

M E M O R A N D U M

December 16, 1993

TO: DIVISION OF RECORDS AND REPORTING  
FROM: DIVISION OF AUDIT AND FINANCE (VANDIVER) *OV*  
RE: DOCKET NO. 920260-TL -- SOUTHERN BELL TELEPHONE COMPANY  
CONTINUING PROPERTY RECORDS COMPLIANCE AUDIT  
AUDIT CONTROL NO. 93-245-5-1)

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

Audit working papers are available for review on request. There are confidential working papers associated with this audit.

Please forward a complete copy of this report to:

\* Southern Bell Telephone Company  
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Museum Tower Ste. 1901  
150 West Flagler Street  
Miami, FL 33130-1556

DNV/sp  
Attachment

cc: (w/o confidential part of audit report)  
Chairman Deason  
Commissioner Clark  
Commissioner Johnson  
Commissioner Lauredo  
Commissioner Kiesling  
Mary Andrews Bane, Deputy Executive Director/Technical  
Legal Services  
Division of Auditing and Financial Analysis (Devlin/Mailhot/Causseaux/  
File Folder)  
Tampa District Office (Bouckaert/Clepper)

Office of Public Counsel

\* A copy of the confidential part of the audit report should be forwarded to the company, along with the non-confidential part.

*Declassified 5/26/94*  
DOCUMENT NUMBER-DATE  
13369 DEC 16 88  
FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

FIELD WORK COMPLETED

DECEMBER 10, 1993

SOUTHERN BELL TELEPHONE COMPANY

MIAMI, FLORIDA

DADE COUNTY

CONTINUING PROPERTY RECORDS COMPLIANCE

DOCKET NUMBER 920260-TL

AUDIT CONTROL NUMBER 93-245-5-1


  
COSTAS PANAGIOTOPOULOS  
AUDIT MANAGER

**Audit Staff**

Leon Cherok

Minority Opinion

Yes \_\_\_ No LC

  
ANN BOUCKAERT  
PUBLIC UTILITIES SUPERVISOR  
TAMPA DISTRICT OFFICE

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

## **I. Executive Summary**

**Audit Purpose:** The procedures described in Section II were used to determine whether the documentation provided supports the Utility's continuous property records (CPR); represents prudent decisions; comply with Commission directives; and that the facts which may influence the Commission decision process, if any, are disclosed.

**Scope Limitation:** The audit exit interview was held by telephone on December 10, 1993. This report is based on confidential information which is filed separately with the Commission Clerk.

**Disclaim Public Use:** This document is an internal report prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties and responsibilities. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce auditing financial statements for public use.

### **Summary Findings:**

1. Many categories of COE Circuit-Other retirement units could not be readily identified, even with the help of knowledgeable SBT employees responsible for the area. ( Disclosure No. 1)
2. Approximately 25% of the plug-in and 37% of the hardwired retirement-unit entries inventoried had either more or less of the unit quantities booked. (Disclosure No. 2)
3. An inventory of probable obsolete equipment revealed that approximately half of the hardwired and plug-in categories were not in use and three of the hardwired categories could not be identified. (Disclosure No. 3)

## II. AUDIT SCOPE

This report is based upon the audit and engineering work described below.

A. Selected nine (9) COE locations in the South East SBT Region on a judgmental basis to verify SBT CPR compliance.

1. Obtained list of "COE-Circuit Other" retirement units for the nine selected locations.

Verified existence of retirement units by performing a physical inventory at each location.

Determined whether each retirement unit was used and useful.

2. Obtained a copy of retirement units for which SBT CPR records list no location or which are labeled "undetailed plant".

Determine central office location such plant is booked under.

Determine if such plant is used and useful.

B. Obtained a list of possible obsolete telephone equipment, selected by the Depreciation Group of the division of Audit and Financial Analysis (AFA), from the SBT CPR records for COE Circuit -Other plant Account.

1. Selected all the locations in the South East SBT Region on a judgmental basis to determine if the equipment listed on the CPR's are in place and are used and useful.

C. Obtained a list of COE Circuit-Other Undetailed Investment, CPR# 040000, (handled by the EDP Group of AFAD).

1. Selected seven CPR entries, on a judgmental basis, to determine type of costs associated with these entries and determine if these costs are supported by company documents.

### III. AUDIT DISCLOSURES

#### DISCLOSURE NO. 1

**SUBJECT:** Retirement Units Not **READILY** Identifiable

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

47 CFR CH I, SUBPART C, 32.2000 Instructions for Telecommunications Plant Accounts, (f), (5) Identification of Property Record Units states " There shall be shown in the continuous property record or in record supplements thereof, a complete description of the property units. The description shall include the identification of the work order under which constructed, the year of installation (unless not determinable per ... 32.2000(f)(4) of this subpart, specific location of the property within each accounting area in such a manner that it can be readily spot-checked for proof of physical existence, the accounting company's number or designation, and any other description used in connection with the determination of the original cost. Descriptions of units of similar size and type shall follow prescribed groupings."

Many categories of retirement units could not be identified by Teams of Public Service Commission (PSC) Engineers and Southern Bell Telephone (SBT) Technicians who worked the inventoried locations, with the descriptions listed on the CPR's. To aid in identifying the plug-in equipment it was necessary to have SBT employees in Jacksonville search the national property record catalog for Human Equipment Category Identification (HECI) codes to positively identify most of the description deficient retirement units.

No specific location within each accounting area was listed in the continuous property records.

#### **OPINIONS:**

SBT was requested (Request 17) and furnished a hard copy of the CPR record for location E0605 (no supplemental reports were included). This report contained the identical information under the description column as the CPR report furnished by FPSC's EDP Group for location E0605 which was used during the inventory. Therefore it can be assumed that the FPSC produced CPR reports for the locations inventoried are comparable to the SBT reports.

Based on the descriptions contained in the CPR reports provided it appears that Southern Bell Telephone Company is not in compliance with Code of Federal Regulations, Subpart C, 32.2000, (f), (5).

Many categories of the retirement units could not be readily identified with the descriptions provided on the CPR records. The

HECI code needs to be added to the description column on the CPR's in order to make a positive identification of the retirement units. Also the continuous property record does not list the specific location (frame, rack, shelf) for each retirement unit for it to be readily spot-checked for proof of physical existence.

**RECOMMENDATIONS:**

Southern Bell Telephone Company should include the HECI code as part of the description of the plug-in retirement units. The specific location within the Central Office area of all retirement units should also be included.

**COMPANY COMMENTS:** The Company may respond at a later date.

DISCLOSURE NO. 2

SUBJECT: Account COE Circuit-Other Inventory Discrepancies

STATEMENT OF FACTS:

Nine locations in the South East SBT Region were inventoried on November 8,11,12, 1993.

The data base which produced the CPR records used for the inventory were as of 10/11/93 for the hardwired and as of 10/13/93 for the plug-in CPR records.

The subaccounts (of CFR Account 2232) audited were FRC codes 57C, 257C, 357C, 457C, 557C, 597C, 857C.

The results of the inventory were as follows:

A. Line Entries of CPR Records

	<u>Total No. Entries</u>	<u>No. Entries W/dscrpncs</u>	<u>% Of Entries W/O dscrpncs</u>	<u>% Of Entries W/dscrpncs</u>
Hardwired	180	68	62.22%	37.76%
Plug-In	693	175	74.75%	25.75%

B. Dollar Amounts Of Discrepancies

	<u>Total \$ Booked</u>	<u>\$ Amt Of Dscrpncs</u>	<u>Percent of Dscrpncs</u>
Hardwired	\$782,813.50	\$187,945.48	24.01%
Plug-In	510,000.00	117,868.37	23.11%

The inventory results include CPR entries labeled Unallocated Costs and Plug-in Other Costs. The Company has not yet reconciled the discrepancies which were found to be both over and under stated during the inventory.

OPINIONS:

Unless the Company can provide documents supporting the Unallocated Costs and the discrepancies found, the dollar amounts listed for hardwired and plug-in discrepancies should be adjusted in the Company books.

RECOMMENDATIONS:

COMPANY COMMENTS: The Company may respond at a later date.



**DISCLOSURE NO. 3**

**SUBJECT: Obsolete COE Circuit-Other Telephone Equipment**

**STATEMENT OF FACTS:**

A list of retirement units thought to be obsolete or un-identifiable by the Depreciation group of the division of Audit and Financial Analysis (AFA) was tabulated from the mechanized files provided by the Company. Locations in the South East SBT Region were judgmentally selected for audit with further limitations to dollars booked in the material and/or the in-place columns of the CPR records.

The list of possible obsolete COE Circuit-Other telephone equipment inventoried consisted of 16 hardwired and 8 plug-in of different types of retirement unit categories.

Seven of the hardwired and four of the plug-in categories were found to be not used at the locations inventoried.

Three of the hardwired categories could not be identified.

**OPINIONS:**

The results of the inventory of the judgmentally selected sample list of possible obsolete items indicate a need for the Company to examine their CPR records and remove all the retirement units that are no longer useful due to technological innovations.

**RECOMMENDATIONS:**

The Company should update their CPR records to eliminate any obsolete retirement units due to technological innovations.

**COMPANY COMMENTS:** The Company may respond at a later date.

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