

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: January 16, 2002
TO: Division of Competitive Markets and Enforcement (Buys)
FROM: Division of Auditing and Safety (Vandiver) *W*
RE: Docket No. 010564-TX ; Talk America, Inc. and Access One Communications;
Audit Purpose: Audit RAF returns for 1998-2000 and to investigate customer complaints for the period July 1, 1999 through May 31, 2001;
Audit Control No. 01-295-2-1

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 the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services
Division of Competitive Markets and Enforcement (Harvey)
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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING SERVICES*

TAMPA DISTRICT OFFICE


TALK AMERICA INC./ACCESS ONE COMMUNICATIONS

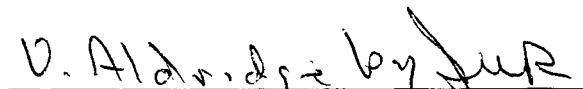
RAF AND CUSTOMER COMPLAINT AUDIT

**RAF THREE YEARS ENDED DECEMBER 31, 2000
CUSTOMER COMPLAINTS AS OF OCTOBER 31, 2001**

DOCKET NO. 010564-TX

AUDIT CONTROL NO. 01-295-2-1


Joseph W. Rohrbacher, Audit Manager


Vincent Aldridge, Audit Staff

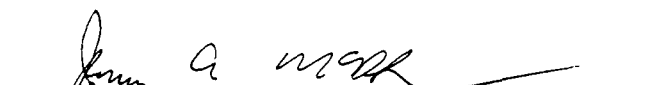

James A. McPherson, Tampa District Supervisor

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

JANUARY 7, 2002

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the 1998 to 2000 Regulatory Assessment Fee returns and to investigate customer complaints for the period June 1 - October 31, 2001 for Talk America Inc. and Access One Communications. There is no confidential information associated with this audit.

This is an internal accounting 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. 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:

While the utility is not in strict compliance with the instructions for preparation of the Regulatory Assessment Fee (RAF) returns, which state that deductions for amounts paid to other telecommunication companies for services must be intrastate only and must be verifiable, Commission policy has allowed percentage of revenue to be used on RAF returns in lieu of actual costs if they are deemed reasonable.

Utility staff was unable to reconcile selected customer bills to approved Commission tariffs.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit of the Regulatory Assessment Fee returns was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination of customer complaints entailed a review of complaints received by the PSC about Talk America, Inc. and related companies. Our more important audit procedures are summarized below.

Regulatory Assessment Fee: Reconciled the 1998, 1999 and 2000 RAF returns to supporting workpapers and records. Recomputed the RAF due.

Customer Complaints: Reviewed prior audits and memos from the PSC staff on work done for complaints received during the period July 1, 1999 to May 31, 2001. Reviewed complaints for the period June 1, to October 31, 2001 to see where problems still exist. Interviewed company employees to determine what the company is doing to correct the cause of the complaints. Monitored telephone conversations of telemarketers and customer service personnel. Listened to recordings of third party verifiers (TPV) for current script and script used in year 2000.

DISCLOSURES:

Disclosure No. 1

Subject: Regulatory Assessment Fee (RAF) Returns

Statement of Fact: Instructions for the preparation of Regulatory Assessment Fee returns state that amounts paid to other telecommunication companies for services must be intrastate only and must be verifiable.

Technologies Management Inc. (TMI) prepares the RAF returns for Talk America, Inc. and Access One Communications. TMI uses a percentage of reported intrastate revenues in determining the amount paid to other telecommunication companies on the RAF returns. TMI stated that it was not provided with carrier costs to deduct and therefore deductions were not taken until it worked out a standard deduction to use. The first RAF return to include a deduction was the semi-annual period from July to December 2000.

Commission staff has allowed percentages of revenue to be used on RAF returns in lieu of actual costs if they are deemed reasonable. The percentages used for carrier cost deductions are 45 percent of intrastate revenue for the interexchange exchange carriers and 77 percent of intrastate revenue for the alternative local exchange carriers. TMI discussed use of these percentages with PSC staff, and they appear to be within the industry range.

Disclosure No. 2

Subject: Customer Billings

Statement of Fact: As part of the audit, randomly selected customer bills were to be analyzed in order to verify that the approved Florida Public Service Commission tariff rates were charged to customers.

Several Talk America, Inc. and Access One Communications bills for the year 2000 were obtained from the company. The auditor was unable to reconcile the charges on the bills to the tariffs received from the Commission, and requested company staff to reconcile the bills to the approved tariffs. The company staff was unable to reconcile these bills as of the audit completion date.

Disclosure No. 3

Subject: Review of Company Procedures/Policies Regarding Customer Complaints

Statement of Fact: As part of our audit of Talk America, Inc., we requested an explanation of the measures taken by the company to address the high number of complaints received by the Florida Public Service Commission. The company responded and we then observed the systems now in place. The following areas were reviewed:

1. Billing - The company addressed its billing problems through the implementation of free IntraLATA calling and other bundled plans, the development of a bill preview system designed to identify billing errors and abnormalities such as bills over an unusual amount (using \$100 threshold) or erroneous or duplicate charges. (Phased in starting March 2001) Additionally, the company recently has completed the testing and implementation of a new automated collections management system (CMS), which is integrated with the company's billing system. (November 2001)

2. Provisioning - We sat with the manager of the provisioning unit at the Palm Harbor office and he took us through the steps involved to put a customer on the system. Talk America uses a private database company, Mantiss, which automatically links the orders to the LECs.

The company stated that Talk America has increased its provisioning staff from 10 persons in September 2000 to approximately 90 persons currently. We requested the company to provide backup for the 90 person staff and were provided a company organization chart supporting the number of employees.

The company also recently has implemented an automated order processing system (OPS) that allows order processing time from placement of an order through service provisioning to be done the same day, although the company uses a two business day window. (Second half of 2001) This system is in the New Hope, PA office and was not reviewed by the auditors.

3. Slamming - The company implemented a monitoring and tracking system for customer complaints called the Regulatory Tracker (November 2001), which it utilizes to adhere to the FCC's new requirements for reporting the number of slamming complaints each carrier receives throughout the calendar year.

4. Other - The company has suspended the issuance of promotional checks in March 2001 and eliminated its marketing arrangement with America OnLine as of October 2001.

Recommendation: Since these procedures have only been implemented recently, it cannot be determined if they will reduce the number of customer complaints received by the PSC. There can be a time lag of six months or more from when the customer first has a complaint against the utility to when they file a complaint with the PSC.

Disclosure No. 4

Subject: Customer Complaints

Statement of Fact: There were 360 customer complaints received against Talk America's four certificated entities for the period June 1, 2001 through October 31, 2001.

Recommendation: Of the 360 customer complaints received, Consumer Affairs determined that 129 were apparent rule violations as shown below:

Apparent slamming violations:	84
Apparent billing infractions:	38
Apparent failure to respond to customer complaints:	7

A majority of the apparent slamming violations seem to be related to the utility's inability to provide proof that customers authorized the change in service. The utility recently (November 11, 2001) changed its Third Party Verifier (TPV) from an Iowa company called ADC to a Salt Lake City, Utah company called Affiliated Computer Services. The utility believes this change of TPVs will help alleviate the production of proof problem.

Many of the billing infractions were related to customers being billed after cancellation of service. The utility's policy when a customer called and requested to have their service canceled was to tell the customer to call their LEC to have the switch made. It did this because it believed that customers did not understand that if Talk America dropped the customer's service, they would have a dead line if arrangements had not been made by the customer with the LEC. The utility has implemented a new policy so that when a customer calls and requests to have their service canceled, the utility explains the dead line problem and follows that up with an automatically generated letter stating that the service will be canceled 10 days from the date of the customer's call. The utility hopes that this will help alleviate some of the billing infraction violations.

The apparent failure to respond violations occur when the utility does not respond to PSC inquiries about particular customer complaints on a timely basis.

The overall number of complaints received against Talk America's four certificated entities for the period June 1, 2001 through October 31, 2001 is less on a per month basis than the number of complaints received in the first six months of 2001. The utility believes that procedures noted above and in Disclosure #3 will further reduce the overall number of complaints.