



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING SERVICES*

Tallahassee District Office

BellSouth Telecommunications, Inc

Continuing Property Records and Associated Retirements Audit

HISTORICAL YEAR ENDED 1997

Docket No. 920260-TL
AUDIT CONTROL NO. 99-126-1-1

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TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	PURPOSE	1
	DISCLAIM PUBLIC USE	1
	SUMMARY OF SIGNIFICANT FINDINGS	2
	SUMMARY OF SIGNIFICANT PROCEDURES	2

**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

February 23, 2000

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the Continuing Property Records (CPRs) and associated retirements of Central Office Equipment (COE) during the historical period 1997 for BellSouth Telecommunications, Inc. (BST). There is confidential information associated with this audit, and there are no audit staff minority opinions.

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.

SUMMARY OF SIGNIFICANT FINDINGS

The Continuing Property Records and associated retirements of Central Office Equipment of BST for 1997 are represented within the utility's books and records and are subject to no disclosures.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by application of judgmental research to certain utility procedures, 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.

Researched the evolution of the BST CPR structure. Established the document chronology for filings before the Federal Communications Commission (FCC) regarding the development of a data structure to contain the detailed continuing property records for central office equipment. Researched the M-295 document of May 1968 which represented the outline of a plan for a mechanized accounting system which would be implemented in order to establish an electronic data processing framework to monitor detailed property records of central office equipment. Obtained a copy of the December 1968 K. Griffith letter (of the FCC) which indicated that the M-295 document meets the requirements of Part 31.

Reviewed the primary corporate procedures related to CPRs and associated retirements.

Researched the PricewaterhouseCoopers' (PWC) audit of BST's internal controls for those activities related to Plant Assets, Depreciation, and Allowance for Depreciation.

Reviewed internal audit reports of BST regarding asset controls and associated retirements. Researched selected BST internal audit work papers for details.

Reviewed the 1997 audit report and the associated work papers of the FCC audit of CPRs of BellSouth Telecommunications, Inc. Identified strengths and weaknesses within the FCC audit in order to minimize risk relative to this FPSC audit. Reviewed the BST responses to the FCC audit of CPRs. Formulated a set of audit strategies for this FPSC audit.

Reviewed BST performance regarding selected COE asset retirements. Researched COE retirements from the detailed continuing property record (DCPR) identification sheets to the DCPR retirement authorization forms and then onto the books and records of BST (as contained within the Asset Management Data Query Reports, General Ledger, and others).