

Florida Public Service Commission



OFFICE OF

Inspector General

ANNUAL REPORT

FISCAL YEAR 2023-2024



Valerie Peacock Inspector General

August 22, 2024



TABLE OF CONTENTS

| OFFICE OF INSPECTOR GENERAL | 2 | |
|--|------|--|
| PURPOSE OF THIS REPORT | 2 | |
| BACKGROUND | 2 | |
| Commission Mission | 2 | |
| OIG Mission | | |
| Duties and Responsibilities of the Inspector General | 3 | |
| Organizational Chart | | |
| Professional Qualification and Affiliations | | |
| SUMMARY OF ACTIVITIES BY CATEGORY | | |
| INTERNAL AUDIT | 5 | |
| Quality Assurance and Improvement | 5 | |
| Risk Assessment and Annual Audit Plan | | |
| Performance Measures | 7 | |
| External Audits and Reviews | 8 | |
| Prior Year Follow-up | 9 | |
| Internal Audit Activities – FY 2023-2024 | | |
| INVESTIGATIONS | . 11 | |
| Investigative Activities – FY 2023-2024 | . 11 | |
| WORK HOURS DISTRIBUTION BY CATEGORY | 12 | |

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) 2023-2024. This report highlights the accomplishments, findings, and recommendations of significant audit and investigative activities completed during FY 2023-2024. 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 2023-2024, 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 mission of the OIG is to promote integrity, accountability, economy, and efficiency within the Commission. The OIG conducts audits and investigations that support process improvement and detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct and other abuses in order to assist the Florida Public Service Commission in accomplishing its overall mission.

Additional information about the OIG may be viewed at the following website: https://www.floridapsc.com/inspector-general.

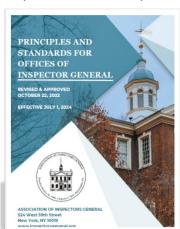
Duties and Responsibilities of the Inspector General

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 section 216.1827.
- Enhancing Public Trust in Government
- * 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 *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. Cindy Welter has served as the Inspector Specialist since June 2024.



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 Inspector General (CIG)
- 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.

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)







Advancing Professionalism, Accountability & Integrity



independence.



SUMMARY OF ACTIVITIES BY CATEGORY

INTERNAL AUDIT

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

In FY 2023-2024, audits were 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.

International Professional Practices Framework

Mission

VANDATORY GUIDANO

Core Principles

Definition

Standards

Implementation Guidance

Supplemental Guidance

Supplemental Guidance

In addition, the OIG assists the Commission 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.

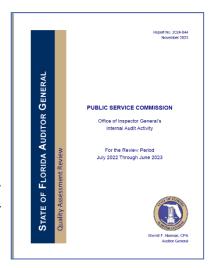
Quality Assurance and Improvement

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 2023-2024 to evaluate conformance with the Code of Ethics and the Standards. Based on the internal assessment results, during FY 2023-2024, 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 November 2023 (Report 2024-044). 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 to 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:

- Significant risks and events that could impact a division's areas of responsibility;
- ❖ Processes managed in each division which may be cause for concern;
- ❖ Areas of concern that have potential to constitute fraud, waste, or abuse;

- Processes or practices that would limit the Commission's effectiveness in meeting its goals;
- ❖ Value of the financial resources applicable to the program or function;
- ❖ Dollar amount of Commission 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 a division or function;
- Previous audits performed; and
- ❖ Issues that would constitute a Commission-wide concern.

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 2024-2025 was issued on June 10, 2024.

Performance Measures

P-2324PSC-004, Assessment of the Validity and Reliability of Selected Long-Range Program Plan Measures

OIG conducted an assessment 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 three performance measures for the Division of Economics (ECO), as reported in the Commission's LRPP for fiscal years 2024-2025 through 2028-2029.



| ı | Measure | Performance Measures |
|---|---------|--|
| ı | Number | |
| | 1 | Percent of annual utility increase for average residential usage compared to inflation as measured by the Consumer Price Index (CPI) composite |
| I | 17 | Percent of jurisdictional water companies utilizing water conservation rates and/or structures |
| | 18 | Percent of utility energy efficiency programs evaluated annually for program effectiveness |

Results

• <u>Validity</u>: Based on our assessment the measuring instrument used for measures 1 and 17 were valid and appropriate for the measure name as stated. The measuring instrument for

- measure 18, as documented in Standard Operating Procedure (SOP) 1195, was not valid for the measure name as stated.
- Reliability: Based on our assessment, the reporting and/or calculation of measures 1, 17, and 18 were not complete and error-free for the intended use.

Recommendations

For measure 1, we recommended ECO ensure that the actual results reported in the LRPP reflect the comparison between the annual utility increase for average residential usage and the CPI composite as stated in the measure name. We also recommended ECO ensure that the water and wastewater portion of the measure calculation does not incorporate duplicate utility company rates and only includes rates which represent residential usage during the reporting period.

For measure 17, we recommended ECO ensure that the calculation of the measure include only jurisdictional water companies for which a water conservation rate and/or structure is in use for residential customers. In addition, to ensure the reported percentage is calculated with an accurate count, we recommended ECO clarify this calculation in SOP 1195.

For measure 18, were recommended ECO revise SOP 1195 to clarify the accurate calculation of the measure to reflect that it is the percent of programs evaluated divided by the total number submitted. We also recommended ECO clarify SOP 1195 to outline the data sources to be used and a consistent process for evaluating program effectiveness.

Actions Taken

ECO agreed with the recommendations and made necessary corrections and updates to SOP 1195.

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 of the Commission published during FY 2023-2024.

Prior Year Follow-up

During FY 2023-2024, the OIG monitored the corrective status of findings included in one prior-year audit. The corrective status of the prior-year audit is as follows.

22/23-001, Audit of Electric and Gas Safety Inspection Processes

The OIG followed up on the status of corrective actions required in response to findings and recommendations contained in Report AUD #22/23-001 Audit of the Electric and Gas Safety Inspection Processes. The report contained three 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 September 1, 2023 and April 5, 2024.



Internal Audit Activities – FY 2023-2024

A-2324PSC-001, Enterprise Cybersecurity Audit of Incident Response, Reporting, and Recovery (Report Date: May 21, 2024)

As an audit of a state agency's information technology security program, the report and associated records are confidential and exempt from public disclosure pursuant to section 282.318(4)(g), F.S.



C-2324PSC-002, Consulting Review of Purchase Order Oversight (Report Date: September 27, 2023)

The scope of the review included processes and activities relating to the Commission's oversight of contracts and purchase orders issued from July 2022 to September 2023.

Results

Our review contained observations for management's consideration for improving procurement governance. These included a need for alignment of the requirements established under Section 350.0603, F.S. and the Commissions APM. These also included needed clarification regarding the extent of the Commissions adoption of procurement provisions established under Chapter 287, F.S., as well as alignment of policies outlined in the Commissions APM with applicable procurement provisions under Chapter 287, F.S.



A-2324PSC-003, Audit of Commission Cybersecurity Controls for Security Continuous Monitoring (Report Date: November 6, 2023)

As an audit of a state agency's information technology security program, the report and associated records are confidential and exempt from public disclosure pursuant to section 282.318(4)(g), F.S.

A-2324PSC-005, Audit of the Office of Auditing and Performance Analysis Bureau of Auditing Processes and Quality Controls (Report Date: April 29, 2024)

The scope of this audit included the Office of Auditing and Performance Analysis (APA) Bureau of Auditing activities beginning in 2023.

Results

Based on our audit, Audit Service Request test steps were not always accurately or completely documented during the audit. In addition, we noted areas of organizational weaknesses in internal controls, management review, and communications. In addition, APA's SOPs were not dated and did not contain documented approval. We noted areas where the SOPs were outdated or in need of clarification and revision. We also noted that the Audit Manual lacks guidance for two audit types.

Recommendations

We recommended Commission leadership work with APA to establish collaborative processes which will bridge the gap of experience and staff development. In doing so, we recommended processes be established to increase communications and cross-training between APA, Division of Accounting and Finance, and Division of Economics staff at regular intervals during the audit process. We also recommended that APA management establish processes to document the review of audit results and work papers consistent with the Audit Working Paper Review Guide outlined in the Audit Manual. This should include the documented review of work papers by the director as necessary to ensure the accuracy of results and for management and staff development. We recommended that APA ensure that the methodology used in the calculation of adjustments and audit conclusions be explained and documented in the report and/or work papers. This includes the use of formulas in spreadsheet results and written explanations in work paper documents. With respect to SOPs and the Audit Manual, we recommended APA take steps to regularly review and update these documents to ensure procedural documents provide reliable, up-to-date, and relevant reference material for staff use. The Audit Manual should be updated to ensure audit processes align with the needs of Commission staff.

Actions Taken

In response, APA will ensure audit program procedures satisfy the Audit Service Request and will meet with lead staff to discuss needed modifications or questions. In addition, the a checklist incorporating the Work Paper Review Guide outlined in the Audit Manual has been created and will be used for the final review of work papers. Methodologies used in the calculation of adjustments and audit conclusions will be explained and documented in the report and/or work papers. APA will develop a quality control process which incorporates constructive feedback from technical divisions upon conclusion of each audit. The feedback provided will assist in identifying areas of strengths and weaknesses, as well as opportunities to improve audit

effectiveness. In addition, APA's SOP's were reviewed for revision and deletion as needed. Four new SOPs were created. APA will review SOPs annually to ensure they remain pertinent and upto-date. The APA Audit Manual is currently under revision.

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;
- * 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 2023-2024

The OIG receives complaints and requests for assistance via telephone, letter, email, or in person. Each complaint or request for assistance is reviewed to determine if the provisions of Section 112.3187 – 112.31895, F.S., (Whistle-blower's Act) are met. During FY 2023-2024, the OIG received, reviewed and processed 43 complaints or requests for assistance, all of which were closed during the fiscal year. Of the 43 complaints or requests for assistance, two resulted investigative reviews; two were handled as preliminary inquiries, five were referred to external agencies, and 34 were referred to management.

Investigative Activities Completed during FY 2023-2024

| Type of Investigative Activity | Quantity |
|--------------------------------|----------|
| Investigative Reviews | 2 |
| Preliminary Inquiries | 2 |
| Management Referrals | 34 |
| Referrals to Another Agency | 5 |
| Total | 43 |

Investigative Review

Pursuant to APM 4.02, Human Resources requested investigative review of two applicants (2024-035, and 2024-046) regarding their employee application submittal and FDLE background check. The purpose of the review was to determine whether there were discrepancies between the information provided by the applicants and the results of the criminal background check. The submitted application correctly reflected the background for one applicant. The submitted application for the other applicant did not correctly reflect their background.

Preliminary Inquiries

OIG received two complaints (2024-002 and 2024-045) which were assessed to determine whether there was credible and factual information to reasonably suspect that an administrative violation had occurred. Based on this assessment, both complaints were not supported with information which would have supported a reasonable suspect of an administrative violation.

WORK HOURS DISTRIBUTION BY CATEGORY

The following chart demonstrates the distribution of time spent across project categories for FY 2023-2024 to demonstrate the balance of effort among audit, investigative, and other accountability activities, in accordance with Section 20.055(2)(i), F.S.

