the investigation centered only on
19 the highest volume sellers, there may well be other
20 employees who participated in the falsification of sales.

21
22 West Palm Beach also had a major problem that first
23 surfaced in 1988 and 1989 but was ignored after being
24 referred to Network. West Palm Operations Manager L. E.
25 Mixon's statement to Security in late 1990 stated:

1 **"It is my sense that maybe the incentive awards**
2 **drove the behavior that resulted in this problem.**
3 **The other sales driver was the higher management**
4 **motivation to enhance revenue."**

5

6 **In West Palm Beach, one service technician alone produced**
7 **54,000 "sales" in 1988 and 1989, all of which were later**
8 **refunded.**

9

10 The Network Sales Coordinator for the area, Liz Sutton,
11 was notified of bogus sales on November 17, 1989,
12 however, nothing was ever done until the BellSouth
13 Security Audit in late 1990.

14 Q. How was it possible that such large numbers of customers
15 were upgraded without their consent? Wouldn't there have
16 been complaints?

17 A. There are a number of reasons to explain how it happened.
18 First, Wiring Plans required no installation charges.
19 Customers could be upgraded without an installation or a
20 service order charge, that would be more easily detected
21 on a bill. Second, the Company was only required by the
22 PSC to itemize its billing once a year, and customers
23 were very likely to miss the charge. Third, most
24 customers are totally ignorant regarding the plethora of
25 charges they find on their bills which include access

1 charges, basic services, miscellaneous services, wiring
2 plans and various taxes. It is not unusual to find new
3 charges added to bills for services which the customers
4 did not order or want, i.e. access charges, 911 or local
5 taxes. Fourth, I believe there was an inherent trust
6 that Southern Bell enjoyed with its customers in the past
7 that would have caused them to assume the Company's bills
8 were correct. Finally, my discussions with customers who
9 have complained to the Office of Public Counsel leads me
10 to the conclusion that consumers seldom, if ever, read
11 their bills closely. This is why we have recommended
12 monthly itemizations in order to help curb the types of
13 customer abuse which occurred in Southern Bell.

14 Q. When did the Company investigate to determine if there
15 were problems in the sales programs?

16 A. The Company's Executive Instructions require that any
17 evidence of falsifying records, theft or fraud be
18 referred to the Security Department for investigation.
19 The initial Security Investigation was requested by the
20 Orlando Operations Manager in June of 1990 after the
21 Business Office in Brooksville had forwarded complaints
22 about numerous cases of unauthorized sales to Brooksville
23 subscribers. The Orlando investigation was completed in
24 October 1990 [REP-4], followed by a BellSouth Internal
25 Audit in all four states in late 1990 [REP-5].

1 Q. Did Network ask for the Security Investigation?

2 A. Yes. The Orlando Network Operations Manager requested
3 the investigation. However, before you congratulate
4 Network on its attention to ethics, you might look again
5 at Exhibits REP-8A and REP-8B. These exhibits show just
6 two of the monthly reports sent to the same Orlando
7 Network Operations Manager over at least a two year
8 period. The fraudulent sales dominate these reports.

9

10 It is safe to assume, I believe, that if the Orlando
11 Network Operations Manager had not notified Security,
12 that the Brooksville Manager would have done so.

13 Q. What were the results of the BellSouth Internal Audit?

14 A. The Company audits of Georgia and North Carolina, states
15 not subject to incentive regulation, were determined to
16 be "Satisfactory with Findings". **The audit of Florida,**
17 **which is under incentive regulation, was "Unsatisfactory**
18 **with Findings."**

19 Q. What does that mean?

20 A. The Florida audit uncovered major problems. The findings
21 of the audit included eleven specific and documented
22 conditions or activities which were unsatisfactory. The
23 Company's Executive Instructions require that each
24 finding be addressed by the responsible departments and
25 that corrective action be documented.

1 Q. Does the BellSouth Internal Audit support your contention
2 that customers were billed for services they did not
3 order and did not want?

4 A. The audit, Finding 1 [REP-5, pg. 6] stated:

5 "THE VALIDITY OF NETWORK SALES WAS NOT WELL
6 CONTROLLED. Some Network employees took credit for
7 sales of SEQ1X (Inside Wire Service Plan) that they
8 did not negotiate with customers."

9

10 This is an understatement if there ever was one. From
11 1987 until 1990, there was no sales verification program
12 of any type that I was able to discover in the Network
13 organization. Through the review of thousands of
14 documents, I have yet to find any evidence that Network
15 verified any of its sales. Network operations managers
16 had no instructions which I could discover that included
17 the control and administration of sales efforts. The
18 sales coordinators did not view it as part of their job
19 to insure that sales were accurate and honest, assuming
20 that local managers would deal with those
21 responsibilities. **When improper sales were referred to**
22 **Liz Sutton, the Network coordinator, she simply referred**
23 **them to the local managers for handling.** When improper
24 sales were first uncovered in West Palm Beach by the
25 Business Office, the problem was simply referred to the

1 Network organization for handling. Later, in West Palm
2 Beach, the Business Office refused to input Network sales
3 because they felt the sales were not valid, the Network
4 organization was able to first input their own service
5 orders, and later, it was arranged for Telemarketing to
6 input the service orders, thus bypassing the Business
7 Office entirely. Finally, when the Operations Manager in
8 charge of Customer Services in West Palm Beach notified
9 his General Manager in charge of all South and Southeast
10 Florida Customer Services that he felt Network was
11 falsifying its sales, the General Manager forgot the
12 conversation and did nothing.

13
14 The South Florida Network organization had terminated
15 several employees for falsification of sales in 1987.
16 The need for controls and audit procedures should have
17 been identified at that time by higher management and
18 implemented throughout the state.

19
20 **The absence of solid controls and procedures contributed**
21 **to a loose operation that accommodated and allowed**
22 **customer abuse to occur. It also created other problems.**

1 Finding 2 of the Company audit revealed the following:

2 **"NETWORK EMPLOYEES RECEIVED ADDITIONAL SALES CREDIT**
3 **FOR SEQ1X IN ERROR."** [REP-5, pg. 7]

4

5 The absence of adequate procedures for sales order
6 processing by Network resulted in Network employees
7 receiving more credit for sales than they deserved.

8 Q. Were other problems uncovered relating to the absence of
9 proper controls?

10 A. Yes. The Company found out after the audit that
11 approximately 24,000 access lines were improperly billed
12 for Inside Wire Maintenance Plans that included double
13 billing and other errors. **The Company had to refund**
14 **almost \$2 million to customers who were double billed.**
15 Exhibit REP-14 is an example of the printouts which
16 clearly demonstrate that the billing system allowed
17 customers to be billed more than once for the same
18 maintenance plan. It's hard to believe that the billing
19 system failed to have edits to preclude double billing
20 for the same service (USOC--Universal Service Order Code,
21 i.e. SEQ1X). Of equal concern is the fact that the first
22 Maintenance Plans (WMR and WMQ) were grandfathered when
23 the combined plan, SEQ1X, was offered. **However, there**
24 **were no edits to preclude double billing for old and new**
25 **plans.** Exhibit REP-15 is an explanation of the problem

1 and a request for edits to avoid the problem in the
2 future.

3
4 The absence of edits to preclude double billing
5 contributed significantly to Florida's billing problems.
6 The Network organization used a maintenance record called
7 the DLR (Display Line Record) for many of its boiler room
8 sales efforts. The DLR records were intended for
9 maintenance use only. They were not extracted from the
10 billing system and the records were out of date and
11 inaccurate. Network personnel who were processing
12 thousands of upgrade orders for Wire Maintenance Plans
13 may have unwittingly added services to customer accounts
14 which resulted in double billing. **Florida's 24,000**
15 **errors constituted 70% of Southern Bell's total billing**
16 **errors**, so it is safe to assume that something unusual
17 was happening in Florida. Double billing caused no
18 problems for the Company. It was only the customer who
19 suffered.

20
21 In addition, the Company audit revealed that tax "gross-
22 up", (reporting employee tax liability) was not submitted
23 as required and that sales points were improperly traded
24 between employees.

25 Q. Were there other findings that indicated there was a lack

1 of controls?

2 A. Yes. Finding 3 [REP-5, pg. 8] stated the following:

3 "THERE WAS NO COMPANY POLICY THAT CLEARLY DEFINED
4 THE ROLE OF NETWORK EMPLOYEES IN THE SALES
5 ENVIRONMENT."

6

7 The audit found that there was no official sales
8 training for Network employees, who received little or no
9 guidance. There was no consistency relative to the sales
10 effort among the Districts. **Network employees lacked**
11 **proper training, guidance and staff support.** This
12 portion of the audit revealed that there were groups of
13 Network employees or individuals assigned to sales for
14 extended periods of time.

15 Q. Please describe the various sales plans introduced by the
16 Company.

17 A. The Company Security investigation revealed eight sales
18 programs which are listed in Exhibit REP-9. These
19 programs were used by the Network organization from 1987
20 through 1991 to generate sales revenue from non-
21 traditional sources, which are Marketing, Telemarketing
22 and Customer Services. These programs were generally
23 labeled Non-Contact Sales, since they involved
24 organizations and personnel who did not have direct
25 responsibilities for sales.

1 The most prominent programs during the 87-91 time frame
2 are as follows:

3	1987	YOUR MARKETING IMAGINATION	REP-10A
4	1988	IN PURSUIT OF PROFITS	REP-10B
5	1989	THE ULTIMATE CHALLENGE	REP-10C
6	1990-91	FLORIDA GOLDLINE	REP-10D

7

8 Non-Contact Sales programs are implemented by
9 headquarters or state operations under executive
10 instructions which are published at the headquarters
11 level. Each program could have "spurt" contests that
12 added additional incentives for sales during the normal
13 course of the contest. Employees were tempted by a wide
14 variety of prizes and awards available to contest
15 winners. Prizes generally consisted of merchandise or
16 catalog sales items awarded to individuals based on
17 points earned from sales. During the 1987 to 1991 time
18 frame, awards have included **pool tables, camcorders,**
19 **television sets, VCRs, computers and Caribbean cruises.**
20 In most of the contests conducted during the 1987-1989
21 period, managers and supervisors received additional
22 awards based the sales of the people reporting to them.
23 Exhibit REP-11 shows the total amount of awards which
24 Marsha Taylor earned in 1988 and 1989, which totaled
25 \$10,467.

1 Q. What was the customary credit received by the technician
2 for sales?

3 A. During 1987-89 most of the plans specified a 10% credit
4 of six months of revenue for the item sold, which was
5 redeemable for merchandise. This credit applied when the
6 employee negotiated the sale. When sales were referred
7 to the Business Office for completion with the customer,
8 only 5% of the revenue was credited. Network employees
9 were thus provided a powerful incentive to "negotiate"
10 the sale in its entirety without referral to the Business
11 Office, because they received twice the credit.

12 Q. Did management share in the awards?

13 A. The first three levels of management received credit for
14 percentages of the sales, so the more sales that were
15 reported by the individuals in a manager's organization,
16 the more prizes were available to the managers. When
17 George Sloan was generating \$1000 per day in bogus sales,
18 he was also "earning" \$100 per day in merchandise and his
19 managers were earning \$60 per day from his efforts alone.

20 Q. So the sales abuses were created by a combination of
21 factors?

22 A. Definitely. As the Network organization produced
23 significant new "sales" revenues, the corporate financial
24 goals were enhanced. In BellSouth, a portion of every
25 manager's salary is based on corporate profits. Manager

1 bonuses, which are called Team Incentive Awards, are
2 based on achievement of service and financial objectives
3 established for the state as a whole. **Every manager in**
4 **the state benefitted from Network's bogus sales.**

5 Q. Is there some significance to the fact that Florida
6 management was receiving salary bonuses due, in part, to
7 the Network Sales?

8 A. Yes. The large volume of falsified sales processed in
9 1988 and 1989 produced some complaints and suspicions.
10 However, time after time, the problems were simply
11 relayed to the local managers and subsequently forgotten.
12 **The mindset of the Company was riveted on the revenue**
13 **stream, as opposed to the validity of the sales process.**

14

15 The individuals making the Network "sales" and their
16 managers also received thousands of dollars in
17 merchandise and incentives, which was another factor in
18 the spread of the practice of reporting sales without
19 contacting the customer.

20 Q. You mentioned a cruise. Was this also available?

21 A. The Florida Cup Challenge in 1987 resulted in a Caribbean
22 sailboat cruise for prize winners and top management
23 which cost \$86,000. In 1990, a Dodge Shadow was awarded
24 as part of the prize structure.

25 Q. Were there controls on the amount of money the Company

1 could spend?

2 A. The Company's executive instructions contain a policy
3 statement that limits incentive awards to .3% of the
4 organization's management salaries. However, the
5 management salaries of Network, for instance, have no
6 relationship to the revenue requirements of a vertical
7 service (i.e. Custom Calling) offered under the Company's
8 tariffs. I was unable to discover any checks and
9 balances between the expenses incurred for sales programs
10 and the prices established for the products sold. Since
11 corporate Product Managers have no control over the
12 programs implemented in Florida, there is no way they can
13 adequately control the expenses of their products. The
14 Company audit stated the following in regard to controls
15 on expenses:

16 "AWARD BUDGETS AND SALES EXPENSES WERE NOT ACCURATE
17 OR MONITORED." [REP-5, pg. 14]

18 "CONTROLS OVER ESTABLISHING AWARD BUDGETS WERE
19 WEAK." [REP-5, pg. 14]

20 "CONTROLS OVER MONITORING SALES EXPENSES WERE
21 WEAK." [REP-5, pg 16]

1 **"AWARD PLANS EXIST WHICH WERE NOT IN ACCORDANCE**
2 **WITH COMPANY GUIDELINES."** [REP-5, pg.17]

3 **"AWARD PLANS WERE SUBMITTED WITH INCOMPLETE AND**
4 **INCORRECT INFORMATION AND WERE NOT TIMELY."**
5 [REP-5, pg. 18]

6 **"CONTROLS OVER ACCURACY OF REVENUE CREDIT WERE**
7 **WEAK."** [REP-5, pg. 18]

8 Q. Were there any other significant findings?

9 A. The audit revealed the following in relation to the
10 charging of time to non-regulated activities of the
11 company:

12 **"TIME SPENT FOR THE SALE OF SEQ1X WAS NOT BEING**
13 **CHARGED TO NON-REGULATED JFCs (JOB FUNCTION**
14 **CODES)."** [REP-5, pg. 11]

15 Q. Was the finding regarding non-regulated time a minor or
16 major problem?

17 A. The findings in this audit were labeled "Significant
18 Adverse Findings". I don't believe I can adequately
19 describe how bad this part of the audit really is. It's
20 on pages 11 and 12 of Exhibit REP-5. My overall review
21 indicates numerous corporate errors prevented the hours
22 spent on the sale of non-regulated inside wire services
23 from being charged to the non-regulated books of the
24 Company.

25

1 This problem existed before 1988 when it was recognized
2 by Network Operations, but a Company letter on the
3 subject appears to have failed to insure proper charging
4 for non-regulatory sales expense until the conclusion of
5 the audit in December 1990. Since one sample showed that
6 67% of the Network sales were for Inside Wire Maintenance
7 Plans, it is safe to conclude that all of this expense
8 was charged to the regulated entity during the Incentive
9 Regulation period.

10 Q. Were any attempts made to correct the Company books?

11 A. I have read one of the post-audit documents that
12 indicates the Company was attempting to correct its 1990
13 books to reflect the expenses for the investigation as
14 well as to capture some of their boiler room expenses.
15 It is highly unlikely that anyone knows how much time the
16 3,000 Network employees involved in the sales program
17 spent on unregulated sales from 1987 through 1991.

18

19 Q. Why is this portion of the audit important?

20 A. Basic Inside Wire was the first product this Commission
21 deregulated. Southern Bell, along with the other
22 regulated telephone companies, was given the opportunity
23 to provide inside wire installation and maintenance
24 services without the restrictions of regulation. At that
25 time, all of the companies were allowed to keep all of

1 the profits and establish prices based on what the
2 traffic would bear. Southern Bell's audit shows that **the**
3 **regulated books were being charged for Network's wage**
4 **expense while the employees were engaged in non-regulated**
5 **sales.** The audit, is an extra-ordinary event. Without
6 the audit, Southern Bell would still probably be charging
7 their time improperly. Two months after the conclusion
8 of the audit in December 1990, a corporate message was
9 distributed, stating, "We have been ordered by the
10 Florida Public Service Commission to charge the costs
11 involved in the inside wire investigation to non-
12 regulated services." Obviously, the proper allocation of
13 non-regulated expenses was a very low priority within the
14 Company.

15 Q. Were there any prior indications that there may have been
16 problems with the Company's administration of its sales
17 programs?

18 A. Yes. A 1988 audit [REP-12] leaves the strong impression
19 that **there were significant problems in 1988 at the**
20 **advent of incentive regulation.** This audit revealed the
21 following weaknesses:

22 --There were basic inconsistencies between Southern Bell
23 and BellSouth guidelines. [Pg.3]

24 --Award plan tax forms were not being submitted on a
25 timely basis, as required. [Pg. 4]

1 --Company records of award plans were incomplete because
2 Personnel had failed to release instructions on their
3 preparation. [Pg. 5]

4 --Two awards had been processed without approval by
5 simply charging the expense on a departmental voucher.
6 [Pg. 7]

7 --Ten of the 38 plans approved in Florida in 1987 were
8 implemented prior to receipt of final approval by the tax
9 office. Two plans were not submitted until the contests
10 were over. Three plans were operational without the
11 necessary approval forms. One plan was approved in 1985
12 and was still being used to make awards. [Pg. 7-8]

13

14 The 1988 audit concluded that timely planning procedures
15 were not in place and adherence to the practices were not
16 always followed. **This could have resulted in awarding**
17 **employees gifts or prizes not authorized, budgeted for,**
18 **or properly approved by higher management.** [Pg. 8]

19 Q. Were there other indications of problems with the sales
20 programs that surfaced before the Security Investigation
21 and BellSouth Internal Audit?

22 A. Yes, Exhibit REP-16 is letter from South Florida
23 Operations Manager Helen Prieto to Hal Davis, Director -
24 Customer Services dated August 21, 1990 regarding a study
25 that was conducted by her organization in mid-1990.

1 The purpose of Ms. Prieto's study [REP-16] was to
2 evaluate the differences between all of the incentive
3 programs in place at that time. However, the group was
4 obviously side-tracked into other areas of much greater
5 concern. Here's how Ms. Prieto describes the problem:

6 "our findings confirm their (the study team's)
7 concern that Florida Goldline is much less
8 lucrative than other programs in the past. In
9 conducting this study, however we see that **the**
10 **preventive steps we have taken to protect the**
11 **Company from liability** in terms of violations to
12 MFJ (Modified Final Judgement), Part x
13 implications, Wage and Hour concerns, Executive
14 Instruction directives etc. **are not always in**
15 **place. More importantly, they do not appear to be**
16 **an item of concern."** (bold added)

17 The report continued with the following observation:

18 "Those of us who worked on this study developed
19 some deeper concerns. As you go through this
20 report, even though these are only overhead copies,
21 we believe the issues will almost jump off the
22 pages for you. The basic concern is whether these
23 rewards are appropriate and in the Company's best
24 interest." (emphasis added)

25

1 Ms. Prieto's group made the following observations:

2 --The rewards were not part of product pricing.

3 --The incentives involved "skimming" right off the
4 top of a product or service and they pay certain
5 personnel incentives to perform their regular job
6 duties.

7 --The concept of "high risk, high reward" is
8 translated to "zero risk, high reward".

9 --The hourly rate of technicians may not be
10 economically conducive to performing sales
11 functions and their production time is lowered by
12 the sales function.

13 Portions of Ms. Prieto's report are contained in Exhibit
14 REP-16. Ms. Prieto's observations support my observation
15 very well, I believe, that the Company was engaged in a
16 flurry of revenue enhancement programs in the late 1980's
17 that were **out of control.**

18
19 When you consider all of the inputs, studies, audits
20 reports, complaints, signals and opportunities I have
21 described to you in this testimony, **it is reasonable to**
22 **conclude that the Company mis-managed its sales**
23 **operations in Florida, resulting in customer abuse and**
24 **abandonment of the public trust.**

1 Q. How much did the Company actually spend on awards?

2 A. We'll never know how many labor hours were spent on these
3 projects because of the absence of tracking and controls.
4 The audit, however, showed expenses for awards alone
5 equal to 24% of The Ultimate Challenge revenues. The
6 Network/Telemarketing Referral Program award expense
7 equaled 29.7% of the revenue, excluding labor and
8 administrative overheads. Another referral program in
9 1989 included 14.1% expenses.

10 Q. Has the corporation implemented any changes since the
11 Security Investigations and Internal Audit?

12 A. Numerous changes have been implemented to correct the
13 problems of the past. First, the Company **canceled the**
14 **Florida Gold Line Program** in 1991. Exhibit REP-17 is Joe
15 Lacher's letter which canceled awards provided for sales
16 referrals. Mr. Lacher's announcement stated:

17 "I have asked that our non-contact employee sales
18 referral program, Florida GoldLine, be closed
19 immediately and that there be no non-contact
20 employee sales referral program in the state of
21 Florida for the foreseeable future."

22 Q. What other changes were implemented?

23 A. In February 1991, the Company put a stop to a variety of
24 methods and procedures used by Florida management to
25 "stimulate" employee sales. (REP-18A) The measures

1 included the following:

2 -- Random drawings should not be utilized to
3 determine "winners".

4 -- Recognition items should have a limited value
5 (suggested value \$100.00 or less).

6 -- Management employees would generally not
7 receive award credit for sales efforts of
8 their non-management employees.

9 -- Sales efforts are not conducted outside of
10 working hours.

11 -- Departmental verification process (a "check
12 point") necessary to ensure sales results are
13 in order.

14 -- Employee should not get credit in more than 1
15 recognition program for a single sale.

16 -- Any programs related to non-management in the
17 Network and Customer Service Departments will
18 involve Personnel coverage of CWA
19 (Communications Workers of America) key
20 representatives in advance of program
21 implementation.

22 -- Employees will not be relieved from regular
23 duties to work full time on sales.

24 -- In the Network Department, per grievance
25 settlement at Headquarters, recognition awards

1 will not involve gift certificates which can
2 be redeemed at retail stores for merchandise,
3 service, travel, etc.

4 -- Emphasis should be on recognition, not reward
5 for sales performance.

6 -- Ongoing auditing and program administration
7 are the responsibility of Department
8 management and such responsible person(s)
9 should be named in the proposal.

10 This simple two page statement, if implemented in Florida
11 in 1987, would have prevented the worst scandal in the
12 history of the Company and protected thousands of
13 customers from needless abuse.

14 Q. Have there been other reforms announced by the Company?

15 A. Yes. As I stated, Joe Lacher canceled non-contact sales
16 programs in Florida in August of 1991 "for the
17 foreseeable future". However, other Southern Bell states
18 are free to continue. Judy North, Vice President-
19 Marketing advised the corporate officers in August 1991
20 of the new corporate policies for non-contact employee
21 sales campaigns. All of the states were asked to phase
22 out their current programs. Although she announced no
23 specifics, her letter stated the following:

24 "...before we begin, we want to put in place a
25 tight audit process, as well as a system that will

1 allow us to track the incremental revenue such a
2 program produces." [REP-18B]

3 Once again, a good thought, only **four years late.**

4

5 Q. Has the Customer Service organization been affected by
6 the same type of changes implemented in Network?

7 A. Some changes have also been implemented in Customer
8 Services to correct some of their problems. Customer
9 Service personnel were also subjected to disciplinary
10 measures as a result of the investigations. While
11 Customer Service personnel have more opportunities to
12 sell, they were also subject to scrutiny of their sales
13 efforts through service observing, a Company evaluation
14 process.

15

16 The old BellSouth Practices for service evaluations are
17 contained in Exhibit REP-19. Page 2 of this exhibit
18 shows that Service Representatives would be subject to
19 six observations per month. Considering the fact that
20 employees know when service observing is taking place
21 because of a visual warning light, it would appear that
22 **the Company had only minimal controls in place to insure**
23 **that customers were treated fairly and honestly.**

24

25 The 1989 Service Evaluation/Sales Performance Quality

1 practice contains 33 pages, including exhibits. **Ethics**
2 **and integrity receive only minor mention in this**
3 **document.** [REP-20]

4
5 Exhibit REP-21 is an overview of the current "Florida
6 Centralized Observing Team". This team will be
7 conducting remote observing of Service Representative
8 contacts with customers throughout the state. The
9 document covers fully and completely, from the first page
10 to the last page, the issues of ethics violations or
11 customer abuse. Specific instructions are included in
12 this document to tell the observers how to handle ethics
13 violations or customer abuse. Page 1, the Florida
14 Centralized Observing Unit Summary, has specific
15 locations on the form to record **Deviations from**
16 **Procedures, Questionable Sales Techniques and Added**
17 **Service Without Negotiation.**

18 Q. Is normal to expect that 26 Service Representatives would
19 be disciplined for sales abuse?

20 A. I have worked in every phase of the Customer Services
21 organization. It's inconceivable to me that management
22 did not have sufficient monitoring of its customer
23 contacts to achieve honesty and integrity in the sales
24 process. With alert management in Customer Services,
25 **abusive sales practices should have been nipped in the**

1 **but** before formal discipline was necessary, and certainly
2 before the large number of falsifications were discovered
3 in 1990. The fault, in my opinion, was the hard push
4 Customer Services was receiving from higher management to
5 prime the revenue pump.

6
7 Southern Bell manages its business by forms. If a
8 subject or topic is not included in a form, it's not
9 important. A review of observing practices past and
10 present is a good indicator of the Company priorities,
11 past and present. **There is little or no documentation in**
12 **the old practices to indicate the Company set a high**
13 **priority on ethical, honest dealings with its customers.**

14 Q. Doesn't the Company require employees to sign a copy of
15 the form "Your Personal Responsibility" annually?

16 A. Yes. The form is, among other things, a statement that
17 the person will observe ethical behavior and report
18 violations. However, this is the same old form the
19 Company has passed out for years. The supervisors pass
20 out the forms in January of every year. The employees
21 sign them. The supervisor picks them up. There is no
22 discussion and no emphasis. It's simply paperwork
23 required by Personnel.

24 Q. How are the goals of the Company expressed to its
25 employees?

1 A. The real goals of the Company are stated in the various
2 printed and electronic media used by corporate officers
3 to provide direction to the efforts of its people. The
4 operational managers in each state then add their
5 objectives and goals to produce the current state of the
6 corporate culture. In my opinion, **the goals of the**
7 **corporation as expressed by their higher management led**
8 **the employees in Florida directly to the practice of**
9 **falsifying sales and abuse of their customers.** Employees
10 generally deliver what their superiors demand. Good
11 communicators that they are, Southern Bell's top
12 management in Florida produced the environment that gave
13 the employees a green light to prime the revenue pump as
14 their highest priority. Meanwhile, the old corporate
15 values prevailed in the other states that were cleared in
16 the Internal Audit.

17 Q. Were sales the number one priority?

18 A. As Buddy Henry, formerly in charge of Florida operations,
19 used to say repeatedly, "Everyone is in Marketing."
20 Today, as a result of this investigation and the
21 agreement with the Statewide Prosecutor, the focus is on
22 Ethics. Exhibit REP-20 shows you how Southern Bell
23 communicates a high priority to its employees. Since
24 1991, the Company has distributed paperweights, key
25 chains and posters; sent out 8 letters to employees; and

1 published 9 articles, all on the subject of ethics. Of
2 course, this is all after the fact, after the customer
3 abuse was made public.

4 Q. Didn't the Company clean up its act in 1990 as a result
5 of the internal investigation?

6 A. No it didn't. An Internal Audit was conducted in Florida
7 in late 1991, focusing on Customer Services sales
8 activities. The 1991 audit produced Significant Adverse
9 Findings, once again, indicating that the priorities of
10 the Company were still focused on revenues, not the
11 customer.

12

13 The 1991 audit indicated that in six percent of the
14 Service Representative contacts observed, services were
15 added to the bill that the customers did not order. A
16 listing of these deviations is shown in REP-22.

17

18 An additional nine percent of the contacts involved
19 questionable techniques when negotiating orders with
20 customers, including failure to negotiate all of the
21 services or to quote rates. These deviations included
22 ethics violations, such as taking advantage of customers
23 who did not understand or who had language barriers.

24 [REP-23]

25

1 An additional 17% of the contacts involved deviations
2 from procedures [REP-24] which included failure to quote
3 rates, failure to verify services ordered, and failure to
4 gain the customer's consent to include services such as
5 Wire Maintenance on the order.

6
7 Overall, Florida was faulted primarily for its failure to
8 impose adequate controls over the quality of its contacts
9 with customers and for failure to implement adequate
10 controls for confirming services ordered with customers.
11 [REP-25]

12
13 Based on the late 1991 audit results, I believe it is not
14 proper for the Company to claim that it identified its
15 problems and corrected them. The entire audit report is
16 contained in REP-25. The report describes in detail six
17 adverse findings which were found to still exist, long
18 after the completion of the 1990 Internal Audit that was
19 ordered by the President of the Company.

20 Q. Did the Company enter into an agreement with the
21 Statewide Prosecutor that the PSC should consider?

22

1 A. Yes, the Company's agreement with the Statewide
2 Prosecutor should be mirrored by a PSC order to insure
3 that the corrective measures are extended into the
4 foreseeable future. These measures are described in
5 Exhibit REP-3, pg. 20.

6 Q. Are any other measures appropriate for the consideration
7 of the Commission?

8 A. Yes, the Statewide Prosecutor stated that Telephone
9 Companies are not covered by the Consumer Protection and
10 Telemarketing Acts currently on the books. Sections
11 501.212 and 501.604, Florida Statutes, specifically
12 exempt utility activities regulated by the PSC. Public
13 Counsel recommends that the PSC immediately **engage in**
14 **rulemaking to place the bulk of these consumer protection**
15 **laws into the rules and regulations of this Commission,**
16 on an accelerated basis.

17

18 At a minimum, the Commission should ensure the same level
19 of consumer protection for monopoly telephone customers
20 as are guaranteed to customers of unregulated commercial
21 businesses.

22 Q. Do you have any further recommendations?

23 A. The question of penalties for the Company's actions was
24 left to the PSC by the Statewide Prosecutor's office. I
25 have also addressed this issue in the context of my

1 testimony submitted in Docket 920260-TL. I recommend
2 that the Commission reduce the Company's rates to produce
3 earnings at the low end of the earnings band as
4 determined in Docket 920260-TL for a period of three
5 years as a mis-management penalty.

6 Q. Are there precedents for such a penalty?

7 A. This Commission has the power to penalize a Company for
8 the abuse of its customers. The most recent example of
9 such a penalty for mis-management is Gulf Power, which
10 was penalized for mis-management in Commission Order No.
11 23573. The Commission concluded in that case that "this
12 record reflects a disregard for the ratepayers and public
13 service, however. Accordingly, we will reduce Gulf Power
14 Company's ROE by fifty (50) basis points for a two year
15 period." The Commission order had cited corrupt
16 practices and illegal/unethical behavior of the Company
17 and applied the penalty "as a message to management that
18 the kind of conduct discussed would not be tolerated for
19 public utilities in Florida."

20

21 The Florida Supreme Court upheld the Commission's actions
22 in the Gulf Power case on April 8, 1992, Case No. 77,153.

23

24 Q. Hasn't Southern Bell already been penalized enough?

1 A. **Southern Bell has not been penalized.** It has only been
2 required to refund money it didn't earn in the first
3 place. The Statewide Grand Jury left to the PSC the
4 determination of an adequate penalty. The only real
5 issue in this docket, in my opinion, is how much a
6 penalty the Commission should impose.

7
8 As Joe Lacher, currently in charge of Florida operations,
9 recently stated, "No KSRI (Key Service and Revenue
10 Indicator). No Sale. No activity is worth compromising
11 our integrity to achieve it." Of course Southern Bell in
12 Florida is going to be making a lot of statements like
13 this in the future because they must meet the conditions
14 imposed upon them by the Statewide Prosecutor. They have
15 no choice.

16
17 **Joe Lacher's recent statements are a tacit admission that**
18 **KSRI's were compromised and sales were falsified and he's**
19 **now trying to change that. Why? Because Southern Bell's**
20 **abusive sales practices were made public.** But the issue
21 in this docket is not what they are doing today, but what
22 they were doing during the incentive regulation period
23 and why they were not making these speeches then?

24
25 It is important, I believe, that the PSC deliver the

1 message to this Company and to all others subject to its
2 control that **ABUSE OF THE PUBLIC TRUST WILL COST THEM A**
3 **GREAT DEAL OF MONEY.** It is the only type of justice they
4 will truly recognize.

5 Q. Please summarize the main points of your testimony.

6 A. I made 11 major points in my testimony. They are as
7 follows:

8

ONE

9 THE COMPANY IS RESPONSIBLE FOR THE FAILURE OF ITS
10 MANAGEMENT TEAM IN FLORIDA TO CORRECT ABUSIVE SALES
11 PRACTICES THAT WERE ALLOWED TO EXIST BETWEEN 1987 AND
12 1990. [PAGE 7]

13

TWO

14 THE COMPANY COUNTENANCED THE CONCEPTION OF A CULTURE THAT
15 ALLOWED CORPORATE EXECUTIVES TO LOOK THE OTHER WAY WHEN
16 THE SPECTER OF CONSUMER FRAUD STARED THEM IN THE FACE.
17 [PAGE 7-8]

18

THREE

19 FORTY FOUR COMPANY EMPLOYEES WERE DISCIPLINED FOR
20 IMPROPER SALES ACTIVITIES IN A COMPANY INVESTIGATION
21 CONDUCTED IN 1990. [PAGE 10]

22

FOUR

23 THE COMPANY WAS RESPONSIBLE FOR THE BILLING OF SERVICES
24 NOT ORDERED BY THEIR SUBSCRIBERS. [PAGE 11]

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FIVE

THE VALIDITY OF NETWORK SALES WAS NOT WELL CONTROLLED.
[PAGE 19]

SIX

THE ABSENCE OF SOLID CONTROLS AND PROCEDURES CONTRIBUTED
TO A LOOSE OPERATION THAT ACCOMMODATED AND ALLOWED
CUSTOMER ABUSE TO OCCUR. [PAGE 21]

SEVEN

THE COMPANY HAD TO REFUND ALMOST \$2 MILLION TO CUSTOMERS
WHO WERE DOUBLE BILLED. [PAGE 21]

EIGHT

EVERY MANAGER IN THE STATE BENEFITTED FROM NETWORK'S
BOGUS SALES. THE MINDSET OF THE COMPANY WAS RIVETED ON
THE REVENUE STREAM, AS OPPOSED TO THE VALIDITY OF THE
SALES PROCESS. [PAGE 26]

NINE

NUMEROUS CORPORATE ERRORS PREVENTED THE HOURS SPENT ON
THE SALE OF NON-REGULATED INSIDE WIRE SERVICES FROM BEING
CHARGED TO THE NON-REGULATED BOOKS OF THE COMPANY. [PAGE
29]

TEN

IT IS REASONABLE TO CONCLUDE THAT THE COMPANY MIS-MANAGED
ITS SALES OPERATIONS IN FLORIDA, RESULTING IN CUSTOMER
ABUSE AND ABANDONMENT OF THE PUBLIC TRUST. [PAGE 34]

ELEVEN

1

2

I RECOMMEND THAT THE COMMISSION REDUCE THE COMPANY'S
3 RATES TO PRODUCE EARNINGS AT THE LOW END OF THE EARNINGS
4 BAND AS A MIS-MANAGEMENT PENALTY. [PAGE 45]

5

6 Q. Does this complete your testimony?

7 A. Yes, it does.

8



DOCKET NO. 900960-TL
 EXHIBITS OF R. EARL POUCHER
 OFFICE OF PUBLIC COUNSEL

<u>EXHIBIT</u>	<u>TITLE</u>	<u>EXH. #</u>
REP-1	Advisory Opinion--10th Statewide Grand Jury	___
REP-2	Final Report--10th Statewide Grand Jury	___
REP-3	Settlement Agreement--Statewide Prosecutor	___
REP-4	Security Investigation--Orlando	___
REP-5	Internal Audit--Non-Contact Sales--Florida	___
REP-6	Sales Related Discipline	___
REP-7A	General Manager Sales Reports	___
REP-7B	Million Dollar Challenge Winners	___
REP-7C	Weekly Sales Reports	___
REP-7D	General Manager Memos	___
REP-8A	August Report--NFL Sales	___
REP-8B	November Report--NFL Sales	___
REP-9	List of Sales Programs	___
REP-10A	Your Marketing Imagination--1987	___
REP-10B	In Pursuit of Profits--1988	___
REP-10C	Ultimate Challenge--1989	___
REP-10D	GoldLine--1990/1991	___
REP-11	Individual Award Totals--Marsha Taylor	___
REP-12	Internal Audit-1988	___
REP-13	Internal Audit--North Carolina & Georgia	___
REP-14	Reconciliation Sample	___
REP-15	Edits for Inside Wire Codes	___
REP-16	Analysis of Sales Plans	___
REP-17	Cancel GoldLine	___
REP-18A	New Policies--1991	___
REP-18B	New Policies--1992	___
REP-19	Old Service Observing Practice	___
REP-20	New Ethics Programs	___
REP-21	Ethics Observations	___
REP-22	Services Added Without Negotiation	___
REP-23	Questionable Techniques Used	___
REP-24	Deviated From Procedures	___
REP-25	Florida Sales Audit, October 31, 1991	___

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-1

ADVISORY OPINION--10TH STATEWIDE GRAND JURY

IN THE SUPREME COURT OF THE STATE OF FLORIDA

JANUARY TERM, 1991

CASE NUMBER 78,035

FILED - *Sealed*

9-16-92

Sid J. White, Clerk

Supreme Court of Florida

By: *Michael Williams*

Deputy Clerk

Advisory Opinion
of the
Tenth Statewide Grand Jury
SWP Case Number 91-7-NFB

A TRUE COPY

Attest:

SID J. WHITE, Clerk

Supreme Court of Florida

by: *Michael Williams*

Deputy Clerk

In July of 1991, the Tenth Statewide Grand Jury embarked upon an investigation of possible fraudulent business practices by Southern Bell Telephone and Telegraph Company (the "Company") and its employees. Our inquiry focused on allegations of misconduct in four major categories: (1) the intentional overbilling of customers through the fraudulent "sale" of optional telephone services by Company employees whose primary responsibility was the installation and repair of telephones; (2) the intentional failure to repay customers for overbillings which the Company discovered during its own analysis of some of its billing records; (3) the intentional failure to pay required compensatory rebates for non-working telephone service to customers who notified the Company that their telephone was out of service; and (4) the intentional failure of the Company to properly report trouble and repair information to the Public Service Commission (the "Commission").

During the course of this detailed investigation, numerous witnesses testified, including former and current Company employees, ranging from craft level workers to executive officers. Also during this investigation a multitude of Company documents were examined and analyzed.

After careful deliberation of the evidence produced, we have determined that Southern Bell created, promoted, and sustained an atmosphere that served to foster and reward certain fraudulent practices. As one example: The Company established an extensive sales incentive program that included such prizes as cruises and appliances, which amounted to an engraved invitation for both craft employees and management alike to commit fraud on unsuspecting and defenseless customers by "selling" them services they did not need or want. The program was rife with overt pressure on employees to produce sales, but contained no provisions for verification of actual sales activity. By this and similar actions, we believe that the Company countenanced the conception of a culture that allowed corporate executives to look the other way when the specter of consumer fraud stared them in the face.

The individuals currently in charge of the Company have become aware of our investigation and they have promised to eliminate the Company's suspect sales and refund practices, many of which were uncovered as a direct result of our inquiry. We are gratified by their repentant and responsible attitude, which has been reflected in the recent implementation of revised sales practices, refund programs, and an emphasis on ethics training for all employees.

The Company has requested that the Statewide Prosecutor, this body's Legal Adviser, resolve our investigation short of criminal prosecution of the Company. As a result, the Tenth Statewide Grand Jury has considered a proposed settlement agreement between the Company and the Office of Statewide Prosecution.

In the proposed settlement agreement, Southern Bell agrees not to engage in the aforementioned suspect practices. The Company is required to make expeditious and complete restitution of millions of dollars to customers. Over the next three years, the Company must implement specifically outlined reforms, while at the same time funding its own supervision during a "review period" which is in the nature of probation. This supervision involves periodic, independent audits by a major accounting firm and monitoring of the reforms by the Office of Statewide Prosecution. The Company is specifically prohibited from passing any of the associated costs along to the customers in the rate making process before the Public Service Commission. Further, the Company is required to assist the Office of Statewide Prosecution in any investigation arising out of these matters. In exchange, the Office of Statewide Prosecution will not seek criminal charges against the Company from this body and will not pursue criminal action against the Company regarding the aforementioned allegations, if the Company fully complies with the terms and conditions of the agreement. However, the Office of Statewide Prosecution maintains discretion to void the agreement and prosecute the Company if the Company does not comply. The Office may, of course, seek to prosecute the Company for any violations of the law discovered at a later date concerning activities not covered in our investigation, or for any criminal activity committed after the signing of the agreement.

In its consideration of the proposed settlement agreement, the Tenth Statewide Grand Jury weighed the extremely complex and time-consuming nature of a criminal prosecution alleging numerous instances of fraud by a huge corporation and its impact on an already overburdened court system. The Grand Jury has determined that the immediate positive impact of this settlement outweighs any perceived benefit of protracted criminal litigation, which even under optimal conditions is unlikely to produce a better result for the citizens of the State of Florida.

We do not condone the Company's activities, nor exonerate the Company from responsibility. We agree, instead, to withhold judgment, giving the Company ample incentive and opportunity to remedy the suspect practices. Because we believe the terms and conditions negotiated by the Statewide Prosecutor are carefully structured in the best interest of the people of this State, we recommend that the Office of Statewide Prosecution enter into the proposed settlement agreement, and we ratify the same if all things are substantially as they have been represented to this Grand Jury.

Respectfully submitted to the Honorable Frederick T. Pfeiffer, Presiding Judge, and to Melanie Ann Hines, Statewide Prosecutor and Statewide Grand Jury Legal Adviser, this 16th day of September, 1992.

Herman A. Robandt
Herman A. Robandt
Foreperson
Tenth Statewide Grand Jury
of Florida

Received in Open Court by the Honorable Frederick T. Pfeiffer this 16th of September, 1992, but sealed until further order of the Court on motion of the Legal Adviser.

Frederick T. Pfeiffer
Frederick T. Pfeiffer
Presiding Judge
Tenth Statewide Grand Jury
of Florida

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-2

FINAL REPORT--10TH STATEWIDE GRAND JURY

FINAL REPORT OF THE TENTH STATEWIDE GRAND JURY
SEPTEMBER, 1992

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I. INTRODUCTION

The Tenth Statewide Grand Jury was impaneled on July 30, 1991, and was seated in Orlando, Florida. The Grand Jury has convened almost monthly to investigate allegations of multi-circuit, organized crime throughout the State. The Grand Jury's original term expired after twelve months, but was extended to October 30, 1992. The Grand Jury is adjourning one month early, subject to recall, if necessary.

The purpose of this Report is to record for posterity the work and recommendations of this Grand Jury, with the hope that its collective voice will be heard and that the citizens of this State will benefit from its efforts.

II. SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY

We embarked upon our investigation of Southern Bell at the beginning of our term. During the course of the investigation, we heard testimony from numerous witnesses, including former and current Southern Bell employees who held positions ranging from craft level workers to Company officers. We have also had the opportunity to examine a multitude of company documents.

The primary focus of our investigation concerned allegations of company misconduct in four major categories: (1) the intentional overbilling of customers generated by the fraudulent "sale" of optional services by Company employees whose primary responsibility was supposed to have been the installation and repair of telephones; (2) the intentional failure to pay the full amount owed for allegedly unintentional customer overbillings discovered during the Company's analysis of some of its billing records; (3) the intentional failure to pay required rebates to compensate customers who informed the Company that their telephone was out of service; and (4) the intentional failure to properly report trouble and repair information to the Public Service Commission.

Our Legal Adviser, the Statewide Prosecutor, has negotiated a settlement agreement with the Company, in the nature of a pre-trial diversion opportunity, which calls for, among other things:

- complete and expeditious restitution to affected customers;
- cooperation with the State in any investigations arising out of these matters;
- implementation of revised billing practices, fraud preventative procedures, and ethics training;
- a three year review period, subjecting the Company to periodic audits and compliance monitoring;
- funding by the Company of the review program, audits, and monitoring;

- discretion to void the agreement and pursue prosecution vested in the Statewide Prosecutor;
- funding provided by the Company to support prosecution of these allegations, if necessary;
- no restrictions on the prerogative of the Statewide Prosecutor to investigate any other allegations of Company fraud, and to prosecute where appropriate;
- a prohibition against including any costs associated with the agreement in the rate base of the customers.

In our Advisory Opinion, issued this date, we recommended that the Statewide Prosecutor proceed with the settlement of this investigation because we believe it to be in the best interest of the people of this State. The agreement will provide the Company with the opportunity to reform the negative aspects of the corporate environment. However, it will not exonerate the Company for repayment of its debts to our society. We are hopeful that the Company will prove itself worthy of this unique and beneficial opportunity.

In closing, it must be noted that the proposed settlement agreement does not contain any "punishment", per se, of the Company for its alleged failure to properly report to the Public Service Commission actual repair time for restoration of telephone service to customers whose telephones were out of service. This issue was raised in our investigation, but we have been advised that the United States Supreme Court's ruling H.J., Inc., et al v. Northwestern Bell Telephone Company, 112 S. Ct. 2306 (1992), casts doubt on our ability, or the ability of the criminal courts, to directly sanction the Company for such conduct, if it in fact occurred. We specifically note, however, that the Florida Public Service Commission has both the jurisdiction and concomitant discretion to impose severe monetary penalties on the Company if it finds that the Company has falsified reports required by PSC rules. We therefore strongly recommend that the Public Service Commission, in conjunction with its publicly mandated responsibility, investigate this matter, exercise its penal authority, and take into consideration this possible fraudulent conduct on the part of the Company in determining an appropriate rate of return.

III. REGULATING UTILITIES

Our investigation of Southern Bell led us to an inquiry into some of the regulatory activities of the Florida Public Service Commission, and the rules and statutes governing this function.

We wish to make it clear that time constraints did not afford us the opportunity to fully investigate every issue brought before us, but we heard sufficient testimony to convince us that changes must be made in this process to protect the utility consumers of this State and to renew the faith of the people in its government.

The recommendations we have proposed are addressed to the Florida Legislature and the Public Service Commission. We hope these recommendations will be given serious consideration.

A. Ex Parte Communications

In January of this year, we issued an Interim Report entitled, "Regulating Utilities - Recommendations to Enhance The Integrity of the Process." This report discussed the necessity for strict rules and laws prohibiting ex parte communications with Public Service Commissioners and Commission staff by utility representatives on regulatory matters. We noted that communication to a judge by an interested party, concerning an issue to be decided by that judge, is prohibited in American courts of law unless all interested parties have an opportunity to be present during the communication. Such communication is considered improper because it gives an unfair advantage to the party with the most access to the judge. Since the members of the Commission have responsibilities equivalent to that of a judge, we proposed a strict prohibition against all forms of ex parte communication in our interim report.

We note with some dismay that the State Legislature has not yet enacted any of our proposals. An amendment to the ex parte section of Chapter 350 of the Florida Statutes, though not as efficacious as our suggestions, was passed by the State House of Representatives, but it did not come to a vote in the Senate. We urge the Legislature to allocate time during its next session to consider and pass the recommendations contained in our Interim Report.

B. Prohibitions on Employment of Commissioners

Immediately after resigning, a former Public Service Commissioner recently accepted a lucrative position with an affiliate of one of the utilities he used to regulate. News reports indicated that his starting salary was twice that of his Commission salary. It appears that nothing restricted the ability of that utility from courting the Commissioner during the regulatory process, and nothing prevented the Commissioner from seeking such employment during his tenure on the Commission. Coupled with the almost unfettered ability to discuss regulatory matters with Commissioners and Commission staff, the existence of such relationships creates an appearance of impropriety the Commission can ill afford to bear.

We are therefore concerned that the Legislature failed to enact another necessary reform in the many sessions held this year: a law prohibiting Public Service Commissioners from accepting employment with the utilities regulated by the Commission.

The House and the Senate both passed bills which included a provision requiring former Commissioners to wait two years before accepting employment with a regulated utility or its affiliates, but neither of those respective bills came to a vote in the other chamber, and hence could not become law.

We therefore strongly recommend that the Legislature move quickly and without hesitation to enact the proposed statutory provision of a two year prohibition on the acceptance of employment by a Commissioner with a regulated utility. Any person desiring to serve the people of the State of Florida as a member of the Public Service Commission should be more than agreeable to such a limitation. The people deserve no less.

C. Regulation of the Sale of Optional Services

Our investigation of Southern Bell, and the recommended settlement, focused on the sale of optional services during a program specially designed for telephone installation and repair personnel. One of the questions left for another day is whether the overall sales practices of Southern Bell are plagued with the potential for fraud. Due to the outpouring of complaints reported recently in the media from Southern Bell customers paying for services they did not order and do not want, we find it necessary to briefly address this potential question.

It would appear that many of the practices which could lead to such a result may well be violations of consumer protection laws. However, we note with much concern that the fraudulent practice of misleading utility customers as to the nature and cost of certain services is not covered by the Consumer Protection and Telemarketing Acts currently on the books. Sections 501.212 and 501.604, Florida Statutes, specifically exempt utility activities regulated by the PSC. We note also that there are few PSC rules designed to protect utility consumers from unscrupulous sales people.

Inasmuch as few utility customers have a choice in selecting their common service provider, we strongly recommend that the Public Service Commission adopt similar, if not more restrictive rules, for the sales and marketing techniques of optional services to which these same customers are subjected.

The consumer protection statutes require written and signed verification of orders for goods or services taken by telephone. Section 501.059(5), (6), Florida Statutes specifically states:

A contract made pursuant to a telephonic sales call:

1. Shall be reduced to writing and signed by the consumer.
2. Shall comply with all other applicable laws and rules.
3. Shall match the description of goods or services principally used in the telephone solicitations.
4. Shall contain the name, address, and telephone of the seller, the total price of the contract, and a detailed description of the goods or services being sold.
5. Shall contain, in bold, conspicuous type, immediately preceding the signature, the following statement:

"You are not obligated to pay any money unless you sign this contract and return it to the seller."
6. May not exclude from its terms any oral or written representations made by the telephone solicitor to the consumer in connection with the transaction."

The Telemarketing Act further protects the consumers of this State by requiring a statement of consumer rights, providing a three day right of rescission, entitlement to full refund if the Act is violated, and payment of costs of cancellation by the seller. The Act also provides for criminal penalties when deception is used in connection with an offer to sell.

Requiring utilities to obtain and maintain written authorizations from customers is an easy method to prevent fraud by corporate deception. Detection of such fraud should not be the sole responsibility of the customer. Many customers, perhaps hundreds of thousands of them, would not know they were paying too much for phone service unless they read their phone bill each month in microscopic detail, assuming they received a detailed bill each month. A customer told that the bill for monthly basic service will be, for example, \$20 per month, but not told \$8 of that monthly fee is for optional services, will in all probability pay the written bill each month without a quibble. After all, that was the price quoted by the telephone company representative and the bill matches the price. If the company only itemizes these costs in a yearly billing summary, and the customer does not read the summary, the customer can easily be given the false impression that the bill contains only mandatory charges.

The Legislature has an obligation to prevent victimization of all the citizens of this State. If the Public Service Commission does

not implement similar consumer protection requirements for the utility activities it regulates, then the Legislature should strike the exemptions in Sections 501.212 and 501.604, Florida Statutes, and subject utilities to the standards of fair trade practice outlined in the statute.

D. Cost Allocation Procedures

Southern Bell, like other providers of local telephone service, is a regulated utility. In exchange for being regulated by a government entity, that portion of the business which is regulated is allowed to charge certain specified amounts to its customers for the regulated telephone service it provides. If a utility is unable to achieve the minimal level of return to which the PSC decides it is entitled, the company can ask the Commission to approve an increase in the amount customers pay for regulated telephone service. All of the expenses incurred in the provision of regulated telephone service are passed directly on to the customers, including the salaries and benefits of all employees during the time those employees are working on a regulated activity.

By Public Service Commission Rule, the amount of time employees spend on unregulated activities is supposed to be deducted from the amount paid by customers of regulated telephone service. Thus, there arises a question of "cost allocation." The utility must accurately allocate costs so that customers of regulated telephone services are not subsidizing the cost of unregulated activities. The PSC is charged with the responsibility of monitoring and regulating the cost allocation process.

This question arose in the context of our inquiry regarding the sale of certain unregulated optional services by installation and repair personnel (regulated). We reached no conclusion as to whether the cost allocation process is currently being misused, but we determined that the opportunity and temptation to move salary and benefit allocations to the regulated side of a utility appeared to be great. While not a matter in which we hold a great deal of expertise, we have considered the implications of a failure to accurately allocate costs and believe that better methods of detection and enforcement must be implemented to prevent the unlawful subsidy of the unregulated side of the utility by the regulated side.

We therefore recommend that the PSC initiate quarterly unannounced spot reviews and a complete audit and regulatory review of the cost allocation process on an annual basis. The audits should, at a bare minimum, follow the generally accepted auditing standards established by the Auditing Standards Board of the American Institute of Public Accountants.

As we understand it, a complete audit of regulated utility cost allocation practices is only likely to occur during a rate hearing, although some cost and revenue information is provided every four years. However, a complete rate hearing is sometimes held less frequently. More than eight years passed between Southern Bell's last rate case and the current rate case filed this year. Therefore, it is currently possible for a utility to avoid a complete independent audit for an undetermined number of years.

In addition, the PSC should develop its own cost allocation manual to provide specific formulas for allocating regulated and unregulated costs, rather than relying on the Federal Communications Commission's (FCC) cost allocation manual, which concerns telephone services involving more than one state. Although it may be appropriate to use that manual for the specific intended purpose, applying it to an intrastate issue can sometimes lead to a rule that is, at best, difficult to explain. For example, according to the FCC manual, a Southern Bell repair and installation worker must spend at least 15 minutes on activities related to an unregulated service before being required to allocate any time to that activity. This means such an employee could solicit the sale of an unregulated activity for 14 minutes with each customer he comes in contact with each day without allocating one minute of his time to the unregulated activity. This results in the evil sought to be avoided by proper cost allocation: subsidy of profit making activity by regulated activity.

We therefore strongly recommend that the PSC develop its own guidelines tailored to the specific needs of this State. The formation of a Task Force comprised of consumer advocates, regulated utilities and Commission staff, with public hearings throughout the State, would generate the most fair and effective cost allocation procedures.

E. Rate of Return

The National Association of Regulatory Utility Commissioners recently compared three methods of calculating rate of return and, as a result, reached the conclusion that "utilities were both less risky and more profitable investments than the average non-regulated corporation".

Section 364.03 (1), Florida Statutes, states that the regulated portion of utility companies, "... may not be denied a reasonable rate of return." We understand that what is reasonable to one expert hired by a regulated utility may be entirely unreasonable to an expert hired by a consumer advocacy group. It is all very subjective. The PSC has to take that subjective standard and apply it to the real world. We realize that is a very difficult task.

It is our belief that regulated companies should have the right to a rate of return similar to a non-regulated company of equal risk. In other words, a risky business venture should have the right to a much higher rate of return than a relatively safe venture like the exclusive provision of certain basic telephone services to all of the people in a given geographic region who are in need of that service.

We suggest that the Public Service Commission appoint a Blue Ribbon panel of experts selected by consumer advocates, including but not limited to the Public Counsel, regulated utilities and PSC staff to develop specific economic parameters to eliminate some of the subjectivity inherent in the current ratemaking process. For example, the group may wish to consider the possibility of tying, in some way, the maximum rate of return for relatively low risk regulated utilities to the interest rate of long term United States Treasury Bonds, taking into account the economic circumstances at the time the rate is set.

We have learned that several years can elapse before a rate of return is changed. This regulatory gap fails to provide for rapid changes in economic circumstances, such as a decline in interest rates and inflation. Basing the rate of return on a selected, easily measurable economic parameter, or an average of several such parameters, would make it easier to revise the rate of return on a yearly basis if economic circumstances warrant it.

We realize that any definitive recommendation in this regard is beyond the scope and expertise of this Grand Jury. We merely wish to point out that it is an area worthy of close scrutiny and vigorous debate in a public forum.

IV. GANG AND GANG-RELATED ACTIVITY

The Statewide Grand Jury also embarked upon an investigation of gangs and gang-related activity in the State of Florida.

The results of our work can be found in the Indictments listed in the attached chart as SWGJ Case Numbers 1 and 1A. These charges represent the first known occasion that the Street Terrorism Act and the Racketeering Act were joined together in one prosecution in Florida to dismantle a criminal gang involved in everything from narcotics trafficking to arson. It has been reported to us that the gang, known as the 34th Street Players, has not re-formed or resurfaced since the incarceration of the defendants on these charges.

During the course of this investigation, we conducted a survey to identify the magnitude of the gang problem in the State. Our examination, conducted with the assistance of State and local Law Enforcement agencies, revealed that no central repository exists

for the collection and exchange of information concerning gangs and gang-related activity. Thus, the results of statewide intelligence gathering techniques were pieced together to obtain the best possible picture of gang activity in the State. The results of this survey are outlined in our Interim Report #2, issued in January, entitled: "Gangs and Gang-Related Activity; Recommendations to Assist Law Enforcement."

This Grand Jury recommended the establishment of a statewide youth and street gang computer data base with a requirement of mandatory reporting of such data from all law enforcement agencies. We noted that the Street Terrorism Enforcement and Prevention Act of 1990 originally established such a database, but the funding portion of the bill was later deleted. We strongly urge the Legislature to invest the necessary funds in the future of this State.

We are disheartened by the total lack of interest demonstrated by the Legislature in this matter. Without an accurate accounting of the impact of gangs on the criminal justice system, necessary reforms in criminal laws cannot be made, nor can adequate funding formulas for law enforcement be produced. We urge the Legislature to be more far-sighted in this regard.

V. ADMINISTRATIVE RECOMMENDATIONS

The Grand Jury is vested with enormous power, and with it a profound responsibility. It has an intimidating and deterrent effect on those who violate the law. It also has the power and duty to protect the innocent against prosecution. The responsibilities of the Grand Jury are truly awesome.

The Statewide Grand Jury is a unique organization from a number of standpoints that require special consideration. The Statewide Grand Jury, impanelled by the Florida Supreme Court, is made up of citizens from all corners of the State. Jurors must travel many miles to and from the court site for each session. For us, this has almost been monthly, for a period of fifteen months. Sessions have lasted from two to three days, and the average day's work is in excess of the typical eight hour day. Because the location is far from home, Grand Jurors are "sequestered" from their families, homes, and occupations during the length of the sessions.

This is not a voluntary service. Jurors are chosen by the court and must serve or face contempt charges.

Given the unique nature of the logistics and practicalities of our existence, we have discussed a number of areas where consideration should be given to treat Statewide Grand Jurors in a more equitable manner.

A. Insurance Coverage

Currently, no accident or accidental death insurance is provided for Jurors, as they are not considered employees or agents of the State. Jurors must then rely on their own insurance coverage in the event of an emergency or jury related injury. However, since the jurors are chosen from a cross-section of the population, it is possible that many do not have any, or adequate, insurance protection of their own. Also, since the service is mandatory, rather than elective, as in certain employment situations, the State should provide insurance for accidental injury or death of Grand Jurors travelling for and attending Grand Jury sessions.

Moreover, it appears to us that Grand Jurors have no protection from law suit for their actions and would have to stand the expense of their own defense should they be sued for allegedly exceeding their authority. While the prosecutor who advised the Grand Jury in a particular matter would be covered by the State's Risk Management Policy, it appears that Grand Jurors would not.

We ask the Legislature to consider our concerns and make the appropriate provision for protection of Statewide Grand Jurors in these matters.

B. Grand Juror Fees

The current fee of \$10 per day for Statewide Grand Jurors is woefully inadequate. It amounts to approximately one-third of the minimum wage for the average work day, and does not take into account the extraordinary conditions of our service.

Our service, as distinguished from petit jury service, often results in expenses not considered in the setting of the fee structure: long distance telephone calls to communicate with family and to maintain ties to jobs; kennel costs for the care of animals; the purchase of special travel items, ranging from toiletries to suitcases, and so forth. These matters have apparently been ignored in the decision making process.

It is obvious that the State is in dire financial circumstances. It is also obvious, however, that the criminal justice system could not function without individual citizens discharging their civic duty to act as fair and impartial jurors. While no one can be fired for jury duty, there appears to be no restriction on the ability of an employer to withhold salary dollars during the affected time periods. Further, self-employed business people may experience lost opportunities that could have an adverse economic impact on their livelihoods for years to come. Citizens facing such economic hardship are unlikely to pay complete attention to the matters before them, and may choose to expedite

the proceedings at the expense of the rights of others. While we have successfully guarded against such a travesty, in part based on the considerations afforded by the Legal Adviser and her staff in response to our needs, we do not know when this unconscionable possibility might reach fruition.

We have learned that the Federal Grand Jury fee is \$40 per day. We urge the Legislature to consider parity in this matter.

VI. CONCLUSION AND ACKNOWLEDGEMENTS

The remainder of the work of this Grand Jury is summarized in the attached schedule of cases.

We are particularly gratified that one of our cases went to trial during our term, resulting in the convictions of two law enforcement professionals who deliberately subverted the criminal justice system through perjury and subornation of perjury. We are proud to have been a part of bringing them to justice.

Service as a member of the Tenth Statewide Grand Jury has been an education in citizenship, the likes of which cannot be taught in the classroom. It has been a unique and memorable experience and we are proud to have made this contribution to our State.

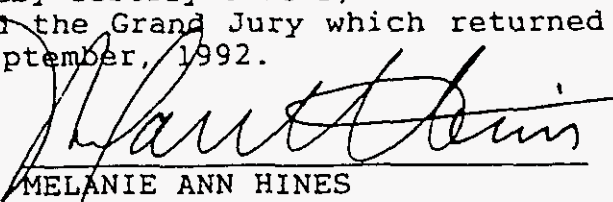
We wish to thank the following individuals and their respective offices for assisting us in the performance of our responsibilities:

The Honorable Frederick Pfeiffer, Presiding Judge
 The Honorable Richard Conrad, Alternate Presiding Judge
 The Honorable Fran Carlton, Circuit Court Clerk
 Richard Sletten, Orange County Court Administrator
 Lt. Doug Huffman, Orange County Sheriff's Office
 Commissioner Tim Moore, Florida Department of Law Enforcement

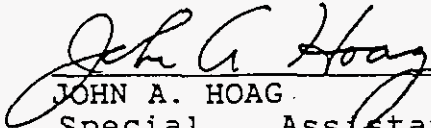
Respectfully submitted to the Honorable Frederick Pfeiffer, Presiding Judge, this 16th day of September, 1992.

Herman A. Robandt
 Herman A. Robandt
 Foreperson
 Tenth Statewide Grand Jury
 of Florida

I, MELANIE ANN HINES, Legal Adviser, Tenth Statewide Grand Jury, for the State of Florida, hereby certify that I, as authorized and required by law, have advised the Grand Jury which returned this report this 16th day of September, 1992.


 MELANIE ANN HINES
 Statewide Prosecutor
 Statewide Grand Jury Legal Adviser

I, JOHN A. HOAG, Legal Adviser, Tenth Statewide Grand Jury, for the State of Florida, hereby certify that I, as authorized and required by law, have advised the Grand Jury which returned this report this 16th day of September, 1992, with regard to the matters contained in section III.


 JOHN A. HOAG
 Special Assistant Statewide
 Prosecutor
 Statewide Grand Jury Legal Adviser

The foregoing report was returned before me in open court this 16th day of September, 1992, and is hereby sealed until further order of the Court on motion by the Legal Adviser.



 Judge Frederick T. Pfeiffer
 Presiding Judge
 Tenth Statewide Grand Jury

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-3

SETTLEMENT AGREEMENT--STATEWIDE PROSECUTOR

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (the "Settlement Agreement") is entered into on this 9th day of October 1992, between BellSouth Telecommunications, Inc., successor to Southern Bell Telephone and Telegraph Company (hereinafter "Southern Bell," which term whenever used herein shall mean BellSouth Telecommunications, Inc., its predecessor, Southern Bell Telephone and Telegraph Company, and their successors and assigns) and the Statewide Prosecutor and the Office of Statewide Prosecution (hereinafter collectively the "Office").

W I T N E S S E T H:

WHEREAS, the Office commenced an investigation regarding Southern Bell's reporting of trouble and repair information to the Florida Public Service Commission; the credits given by Southern Bell for service interruptions greater than twenty-four (24) hours; the sale, billing and provision of certain optional services through Southern Bell's Network Sales Program, allegedly not ordered by certain Southern Bell subscribers; and the alleged wrongful conduct of Southern Bell related to the Touchtone/Custom Calling Service reconciliation program conducted by Southern Bell in 1990 and 1991 (the "Reconciliation Program");

WHEREAS, Southern Bell denies that it engaged in conduct alleged to be in violation of any state law, denies that it engaged in any fraud in the State of Florida, denies that it improperly withheld credits to subscribers with an out of service condition in excess of twenty-four (24) hours, such credits being

required by Section 25.4.110(2), Florida Administrative Code, and denies that it inaccurately reported information to the Public Service Commission in violation of Sections 25-4.0185 and 25-4.070, denies that it improperly sold, billed or provided optional services through its network sales program, and denies that it engaged in any improper conduct with respect to the Reconciliation Program, and does not intend to engage in any such conduct; and

WHEREAS, Southern Bell and the Office desire to conclude the Investigation and the claims which were investigated in the Investigation (as defined in paragraph 1 below);

NOW, THEREFORE, in consideration of the premises and the mutual promises, agreements and covenants contained herein, including, but not limited to, the Review Program as described in Exhibit "C" and the payment of the restitution described in paragraphs 3, 4 and 5 below, the parties hereto stipulate and agree as follows:

1.

As used herein, the term "Investigation" shall mean the Office of Statewide Prosecution investigative case No. SWP 91-000007-NFB which was opened in March 1991. The Investigation is limited to the alleged failure of Southern Bell to properly report trouble and repair information to the Public Service Commission, and Southern Bell's alleged failure to properly provide credits for service interruptions greater than twenty-four (24) hours; matters concerning the sale, billing and provision of certain optional services through Southern Bell's Network Sales

Program in 1987, 1988, 1989, 1990 and 1991, allegedly not ordered by certain Southern Bell subscribers (not including the inside wire maintenance reconciliation program conducted in 1990 and 1991); and the alleged wrongful conduct of Southern Bell related to the Reconciliation Program.

2.

It is expressly understood and agreed between the parties that this Settlement Agreement is made in compromise of disputed claims. This Settlement Agreement and the restitution payments and releases provided hereunder are not and shall not be construed as an admission of liability or an acknowledgment of the validity of any claims which were investigated by the Office against Southern Bell arising out of the Investigation. Southern Bell hereby expressly denies any liability to the Office or any other person. Southern Bell hereby also expressly denies the claims and allegations asserted against Southern Bell by the Office or any other person.

3.

Southern Bell shall pay Three Million Five Thousand Dollars (\$3,005,000) in restitution, in pro rata amounts, to those Southern Bell subscribers identified by Southern Bell who reported one or more out of service interruptions during the period January 1, 1985 to June 30, 1991 (the "Out-of-Service Subscribers"). Southern Bell shall, within ten (10) days of the execution of this Settlement Agreement, deposit the above Three Million Five Thousand Dollars (\$3,005,000) (the "Out-of-Service Payment") into a separate interest bearing account from which it

can make credits and/or refunds to Out-of-Service Subscribers. The Out-of-Service Payment shall be credited to the accounts of or refunded by check to current Out-of-Service Subscribers and refunded by check to former Out-of-Service Subscribers by Southern Bell in equal pro rata amounts within sixty (60) days of the execution of this Settlement Agreement. Southern Bell may not deduct from any refund to any former subscriber any amount which is or was shown as a balance due on that account. Any person who is entitled to a distribution but who did not receive one initially, who requests a distribution during the five (5) year period following the date of this Settlement Agreement, shall be paid out of said account. Any of these disputed funds that remain in said account after this five (5) year period, and all interest accrued on the Out-of-Service Payment, shall be paid to the State of Florida, which payment shall be in full and complete satisfaction of any and all claims by the State of Florida to these funds. "Out-of-Service" for the purpose of this paragraph shall mean that the subscriber's telephone number had no dial tone, could not be called, or could not call out and that the receipt to close time for such service interruption or "trouble" was greater than twenty-four (24) hours.

4.

Southern Bell shall pay as restitution the amount of Ten Million Five Hundred Thousand Dollars (\$10,500,000) (the "Network Sales Payment") to those subscribers who have been or were subscribed to certain optional services by network employees of Southern Bell as part of its Network Sales Program during 1987,

1988, 1989, 1990 and 1991, and who have not previously received a credit or refund payment. Southern Bell shall, within ten (10) days of the execution of this Settlement Agreement, deposit into a separate interest bearing account the above Ten Million Five Hundred Thousand Dollars (\$10,500,000) from which it may make the credits and/or refunds described in this paragraph. Within sixty (60) days of the execution of this Settlement Agreement, the Network Sales Payment shall, on a pro rata basis, be credited to the account of or refunded by check to each current subscriber and refunded by check to each former subscriber, listed on Exhibit "A," who Southern Bell has identified as having been subscribed to certain optional services by Southern Bell as part of its Network Sales Program during 1987, 1988, 1989, 1990 and 1991, and who has not previously received a credit or refund payment. Southern Bell shall not deduct from any refund to any former subscriber any amount which is or was shown as a balance due on that account. Southern Bell will pay restitution to those current or former Southern Bell subscribers listed on Exhibit "A." Any person who is entitled to a distribution but who did not receive one initially, who requests a distribution during the five (5) year period following the date of this Settlement Agreement, shall be paid out of said account. Any of these disputed funds that remain in said account after this five (5) year period, and all interest accrued on the Network Sales Payment, shall be paid to the State of Florida, which payment shall be in full and complete satisfaction of any and all claims by the State of Florida to these funds.

Southern Bell shall make an additional effort to identify former subscribers not listed on Exhibit "A" who had one or more optional services placed on their telephone by a Network Sales employee during the Network Sales program in 1987, 1988, 1989, 1990, and 1991. Southern Bell will seek to find the present address of these former subscribers. Southern Bell will make full refunds, plus interest, to those former subscribers it locates who paid for one or more optional services to which they were subscribed by a Network employee, but which the subscribers indicate they did not order. The letter from the Office attached as Exhibit "D" and the letter from Southern Bell attached as Exhibit "E" shall be sent to these former subscribers who receive a refund check.

5.

Within ten (10) days of the execution of this Settlement Agreement, Southern Bell shall pay a maximum of One Million Six Hundred Seventy-Seven Thousand Six Hundred Ninety-One Dollars and Sixty-Two Cents (\$1,677,691.62), as reflected in Exhibit "B," into a separate interest bearing account as additional restitution for the benefit of those current and former subscribers, listed on Exhibit "B," identified during the Reconciliation Program as having been double-billed or over-billed for certain optional services and who received previously only partial restitution; provided, however, the amount to be deposited to this account will be increased to the extent that Southern Bell identifies through the Reconciliation Program additional subscribers as having been double-billed or over-billed for certain optional services and who

received previously only partial restitution. Southern Bell will, within sixty (60) days of the execution of this Settlement Agreement, make restitution to those subscribers listed on Exhibit "B" in the amounts listed in Exhibit "B." Restitution payments to which subscribers are entitled pursuant to this paragraph shall be credited to the account of or refunded by check to current subscribers and refunded by check to former subscribers. Southern Bell may not deduct from any refund to any former subscriber any amount which is or was shown as a balance due on that account. Any person who is entitled to a distribution but who did not receive one initially, who requests a distribution during the five (5) year period following the date of this Settlement Agreement, shall be paid out of said account. Any of these disputed funds that remain in said account after this five (5) year period, and all interest accrued on this account, shall be paid to the State of Florida, which payment shall be in full and complete satisfaction of any and all claims by the State of Florida to these funds.

6.

Refunds sent by Southern Bell pursuant to paragraphs 4 and 5 of this Settlement Agreement shall be sent by First Class Mail. Each refund sent pursuant to paragraph 4 will be accompanied by the letter from the Office attached as Exhibit "F" and the letter from Southern Bell attached as Exhibit "G." Each refund sent pursuant to paragraph 5 shall be accompanied by the letter from the Office attached as Exhibit "H" and the letter from Southern Bell attached as Exhibit "I." The bill containing the credits

applied to subscriber accounts pursuant to paragraph 3 shall be accompanied by the letter attached as Exhibit "J." Refunds sent to subscribers pursuant to paragraph 3 shall be accompanied by the letter attached as Exhibit "K."

7.

Southern Bell shall pay to the Office the amount of Seven Hundred Sixty-Seven Thousand, Eight Hundred Ninety-Six Dollars and Twenty-Six Cents (\$767,896.26), in full payment of the costs and expenses incurred in connection with the Investigation. This payment shall be made within ten (10) days of the execution of this Settlement Agreement, by depositing it into the Office's Grants and Donations Trust Fund, for distribution as follows:

Office of Statewide Prosecution:	\$ 21,286.43
Department of Legal Affairs Revolving Trust Fund:	\$697,771.08
Florida Department of Law Enforcement:	\$ 48,838.75

Within ten (10) days of the execution of this Settlement Agreement, Southern Bell shall deposit the amount of Two Hundred Twenty-Five Thousand Dollars (\$225,000) into an interest-bearing account, controlled by the Office. This account shall be maintained and used by the Office during the Review Period to monitor compliance with the Review Program. Also within ten (10) days of the execution of the Settlement Agreement, Southern Bell shall deposit Four Hundred Forty-Seven Thousand, Eight Hundred Seventy Dollars and Thirty Cents (\$447,870.30) into an interest bearing account, controlled by the Office. Any additional fees, costs or expenses incurred by the Office, the State of Florida or

local governments in Florida, in connection with the Investigation, monitoring of the Review Program, or enforcement of this Agreement shall be paid by the Office to such agency or agencies out of this account at the discretion of the Statewide Prosecutor. The account shall be maintained until the conclusion of the Review Period. All funds remaining in the account at the end of the Review Period shall revert to the State of Florida's General Revenue Fund, unallocated, which payment shall be in full and complete satisfaction of any and all claims by the State of Florida to these funds.

8.

Southern Bell will fully cooperate with the Office in the Investigation as it may continue with respect to individuals, including the production of any documents in Southern Bell's possession, custody and control or witnesses requested by the Office. If the documents or information requested are protected by the attorney-client or work product privilege, then Southern Bell will provide all information necessary and all assistance needed to disclose the documents or information sought to the extent possible without waiving any such privileges.

Non-compliance with this provision shall constitute a breach of this Settlement Agreement, and the Statewide Prosecutor may exercise the rights of the Office hereunder consistent with paragraph 18 below.

9.

KPMG Peat Marwick (hereinafter "The Accounting Firm") shall perform the work described in paragraph 10 herein, in

accordance with the terms of an agreement to be entered into between counsel for Southern Bell and The Accounting Firm (the "Accounting Agreement"), which is subject to the approval of the Office.

10.

Southern Bell will implement all of the systems, operations, ethics, sales incentive and sales programs described in Exhibit "C" (the "Review Program") by the specific implementation dates set forth in this program. The Review Program is fully incorporated herein as a term of this Settlement Agreement. For a period of three (3) years beginning on the date this Settlement Agreement is executed (the "Review Period"), The Accounting Firm will conduct semi-annual audits to determine whether Southern Bell is complying with all of the obligations and programs set forth in the Review Program. Non-compliance with the provisions of the Review Program shall constitute a breach of the Settlement Agreement, and the Statewide Prosecutor may exercise the rights of the Office hereunder consistent with paragraph 18 below.

11.

Southern Bell agrees it will not engage in a practice of falsifying information required by the Florida Administrative Code to be reported to the Florida Public Service Commission, in a practice of causing Florida subscribers to be billed for services that the subscribers did not order, or in a practice of causing Florida subscribers to receive a credit or refund that is less than that to which subscribers are entitled. During the Review Period, if Southern Bell (which for the remaining portion of this

paragraph 11 shall mean Installation and Maintenance Center managers, and district managers (paygrade 6), or higher level managers) discovers that any of its employees have engaged or are engaging in the practices described above, Southern Bell will identify such employees and such practices to the Office. Any information given to the Office pursuant to this paragraph shall not be used in any civil action by the Office or as the basis for any criminal action against Southern Bell, or its subsidiary, affiliate, or parent companies, and any information delivered pursuant to this paragraph shall, until the Review Period expires, be treated in accordance with Florida Statute § 119 as information obtained during the course of a criminal investigation. Provided, however, that any information derived therefrom may be used as the basis for a criminal action consistent with the provisions of paragraph 18. Southern Bell reserves the right to discipline any employee for any actionable conduct in which an employee engages, provided, however, that employees or former employees shall not be disciplined or terminated in whole or in part at any time, for their testimony, whether voluntary or compelled, or for the fact of their cooperation with the Office; with any other State of Florida agency involved in the Investigation, unless such employee violated written company policy or knowingly gave false material information during the course of such cooperation.

12.

The Office will not institute, assert, or maintain any civil action, claim, cause of action, obligation, liability or demand for punitive relief, exemplary or treble damages, claim of relief

or demand whatsoever, in law or in equity, against Southern Bell or its parent, affiliate, and subsidiary companies, their officers, directors, employees, agents, representatives, attorneys, and their heirs, successors, and assigns, which previously were asserted or maintained, which could have been asserted or maintained or which could in the future be asserted or maintained against Southern Bell in any civil investigation, action or other proceeding based on conduct addressed in, directly arising out of, directly related to, or directly connected with the Investigation.

13.

The Office will not take or cause another to take any grand jury or other criminal action against Southern Bell or BellSouth Telecommunications, Inc., their parent, affiliates, or subsidiary companies, or their successors, and assigns, as a corporate entity or entities based on matters addressed in the Investigation, so long as Southern Bell does not breach the Settlement Agreement. Nothing in this paragraph shall be construed to prevent the Office from taking any criminal action against individual officers, directors, managers or agents of Southern Bell, or of its parent, affiliates, or subsidiary companies or their heirs, successors, or assigns. Nothing in this paragraph shall be construed to prevent any grand jury from issuing a report or presentment concerning the Investigation. This paragraph shall not be construed to prevent the Office, during the five (5) year period following execution of this Settlement Agreement, from using conduct addressed in the Investigation as predicate incidents in a criminal action against

Southern Bell based upon misconduct unrelated to the Investigation. . If the federal government or any local governmental or law enforcement agency seeks to investigate or charge Southern Bell, or its parent, affiliate or subsidiary companies or their heirs, successors, and assigns for the matters investigated in the Investigation, the Office will advise such federal or governmental agency of this settlement.

14.

None of the costs associated with this Settlement Agreement (including but not limited to the cost of all credits and refunds, attorneys' fees and expenses) will be included in the customer rates of Southern Bell.

15.

The Investigation shall not be deemed concluded or closed prior to the expiration of the Review Period described in paragraph 10 above.

16.

This Settlement Agreement and the exhibits hereto constitute the entire agreement between the parties with regard to the subject matter contained herein, and all prior negotiations and understandings between the parties shall be deemed merged into the Settlement Agreement.

17.

No representations, warranties, or inducements have been made to Southern Bell or the Office concerning this Settlement

Agreement, other than those representations, warranties and covenants contained in this Settlement Agreement.

18.

Southern Bell and the Office acknowledge the technical and logistical complexity of implementing and managing the payment of restitution and the transmittal of correspondence pursuant to this Settlement Agreement, of implementing and managing the Review Program, of identifying the matters to be reported pursuant to paragraph 11 and of otherwise managing Southern Bell's obligations hereunder. With respect to the Review Program, the parties acknowledge that Southern Bell may later discover that portions of the Review Program may be impossible, infeasible or unreasonable to implement. If such discovery is made, Southern Bell will notify the Office to discuss the problem and to negotiate a reasonable substitute for such program that is designed to achieve the same purpose as the program that is replaced. Any resulting dispute will be submitted to the Special Master in accordance with the procedure set forth in paragraph F(1) of the Review Program.

The parties do not intend that this Settlement Agreement be voided for minor, technical violations, but rather that it be subject to being voided where Southern Bell willfully and purposefully causes or allows a breach to occur. In the event the Office contends that Southern Bell willfully and purposefully caused or allowed a breach of this Settlement Agreement to occur and the breach tends to undermine or circumvent the obligations under this Settlement Agreement, the Office will provide written notice of the claimed breach to Southern Bell and provide Southern

Bell with a reasonable opportunity, not to exceed forty-five (45) days, unless extended by the Statewide Prosecutor, to address or cure such claimed breach. After this period expires, the Statewide Prosecutor will in good faith exercise her discretion in deciding whether or not Southern Bell is liable for such conduct, and if so, whether or not to void this Settlement Agreement and pursue a criminal action against Southern Bell, should all the facts and circumstances justify such action. The Office will give Southern Bell thirty (30) days written notice before any decision to void the Settlement Agreement becomes effective. The right to void this Settlement Agreement expires upon the successful completion of the Review period or any authorized extension thereof.

19.

This Settlement Agreement shall not preclude Southern Bell or the Office from participating in other judicial or administrative proceedings or from introducing evidence in such proceedings concerning the conduct covered by the Investigation to the extent allowed by applicable rules of evidence and procedure.

20.

Southern Bell will develop a document retention policy that reasonably is calculated to preserve documents and information that the Company, in consultation with the Office, believes is relevant to the Investigation.

21.

No waiver, modification or amendment of the terms of this Settlement Agreement shall be valid or binding unless in writing,

signed by all parties and then only to the extent set forth in such written waiver, modification or amendment.

22.

Any failure by any party to the Settlement Agreement to insist upon the strict performance by any other party of any of the provisions of this Settlement Agreement shall not be deemed a waiver of any of the provisions of this Settlement Agreement, and such party, notwithstanding such failure, shall have the right thereafter to insist upon the specific performance of any and all of the provisions of this Settlement Agreement.

23.

This Settlement Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida, without regard to its conflict of laws principles. Any payments made by Southern Bell pursuant to this Settlement Agreement, including the payments described in paragraphs 3, 4 and 5 above, include any and all taxes that Southern Bell may be required to pay to the recipients of such payments, to any governmental entity or to any other person. This provision shall not reduce any of the payments which Southern Bell is required to make pursuant to this Settlement Agreement and Southern Bell agrees not to seek a refund or credit from any local, state, or federal taxing authority for any tax including but not limited to any gross receipts tax or state tax, collected or paid by Southern Bell and related directly or indirectly to services for which Subscribers

may receive a credit or refund pursuant to this Settlement Agreement.

24.

The parties acknowledge that this Settlement Agreement is being entered into for the purposes of settlement only, that there has been no finding of liability of any kind, and that Southern Bell is entering into this Settlement Agreement to avoid the expense and length of further legal proceedings, taking into account the uncertainty and risk inherent in any litigation. Neither this Settlement Agreement, any exhibit or document referenced herein, nor any action taken to reach, effectuate or further this Settlement Agreement or the settlement set forth herein is, may be construed as, or may be used as an admission by or against any party of any fault, wrongdoing or liability whatsoever, or as a waiver or limitation of any claims, legal or equitable, or defenses otherwise available to any of the parties. Entering into or carrying out this Settlement Agreement, or any negotiations or proceedings related thereto, shall not in any event be construed as, or deemed to be evidence of, an admission or concession by any of the parties, or to be a waiver of any applicable claim or defense, otherwise available.

25.

This Settlement Agreement, including its exhibits, were executed after arm's length negotiations between the parties and reflect the conclusion of the parties that this Settlement Agreement is in the best interests of all the parties hereto.

26.

Each party participated jointly in the drafting of this Settlement Agreement, and therefore the terms of this Settlement Agreement are not intended to be construed against any party by virtue of draftsmanship.

27.

This Settlement Agreement may be executed in several counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Settlement Agreement has been executed as of the date first written above, by the undersigned counsel of record for the parties hereto and/or by the parties themselves in multiple counterparts, each of which shall be deemed an original.

OFFICE OF STATEWIDE PROSECUTION


By: Melanie Ann Hines
Statewide Prosecutor

Sworn to and Subscribed to before me this 9th day of October, 1992, in Tallahassee, Florida


Notary Public
State of Florida

My Commission Expires:

Notary Public, State of Florida
My Commission Expires June 2, 1995
Bonded Thru Tom Fain - Insurance Inc.

Personally Known

BELLSOUTH TELECOMMUNICATIONS,
INC. (successor to SOUTHERN
BELL TELEPHONE & TELEGRAPH
COMPANY)

Sworn to and Subscribed to
before me this 7th day of
October, 1992, in
Melbourne, Florida

Joseph P. Lacher
By: Joseph P. Lacher
President-Florida

Marc Ian Fisher
Notary Public
State of Florida

My Commission Expires:

OFFICIAL NOTARY SEAL
MARC IAN FISHER
NOTARY PUBLIC STATE OF FLORIDA
COMMISSION NO. AA654025
MY COMMISSION EXP. APR. 30, 1993

SOUTHERN BELL REVIEW PROGRAM

This sets forth the systems and operation changes, procedures and ethics programs that Southern Bell has or will put into place in Florida during the Review Period to address matters that have arisen in Florida. Southern Bell is required to maintain these system and operation changes, procedures, and programs only during the Review Period and any extension thereof pursuant to paragraph F(4) below. Implementation of the changes, procedures, and programs described below will be reviewed in the audits described in paragraph 10 of this Settlement Agreement. The term "optional services" as used in this Review Program includes the following optional services: Call Return, Call Trace, Repeat Dial, Preferred Call Forwarding; Call Blocking, Selective Call Blocking, Caller ID, Call Forwarding, Call Forwarding-Line Busy, Call Forwarding - Don't Answer, Remote Access Call Forwarding, Three-Way Calling, Speed Call-8, Speed Call-30, Call Waiting, Memory Call, Inside Wire Maintenance, Trouble Isolation Plan, Inside Wire Maintenance Combined Plan and Touchtone.

A. Institution of Ethics Program

1. Southern Bell will develop and implement a new ethics education program. This program will be presented to management and non-management employees of Southern Bell in Florida. [Implementation: October 1, 1992.]
2. Southern Bell will revise its handbook "A Personal Responsibility" to:
 - a. further emphasize ethics; and
 - b. promote the Company's "Hotline" number and assure that there is sufficient capacity to handle "Hotline" calls. [Implementation: October 1, 1992.]
3. Southern Bell will develop a "Code of Ethics" which will be distributed to Southern Bell employees in Florida. [Implementation: October 1, 1992.]
4. Southern Bell will change its management employee evaluation process and forms by incorporating two additional performance criteria:
 - a. commitment to customer service; and
 - b. commitment to ethical business practices. [Implemented previously.]

B. Creation of Corporate Responsibility and Compliance Office

BellSouth Corporation will create a new officer position known as "Vice President-Corporate Responsibility and Compliance." The person appointed to this office is responsible, inter alia, for internal auditing and security supervision at Southern Bell. This officer also will act as an "ombudsman" to whom Southern Bell employees can communicate complaints and concerns for appropriate action or response, including, but not limited to, confidential internal investigations if warranted. [Implemented previously.]

C. Service Sales Changes

1. Southern Bell will confirm each new sale of any optional service to residential and simple (one or two line) business subscribers ("Business Subscribers") by sending a letter to the customer stating the new service ordered and the rate for such service. For new residential or Business Subscribers or those that transfer their service, Southern Bell will confirm basic and optional services and the rates for such service. Optional services will be identified as optional in this letter. The letter will state that optional services are not required in order to obtain basic telephone service. It also will state that optional services may be cancelled at any time without a cancellation charge. [Implementation: October 1, 1992.]
2. Southern Bell will review its sales training and procedures materials and revise them, if necessary, to instruct sales personnel to communicate clearly to customers the optional nature of each optional service that sales personnel recommend or a customer orders, as well as a clear description of each optional service recommended or ordered, and the rate charged for each such service. Southern Bell also will prepare and distribute a memorandum to all sales personnel in Florida instructing them to communicate clearly to customers the optional nature of each optional service that sales personnel recommend or a customer orders, a clear description of each optional service recommended or ordered, and the rate charged for each such service. This separate memorandum, and Southern Bell's sales training and procedures materials, also shall advise sales personnel to make clear to customers that optional services are not required to obtain basic telephone service. [Implementation: October 1, 1992.]
3. Southern Bell will discontinue sale of optional services by non-sales personnel in Florida. Inquiries regarding the purchase of services will be referred to Southern Bell's business offices. [Implemented previously.]

4. Southern Bell will enhance the management and reporting of its existing program for the observation of sales calls between sales representatives and subscribers. The results of local observations will be reported to the Florida headquarters and to Southern Bell headquarters in Atlanta. The results of the Florida headquarters observation program also will be reported to Southern Bell's headquarters in Atlanta.
[Implementation: October 1, 1992.]
5. Southern Bell will develop a self-inspection program to be conducted annually for each sales office in Florida, which program will cover the following matters:
 - a. sales personnel compliance with operational procedures;
 - b. the transmission of letters confirming sales to subscribers;
 - c. proper inputting of information regarding the ordering, termination, or change in service requested by subscribers; and
 - d. the level of sales activities of individual employees (to identify potential problems).
[Implementation: October 1, 1992.]
6. Southern Bell will develop an enhanced internal auditing program to audit the following activities:
 - a. the communication between sales personnel and customers of the services offered by the Company and the rate charged for such services;
 - b. the transmission of letters confirming the sale of new service to customers and the rate for such service;
 - c. the proper inputting of sales information into the company's billing system;
 - d. the level of sales by sales personnel to identify any employees whose sales may exceed reasonable limits (in an effort to identify improper sales practices);
 - e. compliance with self-inspection programs;
 - f. consideration of findings and recommendations made by Staff Review Teams following staff reviews; and

- g. the conduct and administration of sales incentive programs. [Implementation: October 1, 1992.]
7. Southern Bell will not charge its customers for cancellation of any optional service without fully disclosing any cancellation charge before the customer enrolls. [Implementation: October 1, 1992.]
8. If Southern Bell changes the name of one or more of its Inside Wire Maintenance Plans or other optional services covered by this Settlement Agreement, or includes one or more of them in a revised service, plan or package, the renamed, revised or packaged service shall be subject to all of the provisions of this Review Program. Likewise, conversions from one service, plan or package, to another shall be subject to all of the provisions of this Review Program governing sales.
9. Southern Bell will undertake to develop a means of maintaining sufficient information regarding optional services on subscriber telephones for reasonable periods of time so that such information will be available to make refunds, legally required, to subscribers. Southern Bell also will undertake to develop a means of training personnel who are responsible for making customer refunds as to the proper procedures for processing refunds legally required to be made.

D. System Changes

1. Southern Bell will control access to the LMOS system. Employees will be assigned personal identification numbers and passwords. Access to the system will be allowed only with the inputting of a valid access number and password. [Implementation: October 1, 1992.]
2. Southern Bell will standardize MLT VER codes. System changes will be implemented to prohibit changes to the MLT VER field. [Implementation: October 1, 1992.]
3. Southern Bell will limit the creation of Customer Direct and Subsequent Reports to a specific identified group of employees. [Implementation: October 1, 1992.]
4. Southern Bell will develop system edit processes to prohibit closing of trouble reports where disposition and cause codes are inconsistent. [Implementation: October 1, 1992.]
5. Southern Bell will standardize the administration of the Autoscreen rules. Southern Bell centrally will limit and control access to the system. [Implementation: October 1, 1992.]

6. Southern Bell will develop a method to block multiple billing of a new optional service (or package of services) if a customer already is being provided and billed for the same service either alone or as part of a package. [Implementation: January 1, 1993.]

E. PSC Reporting

1. Southern Bell will develop procedures to audit information reported to the PSC regarding trouble report processing times. [Implemented previously.]
2. Southern Bell will use receipt and final status time to determine compliance with the PSC twenty-four (24) hour interruption repair rule. [Implemented previously.]
3. Southern Bell will institute new management reports to identify instances where a receipt time, different from real time, is entered in the LMOS system. [Implementation: October 1, 1992.]
4. Southern Bell will eliminate the use of the CON Intermediate Status Code. [Implemented previously.]
5. Southern Bell will implement periodic reports that identify invalid cause codes and that contain random samples of excluded trouble, so that they may be reviewed by local offices. [Implemented previously.]
6. Southern Bell will allow troubles to be stasured as 00S only during manual or automated testing or initial screening. [Implementation: December 31, 1992.]
7. Southern Bell will review and standardize its Staff Review process. Reviews will be conducted by headquarters management personnel. Findings and specific corrective action required as a result of a review will be made in writing and will be provided to Florida State Headquarters and company headquarters management. [Implemented previously.]

F. Remedies

1. A Special Master, mutually agreeable to Southern Bell and the Office, will be selected to assist in the Review Program and the Settlement Agreement. In addition to the remedies set forth in paragraph 18 of the Settlement Agreement, the Office may submit disputes regarding Southern Bell's compliance to the Special Master. If the Office elects to submit a dispute to the Special Master, the following procedures will be employed. A claim that Southern Bell is in noncompliance with the Review Program or the Settlement Agreement first should be discussed with Southern Bell and an attempt made

- to resolve it consensually. If a dispute regarding compliance cannot be resolved consensually, it then should be submitted by the Office in writing to the Special Master with a copy to Southern Bell. Southern Bell shall have twenty (20) business days to respond to the claim in writing, a copy of which will be sent to the Office. The Special Master may, upon request of the parties, allow the submission of any writing, evidence or argument in connection with any matter under consideration. The Special Master has the authority to establish procedures for the submission of additional documents, evidence and argument allowing each party sufficient time to respond to any submission by the other party. There shall be no ex parte communications. The Special Master's decision regarding compliance is binding and shall be rendered within thirty (30) days after submission of all matters for consideration.
2. In the event that the Special Master finds non-compliance by Southern Bell with any of its obligations under this Review Program, or any of its obligations under the Settlement Agreement, the Office may apply to the Special Master for specific performance. In addition, the Office may seek a monetary penalty. The Special Master shall determine whether a monetary penalty should be assessed and, if so, in what amount. The procedures for applying for specific performance or a penalty shall be the same as those set forth in paragraph 1 above. All fees and expenses payable to the Special Master for work performed in connection with the Review Program or the Settlement Agreement shall be paid by Southern Bell. Any opinion expressed by The Accounting Firm regarding whether the programs in the Review Program are accomplishing their purpose shall not be used as a basis for a claim of non-compliance provided the programs are being conducted as designed. If The Accounting Firm determines that one or more provisions of the Review Program are not accomplishing their purpose, Southern Bell will develop and implement a reasonable replacement program.
 3. Neither the existence of this Review Program, nor this Settlement Agreement, shall preclude the Office from bringing any civil or criminal litigation based upon conduct occurring after the date of this Settlement Agreement except as may be limited by the Settlement Agreement.
 4. For each month in which Southern Bell is in non-compliance with any of its obligations under this Review Program, the Special Master shall determine whether such non-compliance warrants that an additional month will be added to the Review Program. If the

review period is extended for greater than six months, an additional audit will be conducted after each additional six-month period. If the period is enlarged for less than six months or for one or more six-month periods, plus a period of less than six-months, the final audit will be deferred until the end of the entire Review Program.

- 5. The Office may request that The Accounting Firm perform supplemental review work with respect to the Systems and Procedures. Such request shall be in writing and shall state the specific matter or matters of the Systems and Procedures to be reviewed during the proposed supplemental review. A copy of the supplemental review request shall be sent to Southern Bell, who shall have ten (10) business days to object to it by stating its objections in writing to the Special Master. A copy of the objection will be sent to the Office, which shall have ten (10) business days to respond. The Special Master shall decide if the supplemental review shall be performed and the scope of and procedures for the supplemental review. This decision will be in writing within thirty (30) days after submission of all matters for consideration. A copy of the decision shall be sent to the Office and Southern Bell. The Special Master's decision is binding. The cost of the supplemental review shall be borne by Southern Bell.

- 6. All notices required to be sent pursuant to this Review Program shall be by hand delivery (within the same city) or by an overnight express mail service (Saturday delivery, if applicable), addressed as follows:

To Southern Bell:

Mr. J. Robert Fitzgerald
 Vice President and General Counsel
 BellSouth Telecommunications, Inc.
 Legal Department - Suite 4504
 675 West Peachtree Street, N.E.
 Atlanta, Georgia 30375

Mr. William S. Duffey, Jr.
 King & Spalding
 191 Peachtree Street
 Atlanta, Georgia 30303-1763

To the Office:

Ms. Melanie Ann Hines
 Office of Statewide Prosecution
 The Capitol
 Tallahassee, Florida 32399-1050

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-4

SECURITY INVESTIGATION--ORLANDO

REP-4, Pg. 1



Southern Bell

James L. Proulx
General Security Manager

ESJ1 Southern Bell Tower
301 W. Bay Street
Jacksonville, FL 32208-4400
Phone: (904) 360-8823

October 3, 1990

RE: GEORGE MOSES SLOAN;
SERVICES TECHNICIAN
MARSHA ANN TAYLOR;
MAINTENANCE ADMINISTRATOR
EMPLOYEE DEFALCATION
FILE: 3-112-J-Y

Mr. W. R. Perry
General Manager-Network
20th Floor
Jacksonville, Florida

Dear Mr. Perry:

Attached is our Investigative Report regarding the two captioned Orlando Network Division employees and their involvement in adding unauthorized features to subscribers' lines.

Yours very truly,

James L. Proulx
General Security Manager
North Florida Area

Attachments

- cc: Vice President-Florida
- Vice President-Network
- Asst. Vice Pres.-Security
- General Manager-Personnel
- Area Attorney
- AVP-Labor Relations

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HEADQUARTERS SECURITY
OCT 9 1990
SOUTHERN BELL TEL & TEL CO.

- South Central Bell
- X Southern Bell
- BellSouth Services
- Other:

Investigative Report

State of Origin:

FLORIDA

Reporting Office: ORLANDO, FLORIDA	Investigation At: ORLANDO, FLORIDA	Date: 10-04-90
Title: GEORGE MOSES SLOAN SERVICES TECHNICIAN ORLANDO, FLORIDA MARSHA ANN TAYLOR MAINTENANCE ADMINISTRATOR ORLANDO, FLORIDA	Classification: EMPLOYEE DEFALCATION	
	Reporting Manager: A. F. BRADLEY	Steno:
	Period Covered By Investigation: 06-26-90 THROUGH 10-03-90	

Synopsis: Due to customer complaints, H. T. Jackson, Network Operations Manager-Orlando Division, requested that Security investigate possible fraud in the Network Sales Program by George M. Sloan and Marsha A. Taylor, Network employees being utilized for telephone solicitation sales. Sloan was interviewed and admitted that all of his sales referrals from March, 1989 to mid June, 1990, increasing the Wiring Maintenance Plan to full coverage for an additional cost of \$1.00 per month, were unauthorized sales with no customer contact made. Company records reflect that during this period Sloan submitted a total of 25,292 such sales. Sloan claimed that Network Assistant Manager Donald J. Babair suggested that he submit false sales. Taylor was interviewed and also admitted that for the past two years she has submitted unauthorized Wiring Maintenance Plan upgrade sales. She advised that at least 75% of her total upgrade sales were submitted without contacting the subscriber. Company records reflect that during this two year period, Taylor submitted a total of 19,224 sales to upgrade the Wiring Maintenance Plan on subscriber lines. Taylor advised that she was following management instructions from Assistant Manager Donald J. Babair to submit false sales. Babair was interviewed and denied being aware that Sloan and Taylor were cheating on their sales and also denied that he either suggested or instructed them to cheat.

CLOSED

ARTHUR F. BRADLEY
STAFF MANAGER-SECURITY

Approved By: *James I. Griffin*
GENERAL SECURITY MANAGER - NORTH FLORIDA

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PREDICATION

This investigation was initiated on June 26, 1990, based on a request from Mr. H. T. Jackson, Operations Manager-Network/Orlando Division, that Security investigate possible fraud in the Network Sales Program by George M. Sloan, Services Technician and Marsha A. Taylor, Maintenance Administrator.

The following investigation was conducted by A. F. Bradley, Staff Manager-Security.

BACKGROUNDPersonnel Records Review

George Moses Sloan -

Employee Sloan is a Services Technician in the Orlando Network Sandlake District. His net credited service date is January 10, 1972, his date of birth is January 20, 1948, and his current rate of pay is \$616.00 per week. His last Performance Evaluation dated January 24, 1990, reflects satisfactory in quality of work and more than satisfactory in quantity of work. His file also reflects the following entries:

<u>Date</u>	<u>Description</u>
07-29-87	Warned - regarding failure to follow Company safety practices.
04-14-88	Counselled - regarding attendance.
04-04-89	Counselled - regarding attendance.

His file indicates that he was covered and signed the booklet, "A Personal Responsibility" on September 22, 1988.

A public records review was conducted and was negative. Security Organization records reflect that employee Sloan was interviewed by Security on January 15, 1986, regarding a personal check submitted by him for telephone service, that was returned by his bank for insufficient funds. He immediately covered the check in the amount of \$103.35.

Marsha Ann Taylor -

Employee Taylor is a Maintenance Administrator in the Orlando Installation/Maintenance Center. Her net credited service date is August 28, 1968, her date of birth is July 8, 1950, and her current rate of pay is \$515.00 per week. Her last Performance Evaluation dated January 22, 1990, reflects more than satisfactory in quality and quantity of work. Her file also reflects the following entries:

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<u>Date</u>	<u>Description</u>
01-07-82	Counselled - regarding attendance.
10-27-83	Counselled - regarding attendance.
03-01-85	Counselled - regarding unacceptable manner of handling customer contacts.
08-01-89	Counselled - regarding attendance
06-22-90	Warned - regarding correctness and proper completion of Company and customer records.

Her file indicates that she was covered and signed the booklet, "A Personal Responsibility" on September 15, 1988.

A public records review and Security Organization records review indicate no references for Taylor.

DETAILS

On June 19, 1990, Ron Tyo, Operations Manager for the North Florida Customer Services Central District advised Operations Manager Jackson, by letter, that representatives in the Brooksville, Florida Customer Services Office had received four subscriber complaints on June 12, 1990, challenging the Wiring Maintenance Plan cost on their bill.

The subscribers complained that without their authorization, the Maintenance Plan had been upgraded from coverage for the inside wiring and jacks (WMR) costing \$1.50 per month to the full Maintenance Plan (SEQ1X), which includes coverage for trouble isolation at an additional cost of \$1.00 per month. The subscriber advised that they did not order the additional coverage and were not contacted by anyone from Southern Bell attempting to sell the service.

Initial investigation by Mary Jane Harrelson and Julie B. Fragalia, Assistant Managers in the Brooksville Customer Services Office, determined that on all four subscribers, a Network Sales Referral Form (0069) had been forwarded by Network employee George M. Sloan (Sales Code B24IE1N) to the Jacksonville Service Order Group for processing.

At the direction of C. T. Gardner, Manager of the Brooksville Customer Services Office, additional Network Sales Referral forms were obtained for review from the Jacksonville Service Order Group Hold File. Twenty subscribers were contacted and questioned with care and discretion by Harrelson and Fragalia regarding the upgraded Maintenance Plan added to their service.

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Sixteen subscribers with sales referrals submitted by Sloan stated that they did not order the additional service, and were not contacted. One sales referral submitted by Sloan upgraded the Maintenance Plan on May 14, 1990. Company records reflect that the upgraded Maintenance Plan was actually sold to this subscriber by a Service Representative on May 1, 1990. On another sales referral submitted by Sloan on May 7, 1990, added the upgraded Maintenance Plan on service that had been disconnected on May 3, 1990.

Three of these sales referrals were prepared by Network employee Marsha A. Taylor and were also contacted. In each case the subscriber advised that they did not order the additional service and was not contacted.

Prior to referring this matter to Security, Operations Manager Jackson advised his managers to immediately instruct all Network employees involved in sales, including Sloan and Taylor, to refer all potential sales through GoldLine. This would exclude any incorrect or possible unauthorized feature being added to a subscriber's service. On all sales referred through GoldLine, the subscriber is recontacted by a Service Representative. The sale is verified, cost to the subscriber is quoted and a service order is issued.

Interview of Mary Jane Harrelson

On September 10, 1990, Mary Jane Harrelson, Assistant Manager in the Brooksville, Florida Customer Services Office, was interviewed and provided the following signed statement:

"Brooksville, Florida
September 10, 1990

I, Mary Jane Harrelson, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone Company. I realize any statement I make may be used as evidence.

I am forty-one years old. My birthdate is June 25, 1949, and my Social Security Number is 123-38-4480. I am employed with Southern Bell as an Assistant Manager-Customer Services in Brooksville, Florida.

On June 14, 1990, one of my Service Representatives received a call from Brooksville subscriber B. R. Brooks, 904-596-1678. The customer complained that the Maintenance Plan on her bill had been upgraded and that she had not given Southern Bell authorization to make the change.

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I called Accounting in Jacksonville to obtain a complete order to determine the sales code of the employee that sold the upgraded service. The completed order reflected employee sales code B24IE1N assigned to George M. Sloan, a Network employee in Orlando, Florida.

When I called Service Order to get a copy of the sales referral used to add the service to a customer's bill, I was told by the clerk I spoke with that her office had thousands of the sales referrals and that their office was working overtime to process them.

I referred the incident to my supervisor Charlie Gardner. We discussed the problem and he instructed me to recontact Accounting and obtain a group of the sales referral sheets so that we could contact several customers to determine if they were aware of the upgrade in their Maintenance Plan prior to them receiving their bill.

W 11 1990

The majority of the sales referral sheets sent to me by Accounting were prepared by employee Sloan. The remaining sales referral sheets were prepared by the employee assigned Sales Code B24ID0F. I later determined that this sales code is used by Orlando Network employee Marsha A. Taylor. I called a total of eleven customers from the group of sales referrals, eight prepared by Sloan and three prepared by Taylor. On each call the customer advised that they did not order the upgrade on the Maintenance Plan, and had not been contacted by anyone trying to sell them the upgrade.

GR 11 1990

In the presence of Mr. Bradley, I placed one call to Merritt Island customer reflecting the Maintenance Plan upgrade in April, 1990, sold by employee Sloan. The customer subscribing to 407-452-8429 advised that she did not order the upgrade and she was not contacted.

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I also called Brooksville customer Mrs. Albert Ripple subscriber to 904-596-1908. The service order reflects that Sloan upgraded her Maintenance Plan on May 22, 1990. Mrs. Ripple advised that she was in Michigan during May and could not have been called.

AS 11 1990

Sales referral dated May 14, 1990, for 904-596-0036 by employee Sloan, reflects that the Maintenance Plan was upgraded. However, the records indicated that this upgrade was previously done by a Service Representative on May 1, 1990.

AND 11 1990

Sales referral dated May 7, 1990, prepared by employee Sloan on 904-376-5816, reflects that he added an upgrade to the Maintenance Plan that date. Company records reflect that the service was disconnected on May 3, 1990.

194 11 1990

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In early June, 1990, the Brooksville Customer Services Office received several customer complaints regarding the charge on their May bill for an increase regarding their Maintenance Plan. The increase was \$1.00 for upgrading the Maintenance Plan from \$1.50 per month to \$2.50 per month. The \$1.00 increase was for adding trouble isolation to the plan.

Because of the volume of errors that were initially found, I was asked by my supervisor, Charlie Gardner to contact several Brooksville customers to verify that they did, in fact, order the Maintenance Plan upgrade.

I contacted ten customers that were Network sales referrals in May, 1990, by employee George M. Sloan, whose sales code is B24IE1N. All of the contacts I made were negative. In each case the customer advised that they had not been contacted by Southern Bell to add the addition to the Maintenance Plan. I made sure in each contact that I asked if any other member of the family may have been contacted. Again, in all cases I was told by the subscriber that no one in their household was contacted.

I had ten Network sales referral slips that I used to make my customer contacts and wrote the customer's comments on each sheet. I have given these customer contact sheets to Mr. Bradley.

I have read the above statement consisting of two pages and it is true to the best of my knowledge and belief.

Signed:
Julia B. Faraglia
9-10-90

Witness:
A. F. Bradley
Staff Manager-Security
September 10, 1990"

Interview of Raymond J. Mann

On September 17, 1990, Raymond J. Mann, Manager-Network, responsible for the Orlando Sandlake Installation and Maintenance District, was interviewed and provided the following signed statement:

"Orlando, Florida
September 17, 1990

I, Raymond J. Mann, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone Company. I realize any statement I make may be used as evidence.

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I am forty-six years old. My birthdate is November 4, 1943, and my Social Security Number is 267-64-9725. I am employed with Southern Bell as a Manager-Network in the Orlando, Florida Sandlake District. My office is located at 1227 S. Division Street, Orlando, Florida, and I can be reached at 407-425-1707.

I took over the Sandlake Installation and Maintenance group in April, 1990.

It has been the practice in our district to have at least one employee when possible to work full time on telephone sales. Normally, this person would be an employee on light duty. When the load would permit, any one of a supervisor's employee might be used for sales.

When I came into the Sandlake District, Services Technician George M. Sloan, under the supervision of Assistant Manager Don Babair, was performing the sales job. He placed calls to subscribers from an office at the Division Street Work Center.

Since I was new in the district I did not concentrate on sales and left the management of Sloan in the sales job to his supervisor, Babair. Sometime in May, 1990, my Operations Manager Hal Jackson advised me that Residence Operations Manager Ron Tyo had received four or five customer complaints, that the Wiring Maintenance Plan had been upgraded on their service without authorization. These complaints were all from sales by Sloan. I personally went to employee Sloan and questioned him about the sales. He assured me that all of his sales were legitimate. I instructed him to maintain detailed records on each of his sales regarding the time of day and to whom he spoke with on all subscriber contacts.

I discussed my conversation with Sloan with Operations Manager Jackson. Since the GoldLine Sales program was just getting started, it was decided by Mr. Jackson and myself that all future sales by anyone in the district would be referred through GoldLine. Whenever a sale is referred through GoldLine, employees in that group recontact the subscriber and confirm the sale. This would insure that no unauthorized sales were being made.

In my sales experience it is not unusual to have an occasional subscriber cancel a service. For instance, if a wife bought a service and the husband did not want the additional expense. However, this would be rare.

In late June, 1990, it was brought to my attention that additional sales by employee Sloan were being cancelled by subscribers claiming they were not contacted. These again were sales in May prior to Mr. Jackson and myself instructing Sloan and all other employees to refer all sales through GoldLine.

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Following these sales complaints Mr. Jackson advised me that he was referring the possible sales problem to Security for their review.

Because all sales were then being referred through GoldLine eliminating any possible unauthorized sales and the matter was being referred to Security, I felt that I needed to take no further action pending the results of the Security review.

I have read the above statement consisting of three pages and it is true to the best of my knowledge and belief. I have initialed each page and all corrections.

Signed:
R. J. Mann
9-17-90

Witness:
A. F. Bradley
Staff Manager-Security
9-17-90"

Interview of Donald J. Babair

On September 17, 1990, Donald J. Babair, employee Sloan's immediate supervisor, was interviewed and provided the following signed statement to Bradley in the presence of Manager Mann:

"Orlando, Florida
September 17, 1990

I, Donald J. Babair, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone Company. I realize any statement I make may be used as evidence.

I am 53 years old. My birthdate is February 26, 1937, and my Social Security Number is 313-36-4944. I am employed with Southern Bell as an Assistant Manager-I&M, and my NCS date is November 29, 1966.

George M. Sloan is a Service Technician reporting to me. I have Sloan working in Installation and Repair as needed. When the work load is not heavy, I remove him from I&M work and put him on sales. George contacts customers either by telephone or in person to sell Custom Calling features, Maintenance Plan, RingMaster, etc. He will use Company records to determine what features a subscriber has on their service. He will then call the

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customer and attempt to sell them a new feature or get them to upgrade a service. I have been advised by Security Staff Manager-Bradley that several sales shown on Company records as made by employee Sloan have come back. Either the customer has called in claiming they did not order the service or when a customer has been contacted, they claim again that they did not order the service.

I have reviewed 28 customer records with Mr. Bradley, where in each case the customer called in or was contacted and denied that they were contacted by Southern Bell regarding an upgrade in the Wiring Maintenance Plan. An upgrade in the plan would increase the customer bill for this service from \$1.50 per month to \$2.50 per month.

I am aware that employee Sloan has made several hundred sales in a month. However, it is my feeling that this number of discrepancies is unusual.

This problem has come up before with Sloan, but not in this volume. He was questioned regarding 5 or 6 sales returns in a month and he assured me that his sales were on the up and up. This problem came up last summer or fall, and I was not aware of any additional problems until this incident. He was instructed to maintain good records as to who he spoke with when he made a sale to a subscriber.

If customer sales are being improperly reported, I am not aware of it. I do not condone nor have I ever instructed employee Sloan to report improper sales.

I have read the above statement consisting of 2 pages and it is true. I have initialed each page and all corrections.

Signed:
D. J. Babair

Witness:
R. J. Mann
Manager-Network
9-17-90

A. F. Bradley
Staff Manager-Security
9-17-90"

Interview of George Moses Sloan

On September 17, 1990 and September 18, 1990, employee Sloan was interviewed and provided the following signed statement to Bradley in the presence of Manager Mann:

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"Orlando, Florida
September 18, 1990

I, George Moses Sloan, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone Company. I realize any statement I make may be used as evidence.

I am forty-two years old. My birthdate is January 20, 1948, and my Social Security Number is 264-94-6809. I am employed with Southern Bell as Services Technician and my NCS date with Southern Bell is January 10, 1972. I report to Mr. Don Babair at 1227 Division Street, Orlando, Florida, and I may be contacted at 407-425-1707.

In March, 1989, I was relieved of my job as a Services Technician, and brought into the office to make telephone sales to subscribers. I concentrated on sales of Custom Calling features and the Wiring Maintenance Plan.

After a couple of weeks on the sales job, it was brought to my attention that my sales were not as good as others in my district. My supervisor, Don Babair, came to me one day to discuss my low sales. He suggested that one way to increase my sales was to review customer records and find those subscribers that have only the Inside Wiring and Jacks Plan (WMR) and upgrade them to the full Maintenance Plan (SEQ1X), without making a sales contact with the subscriber. He stated that the subscriber really needed the upgrade, and it would only cost them an extra \$1.00 per month that they would not notice on their bill.

I took my supervisor's suggestion and began submitting Network Sales Referrals without contacting the subscriber on lines that only had WMR Maintenance. Since Mid March, 1989, I estimate that I have taken unearned credit for hundreds of the upgraded Maintenance Plan sales without contacting any of the subscribers.

I have reviewed 499 Network Sales Referral sheets that I submitted in May, 1990. All of these are sales referrals I submitted without contacting the subscriber. I did not keep any records of my sales referrals since March of 1989, however, I did submit a substantial number of referrals each month on subscribers that I did not contact. During this period I only submitted unauthorized referrals on the upgrade of the Maintenance Plan. All other sales referrals that I submitted on Custom Calling features or RingMaster were actual sales from a customer contact either by the telephone or in person.

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Following the initial suggestion from my supervisor Babair to submit unauthorized sales, we have not discussed the matter again.

I continued to submit unauthorized Maintenance Plan sales until the GoldLine sales referral program went into effect in my district in June of this year. Under the GoldLine Program, all sales are referred to GoldLine and they recontact the subscriber and confirm the sale. This made it impossible for me to submit a sale without first making contact with the subscriber.

My second level supervisor from March, 1989 until April, 1990, was Mr. Ron Browning. He was not aware that I was submitting false sales referrals. I never discussed my sales with Mr. Browning. Any discussion I had with management about sales was with my supervisor, Don Babair.

Approximately two months ago, I was approached by my present 2nd level supervisor, Ray Mann. He advised me that some of my sales were being questioned that they may be unauthorized. I told him there were no problems and that all of my sales were legitimate. He instructed me to maintain good records of who I spoke with when I call a subscriber so that I could prove my sales were legitimate. This was about the same time that the GoldLine Program went into effect. I started making the sales referral sheets with either an M or F to indicate that I either spoke with the Mr. or the female of the family.

Approximately five years ago, I was cut back from supervisor to craft. I felt that I was unjustly cut back and started to have a very poor attitude about my job.

When I was asked to come into the office to concentrate only on sales, I felt that this was a good opportunity for me not only to reverse my poor attitude, but to also prove to the company that I was a good contributing employee. I worked very hard in the beginning on sales, but was not keeping up with the sales made by others in my district. Because of this, I decided to take my supervisor's suggestion to refer sales without contacting the subscriber, so that I would look good in the eyes of the company.

I received a lot of gifts for my unauthorized sales. However, this was not my main objective. I truly wanted to appear to the company to be a good and contributing employee.

I am glad that this problem has been uncovered. I knew that what I was doing was improper, and it has bothered me ever since I started.

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I have read the above statement consisting of four pages and it is true to the best of my knowledge and belief. I have initialed all pages and corrections.

Signed:
George M. Sloan
9-18-90

Witness:
A. F. Bradley
Staff Manager-Security
9-18-90

R. J. Mann
Manager-Network
9-18-90"

Review of Sloan's Sales Results

All Company employees in the position to have frequent sales opportunities are assigned a sales code. In the case of employee Sloan, his sales code in 1990 through the end of February was B24IE1I. From March to the present, his assigned sales code is B24IE1N. Employee Taylor's sales code for all of 1990 has been B24IDOF.

Sales are tracked on a sales report computer printout (Form 2011A). The printout reflects monthly and year-to-date sales by sales code as well as the amount of revenues to be received from the sale for six months.

Following the interview of Sloan and before any additional interviews were conducted, the sales printouts for the Orlando Network Division were reviewed for 1990. The sales printouts for 1989 were not immediately available from the service order group or the Network staff before other interviews were conducted, however, to facilitate this report, the 1989 and 1990 sales totals for employee Sloan are reported as follows:

<u>Type Sale</u>	<u>1989</u>	<u>1990</u>	<u>Totals For 1989 and 1990</u>
Wiring Maintenance Plan	18,987	6,305	25,292
RingMaster	16	0	16
TouchTone	1	2	3
TouchStar Features	<u>96</u>	<u>4</u>	<u>100</u>
Total Sales	19,100	6,311	25,411
Reflected 6 Mo. Revenue	\$130,867	\$42,056	\$172,923

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As stated earlier in this report, instructions were given in late June, 1990, that all sales in the Orlando Network Division would be referred through GoldLine. The sales printouts for July, August, and September, 1990, reflect that the total sales submitted by employee Sloan were eight Wiring Maintenance Plans.

Interview of Marsha Ann Taylor

On September 19, 1990, employee Taylor was interviewed and provided the following signed statement to Bradley in the presence of her immediate supervisor, Larry E. Batchelor:

Orlando, Florida
September 19, 1990

I, Marsha Ann Taylor, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone Company. I realize any statement I make may be used as evidence.

I am forty years old. My birthdate is July 8, 1950, and my Social Security Number is 267-88-8102. I am employed with Southern Bell as Maintenance Administrator reporting to Mr. Larry Batchelor at 7900 Mandarin Drive, Orlando, Florida. My NCS date is 8-28-68.

In the Orlando Maintenance Center since the consolidation with the Sandlake Maintenance Center, there has been at least one employee assigned to telephone sales solicitation. These sales contacts with subscribers concentrated on the Wiring Maintenance Plan.

Within the last two years I was assigned this job. Initially, I worked for Mr. Don Babair, who was in charge of the sales program at the time. Prior to my assuming the sales job, fellow employees Bea Leatherman and Joy Folley had the job.

When I started in sales I was instructed by Mr. Babair to upgrade the Maintenance Plan on subscriber lines having only the Inside Wiring Maintenance, to the Full Maintenance Plan. This would increase the subscriber's bill from \$1.50 per month to \$2.50 per month. Mr. Babair instructed me to add the upgrade without contacting the subscriber.

I knew when I took over the sales job that Bea Leatherman and Joy Folley had also upgraded the Maintenance Plan on subscriber lines without contacting the customer. I recall that either Bea or Joy mentioned to me that the subscriber would not notice the increase, because most people don't look at their telephone bill that closely.

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After Don Babair left the Maintenance Center, I was placed under the supervision of Mr. Dick Newsome. Mr. Newsome and I never specifically discussed that I was adding the Maintenance feature to subscriber lines without making contact with the subscriber. However, I feel that he knew what was going on, because on more than one occasion Mr. Newsome came to me and told me not to send anymore sales referrals in that month. He stated that too many referrals might initiate an investigation.

I also worked for Mr. Gary Maser for approximately six months. I feel that he knew what I was doing, but told me he did not want to know anything about it.

Mr. Jonah Bradley also knew what was going on. He also came to me on more than one occasion telling me to hold off sending too many sales referrals in. I assume that he was concerned like Mr. Newsome, that a large number of sales in a particular month might cause problems.

My present supervisor, Larry Batchelor was not aware that I added features to subscriber lines without contacting them. He has spoken to me three times regarding problems with my sales and placed a warning entry in my record regarding correctness and proper completion of company and subscriber records.

When I came into the Maintenance Center, I was told by fellow employees not to make any waves and to do what I was told or Management would make my life hell.

I knew that what I was doing by adding additional features to subscriber lines without the subscriber's authorization was wrong, and have had many nightmares about it. However, I did what I was told by management.

The majority of my sales were the addition of the upgraded Maintenance Plan.

Reviewing Company records with Mr. Bradley reflects that from January, 1990 through May, 1990, I sold 2733 upgraded Maintenance Plans. Of these I estimate that approximately 25% of these are actual sales resulting from customer contacts. The approximately 75% remaining sales were added to the subscriber lines without making contact with the customer. I estimate all previous sales I reported since I took over the sales job would break down the same way, 25% actual sales and 75% added without contacting the subscriber.

I was pulled off sales in late June and have not done any sales solicitation since.

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As I stated before, I knew that what I was doing was wrong, however, I was following management's instructions.

I have read the above statement consisting of four pages and it is true to the best of my knowledge and belief.

Signed:
Marsha Taylor
9-19-90

Witness:
A. F. Bradley
Staff Manager-Security
9-19-90

Witness:
L. E. Batchelor
Staff Manager-IMC
9-19-90"

Review of Taylor's Sales Results

The 1988, 1989, and January through June 1990 sales for Taylor as reflected on the sales printouts are as follows:

Type Sale	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>Total For 1988-1990</u>
Wiring Maintenance Plan	5,262	11,539	2,922	19,723
Custom Calling Features	0	10	0	10
TouchTone	3	3	16	22
Prestige Service	4	0	0	4
TouchStar Features	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>
Total Sales	5,269	11,552	2,940	19,761
Reflected 6 Mo. Revenue	\$31,467	\$78,921	\$19,561	\$129,949

Interview of Jonah F. Bradley

On September 19, 1990, Jonah F. Bradley, Manager of the Orlando Network Division Maintenance Center was interviewed and provided the following signed statement:

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Orlando, Florida
September 19, 1990

I, Jonah Franklyn Bradley, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone Company. I realize any statement I make may be used as evidence.

I am fifty-seven years old. My birthdate is July 26, 1933 and my social security number is 248-46-8431. I am employed with Southern Bell as Manager-IMC, Orlando, Florida, and my NCS date is July 29, 1957.

In 1988, the Orlando and Sandlake Maintenance Centers consolidated under my supervision. Manager Ron Browning was the manager of the Sandlake Maintenance Center. At consolidation, Browning was moved to a different job. All managers reporting to him either moved to a different job or were reassigned to me.

At consolidation, Assistant Manager Don Babair was one of the managers moving from the Sandlake Maintenance Center to my group. He advised me that he had a good sales program in the Sandlake District and wanted to continue the program in my group. He advised me that he wanted to continue to use Maintenance Administrator Joy Folley because she was very successful in sales. I agreed and put the sales program under his supervision. When the work load permitted, Folley was placed on telephone solicitation sales. I am not sure how she obtained her leads as that was handled by Babair. The sales efforts were concentrated on the Wiring Maintenance Plan primarily, and appeared to be very successful. Again, I left this part of the business to Babair.

At one point, Folley resigned from the Company and Bee Leatherman took her place as the sales contact person, and I believe Babair still had responsibility for sales. After Leatherman, Taylor was put on sales.

Babair was then moved in the latter part of 1988 to an outside position, and I reassigned the sales responsibility to Assistant Manager Dick Newsome. Again, the sales appeared to me to be in good shape under Newsome.

Because there were gifts associated with the sales job for the manager of the person actually making the sales contacts, I made the decision to rotate the managers responsible for sales.

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I don't recall the date, but I took Newsome off the sales program and assigned the job to Assistant Manager Gary Maser. He kept the job for approximately one year then I turned the job over to Assistant Manager Larry Batchelor. Batchelor kept that job until I suspended the sales program in June, 1990.

I suspended the program when I received information that there may be an integrity problem in the sales program.

Over a two year period, I received approximately ten to twelve complaints from the Residence Service Centers regarding customer complaints that they had the wiring maintenance plan added to their line without authorization or knowledge.

I felt that this was such a small percentage of the overall sales, that these I received, maybe one a month, were not a sign of a problem. I have known of sales made to one member of the family such as the wife or children and the husband would call and cancel the sale after receiving the bill.

In approximately March of this year, I received a letter through my supervisor, Operations Manager Hal Jackson, that several subscribers had complained they did not order the upgraded Maintenance Program shown sold by Maintenance Administrator Marsha Taylor.

Marsha Taylor had been placed in the sales job after Bee Leatherman. Approximately two years ago, Leatherman was terminated for attendance.

I gave the customer complaints to Assistant Manager Maser and after talking with Taylor, Maser was assured by Taylor that all of her sales were legitimate. No further action was taken at that time.

Following receipt of the complaints in March, I received additional complaints from other customers regarding the Maintenance Plan added to their line without their knowledge. These were also sales by Taylor.

Assistant Manager Batchelor met with Taylor. Batchelor did not accuse her of cheating but did place a warning in her personnel file regarding her correctness and proper completion of Company and customer records.

I did not take any further action and suspended the sales program completely. I took no further action because I was aware that Mr. Jackson was going to request that Security review the matter.

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-18-

I have been advised that employee Taylor assumed that I was aware that she was falsely reporting sales.

Because of the nature of the Maintenance Center business, it was not possible to have a person on sales at all times. Also, because of the competition in sales, I attempted to show a steady sales effort each month.

I have at times personally gone to Taylor at the end of the month, especially after a good month, and requested that any sales not submitted be held for the following month. Since she was the only one selling, this would allow us to show a competitive effort each month, even when she was assigned other duties or on vacation. The allegation made by Ms. Taylor that I had knowledge she was submitting unauthorized sales is totally untrue.

Adding unauthorized features to a subscriber's line is an obvious way to create customer complaints which can easily be checked. In no way would I place my long career with Southern Bell in jeopardy by endorsing such actions as this.

I have read the above statement consisting of 5 pages and it is true to the best of my knowledge and belief. I have initialed each page and all corrections.

Signed:
Jonah F. Bradley
Mgr.-IMC
9-19-90

Witness:
A. F. Bradley
Staff Manager-Security
September 19, 1990"

Interview of Richard W. Newsome

On September 19, 1990, Richard W. Newsome was interviewed and provided the following signed statement:

"Orlando, Florida
September 19, 1990

I, Richard Walton Newsome, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone Company. I realize any statement I make may be used as evidence.

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I am fifty four years old. My birth date is March 22, 1936 and my social security number is 263-46-0449. I am employed with Southern Bell as an Assistant Manager, IMC, in the Orlando, Florida District Maintenance Center.

In the Orlando Maintenance Center we had a sales solicitation program until it was suspended in June of this year. The sales program consisted of one person making solicitation calls to customers when they were not performing their normal duties.

Maintenance Administrator Marsha Taylor was the last employee used on this job.

It is my understanding that the sales program was started by Assistant Manager Don Babair when the Sandlake Maintenance Center and the Orlando Maintenance Center were consolidated in 1988.

Approximately two years ago, Marsha Taylor was moved from Babair's supervision to mine, giving me the responsibility for sales.

Although Taylor reported to me she was left alone to make sales contacts, she was given an office, a telephone and customer printouts to make her calls. Her sales were very good and it appeared that very little supervision was required. While Taylor was under my supervision, I had no indication that she might be submitting unauthorized sales.

It was recently brought to my attention by Assistant Manager Batchelor that several complaints had been received from subscribers that the Wiring Maintenance Plan had been added to their service without their authorization. I was also advised that in all cases the sales were submitted by employee Taylor.

I have been advised that employee Taylor has admitted to Mr. Bradley that she has submitted numerous sales of the Maintenance Plan on subscribers' lines without contacting the subscriber.

I have also been advised that Taylor indicated to Mr. Bradley that I was aware that she was taking credit for unauthorized sales.

I was not aware until recently that Taylor was submitting unauthorized sales. Her statement is totally untrue that I had knowledge of this.

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I do recall going to Taylor when she worked for me, when we had a good month of sales, and asking her to hold back any unreported sales that month and hold them for the following month. This was done so that we would have an even flow of sales from the Maintenance Center for each month.

Again I was not aware of any unauthorized sales by Taylor while she was under my supervision and certainly did not instruct her or ask her to cheat.

I have read the above statement consisting of three pages and it is true to the best of my knowledge and belief. I have initialed each page and all corrections.

Signed:
Richard Walton Newsome
Asst. Mgr.-IMC
9-19-90

Witness:
A. F. Bradley
Staff Manager-Security
September 19, 1990

Jonah F. Bradley
Mgr.-IMC
9-19-90"

Second Interview of Donald J. Babair

On September 20, 1990, Donald J. Babair was re-interviewed and provided the following signed statement to Bradley in the presence of Manager Raymond Mann:

"Orlando, Florida
September 20, 1990

I, Donald J. Babair, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone and Telegraph Company. I realize any statement I make may be used as evidence. I am fifty-three years old. My birth date is February 26, 1937 and my social security number is 313-36-4944. I am employed with Southern Bell as an Assistant Manager, I&M, and my NCS date is November 29, 1966.

I have been advised that I have been identified by craft employees Marsha Taylor and George Sloan as the management person providing them with the idea to add the upgraded Maintenance Plan to subscribers' lines without contacting the subscriber. This is absolutely untrue. At no time did I ever tell either of these employees to report false sales.

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As I recall, shortly after Sloan was on the sales job, either I went to him or he came to me and we discussed his low sales. Sloan asked me how Renee Smith, the Services Technician that did the sales before Sloan, made so many sales. I recall telling Sloan that I had no proof but to make so many sales, I thought that Smith may be cheating. I also told Sloan that Joy Folley, a Maintenance Administrator handling sales in the Maintenance Center, told me on the day she quit the Company in July, 1988, that she was cheating on her sales. She stated that she added the Maintenance Plan on subscribers' lines without contacting them. She said something like, everybody needs protection. I don't remember if I informed my supervisor, Jonah Bradley, what Folley said.

I do recall that last summer, possibly in June, my supervisor Ron Browning gave me six or eight customer sales that were returned where the customer claimed they were not contacted by Southern Bell. These were sales reported by Sloan. I went to him and questioned him about the sales and he assured me there was no problem. I viewed these few complaints as customers calling back because they really didn't want the Maintenance Service.

Again in the late summer of 1989, there were approximately ten additional sales referred by Sloan returned for the same reason. Again I questioned Sloan and he said there was no problem with his sales and he did not understand why the sales were returned. He insisted that he did speak with someone at the subscriber's residence and possibly the sale was held by the Jacksonville Service Order Group. Mr. Browning was also with me when I spoke with Sloan the second time. We both told Sloan that it would be a good idea to note on the sales referral who he spoke with when he made a sale. I did not follow-up to see if he was, in fact, noting his sales referrals.

Employee Marsha Taylor only worked for me a short time while I was in the Maintenance Center and she only sold for me on a few occasions. Again, I never instructed her or suggested to her to cheat on her sales.

I have no idea why these two employees would state that I told them to cheat.

There are gifts associated with high sales and I have been the recipient of several such gifts. However, I would never jeopardize my job with Southern Bell cheating on sales to receive gifts.

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I have read the above statement, consisting of 3 pages and it is true to the best of my knowledge and belief. I have initialed each page and all corrections.

Signed:
D. J. Babair
9-20-90

Witness:
A. F. Bradley
Staff Mgr.-Security
September 20, 1990

R. J. Mann
Mgr.-Network
Sept. 20, 1990"

Interview of Ronald E. Browning

On September 20, 1990, Ronald E. Browning was interviewed and provided the following signed statement:

"Sanford, Florida
September 20, 1990

I, Ronald Eugene Browning, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone Company. I realize any statement I make may be used as evidence.

I am fifty years old. My birth date is September 12, 1940 and my social security number is 267-56-7279. I am employed with Southern Bell as the Manager-Construction, Installation/Maintenance, Sanford, Florida. My office is located in Sanford, Florida at 132 Commerce Way.

I worked at the Sandlake, Florida Maintenance Center as the manager from 1983 to March of 1988. I then was moved to supervise the Sandlake Installation and Maintenance District until I was moved to Sanford in April of this year.

I have been advised that while under my supervision, Services Technician George M. Sloan submitted hundreds of unauthorized sales referrals, adding the upgraded Maintenance Plan to subscribers' lines without contacting the subscriber.

I have absolutely no knowledge that this was happening.

When I went to the Sandlake I&M District, a Sales Solicitation Program was already in place using a craft employee to make telephone and in-person sales contacts with subscribers. I left the program intact. In about March of 1989, the craft employee performing the sales job requested to be taken off sales. After conferring with my first level managers for volunteers, it was decided to give Services Technician George Sloan the opportunity to demonstrate his potential as a sales person.

Sloan's immediate supervisor at that time was Assistant Manager Don Babair who also supervised Sloan's sales efforts.

While Sloan was on the job, his sales were good. During that time, I did receive inquiries on two or three occasions regarding questionable sales by Sloan, which amounted to not more than a dozen total sales, where the subscriber claimed they were not contacted. It was determined after investigating these sales, for whatever reason, the customer changed their mind.

Due to the large number of sales being submitted by Sloan and the very low number of inquiries brought to my attention, I had no reason to suspect that there was any problem with integrity. However, I did take the opportunity on each inquiry referred to me to stress to both Sloan and Babair the importance of maintaining integrity in the sales program.

If I would have had any knowledge that unauthorized sales were being reported by anyone under my supervision, I would have removed that person from the sales program, investigated the problem and would have taken the appropriate action.

I have read the above statement, consisting of two pages, and it is true. I have initialed each page and all corrections.

Signed:
Ronald E. Browning
Mgr.-Const/I&M
9-20-90

Witness:
A. F. Bradley
Staff Manager-Security
September 20, 1990"

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Interview of Gary Lee Maser

On September 21, 1990, Gary Lee Maser was interviewed and provided the following signed statement:

Hollywood, Florida
September 21, 1990

I, Gary Lee Maser, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone and Telegraph Company. I realize any statement I make may be used as evidence.

I am thirty-nine years old. My birth date is July 31, 1951 and my social security number is 293-50-2353. I am employed with Southern Bell as an Assistant Manager-IMC in Hollywood, Florida at 250 SW 62nd Avenue. I may be contacted at 305-985-9110.

I was moved into the Orlando Maintenance Center in June of 1988 and took the position held by Don Babair. He went to the field and took my old position.

In early 1989, my supervisor, Jonah Bradley, placed Maintenance Administrator Marsha Taylor under my supervision. At that time, Taylor spent the majority of her time doing telephone solicitation sales. Actually Taylor was not supervised by me in her sales job, she just reported to me on paper.

Approximately eight months ago, a letter came down from Jacksonville regarding six customer complaints that the Maintenance Plan was added to their service without their authorization. They were sales referred by Marsha Taylor and the customers complained that they were never contacted by anyone from Southern Bell.

I went to Taylor and questioned her about the complaints. She assured me that her sales were legitimate and that she made a subscriber contact on each sale. In fact, she questioned me for questioning her integrity. She indicated that she was a former Service Representative and had sales training.

I discussed my conversation with Taylor with my supervisor, Jonah Bradley. He felt that six complaints out of the thousands of sales by Taylor was not out of line, and told me not to carry it any further. This was the last time I heard about any problems with Taylor's sales.

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I left Orlando in late July of this year and transferred to Hollywood.

While in Orlando, I never discussed the possibility that there was a problem with the sales effort in the Maintenance Center with any of the other managers including my supervisor, Jonah Bradley.

When I was a craftsman, I also did telephone sales when I reported to Mr. Red Pullin in 1984 and 1985. I was very successful in telephone sales. Based on my success, I knew that it was possible to generate a lot of sales by telephone, so I had no personal reason to suspect that Taylor may be cheating.

I have read the above statement consisting of three pages and it is true to the best of my knowledge and belief. I have initialed all three pages and corrections.

Signed:
Gary L. Maser
Asst. Mgr.
9/21/90

Witness:
A. F. Bradley
Staff Manager-Security
September 21, 1990"

Interview of Lawrence E. Batchelor

On September 21, 1990, Lawrence E. Batchelor was interviewed and provided the following signed statement:

"Orlando, Florida
September 21, 1990

I, Lawrence E. Batchelor, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone and Telegraph Company. I realize any statement I make may be used as evidence. I am thirty-eight years old. My birth date is January 2, 1952 and my social security number is 266-96-2303. I am employed with Southern Bell as a Staff Manager, IMC, at 7900 Mandarin Drive, Orlando, Florida.

I was present on September 19, 1990, when employee Marsha Taylor admitted that for approximately the last two years she has been submitting unauthorized sales by adding the upgraded Maintenance Wiring Plan to subscribers' lines without making any contact with the subscriber.

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Taylor reported to me from February to May of this year. She is a Maintenance Administrator in the Maintenance Center. However, she has been making subscriber sales solicitation calls for the past two years. Taylor reported to me on paper, however, she operated with little or no supervision in the sales job.

Taylor was submitting hundreds of sales each month. In March, soon after Taylor began to report to me, I received a call from the Residence Service Center regarding a customer complaint that a feature was added to their line without authorization. I went to Taylor and discussed the complaint, instructing her to make sure that her records were accurate. Because the volume of her sales were so high, I thought this complaint was most likely a clerical error.

In April, I received a second complaint from the Residence Service Center regarding a second subscriber claiming that a feature was added to their line without authorization. This was another sale submitted by Taylor, and again I discussed the customer complaint with Taylor. I told her to make sure she is talking with the subscriber on her sales and note who she spoke with. I did not suspect that there may be a problem with her sales, again, because of the large volume, and I only received two complaints in a two month period.

In June, following the receipt of a letter through my lines of organization from Customer Services Center Operations Manager Ron Tye, I met with Taylor regarding a third customer complaint on one of her sales.

Again, I did not suspect that she may be cheating and viewed the problem as the accuracy of records. As the result of this complaint, I placed a warning entry in her personal file regarding the correctness and proper completion of Company and customer records. I had no previous knowledge that Taylor was cheating on her sales, and had no knowledge that any other manager in the Maintenance Center was aware or condoned her actions.

In her interview with Mr. Bradley, Taylor made a statement that she was advised by fellow employees when she came to the Maintenance Center that if she did not do whatever she was told by management her life would be hell.

As long as I have been in the Maintenance Center, I have not observed any mistreatment of the craft employees by any managers including my supervisor, Jonah Bradley.

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I have read the above statement, consisting of three pages, and it is true to the best of my knowledge and belief. I have initialed each page and all corrections.

Signed:
L. E. Batchelor
Staff Manager-IMC
Sept. 21, 1990

Witness:
A. F. Bradley
Staff Manager-Security
September 21, 1990"

Interview of Renee Hill Smith

On September 26, 1990, Renee Hill Smith was interviewed as a result of information developed in the second interview of Babair. The following signed statement was provided to Bradley in the presence of Manager Mann:

"Orlando, Florida
September 26, 1990

I, Renee Hill Smith, do hereby make the following free and voluntary statement to A. F. Bradley, who has identified himself as a Staff Manager for Southern Bell Telephone Company. I realize any statement I make may be used as evidence.

I am forty-one years old. My birth date is April 11, 1949 and my social security number is 261-86-1450. I am employed with Southern Bell as a Services Technician and my NCS date is March 3, 1971. I report to Mr. Don Thompson and I may be contacted through him at 407-291-6432.

In all of 1987 and 1988, I spent the majority of my time making sales solicitation calls to subscribers. Initially, during this period, I reported to Mr. Red Pullin, Assistant Manager I&M. For approximately the last month on the sales job, my supervisor changed and I began reporting to Mr. Carl Hoeltke.

In the sales job, I was brought into the Orlando Division Street Work Center. I was given an office, access to customer records and a telephone. My instructions were to review the customer records and call the customer and attempt to sell them additional telephone features. I was told to sell any of the custom calling features and the Wiring Maintenance Plan.

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I found that selling the upgraded Maintenance Plan was the most successful. As I recall, of every one hundred customer contacts I made, I was successful in selling the upgraded Maintenance Plan to at least ninety eight subscribers. I also attempted to sell the custom calling features, however, my success rate was very low. Mainly because of the initial service order charge or they may have tried one or more of the features, and did not like them, and had them disconnected.

I estimate that during the two years that I was on sales, I sold the upgraded Maintenance Plan to thousands of subscribers.

All of my sales were legitimate and the result of a customer contact by me. I would have no problem with all of my sales being reviewed and customers being recontacted verifying my sale.

I have no knowledge of any other employee involved in solicitation sales, submitting sales when they did not actually contact the subscriber.

I have read the above statement, consisting of two pages, and it is true to the best of my knowledge and belief. I have initialed all pages and corrections.

Signed:
Rense H. Smith
9-26-90

Witness:
A. F. Bradley
Staff Manager-Security
September 26, 1990

R. J. Mann
Mgr.-Network
Sept. 26, 1990"

Interview of Adeline Walton Lewis (Joy Folley)

Folley resigned from the Company in July, 1988, just prior to being married. In 1988 from January through June she placed solicitation sales calls in the Orlando Maintenance Center, and was credited with 5,524 Maintenance Plan sales reflecting a six months revenue figure of \$27,448.00.

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On September 27, 1990, Lewis/Folley was telephonically interviewed by Staff Manager Bradley. She declined to meet with Bradley or provide a signed statement, but did agree to discuss her involvement in solicitation sales when employed by Southern Bell in the Maintenance Center.

When questioned, she denied that she added features to subscriber lines without contacting the subscriber and actually selling an added feature. She stated that she could not understand employee Taylor's motive, when she advised Bradley that she knew Lewis/Folley was cheating on her sales. She also denied that she told Don Babair that she was cheating on her sales.

She did indicate that on a few occasions she may have sold a custom calling feature or the Wiring Maintenance Plan to another member of a family other than the listed subscriber, and the listed subscriber may have called the Business Office after receiving their bill and cancel the added feature.

Interview of Beatrice Griggs Leatherman

Leatherman was terminated from the Company in May of 1989 due to attendance problems. In all of 1988 and through May, 1989, she placed solicitation sales calls in the Orlando Maintenance Center, and was credited with 14,829 Maintenance Plan sales reflecting a six months revenue figure of \$89,079.

On September 28, 1990, Leatherman was telephonically interviewed by Bradley. She advised that her personal schedule would not permit an in-person interview in the near future, but did agree to discuss her involvement in solicitation sales while working in the Orlando Maintenance Center.

When questioned, she denied cheating by adding features to subscriber lines without contacting the subscriber, and actually making a sale. She also had no explanation why employee Taylor would make the statement that she cheated on her sales. She further stated that she had no knowledge of any other employee cheating on sales or that management condoned cheating.

COMPANY RECORDS

The following Company records relating to sales in the Orlando Network Division were obtained and are being held by Security.

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1. Sales records for 1988, 1989, and 1990 maintained by the Orlando Network Division and by Liz Sutton of the North Florida Network Staff. This includes all available sales printouts (Form 2011A).
2. All available Network Sales Referral Sheets (Form 0069) for employees Sloan and Taylor. It was determined that the sales referrals for all of 1988 and up through October of 1989, have been purged from the Service Order Group Hold File.
3. Copies of Award Checks for 1988, 1989, and 1990 issued to employees in the Orlando Network Division for sales. These checks are for sales points to be used as cash to purchase catalog gifts for their sales effort.

SUMMARY OF INCENTIVE GIFTS RECEIVED FOR SALES

As indicated in this report, in 1988 and 1989 prior to GoldLine, employee sales were shown on sales printouts (Form 2011A) with the monthly and year-to-date cumulative sales along with the reflected six month revenue to be realized. The employee would receive sales points in the form of an award check worth 10% of the reflected six months revenue, to purchase catalog gifts. The program was also set up so that the employee's first level supervisor would be eligible for an award check worth 3% of the reflected six months revenue. The employee's second level supervisor would be eligible for an award check of 1% up through June of 1989 and 1 1/2% from July through December, 1989.

In 1989 Sloan received award checks totaling 130,427 points valued at \$13,042.70, that he utilized to purchase gifts. With this, his first and second level supervisors received sales points based on the above percentages.

Employee Sloan was the outside Installation and Maintenance winner of a statewide sales contest held from June 1, 1989 through December 31, 1989, and received in addition to his sales points, a 40 inch color TV valued at \$1,550.00. His first and second level supervisors received Cam Corders valued at \$825.00 each.

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In 1988 and 1989, employee Taylor received award checks totaling 104,512 points valued at \$10,451.20 that she also utilized to purchase catalog gifts. She reported to three different first level supervisors during this period, Donald Babair, Gary Maser, and Dick Newsome. They along with her second level supervisor, Jonah Bradley received sales points as explained above.

Taylor was the statewide sales winner for the Maintenance Centers in the same sales contest won by Sloan. She also won a 40 inch color TV set, and her first level at the time, Gary Maser, received a Cam Corder. The second level sales contest winner was a South Florida employee.

Since GoldLine went into effect in January, 1990, employees now receive 4% of the reflected six months revenue. The employee's first, second, and third level supervisors receive gift certificates of four dollars, three dollars and one dollar for each one thousand dollars in sales.

In 1990 Sloan has accumulated \$960.80 credit in his GoldLine account and has collected \$500.00. The remaining amount is being held by GoldLine and will not be released per instructions from Security. Taylor has accumulated a total of \$858.96 in her GoldLine account. The full amount is being held by GoldLine and also will not be released pending final review of this matter.

DISPOSITION

As of this writing, no administrative action has been taken.

CLOSED

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EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-5

INTERNAL AUDIT--NON-CONTACT SALES--FLORIDA

02. 12. 91 09:00 AM

F U I

REF 5, Pg 1

February 6, 1991

TO: See Attached Distribution List

FROM: B. R. Easterling
General Internal Auditor
Southern Bell

COPY TO: See Attached Distribution List

SUBJECT: F00-19-67-A-SAF

We have recently completed an audit of Non-Contact Sales in Florida. This report contains significant adverse findings.

Please provide copies only to those who will develop and implement corrective action. We would appreciate a written reply, as indicated on the attached distribution list, to this audit by February 15, 1991, advising us of the corrective action you have taken or plan to take, including anticipated implementation dates. The implementation dates furnished will provide guidance as to when the auditor will follow up on the corrective action taken. Please refer to the above audit reference number in your reply.

BR Easterling

Attachment

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02 12 91 09 00 AM F U I

02:12:09 AM 09:07 AM U9:UB AM

PUZ

DISTRIBUTION LIST - TO:

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Vice President - Network-Florida
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✓ H. R. Anthony
General Attorney - Florida
Southern Bell
(Reply to Finding 1)

J. B. Barnes
A.V.P. - Personnel
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R. T. Bishop
Comptroller
BellSouth Services
(Reply to Finding 6)

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A.V.P. - Information Systems-Revenue
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C. L. Cuthbertson, Jr.
General Manager - Personnel-Florida
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J. P. Darham III
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BellSouth Services

✓ W. G. Dresser
General Manager - Customer Services (NF)
Southern Bell
(Reply to Finding 7a)

C. E. Graham
A.V.P. - Procurement, Property & Services Management
BellSouth Services

✓ J. J. Hopkins
A.V.P. - Executive Personnel Matters
BellSouth Corporation
(Reply to Findings 5, 8a, 8c and 9b)
(Joint reply with BSC Human Resources Planning
and Development)

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✓ N. C. Humphries
 A.V.P. - Human Resources Planning & Development
 BellSouth Corporation
 (Reply to Findings 5, 8a, 8c and 9b)
 (Joint reply with BSC Executive Personnel Matters)

D. L. King
 A.V.P. - Network Operations & Systems
 BellSouth Services

R. F. Loahn
 A.V.P. - Procurement-Material Services
 BellSouth Services
 (Reply to Finding 8b)

✓ S. J. Rasor, Jr.
 A.V.P. - Human Resources
 Southern Bell
 (Reply to Finding 8c and 11)

✓ C. W. Shewbridge, III
 A.V.P. - Taxes
 BellSouth Corporation
 (Reply to Findings 4a, 4b, 5)

✓ L. E. Spradlin
 General Manager - Customer Services (SR)
 Southern Bell
 (Reply to Findings 7a, 7b and 10)

✓ D. B. Sutton
 A.V.P. - Marketing & Customer Services
 Southern Bell
 (Reply to Finding 11)

✓ C. L. Williams
 A.V.P. - Information Systems-Cost/Disbursements
 BellSouth Services
 (Reply to Findings 4b and 8b)

W. H. Williams
 General Manager - Comptrollers-Florida
 Southern Bell

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NON-CONTACT SALES

F00-19-67-A-SAF

BSC-Human Resources, Taxes;
BSS-Comptrollers, Information Systems, Operations & Systems,
Procurement, Property and Services Management;
SBT-Comptrollers, Customer Services, Network, Personnel

DECEMBER 1990

INTRODUCTION

Non-contact sales programs are designed to stimulate revenue which is supplemental to revenues generated by the Company's sales organizations. Non-contact employees are generally defined as those employees who have little or no contact with customers and have no job responsibilities for selling. Although the Network Department is not considered a sales organization, it has been considered a viable source of revenue due to the high degree of customer contact by Service Technicians, Maintenance Administrators and Repair Service Attendants (STs, MAs, and RSAs). There were 20 sales programs in 1988, 1989 and 1990 for non-contact employees that encompassed various products and services. Procedures for referring sales varied depending upon the program guidelines.

This audit was conducted at the request of the Legal Department who directed that specific emphasis be placed on Florida programs which covered the sale of the Service Plan SEQ1X. Sales for SEQ1X negotiated with customers by STs, MAs and RSAs in 1988 and 1989 were referred to Customer Services via form for order input. Upon completion of service orders in CRIS, total sales and revenue were output to the Customer Services Sales Report (Form 2011A) which tracks by individual sales code and summarizes on a hierarchical basis. There was \$1.5 million generated by Florida Network employees for the sale of SEQ1X in 1988 and 1989.

Effective April 15, 1990, a centralized group was established to handle sale referrals from all non-contact employees. Procedures for the Florida GoldLine program dictate that the group receives the referral and after processing in their system, sends it to the appropriate sales organization to close the sale with the

customer. Upon completion, it is referred back to GoldLine where revenue for the completed sale is tracked for awarding purposes.

SCOPE

The purpose of this audit was to determine if controls exist to ensure the validity of sales and that award programs were administered in accordance with Company policy.

Network employees with high sales of SEQ1X during 1988 and 1989 were identified and submitted to the Legal Department. The high sellers were identified by trending sales results from 2011As. District/Turf results were trended first. Reports for Paygrade 5, 3, and individual non-management employee sales codes within the hierarchical structure were analyzed next to determine evidence of high sales and if sales were concentrated in particular groups or to specific individuals. A subsequent list of employees with the highest sales in those Districts, who were not identified originally as a risk, was developed. Another list of employees whose referrals to GoldLine resulted in a no sale condition on 50% or more of the total referrals was developed. Both lists were referred to Security and Legal. An extraction of service order data from the Posted Activity File for the sales codes identified was requested for the purpose of verifying sales and correcting customer bills if necessary. Data from the extraction was reviewed to determine procedures used for issuing service orders by Customer Services.

Controls over sale referral for all programs were examined for adequacy. Procedures for programs that addressed the sale of SEQ1X were further analyzed for the existence of controls over validity of sales. Interviews were conducted with managers in Customer Services to determine if they had retained any documentation or had knowledge relative to problems encountered with validity of Network sales. The existence of documents and retention periods for Network Sale Referral (NSR) forms, 2011As, employee sales codes and documentation relative to sales that were deemed questionable was reviewed. Sales plans were examined to ensure they were prepared properly by the originating department and approved in accordance with Company guidelines. The Executive Instructions (E.I.) and Personnel Policy Manual (PPM) were examined for adequacy.

Controls over the award budget process were reviewed. The Keep Cost Ledger (KC16) was examined for accuracy. An extraction of awards ordered from one catalog vendor used for the 1988 and 1989 programs was obtained from the CAPRI system for the period of November 1988 through May 1990 for Network employees. Data was used to perform various audit tests. Award Plan Tax Allowance Authorizations (Forms 0771) and Tax Expense Redemption Reports

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(mechanized Forms 0771) from the Comptrollers Payroll Office files were reviewed to ensure all awards were submitted for tax gross-up.

Interviews were conducted with Florida GoldLine management to obtain an understanding of the procedures and controls. System controls were evaluated and reports and data were reviewed to ensure controls over processing exist. Procedures and documentation for reporting time associated with the sale of SEQ1X were evaluated to determine if proper allocation to nonregulated was evident. Since there were no system edits for service order issuance, an extraction from CRIS with accounts currently billed in error for SEQ1X, WMQ and/or WMR was requested and will be referred to Customer Services and Public Communications for handling in January 1991.

SUMMARY OF AUDIT RESULTS

The Florida GoldLine program has controls to ensure that sales processed are valid. Current system controls are adequate and additional controls are planned with an up-coming program enhancement. The Legal Department was consulted during program development to ensure guidelines were appropriate. Award plans with criteria for the sale of complex products and services and Customer Provided Equipment (CPE) required the sale be completed by the appropriate sales organization.

The overall objectives of the operation are not being met and the following issues require the attention of management. The validity of Network sales was not well controlled. Network employees received additional sales credit for SEQ1X in error. There was no Company policy that clearly defined the role of Network employees in the sales environment. Gross-up for sales awards was not conducted in accordance with Company policy. Rules concerning the taxability of awards were not clear. Time spent on the sale of SEQ1X was not being charged to nonregulated JFCs. Controls over sales referrals were inadequate. Award budgets and sales expenses were not accurate or monitored. The review and approval of award plans needs improvement. Controls over accuracy of revenue credit were weak. Forms and documentation were not consistently maintained by Network and Customer Services.

FINDINGS

1. THE VALIDITY OF NETWORK SALES WAS NOT WELL CONTROLLED.

Company policy dictates that there be an established process to review work performed by employees. Although selling is not a job

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requirement for STs, MAs and RSAs, reviews should be conducted if a substantial amount of time is expended on sales. Employees are expected to have integrity when dealing with our customers.

Some Network employees took credit for sales of SEQ1X that they did not negotiate with customers. Customers were unaware that they had the service on their records or were paying for it. Details were developed by Security.

This was caused by a lack of employee integrity, the failure of Network field management to review or verify sales, the absence of reviews conducted by the Network Sector Staff and the absence of guidelines for field review. It resulted in thousands of customers being billed for services in error and a subsequent correction effort that was very costly.

Corrective action is currently being conducted by Legal. Future problems of this nature should not occur as sales are now referred and verified through the Florida GoldLine program. However, should other programs of this type be implemented, a verification process should be required.

2. NETWORK EMPLOYEES RECEIVED ADDITIONAL SALES CREDIT FOR SEQ1X IN ERROR.

Service orders were input by Customer Services from NSR forms received from Network. Orders were processed directly into the Corporate Data Network by Service Order Typists (SOTs) in the North Florida Area and via Direct Order Entry (DOE) by Service Representatives (SRs) in South and Southeast Florida. The 2011A sales report tracks net items and revenue for upgrades of service. Netting of sales is accomplished by placing the sales code of the sales person in the Identification section of the order. The process of floating a sales code for another employee by a USOC is used when more than one employee is involved in selling services on the same order.

A review of the extraction from the Posted Activity File revealed that SOTs and SRs issued orders for upgrades incorrectly. The sales code of the Network employee was floated by the SEQ1X USOC and the sales code of the SR or a common sales code used by the SOT group was entered in the Identification section of the order for the majority of upgrades reviewed. In North Florida, this procedure was used until February 1990 when order processing was transferred from Orlando to Jacksonville. At that time, the Network code was correctly entered in the Identification section.

This was caused by the failure to follow proper procedures and resulted in Network employees receiving overstated credit for items and revenue on each upgrade. Thousands of orders for upgrades were processed in Florida including 27,000 for two employees in North Florida. This procedure for order issuance has been eliminated.

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3. THERE WAS NO COMPANY POLICY THAT CLEARLY DEFINED THE ROLE OF NETWORK EMPLOYEES IN THE SALES ENVIRONMENT.

Due to the nature of their job, Network contact employees are in a good position to sell. According to the Contract, they are expected to make a reasonable effort to sell and service customers in connection with carrying out their normal job duties. The Company practice dictates that employees in sales organizations receive training on proper sale techniques and further development and reinforcement as required.

Interviews conducted by Security revealed that there were groups of Network employees or individuals assigned specifically to sales for extended periods of time. There was no official sales training developed for Network employees and for the most part, employees received little or no guidance in selling techniques. Employees pulled customer information from microfiche and/or IMOS and called customers to make sales attempts. There was no consistency relative to sales effort among the Districts.

Lack of proper training and guidance could result in the Company's failure to present a professional image to customers. Failure to define Network's role in the sales arena and the lack of guidance and staff support has contributed to the absence of procedures and consistency.

Recommended corrective action is to issue a policy statement defining the role of Network employees and to provide appropriate guidelines in support of the policy. A letter issued on October 26, 1990 by the Executive Vice President - Network appears to address the issue of Network's responsibility for sales.

4. GROSS-UP FOR SALE AWARDS WAS NOT CONDUCTED IN ACCORDANCE WITH COMPANY POLICY.

According to the E.I., the Internal Revenue Service (IRS) Code Section 74(A) says "gross income includes amounts received as prizes and awards." Incentive awards having tangible value are considered taxable compensation to the employee. A tax allowance is to be authorized for all non-cash, cash equivalent, merchandise and travel awards. The tax allowance will include federal income tax (at a flat rate of 20% or at an individualized rate) and Social Security tax. Awards are reported to Comptrollers for gross-up.

a. FORMS 0771 FOR ALL AWARDS WERE NOT SUBMITTED TO COMPTROLLERS FOR PROCESSING OF TAX-GROSS-UP.

Departments are responsible for sending Forms 0771 to Comptrollers for tax gross-up. Tax Expense Redemption Reports are provided by the catalog vendor. The vendor was required to provide reports to the Company on a quarterly basis for the first three quarters of the year and on a monthly basis

during the last quarter of the year. Since programs expired on April 1st of the following year, a final report for awards ordered in the current year for the previous year's program was provided, usually in the second quarter. Reports were forwarded to the Network Sector Staff who distributed them to the Districts for review and approval.

The CAPRI extraction was used for the purpose of comparing awards ordered to awards reported on Comptrollers copies of Forms 0771. The sample of employees was primarily from North Florida since the individual employees who received awards were entered on Purchase Requisitions (RF-2915) by the Districts. This was confirmed by matching data to actual RF-2915s, award orders and point checks in the Orlando District. The comparison revealed that awards ordered in 1990 for the 1989 program had not yet been grossed-up. An additional trend identified that awards ordered between March 1989 and July 1989 for the 1988 program had also not yet been grossed up.

Conversation with the vendor revealed that Tax Expense Redemption Reports for awards ordered in 1990 for the 1989 program had not been processed and sent to the Company. The total awards redeemed between January 1 and October 31, 1990 for this program in Network totalled \$161,000. The final report for the 1988 program was printed in April 1989 and included awards redeemed only through March 31, 1989. A comparison of total awards ordered through CAPRI, \$373,200, to total award value submitted on Forms 0771, \$137,000, less the \$161,000 yet to be processed indicates that there is an additional \$75,200 in award value for which Forms 0771 cannot be located. (See Attachment for summary).

In addition to the \$161,000 for the Network program, there were nine other 1989 programs supported by this vendor in the Region. A total of \$1,008,575 in awards for these programs had not yet been reported for tax gross-up. This situation was caused by lack of follow-up and staff support. BSS Sales Operations Staff had the responsibility for the catalog program in the Region. The vendor had a contractual obligation to provide reports. The Manager charged with responsibility for the program changed job duties in 1989 and the new manager in BSS Sales Operations did not follow up any aspect of the program. The contract with the vendor expired in December 1989. The Network Sector Staff also did not follow up receipt of the reports. This could have resulted in violation of IRS regulations and misstatement of Company financial records.

Since awards must be grossed-up for taxes in the same year the award is received (by December 15, 1990), corrective action was coordinated during the audit by the auditor. All program coordinators in the Region were contacted and advised

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that reports would be distributed by the vendor and that gross-up had to be expedited. Comptrollers was notified to expect the additional work load. Follow up will be performed to ensure that process was completed. The Florida GoldLine program now handles Network sales and a different process is used for gross-up. In order to attempt to identify employees associated with the additional \$75,200, it would be necessary for Network to review whatever purchase order and Forms 0771 documentation they have available in their files. Before this is done, it is recommended that the Tax Office review this finding and make a determination as to appropriate disposition. It should be noted that the CAPRI extraction reflected awards ordered rather than those redeemed and billed, therefore, the \$75,200 figure is an estimated amount. Employees may have change check points they never redeemed for awards.

b. GROSS-UP WAS PROCESSED IN ERROR FOR SOME EMPLOYEES.

Either manual or mechanized Forms 0771 can be used for reporting gross-up. Generally, the Tax Expense Redemption Report was used for catalog awards and a manual form was used for other type of awards. Employees who have met the program criteria for awards are the employees whose taxes should be grossed-up.

In the Orlando District, there were duplicate Forms 0771 (mechanized and manual) for eight of the seventeen employees reviewed. Interviews conducted by Security revealed that employees were sharing points awarded for sales with other employees and in some cases, were giving sales to other employees so they could obtain the awards associated with those sales. The Administrative Guidelines for the catalog award program did not address this situation; however, the Network Sector Staff said they advised the field that there could be tax ramifications. There are meeting minutes that addressed the issue of transferring points but instead of advising against this procedure, they advised that all parties concerned should be aware that tax problems could arise.

This was caused by failure to follow and/or provide specific procedures. Duplicate processing of Forms 0771 occurred due to the absence of controls in Network and Comptrollers. The result is that gross-up was not processed accurately.

Although this specific program is no longer in effect, the recommended corrective action is to re-educate Network employees regarding the tax liabilities associated with award programs. Controls over processing of Forms 0771 should be implemented by Comptrollers Payroll so that duplicate processing is avoided. A letter that addresses and/or clarifies the intent of the tax laws in relation to awards

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should be prepared by the Tax Office and disseminated through appropriate channels to all Departments.

5. RULES CONCERNING THE TAXABILITY OF AWARDS WERE NOT CLEAR.

The E.I. 4 Section 3 Appendix F 105.(A) states that the Internal Revenue Service "de minimus" rule is defined for Southern Bell as, "prizes and awards of tangible personal property costing \$25.00 or less generally will be treated as non-taxable to the employee." Following in 1.08 (D), awards for doing an outstanding job or reaching/exceeding certain sales quotas or goals are considered taxable. Examples of awards under \$25.00 are indicated. Award plans are submitted on a Description Of Incentive Award Plan (Form 0770) and sent to the Corporate Tax Office, who reviews to determine the taxability of awards. Generally, all awards under a program will carry the same tax status.

Two addendums to amend two existing 1990 award plans were issued. The departmental program coordinator had determined that these awards would not be taxable based on the "de minimus" rule and did not issue Forms 0771 for gross-up. However, the criteria reflected on these addendums categorizes the awards as taxable.

This confusion was a result of conflicting statements concerning the taxability of awards in the E.I. The Tax Office should review plans/addendums to determine taxability; however, there were no instructions for preparation and approval of addendums in the E.I. or PPM. They were sent to Personnel only. The Tax Office indicated they became aware of the addendum process this year and are now receiving copies from Customer Services. The addendum process was developed in 1986 for Customer Services in an effort to eliminate administrative problems associated with issuing Forms 0770 each time program criteria changed during the year. Other departments are also using this addendum process. Failure to receive copies of addendums in the Tax Office for review could result in inaccurate reporting of taxes for awards and violation of IRS requirements.

Recommended corrective action is to clarify the "de minimus" rule in the E.I. and PPM and include instructions for addendums which should require review and approval by the Tax Office.

6. TIME SPENT FOR THE SALE OF SEQ1X WAS NOT BEING CHARGED TO NONREGULATED JFCs.

The Job Function Code (JFC) Manual states that effective April 1, 1989, JFC 2230 was to be used by Network for the selling of Network or regulated services and JFC 2230-49 was to be used for CPE and Non-Basic Inside Wire-General or nonregulated products/services. Both of these JFCs are driven to Subsidiary Record Category (SRC) 6612.0000.

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During interviews conducted by Security, it was determined that some employees spent a substantial amount of time selling Network services. The majority of this time, however, was spent on the sale of SEQ1X. A review of available time sheets by Security for some employees in Florida revealed that time spent on sales was charged to JFCs 2230 and 5532 (meeting time). A letter was distributed to Network field forces on July 10, 1988 by BSS Network Operations and Systems advising that effective August 1, 1988, or coincidental with the conversion to MTR, JFC 2230 should be used to report time spent on Network selling. It cannot be determined what cost pool was used prior to changing JFC 2230 to regulated and adding 2230-49 for non-regulated on April 1, 1989. BSS-Information Systems (BSS-IS) has advised that six character JFCs cannot be used to report labor hours in the MTR system due to the requirement for the environmental code. Until the program can be revised, it is necessary to use a Special Purpose Function Code (SPFC) for reporting time. The SPFC 553149 was assigned effective February 1, 1990. Data extracted from the Budget Generation Cost Management System (BGCMS) indicates that in 1990, only 22 hours have been reported to 2230-49, and none to 553149. A total of 2,234 hours were reported to 2230 in 1990, 6,582 in 1989, and 1,185 in 1988. Although 2230-49 is a non-regulated JFC, based on the descriptive information in the JFC Manual, it appears that the sub-set of the JFC 2230,49, is incorrect for SEQ1X sales. The descriptive information for the SPFC also relates to CPE & Non Basic Inside Wire. The sale of SEQ1X is better defined by sub-set 04, which is Basic Inside Wire. Prior to August 1, 1988, there were no instructions for reporting time spent on sales of SEQ1X; therefore, time spent was not properly allocated to regulated and nonregulated.

The BSS-Network Operations & Systems Staff was not aware of the change in codes effective April 1, 1989 and did not notify the field. This, and the fact that there were no specific codes prior to June 1988, has resulted in time being reported incorrectly back to 1987.

BSS Comptrollers should clearly state the current description or establish a new SPFC for Basic Inside Wire plan sales. Additionally, the description for the JFC should be defined to include the same or assign sub-set 04. The field forces should be covered on the proper codes for reporting time.

The Florida GoldLine JFCs need to be evaluated by BSS Comptrollers to determine which codes should be used to ensure proper allocation to nonregulated. Florida GoldLine is a unique group involved with administrative functions that include regulated and nonregulated sale referrals. It appears that their time should be allocated based on their specific functions.

7. CONTROLS OVER SALES REFERRALS WERE INADEQUATE.

a. PROCEDURES FOR SALE REFERRAL WERE NOT FOLLOWED BY EMPLOYEES.

Effective January 2, 1990, procedures for Network sale referral (NSR) were revised and employees were advised to direct certain sales, including those for SEQ1X, to the Dial America group in Atlanta for handling. Effective April 15, 1990, procedures were revised again and employees were instructed to begin referring sales to Florida GoldLine. Florida GoldLine management also conducted educational presentations to employee groups throughout the State.

Network employees in Orlando continued to forward NSR forms to the SOT groups for typing. The SOT groups continued to type NSR forms.

This was caused by the failure of Network employees to follow procedures and resulted in those orders bypassing the Dial America and Florida GoldLine programs.

Security interviews indicated that the Turf Manager in Orlando corrected the situation in June 1990 and had employees refer sales to GoldLine. Recommended corrective action is that all Network and Customer Services employees be re-educated on the appropriate procedures for referral. Customer Services should report to management any NSRs they receive for processing.

b. ALL SALES MADE BY NETWORK EMPLOYEES WERE NOT REFERRED THROUGH FLORIDA GOLDLINE.

Sale referrals from all non-contact employees including Network STs, MAs and RSAs are to be processed through Florida GoldLine group. Referrals are sent to the appropriate sales channel to close sales with customers. Completed sales are sent back to GoldLine for tracking of revenue credit.

Network STs who sell while on the customer's premise can update orders in their Computer Access Terminals (CATs). Their sales code is entered along with the item(s) sold and credit for the sale is output to the 2011A sales report. In order to receive revenue credit, the 2011A must be forwarded to GoldLine for input to their system.

This procedure was established at the request of Network due to the fact that they did not want STs to lose production time trying to refer sales to Florida GoldLine for processing. It is not consistent with the normal procedure and sales tracked on the 2011A cannot be verified by GoldLine.

Recommended correction is to stop this procedure and have all sales referred to GoldLine. They will arrange to on-line transfer referrals so that updates will be handled expeditiously and production time will not be adversely affected.

8. AWARD BUDGETS AND SALES EXPENSES WERE NOT ACCURATE OR MONITORED.

Award budgets should be established by the department responsible for the award programs they initiate. Sales expenses associated with the award programs should be tracked to ensure budgets are not exceeded. The E.I. states that "total annual cost of awards programs in departments which do not deal in premise sales should not exceed 0.3% of the department's annual management salary budget."

a. CONTROLS OVER ESTABLISHING AWARD BUDGETS WERE WEAK.

The allowable budget of 0.3% should have been based on projected management salary, MTIA Standard Award and Individual Incentive Award (IIA). This amount is the maximum that can be spent on both management and non-management programs.

The sales award budgets established by the Florida Network Sector Staff for the 1988, 1989 and 1990 plan years exceeded the allowable amount of 0.3% by \$330,000 (0.4% for 1988 and 1989 and 0.5% for 1990). This was based on a comparison of award budget to actual salary for 1988 (projected salary budget was not available) and salary budget projections for 1989 and 1990. The Sector Staff produced documentation for the establishment of the 1990 budget which indicated that actual force and salary figures were used in lieu of the projected figures. In addition, the Network State Budget Staff prepared an overall awards budget for 1990 in the amount of \$1,293,410, which is 1% of the management salary budget. The E.I. is not specific as to whether or not the allowable budget of 0.3% is for all awards programs or applicable to only sales programs, while the PPM states the 0.3% is applicable to Sales and Performance Programs.

It appears that the Sector Staff attempted to follow guidelines for establishing budgets; however, there was an absence of coordination between the two staffs. Neither group was aware of the other's involvement in budgeting for sales awards. The E.I. is not clear as to which programs should be included in the allowable budget. This confusion could result in departments exceeding award budgets. The PPM states that if the cost of the program exceeds the 0.3%, consideration will be given to adjusting the department's management salary budget.

For 1990, Network sales were also budgeted in the Florida GoldLine program. Controls are needed in Network relative to the budgeting process. If the department decides to institute a recognition or award program, the appointed program coordinator needs to ensure that there is money allocated in the budget to accommodate that program. The E.I. and PPM need to clearly define which programs should be included in the budgets and which specific costs should be included in the budget process.

b. AWARD PROGRAM EXPENSES TRACKED ON THE KC16 REPORT WERE INACCURATE.

The Tax Office assigns a Keep Cost Personnel (KCP) number for all award plans. Effective with the full plan year of 1989, monthly and cumulative program expenses from vouchers, CAPRI requisitions (RF-2915s) and tax gross-up were tracked via the Keep Cost Ledger (KC16) Report. All source documents must carry the appropriate KCP number. This report is to be used to track all award expenses by program.

The majority of expenses for the 1989 Network sales programs were generated from Purchase Requisitions (RF-2915s) in CAPRI and consisted of catalog awards ordered from one specific vendor. The award totals from the extraction of awards ordered through CAPRI by Network between November 1988 and May 1990 were compared to the expenses reflected on KC16 reports in an effort to determine if expenses were being tracked appropriately. The KC16 reflected almost \$80,000 less than the CAPRI extraction for the approved 1988 and 1989 award plans. A second comparison revealed that the award totals from the extraction for all KCPs listed, \$370,200, and award totals from the associated KC16s, \$199,900, reflect a difference of \$170,300. A review of all Forms 0771 (\$137,000 in award value) submitted to Comptrollers by Florida Network for tax gross-up for the end of the 1988 programs and for all of the 1989 programs revealed that many contained incorrect KCP numbers. Many had no KCP numbers indicated and the KCP numbers used by Comptrollers could not be determined.

The error in tracking expenses on the KC16 was attributed to the fact that the KCP information is only moved to the next downstream system (the Sales Accounting Billing and Reporting system) when there is an "A" in the first position of the Continuing Property Record Code (CPR) field of the RF-2915. This field is populated manually by CAPRI input personnel in the Field Purchasing Offices (FPOs) and is not edited by the system. There were two FPOs in Florida at the time this information was processed and, it appears from the extraction, that the field was populated correctly by the FPO in Jacksonville and was not populated correctly by the FPO in Ft. Lauderdale. This resulted in inaccurate tracking for Network Districts in the South Florida Area. The inaccurate

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or incomplete Forms 0771 resulted from the failure by Network field personnel to follow procedures and the absence of reviews. Incorrect charging of gross-up to KCPs on the KC16 has resulted.

Use of the CPR field for the KCP number was developed specifically for capturing expenses from award KCPs. Recommended corrective action is to have BSS-IS incorporate a system edit on the CPR field so that it would reject all entries without an "A" in the first position. This would also require coordination with BSS-Procurement, Property, and Services Management CAPRI Methods. The program should also be revised to include a match of KCP numbers entered against a table file with valid KCPs.

To ensure that gross-up is accurately tracked, Comptrollers Payroll Office should verify KCP numbers against a valid list. Although vouchers were not reviewed in this audit, it appears a procedure is needed to verify that KCP numbers are valid. These controls should be mechanized if possible.

c. CONTROLS OVER MONITORING SALES EXPENSES WERE WEAK.

The decision was made to use the KC16 for tracking award expenses since award program expirations cause some expenses to be charged in the following year. Also, specific EXTCs for sales awards were not effective until April 1, 1989. The KC16 is produced by Comptrollers and forwarded to the State Personnel organizations on a monthly basis. They are to maintain copies of the report for departmental use. The information on the reports should be used by the departments to ensure expenses do not exceed their allowable budget.

A letter was issued to all Tier 1 Managers by the General Manager - Personnel in Florida on July 25, 1988 advising of the requirement to track expenses and the method by which it would be accomplished. Discussion with the State Personnel representative responsible for award plans revealed that they had no specific procedures, but reports had been distributed several months in a row in 1989 to all program coordinators who had expenses charged to the KC16. Many calls questioning the reports were received.

Reports were then distributed upon request. A letter with instructions for interpreting the data on the KC16 was sent to General Managers Personnel from Human Resources on October 10, 1990 at the request of Customer Services. The Network Sector Staff indicated that this report was received in their office for the purpose of expense tracking; however, expenses were not totalled to determine if the expense budget was exceeded. Total expenses charged to the award EXTCs 402, 40J and 40K in 1988, 1989 and through October 1990 were \$1,626,300. Individual sales program expenses for 1988 and 1989 are unknown as the 402 EXTC tracked all non-cash awards until July 1989. Manual budget tracking was not performed.

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The lack of procedures for report distribution and instructions for reading reports caused confusion with KC16s. This along with failure to use the reports as intended could result in exceeding the departmental award budget. Failure to manually track expenses has resulted in the unavailability of program expenses for 1988 and 1989.

Recommended corrective action is to have BSC or Southern Bell Human Resources develop procedures for report distribution for the Personnel offices. A letter should be sent through appropriate channels to all Departments from BSC-Human Resources that reiterates responsibilities for budget and expense tracking.

9. THE REVIEW AND APPROVAL OF AWARD PLANS NEEDS IMPROVEMENT.

The E.I. contains guidelines for preparation and approval for Forms 0770.

a. AWARD PLANS EXIST WHICH WERE NOT IN ACCORDANCE WITH COMPANY GUIDELINES.

The Personnel Department reviews Forms 0770 submitted by the various departments to ensure awards programs are appropriate with regard to government wage and hour laws, Company policy concerning compensation and the working agreement. The E.I. and PPM both stipulate that cash or cash equivalent awards such as gift certificates cannot be given to non-management employees. The PPM states that the determination of award recipients should not be based on a random drawing and that plans including this criteria will not be approved.

The Florida GoldLine program provides gift certificates to all eligible employees including non-management. This criteria was established using the existing contract between BellSouth Services and Marketing Innovators International, Inc., which supports the gift certificate program for Customer Services. There was a 1988 award plan approved including criteria for a drawing.

Southern Bell Personnel indicated that their interpretation of the guidelines would allow gift certificate programs when the certificates are not redeemable for cash. Personnel in Florida advised that as of the fourth quarter of 1990, plans with criteria for drawings or games of chance will not be approved. Prior to that, games of chance had been approved.

Recommended corrective action is to have Personnel make a determination as to whether or not gift certificates not redeemable for cash are allowable for non-management and

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clarify the guidelines. Plans should be approved accordingly. A letter of November 20, 1990 from the Assistant Vice President - Personnel states that gift certificates will not be used for recognition awards.

b. AWARD PLANS WERE SUBMITTED WITH INCOMPLETE AND INCORRECT INFORMATION AND WERE NOT TIMELY.

Departments that desire awards programs are required to determine the specific criteria and submit Forms 0770 to Personnel for review and approval.

Of the twenty sales programs and eight addendums reviewed, six reflected gross-up amounts which were understated based on the allowable percentage shown and six did not reflect gross-up separately. One addendum was submitted with incorrect plans and questionable budget information. One plan contained criteria for awarding that was not specific. Interviews with the Personnel Departmental representative responsible for reviewing Forms 0770 revealed that plans are not always submitted in a timely manner.

Failure to follow guidelines caused the above discrepancies on sales plans. Personnel did not identify the issues in question during their review process and refer back to the program coordinator for clarification or correction. This could result in the existence of plans that are not in accordance with Company policy.

Recommended corrective action is to develop specific methods for the Personnel departmental representatives in the States responsible for reviewing and approving award plans. These methods should be provided to all departments. "Sufficient lead time" addressed in the E.I. and PPM should be defined to provide a deadline for submitting Forms 0770.

10. CONTROLS OVER ACCURACY OF REVENUE CREDIT WERE WEAK.

Order information such as revenue credit and services sold are determined by the sales organization that issues the order. This information is sent back to Florida GoldLine for tracking purposes. Revenue credit is calculated into award value.

A review of documentation for 25 referrals with revenue credit of \$30,000 and above revealed that 7 were processed with errors. Some were processed with adjustments in error and some with too much or too little credit in error.

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This was caused by a lack of control over verification of information provided by the sales channel and can result in inaccurate tracking of revenue credit and inappropriate awarding of gift certificates.

Recommended corrective action is to institute a procedure whereby Marketing must provide a copy of the order from the VAX system for all CPE sales over \$25,000. A monthly review process should be established to sample all types of referrals with varying amounts for accuracy since this field cannot be edited mechanically.

11. FORMS AND DOCUMENTATION WERE NOT CONSISTENTLY MAINTAINED BY NETWORK AND CUSTOMER SERVICES.

Retention periods for Company forms and all documentation deemed necessary as an audit trail should be established. Information should be retained as indicated in the guidelines.

There was no documented retention period for the NSR, which was developed locally by Network and Customer Services staffs; for documentation relative to sales that were deemed questionable; for Paygrade 5's, 3's and non-management sales codes assigned by the Districts; and for documentation of procedures developed and distributed by the staffs.

This was caused by the failure of the respective staffs to establish retention guidelines and has resulted in the lack of an audit trail.

Retention periods should be established by Customer Services for all sales documentation, including assigned sales codes, questionable sales documents such as memos or calls/complaints from customers and procedures. Retention guidelines should be established for general documents associated with all awards programs to ensure audit trails exist. Southern Bell Human Resources agreed to evaluate.

AUDITOR

Robin L. Madden

F04E002 011359

F04A002 011359

ATTACHMENT

COMPARISON OF AWARDS ORDERED AND AWARDS SUBMITTED
FOR TAX GROSS-UP

<u>DISTRICT</u>	<u>RC</u>	<u>AWARDS ORDERED THRU CAPRI</u>	<u>AWARDS SUBMITTED ON FORMS 0771</u>	<u>DIFFERENCE</u>
Gen. Mgr.	N210	\$ 2,709.40	\$ -	
North Jax.	N211	11,559.20	8,803.70	
Orlando	N212	78,111.90	69,984.54	
W. Florida	N213	7,593.90	-	
South Jax.	N215	30,084.20	19,703.14	
Coastal	N216	13,039.30	3,199.14	
Cent. Dade	N220	4,040.30	176.80	
North Dade	N223	22,369.60	1,067.50	
Metro	N224	3,751.40	-	
South Dade	N225	1,016.30	62.80	
South Dade	N226	22,331.30	3,790.10	
Gen. Mgr.	N230	1,213.00	-	
N. Broward	N231	11,737.70	1,463.10	
S. Broward	N232	31,130.20	16,574.60	
W. Plm. Bch.	N233	28,600.60	854.20	
Indian River	N235	48,392.10	2,808.50	
CRSAB	N270	55,531.00	8,458.45	
TOTALS		\$373,211.40	\$136,946.57	
			<u>+161,000.00*</u>	
			\$297,946.57	(\$-75,264.83)

*Total of awards ordered in 1990 for 1989 program (will be grossed-up in 1990)

F04E02Z 011360

F04A09Z 011360

1-31/ gave copy of audit report
Bill Williams - entrance - Dist. Socs will be handling
- Advisory request by Joe Jacher for System
audit

1-31/ gave Julia copy of audit report
5-19/ walked copy of audit report to DE (per Ezy not received)

F04B02Z 011317

F04A08Z 011317

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-6

SALES RELATED DISCIPLINE

SPECIAL STUDY
SALES RELATED DISCIPLINE
WEST PALM BEACH/ORLANDO

*1/

Services Technician
West Palm Beach, FL

Terminated for misconduct that resulted in subscribers being charged for certain services which they neither requested or authorized.

ATTACHED:

Form 3181-B Current Entry
Form 3G3A Record of Grievance
Security Statement

2. /

Assistant Manager
Riviera Beach, FL

Suspended for two weeks without pay regarding failure to properly supervise subordinates and failure to adequately investigate complaints regarding improper activity.

ATTACHED:

Form 3181-B Current Entry
No Form 3G3A Record of Grievance - Management Employee

3. /

Administrative Support Manager
West Palm Beach, FL

Counseled regarding his failure to properly supervise subordinates and his failure to adequately investigate complaints regarding improper activity.

ATTACHED:

Form 3181-B Current Entry
No Form 3G3A Record of Grievance - Management employee

*4.

Manager
West Palm Beach, FL

Terminated for misconduct that resulted in subscribers being charged for certain services which they neither requested or authorized.

ATTACHED:

No Form 3181-B Current Entry
No Form 3G3A Record of Grievance - Management employee

*6.
Maintenance Administrator
Orlando, FL

6-22-90 Warned concerning the correctness and proper completion
of company and customer records.

10-25-90 Terminated for misconduct that resulted in subscribers
being charged for certain services which they neither requested nor
authorized.

ATTACHED:

Form 3181-B Current Entries
Form 3G3A Record of Grievances
Security Statement

*7.
Services Technician
Orlando, FL

Terminated for misconduct that resulted in subscribers being charged
for certain services which they neither requested nor authorized.

ATTACHED:

Form 3181-B Current Entry
No Form 3G3A Record of Grievance - No Grievance Filed
Security Statement

*8.
Assistant Manager-Maintenance
Orlando, FL

Terminated for mismanagement.

ATTACHED:

No Form 3181-B Current Entry
No Form 3G3A Record of Grievance - Management Employee
Security Statement

*9. |
Assistant Manager-Maintenance
Orlando, FL

Suspended for two weeks without pay as a result of his failure to properly utilize employees in their proper work assignments and his failure to adequately investigate complaints of improper activity.

ATTACHED:

Form 3181-B Current Entry
No Form 3G3A Record of Grievance - Management Employee
Security Statement

*10. |
Manager-Maintenance
Orlando, FL

Suspended for two weeks without pay as a result of his failure to properly utilize employees in their proper work assignments and his failure to adequately investigate complaints of improper activity.

ATTACHED:

Form 3181-B Current Entry
No Form 3G3A Record of Grievance - Management Employee
Security Statement

*11.
Manager-Construction/Maintenance
Sanford, FL

Suspended for two weeks without pay as a result of his failure to properly utilize employees in their proper work assignments and his failure to adequately investigate complaints of improper activity.

ATTACHED:

Form 3181-B Current entry
No Form 3G3A Record of Grievance - Management Employee
Security Statement

12 |
Assistant Manager
Orlando, FL

Counseled regarding his failure to properly supervise subordinates and his failure to adequately investigate complaints regarding improper activity.

ATTACHED:

Form 3181-B Current Entry
No Form 3G3A Record of Grievance - Management Employee
Security Statement

13. J
Assistant Manager
Orlando, FL

Counseled regarding his failure to exercise proper judgement and his failure to adequately investigate complaints of improper activity.

ATTACHED:

Form 3181-B Current Entry
No Form 3G3A Record of Grievance - Management Employee
Security Statement

14. J
Assistant Manager
Orlando, FL

Counseled regarding his failure to exercise satisfactory judgement.

ATTACHED:

Form 3181-B Current Entry
No Form 3G3A Record of Grievance - Management Employee
Security Statement

15. J
Admin. Support Manager
Orlando, FL

Counseled regarding his failure to properly supervise subordinates and his failure to adequately investigate complaints regarding improper activity.

ATTACHED:

Form 3181-B Current Entry
No Form 3G3A Record of Grievance - Management Employee
Security Statement

16. J
Manager
Orlando, FL

Counseled regarding his failure to properly supervise subordinates and his failure to adequately investigate complaints regarding improper activity.

ATTACHED:

Form 3181-B Current Entry
No Form 3G3A Record of Grievance - Management Employee
Security Statement

* Southern Bell demanded these individuals return any prizes or awards they had earned as a result of the unauthorized sales activity. Alternately, they could reimburse Southern Bell for the value of the prizes or awards established as of the date they received them.

SOUTHEAST/SOUTH FLORIDA AREAS

SPECIAL STUDY

SALES RELATED DISCIPLINE

COPY

1. |

2/15/90

Service Rep
Fort Lauderdale, Florida

Employee warned for disregarding Company Policy of not disclosing service and rates during order negotiations with the customer.

ATTACHED: 3117 Form

B Form Entry

NOTE: No 3G3A Grievance Form
No Security Investigation

2. |

11/16/90

Service Rep
West Palm Beach, Florida

Employee was suspended for falsifying Company and customer records. She provided services to customers without their authorization or knowledge.

ATTACHED: 3117 Form

B Form Entry

NOTE: No 3G3A Grievance Form
No Security Investigation

3. |

12/10/90

Service Rep
West Palm Beach, Florida

Employee was counseled regarding proper procedures for handling customer contacts. The employee was disciplined for providing services that the customer neither requested nor authorized.

NOTE: The employee was originally warned, and during the grievance procedure, this was reduced to a counseling entry.

ATTACHED: 3117 Form

B Form Entry

3G3A Grievance Form

NOTE: No Security Investigation

ALSO ATTACHED: B Form Entry Revised Through Settled Grievance

✓ 4. |

Service Rep
Fort Lauderdale, Florida

Employee was suspended on March 8, 1989 for flagrant disregard of Company Policy which resulted in defrauding a customer.

ATTACHED: 3117 Form
B Form Entry
NOTE: No 3G3A Grievance Form
No Security Investigation

✓ 5. |

Service Rep
Fort Lauderdale, Florida

Employee was terminated on August 21, 1991 for misconduct in connection with a customer being provided services they neither requested nor authorized.

ATTACHED: 3117 Form
B Form Entry
NOTE: No 3G3A Grievance Form
No Security Investigation

6.

Service Rep
Fort Lauderdale, Florida

3/1/89 Employee was suspended for customer mistreatment which included failure to properly issue service orders and provided services which the customer neither requested nor authorized.

ATTACHED: 3117 Form
B Form Entry
NOTE: No 3G3A Grievance Form
No Security Investigation

7. |

11/29/90
Service Rep
Fort Lauderdale, Florida

Employee was terminated for misconduct which resulted in customers being provided with services they neither requested nor authorized.

ATTACHED: 3117 Form
B Form Entry
NOTE: No 3G3A Grievance Form
No Security Investigation

8. |

2/13/88
Service Rep
Fort Pierce, Florida

Employee was suspended for failure to follow instructions to not issue service orders on her own account. The employee was generating service orders on her own account and those of her acquaintances in order to secure sales for incentive awards.

ATTACHED: 3117 Form
B Form Entry
NOTE: No 3G3A Grievance Form
No Security Investigation

9. |

Service Rep
Fort Lauderdale, Florida

Employee was warned for improperly securing sales toward incentive awards. Employee was soliciting service orders from non-award eligible co-workers for her own personal gain.

ATTACHED: 3G3A Grievance Form
NOTE: No 3117 Form - CANNOT LOCATE AS CURRENT SOUTHERN BELL
No B Form Entry EMPLOYEE AS OF 8/30/91
No Security Investigation

SOUTHEAST/SOUTH FLORIDA AREAS - SALES RELATED DISCIPLINE STUDY

PAGE 4 of 6

10.

Collections Rep
Fort Lauderdale, Florida

10-9-85 Employee was suspended for her failure to follow Company policy which affected customer billing. Employee was using service orders to provide customers with services that they neither requested nor authorized for her own personal gain (sales incentive).

ATTACHED: 3117 Form
B Form Entry
NOTE: No 3G3A Grievance Form
No Security Investigation

11.

Service Rep
Miami, Florida

7/24/89

Employee was suspended one day on July 20, 1989 for discussing an order for over seventeen minutes with a customer concerning her move. When conversation ended, he cleared the service without sending the order. This withheld service from the customer as well as distorted his sales figures by lowering the base.

ATTACHED: 3117 Form
B Form Entry
3G3A Grievance Form
NOTE: No Security Investigation

12.

Services Technician
Miami, Florida

12/17/87

Employee was terminated on December 17, 1987 along with for misconduct associated with falsifying sales on customer accounts. Another Service Representative had complained that call waiting had been added to her service without her consent and the following investigation revealed and another employee were falsifying sales.

ATTACHED: 3117 Form
B Form Entry
3G3A Grievance Form
NOTE: No Security Investigation

13. -
Services Technician
Miami, Florida

12/17/87

was terminated on December 17, 1987 for misconduct associated with falsifying sales on customer accounts. Another Service Rep had complained that call waiting had been added without her consent and an insuing investigation revealed and another Services Technician both were adding services to customer accounts without authorization.

ATTACHED: 3117 Form
B Form Entry
3G3A Grievance Form
Security Investigation

14.
Service Representative
Miami, Florida

9/28/89

was suspended on September 28, 1989 for five and one-half hours for adding speed calling features to a customer order without discussing or selling it to the customer.

ATTACHED: 3117 Form
B Form Entry
3G3A Grievance Form
NOTE: No Security Investigation

✓ 15.
Service Representative
Miami, Florida

On May 24, 1989 Brown was induced to resign due to a review of his orders which showed many features added to customer orders which were unauthorized.

ATTACHED: 3117 Form
B Form Entry
3G3A Grievance Form
NOTE: No Security Investigation

✓ 16. |

Services Technician
Miami, Florida

Employee was terminated on December 1, 1986 for falsifying customer records and his work reports. On October 1, 1986 a complaint was received from the Customer Services department that sales code C-41R17I (Smith's) was being used for many T.I.P. sales that customers were denying. They said it looked as if someone had gone down the pages of the phone book and added T.I.P. to customer's service. Network department investigated for about a month and concluded that the false sales accusations were true as well as falsification of the employee work records.

ATTACHED: 3117 Form

~~3G3A Grievance Form~~

NOTE: No B Form Entry

No Security Investigation

✓ 17. |

Service Representative
Miami, Florida

Employee was terminated on October 29, 1987 for misconduct related to invalid sales. She had previously been suspended for invalid sales during the President's Cup Campaign on November 19, 1984. Various customers began complaining in October 1987 that they were being billed for custom calling features they never ordered, and on October 26, 1987 several observations verified that _____ was indeed placing invalid sales on customer orders.

ATTACHED: 3117 Form

B Form Entry

3G3A Grievance Form

NOTE: No Security Investigation

✓ 18. |

Service Representative
Miami, Florida

Employee was induced to resign on February 3, 1986 after the department investigated claims of other Service Reps that Tony had been cheating on sales. Employee indeed had been adding non-authorized items to customer orders and had also been destroying and not processing non-sales revenue producing orders to increase his percentage sales figures.

ATTACHED: 3117 Form

3G3A Grievance Form

NOTE: No B Form Entry

No Security Investigation

SOUTHEAST/SOUTH FLORIDA AREAS
SPECIAL STUDY
SALES RELATED DISCIPLINE

1. |
Service Representative
Fort Pierce, Florida

09-05-91 Suspended four (4) days for misconduct in connection with providing customer with service neither requested or authorized.

ATTACHED:

Form 3181-B Current Entry
Form 3G3A Record Of Grievance
No Security Investigation

2. |
Service Representative
West Palm Beach, Florida

09-18-91 Warned for her involvement in a subscriber being charge for service they neither requested nor authorized.

ATTACHED:

Form 3181-B Current Entry
Form 3G3A Record Of Grievance
No Security Investigation

3. |
Service Representative
Miami, Florida

11-19-91 Employee warned for putting calling card and wire maintenance on customer records without their knowledge or authorization.

ATTACHED:

Form 3181-B Current Entry
Form 3G3R Request For Formal Grievance Meeting
No Security Investigation

4.

Service Representative
Miami, Florida

12-04-91 Employee warned for putting items on customers' records without their knowledge or authorization.

01-22-92 Entry reduced to counseling in settlement of grievance.

ATTACHED:

Form 3181-B Current Entry
Form 3G3A Record of Grievance
No Security Investigation

6.

Service Representative
Miami, Florida

12-23-91 Terminated for adding maintenance plan and touchtone to order without discussing with customer or quoting charges. Also for hanging up on customer and putting customer on hold unnecessarily.

ATTACHED:

Form 3181-B Current Entry
Form 3G3R Request For Formal Grievance Meeting
No Security Investigation

NORTH FLORIDA
SPECIAL STUDY
SALES RELATED DISCIPLINE

1. /
Service Rep
Pensacola, FL

5-1-89 Warning entry for "Quick Sale" technique on a customer contact
(not fully outlining sales billing to customer).

1-12-90 Entry removed in settlement of grievance.

ATTACHED: Form 3117 Service Record
Form 3G3A Record of Greivance
No Security Investigation

2. /
Service Rep
Jacksonville, FL

10-30-90 Terminated for continued gross mishandling and abuse of customers
including failure to itemize rates for services he added on
customer's lines.

ATTACHED: Form 3117 Service Record
Form 3181-B Current Entry
Form 3G3A Record of Grievance
No Security Investigation
3. /
Service Rep
Jacksonville, FL

3-1-90 Counseled for issuing a service order with Custom Calling features
different than the customer requested.

ATTACHED: Form 3117 Service Record
Form 3181-B Current Entry
No Grievance filed
No Security Investigation
4. /
Service Rep
Jacksonville, FL

8-8-91 Suspension for Gross Customer Abuse due to disconnecting customers
and "Quick Close" on a service order (not fully outlining sales billing
to customer).

ATTACHED: Form 3117 Service Record
Form 3181-B Current Entry
No Grievance filed as of 9-6-91
No Security Investigation

5. Service Rep
Cocoa, FL

- 9-12-89 Suspension for falsely reporting sales items on service orders.
- 4-16-90 Suspension removed. Special discussion entry placed in settlement of grievance.

ATTACHED: Form 3117 Service Record
Form 3181-B Current Entry
Form 3G3A Record of Grievance
No Security Investigation

6. Service Rep
Cocoa, FL

- ~~9-26-89 Suspended for falsely reporting sales items on service orders.~~
- 4-16-90 Suspension removed. Special discussion entry placed in settlement of grievance.

ATTACHED: Form 3117 Service Record
Form 3181-B Current Entry
Form 3G3A Record of Grievance
No Security Investigation

7. Service Rep
Cocoa, FL

- 9-7-89 Suspended for falsely reporting sales items on service orders.

ATTACHED: Form 3117 Service Record
Form 3181-B Current Entries
Form 3G3A Record of Grievance
Security Investigation

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-7A

GENERAL MANAGER SALES REPORTS

AUG. 11, 1989

MEMORANDUM

OPERATIONS MANAGER - I&M

LISTED BELOW ARE THE OFFICIAL DISTRIBUTION SALES RESULTS REVENUE RESULTS TAKEN FROM THE 2011 (CUSTOMER SERVICE SALESPERSON REPORT) FOR JULY, 1989.

<u>DISTRICT OPERATION MANAGER</u>	<u>MTC PLAN REVENUE</u>	<u>CCS & TTR REVENUE</u>	<u>TOTAL REV</u>	<u>YTD REV</u>
BREVARD Employee A	\$333.00	\$ 78.00	\$ 411.00	\$6102.00
DAYTONA Employee A	957.00	18.00	975.00	13313.00
GAINESVILLE Employee B	117.00	77.00	194.00	1527.00
BROOKSVILLE Employee C	240.00	6.00	246.00	816.00
ORLANDO Employee D	33680.00	4747.00	38427.00	208,112.00
N/W JAX Employee E	1770.00	614.00	2384.00	14589.00
S/E JAX Employee F	1911.00	2472.00	4383.00	14320.00
WEST FLORIDA Employee G	1167.00	367.00	1534.00	11056.00
CRSAB Employee H	3375.00	526.00	3901.00	30531.00
MISC REFERRALS	0.00	0.00	0.00	352.00
NORTH FLORIDA	\$43550.00	\$8905.00	\$52455.00	\$300718.00

ORLANDO DOES IT AGAIN! REVENUE LEADER FOR JULY.

IT HAS BEEN BROUGHT TO MY ATTENTION THAT THE SERVICE WAIVER FOR RINGMASTER WAS NOT GRANTED. HOWEVER THERE IS A LET'S GET ACQUAINTED OFFER TO THE CUSTOMER WHERE AS THE FIRST TWO MONTHS OF SERVICE FOR RINGMASTER IS WAIVED. PLEASE ADVISE ALL PARTICIPANTS IN THE SALES PROGRAM.

Employee I
GENERAL MANAGER - NETWORK/NFA

MEMORANDUM

OPERATIONS MANAGER - I&M

LISTED BELOW ARE THE OFFICIAL DISTRIBUTION SALES RESULTS REVENUE RESULTS TAKEN FROM THE 2011 (CUSTOMER SERVICE SALESPERSON REPORT) FOR JULY, 1989.

<u>DISTRICT</u> <u>OPERATION MANAGER</u>	<u>MTC PLAN</u> <u>REVENUE</u>	<u>CCS & TTR</u> <u>REVENUE</u>	<u>MATCH</u> <u>REV.</u>	<u>TOTAL</u> <u>REV</u>	<u>YTD</u> <u>REV</u>
NORTH DADE Employee A	\$1,086	\$ 4,450	612	6,148	\$27,960
CENTRAL DADE S. MULCAHY Employee B	3,192	465	0.00	3,657	15,665
MIAMI METRO Employee C	240	91	114	445	4,502
SOUTH DADE Employee D	7,191	653	6,265	14,109	57,423
TOTAL	11,709	5,659	6,991	24,359	105,552

SOUTH DADE REVENUE LEADER IN THE "ONE MILLION DOLLAR CHALLENGE" FOR JULY.

THE SERVICE ORDER WAVIER FOR RINGMASTER WAS NOT GRANTED, HOWEVER A LET'S GET ACQUAINTED OFFER IS IN EFFECT. THE MONTHLY SERVICE CHARGE FOR RINGMASTER IS WAIVED. PLEASE ADVISE PARTICIPANTS OF THIS CHANGE.

Employee E

General Manager/ South Florida

MEMORANDUM

OPERATIONS MANAGER - I&M

LISTED BELOW ARE THE OFFICIAL DISTRIBUTION SALES RESULTS REVENUE RESULTS TAKEN FROM THE 2011 (CUSTOMER SERVICE SALESPERSON REPORT) FOR JULY, 1989.

<u>DISTRICT OPERATION MANAGER</u>	<u>MTC PLAN REVENUE</u>	<u>CCS & TTR REVENUE</u>	<u>MATCH REV.</u>	<u>TOTAL REV</u>	<u>YTD REV</u>
SOUTH BROWARD Employee A	\$3,842	2,199	6,462	12,503	\$66,667
NORTH BROWARD Employee B	444	304	784	1,532	21,961
WEST. PALM BCH. Employee C	5,627	671	633	6,931	62,128
INDIAN RIVER Employee D	402	167	9,001	9,570	57,880
TOTAL	10,315	3,341	11,633	30,537	208,636

SOUTH BROWARD REVENUE LEADER IN "ONE MILLION DOLLAR CHALLENGE" FOR JULY.

IT WAS BROUGHT TO MY ATTENTION THAT THE SERVICE WAIVER ON RINGMASTER WAS NOT GRANTED, HOWEVER A LET'S ACQUAINTED OFFER IS EFFECT WHERE AS THE FIRST TWO MONTHS OF RINGMASTER SERVICE IS WAIVED.

Employee E
General Manager/ SouthEast Florida

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-7B

MILLION DOLLAR CHALLENGE WINNERS

*Only awards received
for the 1989
MTC award*

ONE MILLION DOLLAR CHALLENGE WINNERS

Listed below is the Location and winners of the "ONE MILLION DOLLAR CHALLENGE" Sales Campaign (June 1 thru December 31).

<u>WINNERS</u>	<u>LOCATION</u>	<u>REVENUE GENERATED</u>	
<u>State Turf</u>			
H. T. Jackson Oper. Manager	Orlando	\$488,053.00	\$10,000.00 Team Recognition Award
<u>State Paygrade 5 All Titles</u>			
R. E. Browning Manager I&M/SSIM	Orlando	\$190,358.00	Camcorder
<u>State Paygrade 3</u>			
D. J. Babair Asst. Mgr. I&M/SSIM	Orlando	\$ 81,554.00	Camcorder
<u>State Paygrade 3 Maintenance Center</u>			
G. Maser Asst. Mgr. MTC	Orlando	\$ 54,661.00	Camcorder
<u>State Paygrade 3 CRSAB</u>			
F. Dickson Asst. Mgr.	S/SE	\$ 28,195.00	Camcorder
<u>I&M/SSIM 40" TV</u>			
G. Sloan Service Tech.	Orlando	\$130,427.00	
J. K. Smith Service Tech	S. Dade	\$ 25,880.00	
R. Nubert Service Tech	Ind. River	\$ 18,471.00	
<u>Maintenance Center 40" TV</u>			
M. Taylor MTC Adm.	Orlando	\$ 54,661.00	
A. Adams MTC Adm.	S. Broward	\$ 4,159.60	
J. Jones MTC Adm.	N. Broward	\$ 320.00	<i>- didn't qualify</i>
<u>CRSAB 40" TV</u>			
C. Diaz RSA	S/SE	\$ 14,761.00	
K. Goines RSA	N/F	\$ 10,428.00	

Sales Coordinator Winner Nick Altuvilla Disc Player

Total revenue generated during the campaign period was \$1,022,764.00.

Total revenue YTD for the State: \$2,003,864.00.

F04B02Z 010928

F04A08Z 010928

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-7C

WEEKLY SALES REPORTS

OT
Allam's
✓ F

copy to

Employees: F, G, H, I

-Super! Keep pushing!! Fla
is still under-running our revenue
Commitment!!

INTERIM MONTHLY SALES RESULTS *****

Emp. J 5/10

WEEK ENDING : APRIL 30, 1989

MANAGER	SALES CODE	SALES TOTAL AS OF 3/31/89 *****	WEEKLY SALES *****	YTD SALES *****
Employee A	B2AIB	\$72.00	\$0.00	\$72.00
Employee B	B2AID	\$58376.00	\$9148.00	\$67524.00
Employee C	B2AIE	\$20649.00	\$2529.00	\$45878.00
Employee D	B2AIA	\$13164.00	\$611.00	\$13775.00
Employee E	B2AIC	\$108.00	\$48.00	\$156.00
DIVISION TOTALS	*****	\$92269.00	\$4057.00 ✓	\$132476.00

CT
Acc Am's
& F

Copy to

Employees: F, G, H, I

INTERIM MONTHLY SALES RESULTS *****

WEEK ENDING : MAR. 21, 1989

MANAGER	SALES CODE	SALES TOTAL *****
Employee A	B2A1B	\$12.00,
Employee B	B241D	\$48332.00 ✓
Employee C	B241E	\$12933.00 ✓
Employee D	B2A1A	\$8221.00 ✓
Employee E	B2A1C	\$72.00
DIVISION TOTALS	*****	<u>\$69570.00</u>

Suber!
Keep it going!!

-14-

CT
All mm's
+ F

copy to.

Employees: F, G, H, I

Super month!

Emp. J 4/3

INTERIM MONTHLY SALES RESULTS *****

WEEK ENDING : FEB. 28, 1989

MANAGER	SALES CODE	SALES TOTAL *****
Employee A	B2AIB	\$12.00
Employee B	B24ID	\$38121.00
Employee C	B24IE	\$10934.00
Employee D	B2AIA	\$3649.00
Employee E	B2AIC	\$60.00
DIVISION TOTALS	*****	\$52776.00

Super!

Employee K

Emp. L

I called
she'll have the official results
changed to reflect the adjusted
sales.

Thanks
Employee M

CT
Allam's
& F

Copy to

Employees: F, G, H, I, J

INTERIM MONTHLY SALES RESULTS *****

WEEK ENDING : FEB. 21, 1989

Super!

MANAGER	SALES CODE	SALES TOTAL *****
Employee A	B2AIB	\$36.00
Employee B	B24ID	\$27027.00
Employee C	B24IE	\$5561.00 ✓
Employee D	B2AIA	\$2005.00 ✓
Employee E	B2AIC	\$48.00
DIVISION TOTALS	*****	\$34677.00 ✓

CT
All Am's
Ret To.

RER-7C, Pg. 5

Employee L

Copy to

Employees:

F, G, H, I, J

Looking good!
(in some places)

INTERIM MONTHLY SALES RESULTS

WEEK ENDING : JUNE 14, 1988

Employee K 6/23

MANAGER	SALES CODE	SALES TOTAL
Employee A	A#5R1	\$36.00
	A#4R1	\$6113.00 ✓
Employee B	A#3R1	\$3107.00 ✓
Employee C	A#2R1	\$528.00
Employee D	A#3R2	\$48.00
Employee E	A#2R2	\$192.00
DIVISION TOTALS		\$10024.00 ✓

OT
All Am's
Ret TO

Employee L

Comp to

Employees: F, G, H, I, J

INTERIM MONTHLY SALES RESULTS *****

WEEK ENDING : JUNE 21, 1988

MANAGER	SALES CODE	SALES TOTAL *****
Employee A	#45R1	\$42.00
	#44R1	\$6125.00
Employee B	#43R1	\$5053.00 ✓
Employee C	#42R1	\$623.00 ✓
Employee D	#43R2	\$66.00
Employee E	#42R2	\$198.00 ✓
DIVISION TOTALS	*****	\$12107.00 ✓

at
All Am's
Ret To.

Employee F

copy to

REP-7C Pg. 7

Employees G, H, I, J
& K

Super! Keep

it going!!

Employee L 7/28

INTERIM MONTHLY SALES RESULTS *****

WEEK ENDING : JULY 21, 1988

MANAGER	SALES CODE	SALES TOTAL *****
Employee A	A45R1	\$253.00 ✓
	A44R1	\$17718.00 ✓
Employee B	A43R1	\$7764.00 ✓
Employee C	A42R1	\$3306.00 ✓ ← wow!
Employee D	A43R2	\$264.00
Employee E	A42R2	\$24.00 ↘
DIVISION TOTALS	*****	\$29329.00

MAIL ROOM
FEB 16 8 33 AM '91
DEPT. 10

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-7D

GENERAL MANAGER MEMOS

CT
All Ann's
& F

Collyer

Employee H
Employee I
Employee J



Southern Bell

Super!
Keep it up!!

MARCH 15, 1989

Employee L 3/17

MEMORANDUM TO: OPERATIONS MANAGER - I&M

LISTED BELOW ARE THE OFFICIAL DISTRIBUTION SALES RESULTS REVENUE RESULTS TAKEN FROM THE 2011 (CUSTOMER SERVICE SALEPERSON REPORT) FOR FEBRUARY, 1989.

<u>DISTRICT OPERATRION MGR.</u>	<u>MTC PLAN REVENUE</u>	<u>CCS & TTR REVENUE</u>	<u>TOTAL REVENUE</u>	<u>YTD REVENUE</u>
BREVARD				
Employee A	\$ 636.00	\$ 209.00	\$ 845.00	\$ 1802.00
DAYTONA				
Employee A	1,644.00	24.00	1,668.00	2,918.00
GAINESVILLE				
Employee B	54.00	150.00	204.00	436.00
BROOKSVILLE				
Employee C	102.00	-0-	102.00	258.00
ORLANDO				
Employee D	43,416.00	719.00	44,135.00 ✓	61,553.00
N/W JAX				
Employee E	864.00	173.00	1,037.00	2,775.00
S/E JAX				
Employee F	852.00	219.00	1,071.00	2,102.00
WEST FLORIDA				
Employee G	906.00	473.00	1,379.00	2,955.00

PROFIT

MAR 17 89

CRSAB				
Employee A	2,676.00	683.00	3,359.00	6,410.00
MISC				
REFERRALS	30.00	-0-	30.00	106.00
NORTH FLORIDA	\$51,180.00	\$2,650.00	\$53,830.00	\$81,315.00

ORLANDO STRIKES AGAIN!! REVENUE LEADER FOR MARCH AND FOR THE
 LAST 12 MONTHS. CRSAB 2ND IN MARCH. YOUR SALES AND REFERRALS
 CAN MAKE A DIFFERENCE.

Employee B
 GENERAL MANAGER - NETWORK/NF

Employee C

CC: SALES COORDINATORS

u
All Am
y F

copy to

Employee J
Employee K
Employee L
Employee M

REP-7D, Pg. 3

SUPR - THE

MAY 15, 1989

MEMORANDUM

OPERATIONS MANAGER - I&M

Employee N 5/18

LISTED BELOW ARE THE OFFICIAL DISTRIBUTION SALES RESULTS REVENUE RESULTS TAKEN FROM THE 2011 (CUSTOMER SERVICE SALESPERSON REPORT) FOR APRIL, 1989.

<u>DISTRICT OPERATION MANAGER</u>	<u>MTC PLAN REVENUE</u>	<u>CCS & TTR REVENUE</u>	<u>TOTAL REV.</u>	<u>YTD REV</u>
PREVARD Employee A	\$510.00	\$ 286.00	\$ 796.00	\$4411.00
DAYTONA Employee A	2550.00	42.00	2592.00	6884.00
GAINESVILLE Employee B	96.00	102.00	198.00	868.00
BROOKSVILLE Employee C	24.00	30.00	54.00	408.00
ORLANDO Employee D	39,300.00	781.00	40,081.00	135,629.00*
N/W JAX Employee E	2,208.00	370.00	2578.00	8007.00
S/E JAX Employee F	1,098.00	199.00	1297.00	5309.00
WEST FLORIDA Employee G	942.00	338.00	1280.00	6618.00
CRSAB Employee H	3,673.00	1012.00	4685.00	16414.00
MISC REFERRALS	96.00	0.00	96.00	232.00
NORTH FLORIDA	\$50497.00	\$3160.00	\$53657.00	\$184780.00

THANKS TO ORLANDO FOR BEING OUR REVENUE LEADER FOR MARCH.
LOOK FOR AN EXCITING SALES INCENTIVE CAMPAIGN TO BEGIN JUNE 1, 1989.
MORE DETAILS WILL BE MADE AVAILABLE.

*Adjustment made in YTD total for Orlando. Total over stated by \$815.00

Employee I
GENERAL MANAGER - NETWORK/NFA

REC'D

MAY 18 89

ORLANDO DIVISION
OPNS. MGR.

- 5 -

MAY 22 1989

LISTED BELOW ARE THE OFFICIAL DISTRIBUTION SALES RESULTS REVENUE.
 RESULTS ARE TAKEN FROM THE 2011 (CUSTOMER SERVICE SALESPERSON REPORT)

SALES RESULTS FOR CRSAB - SOUTH AND SOUTH EAST FLORIDA
 FOR JULY, 1989.

<u>MTC PLAN</u> <u>REVENUE</u>	<u>CCS & TTR</u> <u>REVENUE</u>	<u>MATCH</u> <u>REVENUE</u>	<u>TOTAL</u> <u>REV</u>	<u>YTD</u> <u>REV</u>
\$2,097	962	9,742	12,741	63,584

Employee A - OPERATION MANAGER

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-8A

AUGUST REPORT--NFL SALES

MONTH

AUGUST

TOP INDIVIDUAL SALES

TOP TEN INDIVIDUAL SALES:

NAME	TOTAL SALES
M.S. MITCHELL	\$ 19574.00
G.M. SLOAN	17842.00 - <i>3,559 - Babai</i>
M. TAYLOR	5679.00
K.A. GHOLSON	1623.00
A.R. MCKEAND	1460.00
J.S. BANDY	825.00
P.J. ERTHAL	293.00
C.E. SABIN	213.00
J.J. SMEAD	141.00
C.F. RAMAGE	125.00

F04B02Z 010390

F04A08Z 010390

DISTRICT SALES REPORT
NETWORK FLORIDA LEAGUE

REPORT MONTH	<u>AUGUST</u>
DISTRICT	<u>ORLANDO</u>
NUMBER OF EMPLOYEES	<u>765</u>
MONTHLY TOTAL REVENUE	<u>\$48618.00</u>
DOLLARS PER EMPLOYEE	<u>\$63.55</u>

F04B02Z 010385

F04A08Z 010385

MONTH

AUGUST

2ND LEVEL'S REPORT

MANAGER'S NAME	<u>RON E. BROWNING</u>
NUMBER OF EMPLOYEES	<u>82</u>
MONTHLY REVENUE	<u>\$37581.00</u>
DOLLARS PER EMPLOYEE	<u>\$458.30</u>

SUPERVISOR'S GROUP RESULTS:

NAME	NBR.EMP.	MONTHLY REV.	\$ PER EMP
D.J. BABAIR	15	\$17872.00	\$1191.47
O.C. HOELTKE	15	\$171.00	\$11.40
D.A. SUKKERT	14	\$19832.00	\$1416.57
L.N. GRAY	15	\$0.00	\$0.00
J.C. PULLIN	15	\$0.00	\$0.00

F04B02Z 010386

F04A08Z 010386

MONTH

AUGUST

2ND LEVEL'S REPORT

MANAGER'S NAME	<u>RAY J. MANN</u>
NUMBER OF EMPLOYEES	<u>95</u>
MONTHLY REVENUE	<u>\$4690.00</u>
DOLLARS PER EMPLOYEE	<u>\$49.37</u>

SUPERVISOR'S GROUP RESULTS:

NAME	NBR. EMP.	MONTHLY REV.	\$ PER EMP
N.C. SNADERS	17	\$1644.00	\$97.71
L. DAUGHTRY	16	\$1307.00	\$81.69
D.R. JAQUES	14	\$1694.00	\$121.00
D. COLOSIMO	16	\$45.00	\$2.81
J.B. HOWARD	11	\$0.00	\$0.00
J. O'BRIEN	12	\$0.00	\$0.00

F04B02Z 010387

F04A08Z 010387

MONTH

AUGUST

2ND LEVEL'S REPORT

MANAGER'S NAME	<u>JONAH F. BRADLEY</u>
NUMBER OF EMPLOYEES	<u>58</u>
MONTHLY REVENUE	<u>\$6053.00</u>
DOLLARS PER EMPLOYEE	<u>\$104.36</u>

SUPERVISOR'S GROUP RESULTS:

NAME	NBR.EMP.	MONTHLY REV.	\$ PER EMP
R.W. NEWSOME	10	\$5816.00	\$58.16
G. MASER	10	\$132.00	\$13.20
L. BATCHELOR	5	\$0.00	\$0.00
L. DUFRESNE	10	\$105.00	\$10.50
B. THORNTON	9	\$0.00	\$0.00
S. LEMONS	5	\$0.00	\$0.00

F04B02Z 010388

F04A08Z 010388

REP-8A Pg. 6

MONTH

AUGUST

2ND LEVEL'S REPORT

MANAGER'S NAME	<u>NEAL S. JENNINGS</u>
NUMBER OF EMPLOYEES	<u>91</u>
MONTHLY REVENUE	<u>\$0.00</u>
DOLLARS PER EMPLOYEE	<u>\$0.00</u>

SUPERVISOR'S GROUP RESULTS:

NAME	NBR. EMP.	MONTHLY REV.	\$ PER EMP
P.L. HALL	8	\$0.00	\$0.00
R.M. MOYE	11	\$0.00	\$0.00
R.L. LAND	9	\$0.00	\$0.00

F04B02Z 010389

F04A08Z 010389

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-8B

NOVEMBER REPORT--NFL SALES

MONTH

NOVEMBER

TOP INDIVIDUAL SALES

TOP TEN INDIVIDUAL SALES:

NAME	TOTAL SALES
G.M. SLOAN	\$ 14252.00 ✓
M. TAYLOR	11415.00 ✓
J.S. BANDY	2115.00
K.A. GHOLSON	264.00
M.S. MITCHELL	160.00
M.A. MCKINNEY	180.00
R.J. GILLIS	150.00
J.J. SHEAD	135.00
D.J. GOETZ	129.00
L.C. MIDDLETON	105.00

F04B02Z 010414

F04A08Z 010414

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-9

LIST OF SALES PROGRAMS

NON-CONTACT .LES AWARD PROGRAMS

<u>PLAN NAME</u>	<u>EFFECTIVE DATES</u>	<u>NON-MGMT PARTICIPANTS</u>	<u>PRODUCTS</u>	<u>METHOD OF TRACKING/ISSUING OF ORDERS</u>
"In Pursuit of Profits"	(1-1-88/12-31-88)	Network STs, MAs, RSAs, Dispatch Clerks, Network Technicians	CCS, TT, SEQ1X, Prestige	+ 2011 Sales Report/Referred on NSR forms to Customer Services to input service orders (Network completed sale with customers; SR did not call customers). STs could also input sale in CAT terminal if on a service order.
			WATS, 800, FX Addl lines, RCF, Prestige	+ 2011 Sales Report/Referred via call to Customer Services-SR called customers and completed negotiation of sales. (Match Program).
"Net.-TMC Lead Referral"	(3-1-88/12-31-88)	Network Technicians, STs (North Florida only)	*WATS, 800, Prestige RCF, 1FBs, Trunks, FX, other (?)	* Manual tracking reports by Telemarketing Center and forwarded to Network Staff; Referred to Telemarketing Group to complete orders with customers.
"Net.-Equip. & Referral"	(9-1-89/12-31-89)	All Network & Provisioning employees (inside support, outside technicians, etc.)	CPE Equipment	Manual tracking reports by TMC and forwarded to Network Staff; Referred to TMC to negotiate orders with customers.
"Net.-TMC Referral"	(3-1-89/12-31-89)	Network & CRSAB (all job titles)	*(See Network TMC Lead Referral above)	* (See Network TMC Lead Referral above).

F04A08Z 010976
 F04B02Z 010976

REF-9,81

NON-CONTACT SALES AWARD PROGRAMS

<u>PLAN NAME</u>	<u>EFFECTIVE DATES</u>	<u>NON-MGMT PARTICIPANTS</u>	<u>PRODUCTS</u>	<u>METHOD OF TRACKING/ISSUING OF ORDERS</u>
"Ultimate Challenge"	(3-1-89/12-31-89)	Network STs, MAs, RSAs	CCS, TT, SEQ1X, Prestige, RingMaster	+ (See In Pursuit of Profits)
"Lead Program"	(6-1-89/12-31-89)	All employees in State	RingMaster	Manual tracking of <u>individual</u> employee sales; referral passed to DMC in Atlanta - SRs called customers and negotiated sales, then passed to Customer Services to input orders.
"Florida GoldLine"	1990	All employees in State	Various - (Regulated, Deregulated services and CPE)	GoldLine system provides tracking of individual employee referrals and sales; referred to GoldLine who passes to Customer Services - SRs call customers and complete sales.
"Your Mktg.Imagination"	(3-1-87/12-31-87)	Network STs, RSAs	CCS, TT, Tip, Wire Mtc, RingMaster & Prestige	2011 Sales Report/Referred on NSR forms to Customer Services to input service orders (Network completed sale with customers; SR did not call customers).

F04A08Z 010977

F04B02Z 010977

REP-9, P2

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-10A

YOUR MARKETING IMAGINATION--1987

"YOUR MARKETING IMAGINATION"

NETWORK MARKETING SALES

Non-Management participants will be entitled to 10% of his/her semi-annualized revenue generated during 1987.

EXAMPLES:

<u>Each Offering</u>	<u>Semi-Annualized Revenue</u>	<u>New Point Conversion</u>
Touchtone	\$ 9.00	9 Points
CCS (CW)	18.00	18 Points
TIP	6.00	6 Points
Prestige	30.00	30 Points
PSLS (STD & CW)	48.00	48 Points

IF Technician sells \$100 semi-annualized revenue:

Technician	100 points	for every \$100 in revenue
1st Level	30 points	for every \$100 in revenue
2nd Level	20 points	for every \$100 in revenue
Oper. Mgr.	10 points	for every \$100 in revenue

F04B02Z 010488

F04A08Z 010488

'YOUR MARKETING IMAGINATION'

GRAND PRIZE ADDENDUM

STATE OF FLORIDA

GENERAL

The Grand Prize Addendum proposed is designed to serve as a vehicle to further promote sales and increase management involvement in the current Network I & M Sales Campaign, "Your Marketing Imagination".

Revenue will be generated in the same way as the original approved plans for non-management; however, managers wishing to compete for the Grand Prize Award will forfeit the revenue percentages prescribed in KCP 8740 for the trip. The estimated costs in conjunction with this addendum proposal remain within budgetary guidelines for the State of Florida.

Form 0770 is attached for approval as prescribed in the Executive Instructions Number 4, Section 3.

F04B02Z 010483

F04A08Z 010483

MANAGEMENT

PLAN DESCRIPTION: ADDENDUM TO KCP 8740

A Grand Prize will be awarded to the top District, Second and First level Manager in each Area and the top General Manager in the State of Florida. Sales will be generated by non-management employees reporting to the respective managers.

Revenue points earned, based on previously established percentage levels toward E. F. MacDonald prizes, will be forfeited in lieu of the Grand Prize Award. There will be no multi-level awarding during the Grand Prize campaign.

Campaign Period: August 1st through December 31, 1987

Eligible participants must meet or exceed the following minimum revenue requirements:

General Level	\$25,000
Operations Level	\$15,000
Second Level	8,500
First Level	5,000

Winners will be determined based on cumulative revenue per employee.

Sales generation will be from the following available offerings: Custom Calling Features, Touchtone, T.I.P., Prestige Single and Multi-Line packages, Ringmaster and Wire Maintenance.

Revenue figures will be taken from the Customer Sales Person Report, Form 2011; force figures will be taken from the OSP 20 Report and will include Services Technicians, Maintenance Administrators and Repair Service Attendant titles.

DESCRIPTION OF STATEMENT OF COST OF AWARDS:

GRAND PRIZES: 38 trips X \$1,900 per trip = \$76,000

Grand Prize trip proposed is a 5-day, 4-night yacht charter sailing trip in the Caribbean. The cost of each trip to include air-fare, all other associated land travel expenses, food, beverages and all tips.

F04B02Z 010484

F04A08Z 010484

'MATCH FOR THE GOLD'

Offerings:

WATS SERVICE

800 SERVICE

FOREIGN EXCHANGE LINES

ADDITIONAL RESIDENCE LINES

ADDITIONAL BUSINESS LINES

REMOTE CALL FORWARDING

*PRESTIGE SINGLE/MULTI LINE SERVICE

*RINGMASTER

Participants:

Services and Network Technicians
Business Customer Service Representatives

Awards/Prizes:

50/50 Split of 10% of Semiannualized Revenue
to the Technician and Service Representative
toward Catalog Prizes from E. F. MacDonald

1/800 - 3, 4 M A T C H

F04B02Z 010481

F04A08Z 010481

05/87

(1)

"EXCELLENCE THROUGH TEAMWORK"SOUTH/SOUTHEAST FLORIDAGENERAL

Appropriate information to amend our 1987 award program guidelines is being provided. This criteria should be considered as an addendum to our original tax plans KCP8709 and KCP8710 for non-management. This portion of the program will be entitled "Match For The Gold" and is effective from June 15 through December 31, 1987.

"Match For The Gold" is a sales referral type program whereby Network Services Technicians identify potential sales and refer to Customer Services Service Representatives to negotiate. All sales resulting from referrals will be tracked to a specific channel of the CSSPR (2011 sales report). Award value (equivalent to \$.10 catalog points) of 10% for revenue generated will be equally split and provided to both employees involved in the sale.

Costs for this portion of our program have been estimated (see attached) and deducted from our 1987 award budget.

PLAN DESCRIPTION

Non-cash merchandise award program for approximately 10 Business Service Representatives based on sales resulting from referrals received from Network Services Technicians. Participants are eligible to receive catalog points (valued at \$.10 each) equivalent to 5% of the revenue accrued for the following products/services: FX, WATS, 800, RCF, Prestige Single-Line Service, Prestige I and II and additional residence/business lines. Program effective dates: June 15, 1987 - December 31, 1987. Catalog points may be cumulated and redeemed at the end of the program.

DESCRIPTION AND STATEMENT OF COST OF AWARDS

Various catalog merchandise awards ranging from \$5.00 - \$1600.00.

Estimated revenues to be generated for this program are \$70,000. Following are estimated award costs (5% of revenue):

	\$ 3,500.00
GROSS-UP (1.3725)	1,304.00
SALES TAX (5%)	175.00
TOTAL	<u>\$ 4,979.00</u>

F04B02Z 010472

F04A08Z 010472

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-10B

IN PURSUIT OF PROFITS--1988

cc: Patk Mather
(Asst. Mgr.)

"YOUR MARKETING IMAGINATION"

Offerings:

CUSTOM CALLING FEATURES

TOUCHTONE

T.I.P

PRESTIGE SINGLE-LINE

PRESTIGE MULTI-LINE

Participants:

Services Technicians
Maintenance Administrators
Repair Service Attendants

Awards/Prizes:

Semiannualized Revenue

Non-Management	10%
First Level Managers	3%
Second Level Managers	2%
Operations Managers	1%

Prizes from E. F. MacDonald Awards Catalog

1987 NETWORK MARKETING SALES CAMPAIGN

F04B02Z 010480

F04A08Z 010480

'MATCH FOR THE GOLD'

Offerings:

WATS SERVICE

800 SERVICE

FOREIGN EXCHANGE LINES

ADDITIONAL RESIDENCE LINES

ADDITIONAL BUSINESS LINES

REMOTE CALL FORWARDING

*PRESTIGE SINGLE/MULTI LINE SERVICE

•RINGMASTER

Participants:

Services and Network Technicians
Business Customer Service Representatives

Awards/Prizes:

50/50 Split of 10% of Semiannualized Revenue
to the Technician and Service Representative
toward Catalog Prizes from E. F. MacDonald

1/800 - 3, 4 M A T C H

F04B02Z 010481

F04A08Z 010481



Southern Bell

6451 North Federal Highway, Rm. 107
Fort Lauderdale, Florida 33308

January 7, 1988

MEMORANDUM

TO: P. L. Singer, General Manager
Network - Southeast Area

L. C. Isenhour, General Manager
Network - South Area

W. R. Perry, General Manager
Network - North Area

FROM: K. B. Swinea, Operations Manager
IMC Sector Support - South

SUBJECT: Network Sales - 1988

We are awaiting approval of the 1988 sales campaign for the State of Florida which parallels Your Marketing Imagination in that it will continue to provide a percentage of revenue earned to the technician and to the managers. It has been enhanced, however, by inclusion of the Match for the Gold referral program by also giving the manager a portion of those revenues earned as well. Basically, the 1988 Network sales campaign, In Pursuit of Profits -- Sales is the Name of the Game, will give sales credit for any offering listed on the Form 2011, Customer Services Sales Person Report.

A 'spurt' program is being developed for emphasis on the sale of the Maintenance Plan also called the Service Plan (Wire Maintenance and TIP combined). The program will be a 3-month blitz of that market with enticements of bonus points awarded to each district monthly for the highest revenue earner(s). The managers of the crews earning the most revenue will also be awarded a 'bonus' to keep them involved.

Additionally, another 'grand prize' campaign for higher management is in the planning stages and will run for a 6-month period from February through August in order that the trip can be enjoyed in the same calendar year.

F04B02Z 010473

A BELL SOUTH Company

F04A08Z 010473

"IN PURSUIT OF PROFITS"

MANAGEMENT

PLAN DESCRIPTION:

Non-cash merchandise award program based on a percentage of sales results generated by non-management Network employees - Florida. A percentage of earnings generated by non-management employees will be awarded to their respective first, second and third level managers. (See non-management plan description). Awards will be selected from the E. F. MacDonald Company awards catalog.

DESCRIPTION OF STATEMENT OF COST OF AWARDS:

Total estimated revenues which will be generated by Florida Network Sales Channels for the campaign period January 1 through December 31, 1988. \$750,000

ESTIMATED COSTS FOR THIS PROGRAM:

Based on Non-Management Award Percentages:

	10%	5%	\$600,000	\$150,100
First Level Manager	3%	1.5%	18,000	2,250
Second Level Manager	2%	1.0%	12,000	1,750
Operations Manager	1%	.05%	6,000	750
Sub-total			36,000	4,500
Gross up (1.3725)			4,941	618
Sales tax (6%)			2,160	270
Sub-Total			43,101	5,388
Combined Total				\$48,489

Revenue percentages will be equated to catalog points toward merchandise available from the E. F. MacDonald Award Catalog (1 point = 10 cents).

F04B02Z 010477

F04A08Z 010477

"IN PURSUIT OF PROFITS"

NON-MANAGEMENT

PLAN DESCRIPTION:

Non-cash merchandise award program based on 1988 sales results for approximately 2,000 Network department non-contact employees. Non Management titles such as Services Technicians, Network Technicians, Maintenance Administrators, Repair Clerks, Dispatch Clerks, etc. will be eligible to receive catalog prizes from the E. F. MacDonald Company based on ten percent (10%) of semi-annualized revenue earned for sales of C.O. Vertical Services as listed on the Customer Services Sales Person Report (Form 2011-Page 1) and five percent (5%) (one half split with the Customer Services Department) of semi-annualized revenue earned on all referral sales of Access Line Services as reported on the Customer Services Sales Person Report (Form 2011-Page 2).

DESCRIPTION AND STATEMENT OF COST OF AWARDS:

Total estimated revenues which will be generated by Florida Network Sales Channels during the campaign period (1/88-12/88)

Sales for C.O. Vertical Svcs	\$600,000
Sales for Access Line Svcs	\$150,000
Total-State	\$750,000

ESTIMATED COSTS FOR THIS PROGRAM:

All Network non-management titles will receive 10% of their semi-annualized revenue generated during the year toward catalog merchandise from E.F. MacDonald Company. Revenue will be converted to catalog points (1 point = 10 cents.) \$60,000

Gross up (1.3725%)	8,235	
Sales tax (6%)	3,600	
Sub-total		71,835

Non-management titles will split the 10% revenue earned with Customer Services Business Representatives to receive 5% of semi-annualized revenue generated from referrals resulting in sales converted to catalog points as above. \$ 7,500

Gross up (1.3725%)	1,029	
Sales tax (6%)	450	
Sub-total		8,979

Total Cost: \$80,814

F04B02Z 010478

F04A08Z 010478

File

Southern Bell

6451 North Federal Highway, Am. 1011
Fort Lauderdale, Florida 33308

1-19-88

January 13, 1988
180.0400MEMORANDUM

TO: Anne Sadler - Operations Manager Customer Services

FROM: K. B. Swinea - Operations Manager IM&C/South Sector

SUBJECT: Match For The Gold Referral Program

As always, we welcome revenue-producing programs such as the Match Program which allows our employees to share in the wealth of their sales efforts within our departments. Coupled with Network's 1987 "Your Marketing Imagination" which satisfied revenue requirements and allowed the technician to perform the demanding job of installation and maintenance of Network services in a cost-effective, customer-satisfied fashion, Match has improved goodwill and provided Network with a new avenue for revenue generation.

Denise Maggert has coordinated the expansion of the Match program to the State and included recognition for management as well. The 'Network Product Information Guide' is the current vehicle for services technicians' awareness of Company offerings, benefits to the customer, and the Guide also provides tips on overcoming possible objections. We feel we are headed in the right direction and are looking forward to a successful year. Should you require additional information about our 1988 Network campaign, or have further questions, please call Denise at 492-3332 or J.T. Moore at 492-3152.


K. B. Swinea

DCM/cd

F04B02Z 010479

A BELL SOUTH Company

F04A08Z 010479

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-10C

ULTIMATE CHALLENGE--1989

9005
9006
9007
9008

The Ultimate Challenge

The 1989 "Ultimate Challenge" incentive program will run from January 1, 1989 to December 31, 1989. All Network Service Technicians, Repair Service Attendants and Maintenance Administrators are eligible to participate. All participants in Florida will earn award points redeemable for name-brand merchandise from the E. F. McDonald Company.

With recombination we will have products new to the Network Department, this will provide an excellent opportunity for the participants in our sales program. Learning about these new products and services and how to share it with our customers will be the Ultimate Challenge.

Our Sales Campaigns are not only designed to create revenue but more importantly it will improve customer relations and customer service.

Form 0770 is attached for approval as prescribed in the Executive Instructions Number 4, Section 3.

We are looking forward to implementing the Ultimate Challenge for 1989.

F04B02Z 010506

F04A08Z 010506

P24

9007
9008

MANAGEMENT:

PLAN DESCRIPTION

Non-cash merchandise award based on a percentage of sales results generated by non-management Network employees, Florida. A percentage of earnings generated by non-management employees will be awarded to their respective first, second and third level managers. (See non-management plan description)
Awards will be selected from the E. F. McDonald Company Awards Catalog.

Pg 3
Pg 5
Pg 6

DESCRIPTION AND STATEMENT OF COST OF AWARDS:

Total estimated revenue which will be generated by Florida Network Sales Channels for the campaign period March 1, 1989 through December 31, 1989 \$1,350,000.00

Estimated costs for this program are as follows:

First Level Manager will receive 1.5% of net revenue generated by Service Technician, Repair Service Attendant, Network Technician and Maintenance Administrators reporting to him/her.	20,250.00
Second Level Manager will receive 1% of net revenue generated by Service Technician, Repair Service Attendant, Network Technician and Maintenance Administrators reporting to him/her.	15,500.00
Operation Manager will receive .5% of net revenue generated by Service Technician, Repair Service Attendant, Network Technician and Maintenance Administrators reporting in his/her division.	6,750.00
TOTAL	\$ 42,550.00
Gross-Up (1.3725)	5,840.00
Sales Tax (6%)	2,553.00
TOTAL	\$ 50,943.00

Pg 3
Pg 5
Pg 6

160,279 - NM
50,943 - M
219,322.00

Estimated Cost:

F04B02Z 010508

Sales incentives for kick-off
2700 items at \$3.00 each TOTAL

8,100.00
\$ 219,322.00

Total cost for 1989

Force not nearly enough.

NON-MANAGEMENT

9005
9006

PLAN DESCRIPTION

Non-cash merchandise award program based on sales results for approximately 2700 non-contact employees, Network Department, Florida. Service Technicians, Repair Service Attendants, Network Technicians and Maintenance Administrators will be eligible to receive catalog prizes from E. F. McDonald Company based on 10% of individual revenue earnings generated during 1989 as reported on Customer Service Sales Report, (2011). Awards will be made for sales generated from the following offerings:

Customer Calling Services, Touchtone, Trouble Isolation Plan or Wire Maintenance Plan, (Upgrade) Prestige, Ringmaster and Maintenance Plan.

DESCRIPTION AND STATEMENT OF COST OF AWARDS:

Total estimated revenue which will be generated by Florida Network Sales Channels for the campaign period March 1, 1989 through December 31, 1989 \$1,350,000.00

Estimated costs for this program are as follows:

Service Technicians, Repair Service Attendants, Network Technicians and Maintenance Administrators will receive 10% of their semi-annualized revenue generated during the year toward catalog merchandise from E. F. McDonald Company. Revenue will be converted into catalog points which equates to:

One point = 10 cents.	135,000.00
Gross-Up (1.3725)	18,529.00
Sales Tax (6%)	6,750.00
TOTAL	\$ 160,279.00

Handwritten calculations:
1350,000
Cost 219,322
16.25%

F04B02Z 010507

F04A08Z 010507

SOUTHERN BELL TEL AND TEL COMPANY

EXECUTIVE INSTRUCTIONS NO
SECTION
APPENDIX
EXHIBIT
September 1988

SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY
DESCRIPTION OF INCENTIVE AWARD PLAN

FORM 0770
(7-83)

A. (To be completed by sponsoring department)
Plan Title: The Ultimate Challenge (Non-Management - Under \$500.00)

Plan Description: See Attached

Effective Dates: Begin: 3-1-89 End: 12-31-89

Description and Statement of Cost of Awards:

See Attached

Tax Allowance: (X) Flat Rate of 20% () Individualized () None

Sponsoring Department: Network Area(s): Florida

Headquarters Coordinator: _____ Area Coordinator(s) Liz Sutton
301 W. Bay St. Rm. 14DD1

APPROVAL:
[Signature] Vice President 12/1/89
(Department Head) Network/FL Title Date

B. (To be completed by Personnel)
This plan has been reviewed for compliance with Wage and Hour Law requirements and Company compensation guidelines.

Comments: The program does not affect Wage and Hour Law requirements and Company compensation guidelines.

CONCURRENCE:
[Signature] General Manager 12/1/88
(Name) Personnel/FL Title Date

C. (For non-cash award plans, this section is completed by Headquarters Tax Office).
Awards presented under this plan () are () are not taxable compensation to the recipients.

This plan has been assigned Plan Number 9205

F04B02Z 010509

(Tax Office Representative) _____ Title _____ Date _____

Forward copies of completed form to:

- District Staff Manager-Payroll Methods 301 W. Bay St.
- Departmental representative Liz Sutton Rm. 14DD1
- Payroll Office(s) for the Area(s) involved Jacksonville, FL

F04A08Z 010509

FLORIDA

NETWORK TEAM SALES CAMPAIGN

THE FLORIDA NETWORK TEAM WILL COMMIT TO EARNING AN ADDITIONAL MILLION DOLLARS IN SEMI-ANNUALIZED REVENUE BY THE END OF THIS YEAR. THE CAMPAIGN WILL BEGIN JUNE 1 AND TEAM MEMBERS THROUGHOUT THE STATE WILL BE ASKED TO EARN AN AVERAGE OF \$80 PER MONTH.

CATALOG AWARDS WILL BE BASED ON PERCENTAGES OF 10% (ACTUAL SALE MADE BY EMPLOYEE) OR 5% (REFERRAL WHICH RESULTS IN A COMPLETED SALE) OF INDIVIDUAL SEMI-ANNUALIZED REVENUES.

TOTAL REVENUES EARNED FOR THE CAMPAIGN PERIOD (6-MONTHS) WILL BE REPORTED ON THE ANNUALIZED AVERAGE LOCATION LIFE OF THE ITEM/FEATURE. WHEN REPORTING LOCATION LIFE, PROJECTED EARNINGS WILL BE APPROXIMATELY 3 MILLION DOLLARS.

THE PARTICIPATING EMPLOYEE HAS SEVERAL AVENUES TO ASSIST IN COMPLETION OF THE SALE. HE/SHE HAS THE OPTION OF USING ANY ONE OR A COMBINATION OF THE FOLLOWING VEHICLES:

- 1) NSR-86 FORM, 2) MATCH REFERRAL,
- 3) TELEMARKETING REFERRAL

DISTRICT RESULTS WILL BE TRACKED AND REPORTED BY THE DISTRICT REVENUE COORDINATORS IN EACH TURF. TOTAL AREA/STATE REVENUE EARNINGS WILL BE TRACKED AND REPORTED BY THE STATE REVENUE COORDINATOR.

THE FOLLOWING SUGGESTIONS ARE OFFERED AS ALTERNATIVES TO PROMOTE THE CAMPAIGN DURING THE 6-MONTH PERIOD:

1) MONTHLY RECOGNITION LUNCHEONS TO BE HOSTED BY THE WINNING TURF OPERATIONS MANAGER. TOP REVENUE EARNERS FROM EACH ENTITY AND THE TOP SUPERVISOR TO BE INVITED. THROUGHOUT THE LENGTH OF THE CAMPAIGN PERIOD, INCENTIVE ITEMS AND RECOGNITION GIFTS WILL BE PRESENTED TO INCLUDE SMALL PLAQUES AND CERTIFICATES.

2) A TURF TROPHY WILL BE PRESENTED TO THE TOP REVENUE GENERATING TURF AT MONTHLY GENERAL MANAGER STAFF MEETINGS IN EACH AREA.

F04B02Z 010515

Addendum to 9006, 9007
9042, 9043

02/89
Campaign

FLORIDA
NETWORK TEAM SALES

PARTICIPANTS: NETWORK - NON-MANAGEMENT EMPLOYEES

CAMPAIGN LENGTH: JUNE 1989 - DECEMBER 1989

CAMPAIGN THEME: NETWORK FLORIDA LEAGUE (NFL)

REVENUE GENERATION	NETWORK TITLES	\$80/EMPLOYEE/MONTH
	CPE TITLES	5
	CRSAB TITLES	\$100/EMPLOYEE/MONTH

TOTAL REVENUE YR-END: \$1,000,000 ACTUAL SEMIANNUALIZED REVENUE

TOTAL REVENUE PROJECTION: \$3,000,000 BASED ON ANNUALIZED
AVERAGE LOCATION LIFE

CATALOG AWARDS: BASED ON SEMI-ANNUALIZED REVENUE EARNED

TITLES	From 2011 FULL CREDIT	REFERRAL
NON-MANAGEMENT NETWORK TITLES	10.0%	5.0%
NON-MANAGEMENT CPE TITLES	3.0% UP TO \$2500/SYSTEM	
PG 3 SUPERVISOR	3.0%	1.5%
PG 5 SUPERVISOR	2.0%	1.0%

Graciously \$185,000

TOP STATE WINNER PRIZES

\$ 20,000

SALES INCENTIVES (@ \$5.00/EMPLOYEE)

\$ 15,000

TOTAL: 220,000

(GROSS UP)	3,020
SALES TAX(6%)	13,200

INCENTIVE COST: \$236,220

ADDITIONAL RECOGNITION EXPENDITURES:

TOP TURF - STATE WINNER/OUTING	10,000
IN-HOUSE PUBLICATION/RANKINGS	1,500
GRAPHICS - LOGO/POSTERS/BANNERS	500

RECOGNITION COST: 12,000

TOTAL BUDGET AVAILABLE FOR 1989

\$429,000

F04B02Z 010513

TOTAL COST FOR PROGRAM:

~~236,220~~
~~12,000~~

204

NEES: 30

F04A08Z 010513

AWARDS:

1 - THE TOP REVENUE GENERATING TURF IN THE STATE WILL RECEIVE \$10,000 TOWARD A TEAM RECOGNITION AWARD/CUTTING (EX: BARBOQUE, PICNIC, ETC.). THE TEAM WILL BE THOSE TITLES PARTICIPATING IN THE CAMPAIGN (EXCLUDING ENGINEERING, CONSTRUCTION TITLES, ETC.).

2 - GRAND PRIZE AWARDS TO HIGHEST REVENUE GENERATING PARTICIPANTS WILL BE AWARDED SPECIAL PRIZES AS FOLLOWS:

- WIDE SCREEN TELEVISION 11 PRIZES CRAFT
- CAMCORDER 5 PRIZES PG 3
- CHOICE OF EITHER (ABOVE) 1 PRIZE PG 5

CRAFT TITLES INCLUDE: SERVICES TECHNICIANS, SSIM TECHNICIANS, CPE TECHNICIANS, MAINTENANCE ADMINISTRATORS, DISPATCH CLERKS, CRSAB NON-MANAGEMENT TITLES.

MANAGEMENT TITLES: PG 3 SUPERVISOR, ONE EACH FOR IM/SSIM, CPE, MAINTENANCE CENTER AND CRSAB; AND THE TOP SALES COORDINATOR IN THE STATE. PG 5 SUPERVISOR, ONE IN THE STATE FROM ANY ENTITY.

3 - INCENTIVE CAMPAIGN AWARDS TO REINFORCE SALES WILL BE AWARDED AND MONITORED BY AREA REVENUE COORDINATORS.

PUBLICATIONS:

AREA AND STATE PUBLICATIONS WILL REFLECT HOW EACH 'NETWORK FLORIDA (FOOTBALL) LEAGUE' IS PROGRESSING. EACH AREA WILL BE A LEAGUE AS PART OF THE NETWORK TEAM SALES PROGRAM. RANKINGS, PHOTOS AND EMPHASIS ON SPECIFIC OFFERINGS WILL BE PART OF THE MONTHLY PUBLICATIONS.

HANDOUTS:

AIDS TO ASSIST IN DESCRIPTIONS AND OFFERINGS WILL BE PROVIDED TO THE PARTICIPANTS TO FACILITATE SALES.

F04B02Z 010514

MESS:20 08:13: -

F04A08Z 010514

MANAGEMENT

PLAN DESCRIPTION: ADDENDUM TO KCP 9007

A grand prize will be awarded to the top First and Second Level Manager, (a total of four) in the State. Sales revenue will be generated by non-management employees reporting to the respective managers.

Campaign Period: June 1 through December 31, 1989

Revenue results will be taken from the Form 2011A. Reports will include revenue generated by Service Technicians, Maintenance Administrators, Network Technicians, CPE Technicians, Dispatch Clerks and Repair Service Attendants (see approved KCP 9005,9006).

First Level Management will receive 3% of net revenue generated by titles listed above directly reporting to him/her.

Second Level Management will receive 1.5% of net revenue generated by titles listed above directly reporting to him/her.

The net revenue generated in a Division by Network employees will no longer be awarded to Operations Managers. Effective June 1, 1989, .5% is no longer applicable.

F04B02Z 010517

000

00:02:58 PM

F04A08Z 010517

~~MANAGEMENT~~
~~NON-MANAGEMENT~~

PLAN DESCRIPTION: ADDENDUM TO XCP 9042, 9043, 8037, 8038

Non-cash merchandise awards program based on sales resulting from referrals of specific access service products by all job titles in Florida Network to Telemarketing Representatives and/or "Match" referral group.

The total monthly sales revenue generated from each non-management employee's referral will be awarded at the rate of 5%, one-half of the standard annual revenue.

First level Managers will receive 1.5% of revenue generated by Network Employees reporting to him/her.

Second Level Managers will receive 1.0% of revenue generated by Network Employees reporting to him/her.

F04B02Z 010518

NO 4

MANAGEMENT CONSULTING

F04A08Z 010518

34
P56



Southern Bell

6481 North Federal Highway, Room 1011
Fort Lauderdale, Florida 33308

Handwritten notes:
Review
Discussion
Comments
Work
Done

9141
9142
9143
9144

August 21, 1989
180.0000

MEMORANDUM

TO: L. E. Crittenden
Vice President - Network/Florida

FROM: K. B. Swinea - Operations Manager - IM/OPCC
Florida

SUBJECT: 1989 Network - CPE Sales Campaign

The "Network Operation Equipment and Service Program" is designed to further promote network sales by increasing Non-Management involvement via alternative incentives.

The attached sales program is designed for System Technicians to earn a percentage of the revenue they generate. Participants can receive bonus points for selling featured items and services. Revenues and customer service will be enhanced when this program is implemented.

We estimate this sales campaign will generate more than \$400,000.00 in revenue and will be a major contributor to our sales goal for 1989. If you concur, your approval is required on the attached Description of Incentive Award Plan (0770).


Operations Manager-IM/OPCC
Florida

KBS/ams

Attachment

F04B02Z 010490

F04A08Z 010490

CPE
TOGETHER AGAIN

SALES OF EQUIPMENT AND SERVICES JOINS THE "ONE MILLION DOLLAR CHALLENGE". WITH THE REVENUE GENERATED BY SYSTEMS TECHNICIANS WE CAN EXCEED OUR ONE MILLION DOLLAR GOAL.

OPERATING THIS SALES PROGRAM ON AN ESTIMATED BUDGET OF \$56,764.00, WE WILL GENERATE OVER \$400,000.00 DOLLARS IN REVENUE BY THE END OF THE YEAR.

THE NETWORK OPERATION EQUIPMENT AND SERVICE PROGRAM IS DESIGNED TO PROVIDE INCENTIVES, RECOGNIZE THE SALES EFFORT OF THE EMPLOYEE AND TO ENCOURAGE THE MARKETING OF SOUTHERN BELL'S EQUIPMENT, SYSTEMS, SERVICES AND WARRANTY PROGRAMS TO GENERATE REVENUE FOR THE COMPANY. THIS PROGRAM OFFERS INCENTIVES FOR NON-MANAGEMENT AND MANAGEMENT PERSONNEL. NETWORK EMPLOYEES INDICATED ARE ELIGIBLE TO PARTICIPATE: NETWORK TECHNICIANS, SERVICE TECHNICIANS, REPAIR SERVICE ATTENDANT, ETC. POINTS SHOULD ONLY BE AWARDED AS SPECIFIED IN ATTACHED GUIDELINES.

Prod 400,000
Cost 56,764 - 14.2%

OVERVIEW

1.1 The Network Operation Equipment and Service Program is intended to provide incentive to encourage CPE employees to make an extra effort to market Southern Bell's equipment, systems, services and warranty programs to generate revenue for the company.

PARTICIPANTS

2.1 To stimulate 100% participation, the program offers incentives for non-management and management personnel. All Distribution and Provisioning employees are eligible to participate, inside support, outside technicians, etc. Point should only be awarded as specified in these guidelines.

2.2 To qualify for points, awards and credit, the employee must be instrumental in the generation of a service order via the Telemarketing Center (TMC): North Florida, 1-800-225-8504, South and SouthEast Florida, 1-800-445-8997.

2.3 All service employees are eligible for participation in the Referral programs. However, participation in the program is voluntary.

2.4 Award credits may be redeemed through the E. F. MacDonald Company.

2.5 Award checks can not be redeemed for cash and are not transferable.

2.6 The plan pay Federal Taxes associated with the dollar value up to 20% of the award credits issued. This amount is reflected on the employee's W2 forms as Federal Taxes paid and gross income earned.

2.7 → Management employees will receive credits as a percent of total technician award. The percentage are to be awarded as follows:

Asst. Manager	1.50%
Manager	-1.00%

Pg 3
Pg 5

REFERRAL INFORMATION

3.1 All referrals are to be referred to the Telemarketing Center in North Florida, South and Southeast Florida.

3.2 A referral to the TMC should include the following information:

1. Employee sales code (i.e. , (B28I211)
2. System code - Referral Number (assigned by VAX) (i.e., B28I211-115)
3. Type of referral (i. e. Initial purchase, Extended Warranty, Adds, Moves, Changes, etc)
4. Telephone number and contact person
5. Company address

- 3.3 Employees reporting through the MTR system must provide the following information:
- A. Labor hours associated with each referral.
 - B. No labor hour are reported if the referral occur within incidental time. All referrals are reported regardless of time spent.
- Activity Code
 - Customer Telephone Number
 - System Code

RESULTS

- 4.1 A sales report will be produced monthly. Result will be provided for Operations Manager, Manager and Assistant Manager's work group. The report will include the items sold, revenue and number of points issued. Results will be recorded according to the Alpha/Numeric Sales Code provided.

COORDINATION

- 5.1 Specific questions relating to the Customer Provided Equipment Services, Awards and Recognition Plan should be directed to:

Liz Sutton
301 West Bay Street
Rm 14DD1
Jacksonville, Florida
Telephone: (904) 350-7921

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-10D

GOLDLINE--1990/1991

Florida GoldLine

Employee Referral Recognition Program

I. INTRODUCTION

The Florida GoldLine Program is a sales lead referral program for all employees, management and non-management, in the State of Florida. Employees will participate on a strictly voluntary basis. The program is designed to recognize employees for identifying and referring new customer sales leads to Florida GoldLine.

II. OBJECTIVE

During 1990, with the support of all Florida employees, Florida GoldLine is committed to generating \$4.5 million dollars in new semi-annual revenues.

III. GUIDELINES

Data pertinent to the referring employee and the sales lead will be tracked via an in-house designed database. This system is programmed using DBASE III Plus software and the Miscellaneous 2011A Sales reports. Locally developed forms and reports will tally and track sales leads to completion and will be used for reporting to employees.

IV. RECOGNITION

Recognition will be made for the following categories:

A. Successful sales referrals will be reported to each referring employee on a monthly basis. Of the available budget, \$485k, \$225k will be used for individual recognition on each eligible successful referral.

B. Special promotional campaigns such as; " Driving Ambition ", will recognize eligible employees for referring sales leads under a campaign to commence on June 15, 1990 and end on November 15, 1990; (Addendum to tax plan to be filed) " Golden Opportunity ", will recognize eligible employees for winning customers back from competition on a quarterly basis under a campaign to commence on July 1, 1990 and end on December 31, 1990. (Addendum to tax plan to be filed) " Worth Your Weight in Gold " will recognize eligible employees for attaining specified revenue credit and successful lead levels on designated products and services on a monthly basis under a campaign to commence on June 1, 1990 and end on December 31, 1990. (Addendum to tax plan to be filed) Of the available budget, \$485k, \$180k will be awarded for the above named campaigns.

C. Of the available budget, \$485k, \$90k will be held for future yet undeveloped campaigns.

1990 Employee Lead Referral Program

Florida GoldLineAward Allocation Non-Management
All Departments

This program is designed to recognize Florida employees for identifying and referring new customer leads to a centralized clerical group for routing to the appropriate sales channel. Employees may refer leads on all network services and equipment that Southern Bell offers.

Recognition is based on the established and approved 1990 Company gift certificate program. This program is designed to award gift certificates based on the established guidelines listed below. The referred lead must result in a successful sale of network services or equipment in order to qualify for any recognition. The gift certificate is redeemable for merchandise only and cannot be redeemed for cash.

Guidelines

This is a program available to all employees in the state of Florida that is strictly voluntary. Employees can accumulate revenue and/or referral credit for various levels of achievement. The accrued credit can be used for the purchase of gift certificates from the Company sponsored program. The tax gross up will take place at the time the gift certificate is issued, not redeemed. The Florida GoldLine staff will track and produce monthly statements to those employees who volunteer to participate in the recognition program.

Employees may purchase gift certificates based on accrued credit as described below:

\$10 revenue credit = \$10 gift certificate
\$20 revenue credit = \$20 gift certificate
\$30 revenue credit = \$30 gift certificate
ETC.

Employees will accrue \$4 of revenue credit for each \$100 of revenue earned from a successful sale of a network service and/or equipment. Or, for 5 referrals resulting in successful sales of network services and/or equipment that do not equate to \$100 of revenue earned.

Network service revenue will be determined by using the actual monthly revenue for the network service x six (6), equating to semiannual revenue to the Company. Maximum revenue credit accrued \$500/referral.

Equipment sales, which are one time charges, will be determined by using ten (10) percent of the gross sale amount to accrue revenue credit to the employee. Maximum revenue credit accrued \$500/referral.

See Tax Statement

FO4B02Z 008249

FO4A08Z 008249

DRIVING AMBITION
Game Promotion

INTRODUCTION

Florida GoldLine is Southern Bell's employee referral program in the State of Florida

Employee participation other than in connection with their regular duties is voluntary. Employees should only provide sales leads. They are not expected to devote time outside of working hours to any type of sales effort. Participation or non-participation in this program will not affect the terms and conditions of anyone's employment.

DRIVING AMBITION game promotion provides each employee in the State of Florida with an initial entry into a drawing for a 1991 Dodge Shadow automobile. Additional entries are earned by employees for 1) specified numbers of successful referrals and 2) referrals that result in specified revenue thresholds. Please note that no purchase is necessary by the employee for entry into this promotion.

All necessary forms have been filed with the State of Florida and have been reviewed by the General Attorney to insure compliance. (Attachment 1)

FO4B02Z 008212

FO4A08Z 008212

WORTH MY WEIGHT IN GOLD

GUIDELINES

WORTH MY WEIGHT IN GOLD recognizes the top sales lead performer in a particular product or service category each month.

The Florida Operations Council will designate the product or service to be highlighted each month. One (1) winner per Tier 1 Manager will be selected for each month. There will be, therefore, possibility of a total of twenty-seven (27) winners each month. A winner will be the one (1) employee in that particular Tier 1 Manager's group whose referrals have generated the highest amount of revenue during that month for the featured product/service.

All employees in the State of Florida are eligible to participate in this promotion. The only exceptions to this rule are the employees of the Florida GoldLine Staff.

The promotion will begin on July 1, 1990 and end on December 31, 1990.

Information regarding this promotion will be distributed to all employees within Florida via Newsletter and accompanying publicity for the promotion.

FO4B02Z 008230

FO4A08Z 008230

ABOVE AND BEYOND
Promotion

INTRODUCTION

Florida GoldLine is Southern Bell's employee referral program in the State of Florida.

Employee participation other than in connection with their regular duties is voluntary. Employees should only provide sales leads. They are not expected to devote time outside of working hours to any type of sales effort. Participation or non-participation in this program will not affect the terms and conditions of anyone's employment.

ABOVE AND BEYOND is a new promotion under the Florida GoldLine Program.

FO4BO2Z 008242

11 26 93 01:52 PM P06

FO4A08Z 008242

FLORIDA GOLDLINEEMPLOYEE REFERRAL RECOGNITION PROGRAM:AN OVERVIEW

I. INTRODUCTION

The Florida GoldLine Program is a sales lead referral program for all employees, management and non-management, in the state of Florida. The program is designed to recognize employees for identifying and referring new customer sales leads to a centralized clerical group for routing to the appropriate sales channel. Employees may refer leads on all network services and equipment that Southern Bell offers.

II. OBJECTIVE

During 1991, with the support of all Florida employees, Florida GoldLine is committed to generating \$5 million in new semi-annual revenue and/or one time purchase price.

III. GUIDELINES

Data pertinent to the referring employee and the sales lead will be tracked via an in-house designed database. This system is programmed using DBASE III Plus software. Locally developed forms and reports will tally and track sales leads to completion and will be used for reporting to employees.

IV. RECOGNITION

Recognition will be made for the following categories:

A. Successful sales referrals will be reported to each referring employee on a monthly basis by way of his/her individual Florida GoldLine Account Statement.

B. Special promotional campaigns such as; "Worth My Weight in Gold" will recognize eligible employees for attaining specified revenue credit and successful lead levels on designated products and services on a monthly basis under a campaign to commence on January 1, 1991 and end on December 31, 1991; "Leading The Way" will recognize eligible employees for their first ten (10) successful referrals irrespective of revenue amount under a campaign to commence on January 1, 1991 and end on December 31, 1991; "Above and Beyond" will recognize eligible employees for attaining the highest revenue amount or the highest number of successful referrals on a monthly basis under a campaign to commence on January 1, 1991 and end on December 31, 1991.

FO4BO2Z 007033

FO4A08Z 007033

FLORIDA GOLDLINE...WITHIN THE CONTEXT
OF BELLSOUTH CORPORATE VALUES

CUSTOMER FIRST...Florida GoldLine allows all 20,000 employees in the State of Florida to respond positively and effectively to requests for products/services from our customers. ANY customer in Florida may ask any ONE of 20,000 employees for product/service information and assistance. This ONE employee need make ONE telephone call to 780-2288 and the ONE sales person who is trained to and charged with serving that customer is obligated to contact that customer within 24 hours and provide customer satisfaction. THAT is customer service! That is Customer First!

RESPECT FOR THE INDIVIDUAL...Florida GoldLine allows all 20,000 employees to feel comfortable when questioned about our products/services because all he/she needs to know is 780-2288. The employee can feel competent and confident when he/she says, "I'll have the right representative call you within 24 hours to answer that question". The employee knows that his customer will be handled professionally, efficiently and quickly.

POSITIVE RESPONSE TO CHANGE...In a quickly changing market with new products and services rolling out monthly, our employees need only know 780-2288. Florida GoldLine will get that sales person who has knowledge of the newest technology products/services to that customer...and they'll do it within 24 hours.

COMMUNITY MINDEDNESS...Southern Bell employees are constantly involved in community activities quite in line with this corporate value. Florida GoldLine enhances these employees' image in the course of participating in community activities by lending them the confidence to know that they have ONE place to refer questions about Southern Bell that are posed to them by community members. Community involvement by outstandingly knowledgeable employees. That's what Florida GoldLine adds to the community mindedness equation.

PURSUIT OF EXCELLENCE...Mobilizing 20,000 employees as ambassadors of Southern Bell's excellence, equipping them with the tools to mobilize the right sales person to answer every customer's needs, and doing it all within 24 hrs is not only pursuit of excellence...but is excellence!

FO4B02Z 007081

FO4A08Z 007081

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-11

INDIVIDUAL AWARD TOTALS--MARSHA TAYLOR

From APPRI
Award Orders

		AMT	EXP #
—	11-21-88	\$1296.30	8839
✓	12-13-88	1834.20	8839
✓	12-23-88	15.00	8830
✓	2-16-89	✓ 270.00	8839
		<u>\$4016.70</u>	
✓	2-9-89	2359.40	9006
✓	10-20-89	1800.30	9006
—	12-21-89	2255.30	9006
✓	2-2-90	4038.20	9006
		<u>\$10,451.20</u>	

(Tried to match up the award
recipients with the list
to determine if
APPRI)

- matched most
employees who
received...

Award J's
\$10,000



EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-12

INTERNAL AUDIT--1988

Internal Audit Report



Southern Bell
A BELLSOUTH Company

K. G. Pickle
General Internal Auditor
June 6, 1988

Southern Bell Center
Room 19S85
Atlanta, Georgia 30375
404 529-8517

We have recently completed an audit of Special Salaries, Wage Payments and Compensated Absences in BellSouth Services and Southern Bell. The overall conditions in this report are considered satisfactory with findings.

A written reply to this audit should be addressed to the General Internal Auditor by July 8, 1988 advising of the corrective action you have taken or plan to take, including anticipated implementation dates. Please refer to the above audit reference number in your reply.

Yours truly,

Attachment

- TO: ✓ R. T. Bishop (Reply to Finding 1)
- ✓ J. G. Butler (Reply to Finding 2)
- H. M. Davis
- ✓ W. G. Dresser (Reply to Finding 2)
- C. E. Graham
- ✓ N. C. Humphries (Reply to Findings 1 and 3)
- L. C. Isenhour
- W. C. Lantaff
- ✓ W. A. Perry (Reply to Finding 2)
- J. A. Saffell
- P. L. Singer
- R. W. Strickland
- T. W. Thompson

F04B02Z 011369

- COPY TO: R. K. Snelling
- L. E. Crittenden
- L. L. Scholar

- C. W. Shewbridge
- J. C. Miller

F04A08Z 011369

Internal Audit Report



Southern Bell

A BELLSOUTH Company

**SPECIAL SALARIES, WAGE PAYMENTS AND
COMPENSATED ABSENCES**

FA031-204-04-A-SF

BSS-Comptrollers, Purchasing; SBT-Business Marketing,
Comptrollers, Customer Services, Executive,
Network, Personnel

MAY 1988

INTRODUCTION

Employee Incentive and Award Programs are designed to stimulate and recognize individuals in connection with their employment. If a sponsoring department determines that such a program is in the Company's best interest, they may submit a description of the award plan for departmental approval. The plan is then reviewed and approved by Personnel and Comptrollers (Headquarters Tax Office). While some programs may recognize employees by awarding them items not considered as compensation, such as trophies, plaques or certificates, other programs authorize cash, cash equivalent, or items selected from gift catalogs which are considered as compensation and taxable to the employee. The Company may authorize and pay a tax allowance to offset the tax effect of an award. Comptrollers updates employee earnings the month in which an award is presented.

Special Salary and Wage Payments are made for vacation advances, time worked, emergency advances, payroll error corrections, grievance settlements, transfers, terminations, and employee incentive awards. During the month of February 1988, special wage payments for Florida totaled \$6.9 million.

Two audits of this subject were performed in 1986 in Southern Bell. Both audits were classified as satisfactory with findings.

SCOPE

F04B02Z 011370

The purpose of this audit was to examine and evaluate the internal controls relating to special salaries and wage payments and to ensure that employee incentive award programs are properly approved and administered according to the plans.

F04A09Z 011370

A list of all approved 1986 and 1987 merchandise programs was obtained from the Headquarters Tax Office. There were 39 plans approved for Florida in 1986 and 38 approved in 1987. Twenty four of the 1987 plans were examined for completeness and for proper approval prior to implementation. Interviews with coordinators were conducted to ensure compliance with Company policies and procedures and to determine that departmental tracking of incentive award budgets is performed. A random sample of 75 vouchers with costs charged to Awards and Recognitions (EXTC's 401 and 402) was selected to ensure that awards were properly authorized by approved plans. Two months' of processing (December 1987 and March 1988) of Forms 0771, Award Plan Tax Allowance Authorizations, totaling \$165,000 were examined to determine if employee earnings were updated in a timely manner.

A random sample of 100 Special Salary and Wage Disbursement Vouchers, Forms SN-97, was tested for proper approval, completeness and reason for wage payment. Verification was made on 30 of the SN-97's for supporting documentation, accuracy of computations and updating of the Employee Payroll Register. Balancing procedures of Account 1190-3100, Loans Secured by Wages, as shown on Form 4519, Statement of Asset Accounts, was verified to ensure that the account is properly reconciled.

FINDINGS

F04A08Z 011371

F04B02Z 011371

The audit indicates that controls are in place and adequate in issuing special salaries and wage payments (SN-97's). Wage loans are cleared on a timely basis and Account 1190-3100 is balanced and reconciled each month.

Controls in obtaining proper approval for employee incentive award programs were in place and adequate to ensure plans are in the Company's best interest. Budget tracking was performed by the sponsoring departments to keep budgeted dollars in line with amounts spent for the award programs. The overall objectives of the incentive award program and payment of special salary and wages are being met, although there are several areas that warrant management attention.

1. INCONSISTENCIES EXIST BETWEEN SOUTHERN BELL AND BELLSOUTH GUIDELINES ON INCENTIVE AWARDS.

Guidelines on employee incentives (prizes and awards) are set forth in Southern Bell's Executive Instructions and policies issued by BellSouth Corporation.

A Southern Bell audit issued in July 1985 addressed the numerous inconsistencies between the Executive Instructions and the BellSouth guidelines. Headquarters Personnel responded in September 1985 that the Executive Instructions would be revised

and a new section of the Personnel Policy Manual would be issued. Draft copies of these instructions were issued in September 1985; however, full concurrence was not received and the instructions were not formally issued. Major differences which still exist between the Executive Instructions and the BellSouth guidelines are detailed in Attachment A.

The issuance of these more detailed, comprehensive and comparable guidelines has been delayed for three years due to open tax issues.

This has resulted in confusion over what represents Company policy regarding awards and inconsistencies in departmental use of the various guidelines.

Comptrollers tax office stated that open tax issues have been resolved. BSS-Comptrollers stated that Executive Instructions Number 4 is currently in the process of being updated and should be reissued within thirty to sixty days. Headquarters Personnel will issue a new section to the Personnel Policy Manual within sixty days. They will coordinate necessary changes in the Executive Instructions with BSS-Comptrollers.

2. AWARD PLAN TAX ALLOWANCE FORMS ARE NOT SUBMITTED IN A TIMELY MANNER AND DUPLICATE PROCESSING WAS NOTED.

Forms 0771, Award Plan Tax Allowance Authorizations, are to be prepared by the departments and forwarded to Comptrollers during the month in which the award was made. Awards which cannot be reported for inclusion in the current year should not be made until the next year.

One hundred ninety-three awards presented in 1987 were not processed for tax purposes until March 1988. In 20 cases an original and a copy of the Form 0771 were processed by Comptrollers. In one case, a Form 0771 was processed three times.

This was caused by a low priority being given to the tax process involving awards and Comptrollers processing copies (instead of originals) of the tax allowance forms.

The result is improper tax application on awards, payment of duplicate taxes and the taxes being levied in the wrong year.

Network and Customer Services agreed to submit the manual Form 0771 on a timely basis and to ensure that all forms are submitted to Comptrollers no later than the 15th of December. Since employees are allowed to accumulate their points for catalog redemption gifts, only those forms received prior to December 15th can be approved and processed in the current year.

F04A08Z 011372 F04B02Z 011372

The Comptrollers Department stated that an ongoing verification of the forms is made by Disbursements. This verification will be extended to include a review to determine that only original approved forms are processed.

3. THE MECHANIZED RECORD OF INCENTIVE AWARDS BY PLAN NUMBER IS INCOMPLETE.

The Headquarters Tax Office assigns Keep Cost Plan (KCP) numbers to all approved incentive award plans. The KCP number appears on the Form 0770, Description of Incentive Award Plan, and the Form 0771, Award Plan Tax Allowance Authorization. Charges to KCP numbers are summarized monthly in the Comptrollers Cost Office on the Master Keep Cost Ledger Details and Summary of Charges (program 4710212).

The Personnel Department issued draft instructions to be effective January 1, 1986 on obtaining concurrence of the Form 0770 and how to report keep cost plan numbers in order that a complete master keep cost ledger could be produced. These instructions required that the keep cost plan numbers be included on all vouchers, purchase order requisitions, etc. Since the instructions were not formally issued, the documents generally do not include this information.

This results in an incomplete summary of all plan charges currently being produced by the Comptrollers Cost Office. The summary could be a valuable tool in tracking expenditures to the various incentive award plans; but, is useless in its present incomplete status.

The Headquarters Personnel Department will release instructions regarding the use of the KCP numbers within the next sixty days.

AUDITOR

E. B. McGill

F04B02Z 011373

F04A08Z 011373

ATTACHMENT A

DIFFERENCES BETWEEN EXECUTIVE INSTRUCTIONS
AND BELLSOUTH GUIDELINES

- Tax allowance is optional for cash awards per Executive Instructions. Tax allowances should not be authorized for cash awards per BellSouth guidelines.
- Incentive awards having "tangible" value are considered compensation and are therefore taxable per Executive Instructions. Incentive awards valued at less than \$25 will not be considered compensation per BellSouth guidelines.
- Those programs designed to stimulate individual accomplishments (but not those programs designed only as a means of recognition) require plan approval per Executive Instructions. All Sales and Performance Award programs that recognize an individual or a group of employees require approval per BellSouth guidelines.
- Awards presented to non-management employees are not restricted according to Executive Instructions. Cash and cash equivalent awards may not be given to non-management employees, nor can they be recognized individually for performance related accomplishments per BellSouth guidelines.

F04B02Z 011374

F04A08Z 011374

**SPECIAL SALARIES, WAGE PAYMENTS AND
COMPENSATED ABSENCES**

FA031-204-04-A-SF

MAY 1988

FINDINGS NOT INCLUDED IN AUDIT SUMMARY

1. AWARD PAYMENTS DID NOT MEET PLAN REQUIREMENTS.

Guidelines on employee incentives (prizes and awards) are set forth in Southern Bell's Executive Instructions and policies issued by BellSouth Corporation.

Two vouchers totaling \$566 awarded 30 employees gifts for which a merchandise incentive award program plan was not submitted. Form 0771 was submitted for one payment (\$476 for 24 employees), the other \$90 voucher for 6 employees did not provide for a Tax Allowance Form 0771.

This was caused by Department Managers not planning in advance to have an incentive award program and simply submitting a voucher for payment after a contest or drive had completed.

The result is improper tax application and awards being given for which there is no approved plan or budget for the expenditures.

Department Managers stated that they will review the policies regarding incentive award programs and would no longer approve vouchers for such awards if not properly budgeted and approved prior to implementation.

2. GUIDELINES OF THE PLAN APPROVAL PROCESS WERE NOT FOLLOWED.

Departmental responsibilities required in obtaining approval for awarding employee incentives (prizes and awards) are set forth in policies issued by BellSouth Corporation and Southern Bell's Executive Instructions.

Ten of the 38 plans approved in Florida in 1987 were implemented prior to final approval by the tax office (ranging from 2 days to 26 days). Two plans were not submitted for approval until after the contest for the awards was over. (Letters accompanied those plans acknowledging they were "after the fact"). There

F04B02Z 011375

F04A08Z 011375

-2-

were three plans open to management and non-management without separate Form 0770's as required. One plan that was approved in 1985 (with no ending date) is still in effect with awards still being presented in 1988 and is open for both management and non-management employees.

Timely planning procedures are not in place and adherence to the practices are not always followed.

This can result in awarding employees gifts or prizes not authorized, budgeted for, or properly approved by higher management.

The Executive Department Manager agreed that a new plan, separate between management and non-management, will be submitted annually and for a period not to exceed twelve months.

In order to obtain all approvals necessary, prior to implementation of an incentive award plan, future Forms 0770's will be submitted on a more timely basis.

AUDITOR:

E. B. McGill

F04B02Z 011376

F04A08Z 011376

REPORT OF COMPLETED AUDIT

1A. COMPANY CODE: IS:7: 1B. REPORT TYPE: C:

2. REFERENCE NUMBER: FI: 13:0:21-10:41-1:1:1: SF: : : : 10:6: 18:8:

3. AUDIT TITLE: C: E: N: T: R: A: L: I: O: F: F: I: C: I: E: E: Q: U: I: P: M: E: N: T: :
:
: :

4A. AUDITOR: IV:ELIA:Z:QUEIZ: : :A:M: 4B. START DATE: 10:11:8:8:

5A. AUDIT DAYS:		5B. DEPARTMENTS AUDITED:		
		RESP. CODE	DEPT. NAME	SIGNIF. FINDINGS
.CURRENT YEAR	<u>14:4:</u>			
.PREVIOUS YEAR	<u>10:0:</u>	<u>IN:2:2:</u>	<u>IN:ET:W:O:R:K:</u>	<u>10:3:</u>
.ASSISTANCE	<u>10:0:</u>	<u>: : : :</u>	<u>: : : : : : : : :</u>	<u>: : : :</u>
.IN PROGRESS	<u>10:0:</u>	<u>: : : :</u>	<u>: : : : : : : : :</u>	<u>: : : :</u>
.TOTAL DAYS	<u>10:14:4:</u>	<u>: : : :</u>	<u>: : : : : : : : :</u>	<u>: : : :</u>
.ESTIMATED DAYS	<u>10:3:7:</u>	<u>: : : :</u>	<u>: : : : : : : : :</u>	<u>: : : :</u>
.PREPARATION	<u>10:6:</u>	<u>: : : :</u>	<u>: : : : : : : : :</u>	<u>: : : :</u>
.FIELDWORK	<u>13:0:</u>	<u>: : : :</u>	<u>: : : : : : : : :</u>	<u>: : : :</u>
-BSS	<u>10:0:</u>	<u>: : : :</u>	<u>: : : : : : : : :</u>	<u>: : : :</u>
.REPORT/ COORDINATION/ COMMUNICATION	<u>10:6:</u>	<u>: : : :</u>	<u>: : : : : : : : :</u>	<u>: : : :</u>

5C. TOTAL SIGNIFICANT FINDINGS: 10:1:

6A. AUDIT PLAN SUBJECT: 1Y: 6B. AUDIT EXPERIENCE RATING: 13:

7A. BSS INCLUSIVE AUDIT: 1N: 7B. BSS CORPORATE AUDIT: 1N:

8A. DEMAND AUDIT: 1N:0: 8B. UNKNOWN REAUDIT: 1N:0: F04B02Z 011377

APPROVED: *Shirley T. Johnson* PG 6 OR DESIGNEE
DATE June 1 1988

H.Q. ONLY: PAPP PLAN HIST DEPT PC 1 PC 2 PC 3

REFERENCE NUMBER:

FORM IA10-DP
PAGE 2
(01/87)

13021-1041-11151F1111016118181

REPORT OF COMPLETED AUDIT

COORDINATION DATA

<u>NAME</u>	<u>TITLE</u>	<u>DEPARTMENT</u>	<u>LOCATION</u>	<u>TELEPHONE NUMBER</u>	<u>DATE</u>
A. Conferees Attending Post Audit Meeting(s).					
T. G. CALVERT	OPRNS MGR	NETWORK	MIAMI	305 263 4212	05-31-88
V. RUBIERA	MGR	NETWORK	MIAMI	263 2791	05-31-88
D. KEMP	MGR	NETWORK	MIAMI	756-4010	05-31-88
R. P. GASTESI	ASSOC MGR	NETWORK	MIAMI	263-4212	05-31-88
S. T. JOHNSON	OPRNS MGR	COMPT	MIAMI	263 3916	05-31-88
A. M. VELAZQUEZ	ASSOC MGR	COMPT	MIAMI	263 2493	05-31-88

B. Individuals At SBT, BSS, And/Or BSC Headquarters Whom Auditor Coordinated The Audit Activities And Findings With During The Course Of The Audit (Not At Post Audit Meeting).

C. All Other Individuals Whom Auditor Coordinated The Audit Activities And Findings With During The Course Of The Audit (Not At Post Audit Meeting).

F04B02Z 011378

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-13

INTERNAL AUDIT--NORTH CAROLINA & GEORGIA

Internal Audit Report

NC Audit



Southern Bell
A BELL SOUTH Company

B. R. Easterling
General Internal Auditor
December 28, 1990

Southern Bell Center
Room 19S85
Atlanta, Georgia 30375
Phone (404) 529-8517

TO: R. D. Lackey (Reply to Findings)
General Attorney
Southern Bell

FROM: B. R. Easterling
General Internal Auditor
Southern Bell

SUBJECT: Non-Contact Sales (N00-19-64-A-SF)

In accordance with your request dated October 16, 1990, we have completed an audit of Non-Contact Sales in North Carolina. The overall condition outlined in this report is considered to be Satisfactory with Findings.

Please advise us as to any further action you think appropriate. Inasmuch as this audit was performed at the request of Legal counsel, it is a privileged and confidential attorney work product not subject to distribution. Therefore, please advise us regarding the corrective action and any follow up procedures that you feel should be performed.

B R Easterling

Attachment

F04B02Z 011319

F04A08Z 011319

EXHIBIT COPY
For Discussion Purposes Only

TO: R. D. Lackey (Reply to Findings)
General Attorney
Southern Bell

FROM: B. R. Easterling
General Internal Auditor
Southern Bell

SUBJECT: GOO-19-66-A-SF

We have recently completed an audit of Non-Contact Sales - Network - Georgia. The overall condition outlined in this report is considered to be Satisfactory with Findings.

We would appreciate a written reply to this audit by January 31, 1991, advising us of the corrective action you have taken or plan to take, including anticipated implementation dates. The implementation dates furnished will provide guidance as to when the auditor will follow up on the corrective action taken. Please refer to the above audit reference number in your reply.

Attachment

F04B02Z 011536

F04A08Z 011536

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-14

RECONCILIATION SAMPLE

REF: 4, 13, 1

PROGRAM: 0129ZIMV
SITE: 23 MIAMI
PL DATE: 12/19

INSIDE WIRE/LINE RECONCILIATION

DATE: 12/22/90
TIME: 21:43:05
PAGE: 1

FO4BO2Z 008998
FO4AO8Z 008998

ACCOUNT #	BTN	BCS	SC	CSN ZOPT	LISTED NAME	LINES	WHR	SEQIX	MMQ	FID ZNB
B2202393	917	1FR	11		DANNENBERG, MARY	2		1		
B2202556	455	1FR	11	A	(NON-PUB) CARVALLIDO	1	1		2	
B2202917	625	1FR	11		(NON-PUB) LARA, FRAN	1	1	1		
B2203501	225	1FR	11		(NON-PUB) DE*LA TORR	2		1		
B2205242	131	1FR	11		(NON-PUB) ROSADO, JO	2		1		
B2205443	205	1FR	11		(NON-PUB) URRRA, VIDA	1	1	1		
B2208952	500	1FR	11		GUERRA, ALFREDO	1		2		
B2209149	116	1FR	11		ARMERO, NAIDA	2		1		
B2209413	230	1FR	11		(NON-PUB) LOPEZ, FEL	1	1	1	1	
B2210099	245	1FR	11		(NON-PUB) CAREAGA, E	2		1		
B2210177	215	1FR	11		SARDINAS, OSCAR	1	1		2	
B2210180	215	1FR	11		(NON-PUB) SANCHEZ, JU	2	2		1	
B2210509	115	1FR	11	N	ARBESU, RAMON V	2		1		
B2211473	950	1FR	11	A4	(NON-PUB) HERRERA, ED	2	1			
B2211501	155	1FR	11		MUELLER, KLAUS	1	1	1	1	
B2211613	351	1FR	11		(NON-PUB) DIAZ, RODOL	4		3		
B2211681	845	1FR	11		(NON-PUB) MARTINEZ,	2		1		
B2211750	196	1FR	11		(NON-PUB) ROBERTS, J	1	1	1		
B2211771	403	1FR	11		(NON-PUB) ACUNA, RAM	2		1		
B2211783	519	1FR	11	C6	MORGAN, ROBERT N	1	2			
B2211871	427	1FR	11		(NON-PUB) FERNANDEZ,	2		1		
B2211903	528	1FR	11	A	(NON-PUB) URRUTIA, I	1	2			
B2212043	011	1FR	11		SOLER, DANIEL	1	1		2	
B2212161	149	1FR	11		LANDAZURY, RAHIRO	1	1		2	
B2212265	169	1FR	11		COHEN, JUDY	1	1		2	

REF-14, 192

PROGRAM: 0129ZIMV
SITE: 23 MIAMI
PL DATE: 12/19

INSIDE HIRE/LINE RECONCILIATION

DATE: 12/22/90
TIME: 21:43:05
PAGE: 2

FO4BO2Z 008999

FO4AO8Z 008999

ACCOUNT #	BTN	BCS	SC	CSN ZOPT	LISTED NAME	LINES	MMR	SEQIX	MMR	FID ZNB
B2212289	252	1FR	11		(NON-PUB) DE ORO, FR	1	1			2
B2212529	235	1FR	11		(NON-PUB) DORADO, CAR	1	1			2
B2212830	050	1FR	11		CARVAJALES, MANUEL	1	1	1		
B2213007	533	1FR	11		(NON-PUB) IVEY, J S	1	1	1		
B2213398	880	1FR	11		NOBLES, DORMAN O	1	1	1		
B2213411	355	1FR	11		DIAZ, TOMAS	2	1			1
B2213689	234	1FR	11	A	CEPERO, RAMON	2	2			1
B2213869	410	1FR	11		(IZQUIERDO, FILENO	1	1	1		
B2214514	807	1FR	11		ALDERMAN, JAMES W	1	1			2
B2214749	239	1FR	11		RODRIGUEZ, CONSUELO	1	1			2
B2214901	625	1FR	11	A	JORDAN, ANALILI	1	1			3
B2215147	021	1FR	11	N	(NON-PUB) MARTINEZ, M	2		1		
B2215210	442	1FR	11		LOOS, ELSIO	1		2		
B2215249	229	1FR	11		(NON-LIST) CHIN, M	1	1	1		
B2215471	450	1FR	11		(NON-PUB) BRAGA, RODO	1	1	1		
B2216097	046	1FR	11	M	VALDES, ANA MARIA	2		1		
B2216389	009	1FR	11		(NON-PUB) SMITH, J G	1	1			2
B2216599	040	1FR	11	N	BURDICK, J M	2				1
B2216922	130	1FR	11		SOLANO, FILBERTO F	1	1	1		
B2217129	230	1FR	11		(NON-PUB) UGALDE, JO	2	2			1
B2217266	141	1FR	11		(NON-PUB) BODE, GABRI	1	1			2
B2217296	244	1FR	11		(NON-PUB) CARTAS, ID	2		1		
B2217406	126	1FR	11		LOY, WILLIAM O	1	1			2
B2218081	222	1FR	11	A	SORZANO, JORGE	2	1			
B2218149	500	1FR	11		(NON-PUB) LOPEZ, ELSA	2	2			1

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-15

EDITS FOR INSIDE WIRE CODES



Southern Bell

B. R. Easterling
General Internal Auditor

Room 4429
675 West Peachtree Street, N.E.
Atlanta, Georgia 30375
404 529-8517

TO: W.I. Black
Assistant Vice President
BSS-Information Systems-Revenue

R.L. Allen
Assistant Vice President
BSS-Information Systems-Emerging Services

FROM: B.R. Easterling
General Internal Auditor
Southern Bell

COPY TO: J.P. Lacher
Vice President - Florida
Southern Bell

SUBJECT: AUDIT F00-19-67-A-SAF

We have recently completed an audit of Non-Contact Sales. Although there were no findings in the attached report directed to your respective organizations, there is one issue that requires your review.

During the audit, it was determined that there are/were no system edits (CORDNET, SOCS, or DOE) for Service Plan USOCs (SEQ1X, WMQ and WMR) other than a DOE edit to disallow WMQ and WMR on inward activity as they are obsolete. This prompted us to request an extraction from CRIS utilizing specific criteria of matching lines and USOCs to determine the accuracy of billing in the existing database. The extraction was conducted Company-wide as this audit was performed concurrently in all states. The output reports we have received thus far contain in excess of 30,000 potential errors on existing accounts. We are expecting additional output reports which will contain the errors on accounts which are ineligible for the Service Plans (non-basic service, such as Foreign Exchange, WATS and CPE Coin). As information, there are 1200 USOCs in service for these classes of service in the Company.

Although these errors can be corrected, the process is manual and very time consuming. There are review controls over order

-2-

issuance, however, all errors cannot be detected via this process. During a discussion of the audit on January 29, 1991, Joe Lacher-Vice President-Florida was strongly in favor of implementation of a system control or edit to alleviate future billing errors. Your assistance in jointly reviewing this possibility is requested. We would appreciate a written reply with the status by February 25, 1991.

Should you wish to discuss this further, please contact me or Shirley Johnson, Operations Manager-Florida at (305)-263-3916 or the auditor, Robin Madden, at (305)-263-2501. Please refer to the above audit number in your reply.

B. R. Easterling (lf)

Attachment

F04B02Z 010089

F04B02Z 010089

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-16

ANALYSIS OF SALES PLANS



Southern Bell

Building H-3
7780 NW 50th Street
Miami, Florida 33166
305 883-2800DATE: 08-21-90
TO: HAL DAVIS
FAX # 404 881-6418
TEL # 404 539-3840
TOTAL PAGES: 18
FROM: HELEN PRIETO
FAX # (305) 591-8406
TEL # (305) 883-2800Helen G. Prieto
Operations Manager

August 21, 1990

MemorandumTo: Hal Davis, Director - Customer Services
Subject: Comparisons of Interdepartmental Sales Incentive Programs

Attached for your perusal are copies of overheads prepared for presentation to the Florida Tier 1 Managers that make up the Revenue Enhancement Committee. The intent of this study was to determine what differences existed between how Network employees were compensated in the past for their sales efforts and how they are compensated today under the Florida Goldline Program. We have also included an addendum comparing CLOUT (which is the program used in Georgia and the Carolinas) with Goldline.

Our findings confirm their concern that Florida Goldline is much less lucrative than other programs in the past. In conducting this study, however we see that the preventive steps we have taken to protect the Company from liability in terms of violations to MFJ, Part X implications, Wage and Hour concerns, Executive Instruction directives etc. are not always in place. More importantly they do not appear to be an item of concern. Although we have been subject to criticism involving overcautiousness, we believe we have done the right thing to overcome overzealousness.

Those of us who worked on this study developed some deeper concerns. As you go through this report, even though these are only overhead copies, we believe the issues will almost jump off the pages for you. The basic concern is whether these rewards are appropriate and in the Company's best interest. Briefly stated ~~our~~ concerns are as follows:

1. These rewards are not part of the "pricing of a product" process since the plans come after the fact. The pricing people take into account Marketing and Customer Services expense associated with sales, but sales expense in the Network organization is unexpected and as such is not built into the price of a product.

2. Most of the incentives involve "skimming" revenue right off the top of a product or service. Some plans, including CLOUT, pay "sales" incentives to service technicians for performing their regular job duties for which they are already receiving their regular wages (not to mention NTIAs). For example, in moves that bring in no additional monthly revenue; and as a reward for properly billing customers for service order and repair charges. Thus, it appears the avenue to accuracy is "incentive based" rather than "performance based". This item represents our most serious concern, since it appears to be an indictment of management's ability to instill and ensure good performance.

3. The entire concept of "everyone is in marketing" is a noble thought, but heavy incentives blur the lines of corporate responsibility. Are we changing job responsibilities without changing job descriptions?

4. Technicians who sell are heavily rewarded, however those that choose not to sell do not face the risk of losing their jobs as do service representatives and marketing employees. Thus, the concept of "high risk, high reward" is translated to "zero risk, high reward".

5. The hourly rate of a technician, compared to the hourly rate of a service representative or marketing personnel may not be economically conducive to performing sales functions. Their production time is lowered by the sales function, particularly in an environment like CLOUT where service technicians are equipped with a handbook and all rates and are expected to engage in the closing of a sale, rather than the referral of a sale.

Please excuse my lengthy letter, you may not believe I tried to be concise, but it was almost impossible. This is a complicated issue with obvious political ramifications. I can answer any questions on this issue that you may have.

Helen Prieto
Operations Manager

c.c. Mr. L. E. Spradlin

FO4BO2Z 008314

FO4A08Z 008314

**GOLDLINE
POINT**

COMPARISON



08-15-90

FO4B02Z 008315

FO4B02Z

NETWORK PLANS - 1989

9005

9006

"The Ultimate Challenge"

9007

01-01/12-31-89

9008

9042

9043

"Network Telemarketing Referral Program

9044

03-01/12-31-89

9045

North Florida Only

9144

9145

"Network Equipment & Service Referral

9146

Program"

9147

06-01/12-31-89

Addendum to:

9005

9006

"National Florida League (NFL)"

9007

06-01/12-31-89

9008

9042

9043

F04B02Z 010536

F04A08Z 010536

DIFFICULTIES IN EXPLAINING PROGRAMS

Revenue measured differently under different programs:

1) 6 Months Revenue

Also referred to as "Six Months Actual Revenue"

i.e.: 1FB = $29.10 \times 6 = 174.60$

2) "Standard Actual Revenue"

From list provided by Telemarketing

i.e.: 1FB = \$480.00

3) "Location Life"

i.e.: 1FB = \$1807.00

F04B02Z 010537

F04A08Z 010537

Programs were amended during the year, but none were cancelled.

Some plans paid management as a percent of the Tech's sale while others paid a percent of the Tech's award.

Programs were administered by area sales coordinators, but payouts were done by coordinators in the districts. There is some evidence of local interpretation of rules.

Program descriptions do not always match or are vague or non-existent:

a) Plan 9005, 9006, 9007, 9008

Indicates award is 10%, however if budget is \$219,332 and objective revenue is \$1,350,000 that works out to 16.2%.

This plan also includes 2700 items for sales kickoff @ \$3.00 each. This does not cover all Network employees and the plan does not mention who these are for.

F04B02Z 010538

F04A08Z 010538

b) Plan 9042, 9043, 9044 & 9045

This plan explains it will bring in \$700,000 and pay out 1 % at the "Standard Annual Rate". If the reader is not familiar with these terms there is nothing to indicate that Standard Annual Rate is something other than 6 months revenue as reported on the 2011. It also lists expenses at \$13,768 or 2%. Since expenses are not expressed in "Standard Annual Rate" the reader must convert Standard Annual Rate to real dollars. If we compare \$13,078 to 6 months revenue then the expense percentage goes up to 5%.

This was arrived at by factoring the same percentage of a 1FB (6 months tariff rate) compared to "standard actual rate" i.e. $\$174.60 \div \$480.00 = 36.4 \%$.

Another concern is that this program rewards items under the "referral plan" that are already being rewarded on the 2011 plan. Although a disclaimer is present to prevent duplicate awards it offers different channels to claim rewards.

\$4,500 has been budgeted for an undefined program or reward of which only \$2,000 can be accounted for.

F04B02Z 010539

F04A08Z 010539

c) Plan 9141, 9142, 9143, 9144

Rewards CPE equipment as outlined in schedule with a CAP of \$250.00. Also rewards in moves with no increase in revenue and extended warranties. This program is vague as to how the Network side of the order is handled leaving open the possibility that credit may be given from the "referral" process as well as from the 2011.

This is the only plan that rewards Management employees as a percent of technicians award.

F04B02Z 010540

F04A08Z 010540

d) Addendum to 9005, 9006, 9007, 9008, 9042

Special Prizes Described as:

12	Wide screen TV	
5	Camcorders	Totaling \$20,000

Attachment Shows:

8	Wide Screen TV @ \$1,600	=	\$12,800
4	Camcorders @ \$1,000	=	4,000
1	Compact Disc Player @ \$300	=	<u>300</u>
			\$17,100

Monthly recognition lunch for each "entity" to include Operation Manager, top Supervisor and top revenue earners. Does not appear in budget anywhere except in narrative and the term "entity" is not defined.

Narrative also mentions three special incentive campaigns with no further explanation.

Narrative shows management awards at 3% (PG3) and 2% (PG4 & 5) Attachments shows 3% (PG3) and 1.5% (PG4 & 5). Unable to determine which one was used.

This addendum is especially confusing in that it gives Techs. three possible channels for rewards at different levels.

F04B02Z 010541

F04A08Z 010541

EXECUTIVE INSTRUCTIONS, Number 4, Section 3,
 Appendix F, Section 1.01A6

States:

".3% of Departmental Annual Management Salaries*
 shall be used for performance & sales recognition.

*Salaries are defined as basic salary, plus MTIA and
 IIA"

1989 Basic Salaries	✓	\$109,406,526
Team & Incentive	✓	\$ 10,422,472
Total	✓	\$119,828,998 (.30)
	x .003 =	✓ \$ 359,487
Programs approved for:		\$ 538,074 (.45)

150 % of Authorized Amount

F04B02Z 010544

F04A08Z 010544

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-17

CANCEL GOLDLINE

FLORIDA GOLDLINE'S GOOD NEWS



FLORIDA GOLDLINE...YOUR EMPLOYEE SALES REFERRAL PROGRAM FOR THE STATE OF FLORIDA

ISSUE 6 VOLUME 2

AUGUST 1991

A LETTER FROM MR. LACHER

I have asked that our non-contact employee sales referral program, Florida GoldLine, be closed immediately and that there be no non-contact employee sales referral program in the state of Florida for the foreseeable future. Provisions have been made to allow employees to redeem their Florida GoldLine account balances until September 30, 1991.

Closing the Florida GoldLine Program was not an easy decision, but it appears to be the wisest business decision for us all. I would like each of you who have participated in this fine program to understand, however, that I appreciate the contribution that you made in support of Florida's revenue goals.

In today's highly competitive times, I hope that you will continue to be aware of the important role that each of us plays in revenue generation for the state of Florida. While we will not have a sales referral program to which you may channel sales leads, I hope that you will remain alert to opportunities for our Company and direct customers to our Customer Services or Marketing Department.

Once again, I thank you for your enthusiastic participation in this program.

F04B02Z 011091

F04A08Z 011091

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-18A

NEW POLICIES--1991

504

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220-0100

FEB 14 1991

COASTAL DIVISION OFFICE

C. L. Cuthbertson, Jr.
General Manager - Personnel/FL

Southern Bell

20th Floor Southern Bell Tower
301 W. Bay Street
Jacksonville, Florida 32202
(904) 350-2671

February 8, 1991

SEND TO: ~~TEP~~ COPY TO: ~~RJB~~

- TEP
- GBC
- CEW
- JUM
- WAF
- FILE
- RJB
- RLB
- RDH
- CCE
- TAB
- HAS

MEMORANDUM TO:

TIER 1 MANAGERS - FLORIDA

The Company's special awards program policy is documented in the Executive Instructions (E.I. #4, Section 3, Appendix F) and related Personnel Policy Manual material (Section 51.102).

It is very important for any Florida recognition award program, particularly related to sales, to be carefully reviewed before implementation.

Such review would include the involved Department and applicable Operations Manager - Personnel;

- Rita Ziccardi - South Florida Program
 - Dwane Ward - Southeast Florida Program
 - Dave Mower - North Florida Program
 - Dave Mower - State-Wide Program
- (Headquarters involved on review of State-Wide Program)

The following significant points should be addressed as necessary concerning proposals in this regard;

- Random drawings should not be utilized to determine "winners".
- Recognition items should have a limited value (suggested value \$100.00 or less). This would necessitate recognition items being "handled" on a frequent, ongoing basis (monthly, quarterly, etc.).
- Management employees would generally not receive award credit for sales efforts of their non-management employees.
- Sales efforts are not conducted outside of working hours.
- Departmental verification process (a "check point") necessary to ensure sales results are in

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FEB 11 1991
General Manager
Network/NF

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order.

- Employee should not get credit in more than 1 recognition program for a single sale.
- Any programs related to non-management in the Network and Customer Service Departments will involve Personnel coverage of CWA key representatives in advance of program implementation.
- Employees will not be relieved from regular duties to work full time on sales.
- In the Network Department, per grievance settlement at Headquarters, recognition awards will not involve gift certificates which can be redeemed at retail stores for merchandise, service, travel, etc.
- Emphasis should be on recognition, not reward for sales performance.
- Ongoing auditing and program administration are the responsibility of Department management and such responsible person(s) should be named in proposal.

Following appropriate review action and approval, the recognition award program will be implemented. Please allow ample time for thorough review prior to the desired effective date.

Questions in this regard can be directed to the appropriate Operations Manager - Personnel listed above.


Gen. Mgr. - Pers. /FI

CC: J. P. Lacher
L. E. Crittenden
Rita Ziccardi
Dwane Ward
Dave Mower

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FO4A08Z 004960

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OPC WITNESS: POUCHER

REP-18B

NEW POLICIES--1992

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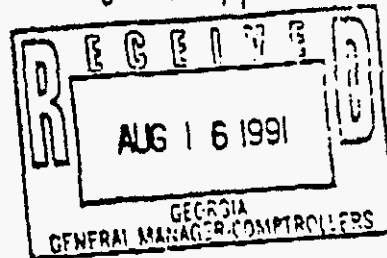
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L:

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OFFICE OF:
VICE PRESIDENT & COMPTROLLER

Southern Bell

J. B. North
Vice President-MarketingSouthern Bell Center
Atlanta, Georgia 30375
404 529-8183

August 9, 1991

TO: All BellSouth Telecommunications Executive Vice Presidents,
Senior Vice Presidents, State Presidents and
Vice Presidents

Over the past few years, there have been many non-contact employee sales campaigns. They have had different guidelines, different award structures, different prizes, and they have been administered by different departments.

I attended the recent EPC meeting to discuss this topic with the Co-Chairmen and the Group Presidents. The decision was made at that meeting to ask each of you to phase out, over the remainder of this year, any programs you have in place. (The Florida employee sales program, GOLDLINE, and the Georgia program, CLOUT!, were recently shut down. Employees were given a certain period to complete their referrals and receive their award certificates.)

We would like to begin in 1992 having a new type of non-contact employee sales program. The new program will not be an ongoing campaign over the entire year, but rather will be a series of "spot campaigns" and will be product specific campaigns. We think that these campaigns will work best if they are state specific, championed by the state, and administered by Customer Services. And, before we begin, we want to put in place a tight audit process, as well as a system that will allow us to track the incremental revenue such a program produces.

This memo will not give you the details of how all of this will work because those details have not yet been determined. However, I will begin working on this soon, and will seek your input.

I ask the State Presidents to coordinate the phasing out of existing non-contact employee sales campaigns in your states during the rest of this year. Please call me with any questions you have. Thank you for your help!

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DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-19

OLD SERVICE OBSERVING PRACTICE

ASSISTANT MANAGER JOB DESIGN

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FO4BO2Z 007101

FO4AO8Z 007101

2. SERVICE EVALUATION/SALES PERFORMANCE QUALITY

The primary objective of the Service/Sales Performance Evaluation observation session is to develop the Service Representative (SR) to provide quality service based on company standards and following company training guidelines.

The purpose of this training is to provide you with detailed procedures and defined company standards. This will enable you to measure the SR's customer contact performance and develop the SR to consistently provide service that leads to customer satisfaction. The Service/Sales Performance form was developed to enable you to document and evaluate Call Quality (CQ) and Sales Performance Quality (SPQ). An example of the Service/Sales Performance form is shown on Exhibits 1 and 2.

All contacts will be evaluated on eight service aspects of customer satisfaction. They are: Manner and Professionalism, Pertinent Information, Complete Information, Accurate Information, Understandable Explanation, Effective Approach, Correct Clerical Action and Recap. The data gathered in these areas will be utilized as the evaluative measurement of SR performance with regard to customer service.

Sales Performance Quality (SPQ) will be evaluated on all appropriate contacts. The Sales Performance evaluative area incorporates the steps of the Customer Centered Sales and Service Process (CCSS). They are: Discovering, Proposing, Assuring (A) and Assuring (B).

A minimum of 18 evaluative observations should be obtained on each SR quarterly. It is recommended that approximately 6 observations be conducted each month. No more than 50% of the SR's evaluative observations can be conducted from a remote location. In order for the contact to be used as evaluative data it must be discussed with the employee no later than 24 hours after the observation has taken place, unless prevented by employee initiated absence. All calls, with the exception of intracompany calls, should be evaluated.

Feedback discussions should be conducted on SR closed key time. Prior to the feedback, the contacts evaluated should be reviewed, the findings summarized, and the feedback discussion planned. (See Summary, Feedback and Development Plans.)

When reviewing each individual contact it is important that:

- Each contact be evaluated individually, considering established company standards
- Each SR be evaluated against established standards rather than a perception of SR's abilities, i.e., allowances should not be made because a SR is "having a bad day".

The Manager is the key to establishing and maintaining the high standards needed to ensure that the best customer service is provided. By conducting joint and individual standard-setting sessions with all Assistant Managers (AMs) periodically, the Manager can be assured that each AM is evaluating SRs against the same performance criteria.

Each section of the Service/Sales Performance form is discussed in this training. Criteria to be used to evaluate each service aspect and sales performance aspect and examples of how these should be rated are also included in this procedure. However, these criteria are meant to be recommended guidelines and may not include all situations that could occur during a customer contact. See Service and Sales Performance Standards, Exhibit 3. These are minimum standards and may be expanded to meet your individual area (Southern Bell)/center (South Central Bell) needs.

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Page 1

FO4A08Z 007102

Section 735-800-001SV

Completing the Service/Sales Performance Form

The Service/Sales Performance form is designed to enable you to record and evaluate SR performance on all calls, inbound and outbound. You will evaluate contacts at the SR position and from a remote monitoring location, reviewing the work completed by the SR during the observation session.

The form is two-sided, the front for evaluating the Call Quality (service aspects) of each observed contact, and the reverse to evaluate the Sales Performance Quality.

The form is designed to record 15 service observations and 6 sales observations. This form also serves as the monthly trend sheet. A detailed explanation of each area of the form follows.

Enter the SR's name, the AM's name, and the month as shown in the example below:

Service/Sales Performance

Service Representative	S. DANIELS										Assistant Manager	B. GOOD					Month	JANUARY				
General Information																						
Contact Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Notes						
Type																						
Date/Day																						
Time																						

Next complete the General Information section, which includes Type, Date/Day, Time entries. An explanation of these are shown below:

- Type: Enter R for a remote session
 Enter P for a position sit-in
 Enter type of contact, i.e., T&F,
 Blg, N, Mis, etc.

Service/Sales Performance

Service Representative											Assistant Manager						Month					
General Information																						
Contact Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Notes						
Type	R				P																	
	T&F	BLG	MIS	N	BLG	N	T&F															
Date/Day																						
Time																						

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Date/Day: Enter the date and day on which the session is conducted.

Service/Sales Performance

Service Representative				Assistant Manager				Month								
General Information																
Contact Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Notes
Type																
Date/Day	5 F	-----			9 TU	-----										
Time																

Time: Enter the time at the beginning of the session.

Service/Sales Performance

Service Representative				Assistant Manager				Month								
General Information																
Contact Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Notes
Type																
Date/Day																
Time	8:30	-----			10:00											

Note: For ease in completing this section, a line may be drawn across the columns indicating the general information entered is applicable to the number of observed contacts for that session. The line for "Type" entries is the exception, i.e., T&F, Blg.

The next area of the Service/Sales form is the "Service Aspects" section. This section lists key aspects of customer contact performance that should be demonstrated during every customer contact. The results of this section determine "Call Quality".

There are eight areas that will be evaluated for "Call Quality". They are: Manner and Professionalism, Pertinent Information, Complete Information, Accurate Information, Understandable Explanation, Effective Approach, Correct Clerical Action and Recap. Each area has a key standard listed on the form. A detailed explanation of the Standards, Exhibit 3, should be shared with each employee.

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In the following example, a customer called to request an extension of a past due bill. The SR identified herself/himself and without interrupting the customer, allowed him/her to explain the reason for the late payment. The SR expressed a willingness to handle the request. When the SR recognized the need to leave the line to obtain records, this was explained to the customer and the SR waited for the customer's agreement before suspending the contact.

Upon returning to the line, the SR gained the customer's attention by using his/her name and thanked the customer for waiting, before continuing the discussion.

In this situation the block beside "Manner and Professionalism" will be left blank indicating the representative performed all aspects of this area correctly. If the SR performs exceptionally well in this or any other area, the AM can use an asterisk (*) and a note should be made in the "Notes" section as shown below.

Service Representative <i>S. Daniels</i>		Assistant		
General Information				
Contact Number	1	2	3	
Type	R SLG			
Date/Day	20 F			
Time	9:00			
Service Aspects				
Manner And Professionalism	*			
Displayed professional attitude, listened, and responded appropriately in a friendly, helpful manner throughout the entire contact.				

Notes ① related well - shows empathy for customer problem - excellent manner

Note: Instead of using blanks or check marks, an office may elect to use Y or N. The key is consistency within the office. For the purpose of this package a check is used to indicate a deviation in the service aspects.

FO4BO2Z 007106

FO4A08Z 007106

Section 735-800-001SV

In the second example, a customer requested an extension for payment. The SR's response was, "What's your telephone number?" In this case, the SR's response to the opening statement did not convey interest or willingness to handle the customer's request. A check (✓) should be placed in the block beside "Manner and Professionalism". In addition, a note should be made in the "Notes" section indicating why a "no" was given. See the example below:

Service/Sales Performance

Service Representative S. DANIELS		Assistant Manager B. GOOD										Month JANUARY				
General Information																
Contact Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Notes
Type	R BLG	R BLG														
Date/Day	20 F	—														
Time	9:00	—														
Service Aspects																
Manner And Professionalism												② inappropriate response to opening statement				
Displayed professional attitude, listened, and responded appropriately in a friendly, helpful manner throughout the entire contact.												What's your number?				

Note: The "Notes" section of the form can be used to record memory jogger information about the contact, as well as any positive and negative aspects of the contact that need to be covered with the SR. Remember that the positive feedback is the steering tool to good performance. More about feedback will be discussed later in the training.

This form was not designed to document the entire conversation that took place between the SR and the customer. The majority of the time should be spent listening and analyzing the contact as opposed to taking notes. If it is necessary to take extensive notes, a lined tablet is suggested.

The second area to be evaluated under the Service Aspects is "Pertinent Information". It should be determined if the SR obtained sufficient facts to handle the customer's request or problem. In some cases, the customer may volunteer pertinent facts; if not, the SR should ask questions to secure enough information to handle the customer's request or problem. In either instance, a yes would be appropriate. This is indicated in the example below by leaving the corresponding block blank next to "Pertinent Information".

FO4BO2Z 007107

FO4A08Z 007107

Service Representative <i>S. Daniels</i>		Assistant		
General Information				
Contact Number	1	2	3	
Type	R BLG	R BLG		
Date/Day	20 F			
Time	9:00			
Service Aspects				
Manner And Professionalism		✓		
Displayed professional attitude, listened, and responded appropriately in a friendly, helpful manner throughout the entire contact.				
Pertinent Information				
Identified customer's reason for calling and asked appropriate questions to handle customer's request.				

Refer to the Service and Sales Performance Standards Exhibit 3, page 2 for the recommended standards for this area.

In the following example, where a customer called to arrange for new service which required a visit, the SR should have obtained access arrangements. In addition to placing a check (✓) in the block for "no", enter an explanation in the "Notes" section.

Service/Sales Performance

Service Representative <i>S. DANIELS</i>		Assistant Manager <i>B. GOOD</i>				Month <i>JANUARY</i>										
General Information																
Contact Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Notes
Type	R BLG	R BLG	R N													
Date/Day	20 F															
Time	9:00															
Service Aspects																
Manner And Professionalism																③ Should have determined access arrangements.
Displayed professional attitude, listened, and responded appropriately in a friendly, helpful manner throughout the entire contact.																
Pertinent Information			✓													
Identified customer's reason for calling and asked appropriate questions to handle customer's request																

"Complete Information" is the third service aspect to be reviewed. The recommended standards for this area may be found in Exhibit 3, pages 2 and 3.

FO4BO2Z 007108

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FO4A08Z 007108

Section 735-800-001SV

Determine if the SR provided all information, answered all the customer's questions and made complete arrangements when handling the customer's request. (When the customer's request cannot be granted the SR should explain why.)

For example, a customer called requesting information on Custom Calling Services. The SR explained all of the features and gave examples of how the services would operate. The SR provided rates and all information required to handle the customer's request. In this instance the block would be left blank as shown below:

Complete Information								
Provided all necessary information, gave options as appropriate, and answered all questions completely.								

In another example, a customer called to subscribe to Call Waiting. The SR should have advised the customer the date the service would be working. A check (✓) should be placed in the block and an explanation given in the "Notes" section. See below:

Complete Information				✓				
Provided all necessary information, gave options as appropriate, and answered all questions completely.								

Notes
(4) Shld Have Advised Due Date

The fourth aspect to be evaluated is "Accurate Information". In this area, determine if the information provided by the SR was correct or incorrect and was consistent with the customer's needs. See Exhibit 3, page 3 for the recommended standards.

For example, the customer requested the monthly rate for Touch-Tone service. The SR quoted an incorrect rate. A check (✓) should be placed in the block (as shown below) to indicate "no" and a reason should be entered in the "Notes" section.

Accurate information									✓
Provided accurate information throughout the contact.									

Notes
(5) Quoted incorrect Rate for TT Svc.

The fifth key service aspect to be evaluated is "Understandable Explanation". This component evaluates whether or not the SR conducted a clear, concise discussion with the customer. When noting this aspect of the SR's performance, the completeness or technical accuracy of the SR's explanations should not be considered. These two aspects are evaluated as separate components as presented in the previous steps of this procedure. Refer to Exhibit 3, page 3 for the recommended standards.

For example, a customer called the Service Center to report harassing telephone calls. The SR expressed concern for the customer's inconvenience, and explained that a specialist handles this type of problem. Upon handling the referral, the SR determined that the customer did not need any additional assistance and closed the contact. The block next to "Understandable Explanation" should be left blank indicating "yes" as shown below:

Understandable Explanation									
Used clear, concise understandable explanation, avoided company jargon, and varied approach when appropriate.									

(Remember, when a call is transferred, the SR should stay on the line, introduce the customer and furnish any pertinent information obtained, such as telephone number, customer's name and purpose of call before releasing the line. If unable to reach the other office the SR should furnish the customer the correct telephone number. Two successive attempts should be made.)

In another case, a customer called to question why new service was not connected. The SR obtained the appropriate facts before leaving the line. The SR discovered that there were no cable pairs available at the customer's address, and advised the customer that there were no "facilities". The customer did not understand the reason for the delay. The SR did not attempt to rephrase or vary the explanation, and simply stated that this happens often and the customer would be called when facilities were available.

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Page 9
FO4A08Z 007110

A check (✓) should be placed in the block because the SR should have rephrased the explanation to ensure better customer understanding rather than using telephone jargon.

Understandable Explanation									✓
Used clear, concise understandable explanation, avoided company jargon, and varied approach when appropriate.									
Notes									
(6) Used co jargon "facilities"									

"Effective Approach" is the sixth key aspect of the contact. It is displayed by the SR throughout the contact by utilizing the most effective and appropriate approach to handling the customer's request or problem. The review should involve whether or not the SR selected an effective way to sequence and control the overall contact. Several areas should be considered when evaluating SRs on this aspect, including the SR's use of good judgment and delegated authority. It should be determined if the SR took the appropriate action to handle the customer's request completely and in a timely manner.

For instance, the SR should recognize the need to check further on a problem or request without holding the customer on the line an excessive amount of time. In addition, the SR should be conscious of the appropriate time to leave the line and, once off the line, how the off-line time is utilized to acquire the information needed to handle the customer's request.

The SR should be sensitive to the customer's individual needs, e.g., offering an alternative when unable to grant an extension of credit or checking with another department. The SR should also quickly recognize unusual situations or opportunities which call for action beyond normal procedures.

The recommended performance standards may be found in Exhibit 3, page 4.

In this example, a customer requested listings on four calls, and the SR realized company policy is to handle this on a callback basis. However, the SR was sensitive to the customer's urgency to obtain this information in order to settle the charges. Instead of arbitrarily offering a callback, the SR gave the customer the option of holding on the line. Upon returning to the line, the SR attracted the customer's attention and then expressed appreciation to the customer for waiting while the requested information was obtained.

The block next to "Effective Approach" should be left blank indicating "yes" as shown below:

Effective Approach																				
Conducted contact appropriately, accepted full responsibility for all company actions, offered alternate solutions and educated the customer when appropriate.																				

The SR should be aware of certain activities which affect the overall impression of the type of service rendered and should accept criticisms, complaints and commendations on behalf of the company in a professional, businesslike manner.

For example, a customer called to complain about having to wait three days for a Repair Technician. The SR did not accept responsibility (as the company's representative) for the customer's inconvenience and advised the customer to call repair again. A check (✓) should be placed in the block and an explanation should be made in the notes. See the example below:

Effective Approach																					✓
Conducted contact appropriately, accepted full responsibility for all company actions, offered alternate solutions and educated the customer when appropriate.																					
																					Notes
																					(7) Should take responsibility for repair problem/rtrd bk to repair

Note: There will be times when the SR handled the contact appropriately, but the customer was still dissatisfied. For example, a customer called about an extension of his bill. The account was scheduled for interruption and could not be extended any further. The SR handled the contact in the appropriate businesslike manner, but the customer remained dissatisfied. In this instance, the block following "Effective Approach" should be left blank indicating "yes". This aspect should be evaluated independently from customer satisfaction.

"Correct Clerical Action" is the seventh area to be reviewed. All clerical action is customer affecting, either directly or indirectly, and therefore should be evaluated.

- Some examples are:
- Noting commitment intervals
 - Noting payment arrangements accurately and completely
 - Issuing orders
 - Issuing adjustments
 - Taking proper SCORS tally
 - Proper SOCRATES response (if applicable)

The clerical action completed at contact termination should be assessed in addition to that which is completed by the SR on an overlap basis. For observations at the SRs position, evaluate all clerical action as it is completed during the session. Always follow-up to ensure correct clerical action has been taken in a timely manner whether observing at the position or remotely. Check for accuracy and completeness.

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For example, on a billing observation the SR does not complete the appropriate bill notations by the conclusion of the session. Later, when checked, the notations were completed and accurate. In this instance the block would remain blank next to correct clerical action indicating "yes".

In another example, the SR agreed to call the customer back after investigating four long distance calls. The SR agreed to call the customer back today before 3:00 p.m. While noting the follow-up action during the call, the SR noted the callback before 4:00 p.m. instead of 3:00 p.m. A check (✓) should be placed in the block next to correct clerical action, with a notation in the "Notes" section as shown below:

Correct Clerical Action									✓		
Handled all clerical work accurately and completely.	[REDACTED]										

Notes
(8) Commit time noted B4 4:00 instead of 3:00

The recommended performance standards may be found in Exhibit 3, page 4.

The final service aspect to be evaluated is "Recap". At the conclusion of the contact the SR should verify all information to insure that the data agrees with the customer's request and make any necessary changes and/or corrections.

This completes the portion of the contact that will be computed into the evaluative component of % Call Quality.

COMPUTING THE %CQ

An example of the Service/Sales Performance form with the completed computation (using the formula below) is shown on the next page.

First, figure the total number of Opportunities:

- Multiply the total number of contacts by 8 (the number of key aspects).
- Enter this figure in the "# Opportunities" space.

Next, compute the "Total # Y's" by subtracting the number of NO's (✓) from the "# Opportunities" and put this figure in the Total "Y's" column. i.e., 72 - 3 = 69.

Compute the % CQ by dividing the "Total # Y's" by the "# Opportunities", multiply by 100% and round to the nearest whole number.

69 ÷ 72 = .958 x 100% = 95.8

Service/Sales Performance

RF-2540
(9-88)

Service Representative	S. DANIELS		Assistant Manager	B. GOOD		Month	JANUARY									
General Information																
Contact Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Notes
Type	R Big	Big	T&F	C	N	POI	Mis	EXC	D							
Date/Day	20 F															
Time	9:00															
Service Aspects																
Manner And Professionalism		✓														
Displayed professional attitude, listened, and responded appropriately in a friendly, helpful manner throughout the entire contact.																② inappropriate response to opening statement "What's your number?"
Pertinent Information																
Identified customer's reason for calling and asked appropriate questions to handle customer's request.																④ Should Have Advsd Due Date
Complete Information			✓													
Provided all necessary information, gave options as appropriate, and answered all questions completely.																⑥ Used Co. Jargon "Facilities"
Accurate Information																
Provided accurate information throughout the contact.																⑧ related well-shows empathy for customer problem-excellent manner
Understandable Explanation					✓											
Used clear, concise understandable explanation, avoided company jargon, and varied approach when appropriate.																
Effective Approach																
Conducted contact appropriately, accepted full responsibility for all company actions, offered alternate solutions and educated the customer when appropriate.																
Correct Clerical Action																
Handled all clerical work accurately and completely.																
Recap																
Key: Use * For Exceptional Performance, Use ✓ For No										Call Quality	Total # Y's	# Opportunities	% CQ			
Sales (✓ If Sales Applies)											60	77	95.3			

The % CQ "Call Quality" will be recorded on the Performance Summary.

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SALES PERFORMANCE QUALITY

In order for the AM to evaluate how well the SR performed in the sales portion of the contact it is necessary to determine the Sales Performance Quality (SPQ).

When a customer contact affords a sales opportunity, the SR must be able to propose a sales recommendation that meets the customer's needs and generates revenue. If this does not happen, SR development is needed.

The observation session provides the AM a chance to evaluate the sales quality at the same time the service aspects of the contact are reviewed.

Well planned development activities should improve the SR's sales performance, thereby producing more revenue and increasing overall customer satisfaction.

When a sales evaluation applies, a check (✓) will be placed in the sales column (on the service evaluation side) and the corresponding contact number will be written in across the top in the space allowed (on the sales side) as shown below:

Recap									
Key: Use * For Exceptional Performance. Use ✓ For No									
Sales (✓ if Sales Applies)	✓								

Sales

	Contact # ▶											
	Y	YD	N	NA	Y	YD	N	NA	Y	YD	N	NA
Recognized Opportunity ▶												
Discovering												
Permission To Question												
Used Listening Skills												

The four major areas of Customer Centered Sales and Service (CCSS) have been divided into smaller sub-categories for the purpose of evaluating the contact. This broadens the base and provides more opportunities for the SR. It also allows the AM and the SR to pinpoint areas that need development without penalizing the SR.

There are now 24 aspects in the Sales Performance Quality (SPQ). Each aspect has four (4) options: "Y" for yes, "YD" for yes needs development, "N" for no and "NA" for not applicable.

Following are explanations of the four options:

- A. "Y" - The SR accurately performed all appropriate actions.
- B. "YD" - The SR performed the most important actions correctly, or performed all actions but could have performed better, and the customer was not greatly affected.

For example: The SR summarized but omitted some details provided by the customer or the SR made a good proposal but should have picked up on one clue from the customer. The SR needs to be given examples for "next time".

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If improvement is not noted following development activity, an "N" would be appropriate.

Examples of this might be:

- 1. A weak area has been developed, the SR demonstrates the correct way and then reverts back to the incorrect method.
- 2. The SR and AM have agreed that all possible development has been completed and the SR understands, but still does not perform correctly.
- C. "N" - The SR did not perform some customer affecting actions either correctly or completely, or the SR did not perform satisfactorily in an area that has been under development. (see #B above).
- D. "NA" - This action was not appropriate on this contact.

NOTE: AMs must have documented development plans for any area in which a SR receives a "YD" or "N". This plan should include a course of action agreed upon by the SR and the AM and the date they plan to take this action. (See Summary, Feedback and Development tab.)

The five major aspects of the sales evaluation are Recognized Opportunity, Discovering, Proposing, Assuring (A), and Assuring (B). Each of these areas is broken down into the smaller aspects which are covered in the Service and Sales Performance Standards. See Exhibit 3 pages 4 and 5.

The first item, "Recognized Opportunity", will be evaluated based on the AM's judgment of whether the SR recognized a sales opportunity and made an appropriate sales attempt. The quality of the attempt is not evaluated at this point. Area (Southern Bell)/Center (South Central Bell) standards will determine which contacts are appropriate. A sales attempt prior to the resolution of the customer's request or problem could result in customer irritation. A careful balance must be maintained to ensure that every opportunity for a sales contact is taken, but not at the expense of customer satisfaction.

If a sales opportunity exists and the SR proceeds with a sales attempt, a check (✓) will be placed in the block "Y" for yes, and each sales area will be evaluated for SPQ. If a sales attempt is not made a (✓) will be placed in the block "N" for no and the remaining sales areas will be "NA" for not applicable.

For example, a customer called inquiring about a denial notice received in the mail. The customer insisted a payment had been made last week in the Customer Payment Center. After checking the customer record, the SR advised the customer the payment had been noted, but the problem was the balance remaining on the account that should be paid or the service would be interrupted. The customer was clearly dissatisfied; therefore you would not consider this to be a sales opportunity. (The term "opportunity" is defined in the Service and Sales Performance Standards.)

There may be situations where the AM and the SR disagree on when an "opportunity" exists. When this occurs it should be handled in the two way discussion during the feedback session with a determination of how a similar contact should be handled.

The same customer called about his current statement. The SR explained the billing for the calls in question. Realizing the customer was satisfied with the SR's explanation and handling of the

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contact and that a sales opportunity existed, the AM would evaluate all appropriate areas of the CCSS process. This will be explained in more detail later.

The following is an example of "Recognized Opportunity": a customer called to add an additional listing to the account. The customer indicated a new partner would be joining the firm and thought an additional listing would be necessary. The SR handled the customer's request and then bridged to an appropriate sales attempt. Check (✓) "Y" for Yes in the block following "Recognized Opportunity". See the example below:

		Sales											
Contact # ▶	1												
	Y	YD	N	NA	Y	YD	N	NA	Y	YD	N	NA	
Recognized Opportunity ▶	✓												
Discovering													
Permission To Question													
Used Listening Skills													
Clarifying Questions													

In another example, a customer called to have a local phone directory sent to the business address. The SR viewed the customer's record and advised him that local directories could be ordered over the telephone and handled the request to the customer's satisfaction. Although it was a perfect "opportunity" to bridge, no attempt was made.

The SR received a "no" in "Recognized Opportunity," and the other CCSS areas were considered "NA".

There may be instances when an AM feels that a sales attempt is not appropriate, yet the SR proceeds. In this instance, the AM will evaluate each aspect of the sales process, but during feedback should explain to the SR the reasons the attempt was not appropriate.

The sales technique "Discovering" will evaluate the SR's ability to mutually identify the customer's needs and values through proper questioning and listening techniques. Obtaining clues through conversational skills is always preferable to questioning the customer.

There are six (6) aspects to be evaluated under "Discovering". These categories are: Permission To Question, Used Listening Skills, Clarifying Questions, Thoughts/Feelings Questions, Additional Information (Users, Usage, etc.) and Summarized Needs and Values.

Sales

Contact # ▶												
	Y	YD	N	NA	Y	YD	N	NA	Y	YD	N	NA
Recognized Opportunity ▶												
Discovering												
Permission To Question												
Used Listening Skills												
Clarifying Questions												
Thoughts/Feelings Questions												
Additional Information (Users, Usages, etc.)												
Summarized Needs And Values												

Each aspect should be evaluated separately as indicated below:

- Permission To Question – Did the SR obtain the customer’s permission to ask additional questions, if applicable?
- Used Listening Skills – Did the SR recognize and utilize clues provided by customer?
- Clarifying Questions – Did the SR ask proper clarifying questions? e.g., “Do you mean ...?” “Did I understand correctly ...?” “Could you give me an example ...?” etc.
- Thoughts/Feeling Questions – Did the SR ask questions to provoke thoughts/feelings (getting the customer to visualize a particular situation)? These should be open questions.
- Additional Information – Did the SR question the customer to obtain sufficient information to visualize the customer’s needs and values?
- Summarized Needs and Values – Did the SR summarize his/her perception of the customer’s needs and values?

The next sales technique, “Proposing”, enables the AM to evaluate the SR’s ability to make a recommendation that relates to the customer’s specific needs and values. The conversational approach will be less threatening to the customer. The SR should be encouraged to be sincere and comfortable in making an enthusiastic proposal and should pick up on clues throughout the contact as to what type of services to offer.

It’s important that the SR sound confident and enthusiastic when the proposal is made.

There are seven (7) aspects to be evaluated under “Proposing”. These categories are: Needs-Based Proposal, Value-Based Proposal, Visualize Usage (Personalized Benefits), Customer’s Opinion Obtained, Recognized Buying Signal, Ask For Sale and Close.

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- Be Empathetic, i.e.. "I know exactly what you mean."
- Clarify True Objection. i.e.. "So you really don't want to be interrupted when you're on a long distance call?" Closed questions may be appropriate.
- Determine New Option - Decide if another approach (based on values and needs) to the same service is appropriate. i.e.. "If you'd be able to prevent Call Waiting from working before you placed your long distance call, would that help you?" Or, it may be appropriate to present another service.
- Recognize Difference Between The Hesitant/No Customer - There is a difference between the hesitant or unsure customer and the customer who emphatically says no. Did the SR recognize this difference and proceed accordingly?
- Expect and Ask For Sale - Did the SR ask for the sale using the CCSS techniques?

The last step in the CCSS process "Assuring (B)" enables the AM to evaluate whether the SR instills positive feelings in the customer about himself, his decision, our company and our services.

The three aspects of "Assuring (B)" to be evaluated are: Thank Customer For Sale/Time, Full Negotiation/Gained Customer Concurrence and Reinforced Customer's Decision.

Assuring (B)	[REDACTED]									
Thank Customer For Sale/Time										
Full Negotiation/Gained Customer Concurrence										
Reinforced Customer's Decision										

- Thank Customer For Sale/Time - Did the SR thank the customer for the sale or accept "no" graciously and thank the customer for his time?
- Full Negotiation/Gained Customer Concurrence - Were the services fully explained and customer concurrence gained?
- Reinforced Customer's Decision - Did the SR leave the customer feeling that his time was well spent and he was treated as a valuable customer?

Assuring leaves the customer with a positive impression regardless of whether the customer buys or not.

We should always position ourselves to "sell again," meaning if the customer's contact with us has been a pleasant one he will be more receptive to our recommendations in the future.

Note: Additional information pertaining to all sales techniques identified in this section may be found in the Customer Centered Sales and Service Training.

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Computing the Sales Performance Quality (%SPQ)

To compute the evaluative measurement for (SPQ) use the exhibit below:

Sales

Contact # ▶	3				5				5				7																			
	Y	YD	N	NA	Y	YD	N	NA	Y	YD	N	NA	Y	YD	N	NA	Y	YD	N	NA	Y	YD	N	NA	Y	YD	N	NA				
Recognized Opportunity ▶	✓				✓						✓		✓																			
Discovering																																
Permission To Question	✓				✓								✓	✓																		
Used Listening Skills		✓				✓							✓	✓																		
Clarifying Questions		✓			✓								✓	✓																		
Thoughts/Feelings Questions	✓				✓								✓	✓																		
Additional Information (Users, Usages, etc.)			✓		✓								✓	✓																		
Summarized Needs And Values	✓				✓								✓	✓																		
Proposing																																
Needs-Based Proposal	✓				✓								✓	✓																		
Value-Based Options	✓				✓								✓	✓																		
Visualize Usage (Personalized Benefits)	✓					✓							✓	✓																		
Customer's Opinion Obtained	✓				✓								✓	✓																		
Recognizing Buying Signal	✓				✓								✓	✓																		
Ask For Sale	✓				✓								✓	✓																		
Close	✓				✓								✓	✓																		
Assuring (A)																																
Respond To Objection			✓	✓									✓								✓											
Ask Open Questions			✓			✓							✓								✓											
Be Empathetic			✓	✓									✓								✓											
Clarify True Objection			✓				✓						✓								✓											
Determine New Option			✓				✓						✓								✓											
Recognized Difference Between The Hesitant/No Customer			✓	✓									✓								✓											
Expect And Ask For Sale			✓	✓									✓								✓											
Assuring (B)																																
Thank Customer For Sale/Time	✓				✓								✓	✓																		
Full Negotiation/Gained Customer Concurrence	✓				✓								✓	✓																		
Reinforced Customer's Decision	✓				✓								✓	✓																		
																Total # Y's & YD's					# Opportunities					% SPQ						
																54					59					91.5						

Summary, Feedback and Development Plans

Feedback is a simple concept. It is information on past performance that the employee can use to change performance.

The feedback provided to the employee should be:

- Specific
- Related to a performance the employee controls
- Positive
- Immediate
- Individualized
- Easily understood
- Presented in a manner that encourages two-way communication between the supervisor and the employee

The combination of feedback and positive reinforcement is the most effective approach a manager can use to improve performance.

Prior to conducting the feedback session, the data gathered in the "Notes" section of the review form should be summarized and documented in the "Summary" section of the Performance Summary/Feedback form. (Exhibit 4.) This form is two sided allowing space for additional notes. In addition, this form is to be used for summary and feedback documentation for all areas of the job.

In summarizing it is not necessary to state every detail that was identified in the notes section. Referring back to the notes on the review form would be sufficient. See example below:

PERFORMANCE SUMMARY/FEEDBACK FORM

EMPLOYEE NAME SANDY		AM INITIALS SJ	
SUMMARY	FEEDBACK	DEVELOPMENT PLAN	FU DATE
10/19 Excellent bridging to sales contact. Needs work in closing sale - See details on Notes #3.			

Probably the single most likely cause for the ineffectiveness of feedback is that it comes too late. Employees need to know as soon as possible after their performance how well they did. Ideally, feedback, like reinforcement, should come immediately after each performance. In order for the contact to be used for evaluative data it must be discussed with the employee no later than 24 hours after the observation has taken place, unless prevented by employee initiated absence.

After the feedback is discussed with the employee, the date of discussion, results and development plans should be noted in the "Feedback" and "Development Plan" sections. See example on the following page.

PERFORMANCE SUMMARY/FEEDBACK FORM

EMPLOYEE NAME SANDY		AM INITIALS SJ	
SUMMARY	FEEDBACK	DEVELOPMENT PLAN	FU DATE
10/19 Excellent bridging to sales contact. Needs work in closing sale - See details on Notes #3.	10/19 Sandy realized talked cust out of sale. If had gained agreement and moved on could have wrapped up sale. Agrd needs help in closing.	10/19 Agrd to practice closing with Sandy using actual contacts of Sandy's customer's. Set up on Fri 9 AM in conf room	10-23

The purpose of the development plan is to implement an action plan designed to strengthen weak performance and enhance strong performance.

Each employee is fully responsible for his/her own development.

The supervisor acts as a coach, allowing the time and tools needed to aid in the development. That is why it is important to involve the employee in identifying what action needs to take place to result in improvement. This can be accomplished by asking the employee, "What can I do to help you reach your goal?"

The employee may have an idea that will work for him/her. If it doesn't, the supervisor and employee look at the results gained and agree on another plan.

Some employees may not have any suggestions. In this case, the supervisor will plan a course of action to accomplish the goal and attempt to gain agreement from the employee.

In both situations, the employee's comment should be noted in the feedback section.

PERFORMANCE SUMMARY/FEEDBACK FORM

EMPLOYEE NAME SANDY		AM INITIALS	
SUMMARY	FEEDBACK	DEVELOPMENT PLAN	FU DATE
10/19 Excellent bridging to sales contact. Needs work in closing sale - See details on Notes #3.	10/19 Sandy realized talked cust out of sale. If had gained agreement and moved on, could have wrapped up sale. Agrd needs help in closing.	10/19 Agrd to practice closing using actual contacts Set up on Fri 9 AM in conf room	10-23

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Training as a solution to performance problems is a common managerial response. If there is no evidence of formal training, it may be necessary to plan that as the first step toward improvement. In so many cases the employee has been trained and retrained.

The supervisor needs to explore all areas:

- Lack of knowledge
- Misunderstanding of procedure
- Not enough experience
- Not able to find reference material
- Lack of willingness on employee's part

Once the cause has been identified, the development should be easier to define.

Some examples of development for skill building or enhancement other than training are:

- Special assignments
- Coaching
- Reading
- Self-study
- Work experiences
- Role play

A follow up date should be noted to serve as a target date and also help the supervisor in scheduling his/her development time.

At the end of the month the Call Quality and Sales Performance Quality ratings should be noted in the summary section with any notes or comments that need to be discussed with the employee regarding his/her monthly results. See the example below:

PERFORMANCE SUMMARY/FEEDBACK FORM			EXHIBIT 4
EMPLOYEE NAME SANDY		AM INITIALS	
SUMMARY	FEEDBACK	DEVELOPMENT PLAN	FU DATE
10/19 Excellent bridging to sales contact. Needs work in closing sale - See details on Notes #3.	10/19 Sandy realized talked cust out of sale. If had gained agreement and moved on, could have wrapped up sale. Agrd needs help in closing.	10/19 Agrd to practice closing using actual contacts Set up on Fri 9 AM in conf room	10/23
	When asked how I could help her improve - Sandy suggested needed to practice on closing.		
10/23 Role played 3 sales contacts to practice closing.	10/23 Sandy feels more relaxed - confident. Feels ready to approach next sales contact. Sandy asked if I'd sit-in on a couple.	10/23 Agrd to sit in to review closing on 10/28	10/28
10/28 Reviewed 2 sales contacts - Sandy's closing improved and sales were gained	10/28 Sandy feels much more confident abt closing.		
10/31 % CQ SAT for Mo. & YTD.			
% SPQ below obj - but improving			

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After the feedback session, record any comments the employee made regarding the individual contacts and monthly results as shown below:

PERFORMANCE SUMMARY/FEEDBACK FORM			EXHIBIT 4
EMPLOYEE NAME SANDY		AM INITIALS	
SUMMARY	FEEDBACK	DEVELOPMENT PLAN	FU DATE
10/19 Excellent bridging to sales contact. Needs work in closing sale - See details on Notes #3.	10/19 Sandy realized talked cust out of sale. If had gained agreement and moved on, could have wrapped up sale. Agrd needs help in closing.	10/19 Agrd to practice closing using actual contacts Set up on Fri 9 AM in conf room	10/23
	When asked how I could help her improve - Sandy suggested needed to practice on closing.		
10/23 Role played 3 sales contacts to practice closing.	10/23 Sandy feels more relaxed - confident. Feels ready to approach next sales contact. Sandy asked if I'd sit-in on a couple.	10/23 Agrd to sit in to review closing on 10/28	10/28
10/28 Reviewed 2 sales contacts - Sandy's closing improved and sales were gained	10/28 Sandy feels much more confident abt closing.		
10/31 % CQ SAT for Oct. % SPQ below obj - but improving.	10/31 commended Sandy on improvement. Sandy is pleased with improvement and says more will be seen next mo.		

If additional space is needed to record the feedback an additional form may be used.

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RF-2540
1984

Service/Sales Performance

General Information		Service Aspects												Sales (/ If Sales Applies)								
Service Representative	Assistant Manager	Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Notes	Type	Date/Day	Time	Contact Number
Manner And Professionalism																						
Displayed professional attitude, listened, and responded appropriately in a friendly, helpful manner throughout the entire contact.																						
Pertinent Information																						
Identified customer's reason for calling and asked appropriate questions to handle customer's request.																						
Complete Information																						
Provided all necessary information, gave options as appropriate, and answered all questions completely.																						
Accurate Information																						
Provided accurate information throughout the contact.																						
Understandable Explanation																						
Used clear, concise understandable explanation, avoided company jargon, and varied approach when appropriate.																						
Effective Approach																						
Conducted contact appropriately, accepted full responsibility for all company actions, offered alternate solutions and educated the customer when appropriate.																						
Correct Clerical Action																						
Handled all clerical work accurately and completely.																						
Recap																						
Key Use For Exceptional Performance, Use V For No																						
Cash Quality →																						
Total Y's																						
# Opportunities																						
% CQ																						

EXHIBIT 1

EXHIBIT 1 - SERVICE/SALES PERFORMANCE FORM RF-2540

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EXHIBIT 2

Sales	Y		YD		N		NA		Y		YD		N		NA		F Opportunities	% FPO
	Y	YD	N	NA	Y	YD	N	NA	Y	YD	N	NA	Y	YD	N	NA		
Recognized Opportunity ▶																		
Discovering																		
Permission To Question																		
Used Listening Skills																		
Clarifying Questions																		
Thoughts/Feelings Questions																		
Additional Information (Users, Usage, etc.)																		
Summarized Needs And Values																		
Proposing																		
Needs - Based Proposal																		
Value - Based Options																		
Visualize Usage (Personalized Benefits)																		
Customer's Opinion Obtained																		
Recognizing Buying Signal																		
Ask For Sale																		
Close																		
Assuring (A)																		
Respond To Objection (Closed Questions)																		
Ask Open Questions																		
Be Empathetic																		
Clearly True Objection																		
Determine New Option																		
Recognized Difference Between The Hesitant/No Customer																		
Expect And Ask For Sale																		
Assuring (B)																		
Thank Customer For Sale/Time																		
Full Negotiation/Gained Customer Concurrence																		
Reinforced Customer's Decision																		

EXHIBIT 2 - SERVICE/SALES PERFORMANCE FORM RF-2540 (REVERSE)

SERVICE AND SALES PERFORMANCE STANDARDS

*** MANNER & PROFESSIONALISM:**

● OPENING CONTACT:

- answers immediately
- speaks distinctly
- announces SCB/SB and appropriate center name
- clearly states name (first name only not recommended)

● RESPONDS:

- appropriately to opening statement or question
- assures customer she/he can help, mirroring as appropriate
- avoids using pat or rigid statements
- expresses regret as appropriate

● LISTENS:

- actively, letting the customer know he/she "hears"
- without overtalking the customer
- patiently
- without interrupting

● LEAVING LINE:

- explains reasons
- requests permission
- obtains customer's agreement
- if taking lengthy time off line returns frequently to explain
- gives customer option of call back when appropriate

● RETURNING TO LINE:

- gets customer's attention through use of their name, Sir, Ma'am
- makes sure she/he has customer's attention before proceeding
- thanks customer for waiting

● THROUGHOUT CONTACT:

- shows interest and willingness
- uses friendly tone of voice
- maintains consistent pace and clear enunciation
- shows integrity
- establishes and builds trust
- evaluates customer's statements/questions before responding
- establishes rapport and maintains it
- demonstrates empathy
- answers customer's questions without hesitation when asked
- waits for customer to disconnect, then immediately releases the line

*** EACH CONTACT IS UNIQUE — NOT ALL STANDARDS CAN BE LISTED. ADDITIONAL STANDARDS, I.E., HANDBOOK AND TRAINING CRITERIA MAY APPLY.**

EXHIBIT 3 - SERVICE AND SALES PERFORMANCE STANDARDS

NOTICE

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* OBTAINS PERTINENT INFORMATION

- Obtains appropriate facts before leaving the line:
 - With whom he/she is speaking
 - Establishes reason for customer's call
 - Asks questions relating to customer's needs as appropriate
 - Clarifies understanding with open-ended questions
 - Gets customer's account number
- Asks only for information that is unavailable through company records
- Gives reasons for asking questions, if appropriate
- Obtains information for completion of the order, for example:
 - determines how name and address are to be listed in directory
 - key spells the listing section and the billing name and address to verify, when appropriate
 - obtains clear, concise directions at indefinite address (IA)
 - obtains former customer information when appropriate
 - verifies correct directory delivery address
 - if installment billing is discussed, determine number of months customer desires (as allowed by State tariff)
 - S & E determined through negotiation and customer concurrence
 - obtains can be reached number
 - determines the correct yellow page heading
 - determines number of directories needed
- Payment arrangements
 - identifies individual making arrangements
 - amount (discussions and notations should be in terms of dollars and cents, i.e., 5241.26, not full amount or balance)
 - payment location (where, by mail or in person)
 - date
- Updates credit as appropriate

* COMPLETE INFORMATION

- Explains difference in non-pub & non-list when appropriate.
- Advises customer entitled to one free yellow page listing when appropriate.
- **● Non-recurring charges must be quoted on all orders.

** BUSINESS ONLY: QUOTE ALL RATES, RECURRING, AND NON-RECURRING, ON ALL N, T, AND C ORDERS; OR, GIVE THE CUSTOMER AN OPTION TO HAVE THE RATES QUOTED.

- * EACH CONTACT IS UNIQUE — NOT ALL STANDARDS CAN BE LISTED. ADDITIONAL STANDARDS, I.E., HANDBOOK AND TRAINING CRITERIA MAY APPLY.

EXHIBIT 3 - SERVICE AND SALES PERFORMANCE STANDARDS

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EXHIBIT 3

- Monthly rates must be quoted on all N&T's and all other orders on which a rate change occurs, including a "plus tax" statement.
- Wiring maintenance plan must be explained fully, presented as an option, rate quoted and consent obtained.
- Touch-Tone, and all other services, must be negotiated and explained to the customer and all appropriate charges quoted.
 - Equal Access/Full Disclosure statement must be made on all "N&T's" and appropriate "C" orders
 - Advises customer to call the carrier to establish an account
 - Refers customer to the Telemarketing Center or Customer Support Center as appropriate
 - Answers all customer questions completely and gives complete information
- The amount of the Access Line Charge must be quoted separately
 - Inside wiring negotiated as appropriate
 - Negotiates the appropriate due date and gain customer's acceptance
 - Make appropriate access arrangements to include:
 - contact person (IA)
 - contact's number (IA)
 - time interval (IA)
 - offer specific appointment interval upon customer request (i.e., AM or PM)
 - When speaking of payment arrangements, advise:
 - deposit, if appropriate
 - suspension, if appropriate
 - restoral charge, if appropriate
 - return check charge, if appropriate
 - Commitments to include date/day and time, i.e., by 4:30 tomorrow, or by 2:00 Friday, March 2nd.
- * ACCURATE INFORMATION
 - Provide correct information; corrects customer's misunderstanding
- * UNDERSTANDABLE EXPLANATION
 - Uses clear and easy-to-understand words, avoiding company terms and jargon
 - Varies approach and rephrases when necessary
 - Explains why necessary to transfer or refer customer, if appropriate
- ** BUSINESS ONLY: QUOTE ALL RATES, RECURRING, AND NON-RECURRING, ON ALL N, T, AND C ORDERS; OR, GIVE THE CUSTOMER AN OPTION TO HAVE THE RATES QUOTED.
- * EACH CONTACT IS UNIQUE — NOT ALL STANDARDS CAN BE LISTED. ADDITIONAL STANDARDS, I.E., HANDBOOK AND TRAINING CRITERIA MAY APPLY.

EXHIBIT 3 - SERVICE AND SALES PERFORMANCE STANDARDS

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* **EFFECTIVE APPROACH**

- Has control of contact
- Avoids rambling discussions
- Offers alternative solutions if customer's request could not be granted
- Takes full responsibility for actions of company, including other departments. i.e., uses "we" instead of "they"
- Uses delegated authority
- Puts customer on hold only when necessary
- Does everything possible to ensure customer satisfaction
- Supports company's position, especially when request cannot be granted
- Transfers misdirected calls appropriately, explaining reason
- Educates customer if he/she has reached wrong number to avoid recurrence

* **CORRECT CLERICAL ACTION**

- Completes clerical work correctly: including orders - mechanized/manual, payment arrangements, forms, etc. (Clerical work should be followed up by AM after each sit-in or remote.)

* **RECAP**

- Verifies entire contact with customer, insuring that data agrees with customer request and makes any necessary changes and/or corrections.

* **RECOGNIZED OPPORTUNITY**

- Opportunities can include all contacts except denied service that cannot be restored or where the customer is clearly upset with our collection attempts or for any reason is obviously dissatisfied, or emphatically states, up front, that she/he does not want to discuss any additional services, or misdirected calls. (AM should determine whether the SR recognized the sales opportunity and made an appropriate sales attempt.)

* **DISCOVERING**

- Mutually identifies customer needs and values
 - conversational
 - asks permission to question (IA)
 - asks proper questions to clarify (IA)
 - asks questions to provoke thoughts/feelings (getting the customer to visualize himself or herself in a particular situation) (IA)
 - asks questions for additional information to give the SR sufficient information to visualize the customer's needs and values (IA)
 - summarizes customer's needs and gains agreement (IA)

- * **EACH CONTACT IS UNIQUE -- NOT ALL STANDARDS CAN BE LISTED. ADDITIONAL STANDARDS, I.E., HANDBOOK AND TRAINING CRITERIA MAY APPLY.**

EXHIBIT 3 - SERVICE AND SALES PERFORMANCE STANDARDS

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* PROPOSING

- Recommends services and options based on the customer's needs
 - presents options tailoring values to needs as mutually discovered (IA)
 - helps the customer visualize the end results by using commonality of other customer stories (IA)
 - allows customer to see him/herself as the decision maker (IA)
 - recognizes buying signals and closes when appropriate (IA)
 - tests the customer's acceptance of the proposal by using questions and statements such as: (IA)
 - What do you think?
 - Do you think that would be helpful to you?
 - I really think that fits your needs.
 - remains helpful and confident but not pushy.

* ASSURING (A)

- Closing the contact and leaving the customer satisfied with our service and our Company we:
 - responded to the objection by using the ABCD of Sales:
 - Ask open ended questions to identify the real objection
 - Be empathetic with the customers by acknowledging objections
 - Clarify the true objection with a closed question
 - Decide if a new option should be used or restate the old one based on the customer's values (IA)

* ASSURING (B)

- Thanked the customer for the sale
- Accepted a "No" graciously and thanked the customer for his/her time
- Left the customer feeling that his/her time was well spent and that we were attentive and that she/he was treated as a valued customer

* EACH CONTACT IS UNIQUE — NOT ALL STANDARDS CAN BE LISTED. ADDITIONAL STANDARDS, I.E., HANDBOOK AND TRAINING CRITERIA MAY APPLY.

EXHIBIT 3 - SERVICE AND SALES PERFORMANCE STANDARDS

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EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-20

NEW ETHICS PROGRAMS

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 910163-TL
Staff's 7th Set of Interrogatories
December 18, 1992
Item No. 75
Page 1 of 2

REQUEST: Identify all the steps Southern Bell has taken to increase its employee awareness of the need to demonstrate integrity in its dealings with the public and the Commission.

RESPONSE: In Florida, Southern Bell has taken numerous steps to ensure employees are aware of the acute need to perform their jobs in the highest ethical manner. They are reminded on a regular basis that no less will be tolerated.

Southern Bell has developed and implemented a new ethics education program that supplements existing procedures. The education program was implemented in October 1992 and will be presented to every management and non-management employee in Florida.

The company has revised its existing handbook ``A Personal Responsibility'' to further emphasis ethics, as well as promote the company's internal Hotline number for reporting ethics violations.

A code of ethics was developed and distributed to all employees.

Southern Bell has changed its management employee evaluation process and forms by incorporating two additional performance criteria:

- Commitment to customer service.
- Commitment to ethical business practices.

Southern Bell distributed one of three items (key chain, pop-up display or paperweight) to employees bearing the phrase: ``These values are chiseled into the bedrock of honesty and integrity. The decisions we make each day help us to preserve this, the cornerstone of our business.'' And a list of our BellSouth Values -- Customer First, Respect for the Individual, Pursuit of Excellence, Positive Response to Change and Community Mindedness.

Attached is documentation outlining numerous methods used to convey this message to the general employee body, as well as actual articles and collateral materials used.

- Attachment A:** An article that appeared in the June/July 1991 Sun Scriber, Florida's employee publication.
- B:** An August 1991 letter by from Joe Lacher to all employees emphasizing the need for absolute ethical behavior when dealing with customers.
 - C:** A November 1991 letter to employees talking about the employee hotline for ethics and security violations.
 - D:** A column by Security General Manager Mario Martinez appearing in the December 1991 edition of the Sun Scriber.

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 910163-TL
Staff's 7th Set of Interrogatories
December 18, 1992
Item No. 75
Page 2 of 2

- E: A March 14 letter from State President Joe Lacher to all employees talking about ethical standards and the start of the PSC investigation.
- F: May 27 special Ethics Edition inserted into the TeleScope, a weekly newsletter for all BellSouth Telecommunications employees.
- G: The May 27 Edition of the telescope that included a letter to employees and customers from Chairman Frank Skinner and Florida President Joe Lacher.
- H: A June 22 memo to all employees from Chairman Frank Skinner introducing the Conflict of Interest Questionnaire and the Personal Responsibility booklet (also attached).
- I: A Sun Scriber Special Report responding to the July 13 press conference of the Florida Attorney General.
- J: A July 31, 1992 letter to employees talking about the company's Personal Responsibility Booklet.
- K: A Sun Scriber Special Report announcing a settlement agreement with the state prosecutor.
- L: An October 26 memorandum from State President Joe Lacher to all Pay Grade six managers and IMC managers in Florida emphasizing the terms of the agreement and each manager's responsibility in living up to that agreement.
- M: Handouts from Southern Bell Ethics Awareness workshop.
- N: Timeline for Ethics Implementation Plan.
- O: 1993 Sun Scriber editorial schedule for Ethics Information.
- P: Copy of the the "Contents" page of the Sun Scriber. The employee hotline number appears in every issue.

INFORMATION PROVIDED BY: Court Lantaff
150 West Flagler Street
Miami, Florida

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-21

ETHICS OBSERVATIONS

FLORIDA CENTRALIZED OBSERVING UNIT SUMMARY

WEEK _____ RES _____ BUS _____ COLL _____

MANAGER UNIT _____

TOTAL NUMBER OF OBSERVATIONS _____

CONTACT PERFORMANCE SCORINGS

- 1: MANNER & PROFESSIONALISM _____
- 2: COMPLETE INFORMATION _____
- 3: ACCURATE INFORMATION _____
- 4: EFFECTIVE APPROACH _____
- 5: RECAP _____
- 6: CORRECT CLERICAL ACTION _____

TOTAL NUMBER OF BREAKDOWNS _____

SALES NEGOTIATION BREAKDOWNS

- 1: DEVIATED FROM PROCEDURES _____
- 2: QUESTIONABLE SALES TECHNIQUES _____
- 3: ADDED SERVICE WITHOUT NEGOTIATION _____

TOTAL NUMBER OF BREAKDOWNS _____

BRIDGING OPPORTUNITY _____ NEEDS BASED PROPOSAL OPPORTUNITIES _____

BRIDGED _____ NEEDS BASED PROPOSAL USED _____

SPECIAL STUDIES

TYPE	SUMMARY
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

FLORIDA CENTRALIZED OBSERVING TEAM OVERVIEW

General: As a company, we know in order to compete effectively we have to provide not just good service but superior service. We must constantly strive for quality and find ways to search it out. To do that we have established a Centralized Observing Team.

Purpose: The purpose of the team is to conduct random observations throughout the state to insure that the customer in Florida is receiving the quality service he/she would want to receive. We will be determining if this service is provided in a courteous, helpful, knowledgeable and ethical manner.

Method: Florida's Centralized Observing Team will consist of Assistant Managers from throughout the state representing Residence (RSC), Business (BSC) and the Collections (RCC) disciplines under the direction of a team leader from the Florida Customer Services Staff Quality Assurance Module.

Team members are normally assigned for a 1 week period. The assistant manager conducts the contact evaluation as s/he would normally. The team will be looking for all aspects of service such as:

- Courtesy
- Accuracy
- Overall Call Handling
- Bridging/Sales Techniques

In order to ensure uniformity all team members will be provided guidelines for contact recording, scoring contact performance defects, and identifying and reporting occurrences of possible ethics deviations or customer abuse. Additionally, at the beginning of each observing week, the team leader will conduct a conference call of all observers to review procedures, advised of special studies and answer questions.

CONTACT SAMPLE CRITERIA The goal is to observe on 20% of available contact personnel weekly, with observations being taken throughout the week. Each observer will be provided with a minimum number of observations needed by office. This number will be adjusted quarterly to reflect existing force levels.

FLORIDA CENTRALIZED OBSERVING TEAM OVERVIEW

REPORTS AND TRACKING The following reports will be provided as indicated.

CENTRALIZED OBSERVING TEAM RESULTS Weekly results of total number of calls and routine contact scorings observed. Sales observations totals are tallied with sales negotiation deficiencies summarized by category. Bridging and Needs Based proposal results are also provided. Reports are distributed monthly at state, district and manager level to the General Manager, Operations Managers and Managers. The state report is also provided to the Vice-President - Customer Services and State Vice-President.

MANAGER UNIT SCORINGS Details by manager unit of specific contact deviations observed. Account information and representative name will not be provided. This report is provided to the affected unit Manager.

CONTACT RECORDING GUIDELINES

RECORDING THE OBSERVATION

The special centralized observing observation form should be used to record all contacts. The first section of the form provides a place to record the manager unit observed, observer name, date, time and representative observed.

CONTACT TYPE Check category of contact observed. Based on the content of the contact, multiple categories may be tallied. Attachment A provides a brief description of each category.

CONTACT PERFORMANCE SCORINGS Tally observed breakdowns, using existing contact performance standards.

SALES NEGOTIATION BREAKDOWNS Tally breakdowns in sales proposing and/or negotiating. See Attachment B for explanation of categories and illustrative examples.

REVENUE GENERATION Tally whether or not the contact presented an opportunity to bridge and if an attempt was made. Tally whether or not the contact was a sales opportunity and if a Needs Based sales proposal was made.

ACCT #/SHAK # Enter the telephone number of the account(s) discussed. Enter the SHAK number of orders issued or updated.

EXCEPTIONAL SERVICE Contacts observed that were truly outstanding should be noted here. These would be those contacts where, in the observers opinion, the representative provided exemplary service. Did the rep go above and beyond the customer's stated request and truly "DELIGHT" the customer?

BREAKDOWNS A brief description of each breakdown scored is to be entered here using standard contact scoring criteria. Example; an Accurate Information breakdown will carry the explanation "(1) Rep gave wrong amount of bill."

NOTES The NOTES section of the Contact Evaluation form is used to record the contents of the call. Sufficient information should be recorded to support the contact scorings assigned. The back of the form or additional sheets may be used as needed.

The centralized observing team is conducting service management observations, consistent with the Communications Workers of America and BellSouth Corporation 1986 Memoranda Of Agreement governing monitoring activities. Under these guidelines, routine identified deficiencies, scorings, job defects, etc are not referred to affected contact personnel or their district. The attached memo, OBSERVER GUIDELINES FOR CONTACT REFERRAL provides information on the exception to these guidelines as well as instructions for handling. Please read carefully. Contacts that have been referred because of possible ethics

CONTACT RECORDING GUIDELINES

deviations or customer abuse should have enough information recorded, the more the better, to accurately recreate the events of the call. These should be flagged by writing "REFERRAL" in red on the top of the contact.

SPECIAL STUDIES Periodically the COT is asked to focus on problem areas, implementation of new procedures, specific contact handling practices, etc. This information should be recorded in the SPECIAL STUDIES section. Special studies are assigned on a weekly basis and will be covered in the weekly conference call prior to the start of the observing week.

Finally, the overall contact should be reviewed to determine if the GOAL standard has been met.

SUMMARIZING THE OBSERVATION SESSION At the end of the observing week, the contacts observed for each unit should be summarized using the provided form.

The top section of the form provides space to record the discipline, week, and manager unit observed.

CONTACT PERFORMANCE SCORINGS Total the scorings for each category.

SALES NEGOTIATION BREAKDOWNS Total the breakdowns in each sales category. The actual defect, Complete Information, Accurate Information, etc, will also be counted as a Contact Performance Scoring.

BRIDGING OPPORTUNITY/BRIDGED Enter the total number of contacts that presented an opportunity to bridge and the number bridged. These would not include contacts, such as N and T orders, that are normally considered to be sales opportunities.

NEEDS BASED PROPOSAL OPPORTUNITIES/USED Enter the total number of all contacts (orders issued, bridge opportunities and attempts, etc) that presented an opportunity to use Needs Based sales techniques and the total number of times used.

All summarization forms with original contacts attached should be mailed to the team leader by Tuesday following the week of observing.

The current team leader is:
Wanda Lewis
20EE1
301 W. Bay St.
Jacksonville, FL 32202

RECORD RETENTION PERIOD Observations that are referred because of ethics deviations or customer abuse will be retained in a permanent file in the state staff office. All other observations will be retained for a period of 3 to 6 months.

ATTACHMENT A

CENTRALIZED OBSERVING CONTACT CATEGORY

ORD(NSO) ORDER CONTACT - NO SALES OPPORTUNITY Order contact did not include any sales discussion and/or negotiation of optional services. (This would include D, F, some C and R.)

ORD(SO) ORDER CONTACT - SALES OPPORTUNITY Order contact included sales discussion and/or negotiation of optional services.

SA SALES ATTEMPT Non - order contact that included some type of sales attempt of optional services. (Includes bridge attempts. A Sales Attempt may be tallied in addition to another contact category.)

POI PENDING ORDER INQUIRY Contact regarding a pending order.

BILL Contact regarding billing matters, excluding tolls.

TOLL Contact regarding toll charges.

LIVE IN

FINAL IN Calls concerning past due active or final accounts.

MISC MISCELLANEOUS Calls that do not fall in one of the above categories.

N/C NO CREDIT Calls that could not be handled by the contact rep. Would included transfers to other departments, wrong numbers, personal calls, etc.

ATTACHMENT B

SALES NEGOTIATION BREAKDOWNS

This is a separate tally of any observed deficiencies in the sales proposal and/or negotiation process. Breakdowns here will also be reflected in the normal CSE categories of Complete Information, Accurate Information, Effective Approach, etc.

(The examples provided for each category are representative and are not to be considered all inclusive.)

ADDED SERVICES WITHOUT NEGOTIATION

Feature or Service was added with NO discussion, no rate quoted and/or no agreement obtained from the customer. Includes issuing order with features/services customer advised did not want.

OBSERVED OCCURRENCES OF ADDING SERVICES WITHOUT NEGOTIATION WILL BE CONSIDERED AN ETHICS DEVIATION AND REFERRED TO THE APPROPRIATE OPERATIONS MANAGER.

QUESTIONABLE SALE TECHNIQUE

Feature or Service added without full discussion, there may be some question as to what the customer understood and sales approach is not in adherence with approved sales practices. Includes, but is not limited to;

- Quickclose
- Assume the sale
- Using "same services" phrase.
- Asked if using TT set

DEVIATED FROM PROCEDURES

Feature or Service was added with full customer knowledge and a rate was quoted but the method used did not follow established guidelines and procedures, including full disclosure requirements. The sales method used could cause some misunderstanding. Includes, but is not limited to;

- Deducting MFDP credit before quoting rate
- Fail to quote non-recurring and/or monthly rate
- Quoted incorrect monthly rate.

OBSERVER GUIDELINES FOR CONTACT REFERRAL

Several recent memos and policy letters have been distributed clarifying expectations on how our services are to be offered and negotiated. These provide clear guidelines for the ethical handling of customer contacts, both Universal and Collections. Failure to follow these guidelines during any customer contact will indicate a need for further investigation.

Established guidelines for the appropriate handling of a customer contact also provide the criteria for the designation of a charge of severe customer mishandling or customer abuse. This may result when a service rep has mishandled the call by cutting the customer off, transferred to another department without advising the customer or has been so extremely rude and unprofessional that the customer reacted unfavorably or commented on the rep's behavior.

Observations that include either of the above situations are the exception to the normal handling of contacts taken by the Centralized Observing Team.

Upon observing a call that is considered to contain either a possible ethics deviation or an occurrence of gross customer abuse, the contact should be referred immediately to the Centralized Observing Team leader.

Complete details should be provided, including the reps name, time of call, account information, order # and as much call detail as is needed to accurately reconstruct the events of the contact.

NOTE: The initial judgment of a deviation from ethical policies or a customer abuse occurrence has to be made by the observer based solely on the content of the recorded conversation between the rep and the customer and a review of the customer account and/or order. Because of various reasons, this maybe a confusing or difficult decision. Instances that appear to be unclear should be discussed with the team leader and a joint decision made.

As information, the team leader will review the information provided, including BOCRIS memo notes, order information, etc. Copies will be obtained and held in a permanent reference file, along with the original notes from the call with the observer and the original contact recording sheet. Details of the occurrence will be referred by the Centralized Observing Team leader to the Operations Manager of the service rep implicated. In the absence of the OM the appropriate Manager will be contacted.

CENTRALIZED OBSERVING REFERRAL PROCEDURES

To establish a common ground for the uniform handling of observations referred by the Florida Centralized Observing Team the following procedures should be adopted in each district.

BREAKDOWNS REFERRED Routine contact performance breakdowns are not referred. Reports will be provided by district of the nature of breakdowns observed, however, service rep name and account information will not be provided.

The exceptions will be:

- <CATEGORY 1> Observations that indicate a failure to follow established ethical customer contact performance guidelines.
- <CATEGORY 2> Observations that indicate severe customer mishandling.

Contacts that contain the above deficiencies will be referred to the district.

PROCEDURES FOR REFERRAL The observer will refer the contact to the Centralized Observing team (COT) leader as soon as possible after the call is recorded. Complete details are provided, including the reps name, time of call, account information, order # and as much call detail as is needed to reconstruct the events of the contact.

The COT leader will review the information provided, including BOCRIS memo notes, order information, etc. Copies will be obtained and held in a permanent reference file, along with the original notes from the call with the observer and the original contact recording sheet.

Details of the occurrence will be referred to the Operations Manager of the representative implicated. In the absence of the OM the appropriate Manager will be contacted. The initial referral will be by telephone with a Centralized Observing Referral Form being forwarded via E-Mail to the OM.

DISTRICT RESPONSIBILITIES Upon receipt each referral should be reviewed to determine the action indicated. The decision to initiate further investigation or to take immediate disciplinary action should be made in consultation with Area Personnel, and Security as appropriate. All investigation and action taken is to be documented by the district and retained in a permanent file.

Within thirty (30) days of referral a final report should be returned to Centralized Observing using the response form provided. The report should contain a complete overview of the all action taken by the district.

All information provided will become part of the permanent file maintained by the state Centralized Observing staff.

CENTRALIZED OBSERVING REFERRAL FORM

(1) CE-B-01-01

(2) RFRL CAT :
 (3) DISTRICT :
 (4) UNIT :
 (5) OBSERVER :
 (6) DATE :
 (7) REP :
 (8) TEL # :
 (9) SHAK :
 (10) REFERRED TO :
 (11) RESPONSE DATE :

(12) SALES NEGOTIATION SCORING DETAILS Specific information from the observed contact is provided to support the referral. The services added, discussion with the customer and any other information that may be relative to the referral.

INSTRUCTIONS FOR COMPLETION

- (1) CONTROL NUMBER Consists of the initials for the district, the observing week the deviation occurred, Residence or Business in districts with both disciplines, consecutive number of referrals for district.
 example: CE-B-04-01. The Central district, business, week 04 of observing, the first referral for this district.
- (2) Category the type of referral. (1) Indicates a referral because of a possible ethics deviations. (2) Indicates a referral because of severe customer mishandling.
- (3) DISTRICT The district being observed.
- (4) UNIT The unit being observed.
- (5) OBSERVER The team observer who recorded the contact.
- (6) DATE The date the contact was recorded.
- (7) REP Identifying information on the observed rep. Name, BOCRIS ID, DOE initials, etc.
- (8) TEL # The customer account number(s) discussed during the contact.
- (9) SHAK # The order reference number issued or discussed.
- (10) REFERRED The Operations Manager and/or Manager who received the referral and the date given.
- (11) RESPONSE DATE The date a close-out or interim report is due.
- (12) SALES NEGOTIATION SCORING DETAILS See above.

CENTRALIZED OBSERVING REFERRAL RESPONSE

CONTROL # : _____
 DISTRICT : _____
 UNIT : _____
 DATE REFERRED : _____
 REP : _____
 RESPONSE PREPARED BY : _____

DISTRICT INVESTIGATION Provide information on any investigation conducted by the district, including discussion with the customer, discussion with Personnel, additional observations, etc. _____

EMPLOYEE DISCUSSION Provide details of any discussion with affected rep. _____

DISCIPLINARY ACTION Provide reason and type of any disciplinary action taken. Also indicate any labor action completed or pending as a result of action taken. _____

OTHER ACTION TAKEN Provide information on any type of corrective action, individual or unit, taken as a result of original or subsequent observations. _____

SUMMARY Provide additional information as appropriate. Include recommendation to close out referral or to continue additional investigation. _____

OBSERVATION MINIMUM WEEKLY QUOTA BY UNIT

BUSINESS

JAX BSC - 10 (Droste)
 ORL BSC - 11 (Droste)
 BRWD BSC - 21 (Lusthaus)
 MIA BSC - 20 (Bednar)
 62

COLLECTIONS

MIA 1 - 13 (Dardick)
 MIA 2 - 13 (Castaneda)
 MIA 3 - 13 (Guariglia)
 BROW - 19 (Sisolak)
 JAX 1 - 12 (Clemons)
 JAX 2 - 12 (Adams)
 ORL - 13 (Short)
 WPB - 11 (Roberts)
 106

RESIDENCE

MIA 1 & BILI - 10 (Calas)
 MIA 2 - 8 (Ind)
 MIA 3 - 9 (Pokora)
 MIA 4 - 11 (Marin)
 MIA 5 - 11 (Jugo)
 MIA 6 - 11 (Carabello)
 JAX 1 - 13 (Young)
 GNSVL - 8 (Crawford)
 PAN CTY - 6 (Jett)
 PNSC 1 - 7 (Bordelon)
 PNSC 2 - 7 (Jett)
 ORL - 15 (Rogers)
 M. ISLAND - 7 (Bergdoll)
 DAY - 7 (Karssen)
 FT PR - 10 (McCarthy)
 SE RES 1 - 8 (Jarriel)
 SE RES 2 - 8 (Davis)
 SE RES 3 - 8 (Graham)
 SE RES 4 - 11 (McNamara)
 SE RES 5 - 11 (Woodbury)
 SE RES 6 - 11 (Kolb)
 197

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-22

SERVICES ADDED WITHOUT NEGOTIATION

SRS WHO ADDED SERVICES WITHOUT NEGOTIATING

LOT	ORD	SERVICES	ERROR	COMMENTS	1900	1901	ENTITIES
TYPE	TYPE	NEGOTIATED	TYPE		APPR	RESULTS	
1	N	IFR, TT, of wrg.	1,4,5	Customer in error instead of SR. SR asked if he wanted same svc and verified some - he said Yes. SR added BEQ did not have previously. SR did not negotiate BEQIX added to order.	S	MS/S	Sales Sales
2	N	IFR, TT, of wrg.	1,5	SR did not negotiate BEQIX added to order.	NA	MS/MS	
3	N	IFR, of wrg.	1,4,5	SR did not negotiate BEQIX, TTR added to ord, did not quote rates.	MS	MS/MS	
4	N	IFR, of wrg.	1,4,5	SR did not negotiate TTR, BEQIX added to order.	S	MS/MS	
5	N	IFR, TT, of wrg, of rtr	1,4,5	SR did not negotiate BEQIX, added to order.	MS	MS/MS	
6	N	IFR, TTR, NPJ	1	SR did not negotiate BEQIX w/customer added to order.	MS	MS/MS	
7	N	IFR, TTR, TTR	1,4,5	SR did not negotiate BEQIX w/customer added to order.	MS	MS/MS	
8	N	IFR, TT, of wrg, of rtr	1,4,5	SR did not negotiate BEQIX, added to order.	MS	MS/MS	
9	N	IFR, TTR, NP, 3 way, of wrg, of rtr	1,4,5	SR did not negotiate BEQIX, added to order.	MS	MS/MS	
10	N	IFR, NP, TT, EXX	1,4,5	SR did not negotiate BEQIX, added to order.	NA	MS/MS	
11	N	IFR, call waiting	1,4,5	SR did not negotiate BEQIX, added to order.	MS	MS/MS	
12	N	IFR, of wrg, 3 way	1,4,5	SR did not negotiate BEQIX, added to order.	MS	MS/MS	
13	N	IFR, TTR, of wrg	1,4,5	SR did not negotiate BEQIX, added to order.	NA	MS/MS	
14	N	IFR, TTR, BEQIX	1,4,5	SR added 4 CCS lms - didn't discuss; quoted total mo. rate for all svcs. SR did not negotiate BEQIX, added to order; no rates quoted no verification. SR used 2 other ord recently placed as basis for sale. SR said the other ord had 2 lines & of wrg do you want the same svc. cust said "no, just line". SR added TTR/BEQIX; did not quote rates, did not verify svc order.	MS	MS/MS	
15	N	IFR, call block	1,4,5	SR did not negotiate BEQIX, added to order.	MS	MS/MS	

TOTAL NUMBER OF SRS: 15

* updated orders
X verify that services not negotiated were not ordered

ERROR TYPE LEGEND:

- 1-Service added to orders that were not negotiated with customers.
- 2-TF orders where SR puts all or some services from F on T without negotiating with customers.
- 3-TF where SR obtained customers concurrence for retaining F service at T location.
- 4-Rates not quoted (either all or part of monthly/BCC charges)
- 5-No order verification (no partial/complete verification)
- 6-MemoryCall options (features) were not negotiated individually; presented as a package.
- 7-Customer had to ask SR for rates
- 8-Order not found
- 9-Used "quick sale" technique
- 10-SR did not close sale/gain customer's agreement to buy (quoted rates at end)
- 11-Agreed to waive SCC charges in error.
- 12-Language barrier

1900 APPRO: reflects overall quality results; NA indicates not available Internal Auditing records.
1901 RESULTS: reflects % ICQ results first and actual sales results for 1st 6 mos of 1991.
ENTITIES: Reflects both Internal and formal entities.

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-23

QUESTIONABLE TECHNIQUES USED

SFS WHO USED QUESTIONABLE TECHNIQUES

TOT ORD SERVICES	ERRON TYPE	COMMENTS	ERRON	ENTRIES
1	1FR	1FR, OCP, 800 PK, BEQIX, TTR	2,4,6	M3 M3/M3 (6 mo app)
2	1FR		2,4,6	M3 M3/M3 (6 mo app)
3	1FR, TTR, BEQIX, NPU		4,8	M3/M3
4	1FR, TTR, BEQIX, d/wig, CREX 4		2,4,6	M3 M3/M3
5	1FR, d/wig, 3way		2,4	M3/M3 1-6LB
6	1FR, TTR, BEQIX		4,8	M3/M3 1-6LB
7	1FR, d/wig, TTR, BEQIX, add line-1FR		2	M3/M3
8	1FR, call return		2,4,6	M3/M3
9	1FR, TTR, BEQIX		8	M3/M3
10	1FR, TTR, BEQIX		8	M3/M3
11	1FR, NPU, d/wig, 3way, add d/l, TTR, BEQ		2,4,6	M3/M3
12	X no order (question M3C service)		11	M3/M3
13	+ update ord w/dsp receipt #, d/wig		12	M3/M3
14	1FR, TTR, BEQIX, MemoryCall		2,4,6,8	M3/M3 1-6LB
15	1FR, TTR, BEQIX, RM, d/wig		2,4,6	M3/M3
16	1FR, TTR, BEQIX, RM, d/wig		2,4,6	M3/M3
17	1FR, TTR, BEQIX, RM, d/wig		8	M3/M3
18	1FR, NPU, d/wig		10	M3/M3
19	1FR, d/wig, d/lm		2,4	M3/M3
20	1FR, d/wig		2,4,6	M3/M3
21	N (same as F evos plus of fwd)		4,6	M3/M3

TOTAL NUMBER OF SFS: 21

1899/APPD - reflects overall quality results; NA indicates not available internal auditing records.

1891/OLTA - reflects % KOQ results for 1st 6 mos of 1991.

ENTRIES - reflects both internal and formal entries.

+ updated orders
X verify that services not negotiated were not ordered

ERRON TYPE/LEADS:

- 1- Services added to orders that were not negotiated with customers.
- 2- 1FR orders where BFT puts all or some services from F on T without negotiating with customers.
- 3- 1FR where BFT obtained customers concurrence for retaining F services at T location.
- 4- Flakes not quoted (either all or part of monthly/BOC charges)
- 5- No order verification (no partial/complete verification)
- 6- MemoryCall options (features) were not negotiated individually; presented as a package.
- 7- Customer had to ask BFT for rates
- 8- Order not found
- 9- Used "quick sale" technique
- 10- BFT did not close existing customer's agreement to buy (quoted rates at end)
- 11- Agreed to waive BOC charges in error.
- 12- Language barrier

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EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-24

DEVIATED FROM PROCEDURES

EXHIBIT NUMBER _____

DOCKET NO. 900960-TL

OPC WITNESS: POUCHER

REP-25

**FLORIDA SALES AUDIT
OCTOBER 31, 1991**

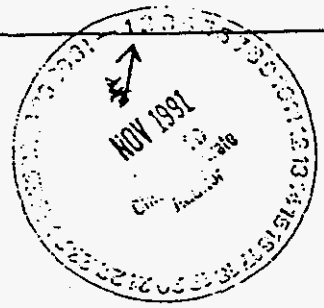
03209202902-0022

Internal Audit Report



Southern Bell
A BELLSOUTH Company

B. R. Easterling
General Internal Auditor
October 31, 1991



Southern Bell Center
Room 19S85
Atlanta, Georgia 30375
Phone (404) 529-8517

TO: See Attached Distribution List
FROM: B. R. Easterling
Director - Internal Auditing
BellSouth Telecommunications
COPY TO: See Attached Distribution List
SUBJECT: F10-24-34-A-SAF

We have recently completed an audit of Sales Award Programs - Customer Services in Florida. This report contains significant adverse findings.

Please provide copies only to those who will develop and implement corrective action. We would appreciate a written reply, as indicated on the attached distribution list, to this audit by December 2, 1991, advising us of the corrective action you have taken or plan to take, including anticipated implementation dates. The implementation dates furnished will provide guidance as to when the auditor will follow up on the corrective action taken. Please refer to the above audit reference number in your reply.

B R Easterling

Director - Internal Auditing

Attachment

BCC: V. E. JARVIS

Notice: Not for use or disclosure outside BellSouth Companies except under written agreement

F01A01Z15335

DISTRIBUTION LIST - TO:

J. B. Barnes
Assistant Vice President-Labor Relations, Safety & QWL
BellSouth Telecommunications
(Reply to Finding 1)

W. G. Dresser
General Manager - Customer Services (Florida)
BellSouth Telecommunications
(Reply to Findings 1, 2, 3, 4 & 5)

S. J. Razor, Jr.
Assistant Vice President-Human Resources Dev. & Compensation
BellSouth Telecommunications

C. D. Whatley
Director - Customer Services Staff
BellSouth Telecommunications
(Reply to Findings 1, 2, 4, 5 & 6)

DISTRIBUTION LIST - COPY TO:

J. G. Butler
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J. B. North

Internal Audit Report**Southern Bell**

A BELLSOUTH Company

SALES AWARD PROGRAMS - CUSTOMER SERVICES

F10-24-34-A-SAF

BST-Customer Information Services, Customer Services/Staff,
Development & Compensation, Human Resources,
Labor Relations, Safety & QWL, Personnel Operations

SEPTEMBER 1991

INTRODUCTION

Customers call Service Representatives (SRs) in the Customer Sales and Service Centers (CSSCs) to order new telephone service, change existing service and to place billing inquiries. In addition to processing these requests, SRs negotiate the sale of various services using a needs based approach. Quality of sales and service is measured against established objectives to ensure customer satisfaction is maintained and revenue is maximized. The CSSCs represent a viable revenue stream; through July 1991 SRs in the state of Florida have generated \$47 million or 60% of the year to date commitment of \$79 million.

Actual sales results are derived from CRIS service order completions as tracked on the Customer Services Sales Persons Report (2011A). Sales award programs are established for the purpose of recognizing sales performance. The current program entitled "Freedom to Choose" (FTC) provides for the distribution of awards in the form of gift certificates to both management and non-management employees who meet established criteria.

Portions of the scope of this audit were addressed in three audits conducted in SCB - one in 1988 rated significant adverse findings, a reaudit in 1988 and an audit in 1990 rated as satisfactory with findings; there were three conducted in SBT - one in 1989 and a reaudit in 1990 rated as satisfactory with findings and an audit in 1990 that was rated significant adverse findings.

SCOPE

The purpose of this audit was to determine if controls to ensure the validity of sales and administration of sales award programs

-2-

existed and were adequate in the state of Florida. Controls over service quality were also evaluated due to their correlation with controls over sales.

Two tests were designed to validate sales. In the first, a statistical sample (designed to produce a confidence interval of $\pm 3\%$ around an estimated error rate of 2%) of 80 SRs was selected from a base of 1900 in the state. Service orders for the months of August and September 1990 that were completed by SRs in the sample were extracted from the Posted Activity File (0121E8W). This information, along with a script and procedures, were provided to the Direct Marketing Center (DMC) in Atlanta. The DMC contacted 30 customers per SR in the sample to determine if they were aware of placing orders and of the services ordered. In the second test, Internal Auditing remotely observed a total of 330 contacts between customers and SRs on a random basis during the months of May through July. (See Attachment D). Negotiation of various order types was the primary focus, although several non-order type contacts were included. The pending service orders issued by the SRs observed were then compared to the services negotiated with customers to ensure orders were issued as negotiated.

Bills were pulled for all accounts associated with observed contacts of 15 SRs who added services without negotiating and 21 SRs (5 of whom were also included in the 15) who used questionable techniques. Interviews were conducted with the Customer Services Staff and 20 field managers to determine if reviews of sales and service were performed. Employee records for a sample of 40 SRs, including the 31 SRs mentioned above were obtained and examined to determine if reviews were being conducted, if problem areas had been identified, if disciplinary action had been taken and if appropriate training had been administered. The existence of review procedures was determined and procedures were evaluated for adequacy. Sales training was reviewed for adequacy. Existing procedures for mailing letters and brochures to customers was evaluated for effectiveness.

A judgmental sample of 100 1990 and 1991 sales award plans/addendums were reviewed to ensure compliance with Company policy. Controls over award budgets were analyzed. Visits were made to 13 units for the purpose of reviewing controls over administration of award plans. The existence and adequacy of procedures for maintaining an audit trail for awards was determined.

SUMMARY OF AUDIT RESULTS

The testing performed by the DMC revealed that one SR had questionable results. This information was provided to the General Manager - Customer Services via management letter. The sales training, entitled Customer Centered Sales & Service (CCSS) was

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adequate and Initial Training (IT) and sales training was administered to all SRs sampled. Reviews to ensure CCSS techniques were being utilized were conducted by state staffs as well as Headquarters staff, who conducted informal work-with sessions in connection with the sales certification program, entitled ProCCSS. Sales award plans were prepared and approved in accordance with Company policy. Controls over the award budget were adequate. However, it should be noted that the mechanized report, Keep Cost Ledger (KC16), currently used to track by individual plans, is not adequate. This has been addressed in several audits, as well as by Customer Services and Human Resources. Human Resources is currently coordinating the development of an effective tracking mechanism. Administrative controls over award plans are generally effective. This audit contains significant adverse findings and requires the attention of management. Controls for detecting improper sales need strengthening. Procedures for negotiating service orders were not always followed. Standards for the quantity of evaluative observations were not consistently administered. Procedures for maintaining supporting documentation of award winners were inadequate. Controls over calculations of sales objectives and award allocations need improvement. Controls for confirming services ordered with customers were inadequate.

FINDINGS

1. CONTROLS FOR DETECTING IMPROPER SALES NEED STRENGTHENING.

The Service Observing Memorandum agreed upon by the Union and the Company in 1986 states that observations of contacts between customers and SRs taken for evaluative purposes must be performed with a light on so that SRs are aware that management is observing. Diagnostic observations, usually conducted for development or training purposes, are to be performed directly with the employee or with prior notice to the employee, if performed remotely. Service management observations are to be taken only for the purpose of evaluating office conditions and are not to be used for evaluating individual performance. It is not necessary to notify employees when these observations are to be conducted. "No employee will be disciplined as a result of such observations except for gross customer abuse, fraud and violation of secrecy of communications." (Service Observing Memorandum page 5). Employees are expected to have integrity when dealing with customers.

- Of the 246 SRs who were remotely observed, 15 (6%) added services on 24 service orders that they did not negotiate with customers. (see Attachment A). In some instances, more than one occurrence per SR was identified. Audit test results indicate that this conduct was intentional.
- Of the 246 SRs, 21 (9%) used questionable techniques when negotiating orders with customers. (See Attachment B). In

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some instances, more than one occurrence per SR was identified. Audit test results indicate that conduct may have been intentional, however, this conclusion may not be absolute based on the individual observation documentation. Five of the 21 SRs also added services without negotiating and are included in the total of 15 SRs above.

- A review of performance results on the 31 employees listed above indicated that during the first 6 months of 1991, 25 (81%) were rated satisfactory and above, with 10 of these rated more than satisfactory in both sales/service; and six (19%) were less than satisfactory in either sales/service. Six SRs had informal/formal entries made with only 2 (6%) for questionable sales integrity. In addition, in the 20 units reviewed, there were numerous entries documented for 1990 through August 1991. There were only 12 SRs with entries for questionable sales integrity documented during that 20 month period. Observations taken during the audit identified 15 cases of questionable sales integrity over a three month period. Since observing was conducted from a remote location, it was not known when the light was on or off in the units being observed.
- Field management conducted evaluative, diagnostic and service management observations on a regular basis. Interviews with managers revealed that there have been occasions where they have detected improper sales during service management observations. However, in many instances SRs are aware that managers are conducting service evaluations due to the proximity of observing rooms to the units or by virtue of the fact that managers are not in their offices.

The performance ratings and disciplinary steps identified by field management in connection with results of audit testing indicate that observing with the light on is not effective in detecting improper sales or the use of questionable techniques. Service observing without the light is no longer an effective control if employees are aware it is being conducted. In the absence of an effective control, customers have been billed for services they did not order. It should be noted that this control weakness was addressed in a 1988 SCB audit which was also rated significant adverse findings.

The Florida Customer Services Staff has established a centralized observing group to further monitor the level of service being provided in Florida. This joint effort of staff and line personnel was implemented on September 17, 1991. The HQ Customer Services Staff has implemented a six-point plan as follows:

- A monthly report consisting of results of observations conducted at the local level will now be required.
- They are currently working with Comptrollers in an attempt to establish a FID (field identifier) which will indicate the reason

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for a feature/service disconnect.

- A HQ observing team will be re-instituted to monitor for procedural observance and integrity in the Region.

- Other HQ staff members who are conducting observations in conjunction with their respective work-withs or projects, will follow through on orders to ensure only items sold are formatted on orders.

- An article from J. B. North, Vice President, on sales integrity will be included in the "Applause" newsletter, which is distributed to all Business Office employees in the Region.

- The policy for excluding exception time will be modified to allow adjustments to sales objectives when SRs are off the desk for any reason.

Labor Relations advised the Company is currently restricted to the rules outlined in the Service Observing Memorandum. The possibility of re-addressing this issue in 1992 bargaining will be considered. Additionally, other alternatives, such as instituting a procedure for recording all conversations between SRs and customers, will be explored.

2. PROCEDURES FOR NEGOTIATING SERVICE ORDERS WERE NOT ALWAYS FOLLOWED.

Company service and sales performance standards state specific requirements to be used by SRs during order negotiation. Service Representatives receive in-depth training on these procedures which are reinforced by management through evaluative and diagnostic observations.

Forty seven (17%) of the remaining 279 contacts observed disclosed 78 errors made by SRs during order negotiation. This included numerous failures to quote rates, verify services, etc. (See Attachment C). Of the 41 SRs observed, seven had also added services without negotiating and/or used questionable techniques and are included in finding # 1 above.

This was caused by the failure of SRs to follow procedures and could result in improper billing and customer dissatisfaction.

Corrective action from both the Florida Customer Services and HQ's Staffs for finding 1 above applies.

3. STANDARDS FOR THE QUANTITY OF EVALUATIVE OBSERVATIONS WERE NOT CONSISTENTLY ADMINISTERED.

BellSouth Practice Section 735-800-001SV dated February 1989 provides guidelines for evaluating SRs on sales and service quality as observed on incoming calls. A minimum of 18 evaluative observations should be obtained on each SR quarterly. There are other programs currently in existence that were developed by SBT

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and the SR Forum. These programs require less observations per SR per quarter.

Interviews with managers revealed that they are following the requirement of 18 per quarter for new and less than satisfactory SRs, but follow guidelines for the Known Good Performer (KGP) and Known Excellent Performer (KEP) plans for SRs who are satisfactory and above. The criteria for qualifying a SR as KGP or KEP were not consistent among and in some cases within the Districts. In some Districts, management advised that although quarterly criteria may exist for each plan, discretion was used relative to the number of observations taken. Field management conducted an average of 10 contacts per SR per quarter in the state.

The lack of consistency was due to the fact that the Districts as well as SR Forums had developed or participated in the development of criteria to be used within their individual work groups. This resulted in SRs not being uniformly evaluated.

The Florida Customer Services Staff will send a policy letter from the General Manager to the field to clarify the number of observations required. In addition, SR Forum procedures have been revised so that they may only approve items that affect them locally. Any item with statewide implications must be approved by all Operations Managers and the General Manager.

4. PROCEDURES FOR MAINTAINING SUPPORTING DOCUMENTATION OF AWARD WINNERS WERE INADEQUATE.

There should be an adequate audit trail to support awards allocated to employees.

The Administrative Guidelines developed by the Headquarters Staff for the field outline procedures for maintaining an audit trail. They state that Award Tracking Administrative Binders should include a copy of the award plan, an Award Tracking Sheet per employee, and the Office Deposit Entry Form for each month. The 2011A is to be filed with the SR appraisal. Since plan criteria generally provide for award allocation to the top SRs in a section or unit for the week and month, a copy of the individual 2011A would not substantiate that the award was given to the correct employee. It would be necessary to review/recreate all results for the particular group and specified time period. In the 13 units where documentation was reviewed, Award Tracking Forms, Deposit Entry Forms and plan criteria were generally available, however, seven (53%) did not have supporting data reflecting actual sales results readily accessible or consistently maintained. One of these units did not retain weekly 2011s to support weekly award winners. The other six units used the mechanized 2011A as back-up documentation, with 5 units retaining 2011A result rankings attached to a form used within the District for keeping track of exception time, objectives and winners.

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The lack of a complete and readily accessible audit trail was caused by the absence of a requirement for maintaining this documentation in the Administrative Guidelines. In addition, field management was not using the mechanized 2011A, a relatively new tracking mechanism, to its fullest advantage. The lack of consistency can be attributed to the fact that methods of documenting exception time and adjusted objectives varied among the units/Districts. In addition, diversity of sales objectives and award plan criteria, while appropriate, were contributing factors. Failure to maintain appropriate and complete documentation dilutes the audit trail.

The HQ Customer Services Staff will revise Administrative Guidelines to include the requirement of retaining 2011A ranking results to support award winners. The Florida Customer Services Staff advised that uniformity of standards will be implemented in 1992. Mechanized procedures for performing administrative duties associated with the awarding of prizes will be pursued. Districts that utilize award plan criteria where award winner documentation cannot be supported by the 2011A rankings, will be monitored to ensure that proper documentation is available.

5. CONTROLS OVER CALCULATIONS OF SALES OBJECTIVES AND AWARD ALLOCATIONS NEED IMPROVEMENT.

Service Representatives' approved time away from their desk is excluded from the total hours worked during the month. The percentage of exception time is applied to the sales objective to obtain an adjusted objective for each SR. The adjusted objective is used for computing the percent sales objective met which affects the allocation of awards as well as the SR's appraisal.

During the test to ensure that the audit trail was adequate, computation errors were identified. Therefore, additional exception reports were randomly pulled from various Assistant Manager (AM) sections in the state. Adjustment computations were recalculated to determine if they were accurate. In the five AM sections reviewed, errors were found on 36 (30%) of the 121 recalculated computations. In four of the sections, manual calculations were performed. Fifteen (41%) of 36 errors were due to a misinterpretation of the sales plan criteria. Weekly exception hours were not cumulated when applied to cumulative revenue results for weekly award computations. The adjusted sales objective was, therefore, not calculated accurately. Eighteen (50%) of 36 errors resulted from failure to deduct revenue for "C" orders taking out services within 60 days of installation from total "C" order revenue as required by award criteria. The remaining three errors were mathematical. It should be noted that one section used a mechanized program for adjustment calculations. Although the process differed from the manual method, the end result was accurate.

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These discrepancies were caused by extensive manual calculations being performed and inconsistent methods used for computing exception time, adjusted objectives and results as they relate to award criteria. Of the 28 awards allocated in the AM sections reviewed, 7 (25%) were allocated incorrectly to SRs.

The HQ Customer Services Staff is working to modify the 1992 2011A sales report to allow a download of exception time from MTR for the purpose of calculating adjusted objectives and percentage of objective achieved for each SR sales code. The Florida Customer Services Staff will ensure that errors in allocating awards are corrected. Also, see corrective action in finding 4 above.

6. CONTROLS FOR CONFIRMING SERVICES ORDERED WITH CUSTOMERS WERE INADEQUATE.

Effective April 1991, a regional program for sending letters and brochures to customers who have placed orders was implemented. A thank-you letter is mailed to all new residential and small business customers along with instructional information for certain products. A letter indicating services ordered and instructional information is sent on change orders for specified products.

The procedures did not include confirmation or listing of services ordered on new orders. The letter sent on change orders confirmed services ordered but was not being sent for all services. A letter confirming all services ordered on new orders was previously sent to customers in Florida beginning January 1987 (as a trial) and to all customers effective March 1987. This procedure was replaced in 1989 with regional procedures that produced letters reflecting itemization with no rates for only those services that required a brochure.

The regional procedures for sending letters and instructional information were developed for the purpose of sending instructional information to the customer; itemization of services and rates on bills serves as a confirmation of services ordered/billed. Sending letters to all customers for all services would provide an additional control over customer service and sales and would assist in detecting improper sales. This would be an additional opportunity for customer notification.

The HQ Customer Services Staff coordinated with Customer Information Services to implement the mailing of confirmation letters/brochures to all customers who order services that increase their billing. This was effective on September 6, 1991 for Florida.

AUDITORS

Robin L. Madden
Pamela J. Shepherd

