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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 910163-TL

FILED: October 7, 1992

FILE COPY

In the Matter of:

Petition on behalf of  
CITIZENS OF THE STATE OF FLORIDA  
to initiate investigation into integrity of  
SOUTHERN BELL TELEPHONE & TELEGRAPH COMPANY'S  
repair service activities and reports.

DEPOSITION OF: SHIRLEY T. JOHNSON

DATE: October 14, 1992

TIME: Commenced at: 11:00 a.m.  
Concluded at: 12:25 p.m.

PLACE: Southern Bell Telephone and Telegraph Co.  
666 Northwest 79th Avenue, Room 674  
Miami, Florida 33126

REPORTED BY: JOHN J. BLUE,  
Registered Professional Reporter,  
Notary Public,  
State of Florida At Large  
Suite 1014, Ingraham Building  
25 Southeast 2nd Avenue  
Miami, Florida 33131

TAKEN BY: The Citizens of Florida, by and through  
Janis Sue Richardson,  
Associate Public Counsel

DOCUMENT NUMBER-DATE

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of 13646-92*

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SOUTHERN BELL TELEPHONE & TELEGRAPH COMPANY  
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PHILIP CARVER, ESQ.)  
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**I-N-D-E-X**

**WITNESS**

**DIRECT CROSS**

**Shirley T. Johnson**

**(Ms. Richardson)**

**6**

**(Mr. Vinson)**

**65**

**EXHIBITS**

**(None)**

1 THEREUPON:

2 SHIRLEY T. JOHNSON,

3 having been first duly sworn, was

4 examined and testified as follows:

5 MS. RICHARDSON: Mr. Beatty, did you  
6 want to make a statement?

7 MR. BEATTY: I do. My name is Robert  
8 Beatty, and I represent BellSouth  
9 Telecommunications, Inc., doing business in  
10 Florida as Southern Bell.

11 Just a few comments I'd like to  
12 make; four, to be exact. One is the fact  
13 that this deposition is taken pursuant to  
14 proper notice, so that there is no  
15 objection to either the time or the place  
16 of this depo.

17 Second, that the parties stipulate  
18 and agree to reserve all evidentiary  
19 objections except as to form and as to  
20 relevance. At least occasionally as to  
21 relevance.

22 Third, that we do not waive reading  
23 or signing of the deposition if it is in  
24 fact transcribed.

25 And fourth, Miss Johnson, as you

1 know, the Southern Bell Legal Department  
2 conducted an investigation regarding the  
3 matters pertaining to this particular  
4 docket about which we are here today.  
5 That investigation, as you also know, was  
6 undertaken pursuant to the attorney-client  
7 privilege and the attorney work product  
8 doctrine and thus is it privileged and  
9 protected from disclosure to third  
10 persons. Because of that, we would -  
11 request that you not divulge any  
12 information at all regarding the substance  
13 of that investigation. Of course, you are  
14 always permitted to testify with regard to  
15 any personal knowledge that you have that  
16 was not obtained from the investigation.

17 In order to ensure that everything  
18 is very clear on the record, in the event  
19 that the question is asked of you, and  
20 that your answer would reveal something  
21 pertaining to the investigation, then  
22 please identify that your answer would  
23 pertain to the investigation, so that  
24 opposing counsel can understand very  
25 clearly and the record can be clear that

1 this is information that you believe is  
2 protected for which the company will make  
3 objection.

4 THE WITNESS: Yes, sir.

5 MR. BEATTY: Any questions?

6 THE WITNESS: No.

7 MS. RICHARDSON: And Miss Johnson,  
8 other than the instructions you've just  
9 been given, were you asked to limit your  
10 responses here today in any way?

11 THE WITNESS: No.

12 MS. RICHARDSON: Then will you give  
13 us your full and complete responses to any  
14 questions that we may ask?

15 THE WITNESS: Yes.

16 MS. RICHARDSON: Thank you.

17 DIRECT EXAMINATION

18 BY MS. RICHARDSON:

19 Q. To begin, would you please state your  
20 name and spell your name for the Court Reporter so  
21 we'll have it accurately.

22 A. Shirley T. Johnson. S-H-I-R-L-E-Y. T.  
23 Johnson, J-O-H-N-S-O-N.

24 Q. Would you please give him your full  
25 business address?

1           A.       666 Northwest 79th Avenue, Room 687,  
2 Miami, Florida, 33126.

3           Q.       And your business phone?

4           A.       305-263-3916.

5           Q.       And your home address and phone?

6           A.

7

8           Q.       Thank you. What is your position with  
9 Southern Bell?

10          A.       Operations Manager, Internal Auditing,  
11 BST.

12          Q.       How long have you held this position?

13          A.       Since October 31, 1987.

14          Q.       Were you with Bell prior to 1987?

15          A.       Yes.

16          Q.       In what position?

17          A.       I have been in Internal Auditing in  
18 various capacities since 1974. Prior to that time,  
19 since 1955, in the Comptroller's Department and in  
20 the Network Department.

21          Q.       Help me with the math. How long then  
22 have you been with the company?

23          A.       37 years, approximately.

24          Q.       What are your present job duties?

25          A.       I supervise the internal audit function

1 in the states of Florida and Georgia.

2 Q. Would you please give me a brief resume  
3 of your training that makes you an expert in your  
4 field with the company.

5 MR. BEATTY: Just as a matter of  
6 clarifying the record, I would object to  
7 your phraseology of "expert."

8 The basis for my objection is that  
9 Southern Bell, of course, is not putting  
10 this witness forth as an expert and that  
11 that characterization is one that you  
12 obviously believe applies.

13 MS. RICHARDSON: All right. I'll  
14 rephrase that, Miss Johnson.

15 Q. (BY MS. RICHARDSON): Would you please  
16 give me a brief resume of your background,  
17 education, training and experience that qualifies  
18 you to perform internal audits in your present  
19 position for the company?

20 A. I am not currently performing internal  
21 audits, although I can participate in those.

22 I am supervising the function, reviewing  
23 the complete process, having transferred into  
24 internal auditing as an Associate Manager,  
25 equivalent Associate Manager. Training is given on

1 an annual basis to a minimum of about ten days of  
2 training that is received, in-house training. Also  
3 outside courses are offered and can be taken.

4 The Operations Manager level has a  
5 process whereby we attend planning meetings, we  
6 receive training in leadership as well as auditing.  
7 Most recently we moved to the integrated audit  
8 process, we received training on that. We have  
9 monthly staff meetings at which time we discuss the  
10 ongoing review process and all of the other items  
11 within internal audit responsibility.

12 Q. Does your position entail interaction  
13 with any of the company's computer systems?

14 A. Yes, it does.

15 Q. Would you please identify those systems?

16 A. At one time the EDP auditors looked at  
17 systems out of headquarters; but in 1990 we moved to  
18 a process called the integrated audit approach  
19 whereby we look at the manual and the program  
20 procedures simultaneously in the audit. Any system  
21 that would come under scrutiny during the course of  
22 that audit could be examined by my auditors and then  
23 the papers looked at by me; too many, I think, to  
24 enumerate at this time. Many, many systems in this  
25 company.

1 Q. Are you familiar then with the LMOS  
2 system? That's L-M-O-S.

3 A. Yes.

4 Q. Are you familiar with the MOOSA,  
5 M-O-O-S-A, system?

6 A. Yes.

7 Q. Are you familiar with the computer  
8 systems involved in a Schedule 11 preparation?

9 A. Yes.

10 Q. Would that be the MTAS, M-T-A-S, system?

11 A. Yes.

12 Q. Are there any other systems than the  
13 three that I have named involved in customer repair  
14 that you are familiar with?

15 THE WITNESS: May I answer that?

16 MR. BEATTY: I apologize. I need to  
17 take a break for a second. I do apologize.

18 MS. RICHARDSON: We're off the  
19 record.

20 (Thereupon the deposition was recessed  
21 briefly and was thereafter resumed, with the  
22 agreement of the witness and all parties present)

23 MR. BEATTY: Read back the question.

24 (Thereupon the foregoing question was  
25 read back by the Court Reporter as above recorded)

1 MR. BEATTY: To the extent that that  
2 pertains to matters that would cause her to  
3 reveal the substance of the investigation,  
4 then I would request that you identify yes  
5 or no that it does require that kind of  
6 response.

7 THE WITNESS: No, it does not.

8 MR. BEATTY: It does not. Okay.

9 A. The Customer Records Information System,  
10 CRIS, is the last leg of the refund process; so I  
11 would include that as a system.

12 Q. (BY MS. RICHARDSON): All right. And I  
13 want to break this down one further step then.

14 Within LMOS, are you familiar with the  
15 subsystems that are involved in that particular  
16 system?

17 A. Somewhat.

18 Q. Are you responsible for the budget in  
19 your area?

20 A. Yes.

21 Q. Were you involved in any of the internal  
22 audits conducted by Southern Bell in the third and  
23 fourth quarters of 1991?

24 A. I supervised those audits.

25 Q. Which audits were those?

1 MR. BEATTY: Objection as to  
2 relevance.

3 Are these audits that pertain to the  
4 subject matter of this docket?

5 MS. RICHARDSON: Yes.

6 MR. BEATTY: You can go ahead.

7 A. There were a series of five audits  
8 performed on the legal privilege.

9 Q. (BY MS. RICHARDSON): And would you  
10 identify the titles of those audits or what they  
11 were so that we'll have a idea?

12 MR. BEATTY: Only by title. What is  
13 permitted here is the barest of the title  
14 of those audits.

15 A. Okay. The KSRI, customer trouble  
16 analyses.

17 MOOSA, M-O-O-S-A; was actually called  
18 Customer Adjustments dash MOOSA.

19 Customer adjustments dash LMOS, L-M-O-S.  
20 Operational reviews, network operational  
21 reviews.

22 PSC Schedule 11.

23 Q. (BY MS. RICHARDSON): Would you please  
24 explain to me the nature of your involvement with  
25 the LMOS audit?

1 MR. BEATTY: I'm going to object,  
2 unless your question is limited to  
3 something other than her revealing  
4 substance of what that audit actually  
5 revealed or what they did in the audit.

6 In other words, if you're--

7 MS. RICHARDSON: Right now I'm  
8 looking for her function, her duties.

9 MR. BEATTY: Supervisory function?

10 MS. RICHARDSON: What function she  
11 had with the LMOS audit itself.

12 A. In this, as in any audit, there is an  
13 approval following a planning process that I'm  
14 involved in. There is involvement during the audit,  
15 during the field work. The auditors are involved in  
16 discussions with the supervising OM, and a sign-off  
17 at the close of such audit and a review of the work  
18 papers.

19 Q. (BY MS. RICHARDSON): The work papers  
20 produced by your staff?

21 A. Yes.

22 Q. This would be the same for each of the  
23 other four audits?

24 A. (Nods yes)

25 Q. I would like your function in relation to

1 the KSRI audit.

2 A. It is the same function.

3 Q. In relation to the MOOSA audit?

4 A. Same function.

5 Q. In relation to the Schedule 11 audit?

6 A. Same function.

7 Q. In relation to the Operational Review  
8 audit?

9 A. Same function.

10 Q. Did you personally supervise the analysis  
11 for each of those five audits?

12 A. Yes.

13 Q. Were you involved in the actual analysis  
14 itself involved in each of those five audits?

15 A. No. Not performing the analysis.

16 Q. That was my question. Thanks for making  
17 it clear.

18 I'll interject here if my question is  
19 unclear in any way or you feel uncomfortable in  
20 answering because you're not sure what I'm asking,  
21 please ask for clarification.

22 A. Okay, sure.

23 Q. Who else worked on the LMOS audit?

24 A. There was a team of auditors involved.  
25 On the LMOS audit, customer adjustments LMOS, we had

1 Maria Rodriguez-Lopez was the lead auditor, and  
2 Laverne Dye was an auditor.

3 Q. Would you spell her last name?

4 A. D-Y-E. Miqueas Perez, or Mike Perez.  
5 M-I-Q-U-E-A-S, official name. And Richard Muschamp,  
6 who retired before year end, but he was here at the  
7 time.

8 Q. Who else was involved in the KSRI audit?

9 A. Maria Rodriguez-Lopez performed solely  
10 the KSRI audit.

11 Q. Who else was involved in the MOOSA audit?

12 A. Customer Adjustments MOOSA, Laverne Dye  
13 performed that audit.

14 Q. She was the only person?

15 A. Yes.

16 Q. Who else was involved in the Schedule 11  
17 audit?

18 A. Maria Rodriguez-Lopez.

19 Q. Was she the only one?

20 A. Miqueas Perez, Laverne Dye, and Richard  
21 Muschamp to a point.

22 Q. Did he retire before it was completed?

23 A. He retired at the end of October, I  
24 believe. He was involved in the audit.

25 Q. And who was involved in the operational

1 review audit?

2 A. Maria Rodriguez-Lopez.

3 Q. Was she the only --

4 A. Mike Perez, Miqueas Perez. I believe  
5 those were the two.

6 They split them up. I might have to look  
7 at that one to decide who was exactly involved. It  
8 was a team of auditors, and I believe those two were  
9 involved in the operational review.

10 Q. Was anyone or any staff outside of  
11 internal auditing involved in any way in any of  
12 these five audits?

13 A. Yes.

14 Q. Would you please explain, and let's start  
15 with LMOS.

16 A. I believe I--

17 MR. BEATTY: Object to the form of  
18 the question. It's unclear, when you say  
19 "explain."

20 Q. (BY MS. RICHARDSON): Explain in what way  
21 any employee outside of internal auditing was  
22 involved in the LMOS audit.

23 MR. BEATTY: I'm going to object to  
24 the form of the question in that it gives  
25 rise to privileged information, or at least

1           it may.

2                   If you're asking who the other  
3 persons were, I think she can tell you that. If  
4 you're asking--

5                   MS. RICHARDSON: Let's start with  
6 that.

7                   MR. BEATTY: -- what they did or  
8 substantively, then I would object to the  
9 word substance.

10                  Q.       (BY MS. RICHARDSON): Let's start with  
11 who outside of internal auditing was involved in the  
12 LMOS audit?

13                  A.       System, we had system people. Gary Hall,  
14 Etta Martin; and perhaps one other member of his  
15 staff could have assisted on the mechanization piece  
16 of it, Mr. King's organization. Gary Hall was the  
17 pay grade five who assisted, and Etta Martin also in  
18 that capacity. There might have been another person  
19 or two.

20                  Q.       When you say Mr. King are you referring  
21 to Danny King?

22                  A.       Uh-huh (Nods yes).

23                  Q.       And the KSRI audit, anyone outside of  
24 internal auditing involved in that?

25                  A.       That also had system help, we had some

1 system analysis, and that would have been Gary Hall  
2 and Etta Martin. I think Martha could have been  
3 involved in it. I don't remember Martha's last  
4 name. There were a couple of system people that,  
5 through Gary, gave us assistance with the mechanized  
6 piece.

7 Q. And the MOOSA audit, any outside people  
8 involved in that one?

9 A. (Nods yes). Gary Hall and Etta Martin.

10 Q. The Operational Review audit, any outside  
11 people involved in that one?

12 A. In that case our auditees were involved  
13 in providing information. Assistants, I would not  
14 say that we had assistants.

15 Q. Would you please explain who you mean by  
16 "auditees"?

17 A. The group that you are auditing. And in  
18 that case the people who performed the operational  
19 reviews in Florida.

20 Q. Are they a discrete group? Are they  
21 people whose job title and function designate them  
22 as operational review auditors? Is that --

23 A. They perform staff functions, which  
24 includes operational reviews. There are other staff  
25 functions in their responsibility. Network staff.

1 Q. Do you know if these people are familiar  
2 with the customer repair system in terms of their  
3 operational review--

4 A. Oh, yes.

5 Q. --responsibilities?

6 A. Yes, they are.

7 Q. Do you know if part of their operational  
8 review responsibility is to audit the customer  
9 repair system?

10 A. We don't call it audit in the case of  
11 operational reviews, review work. It is a form of  
12 audit. I don't believe they call it audit, they  
13 call it internal review work.

14 Q. But this is outside of your area, though?

15 A. That's right. They are familiar.

16 Q. On the Schedule 11 audit what outside  
17 people were involved?

18 A. In addition to system--

19 Q. That's Mr. Hall and Miss Martin again?

20 A. -- which is Gary Hall and Etta Martin,  
21 probably one more person there or two, on his staff.  
22 We had assistance from these operational review  
23 people in Florida. Their names would be, say,  
24 Melanie Davis. Bob Fecht.

25 Q. F-E-C-H-T?

1           A.     F-E-C-H-T, I believe is Bob Fecht. Could  
2 have involved Mr. Pelligrini in north Florida.

3           Q.     P-E-L-L-I-G-R-I-N-I?

4           A.     I believe. Could have.

5           Q.     Is that it?

6           A.     (Nods yes).

7           Q.     All right. Then let's go back. And  
8 I'll -- if you'll pause, Mr. Beatty may want to  
9 object.

10                   For the LMOS audit, the KSRI audit, the  
11 MOOSA audit, the Schedule 11 audit, you have  
12 indicated that both Mr. Hall and Miss Etta Martin  
13 were involved. Would you please explain to me the  
14 nature of their involvement in those audits?

15                   MR. BEATTY: I would object on the  
16 ground that to answer that question would  
17 cause you to disclose information  
18 privileged and pertinent to the  
19 investigation; so therefore I would  
20 instruct you not to answer the question.

21                   THE WITNESS: I believe it would.

22                   MS. RICHARDSON: Then I would also  
23 like to make clear for the record, okay,  
24 you are refusing to answer that question  
25 based upon your attorney's directions to

1           you; is that correct?

2                   THE WITNESS:   Yes.

3                   MR. BEATTY:   Based upon my request  
4           that she not.

5                   MS. RICHARDSON:  I'm sorry; Counsel's  
6           objection.  I'll make the distinction  
7           between company attorney and personal  
8           attorney.

9                   MR. BEATTY:   Yes.

10           Q.       (BY MS. RICHARDSON):  Were Mr. Hall and  
11   Miss Martin determining the parameters of system  
12   program to produce information for each of those  
13   audits?

14                   MR. BEATTY:  I would object on the  
15           basis that to answer that question would  
16           cause this witness to reveal information  
17           that is within the purview of the  
18           attorney-client privilege and that which is  
19           protected by the attorney work product  
20           doctrine as well.  Therefore I would  
21           instruct the witness not to respond.

22                   MS. RICHARDSON:  I need something  
23           from you; yes or no, or--?

24                   THE WITNESS:  Okay.  I would not-- I  
25           will not respond, based on the fact that

1           that work was performed under  
2           attorney-client privilege.

3           Q.       (BY MS. RICHARDSON):  And you have  
4           information that you could give me except for  
5           Counsel's objection?

6           A.       I do have that information.

7           Q.       In the LMOS audit that was performed in  
8           the fall of 1991, did your staff, on their own,  
9           determine what parameters, what program parameters,  
10          were necessary in order to produce the data needed  
11          to perform that audit?

12          MR. BEATTY:  I would object to that,  
13          and ask you if in fact that a response to  
14          that question would reveal information  
15          pertinent to the investigation?

16          THE WITNESS:  I believe that it  
17          would, it would reveal specific information  
18          pertinent to the attorney-client privilege  
19          that we would rather not answer.

20          MR. BEATTY:  I then request that you  
21          not answer.

22          Q.       (BY MS. RICHARDSON):  And then again for  
23          the record, you have information but you're not  
24          divulging it based on Counsel's objection?

25          A.       That's true.

1 Q. What triggered the LMOS audit?

2 MR. BEATTY: Objection. Same basis.  
3 The triggering would be--

4 Just one second please. The  
5 triggering -- The answer to your question  
6 would cause her to reveal substance of the  
7 investigation as well, and accordingly I  
8 would instruct her not to respond.

9 THE WITNESS: I will not respond,  
10 based on the advice of Southern Bell -  
11 Counsel.

12 Q. (BY MS. RICHARDSON): You have  
13 information but you are not responding based upon  
14 Counsel's objection?

15 A. Yes.

16 Q. What triggered the KSRI audit?

17 MR. BEATTY: To which I would also  
18 object on the same basis. I will instruct  
19 the witness not to respond because this  
20 does fall within the area that is protected  
21 in the two privileges previously  
22 articulated.

23 THE WITNESS: I will not respond for  
24 the same reason.

25 Q. (BY MS. RICHARDSON): Then you have

1 information which--

2 A. I have information, yes.

3 Q. But you will not divulge it based upon  
4 Counsel's objection?

5 A. Yes, ma'am.

6 Q. What triggered the MOOSA audit?

7 MR. BEATTY: I would also object on  
8 the same basis, that this question and the  
9 answer to this question would fall within  
10 the purview of the privileges previously  
11 articulated with regard to the  
12 investigation, and I would instruct the  
13 witness therefore not to respond.

14 THE WITNESS: I have information but  
15 will not respond at this time.

16 Q. (BY MS. RICHARDSON): What triggered the  
17 Schedule 11 audit?.

18 MR. BEATTY: Same objection, and  
19 accordingly I will instruct the witness not  
20 to respond because the response would fall  
21 within the purview of the investigations  
22 that are privileged.

23 THE WITNESS: I have information but  
24 will not respond, for the same reason.

25 Q. (BY MS. RICHARDSON): What triggered the

1 operational review audit?

2 MR. BEATTY: Same objection. I would  
3 therefore instruct the witness not to  
4 respond because the answer would fall  
5 within the purview of privileges previously  
6 articulated in regard to the investigation  
7 previously discussed.

8 THE WITNESS: I have information, but  
9 will not respond due to the legal  
10 privilege.

11 You and I need to have a second  
12 conversation.

13 MR. BEATTY: Excuse us, please.

14 MS. RICHARDSON: We're off the  
15 record.

16 (Thereupon the deposition was recessed  
17 briefly and was thereafter resumed, with the  
18 agreement of the witness and all parties present)

19 Q. (BY MS. RICHARDSON): Miss Johnson, who  
20 directed you to do these five audits?

21 A. The Legal Department.

22 Q. Who did you send copies of the completed  
23 audits to?

24 A. The Legal Department.

25 Q. Who specifically in the department?

1           A.     Hank Anthony, General Attorney for  
2 Florida; and a copy to Mr. Fitzgerald.

3           Q.     Do you have his first name?

4           A.     Robert Fitzgerald.

5           Q.     Do you know if any other copies were  
6 disseminated, distributed?

7           A.     The internal audit management would have  
8 a copy. My chief corporate auditor, who is Vic  
9 Jarvis, would have a copy.

10          Q.     Is that J-A-R-V-I-S?

11          A.     Yes, Victor Jarvis. J-A-R-V-I-S.

12          Q.     Do you know of anyone else who has seen  
13 this audit?

14          A.     No.

15          Q.     Have you been involved in any meetings  
16 regarding the results of these audits?

17          A.     No.

18          Q.     Have you been called upon to explain  
19 these audits to anyone?

20          A.     No.

21          Q.     Have you discussed these audits once they  
22 were completed, with anyone at all?

23          A.     With the Legal Department. And I'm  
24 talking me personally.

25          Q.     Has anyone else in your department had

1 any discussions regarding these audits outside of  
2 internal auditing?

3 MR. BEATTY: If you know.

4 A. Yes.

5 Q. (BY MS. RICHARDSON): Which staff were  
6 involved in these discussions?

7 A. Mr. Dwayne Ackerman.

8 Q. Is that A-c-k or do you know how to  
9 spell--

10 A. A-C-K-E-R-M-A-N.

11 Q. Who did he speak to?

12 A. Maria Rodriguez-Lopez.

13 Q. Do you know the nature of their  
14 discussion?

15 A. Procedures and controls.

16 Q. Procedures and controls for conducting  
17 the audit, for conducting the analysis, for making  
18 changes to the system? Could you--

19 MR. BEATTY: I'm going to object--

20 Q. (BY MS. RICHARDSON): Could you clarify?

21 MR. BEATTY: I'm going to object at  
22 this point, because to answer that question  
23 any further would cause her to reveal  
24 substance of the investigation, which is  
25 privileged, so therefore I instruct the

1 witness not to answer.

2 THE WITNESS: I will not answer, due  
3 to the privileged nature of that knowledge.

4 Q. (BY MS. RICHARDSON): You have  
5 information?

6 A. I have knowledge.

7 Q. All right. Do you know when this  
8 discussion took place?

9 A. (No response).

10 Q. If you don't know--

11 A. I don't remember the exact date.

12 Q. Can you approximate?

13 A. Sometime following the completion of the  
14 audits.

15 Q. Before January of '92?

16 A. Yes.

17 Q. So say between September of '91 and  
18 December of '91, in that time frame?

19 A. Yes.

20 Q. Do you know how many copies have been  
21 made of this audit?

22 A. No.

23 Q. Do you know a Mr. Easterling?

24 A. Yes.

25 Q. And what does he do for the company, do

1 you know?

2 A. He's my boss.

3 Q. He is your boss?

4 A. (Nods yes)

5 Q. Do you know if Mr. Easterling has seen  
6 these five audits?

7 A. Mr. Easterling could have seen these  
8 audits, since he is a member of the internal audit  
9 management staff and my boss (Nods yes).  
10 Mr. Easterling-- I'm sure Mr. Easterling read this  
11 audit.

12 Q. Did you personally give him copies?

13 A. No, not personally.

14 Q. Did you discuss these audits with him at  
15 all?

16 A. No.

17 Q. Do you know if anyone from the State  
18 Attorney General's office has seen these audits?

19 A. No.

20 Q. Do you know if anyone else outside the  
21 company has seen these audits?

22 A. No.

23 Q. Do you not know, or do you know for sure  
24 that no one outside has seen them? I need to  
25 distinguish between your answer.

1 A. No one, to my knowledge, has seen them.

2 Q. What measures were taken to preserve the  
3 confidentiality of these audits from day one  
4 forward?

5 MR. BEATTY: If you know.

6 A. Each and every page of work paper is  
7 marked with a privileged stamp. Each and every  
8 document is privileged and locked and kept under  
9 locked cabinets. No discussion of the audit would  
10 have been made, due to the legal privilege of the  
11 audit, with other than those in legal or those  
12 pertinent to the gathering of the data  
13 and information.

14 Q. (BY MS. RICHARDSON): Is that standard  
15 operating procedure for internal auditing  
16 department?

17 A. Yes, in connection with legal and  
18 privileged audits.

19 Q. Are the people outside of internal  
20 auditing, the systems people that you mentioned and  
21 the other operational review people that you have  
22 mentioned, do they fall under those procedures in  
23 regard to these particular audits?

24 A. They were brought under privilege (Nods  
25 yes).

1 Q. Do you know if any of those measures and  
2 procedures have been compromised?

3 A. Not to my knowledge.

4 Q. Miss Johnson, did you cause to have an  
5 affidavit filed in this investigation regarding  
6 these audits?

7 A. I did sign an affidavit.

8 Q. Did you prepare the affidavit yourself?

9 A. Yes; the wording of it, the wording of  
10 that affidavit is my wording.

11 Q. Did anyone else assist you with the  
12 preparation of this audit? I mean this affidavit?

13 A. Legal Department, to my best knowledge,  
14 the Legal Department in Atlanta headquarters, looked  
15 over the documents prior to my signing them, to my  
16 best knowledge.

17 Q. Did they make any changes that you're  
18 aware of?

19 A. Perhaps a very minor word or two could  
20 have been changed. Nothing major at all.

21 Q. So substantively --

22 A. Yes, substantively those were my words.

23 Q. Can you--

24 A. If there was any legal involvement in the  
25 actual wording of it, to review it, I believe there

1 was, but there were no major changes that I know of.

2 Q. Can you tell me how many staff hours were  
3 involved for internal auditing staff in the  
4 preparation of the LMOS audit?

5 A. No.

6 Q. Can you tell me how many staff hours from  
7 outside staff, outside of internal auditing --

8 A. No.

9 Q. -- were involved?

10 A. (Shakes head in the negative) -

11 Q. When did you receive the direction to  
12 begin the LMOS audit?

13 A. Letter dated April 3rd, 1991.

14 Q. When did you begin work on the LMOS  
15 audit?

16 A. Immediately.

17 Q. When did you complete it?

18 A. While the audits are dated October 1991,  
19 there would have been some work paper cleanup in a  
20 subsequent month or binding the documents. I need  
21 you to be specific about "work."

22 Q. When was the final report written?

23 A. October 1991.

24 Q. The staff, the internal auditing staff  
25 involved in the LMOS audit, the team of Maria

1       Rodriguez-Lopez, Laverne Dye, Mike Perry and Richard  
2       Muschamp, were their duties solely, between this  
3       time of April of '91 and October of '91, did their  
4       duties solely involve them in the particular audits,  
5       the five audits that you mentioned, or did they have  
6       outside other activities?

7             A.       Solely involved in the audits.

8             Q.       Is that true then the seven months  
9       between April and October for each of these five  
10       audits, LMOS, KSRI, MOOSA, Schedule 11, and  
11       operational review, that your internal auditing  
12       staff were only involved in producing those five  
13       audits during that period of time?

14            A.       To the best of my knowledge, yes.

15                    I would like to reserve that there could  
16       be administrative-- minor administrative items that  
17       they attended to during this period of time to do  
18       with the internal audit function.

19                    Maria Rodriguez-Lopez is my manager, and  
20       during that time frame she could have answered a  
21       production of documents or some other task in her  
22       assignment; but as far as audit work is concerned,  
23       those audits were exclusively the audits assigned to  
24       that team of auditors during the time frame.

25            Q.       In terms of the outside people that were

1 assigned to these audits, on LMOS, KSRI, MOOSA, and  
2 Schedule 11, you have mentioned that Mr. Hall and  
3 Miss Martin were involved in each of those four  
4 audits. Were they involved throughout that seven-  
5 month period?

6 MR. BEATTY: If you know.

7 A. I'm not sure.

8 Q. (BY MRS. RICHARDSON): Do you know  
9 approximately the amount of time that Mr. Hall and  
10 Miss Martin devoted to producing these four audits?

11 A. I'm not sure.

12 Q. With the operational review audit, do you  
13 know the amount of staff hours from outside staff  
14 involved in producing that audit?

15 A. What outside staff?

16 Q. I believe you told us that there were  
17 some network staff and other staff who normally  
18 perform operational reviews, auditees who gave  
19 information.

20 A. Yes, they did give information, uh-huh.

21 Q. Do you have any idea the amount of time--

22 A. No.

23 Q. You testified that you handled the  
24 budgeting for your department. Can you tell me how  
25 much it cost the company to produce the LMOS audit?

1 A. No.

2 Q. Can you tell me how much it cost the  
3 company to produce any of these five audits?

4 A. No.

5 Q. When you say that you handled the  
6 budgeting for your department, can you be specific  
7 in terms of which line items you oversee?

8 A. (Nods yes). The function has changed a  
9 little of recent times; but in 1991 I participated  
10 in budgeting dollars for a specified number of  
11 auditors and audit managers and myself, salary and  
12 expenses for an audit program to be administered  
13 during the year. That was combined in with other  
14 states to come up with a company budget. It was not  
15 performed on an audit by audit basis.

16 Q. Then let's break it down by individual.  
17 What is seven months of Maria Rodriguez-Lopez' time  
18 worth to the company?

19 A. I don't have her 1991 rate of pay exactly  
20 in front of me. If you would like to ask that  
21 question again I would be glad to furnish those  
22 salary rates, for all of the auditors. And the  
23 exact amount of their salary rate would not be  
24 something that's at the tip of my tongue I would  
25 have with me.

1 Q. What is the 12 month total staff budget  
2 that you have?

3 A. For 1991?

4 Q. Yes, please, 1991.

5 A. 1991? I don't have that figure with me.

6 Q. Do you have a round number, a general  
7 approximation?

8 A. No. I'd rather be more exact. I just --  
9 we have that figure, it certainly could be made  
10 available to you.

11 MS. RICHARDSON: Okay. I would like  
12 a late-filed Exhibit.

13 MR. BEATTY: If you will just submit  
14 whatever request you have in the normal  
15 course of the discovery process that has  
16 preceded this, we would address it at that  
17 point.

18 THE WITNESS: And whether it would be  
19 estimate or actual; okay? I'd rather be  
20 more specific.

21 MS. RICHARDSON: If we're going to do  
22 a late-filed, we might as well do an  
23 actual.

24 THE WITNESS: Okay.

25 MS. RICHARDSON: And if you just want

1 a precursor exhibit.

2 THE WITNESS: All right.

3 MS. RICHARDSON: Let's go off the  
4 record a minute.

5 (Discussion off the record, with the  
6 agreement of the witness and all parties present)

7 MS. RICHARDSON: We're back on the  
8 record.

9 Q. (BY MS. RICHARDSON): I'm going to show  
10 you your affidavit that we discussed a little bit  
11 earlier. I'll let you look at the first page so you  
12 can identify it. And if you would look at page two,  
13 paragraph four.

14 MR. BEATTY: Let me just --  
15 (examining instrument). You want her to  
16 look at what?

17 MS. RICHARDSON: Page two; page two,  
18 paragraph four.

19 THE WITNESS: Okay.

20 Q. (BY MS. RICHARDSON): You state that data  
21 was statistically selected. Would you please  
22 explain that selection process?

23 MR. BEATTY: I'm going to object.  
24 I'm going to object and instruct her not to  
25 answer on the grounds that to go at this

1            juncture beyond this affidavit would be to  
2            get into the substance of the protected  
3            information regarding the investigation.

4            THE WITNESS: I have knowledge, but I  
5            will not answer based on legal counsel or  
6            based on the legal privilege of these  
7            audits.

8            MS. RICHARDSON: Thank you.

9            Q.        (BY MS. RICHARDSON): Why were February  
10           and August of 1990 and May of 1991 used, as opposed  
11           to other dates?

12           MR. BEATTY: I'm going to again  
13           object, to the extent that this information  
14           would reveal something of the substance of  
15           the investigation, and request that the  
16           witness not respond.

17           THE WITNESS: I have knowledge, but  
18           will not answer based on the legal  
19           privilege of these audits.

20           Q.        (BY MS. RICHARDSON): Do you have any  
21           information other than information connected to the  
22           investigation as to why these dates were chosen?

23           A.        No, I do not.

24           Q.        Would you look at paragraph five?

25           A.        (Examining instrument). Okay.

1 Q. Can you please explain how a random  
2 sample was produced?

3 MR. BEATTY: Are you speaking  
4 generically?

5 MS. RICHARDSON: Generically.

6 MR. BEATTY: Having nothing to do  
7 with this particular random sample,  
8 necessarily?

9 MS. RICHARDSON: Let's start with  
10 that.

11 A. In selecting any sample for an internal  
12 audit, process or audit, we work with our  
13 statisticians, and our statisticians assist us based  
14 on the degree of accuracy and reliability we wish to  
15 select a sample; and we most likely will start using  
16 a random number table to select that scientific  
17 sample.

18 Q. (BY MS. RICHARDSON): The statisticians,  
19 are those part of your internal auditing staff or  
20 are they outside staff?

21 A. They are not part of our internal audit  
22 staff, but they work for the telephone company.

23 Q. Are they a separate branch or department  
24 then?

25 A. They are part of another department, yes.

1 Q. I would like to ask you specifically now,  
2 can you explain how a random sample for these five  
3 audits, or the audit mentioned, was produced?

4 MR. BEATTY: I would object on the  
5 same grounds, that it causes for there to  
6 be a revelation of the substance of the  
7 internal investigation and therefore it's  
8 privileged; and therefore I instruct the  
9 witness not to respond.

10 THE WITNESS: I have knowledge but  
11 will not answer, based on the legal  
12 privilege of this audit.

13 Q. (BY MS. RICHARDSON): Who was the  
14 statistician involved in the LMOS audit?

15 A. I'm not sure. There are two or three  
16 statisticians we may have used throughout the  
17 process, and I'm not sure specifically who it would  
18 be on that staff.

19 Alice Smith is a name that is familiar to  
20 me on that staff. And let's see, who else? There  
21 are several people on the -- Grace; I can't think  
22 of Grace's last name.

23 There are several people on that staff  
24 that worked with us throughout the audit process on  
25 statistical sampling, and I'm not sure. It is part

1 of the documents, but I'm not sure who it was.

2 Q. Was a statistical sampling used in each  
3 of those five audits?

4 MR. BEATTY: I would --

5 Q. (BY MS. RICHARDSON): And I can break  
6 them down one at a time if you need me to.

7 MR. BEATTY: You can respond. Just--

8 A: The PSC 11 audit, yes.

9 The Customer Adjustment LMOS audit, yes.

10 The Customer Adjustment MOOSA audit, yes.

11 The KSRI audit, yes..

12 The Network Operational Review, I believe  
13 yes. As far as I best recall, yes, we did sample  
14 those.

15 I can't be positive in that one audit,  
16 how we sampled the Operational Review process.

17 Q. (BY MS. RICHARDSON): Were customer  
18 repair records involved in each of these five audits  
19 to produce the audit?

20 MR. BEATTY: I object, on the ground  
21 that to answer that question would cause  
22 there to be a revelation of the substance  
23 of the investigation. Therefore, I would  
24 instruct the witness not to respond.

25 THE WITNESS: I have knowledge but I

1 will not answer, based on legal privilege.

2 Q. (BY MS. RICHARDSON): Can you tell me  
3 which systems and records were involved in doing a  
4 random sample?

5 MR. BEATTY: Are you speaking of the  
6 random sample--

7 MS. RICHARDSON: The random sample--

8 MR. BEATTY: -- here?

9 MS. RICHARDSON: -- for each one of  
10 these five audits.

11 MR. BEATTY: I would object and  
12 instruct the witness not to respond because  
13 to do so would reveal the substance of the  
14 internal investigation, which is protected.

15 THE WITNESS: I have knowledge but  
16 will not answer, based on legal privilege.

17 Q. (BY MS. RICHARDSON): Would you please  
18 explain the tracing process-- and I'm quoting from  
19 your affidavit-- "tracing the trouble report from  
20 initial reporting to the customer's bill"?

21 MR. BEATTY: I would object on the  
22 grounds that to do so, to answer that  
23 question would cause her to reveal  
24 substance of the internal investigation  
25 which is protected; and therefore I

1           instruct the witness not to respond.

2           THE WITNESS: I have knowledge but  
3           will not answer, based on legal privilege  
4           of the audits.

5           Q.       (BY MS. RICHARDSON): Can you tell me how  
6           many staff hours were involved in tracing the  
7           trouble report from initial reporting to the  
8           customer's bill?

9           A.       No.

10          Q.       Do you know how many staff were needed to  
11          perform that step?

12          A.       Audit staff?

13          Q.       Yes.

14          A.       One auditor. Laverne Dye.

15          Q.       Do you know how many outside staff were  
16          needed to perform that step?

17          A.       Only Laverne Dye.

18          Q.       Do you know how many customer records  
19          were involved in producing the LMOS audit?

20          MR. BEATTY: I'm going to object on  
21          the grounds that to disclose that  
22          information would cause there to be a  
23          disclosure of the substance of the  
24          investigation which is privileged. I  
25          accordingly instruct the witness not to

1 answer.

2 THE WITNESS: I have knowledge, but I  
3 will not answer based on the legal  
4 privilege.

5 May I back up?

6 MS. RICHARDSON: Yes.

7 A. Laverne Dye was solely assigned to that  
8 audit. That does not mean that a clerical person in  
9 our office would not access, say, BOCRIS or  
10 something to print a record; okay. This is the  
11 auditing portion. I just want to be clear on that.

12 Q. (BY MS. RICHARDSON): So there may have  
13 been other people involved at that point in  
14 performing that tracing function?

15 A. Printing a record or-- you know, a  
16 clerical portion of it, yes.

17 Q. Do you know how many customer records  
18 were involved in the PSC Schedule 11 audit?

19 MR. BEATTY: I would object on the  
20 same basis, that to disclose that  
21 information would cause there to be a  
22 disclosure of the substance of the  
23 investigation which is privileged, and  
24 therefore I instruct the witness not to  
25 respond.

1 THE WITNESS: I have knowledge but  
2 will not answer, based on legal privilege  
3 of the audits.

4 Q. (BY MS. RICHARDSON): Do you know how  
5 many customer records were involved in the KSRI  
6 audit?

7 MR. BEATTY: Same objection. I  
8 instruct the witness not to answer because  
9 to do so would cause there to be a  
10 disclosure of the substance of the -  
11 investigation which is privileged, and  
12 therefore again I instruct the witness not  
13 to respond.

14 THE WITNESS: I have knowledge but  
15 will not answer, based on privilege of the  
16 audit.

17 Q. (BY MS. RICHARDSON): Do you know how  
18 many customer records were involved in the MOOSA  
19 audit?

20 MR. BEATTY: Same objection. I  
21 instruct the witness not to answer because  
22 to do so would cause there to be a  
23 disclosure of the substance of the  
24 investigation, which is privileged.

25 THE WITNESS: I have knowledge but

1 will not answer, based on legal privilege  
2 of these audits.

3 Q. (BY MS. RICHARDSON): And do you know how  
4 many customer records were involved in the  
5 Operational Review audit?

6 MR. BEATTY: Same objection. I will  
7 instruct the witness not to answer because  
8 to do so would cause there to be a  
9 disclosure of the substance of the  
10 investigation, which is privileged. -

11 THE WITNESS: I have knowledge but  
12 will not answer, based on the legal  
13 privilege of these audits.

14 Q. (BY MS. RICHARDSON): What was the size  
15 of the random sample in the LMOS audit?

16 MR. BEATTY: I would object on the  
17 grounds that to answer that question would  
18 cause there to be a disclosure of the  
19 substance of the investigation, which is  
20 privileged, and therefore I instruct the  
21 witness not to answer.

22 THE WITNESS: I have knowledge but  
23 will not answer, based on the legal  
24 privilege of these audits.

25 Q. (BY MS. RICHARDSON): And to speed things

1 along. What was the size of the random sample in  
2 the other four audits?

3 MR. BEATTY: And I would issue the  
4 same objection, instruct the witness not to  
5 answer, because to do so would cause there  
6 to be a disclosure of the substance of the  
7 investigation, which is privileged.

8 THE WITNESS: I have knowledge but  
9 will not answer, based on the legal  
10 privilege of these audits.

11 Q. (BY MS. RICHARDSON): Were you involved  
12 in the 1989 MOOSA audit?

13 A. There was not a per se MOOSA audit.  
14 There was an adjustment of customer bill audit.

15 Q. Were you involved in it?

16 A. In 1989, yes, I was. I was the  
17 Operations Manager at that time in internal  
18 auditing.

19 Q. How does the 1991 MOOSA audit differ from  
20 that 1989 audit?

21 MR. BEATTY: Objection. The basis of  
22 the objection is that the information that  
23 would be provided in answer to that  
24 question would disclose the substance of  
25 the 1991 protected audit, and therefore I

1 would instruct the witness not to respond.

2 THE WITNESS: I have knowledge but  
3 will not answer, based on the legal  
4 privilege of the 1991 MOOSA audit.

5 Q. (BY MS. RICHARDSON): Can you tell me  
6 procedurally how does the 1991 audit of MOOSA differ  
7 from the '89 audit in terms of the staff involved,  
8 the number of hours involved, the systems involved?

9 THE WITNESS: I may discuss the 1989  
10 audit?

11 MR. BEATTY: You can discuss even  
12 with regard to the 1991 audit, you can you  
13 discuss the matters that we have already  
14 gone through in terms of staff involved,  
15 which you already have, the--

16 I'm not sure what else you--

17 MS. RICHARDSON: Number of hours and  
18 the systems.

19 MR. BEATTY: Sure, to the extent that  
20 you have already responded to those  
21 questions.

22 A. In 1989 there was a single auditor, Julia  
23 August, assigned to adjustment of the customer bill  
24 audit.

25 The number of days spent on that audit

1 would have been solely by her, it was not a team  
2 audit. I would not remember the exact number of  
3 days. Budgeted days come up, and they are sometimes  
4 over or under.

5 In the course of that audit, she reviewed  
6 a Perrine cable cut, which was not a true-- in the  
7 interpretation of MOOSA-- MOOSA audit. It was a  
8 special one-time cable cut in Perrine where we  
9 utilized the assistance of the LMOS host programming  
10 folks to programmatically produce a listing by cable  
11 pair, I believe, of those customers who would have  
12 been out of service due to that cable cut.

13 I believe the business portion of it,  
14 large complex business, was processed manually  
15 through customer services and the rest of it went  
16 programmatically through controllers. It does not  
17 resemble MOOSA as it functions in the day to day  
18 environment.

19 Q. (BY MS. RICHARDSON): So the '89 audit is  
20 really not anything like the '91 audit?

21 A. Yes, right.

22 Q. Were the customer records sampled  
23 randomly for these five audits pulled from the  
24 statewide pool or from specific areas?

25 MR. BEATTY: I would object on the

1 grounds that to answer that question would  
2 cause there to be a disclosure of the  
3 substance of the privileged investigation.  
4 I would therefore request the witness not  
5 respond.

6 THE WITNESS: I have knowledge but  
7 will not answer, based on the legal  
8 privilege of these items.

9 Q. (BY MS. RICHARDSON): What basis was used  
10 to identify the pool for the selection of the random  
11 sampling for these five audits?

12 MR. BEATTY: Again I would object and  
13 instruct the witness not to answer, on the  
14 same basis previously articulated, that the  
15 information is privileged and therefore  
16 should not be disclosed.

17 THE WITNESS: I have knowledge but  
18 will not answer, based on the legal  
19 privilege of these audits.

20 Q. (BY MS. RICHARDSON): Were the codes on  
21 the individual reports checked?

22 MR. BEATTY: I would object on the  
23 same grounds, that to answer that question  
24 would cause there to be a disclosure of  
25 information regarding the investigation

1 which is privileged; and I would instruct  
2 the witness not to respond.

3 THE WITNESS: I have knowledge but  
4 will not answer, based on the legal  
5 privilege of these audits.

6 Q. (BY MS. RICHARDSON): Are audits of these  
7 five internal systems-- LMOS, KSRI, and so forth--  
8 done on a routine basis, by your department?

9 A. There is an audit universe. In that  
10 universe are subjects that come up over a five-year  
11 period for audit. Certain of these audits were not  
12 in that universe and others were.

13 Q. Which ones were not in the universe?

14 A. PSC Eleven was not specifically in that  
15 universe.

16 Q. Is that the only one?

17 A. The others would be in that universe in  
18 some fashion.

19 Q. What purpose is served by the company  
20 performing these audits?

21 MR. BEATTY: Objection, if your  
22 question pertains to the five audits about  
23 which you have been talking.

24 MS. RICHARDSON: It does.

25 MR. BEATTY: Then I would object on

1 the grounds that to answer that question  
2 would cause there to be a disclosure of  
3 substance of the investigation that's  
4 privileged, and therefore I would instruct  
5 the witness not to respond.

6 THE WITNESS: I have knowledge but  
7 will not answer, based on the legal  
8 privilege of these audits.

9 Q. (BY MS. RICHARDSON): Then let's broaden  
10 it out. Outside of these five audits, what purpose  
11 is served by the company performing an internal  
12 audit?

13 A. It is to provide information on controls  
14 and procedures to management to assist them in the  
15 operation of our company.

16 Also it is a requirement of our audit  
17 committee that we have an internal audit function,  
18 and so we actually have as our customer the Board of  
19 Directors and management departments, higher  
20 management.

21 Q. (BY MS. RICHARDSON): Is one of the  
22 purposes served by your department of doing routine  
23 audits a watchdog role to make sure that company  
24 policies and procedures are being properly  
25 implemented?

1           A.       I haven't heard it called the watchdog  
2           role; but the rest of the words did apply, to  
3           determine if procedures and controls are in effect.

4                    And what else did you say?

5           Q.       If someone is doing something improperly,  
6           then part of the routine audit is to find that  
7           improper conduct?

8           A.       As distinct from a security  
9           investigation, an internal audit function does  
10          differ; but yes, that's a true statement.

11          Q.       Would you at any point bring security in  
12          if you found something that looked out of the  
13          ordinary or something that was going on that was not  
14          proper?

15                   MR. BEATTY:  Objection to the form,  
16          speculative.

17                   MS. RICHARDSON:  You can answer.

18                   MR. BEATTY:  You can respond.

19          A.       Yes.

20          Q.       (BY MS. RICHARDSON):  Have you ever had  
21          occasion to do that?

22          A.       Yes.

23          Q.       When?

24                   MR. BEATTY:  You can answer that,  
25          provided your answer does not include any

1 matter that falls within the  
2 attorney-client privilege, whether it is  
3 this matter on which we are talking about  
4 here today or any other matter that the  
5 Legal Department has requested security or  
6 our involvement in.

7 A. Okay. We are, at the present moment,  
8 calling security. It is a routine thing, that we  
9 would call security if we feel that controls may  
10 have been overridden and that we could have an  
11 integrity problem of any kind.

12 We would be maybe doing this right now in  
13 connection with other audits. We have done it in  
14 the past on occasions, not that numerous, but in  
15 connection with the voucher audit, for example,  
16 where we felt that security, a security  
17 investigation would be of value, we have done that.  
18 We have also been asked by security to participate  
19 in audits with them.

20 Q. (BY MS. RICHARDSON): Is this a new  
21 procedure that's been in place, you're calling  
22 security now? It sounded like that to me. I want  
23 to make sure I'm not--

24 A. No.

25 Q. -- reading something into your--

1           A.       No.    The voucher I referred to would be  
2 several years old.

3           Q.       I see.

4           A.       And also I believe there was a contract  
5 audit.  There could be other audits and have been.  
6 So, no.

7           Q.       Are followup audits done?

8           A.       Yes.

9           Q.       When?

10           MR. BEATTY:  When generally?  -

11           Q.       (BY MS. RICHARDSON):  Generically,  
12 generally, yes.

13           A.       On audits that are rated satisfactorily  
14 with findings SF, followup is performed after the  
15 departments have stated the corrective action will  
16 take place, but no more than a year after the audit.

17                    On audits which are rated significant  
18 adverse findings, a reaudit is performed, generally  
19 within a year.

20           Q.       How were these five audits rated?

21           MR. BEATTY:  Objection.

22           Q.       (BY MS. RICHARDSON):  How were these  
23 particular five audits rated?

24           MR. BEATTY:  Objection.  For her to  
25 answer that question would obviously reveal

1 the substance under investigation which is  
2 privileged. Therefore I would instruct the  
3 witness not to respond.

4 MS. RICHARDSON: Mr. Beatty, Mr.  
5 Anthony has already revealed this  
6 information to us and waived the privileged  
7 in regard to how each of these five audits  
8 was rated. And I'm asking Miss Johnson if  
9 she knows how each of these five was rated.

10 MR. BEATTY: To that extent then you  
11 already have your answer.

12 But more importantly, if you can  
13 show me something where that has occurred  
14 I'll be more than happy to permit her to  
15 answer the question. But please  
16 understand, I'm not trying to be  
17 difficult, that I don't know that to be  
18 the case.

19 MS. RICHARDSON: That's fine.

20 MR. BEATTY: So therefore until I do  
21 know that I would have to respond  
22 similarly.

23 MS. RICHARDSON: You could answer,  
24 you have knowledge, and you would answer  
25 but for--

1 THE WITNESS: I have knowledge; but I  
2 have been advised by Southern Bell counsel  
3 not to answer at this time.

4 Q. (BY MS. RICHARDSON): Has a followup  
5 audit been mandated for each of these five audits?

6 A. Scheduled?

7 Q. Scheduled.

8 A. Not in every case.

9 Q. In which cases?

10 A. PSC 11, KSRI, Operational Reviews, MOOSA.

11 There is one -- I believe there's one  
12 which is not to be reaudited and will not be  
13 reaudited.

14 Q. In your opinion, would an IMC manager be  
15 capable of reproducing any of these five audits?

16 A. Performing an audit of their own?

17 Q. Yes.

18 A. I wouldn't know that.

19 Q. In your opinion, would an IMC Manager  
20 have the technical skills and access to the proper  
21 systems to perform?

22 MR. BEATTY: If you know.

23 Q. (BY MS. RICHARDSON): In any of these  
24 five audits?

25 A. I don't believe an IMC manager is trained

1 to perform audit work, so I would not believe they  
2 could perform this audit. I would believe they have  
3 technical knowledge of the operation of the center  
4 and the systems involved.

5 Q. In your opinion, would you yourself be  
6 able to reproduce this audit if you did not have  
7 access to Southern Bell's computer system?

8 A. No.

9 Q. In your opinion, how many staff hours  
10 would be involved in reproducing this audit with  
11 untrained people and without access to the computer  
12 systems?

13 MR. BEATTY: Objection. It's purely  
14 speculative.

15 A. I wouldn't know.

16 Q. (BY MS. RICHARDSON): Can you tell me how  
17 many document pages are involved in each of these  
18 five audits?

19 MR. BEATTY: I would object on the  
20 grounds that it's privileged and it reveals  
21 substance of the --

22 Well, just a minute. Does your  
23 question pertain to the pages of some  
24 document or the pages of all documents  
25 used in the audit?

1 MS. RICHARDSON: The latter, the  
2 volume of document pages involved in  
3 producing, from the beginning to the end,  
4 each one of these audits.

5 MR. BEATTY: You can respond to that,  
6 if you know.

7 A. I would be guessing at 27 binders of  
8 information. I would be guessing. It was many,  
9 many binders of information.

10 Q. (BY MS. RICHARDSON): And that includes  
11 all five then, 27 binders for all five?

12 A. Something in that area (Nods yes).

13 Q. And when you say 27 binders, what size  
14 binders or how many documents per binder?

15 A. I don't know.

16 Q. Are they three-inch binders, one-inch  
17 binders?

18 A. Large binders.

19 Q. Do you know if special manual rebates to  
20 customers were processed as a result of any of these  
21 five audits?

22 MR. BEATTY: Objection. To answer  
23 that question would reveal substance of the  
24 investigation which is privileged, and  
25 therefore I instruct the witness not to

1           respond.

2                   THE WITNESS: I have knowledge but  
3           will not respond, based on the legal  
4           privilege of these audits.

5           Q.       (BY MS. RICHARDSON): Do you know if any  
6           internal procedures were changed as a result of any  
7           of these five audits?

8                   MR. BEATTY: Just a minute, please.  
9                   You can respond.

10          A.       I've not read the documents, but do have  
11          knowledge that practices have been updated or at  
12          least a practice has been updated, and certain  
13          system changes have taken place.

14          Q.       (BY MS. RICHARDSON): Do you know what  
15          they were?

16          A.       Not in aggregate.

17          Q.       Have you drawn any conclusions from  
18          performing these audits, these particular five  
19          audits?

20                   MR. BEATTY: Yes or no.

21                   THE WITNESS: Would you explain  
22                   "conclusions"?

23          Q.       (BY MS. RICHARDSON): You've worked with  
24          the internal auditing department for quite a few  
25          years. And in that time, have you ever had occasion

1 to be involved in a series of audits in the same  
2 nature as this particular series?

3 MR. BEATTY: Objection to the form of  
4 the question. It's ambiguous. And to the  
5 extent that your response might involve any  
6 analysis that you are able to provide based  
7 upon these five audits that were protected,  
8 then I would request that you not respond.

9 THE WITNESS: Then I will not  
10 respond. I have knowledge, but will not  
11 respond, based on the legal privilege of  
12 these audits.

13 Q. (BY MS. RICHARDSON): Did you personally  
14 make any recommendations, based upon these audits?

15 MR. BEATTY: Yes or no.

16 And I would object to the form of  
17 the question. The use of the word  
18 "personally," I'm not sure what you really  
19 mean by that.

20 MS. RICHARDSON: Well, then let's  
21 just delete "personally."

22 Q. (BY MS. RICHARDSON): Did you make any  
23 recommendations based on these audits?

24 MR. BEATTY: Yes or no.

25 A. Yes.

1 Q. (BY MS. RICHARDSON): To whom?

2 A. To the Legal Department and to Mr.  
3 Ackerman, I would say.

4 Q. Were these recommendation followed?

5 A. Those recommendations would be part of  
6 the reaudits process in 1992.

7 Q. What recommendations did you make?

8 MR. BEATTY: Objection. To answer  
9 that question would cause her to reveal  
10 substance of the internal investigation,  
11 which is privileged. Accordingly, I would  
12 request that the witness not respond to the  
13 question.

14 THE WITNESS: I have knowledge but  
15 will not answer, based on the legal  
16 privilege of these audits.

17 MS. RICHARDSON: This is a  
18 hypothetical, Miss Johnson.

19 MR. BEATTY: Object to the form.

20 Q. (BY MS. RICHARDSON): If you were  
21 requested to audit the LMOS system to determine  
22 whether the times on any customer repair records  
23 were improperly backed up to avoid their going out  
24 of service over 24 hours, how would you construct  
25 that audit?

1 MR. BEATTY: We're talking about  
2 today?

3 MS. RICHARDSON: Today. No, let's  
4 make that 1990.

5 A. There was a change that took place in the  
6 internal audit procedures, our type of internal  
7 auditing, that would impact my answer to this  
8 question. In 1990 we moved to a process called the  
9 integrated auditing approach, and at that time we  
10 changed our audit approach to audit within each BST  
11 and BSC audit entity, the manual as well as the  
12 program procedures to do with a particular subject.  
13 Prior to that time, it was assigned -- the systems  
14 were assigned to the EDP or electronic data  
15 processing auditors that were a separate staff. So  
16 going forward from February of 1990, any system  
17 would become a part of the cradle and grave of a  
18 subject that were set up within the universe, and  
19 where those systems fell, we would have particular  
20 responsibilities for auditing the systems, utilizing  
21 our systems information systems personnel as well as  
22 expertise within the internal audit function. We  
23 have just gained a computer auditing procedures  
24 person in our own office and in other offices to  
25 assist us with that type of work.

1 Q. (BY MS. RICHARDSON): So if we wanted to  
2 determine whether any staff were backing up the  
3 time, you would go to a system person, an LMOS  
4 person, and ask them what particular fields on a  
5 customer record should be pulled and compared?

6 MR. BEATTY: Objection, speculative.

7 You can respond to that.

8 A.. That could be part of the process.

9 Q. (BY MS. RICHARDSON): If you were asked  
10 to audit LMOS procedures to determine if any-  
11 falsification of customer records had been done, how  
12 would you construct that audit in 1990?

13 MR. BEATTY: I'm going to object, to  
14 the extent that you're asking the witness  
15 about precise methods and complete methods  
16 by which this kind of audit would be  
17 undertaken. And the basis of my objection  
18 is that your question is a subterfuge for  
19 getting into the core of the investigation  
20 audits that you have been asking questions  
21 about throughout the bulk of this  
22 deposition, and as such, that information  
23 reveals, and what you're seeking, is  
24 information revealing again the substance  
25 of the investigation, which is privileged.

1 So I would object to it. I would instruct  
2 the witness not to answer.

3 MS. RICHARDSON: And again you're  
4 invoking the attorney-client privilege?  
5 I'm not sure I heard those words. You may  
6 have used them and I didn't--

7 MR. BEATTY: Yes.

8 THE WITNESS: I have knowledge but  
9 will not answer, based on the legal  
10 privilege of certain audits that could be  
11 impacted by my answer.

12 MS. RICHARDSON: Miss Johnson, I have  
13 no further questions for you at this time.  
14 And I want to thank you for coming and I  
15 appreciate the time you've taken. However,  
16 staff may have one or two questions before  
17 I can permit you to go.

18 MS. WILSON: I have no questions.

19 BY MR. VINSON:

20 Q. Miss Johnson, in general, not at all  
21 focusing on these five privileged audits from 1991,  
22 when Southern Bell conducts internal audits in other  
23 states, North Carolina, South Carolina or Georgia,  
24 are those audits distributed to managers in parallel  
25 areas of operations in Florida?

1 MR. BEATTY: I would object on the  
2 grounds of relevance. But you can respond.

3 A. Yes.

4 Q. (BY MR. VINSON): And would, within your  
5 opinion, the findings of audits conducted in those  
6 other states be relevant to the analogous operations  
7 in Florida?

8 A. Yes.

9 Q. In scheduling the normal scheduled audits  
10 for the internal audit group that you're responsible  
11 for, could you just explain a little bit about how  
12 this schedule is developed? You mentioned the audit  
13 universe.

14 A. Yes. There's a programmatic method that  
15 intertwines with mailing to the Vice Presidents in  
16 each state to request their specific audit needs, if  
17 they have requests. That's interwoven with the  
18 RAPAS system that produces a list of audits. And  
19 now it's gone to a two-year list of audits that  
20 would come out as audits that have priorities to be  
21 audited and from that a selection is made.

22 The process has just changed; so would  
23 you like to talk today or last year?

24 Q. In the time period 1988 through 1990.

25 A. Okay.

1 Q. The method of.

2 A. Okay. There is, based on risk  
3 assessment, there is a priority set up on audits  
4 that the universe should be covered over about a  
5 five to six year period. The audits become part of  
6 an annual audit plan, and in 1991 we moved to  
7 including an east and a west state at minimum in  
8 each audit, unless it were a demand or segmented or  
9 reaudit. So that would mean that Florida would  
10 audit Florida and Alabama, Florida and Louisiana, an  
11 east and a west state would be minimum coverage for  
12 an audit. That is still current, that requirement,  
13 to be considered a standard audit.

14 Q. And you mentioned the new method of  
15 selecting the audits that are to be scheduled. When  
16 was that implemented?

17 A. Just about a month ago, I believe. That,  
18 the new method is to produce a two-year list of  
19 audits that have priority, have come up for audit,  
20 and allow the auditors to select from that list  
21 audits to merge them with officer requests and  
22 required annual audits which would be JCO-related or  
23 reaudits or things like that, and to come up with a  
24 schedule in that manner. It allows more involvement  
25 of the auditor in the process.

1 Q. Okay. And the reason for the change to  
2 this most recent system is--?

3 A. That we wish to move away from giving the  
4 Board of Directors an exact number, to be so  
5 numerical. We wish to program ourselves to audit 85  
6 percent of the time and to move in the direction  
7 that allows us time to audit the subjects in a  
8 little different manner, and would include our  
9 followup in there and our reaudits in there.

10 It's just a little different look at it.  
11 We have not moved away from giving any numerical  
12 objective to our audit committee or officers yet,  
13 and that hasn't happened; but we are still  
14 programming the audit planned for 1993 just in a  
15 little different way. It still has audits that are  
16 ready to be performed based on risk assessment and  
17 points that were provided, and into that process  
18 goes the last time the audit was performed and the  
19 risk to the business and certain factors.

20 MR. VINSON: Thank you. Those are  
21 all the questions I have.

22 MR. GREER: I have no questions.

23 MR. BEATTY: That's it.

24 MS. RICHARDSON: Thank you very much.

25 (Thereupon the deposition was

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concluded at 12:45 p.m.)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
Shirley T. Johnson

Sworn to and subscribed before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1992.

\_\_\_\_\_  
Notary Public  
State of Florida At Large

My Notary Commission Expires:

\_\_\_\_\_

