

MEMORANDUM

June 30, 1995

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 950002-EG -- GULF POWER COMPANY
FOLLOW-UP CONSERVATION AUDIT REPORT
AUDIT CONTROL NO. 95-103-1-1

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.

The audit working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Gulf Power Company
Warren E. Tate
Post Office Box 13470
Pensacola, FL 32591-3470

DNV/sp

Attachment

cc: Chairman Clark
Commissioner Deason
Commissioner Johnson
Commissioner Kiesling
Commissioner Garcia
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Haff)
Tallahassee District Office (Grayson)

Office of Public Counsel

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

FOLLOW-UP CONSERVATION AUDIT

Field Work Completed

June 21, 1995

Gulf Power Company

Pensacola, Florida

Escambia County

Bay County

Okaloosa County

Docket Number 950002-EG

Audit Control Number 95-103-1-1

MARK CARUTH

Mark Caruth
Audit Manager

John M. Grayson

John M. Grayson
District Audit Supervisor
Tallahassee

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY:

AUDIT PURPOSE: We have applied the procedures described in Section II of this Report in order to perform a follow-up audit to determine whether Gulf Power Company has instituted a rigorous supervisory review of time planners for accuracy pursuant to Audit Disclosure No. 5, Audit Control No. 94-154-1-2 and pursuant to the following stipulated position in the Hearing for Docket No. 950002-EG:

"Previously Gulf Power Company had established a Marketing procedure that directed the review of conservation payroll and vehicle field expenses. Pursuant to the FPSC audit, this procedure has now been revised to ensure a more rigorous supervisory review. Gulf believes it now has an effective tool in place; however, the new procedure is subject to FPSC audit review."

SCOPE LIMITATION: The audit exit conference was held on June 29, 1995.

DISCLAIM PUBLIC USE: 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.

OPINION: The formal Marketing Procedures, the Southern Time & Attendance Reporting System (STARS) Documentation, the STARS 05 Total Time Detail Summary Reports, the Time Sheets, and the Date Planners for the follow-up period from December 31, 1994 to April 7, 1995 represent that Gulf Power Company has instituted a rigorous supervisory review and represent company books and records which have been maintained in substantial compliance with the Commission directives.

II. AUDIT SCOPE:

The opinions contained in this report are based on the audit work which is described below.

1. Reviewed the following Gulf Power Company Marketing Procedures to determine company adherence to FPSC guidelines.
 - 1.1) LABOR DISTRIBUTION.
 - 1.2) VEHICLE EXPENSES.
 - 1.3) ECCR EXPENSE APPROVAL.
2. Reviewed the applicable documentation of the Southern Time & Attendance Reporting System (STARS) manual to determine company adherence to FPSC guidelines.
3. Reviewed the bi-weekly STARS 05 Total Time Detail Summary Reports for the period December 31, 1994 through April 7, 1995.
4. Reviewed the corresponding employee Time Sheets for this same time period.
5. Reviewed Marketing personnel Time Planners.
6. For detailed audit analysis, the auditor judgementally selected fifteen Marketing Representatives from a population of thirty-three Marketing Rep employees who worked in the Panama City & Chipley area, the Ft. Walton area, and the Pensacola & Milton area.
 - 6.1) This selection process included 6 Marketing Reps (4 Residential Reps and 2 Commercial Reps) chosen from a total of 9 Marketing Reps (6 Residential Reps and 3 Commercial Reps) assigned to the Panama City & Chipley area.
 - 6.2) This selection process included 5 Marketing Reps (4 Residential Reps and 1 Commercial Rep) chosen from a total of 9 Marketing Reps (6 Residential Reps and 3 Commercial Reps) assigned to the Ft. Walton area.
 - 6.3) This selection process included 4 Marketing Reps (3 Residential Reps and 1 Commercial Rep) chosen from a total of 15 Marketing Reps (11 Residential Reps and 4 Commercial Reps) assigned to the Pensacola & Milton area.
7. For each of the fifteen selected Marketing Reps, the STARS 05 Reports were collected and analyzed for the time period of December 31, 1994 through April 7, 1995. This time period represented seven bi-weekly pay periods, with each pay period consisting of eighty hours, for a total of 560 hours of accounting time charges per Marketing employee selected. Therefore, the chosen STARS 05 Reports covered 8,400 hours

of accounting time charges (560 hours per employee x 15 chosen employees) incurred by the Marketing Department to multiple project accounts.

8. For each of the fifteen selected Marketing Reps, the supporting detail time sheets were collected and analyzed for the time period from December 31, 1994 through April 7, 1995. The time sheets chosen covered the same seven bi-weekly pay periods as the STARS 05 Reports. Each pay period contained eighty hours, resulting in a total of 560 hours of accounting time sheet charges recorded per Marketing employee chosen. Therefore, the verification process from time sheets through bi-weekly payroll reports covered 8,400 hours of accounting time charges.
9. For each of the fifteen selected Marketing Reps, the seven bi-weekly STARS 05 Reports were matched/verified against the corresponding employee's time sheets to determine whether any variances existed between the time sheet records and the STARS 05 payroll reports of time charges to project accounts. Again, this verification process covered 8,400 hours of accounting time charges.
10. To determine the accuracy of the revised Labor Fixed Distributions to be assigned uniquely to each employee based on his/her First Quarter 1995 payroll information contained within the STARS data base, all 8,400 hours of accounting time charges for the fifteen selected Marketing Reps were tabulated into the appropriate project accounts in order to verify fifteen revised Labor Fixed Distributions.
11. To determine whether any variances existed between the daily time planners and the time sheets, a review was made of each one of the thirty-three Marketing Reps' time planners/calendars for the bi-weekly payroll period March 25, 1995 through April 7, 1995. The time planners were matched/verified against the corresponding time sheet records. This verification process covered 2,640 hours of accounting time charges (80 hours per bi-weekly period x 33 Marketing employees).
12. Reviewed the allocation of vehicle mileage expenses to the conservation project accounts. For each selected Marketing employee, mileage data was collected. An allocation percentage was calculated for conservation project mileage relative to total miles driven. Then, that calculated percentage was compared to the conservation project labor time percentage derived from the Labor Fixed Distribution of the employee.

State of Florida

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

July 3, 1995

Gulf Power Company
Attn: Mr. Warren E. Tate
Post Office Box 13470
Pensacola, Florida 32591-3470

Dear Mr. Tate:

RE: Docket No. 950002-EI - Gulf Power Company
Follow-up Conservation Audit Report
Audit Control # 95-103-1-1

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink that reads "Kay Flynn".

Kay Flynn
Chief, Bureau of Records

KF/mas
Enclosure
cc: Public Counsel
Beggs & Lane Law Firm