

# Florida Public Service Commission



## OFFICE OF INSPECTOR GENERAL

ANNUAL REPORT

Fiscal Year 2022-2023

Valerie Peacock, Inspector General

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## OFFICE OF INSPECTOR GENERAL

We are pleased to present the Florida Public Service Commission (Commission) Office of Inspector General's (OIG) Annual Report for Fiscal Year (FY) 2022-2023. This report highlights the accomplishments, findings, and recommendations of significant audit and investigative activities completed during FY 2022-2023. The OIG remains committed to promoting efficiency, accountability, and integrity in our efforts to detect and prevent fraud, waste, abuse, and mismanagement of Commission programs.

## PURPOSE OF THIS REPORT

This report, which was prepared in accordance with Section 20.055(8), Florida Statutes (F.S.), summarizes the activities performed by the OIG during FY 2022-2023, based on its statutory responsibilities. This report includes:

- ❖ A description of activities relating to the development, assessment, and validation of performance measures
- ❖ A description of deficiencies relating to the administration of the Commission's programs and operations disclosed by investigations, audits, reviews, or other activities during the reporting period
- ❖ A description of the recommendations for corrective action made by the OIG during the reporting period, with respect to the deficiencies identified.
- ❖ The identification of each significant recommendation described in previous annual reports of which corrective action has not been completed.
- ❖ A summary of each audit and investigation completed during the reporting period.

## BACKGROUND



### Commission Mission

The Commission's mission is *to facilitate the efficient provision of safe and reliable utility services at fair prices. The Commission fulfills this mission by pursuing the number of goals related to economic regulation, regulatory oversight and service regulation and consumer assistance.* The Commission's goals may be viewed at the following website: <https://www.floridapsc.com/about#MissionAndGoals>.

### OIG Mission

The OIG's mission is to assist the Commission in achieving its mission and goals by promoting accountability, integrity, and efficiency.

The OIG accomplishes its mission by conducting internal audits and reviews; performing other accountability activities; and investigating allegations of fraud, waste, abuse, and misconduct, relating to the operation of the Commission.

The OIG has established the following values:

- ❖ Integrity
- ❖ Objectivity
- ❖ Courage
- ❖ Stewardship
- ❖ Communication

Additional information about the OIG may be viewed at the following website:

<https://www.floridapsc.com/inspector-general>.

## Duties and Responsibilities of the Inspector General

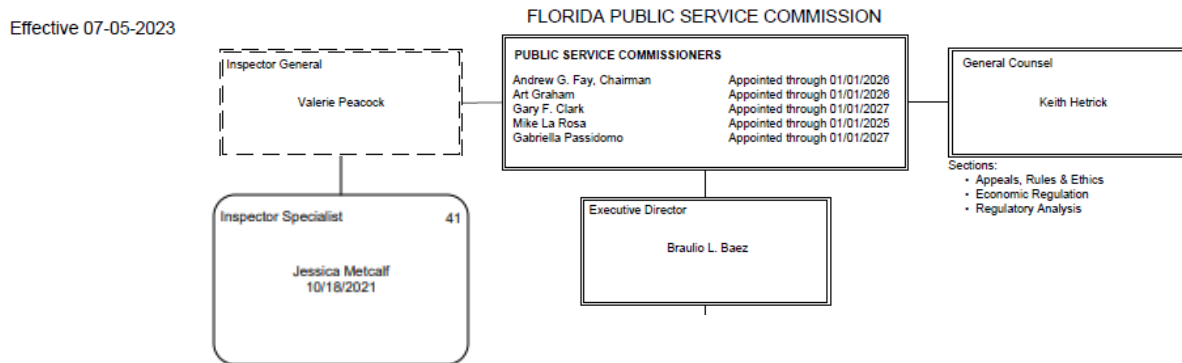
In accordance with Section 20.055(2), F.S., the OIG is established in each state agency to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government. It is the statutory duty and responsibility of the Inspector General to:

- ❖ Advise in the development of performance measures, standards, and procedures for evaluation of Commission programs.
- ❖ Assess the reliability and validity of the information provided by the Commission on performance measures and standards, and make recommendations for improvement, if necessary before submission of such information pursuant to s. 216.1827.
- ❖ Review the actions taken by the Commission to improve program performance and meet program standards and make recommendations for improvement if necessary.
- ❖ Provide direction for, supervise, and coordinate audits, investigations, and management reviews relating to the programs and operations of the Commission.
- ❖ Conduct, supervise, or coordinate other activities carried out or financed by the Commission for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.
- ❖ Keep the Commission Chairman and leadership informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the Commission, recommend corrective action concerning fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action.
- ❖ Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view towards avoiding duplication.

- ❖ Review, as appropriate, rules relating to the programs and operations of the Commission and made recommendations concerning their impact.
- ❖ Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.
- ❖ Comply with the *General Principles and Standards for Offices of Inspector General* as published and revised by the Association of Inspectors General.

## Organizational Chart

The Office of Inspector General consists of two full-time positions, the Inspector General and the Inspector Specialist. Consistent with statutory requirements, the Inspector General reports directly to the Chairman of the Commission. The current Inspector General, Valerie Peacock, has served since June 2023. During Fiscal Year 2022-2023, Jessica Metcalf served as the Inspector Specialist.



## Professional Qualification and Affiliations

Staff within the OIG are highly qualified and bring various backgrounds and expertise to the Commission. The collective experience spans a variety of disciplines, including auditing, complaint intake, investigations, and information systems.

OIG staff members continually seek to enhance their abilities and contributions to the office and the Commission. Staff members have obtained certifications that demonstrate their knowledge, motivation, and commitment to the profession.

Professional certifications held by OIG staff members include:

- ❖ Certified Internal Auditor (CIA)
- ❖ Certified Information Systems Auditor (CISA)
- ❖ Certified Fraud Examiner (CFE)
- ❖ Certified Inspector General Auditor (CIGA)
- ❖ Certified Risk Management Assurance (CRMA)
- ❖ Florida Certified Contract Manager (FCCM)

The OIG staff members participate in a number of professional organizations to maintain proficiency in their areas of expertise and certification. These associations allow them to establish and advance professional networks and participate in professional training and development activities.



**ASSOCIATION OF INSPECTORS GENERAL**

*Advancing Professionalism, Accountability & Integrity*

The OIG staff members are affiliated with the following professional organizations:

- ❖ Institute of Internal Auditors (IIA)
- ❖ Association of Inspectors General (AIG)
- ❖ Association of Certified Fraud Examiners (ACFE)
- ❖ Information Systems Audit and Control Association (ISACA)
- ❖ Florida Association of Inspectors General (FAIG)



## SUMMARY OF ACTIVITIES BY CATEGORY

### INTERNAL AUDIT

The authority of the OIG's internal audit activity is established under Section 20.055, F.S., and the OIG Audit Charter. The responsibility of the Internal Audit Section is to promote accountability, integrity, and efficiency within the Commission. The Inspector General reports to the Chairman of the Commission and maintains organizational independence.

Audits are conducted in conformance with the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards), published by the Institute of Internal Auditors. Audit reports issued by the OIG contain a statement that the audit was conducted pursuant to the appropriate standards. These reports are prepared and distributed to senior management, other applicable Commission management and the Auditor General.

In addition, the OIG assists the Department by coordinating audits and reviews of reports completed by the Office of Program Policy Analysis and Government Accountability, the Auditor General, and other oversight agencies. The OIG reports on the status of the recommendations included in these reports, as required by Section 20.055, F.S.

## Quality Assurance and Improvement

The OIG has established quality assurance processes in conformance with the Standards. This includes both internal and external quality assurance assessments of internal audit activities. Ongoing monitoring is an integral part of the supervision, review, and measurement of internal audit activities. Continuous monitoring activities have been established through engagement planning, supervision, and review, as well as standardized procedures and approvals. An internal assessment of the internal audit activity is conducted by the Inspector General annually. The internal assessment is submitted to the Chairman of the Commission and senior management. An external assessment of the Internal Audit Section is conducted by the Auditor General in accordance with Section 11.45(2)(i), F.S., once every three years.

The OIG conducted an internal assessment of the Internal Audit Section activities during FY 2022-2023 to evaluate conformance with the Code of Ethics and the Standards. (22/23-155, *Internal Audit Self-Assessment*) Based on the internal assessment results, during FY 2022-2023, the OIG has fully implemented the requirements specified under the Standards.

The most recent external Quality Assurance Review of the OIG's internal audit activity by the Auditor General was conducted in May 2021 (*Report 2021-209*). The reported results stated, *In our opinion, the quality assurance and improvement program related to the Office of Inspector General's internal audit activity was adequately designed and complied with during the review period to provide reasonable assurance of conformance with applicable professional auditing standards and the Code of Ethics issued by the Institute of Internal Auditors. Also, the Office of Inspector General generally complied with those provisions of Section 20.055, Florida Statutes, governing the operation of State agencies' offices of inspectors general internal audit activities.*

## Risk Assessment and Annual Audit Plan

The OIG conducts an annual risk assessment in the development of the Annual Audit Plan. This assessment is based on program responsibilities, key areas of risk, budgets, management of contracts and grants, past audit activity, staffing levels, and internal control structure. Discussions are held with Department leadership team members, Division Directors, and other management staff to identify areas of risk and concern to managers. In conducting the risk assessment, the OIG evaluates risk factors of Department programs and functions to assess the associated risks of operating those programs and functions. Factors considered in the assessment include:

- ❖ Value of the financial resources applicable to the program or function;
- ❖ Dollar amount of program expenditures;

- ❖ Statutes, rules, internal controls, procedures, and monitoring tools applicable to the program or function, concerns of management, impact on the public safety, health, and welfare;
- ❖ Complexity and/or volume of activity in the program or function;
- ❖ Previous audits performed; and
- ❖ Identified areas of internal control concern or susceptibility to fraud.

Program and function areas of risk are evaluated based upon these factors, then prioritized to determine the most efficient audit schedule, given the resources available. The OIG completed its annual and long-term work plan, as required by Section 20.055(6)(i), F.S. The approved Annual Audit Plan for FY 2023-2024 was issued on August 11, 2023. (22/23-156, OIG Risk Assessment and Audit Work Plan)

## Performance Measures

**22/23-17, Validity and Reliability of Selected Long-Range Program Plan Measures:** OIG conducted an audit of selected Long Range Program Plan (LRPP) Performance Measures. The purpose of this engagement was to meet the statutory requirement in Section 20.055, F.S., to assess the validity and reliability of the legislatively-approved performance measures and make recommendations for improvements, if needed. The scope of the engagement included all information, documentation, and data related to the following six performance measures reported in the Commission’s LRPP for fiscal years 2022-2023 through 2026-2027, which included data from fiscal year 2020-2021.

Measure Number	Performance Measure
6	Percent of generation reserve margin for Florida electric utilities.
8	Number of outage related customer complaints. (Electric)
9	Number of outage related customer complaints. (Gas)
10	Number of outage related customer complaints. (Water & Wastewater)
11	Number of electric-related injuries or fatalities resulting from utility rule.
12	Number of gas-related injuries or fatalities resulting from utility rule.

The selected measures were determined to be generally valid and reliable. However, we recommended Commission management establish and periodically review written methodologies for the calculation and compilation of the measures. We also recommended Commission management revise SOP 1103 to better align with Chapter 25-6.019, F.A.C. The report was issued November 22, 2022. The OIG followed up on the status of corrective actions in response to the audit (Status Report 22/23-151). Based on management’s response and the supporting documents provided, we determined management completed corrective actions for both recommendations. The follow-up status report was issued May 19, 2023.



## External Audits and Reviews

The Office of Inspector General provides a single point of contact, for external agencies auditing the Commission. This is done to ensure effective coordination and cooperation between the Office of the Auditor General and other governmental bodies to minimize duplication of effort. We coordinate information requests and responses and assist in scheduling meetings for these entities. We provide coordination of the required responses to preliminary and tentative findings issued by the Office of the Auditor General and OPPAGA. We also coordinate the six-month response on the status of corrective actions taken by the Commission on any audit findings and recommendations issued by the Office of the Auditor General or OPPAGA.

There were no external audits or reviews completed during FY 2022-2023.

## Prior Year Follow-up

During Fiscal Year (FY) 2022-2023, the OIG monitored the corrective status of findings included in five prior-year audits. The corrective status of each of these prior-year audits is as follows.



### **21/22-238, 22/23-119, 22/23-119-1 Audit of the Commission's Compliance with the Florida Cybersecurity Standards – Follow-up Status**

The OIG followed up on the status of corrective actions required in response to findings and recommendations contained in Report AUD #21/22-25, *Audit of the Commission's Compliance with the Florida Cybersecurity Standards*. The report contained seven findings and corresponding recommendations. Based on management's response and the supporting documents provided, management completed the corrective actions for the identified deficiencies. Follow-up status reports were issued July 20, 2022, January 20, 2023, and April 4, 2023.

### **22/23-77, 22/23-148 Telecommuting Policies, Procedures, and Practices – Follow-up Status**

The OIG followed up on the status of corrective actions required in response to findings and recommendations contained in Report AUD #20/21-11, *Telecommuting Policies, Procedures, and Practices*. The report contained five recommendations for corrective actions. Of the five, four were resolved in the prior year. For the remaining finding, we recommended Commission management establish inventory controls, create mechanism to better document state-owned equipment that is issued to Commission staff, and obtain an acknowledgement that staff received state-owned equipment. We also recommended that Commission management also evaluate inventory control processes to assure all inventory is properly documented. Based on management's

response and the supporting documents provided, management completed the corrective actions for the remaining recommendation. Follow-up status reports were issued October 28, 2022 and April 26, 2023.



**22/23-06, Audit of the PHMSA Federal Grant – Follow-up Status**

The OIG followed up on the status of corrective actions required in response to findings and recommendations contained in Report AUD #20/21-38, *Audit of the Pipeline and Hazardous Materials Safety Administration (PHMSA) Federal Grant*. The report contained two recommendations. We recommended Commission management increase oversight and controls over fiscal monitoring of the PHMSA grant program. We also recommended Commission management develop a methodology to claim fuel and maintenance expenses for PHMSA related vehicle activities. Based on management's response and the supporting documents provided, management completed the corrective actions for both recommendations. The follow-up status report was issued July 25, 2022.

**22/23-109, Review of the Commission's Administrative Procedures Manual (APM) Revision Process – Follow-up Status**

The OIG followed up on the status of corrective actions required in response to findings and recommendations contained in Report AUD #21/22-16, *APM Revision Process Review*. The report contained three recommendations. We recommended Commission management better review and document its review and revision of the APM. With respect to conducting APM revisions, we also recommended Commission management fully comply with Standard Operating Procedures (SOP) 1052 and 1053, which guide the APM revision process. Further, we recommended the Commission add language to the APM revision forms to indicate whether the revision would warrant a change to the Division/Office SOPs and if applicable, identify the SOP number. Based on management's response and the supporting documents provided, management completed the corrective actions for both recommendations. The follow-up status report was issued January 9, 2023.



**22/23-52, Audit of Contracts – Follow-up Status**

The OIG followed up on the status of corrective actions required in response to findings and recommendations contained in Report AUD #21/22-59, *Audit of Contracts*. The final report was issued March 30, 2022. The report contained two recommendations. We recommended Commission management ensure all required contract data and documents are entered in the Florida Accountability Contracts Tracking System (FACTS) within 30 days of contract execution as required under Section 215.985(14)(a),

F.S. We also recommended Commission management ensure the correct methods of procurement are reflected in FACTS. Based on management's response and the supporting documents provided, management completed the corrective actions for both recommendations. The follow-up status report was issued September 27, 2022.

## Internal Audit Activities – FY 2022-2023

### **22/23-01, ELECTRIC AND GAS SAFETY INSPECTION PROCESSES**

The scope of the audit focused on the information, documentation, data, and processes related to electric and gas safety inspections from January 1, 2021, through June 30, 2022.

#### Results

Based on our audit, the Bureau of Safety did not conduct all electric work order inspections within two quarters from the reporting quarter in accordance with SOP 1102. In addition, the Bureau of Safety did not enter all electric work order inspections in the PSC Web Esafe System in the same month as the inspection completion dates in accordance with SOP 1102. The Bureau of Safety also did not formally document the reason as to why the utilities were inspected more than three consecutive years by the same gas safety inspector in accordance with SOP 1010.

#### Recommendations

We recommended the Division of Engineering ensure electric inspections are completed timely in accordance with SOP 1102. In addition, we recommend the Division of Engineering review SOP 1102 and update the language, as appropriate, to reflect the current electric work order inspection process and appropriate timeframe for completion of inspections. Any deviations from inspection process and required timeframe should be addressed and documented. We also recommended the Division of Engineering ensure all electric inspections are accurately and timely entered into Esafe in accordance with SOP 1102. We additionally recommend the Division of Engineering review the current requirements in SOP 1102. We further recommended that the Bureau Chief of Safety formally document the reason for the continued review in the event an inspector is assigned to review the same system for more than three consecutive years in accordance with SOP 1010. The report was issued March 7, 2023.

#### Actions Taken

The Division of Engineering agreed with the recommendations. The Division of Engineering will SOP 1102 giving consideration to the findings described in Audit Report No. 22/23-01. The Division of Engineering also plans to explore the prospect of adding to staff to support inspection efforts.



### **22/23-83, Commission Ethics Program**

The scope of the consulting engagement included the Commission's ethics-related program, activities, and documentation for the period of July 1, 2021, through the end of fieldwork (January 2023).

#### Results

Based on our review, the Commission's ethics program generally aligned with the Florida Statutes and the Florida Administrative Code with a few exceptions. We also noted that the APM did not clearly identify the Commission's Chief Ethics Officer. We also noted that ethics training has not been provided on an annual basis. The Commission subsequently made the needed updates to the APM and is coordinating the development of annual ethics training. The report was issued March 13, 2023.



### **22/23-143, Commission's use of the Driver and Vehicle Information Database (DAVID) System**

The purpose of this audit was to evaluate the Commission's use of the DAVID System to determine whether access and system use were in compliance with the terms outlined in the Memorandum of Understanding (MOU) between the Commission and the Florida Department of Highway Safety and Motor Vehicles (HSMV). Based on our audit, all activities for the testing period were compliant with the MOU and appropriate internal controls are in place and functioning. The Final Attestation Statement required under the MOU was signed by the Chief Information Officer and Director of Administration and Information Technology Services on June 9, 2023.

## **INVESTIGATIONS**

The Inspector General is responsible for the management and operation of the Commission's internal investigations. This includes planning, developing, and implementing an internal review system to examine and investigate allegations of misconduct on the part of the Commission's employees.

The investigative duties and responsibilities of the Inspector General, as defined in Section 20.055(7), F.S., include:

- ❖ Conducting, supervising, and coordinating investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses in the Commission;
- ❖ Receiving complaints and coordinating all activities of the Commission, as required by the Whistle-blower's Act pursuant to Sections 112.3187–112.31895, F.S.;
- ❖ Receiving and reviewing all other complaints (non-Whistle-blower's Act), and conducting such inquiries and investigations as the Inspector General deems appropriate;

- ❖ Conducting investigations related to alleged employee misconduct or reporting expeditiously to the Florida Department of Law Enforcement or other law enforcement agencies, as deemed appropriate by the Inspector General;
- ❖ Conducting investigations and other inquiries that are free of actual or perceived impairment to the independence of the Inspector General or the staff in the OIG;
- ❖ Submitting the findings to the subject of each investigation in which the subject is a specific entity contracting with the State or an individual substantially affected, if the investigation is not confidential or otherwise exempt from disclosure by law; the subject shall be advised in writing that they may submit a written response 20 working days after receipt of the findings; the response and the Inspector General's rebuttal, if any, must be included in the final report; and
- ❖ Submitting in a timely fashion, final reports on investigations conducted by the OIG to senior management and applicable Commission management, except for Whistle-blower investigations, which are conducted and reported pursuant to Section 112.3189, F.S.

### Investigative Activities – FY 2022-2023

The OIG documented complaint/inquiry activities which included the following:

- ❖ Referral of 110 non-jurisdictional complaints
- ❖ Assessment, coordination, and referral of 19 consumer complaints against utility companies with appropriate Commission staff for resolution.
- ❖ Evaluation of three consumer complaints regarding the Commission's oversight and regulation of utilities. OIG worked with management to further review and address the complaints to the extent allowed under statute and rule.

The OIG completed three internal investigations as follows.

#### **22/23-31**

The OIG conducted an investigation concerning allegations made against an employee recording conversations with supervisor without their consent in violation of Section 934.03, F.S., *Interception and disclosure of wire, oral, or electronic communications prohibited*. Based on information provided during this investigation, the subject's violation of Section 934.03, F.S., was sustained. During this investigation, the subject resigned. Based on the subject's resignation, the case was completed and closed.

#### **22/23-57**

Pursuant to APM 4.02, Human Resources requested an investigation on an applicant regarding their application and FDLE background check. The purpose of the investigation was to determine whether there were discrepancies between the information provided by the applicant and the results of the criminal background check. The criminal records background check included information concerning one (1) arrest. Based on the documentation examined, the applicant was entitled to answer in the negative for each of the criminal record questions appearing on the State of Florida

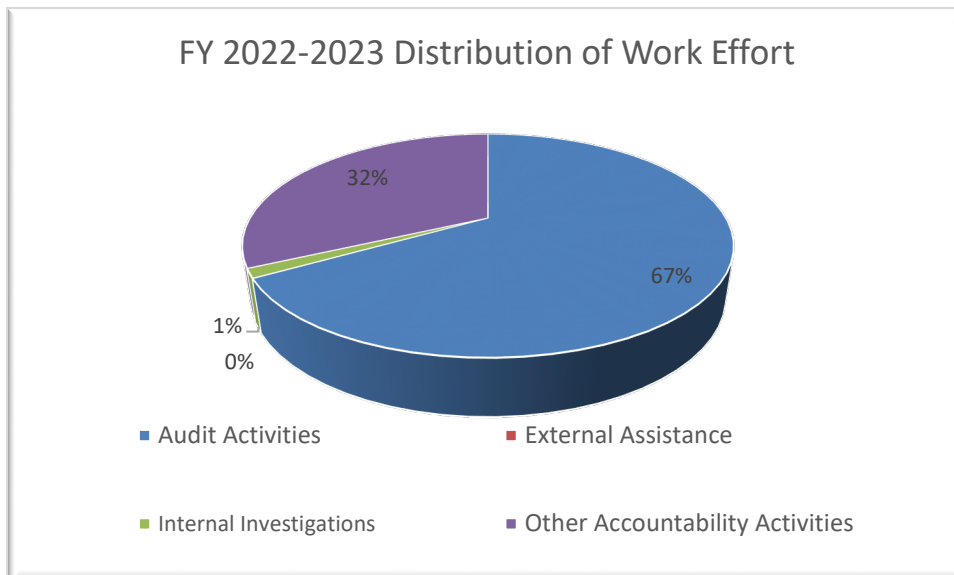
Employment Application and no falsification occurred. Because the applicant met the terms and conditions of the Pre-Trial Intervention Agreement, the case was dismissed. The investigation was completed and closed.

**22/23-133**

Pursuant to APM 4.02, Human Resources requested an investigation on an applicant regarding their application submittal and FDLE background Check. The purpose of the investigation was to determine whether there were discrepancies between the information provided by the applicant and the results of the criminal background check. The criminal records background check included information concerning one (1) arrest. Per the background check, the offense was a probation violation. Based on the documentation received from the Leon County Clerk of Courts, the applicant was entitled to answer in the negative for each of the criminal record questions appearing on the State of Florida Employment Application and no falsification occurred. The arrest was a result of a violation of probation of a Petit Theft 1st Offense (2nd degree misdemeanor). The investigation was completed and closed.

**WORK HOURS DISTRIBUTION BY CATEGORY**

The following chart demonstrates the distribution of time spent across project categories for FY 2022-2023 to demonstrate the balance of effort among audit, investigative, and other accountability activities, in accordance with Section 20.055(2)(i), F.S.



Source: OIG Time Allocation Tracking, FY 2022-23