



Public Service Commission

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COMMISSION
CLERK

DATE: June 21, 2004

TO: Chris Holman, Division of Competitive Markets and Enforcement

FROM: Denise N. Vandiver, Chief, Bureau of Auditing *DNV*
Division of Regulatory Compliance and Consumer Assistance

RE: **Undocketed; Company Name:** Matrix Telecom, Inc. ;
Audit Purpose: Verify accuracy of 2002 and 2003 RAF returns; **Audit Control No.** 04-049-6-1

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to me for distribution. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Judith A. Riley, Regulatory Agent
Matrix Telecom, Inc. (T1299)
2912 Lakeside Drive
Oklahoma City, OK 73120

- CMP _____
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- SCR _____
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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING

MATRIX TELECOM, INC. (TI299)

REGULATORY ASSESSMENT FEE AUDIT

TWENTY-FOUR MONTH PERIOD ENDED DECEMBER 31, 2003

UNDOCKETED

AUDIT CONTROL NO. 04-049-6-1

Robert Freeman

Robert Freeman, Audit Manager

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

June 1, 2004

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Regulatory Assessment Fee Returns for the 24-month period ended December 31, 2003. These schedules were prepared by the utility. The additional regulatory assessment fee liability including interest due as of June 30, 2004 for the 2 year period ended December 31, 2003 was recalculated to be \$169.05 as detailed on the following page.

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

Matrix Telecom, Inc.
 Fee Liability Calculation
 Fees and Interest Due

	<u>2002</u>	<u>2003</u>
Total Revenues Reported	12,310,056.16	8,161,087.79
Florida % of Total Revenues (using Utility State by State Report)	2.0940293%	2.6389940%
	<u>257,776.18</u>	<u>215,370.62</u>
Florida Revenues	257,776.18	215,370.62
Calculated Intrastate Percentage	<u>42.5600553%</u>	<u>31.0145780%</u>
Florida Intrastate Revenues	109,709.69	66,796.29
Less Payments to Other Companies	<u>0.00</u>	<u>0.00</u>
Total Assessable Revenues	109,709.69	66,796.29
Regulatory Fee Assessment Rate	<u>0.0015</u>	<u>0.0015</u>
Fee Due	164.56	100.19
	=====	=====
Monies Paid	64.26	50.00
Date Paid	30-Jan-03	30-Jan-04
Unpaid Fee Due	100.30	50.19
Months interest due (to June 30, 2004)	16	5
Interest Due @ 1% per month	16.05	2.51
Total Due	<u>116.35</u>	<u>52.70</u>
	=====	=====

SUMMARY OF SIGNIFICANT PROCEDURES

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

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

Compiled - The exhibit amounts were reconciled with the reported revenues by account, and accounts were scanned for error or inconsistency.

TELECOMMUNICATION REVENUES: Scanned detailed state-by-state revenue details and compared state-by-state revenue totals to reported company revenue. Recalculated Florida Gross Operating Revenue and Florida Intrastate (Assessable) Revenue. Requested the utility to review the auditor's findings and calculations for errors or omissions. Included disclosure describing how Florida Intrastate (Assessable) Revenue was determined.

DEDUCTIONS – AMOUNTS PAID TO OTHER TELECOMMUNICATIONS COMPANIES: Requested and followed up utility response seeking invoices proving any amounts paid to other telecommunications companies for use of the Florida Intrastate Network. Included disclosure concerning absence of invoices and the utilities election not to seek any deduction.

OTHER: Recomputed regulatory assessment fee liability including associated interest for the 24-month period ended December 31, 2003.

DISCLOSURES

Disclosure No. 1

Subject: "Calculation of Florida Intrastate (Assessable) Revenue"

Statement of Fact: Matrix Telecom, Inc. reported total telecommunications revenue for the total company as \$12,310,056.16 for 2002 and \$ 8,161,087.79 for 2003.

The utility also calculates "state-by-state" revenues which reports revenues by category by state. This state-by-state information is not fully reconciled to the per book revenue information. The state-by-state revenue information totaled \$ 12,526,514.04 in 2002 and \$7,745,011.51 in 2003.

Florida Gross operating Revenue within the state-by-state report totaled \$262,308.87 for 2002 and \$204,390.40 for 2003.

The utility representative reported that the Florida portion of the state-by-state revenue report was the most detailed revenue identification maintained by the utility during the audit period and that a further breakdown of utility revenues was not feasible given the restraints of information available and cost benefits of preparing additional revenue details.

As a result, the auditor determined Florida Intrastate Revenues based upon the revenue categories reported. If a revenue category could include Florida Intrastate Revenue, it was considered assessable.

The Florida Intrastate Revenue found by the auditor within the state-by-state report was \$111,638.80 for 2002 and \$63,390.82 for 2003 (see following page for the detailed calculation).

Recommendation: Since the state-by-state report does not equal total company revenues, assessable revenues should be determined based upon the following method:

	<u>2002</u>	<u>2003</u>
Florida Intrastate Revenue Reported	\$ 111,638.80	\$ 63,390.82
Total State-by-State Revenue Reported	<u>\$ 12,526,514.04</u>	<u>\$ 7,745,011.51</u>
Percentage Florida Intrastate Revenue	.8912200 %	.8184729 %
Total Utility Revenue	<u>\$ 12,310,056.16</u>	<u>\$ 8,161,087.79</u>
Assessable Florida Intrastate Revenue	<u>\$ 109,709.68</u>	<u>\$ 66,796.29</u>

Matrix Telecom, Inc.
 Calculation of Florida Intrastate Revenues Reported

Revenue Category	2003	2002
ALL Access Charge	36.49	
ACC Access charge	3,421.00	12,931.60
BRD Broadband Charges	2,225.00	
CAF Carrier Access Fee	6,363.32	9,801.98
IXC Carrier Charges	12,330.00	
NSF Insufficient Funds	5.00	
MBA Minimum Bill Amount	2,336.40	
MRC Monthly Recurring Charge	8,491.00	40.12
M10 Monthly Service \$10 auto	11.96	
PYP Payphone Charge	92.05	2,897.65
PCB PIC Line Chg - Bus	783.84	1,610.28
SSF Supplemental Surcharge	5,296.48	
STF Switched Toll Charge	910.00	
D1 Switched 1+ Intrastate	11,099.92	
D1 Switched 1 + Intralata	7,346.46	
S8 Switched 800 Intrastate	1,810.00	
S8 Switched 800 Intralata	525.80	
TC Travel Card Intrastate	239.78	
TC Travel Card Intralata	66.32	
0 Intrastate		20,017.84
318 Installation		0.56
BRD Circuit		16,680.01
FIN Finance Charge		318.38
IXC Circuit		29,055.00
L Intralata		6,461.57
LAT Late Payment Fee		1,690.00
LFC Late Fee Credit		(332.88)
Lop Local Loop Charge		1,378.00
LPC Bus ML CHG		136.32
OCH Circuit		1,606.00
PLA WOG03273 Su. FI Prorate		736.27
REC Reconnect Fee		40.00
MOF IECOM LDFEE		6,570.10

Total 63,390.82 111,638.80

Disclosure No. 2

Subject: "Deductions for Payments to Other Companies"

Statement of Fact: Matrix Telecom, Inc. reports that it is a reseller of services, but yet the utility does not claim any deductions for payments to other telecommunications companies for use of the Florida Network.

The auditor requested Matrix Telecom, Inc. to provide any invoices it paid during 2002 and 2003 for use of the Florida Intrastate Network. Any invoices provided supporting these deductions must clearly state that services purchased were for access to the Florida Intrastate Network and otherwise indicate that the vendor providing the services paid regulatory assessment fees to the Florida Public Service Commission on the monies received.

According to the utility representative, the current accounting system for Matrix Telecom, Inc., does not accordingly segregate such charges.

The utility elected not to claim any deductions for 2002 and 2003.

Interexchange Company Regulatory Assessment Fee Return

Florida Public Service Commission

(See Filing Instructions on Back of Form)

STATUS:

- Actual Return
- Estimated Return
- Amended Return

PERIOD COVERED:

01/01/2002 TO 12/31/2002

TI299-02-0-R
 MATRIX TELECOM, INC.
 % Telecom Professionals, Inc.
 2912 Lakeside Drive, Suite 200
 Oklahoma City, OK 73120-2508

FOR PSC USE ONLY

Check# _____
 \$ _____ 06030
 \$ _____ P 0030
 \$ _____ 06030
 \$ _____ 0040
 Postmark Date 2/28/03
 Initials of Preparer JK

Please Complete Below If Official Mailing Address Has Changed

(Name of Company)	(Address)	(City/State)	(Zip)
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LINE NO	ACCOUNT CLASSIFICATION	FLORIDA GROSS OPERATING REVENUE	INTRASTATE REVENUE
1	Long Distance Services	\$ 196,942.93	\$ 27,700.58
2	Access Services	_____	_____
3	Private Line Services	_____	_____
4	Leased Facilities & Circuits Services	_____	_____
5	Miscellaneous Services	_____	_____
6	TOTAL Telephone Services	\$ 196,942.93	\$ 27,700.58
7	LESS Amounts Paid to Other Telecommunications Companies* (see "2 Fees" on back)	(_____)	(_____)
8	TOTAL REVENUES For Regulatory Assessment Fee Calculation	_____	<u>27,700.58</u>
9	Regulatory Assessment Fee Due (Multiply Line 8 by 0.0015)	_____	<u>41.55</u>
10	Penalty for Late Payment (see "3 Failure to File by Due Date" on back)	_____	<u>64.26</u> Previous payment 1/29
11	Interest for Late Payment (see "3 Failure to File by Due Date" on back)	_____	_____
12	TOTAL AMOUNT DUE	_____	\$ 14.26 CREDIT

* These amounts must be intrastate only and must be verifiable.

AS PROVIDED IN SECTION 364.336, FLORIDA STATUTES, THE MINIMUM ANNUAL FEE IS \$50

CURRENT COMPANY STATUS

- () Facilities-Based Carrier Reseller () Call Aggregator
 () Alternate-Operator Service () Reseller () Other _____

BILLING INFORMATION

Complete below if billing agent if other than yourself

(Name) _____	(Address City/State/Zip) _____	(Telephone) _____
What is the total amount of customer deposits collected? Amount \$ _____ for 19 _____	What is the total amount of bond held (if applicable)? Amount \$ _____ Expires _____	

COMPANY INFORMATION

Do you lease telecommunications facilities? () YES NO
 If YES, who do you lease these facilities from? Name _____
 Address _____

I, the undersigned owner/officer of the above-named company, have read the foregoing and declare that to the best of my knowledge and belief the above information is a true and correct statement. I am aware that pursuant to Section 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his/her duty shall be guilty of a misdemeanor of the second degree

Judith A. Riley
 (Signature of Company Official)

REGULATORY AGENT 2/20/2003
 (Title) (Date)

JUDITH A. RILEY
 (Preparer of Form - Please Print Name)

Telephone Number (405) 755-8177 Fax Number (405) 755-8377
 FEI No 75-2332193

TO AVOID PENALTY AND INTEREST CHARGES, THE REGULATORY ASSESSMENT FEE RETURN MUST BE FILED ON OR BEFORE 01/30/2004
Interexchange Company Regulatory Assessment Fee Return

Florida Public Service Commission
 (See Filing Instructions on Back of Form)

STATUS:

- Actual Return
 Estimated Return
 Amended Return

PERIOD COVERED:
 01/01/2003 TO 12/31/2003

TI299-03-0-R
MATRIX TELECOM, INC.
 2912 LAKESIDE DRIVE
 Oklahoma City, OK 73120

FOR PSC USE ONLY
 Check# 17483
 \$ 50.00 0603001
 003001
 \$ _____ P 0603001
 004011
 \$ _____ I
 Postmark Date 1-30-04
 Initials of Preparer LR

Please Complete Below If Official Mailing Address Has Changed

 (Name of Company) (Address) (City/State) (Zip)

LINE NO.	ACCOUNT CLASSIFICATION	FLORIDA GROSS OPERATING REVENUE	INTRASTATE REVENUE
1.	Long Distance Services	\$ <u>96,787.62</u>	\$ <u>13,613.45</u>
2.	Access Services	_____	_____
3.	Private Line Services	_____	_____
4.	Leased Facilities & Circuits Services	_____	_____
5.	Miscellaneous Services	_____	_____
6.	TOTAL Telephone Services	\$ <u>96,787.62</u>	\$ <u>13,613.45</u>
7.	LESS: Amounts Paid to Other Telecommunications Companies* (see "2. Fees" on back)	_____	(_____)
8.	TOTAL REVENUES For Regulatory Assessment Fee Calculation	_____	<u>13,613.45</u>
9.	Regulatory Assessment Fee Due (Multiply Line 8 by 0.0015)	_____	<u>20.42</u>
10.	Penalty for Late Payment (see "3. Failure to File by Due Date" on back)	_____	_____
11.	Interest for Late Payment (see "3. Failure to File by Due Date" on back)	_____	_____
12.	TOTAL AMOUNT DUE	_____	\$ <u>50.00</u>

* These amounts must be intrastate only and must be verifiable.

AS PROVIDED IN SECTION 364.336, FLORIDA STATUTES, THE MINIMUM ANNUAL FEE IS \$50

CURRENT COMPANY STATUS

- Facilities-Based Carrier
 Alternate-Operator Service
 Reseller
 Rebiller
 Call Aggregator
 Other: _____

BILLING INFORMATION

Complete below if billing agent if other than yourself.

 (Name) (Address: City/State/Zip) (Telephone)
 What is the total amount of customer deposits collected?
 Amount: \$ _____ for 19 _____
 What is the total amount of bond held (if applicable)?
 Amount: \$ _____ Expires: _____

COMPANY INFORMATION

Do you lease telecommunications facilities? YES NO
 If YES, who do you lease these facilities from? Name: _____
 Address: _____

I, the undersigned owner/officer of the above-named company, have read the foregoing and declare that to the best of my knowledge and belief the above information is a true and correct statement. I am aware that pursuant to Section 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his/her duty shall be guilty of a misdemeanor of the second degree.

Neta Green Tax Agent 1/28/2004
 (Signature of Company Official) (Title) (Date)
Neta Green Telephone Number 405 755-8177 Fax Number 405 755-8377
 (Preparer of Form - Please Print Name)