

# TIME SHEET TRAINING

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## You Want Me To Do What?

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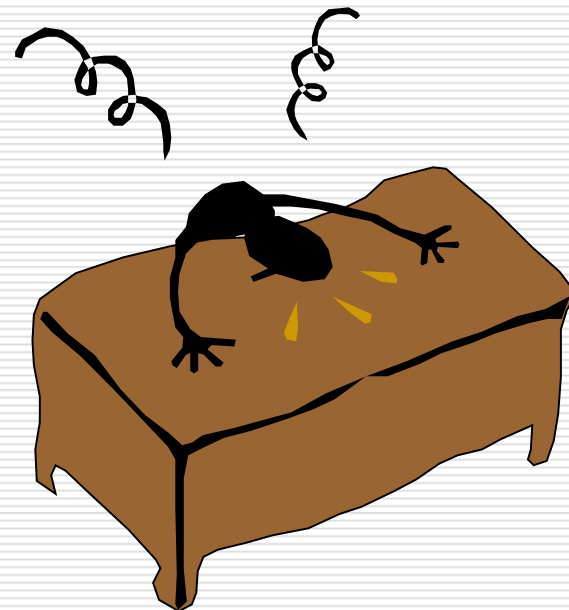
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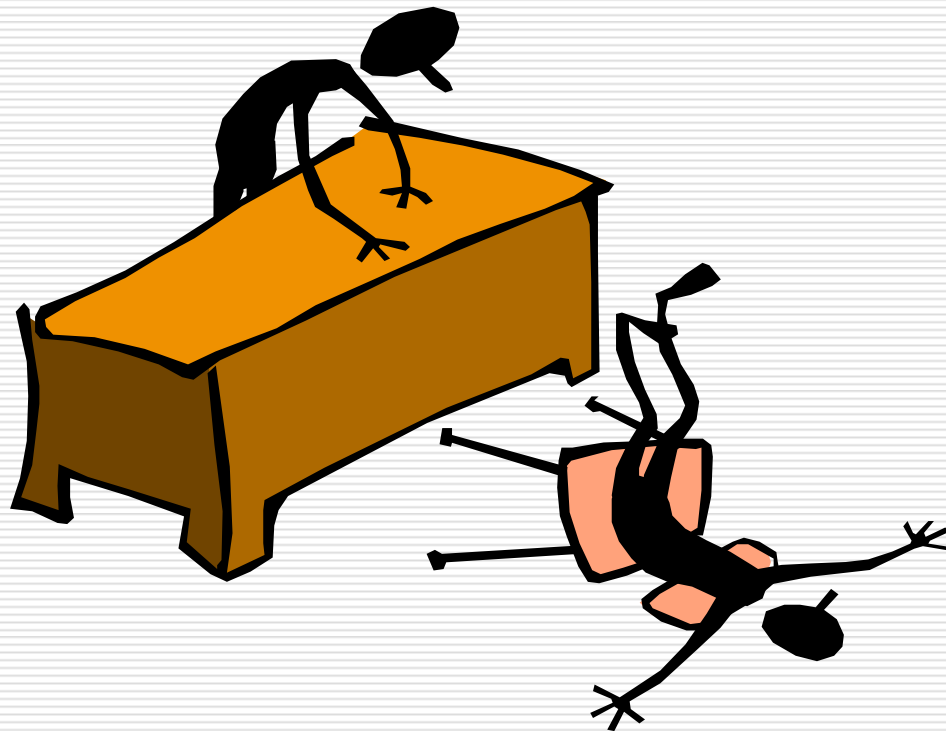
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*March 6, 2009*



# GUESS WHAT ?! You are doing PART 32 this year

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# GENERAL

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- ❑ Part 32 is in its 23<sup>rd</sup> year.
- ❑ Part 32 is a Uniform System of Accounts (USOA) prescribed by the FCC for telecommunications companies.
- ❑ Part 32 accounts are used to record, in monetary terms, the basic transactions, functions or activities which occur on a consistent and continuing basis. The accounts are intended to reflect a functional and technological view.
- ❑ Part 32 does not provide for a natural expense classification, though the expense matrix provides some natural classification.
- ❑ Sub-accounts may be used as deemed appropriate providing that the number of the controlling account is included.

# WEBSITES FOR REFERENCE

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- <http://www.access.gpo.gov/nara/cfr/cfr-table-search.html>



- <http://www.fcc.gov/>

- <http://www.usda.gov/rus/telecom/index.htm>



- <http://www.usda.gov/rus/telecom/publications/html/1770.htm>

# GENERAL

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- Accurate time reporting is more important than ever because of the diversity of operations in today's telecommunication environment. It directly affects the financial condition of the Company. Accurate time reporting and classification of cost are important for:
  - Financial statement preparation
  - Evaluating performance of business segments
  - Settlements
  - Regulatory reporting
  - Cost allocations
  - Income tax

# GENERAL

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- When reporting time, you must first determine the company for which you are working. Example: Co-op has three operating companies as follows:
  - ABC ILEC (Co-op)
  - ABC Celltel (Celltel) (*Nonoperating company holding cellular partnership*)
  - ABC Communications, LP (Comm) (*Subsidiary used for operating nonregulated business segments*)
  
- Most employees will not perform any services for Celltel.

# GENERAL

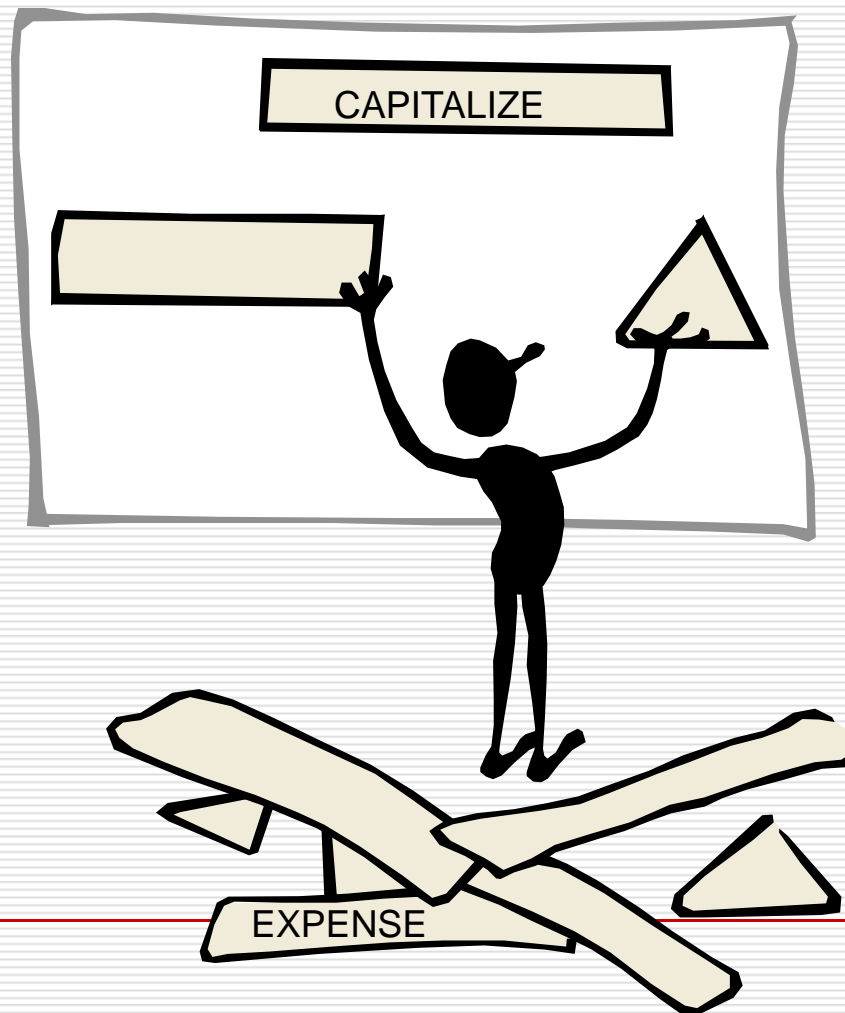
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- When performing services for Comm, accurate time reporting requires you to identify the business segment for which you are working. Comm has the following business segments:
  - Long distance
  - Internet
  - Cellular operations
  - CLEC
  - Transport

Different accounts are used for various business segments and functions.
  
- Time reports used by ABC Co-op are as follows:
  - Installer/Repairman - Completed daily by I&R personnel
  - Construction - Completed daily by construction crew
  - Pay Period Summary - Completed once each pay period by all inside and warehouse personnel

# CAPITALIZE vs. EXPENSE

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# CAPITALIZE vs. EXPENSE

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Capitalize costs that benefit more than one period. Amortize or depreciate the cost of the asset over its estimated useful life.

- **Expense minor repair or maintenance costs**
  - Distinguishing characteristic is that cost should neither add to value of the property nor prolong its economic life
  
- **Capitalize replacements that are considered retirement units. Retire plant replaced.**
  - The best way to capture these are by reporting plant removed or abandoned on timesheet.

# CAPITALIZE vs. EXPENSE

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## □ Expense replacements

- If the replacement effects a substantial betterment, charge excess cost of betterment to plant.
- If original cost of item replaced cannot be specifically identified (not a unit of property), charge replacement to expense. Example: (Air conditioning unit, carpet, roof.)

## □ Follow the FCC guidelines relative to support assets

- Purchase of Support Assets (2112-2123) under \$2,000 and computers under \$500 can be expensed in current period regardless of their estimated useful life in agreement with CC Docket No. 95-60

# CAPITALIZE vs. EXPENSE

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- *The cost of the individual items of equipment, classifiable to Accounts 2112, Motor vehicles; 2113, Aircraft; 2114, Tools and Other Work Equipment; 2122, Furniture; 2123, Office equipment; and 2124, General purpose computers, costing \$2,000 or less or having a life less than one year shall be charged to the applicable Plant Specific Operations Expense accounts, except for personal computers falling within Account 2124. Personal computers classifiable to Account 2124, with a total cost for all components, including initial operating software, of \$500 or less shall be charged to the applicable Plant Specific Operations Expense accounts. If the aggregate investment in the items is relatively large at the time of acquisition, such amounts shall be maintained in an applicable material and supplies account until items are used.*
- **Suggested retirement unit for cable – 300 to 500 feet.**

# REGULATED AND NONREGULATED ACTIVITIES

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- Sections 32.14 and 32.23 discuss accounting for regulated and nonregulated activities that involve common use of assets and those that do not. Section 32.27 describes accounting for transactions with nonregulated affiliates.
  - **Common use of assets** - use accounts prescribed for the activity by Part 32 Sub-account investment between solely regulated, solely nonregulated and common. Common will be allocated between regulated and nonregulated, generally off ledger.
  - **No common use of assets** - use accounts 1406 for investment and 7990 for income/expense and maintain a separate set of books.

# REGULATED AND NONREGULATED ACTIVITIES

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- **Joint operation of regulated companies** - Parent initially records entire cost to plant or expense. Apportion expenses to subsidiary by crediting expense on parent's books and debiting expense on subsidiary's books. Same result is achieved by initially recording expense as a receivable on parent's books and payable and expense on subsidiary's books. Any allowance for return on property used should be recorded as rent revenue.
- Accounting for joint operation of regulated companies is designed to avoid duplicating expense for settlements. Same results are achieved for use of property by charging a cost based lease amount recorded as expense by the subsidiary and rent revenue by the parent and reducing the parent's revenue requirement by the rent revenue.

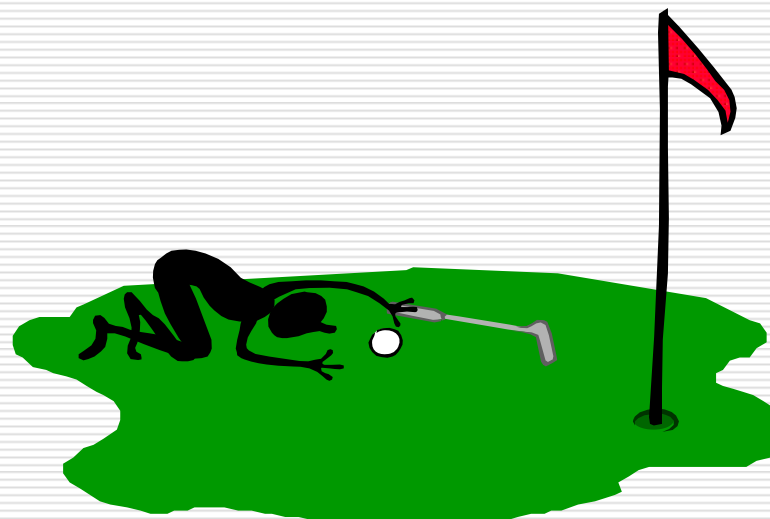
# REGULATED AND NONREGULATED ACTIVITIES

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REGULATED



NONREGULATED



# Telecommunication Plant –

Accounts 2001-2690

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- The telecommunications plant accounts are designed to show the investment in tangible and intangible telecommunications plant, which ordinarily has a service life of more than one year.
  - Acquired by direct purchase, self-construction or construction by an outside contractor.
  - Contributions from third parties toward the construction of plant shall be credited to the accounts charged with the construction cost.
  - Plant acquired from another telephone company shall be recorded at the original cost per the selling company's records, unless the price is less than \$100,000 in which case the plant shall be recorded at acquisition cost.

# Telecommunication Plant –

Accounts 2001-2690

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- ❑ The original cost or an average cost of property retired shall be credited to the plant account and debited to accumulated depreciation upon sale, abandonment or other disposition.
- ❑ Continuing property records are required for all plant accounts.

# Plant Accounts – Accounts 2002-2690

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- ❑ **2002 – Property Held for Future Use** - Includes the original cost of property owned and held for no longer than two years under a definite plan for use. If at the end of two years the property is not in service, the cost can remain here but must be excluded from rate base.
- ❑ **2003 – Telecommunications Plant Under Construction** - Includes the original cost of construction projects. Projects estimated to be completed within 2 months or estimated to amount to less than \$100,000 may be charged directly to the plant accounts. Projects suspended for six months or more can remain here but must be excluded from rate base. Abandoned projects shall be expensed to account 7370 - Special Charges.

# Plant Accounts – Accounts 2002-2690

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- ❑ **2005 - Telecommunications Plant Adjustment** - Includes the excess of the fair market value of plant acquired from another telco plus acquisition expenses over the original cost of such plant. The amount approved by regulators can be amortized to account 6565. The amount not approved is amortized to account 7370. Adjustments of \$100,000 or less can be expensed in the year incurred.
- ❑ **2007 - Goodwill** - Excess of the purchase price of plant over its fair market value.
- ❑ **2124 - General Purpose Computers** - Includes the original cost of computers and peripheral devices which are designed to perform general administrative information processing activities.

# Plant Accounts – Accounts 2002-2690

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- **Sec. 32.2124 General Purpose Computers**

*This account does not include the cost of computers, their associated peripheral devices, and their initial operating system software associated with switching, network signaling, network operations or other specific telecommunications plant. Such computers, peripherals, and software shall be classified to the appropriate switching, network signaling, network expense, or other plant account.*

# Plant Accounts – Accounts 2002-2690

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- ❑ **2311 – Station Apparatus** – Customer premise equipment owned by the company and leased to customers. Equipment costs remain in this account until final disposition even if removed from service and returned to stock.
- ❑ **2690 – Intangibles** - Includes costs of organizing and incorporating the company, the original cost of patent rights, and other intangible property having a life of more than one year and used in connection with the company's telecommunications operations. Includes software costs, if recorded as an intangible.

# Plant Accounts – Accounts 2002-2690

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Per revised Part 32 description included in the Code of Federal Regulations (CFR 47), account 2114 description was changed to the following:

- **Sec. 32.2114 Tools and Other Work Equipment**

*This account shall include the original cost of special purpose vehicles and the original cost of tools and equipment used to maintain special purpose vehicles and items included in Accounts 2112 and 2113. **This account shall also include the original cost of power-operated equipment, general purpose tools, and other items of work equipment.***

# A/D and Amortization –

Accounts 3100-3600

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- This series of accounts includes accumulated depreciation and amortization for tangible and intangible plant accounts.

## Selected Accounts

- **3100 – Accumulated Depreciation** – Used for recording depreciation expense, retirements, salvage and costs of removal for plant in service.
- **3300 – Accumulated Depreciation – Nonoperating** – Used for recording depreciation expense, retirements, salvage and costs of removal for nonoperating plant.
- **3500 – Accumulated Depreciation – Intangible** – Used for recording amortization expense, retirements and salvage for intangible assets carried in Account 2690.

# Expenses - Accounts 6000-6790

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- Plant specific Operations Expense**
  - Accounts 6112-6441
- Plant nonspecific Operations Expense**
  - Accounts 6511-6540
- Depreciation and Amortization Expense**
  - Accounts 6561-6565
- Customer Operations Expense**
  - Accounts 6611-6623
- Corporate Operations Expense**
  - Accounts 6711-6790
  
- Refer to Expense Classification Guide for guidance on selected transactions.

# Work Orders – Common Audit Findings

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## □ Findings:

1. Work orders are not closed in a timely manner.

### Effects:

- Causes telco to overcapitalize AFUDC, understate interest expense
- Causes telco to understate depreciation expense
- CPRs may be incorrect
- Can affect NECA recovery

### Recommendations:

- List any work orders with no activity for 30 days and provide list to plant supervisor for resolution
- Consider a scope. Close work orders automatically each month under that scope

# Work Orders – Common Audit Findings

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□ Findings:

2. Materials are not assigned to work orders in a timely manner.

**Effects:**

- **Overstates inventory, understates plant or TPUC**
- **Inventory adjustments may be spread to incorrect accounts**
- **Causes AFUDC to be understated**
- **Causes Depreciation to be understated**
- **Can affect NECA recovery**
- **Creates unnecessary work for all involved**

**Recommendations:**

- **Checklist when plantmen remove inventory from warehouse, requiring work order number**
- **Training**
- **Accountable employee**

# Work Orders – Common Audit Findings

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## □ Findings:

3. Retirement work orders do not include value of plant retired.

### Effects:

- **Overstates Plant In Service**
- **CPRs are not accurate**
- **May cause depreciation expense to be overstated**
- **Can affect NECA recovery**
- **Creates unnecessary work for all involved**

### Recommendations:

- **Training**
- **Accountable employee**
- **Consider revising timesheet**

# Inventory – Common Audit Findings

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□ Findings:

1. Inventory that is obsolete is included in the materials and supplies inventory.

**Effects:**

- **Overstates inventory**
- **Possible overstatement of Net Income**

**Recommendations:**

- **If inventory was salvaged from a previous retirement**
  1. **Reverse entry that previously recorded the inventory**
  2. **Consider reviewing depreciation rates to ensure that they are reasonable**

# Inventory – Common Audit Findings

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## Recommendations: (continued)

3. In rare cases, this could indicate an extraordinary retirement
4. Physically segregate and label obsolete inventory
5. Educate the employees performing the physical count

# Inventory – Common Audit Findings

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## □ Findings:

2. Poor physical inventory counts including ineffective cut-off procedures and the improper inclusion in inventory count of critical spares previously capitalized.

### Recommendations:

- **Physically segregate, and maintain a list of, critical spares**
- **Review accounts payable cut-off procedures**
- **Educate the employees performing the physical count**

# Cost of Goods Sold – Common Audit Findings

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## □ Findings:

1. Cost of Goods Sold (COGS) was understated due to untimely work order closings and expenses coded incorrectly to accounts other than COGS.

### Effects:

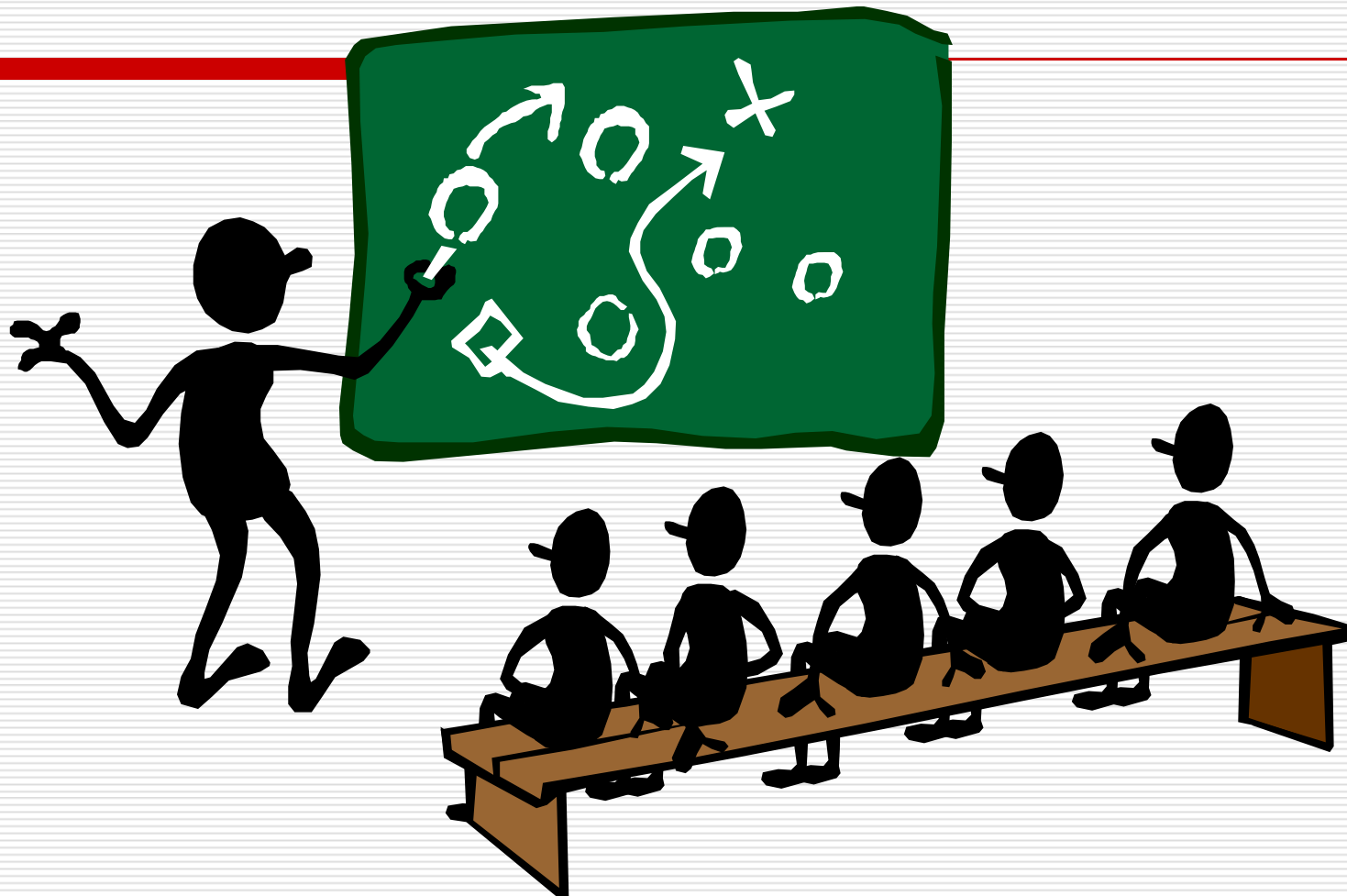
- Expense and Revenues may not be matched
- Services may be under priced
- Expenses that should be billed to customers could be missed

# Cost of Goods Sold – Common Audit Findings

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- Recommendation:
  1. Match billed invoices to related COGS for each invoice using an excel spreadsheet.
  2. This comparison should be prepared by accounting, but shared with other departments if they are responsible for determining pricing, etc for the goods or services.
  3. Compare this spreadsheet to any other internally prepared documentation used in determining the sales price of the goods or service.

*Examples of this include sales of KSU's and other custom work performed on behalf of others.*



# EXPENSE CLASSIFICATION GUIDE

## For Commonly Misclassified Transactions

Description	Account Number
Miscellaneous costs related to plant employees (uniforms, laundry, rain jackets, magazine subscriptions)	Most common account of employee or 6512
Cellular phone bills	Most common account of employee using phone
<ul style="list-style-type: none"> <li>➤ Software with a useful life greater than one year: (Initial purchase and upgrades)               <ul style="list-style-type: none"> <li>✓ GPC operating software costing ≤ \$500</li> <li>✓ GPC application software ≤ \$500</li> <li>✓ Digital switch software costing ≤ \$500</li> <li>✓ GPC software costing &gt; \$500</li> <li>✓ Digital switch software costing &gt; \$500</li> </ul> </li> <li>➤ Software with a useful life of one year or less – expense to the applicable account with which the software is associated               <ul style="list-style-type: none"> <li>✓ General purpose computer operating software</li> <li>✓ General purpose computer application software</li> <li>✓ Digital switch software</li> </ul> </li> </ul>	6124 6724 6212 2690 or 2124 2690 or 2212  6124 6724 6212
Physical inventory adjustments (Unidentified)	6512
Calculator/typewriter	6123 if <\$2,000
<ul style="list-style-type: none"> <li>➤ Executive vehicle lease               <ul style="list-style-type: none"> <li>✓ Long-term</li> <li>✓ Short-term (rent car)</li> </ul> </li> </ul>	6112 6711

## TIMESHEET CODING GUIDE

Description	Non Reg	Account Installation	Account Remove/Abandon	Account Repair/Replace
<b>CUSTOMER PREMISE</b>				
<b>Paystations</b>	*	6351	6351	6351
<b>Paystations (coin collection/ counting money)</b>	*	N/A	N/A	6623
<b>Company Communications Equipment (Telephone company official equipment, used for our purposes)</b>		2123	3123	6123
<b>Install of Inside Wire &amp; Outlets (Initial prewire)</b>	*	6321	N/A	N/A
<b>Install of Additional Modular Outlets</b>	*	6321	N/A	N/A
<b>Repair/Replace Inside Wire &amp; Test Outlets</b>	*	N/A	N/A	6321
<b>Repair of Station Apparatus (telephone terminal equipment, bells, cords, telephone sets (leased))</b>	*	N/A	N/A	6311
<b>Install, repair or replace DSL modems</b>	*	6311	N/A	6311
<b>Video Set Top Boxes (STB) either leased or sold to customer</b>	*	6311	6311	6311
<b>Moves and Changes (moving inside wire and jacks)</b>	*	N/A	N/A	6321
<b>Removals and Disconnects (Relative to Station App only - does not include CO time)</b>	*	N/A	6311	6311

<b>Trip &amp; Test to Verify the Trouble on Customer Side of Demarcation Point</b>		<b>Up to Protector</b>	<b>Aerial Cable to drop</b>	<b>6421</b>
			<b>Buried Cable to Drop</b>	<b>6423</b>
<b>Beyond Protector</b>	*	<b>Past Protector Up to Jack</b>		<b>6321</b>
<b>From Line Cord to Equipment</b>		<b>N/A</b>	<b>N/A</b>	<b>6311</b>
<b>Installation Lease Key System</b>	*	<b>2311</b>	<b>N/A</b>	<b>N/A</b>
<b>Repair Contract Lease Key System</b>	*	<b>N/A</b>	<b>N/A</b>	<b>6311</b>
<b>Repair Customer Owned Key System</b>	*	<b>N/A</b>	<b>N/A</b>	<b>6311</b>
<b>SUPPORT</b>				
<b>Building &amp; Grounds – Joint Use (Headquarters)</b>		<b>2121</b>	<b>3121</b>	<b>6121</b>
<b>Building &amp; Grounds-CO (remote)</b>		<b>2121.X</b>	<b>3121.X</b>	<b>6121.X</b>
<b>Building &amp; Grounds - Plant Support (warehouse &amp; cable yard)</b>		<b>2121.X</b>	<b>3121.X</b>	<b>6121.X</b>
<b>Receiving, Stocking, Taking Inventory, Filling Requisitions</b>		<b>N/A</b>	<b>N/A</b>	<b>6512</b>
<b>Ordering Materials and Supplies, Including Office Supplies; Evaluating Suppliers</b>		<b>N/A</b>	<b>N/A</b>	<b>6726</b>

## TIMESHEET CODING GUIDE

Description	Non Reg	Account Installation	Account Remove/Abandon	Account Repair/Replace
Vehicle Maintenance-Plant Vehicles		N/A	N/A	6112.X
Vehicle Maintenance-Customer & Corporate		N/A	N/A	6112.X
Garage Work Equipment Maintenance		N/A	N/A	6114
Maintenance of Other Work Equipment (tools, machinery)		N/A	N/A	6114
Maintenance of Other Work Equipment (portable test sets)		N/A	N/A	6114
Computer hardware installation and maintenance		If > \$500 2124	3112	6124
Computer software installation and maintenance		If > \$500 2124	3112	6724
Computer support		N/A	N/A	6724
Indirect Supervision and Plant Operations Administration		N/A	N/A	6534
Indirect Engineering and Preliminary Planning		N/A	N/A	6535
Updating maps for work order activity		N/A	N/A	6535
<b>NON-PRODUCTIVE TIME</b>				
Work performed at annual meeting		N/A	N/A	6722

<b>Safety Meetings (including preparation time)</b>		<b>N/A</b>	<b>N/A</b>	<b>6723</b>
<b>Sick Leave</b>		<b>Most</b>	<b>Common</b>	<b>Account</b>
<b>Vacation</b>		<b>Most</b>	<b>Common</b>	<b>Account</b>
<b>Non-Productive Time (Plant)</b>		<b>Most</b>	<b>Common</b>	<b>Account</b>
<b>Jury duty, funerals</b>		<b>Most</b>	<b>Common</b>	<b>Account</b>
<b>CENTRAL OFFICE</b>				
<b>COE Digital Switch (DCO RLS/RNS)</b>		<b>2212</b>	<b>3212</b>	<b>6212</b>
<b>Circuit Equipment (may be sub accounted for Toll-carrier, subscriber carrier, etc.)</b>		<b>2232</b>	<b>3232</b>	<b>6232</b>
<b>Fiber Optic Terminals</b>		<b>2232.X</b>	<b>3232.X</b>	<b>6232.X</b>
<b>DSL Equipment (including DSL Network Interface Device (NID))</b>		<b>2232.X</b>	<b>3232.X</b>	<b>6232.X</b>
<b>Reconnects, disconnects, new installs in central office</b>		<b>6212</b>	<b>6212</b>	<b>6212</b>
<b>OUTSIDE PLANT</b>				
<b>Pole Lines</b>		<b>2411</b>	<b>3411</b>	<b>6411</b>
<b>Aerial Cable - Metal</b>		<b>2421</b>	<b>3421</b>	<b>6421</b>

## TIMESHEET CODING GUIDE

Description	Non Reg	Account Installation	Account Remove/Abandon	Account Repair/Replace
Aerial Cable - Fiber		2421.X	3421.X	6421.X
Aerial Cable - Drops attached to aerial cable		2421	6421	6421
Buried Cable-Metallic		2423	3423	6423
Buried Cable-Fiber		2423.X	3423.X	6423.X
Buried Cable-Fiber-Plow Ducts		2423	3423	6423
Buried Cable-Drops attached to buried cable		2423	6423	6423
Examination of buried cable for potential problems, cable location, qualifying line for DSL or ISDN		N/A	N/A	6423
Underground Cable		2422	3422	6422
Underground Conduit		2441	3441	6441
<b>TESTING</b>				
Test Desk Work-Local Testing		N/A	N/A	6533
Test Desk Work-Co Toll Testing		N/A	N/A	6533.X
Dispatch (taking trouble calls, writing trouble tickets, dispatching repairmen, recording results of trouble cleared and quality control follow-up)		N/A	N/A	6533.X
Controlling Traffic Flow, Administrating Traffic, Measuring & Monitoring Traffic, Assigning Equipment		N/A	N/A	6532
Testing EAS		N/A	N/A	6533

<b>OTHER</b>				
<b>Work Done for Affiliate</b>		<b>1190</b>	<b>1190</b>	<b>1190</b>
<b>Training</b>		<b>Specific</b>	<b>Plant</b>	<b>Account</b>
<b>Non-Specific Training</b>		<b>Most</b>	<b>Common</b>	<b>Account</b>
<b>Time sheet preparation</b>		<b>N/A</b>	<b>N/A</b>	<b>6721</b>
<b>Monthly vehicle reports</b>		<b>N/A</b>	<b>N/A</b>	<b>6721</b>
<b>Purchase order to repair vehicles</b>		<b>N/A</b>	<b>N/A</b>	<b>6112</b>

**Note:** If a CLEC is operated by the company, the timesheets should include separate construction and expense accounts to capture time spent on CLEC activities.

## ABC TELEPHONE COOPERATIVE, INC. Inside Personnel Time Reporting Guide

Activity/Function	Coop Account
Receiving, stocking, monitoring and counting inventory	6512
Taking trouble call and dispatching repair person	6533
Maintaining customer location codes	6535
Determining customer needs, selling, soliciting, sales contracts	6612
Product or service advertising	6613
Preparing and distributing directories	6622
Service order processing, initiating and disconnecting service, inquiry, and payment collection (including paystations)	6623.1
Rating, processing, bill rendering, posting receipts, toll investigation, settlements, TUSF and PAR reporting, access and transport bill preparation	6623.2
Formulating corporate policy, overall G&A	6711
Strategic planning, management studies	6712
General Accounting	6721
Revenue requirement, separations, settlements	6721
Public relations, tariff filings, reviewing legislation	6722
Maintaining 911 data base, research, routing	6722
Benefit admin., safety programs, personnel recruiting and management	6723
Computer hardware & software installation	If > \$500 2124
Computer software development, testing, support, maintenance and training	6724

Computer hardware maintenance	6124
Analyzing and evaluating suppliers, placing orders	6726
Other G&A	6728
Cleaning and maintenance of buildings and grounds – warehouse and cable yard	6121.1
Cleaning and maintenance of buildings and grounds – COs and remotes	6121.2
Cleaning and maintenance of buildings and grounds – Commercial (HQ)	6121.3
<b>Non-Productive Time</b>	
Work performed at annual meeting	6722
Safety meetings	6723
Sick leave	Non-productive function code or Most Common Account
Vacation	Non-productive function code or Most Common Account
Non-productive time, jury duty, funerals	Non-productive function code or Most Common Account
Family leave/Other absences	Non-productive function code or Most Common Account
Training	Specific Expense Account
Non-specific training	Most Common Account



# The End

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