

Tennessee Regulatory Authority

March 2002

Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Deborah V. Loveless, CPA
Assistant Director

Dena W. Winningham, CGFM
Audit Manager

Joseph Schussler, CPA, CGFM
In-Charge Auditor

Jennifer McClendon
Staff Auditor

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 401-7897

Performance audits are available on-line at www.comptroller.state.tn.us/sa/reports/index.html.
For more information about the Comptroller of the Treasury, please visit our Web site at
www.comptroller.state.tn.us.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

March 28, 2002

The Honorable John S. Wilder
Speaker of the Senate
The Honorable Jimmy Naifeh
Speaker of the House of Representatives
The Honorable Thelma M. Harper, Chair
Senate Committee on Government Operations
The Honorable Mike Kernell, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Tennessee Regulatory Authority. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated*, the Tennessee Governmental Entity Review Law.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the authority should be continued, restructured, or terminated.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/dww
02-043

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit
Tennessee Regulatory Authority
March 2002

AUDIT OBJECTIVES

The objectives of the audit were to review the Authority's legislative mandate and the extent to which it has carried out that mandate efficiently and effectively and to make recommendations that might result in more efficient and effective operation of the Authority.

FINDING

The Authority Has Not Issued Written Orders in a Timely Manner Following Action by the Directors

Following a decision of the Authority directors in hearings involving regulated entities, legal staff prepare a written order, circulate it among the directors for their approval, and then send it to the Executive Secretary's office for distribution as necessary. During fiscal year 2001, 51% of the orders were issued more than 30 days after the action by the directors. For the orders issued between March 1 and March 20, 2002, 95% were issued more than 90 days after the directors' decision. Until the written order is issued, the docket cannot be closed, appeal time does not begin, and the hearing process is not over (page 10).

OBSERVATIONS AND COMMENTS

The audit also discusses the following issues that may affect the operations of the Authority: the processing of cases by the Dockets and Records Section, the terms of the directors, storage at the Old State Prison, the Do Not Call program, and the Telecommunications Devices Access Program (page 4).

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 401-7897

Performance audits are available on-line at
www.comptroller.state.tn.us/sa/reports/index.html.
For more information about the Comptroller of the Treasury, please visit our Web site at
www.comptroller.state.tn.us.

Performance Audit Tennessee Regulatory Authority

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose and Authority for the Audit	1
Objectives of the Audit	1
Scope and Methodology of the Audit	1
Organization and Responsibilities	2
OBSERVATIONS AND COMMENTS	4
Dockets and Records	4
Terms of Directors	5
Storage at Old State Prison	5
Do Not Call Program	6
Telecommunications Devices Access Program	9
FINDING AND RECOMMENDATION	10
1. The Authority does not issue written orders in a timely manner following action taken by the directors	10
RECOMMENDATION	13
Administrative	13
APPENDIX	14
Title VI Information	14

Performance Audit Tennessee Regulatory Authority

INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Tennessee Regulatory Authority was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-223, the Authority is scheduled to terminate June 30, 2002. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the Authority and to report to the Joint Government Operations Committee of the General Assembly. The performance audit is intended to aid the committee in determining whether the Authority should be continued, restructured, or terminated.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to determine the authority and responsibility mandated to the Authority by the General Assembly,
2. to determine the extent to which the Authority has met the legislative mandate,
3. to evaluate the efficiency and effectiveness of the Authority, and
4. to recommend possible alternatives for legislative or administrative action that may result in more efficient and effective operation of the Authority.

SCOPE AND METHODOLOGY OF THE AUDIT

The audit reviewed the activities of the Tennessee Regulatory Authority from January 2000 to March 2002, with a concentration on the period from December 2001 to February 2002. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America and included

1. a review of applicable legislation and Authority policies and procedures;
2. contact with representatives of the Tennessee Gas Association, Tennessee Telecommunications Association, the Consumer Advocate and Protection Division of the Attorney General's Office, and the six Deaf Centers located in Tennessee;
3. interviews with Authority staff and with staff of the Departments of General Services, Human Services, and Finance and Administration; and
4. examination of the Authority's records, files, and reports.

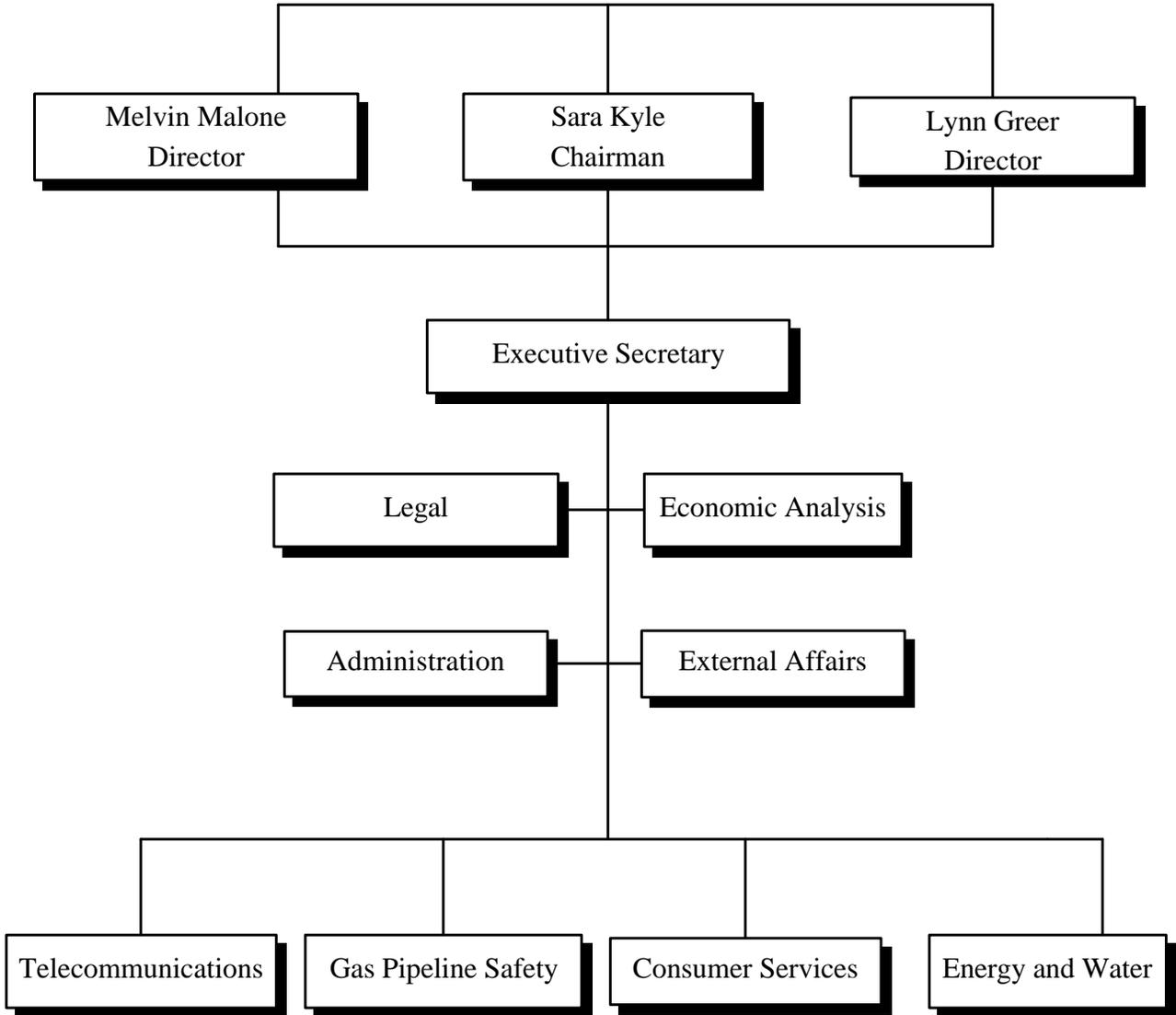
ORGANIZATION AND RESPONSIBILITIES

In 1995, the General Assembly passed legislation to create the Tennessee Regulatory Authority, a governing body to regulate utilities in the state of Tennessee. The Authority's mission is "to promote the public interest by balancing the interests of consumers and providers while facilitating the transition to a more competitive environment." Leadership for the Authority is composed of three directors, each of whom is appointed to serve a six-year term. Chairman Sara Kyle was appointed by the Speaker of the House, Director Lynn Greer was appointed by the Governor, and Director Melvin Malone was appointed by the Speaker of the Senate. The directors elect a chairman every two years.

The Authority has jurisdiction over public utilities including electric companies (3), telephone companies (742), water and wastewater companies (12), and natural gas companies (6). Pursuant to Section 65-4-104, *Tennessee Code Annotated*, the Authority is responsible for making rules for utility operations, for approving utility rates, and for regulating gas safety standards. The Authority also has power to decide the granting of operational authority and to adjudicate conflicts and controversies arising from utility operations. The Authority's expenses are covered wholly by the industries it regulates, with a small portion coming from the federal government. For fiscal year 2001, the Authority had 90 staff positions, revenue of \$7,340,316, and expenses of \$6,434,221. The cumulative amount of revenue over expenses is retained in the Public Utilities Account, which had a balance of \$2.9 million at June 30, 2001.

The Authority has numerous divisions, shown in the organization chart on page 3. The Executive Secretary's office includes the Dockets and Records Section, where filings are maintained; the Personnel Office, responsible for payroll, benefits, and training; the Office of External Affairs, the Authority's connection to the General Assembly and the public; the Fiscal Office, where purchases, collections, and transactions are recorded; the Information Systems Section, responsible for the Authority's computer hardware and software; and the Administrative Section, responsible for property management, security, and inventory of equipment and supplies. Staff of the Legal Division provide counsel to the Directors, serve as hearing officers, perform research and prepare documents for docket items, prepare written orders, and assist other divisions of the Authority with legal matters as necessary. The Economic Analysis and Policy Division reviews evidence and provides advice in contested cases, and it undertakes long-term research using student interns.

TENNESSEE REGULATORY AUTHORITY
Organization Chart
January 2002



The Telecommunications Division works to create a competitive marketplace while maintaining affordable prices. For fiscal year 2001, the Division reviewed 691 tariff filings by telecommunications companies to introduce new services or to revise the rates, terms, and conditions of existing services. The Gas Pipeline Safety Division conducts safety inspections of local gas distribution systems in Tennessee, implements damage-prevention best practices, educates local law and code enforcement agencies on responsible actions to take, qualifies natural gas pipeline welders, and promotes the “Dig Safely” campaign to prevent damage to underground utility lines. The Consumer Services Division investigates and mediates complaints, implements programs to educate the public on utility issues, and manages the Do Not Call Register. The Energy and Water Division sets or approves the rates and prices charged by public utilities in the areas of energy (gas and electric), water, and sewer.

OBSERVATIONS AND COMMENTS

The issues discussed below did not warrant findings but are included in this report because of their effect or potential effect on operations of the Authority and on the citizens of Tennessee.

DOCKETS AND RECORDS

The Tennessee Regulatory Authority makes decisions on a variety of types of proceedings. Among these are tariffs to set or change the rates, terms, or conditions of the services provided by a telecommunications company; interconnection agreements to allow local exchange carriers to connect to BellSouth; resale agreements to allow local companies to resell local or long-distance services; and certificates of convenience and necessity (CCN) to allow competitors into a market area. Documentation filed in connection with any cases enters through the Dockets and Records Section of the Authority, and the original is maintained there. Each case is reviewed by staff in the relevant section of the Authority before the case information, including staff recommendation, is presented to the directors. The directors review the information separately, then make their recommendation or decision in a public hearing.

The staff uses TRADD (Tennessee Regulatory Authority Dockets Database) to track dockets and filings related to each case. Filings submitted to the Authority must contain a docket number, the main link in TRADD. If the filing is the first for a new case, there is a fee of \$25 per party. The Dockets and Records Division retains the original item in a paper file, and 13 copies (provided by the filer) are distributed to the directors and division heads. All filings are public and are posted on the Tennessee Regulatory Authority’s Web site. Most staff have access to TRADD, though only a few can change data already entered. Staff are not aware of any security breaches, and there appears to be little reason for someone to improperly access TRADD and change data.

The auditors selected a sample of 20 cases that began during calendar year 2000 and reviewed related information to determine if there were unnecessary delays by the Authority. The cases include a request for an amendment to a previously approved interconnection agreement, an order to withdraw a CCN that is no longer needed, a revocation of CCN for nonpayment, a complaint resolution, CCN applications, and interconnection agreements. Per this review, normal delays of cases are caused primarily by data requests by either the Authority or one of the parties involved in the case. In one case, delays were caused by the applicant's request that the case be put on hold. The auditors also selected a sample of 20 cases that began during calendar year 2001 and reviewed them in a similar manner. These cases primarily included agreements for resale of local or long-distance services, but also included the same types of cases listed above. During the time of the audit, the auditors attended several hearings and directors' conferences. Based on the review of cases, the documents filed for each one, and attendance at the directors' conferences and hearings, the directors of the Authority appear to keep cases moving to completion in a reasonable period of time.

Terms of Directors

According to Section 65-1-201, *Tennessee Code Annotated*, the Governor, the Speaker of the Senate, and the Speaker of the House of Representatives each appoint one of the three directors of the Tennessee Regulatory Authority. The appointments are confirmed by joint resolution adopted by each house, and each director serves a six-year term beginning July 1.

The three current directors were appointed in 1996, and their terms all expire on June 30, 2002. This will be the first year the directors come up for reappointment since the creation of the Authority in 1996. Without staggered terms for the directors, the Authority could lose efficiency, history, and experience. The General Assembly may wish to consider modifying Section 65-1-201(c), *Tennessee Code Annotated*, and other sections as necessary to stagger the terms of the directors.

Storage at Old State Prison

The former Public Service Commission housed its truck inspectors in offices in the Education Building at the old Tennessee State Prison located in Nashville. When the Public Service Commission was replaced by the Tennessee Regulatory Authority, the Authority retained the use of two rooms in the building (known as "Building K") for storage of office supplies, old files, furniture, legal documents, and other office-related items. Other rooms and the hall of the building are used for storage by the Department of Treasury, the Alcoholic Beverage Commission, the Tennessee Wildlife Resources Agency, the Department of Education, and the Department of Finance and Administration.

Auditors toured the site on a dry day and on a day after it had rained. Building K is a concrete block building. While the outside of the building appears solid, the interior of Building K is dismal. There is abundant evidence of the leaking roof and collapsing or fallen ceiling tiles. In

one of the Authority's storage rooms, the lights do not work and there are no windows. There is staining on the wall where the water runs in from the leaking roof. The room smells extremely musty, and boxes and other items in the room have been damaged by water. The building's heaters were not working. In a room used by another department, computers in boxes are covered with a sheet of plastic, apparently to protect them from leaking water. Items must be stored on pallets so they don't get wet when the rain comes in. According to Authority staff, and as evidenced by water stains on stored items, water accumulates on the floor when it rains. An agent of the Alcoholic Beverage Commission, in the building at the time of the tour, confirmed information provided by Authority staff. (The Alcoholic Beverage Commission stores confiscated items in the building.) Also in the hall were piles of trash, broken furniture, rain-soaked ceiling tiles, a trash container filled with water, and numerous sites with evidence of where water had been on the floor. (See photographs on page 7.)

Staff of the Tennessee Regulatory Authority contacted the Department of Treasury, the Department of General Services, the Department of Finance and Administration, and the State Architect to try to correct the situation. They filed a claim for damage with the Division of Risk Management, but they were rejected because "the damage occurred over a period of time from several events." Staff also said that General Services could not offer any alternative storage location. In March 2002 the Authority decided to vacate the space.

According to the Property Services Management Division of the Department of General Services, the space at the old State Prison is temporary storage space and is not repairable. There are currently no plans to do any maintenance work on Building K. The Department of Finance and Administration has a capital project to build a 240,000-square-foot storage building to consolidate several storage locations scattered around downtown Nashville. The project is in the site selection stage, but there is no funding available to continue. Representatives of the Real Property Management Division of the Department of Finance and Administration have visited Building K and are aware of the situation. They realize that some of the Authority's items are ruined; however, other agencies that use the building have not complained about the space and none of them have filed any claims for losses. According to Real Property Management, most of the items other agencies have in the building are surplus, or are things that need to be secure rather than warm and dry (such as the confiscated video machines that the Alcoholic Beverage Commission stores there). Representatives of the Real Property Management Division are looking into the availability of the other buildings on the prison site for storage.

Do Not Call Program

As authorized by statute, the Tennessee Regulatory Authority's Division of Consumer Services implemented and began taking consumer information for the Do Not Call (DNC) program in January 2000. According to Section 65-4-401, *Tennessee Code Annotated*, telephone solicitors can be subjected to a fine of \$2,000 each time they contact a person on the Do Not Call list unless

Water-damaged items stored by Tennessee Regulatory Authority in Building K of the old Tennessee State Prison in Nashville.



1. the subscriber has given prior express permission,
2. the solicitor is requesting donations for a not-for-profit organization, or
3. the subscriber is an existing customer.

More than 650,000 telephone numbers are registered with the DNC program, or about 26% of all residential lines in Tennessee. On average, 200 new registrations are received per day. Consumers may register on the Tennessee Regulatory Authority Web site or may call a toll-free telephone number to leave their name, address, and telephone number. Registration is good for five years, after which it must be renewed. The Authority receives information from the telephone registrations daily and downloads information from the Web site weekly. Once an individual subscribes to the DNC program, it takes up to 60 days from the end of the month of subscription to become active on the list sent to telemarketers.

According to Section 65-4-405(d)(1), *Tennessee Code Annotated*, telemarketing companies that call residents of Tennessee must pay \$500 per year to receive the DNC list. The companies receive the updated list once a month via e-mail or CD-rom. Since the program began in August 2000, 726 companies have registered with the TRA. Only 538 currently receive the monthly list because some companies only do a one-time telemarketing. The companies are located across the United States and Canada.

Staff of the Tennessee Regulatory Authority periodically test the accuracy of the information in the DNC database by comparing a sample of phone numbers to addresses using Web-based telephone search engines. In the future, the Authority plans to communicate the need for residents to re-register after five years.

An individual whose number is on the DNC list but has been called may file a complaint against the telemarketer. Complaint forms may be downloaded from the Tennessee Regulatory Authority Web site or requested from the Authority via a toll-free number. When a complaint is received in the Division of Consumer Services, the staff person in charge opens a file and assigns the complaint to an investigator. The investigator contacts the complainant and the company and determines the company's liability. If the investigator determines fault on the part of the company, he sends a letter of formal complaint. Multiple complaints against the same company, or a company's failure to respond, may lead to a hearing before the directors of the Tennessee Regulatory Authority.

Auditors reviewed complaints received in the DNC program from August 2000 through February 2002, a total of 1,250. As shown in the table below, the number of complaints received and the days to close a complaint both decreased over the 19-month period.

Complaints Received in the Do Not Call Program

	<u>Total</u>	<u>Aug.-Dec. 2000</u>	<u>Jan. – June 2001</u>	<u>July-Dec. 2001</u>
Number received	1,250	524	406	246
Number closed	1,146	524	399	205
Avg. days to close	95.5	137.1	75.2	35.7

Over the 19 months reviewed, complaints have resulted in 12 settlements for a total of \$73,000 in fines assessed on telemarketing companies, shown in the table below.

Fines Assessed on Telemarketing Companies

<u>Company</u>	<u>Amount</u>
Champion Carpet	\$2,000
Excel Telecommunications	5,000
Knoxville News Sentinel	2,000
Bluegreen Vacations	4,000
Bankers Life	4,000
Capital Mortgage Funding	5,000
Secure One	26,000
The Tennessean	2,000
Cambridge Security	5,000
Resthaven Memorial Gardens	2,000
Advantage Investors Mortgage	12,000
Metropolitan Life	4,000
Total	<u>\$73,000</u>

Source: TRA Consumer Services Division

TELECOMMUNICATIONS DEVICES ACCESS PROGRAM

Chapter 417 of the Public Acts of 1999 established the Telecommunications Devices Access Program (TDAP). The program is designed to distribute telecommunications devices to persons who are deaf, severely hard of hearing, or speech-impaired so that they find telephone use extremely difficult or impossible. The devices are issued on a first-come, first-served basis to Tennessee residents with a verified significant impairment. They must be able to use the device or accept training prior to having the device issued to them. The program is funded from fees paid by telecommunication service providers with annual Tennessee intrastate gross receipts in excess of \$5,000,000. The fund had reached its maximum reserve of one million dollars at June 30, 2001, so billing was suspended for fiscal year 2002. In 2000, the Division of Consumer Services distributed 882 pieces of equipment with a value of \$184,544.98. In 2001, the division distributed 1,413 pieces of equipment with a value of \$198,360.62. Devices are distributed statewide.

The equipment distributed is considered on permanent loan. When individuals receive the equipment, they sign a statement that they are responsible for repairs to the equipment, that they understand the equipment is on loan, and that if they move out of Tennessee, they have to return the equipment. To promote the program, the Division of Consumer Services works closely with the six Community Centers managed by the Tennessee Council for the Deaf and Hard of Hearing. In conversations with the auditors, the directors of the six centers were very complimentary of the program and the staff of the Tennessee Regulatory Authority. The directors said they have posters to hang in their centers but that the Authority could better advertise the program. Suggestions include sending information to speech pathologists, audiologists, and parents of deaf or hard-of-hearing children. The directors also suggested public service announcements. In addition, the Authority is looking into advertising on buses in metropolitan areas.

FINDING AND RECOMMENDATION

1. The Authority does not issue written orders in a timely manner following action taken by the directors

Finding

The Tennessee Regulatory Authority acts as referee, arbitrator, or mediator to resolve disputes between telecommunication companies. Areas covered include interconnection agreements between local exchange carriers and BellSouth, certification of companies as local exchange carriers, contract service arrangements (CSAs) to provide special pricing to selected customers, and tariff review to either introduce new services or revise the rates and conditions of existing services. Each case is brought to the Authority by filing the necessary documents with the Dockets and Records office. When received, each new filing is assigned a docket number. Each docket number may have any number of filings, depending on the progress of the case. Uncontested and routine items filed may be approved by Authority management and do not need to go before the directors. Those that must go before the directors are placed on the docket and scheduled for a directors' conference. Staff of the Legal Section do research, prepare documents, and perform other tasks throughout the progress of a case. Following the decision of the directors, legal staff prepare a written order, circulate it among the directors for their approval, then send it to the Executive Secretary's office for distribution to the parties as necessary. The decision of the directors is effective on the date made, but the written order is the final and conclusive stage of the docket process and time to appeal runs from the date of the written order. Until the written order is issued, the docket cannot be closed, appeal time does not begin, and the hearing process is not over.

Prior to 1999, there was no formal system to track outstanding written orders. That year, the new General Counsel entered all dockets, cases, and anything that required a written order into a database. As orders were prepared, circulated for review, and issued, the date of each action was also entered into the database. Every order was thereby tracked from the date of the

initiating action until the date of issue. The system has been maintained and improved since the time it began.

The auditors obtained information on the number of dockets opened, the number of orders issued, and the length of time to circulate and issue an order from the day the action is taken. Following is a summary of information for the last several fiscal years.

Fiscal year	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002(July-January)</u>
<i>Current year filings</i>	375	1,031	1,454	1,808	1,925	766
<i>Dockets opened</i>	367	702	870	1,058	1,159	476
<i>Written orders issued</i>	314	212	445	336	472	235
<i>Average days to issue written order following action by directors</i>	N/A	N/A	94	55	61	86

Source: *2001 Annual Report* of the Tennessee Regulatory Authority. Additional data obtained from Tennessee Regulatory Authority Legal Division.

Based on the information in the table above, the number of filings, the number of dockets opened, and the number of written orders issued have all increased. The average number of days to prepare and issue a written order has also increased since fiscal year 2000. This time includes time for the Legal Division to prepare the order and time for the directors to circulate the order and make any corrections and modifications.

The General Counsel stated that the increase in number of orders to be prepared, coupled with staff turnover in the Legal Division, is responsible for the failure to issue orders in a timely manner. A December 2001 memo from the General Counsel outlines a five-step plan to institute, by February 16, 2002, a 30-day window for circulating orders (45 days for significant orders). According to data from March 2002, there were exceptions to all five phases of the plan and as of March 20, 2002, there were 191 outstanding orders, of which 141 were CSAs or SSAs (Special Service Arrangements). In addition, 56 of the 59 written orders issued from March 1 to March 20, 2002, (95%) were issued later than 90 days after the date of the action taken by the Authority. During fiscal year 2001, 216 of 423 orders issued (51%) were issued later than 30 days following the action taken by the directors, and 152 of 423 (36%) were issued later than 60 days following the action taken. The written orders issued in March 2002 averaged 121 days from the date of action to the date of issuance.

Orders resulting from tariff application cases made up the greatest number of late orders issued in 1999 and 2000. For fiscal years 2001 and 2002, the majority of written orders issued latest were those resulting from CSA agreement cases. To address the increasing number of CSA applications received over the last two years, the Authority has prepared rules for those applications and a standard format for the written orders resulting from those cases, to decrease the time required to process the orders.

Recommendation

The Tennessee Regulatory Authority should continue efforts to decrease the time taken to prepare and issue written orders following action taken at a directors' conference or hearing. Management should continue to monitor the time taken to prepare and issue written orders.

Management's Comment

We concur, in part, with the finding as an historical fact but do not concur in the conclusions as an accurate reflection of the present situation.

An initial review of the data presented by this audit report would indicate the TRA is not showing progress in the issuance of written orders. The TRA has made significant progress in the number of orders issued and the timeliness of issuance as the information provided below will show. The timeliness of orders has been a management concern for a number of years. Various plans and methods for tracking and completing orders were tried and met with varied success. The current 5-step plan mentioned in the report is only the last in a series of plans to address this issue and as shown in the data provided by the agency demonstrates that the agency has continued to improve its performance in the amount of time and in the number of orders issued.

The report points out that a significant backlog of orders existed at the time the Authority implemented the current system for tracking orders. As the backlog of older orders was addressed and older orders were prepared, circulated and issued, the average age of orders being issued increased. This result could not be avoided given the existing backlog at the beginning of fiscal year 2001. Even with the significant increase in the number of orders issued in 2001 over 2000, the average number of days to issue increased by only 6 days. In essence, in order to reduce the backlog, the length of time until issuance would naturally increase. The fact that it increased by only 6 days demonstrates that orders, both older and recent, flowed at a steady pace during the fiscal year 2001.

The most recent data pertaining to the issuance of orders, together with the lists of outstanding orders were provided to substantiate the agency's position that the agency's priority treatment of certain orders skewed the data relating to the number of days of issuance. Priority is given to orders that reflect the decisions of the Directors in contested cases in which the parties have the right to appeal. Between September 2001 and March 2002, 196 contract service arrangements (CSAs) were filed by BellSouth and appeared on Authority Conference agendas. CSAs are special contracts offered by incumbent local exchange carriers ("ILECs") and competing local exchange carriers ("CLECs"). Since the CSAs that have been approved are uncontested and effective from the date of the oral decision of the Directors, these orders were given a lower priority than contested case orders. A decision was made to create a standard form for those CSA orders that did not require special drafting and issue the orders in groups as they were completed. As shown during the first quarter of this year, the utilization of standard orders, where appropriate, will significantly increase the timeliness of CSA-related orders.

The March 20 issuance list was provided by the agency, pursuant to request, to demonstrate the large number of CSAs that were in the works. As the report points out, the data submitted includes a large number of CSA orders, which amount to 141 of the 191 or 74% of the outstanding orders. The report also notes: "In addition, 56 of the 59 written orders issued from March 1 to March 20, 2002, (95%) were issued later than 90 days after the date of the action of the Authority." The report does not breakdown those 59 orders into CSAs and non-CSAs. Of the 56 orders issued 90 days or more after the date of Authority action, 55 orders were CSAs. (One order was a Hearing Officer's Initial Order that did not involve Authority action and was included in the list for tracking purposes.) The three orders that were non-CSA orders were issued no more than 17 days after Authority action.

The Authority issued the 55 CSA orders within a week after the approval of the standard form, a fact that was not mentioned in the report. Once again, as noted above, moving the CSA orders from the outstanding orders list to the issuance list will increase the average number of days from date of decision to date of issuance of the order. This result will give the impression of an increase in backlog when in fact, the backlog will be steadily decreasing. With the creation of a standard CSA order, dozens of CSA orders are being circulated each day and the anomaly of a large number of outstanding CSA orders will disappear within a few weeks.

The agency has in the past, had some problems with the timeliness of the issuance of orders and has taken many actions to resolve this issue. The TRA will continue to monitor the time taken to prepare and issue written orders and will make every effort to reduce the amount of time between a decision of the directors and the issuance of a written order.

RECOMMENDATION

ADMINISTRATIVE

The Tennessee Regulatory Authority should address the following area to improve the efficiency and effectiveness of its operations.

1. The Tennessee Regulatory Authority should continue efforts to decrease the time taken to prepare and issue written orders following action taken at a directors' conference or hearing. Management should continue to monitor the time taken to prepare and issue written orders.

**APPENDIX
TITLE VI INFORMATION**

The Tennessee Regulatory Authority, through the Gas Pipeline Safety Program, received \$370,416 in federal revenue for fiscal year 2001. This is the only federal revenue received by the TRA. Auditors obtained and reviewed the “Title VI Implementation Plan, June 30, 2001,” filed appropriately with the Division of State Audit. The plan appears to adequately address Title VI issues applicable to the agency’s programs and activities. The Title VI coordinator is Greg Mitchell, 741-2904, ext. 131. The 2001 Title VI report describes the coordinator’s duties, actions to educate staff, actions to ensure compliance with Title VI requirements, and procedures to handle Title VI complaints. The Tennessee Regulatory Authority has never had a Title VI complaint. Of the three directors, two are male and one is female; two are White and one is Black. For discussion of how the Authority ensures that minorities are included in needs assessments, see the 2001 Title VI report, especially pages 9, 13, 15, 16, and 23. Breakdowns of recipients in distribution programs can be found in the 2001 Title VI report on pages 14 and 17.

The Tennessee Regulatory Authority has two contracts.

Contractor	Services Provided	Amount	Ethnicity
Middle Tennessee State University	Student interns	\$7,500	Unknown
Nashville Court Reporters	Court reporting	\$180,000	Unknown

**Staff of the Tennessee Regulatory Authority by Title, Gender, and Ethnicity
As of January 2002**

<i>Title</i>	<i>Gender</i>		<i>Ethnicity</i>			
	<i>Male</i>	<i>Female</i>	<i>White</i>	<i>Black</i>	<i>Asian</i>	<i>Other</i>
Accountant	0	1	1	0	0	0
Accounting technician	0	1	0	1	0	0
Administrative assistant	0	3	3	0	0	0
Administrative secretary	0	5	3	2	0	0
Administrative services assistant	4	5	8	1	0	0
Attorney	3	2	5	0	0	0
Chief	4	0	4	0	0	0
Clerk	0	3	3	0	0	0
Consumer protection assistant director	0	1	1	0	0	0
Consumer protection specialist	2	3	3	2	0	0
Director	2	1	2	1	0	0
Economist	2	0	1	1	0	0
Environmental protection specialist	3	0	3	0	0	0
Executive administrative assistant	3	3	4	2	0	0
Executive secretary	0	1	1	0	0	0
General counsel	1	0	1	0	0	0
Information resource support specialist	0	1	0	1	0	0
Information systems analyst	0	1	0	1	0	0
Information systems director	1	0	1	0	0	0
Information officer	1	0	0	1	0	0
Legal assistant	1	2	3	0	0	0
Office automation specialist	0	1	1	0	0	0
Personnel analyst	0	1	1	0	0	0
Telecommunication/utility consultant	6	1	7	0	0	0
Telecommunications assistant chief	0	1	1	0	0	0
TRA executive secretary	1	0	1	0	0	0
Utility rate specialist	<u>7</u>	<u>3</u>	<u>8</u>	<u>1</u>	<u>0</u>	<u>1</u>
Totals	<u>41</u>	<u>40</u>	<u>66</u>	<u>14</u>	<u>0</u>	<u>1</u>
Total employees = 81						