

State of Florida




Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: August 9, 2023

TO: Andrew Giles Fay, Chairman

FROM: Valerie Peacock, Inspector General 

RE: Office of Inspector General Fiscal Year 2023-2024 Annual and Long-Range Audit Plan - Approval Requested

We are pleased to present the Florida Public Service Commission (Commission) Office of Inspector General (OIG) Fiscal Year 2023-2024 Annual and Long-Range Audit Plan for for your review and approval.

Section 20.055(6)(i), Florida Statutes, requires the OIG to develop annual and long-term audit work plans based on the results of periodic risk assessments. This work plan is intended to be a guide to direct the activities of the OIG and may be modified during the year to address changing conditions, priorities, and risks. The period addressed by the plan is Fiscal Years 2023-2024 through 2025-2026.

Please let me know if you have any questions or would like to discuss.

Attachment



OFFICE OF INSPECTOR GENERAL

ANNUAL AUDIT PLAN

Fiscal Year 2023-2024

LONG-RANGE AUDIT PLAN

Fiscal Years 2024-2025 through 2025-2026

August 09, 2023

We are pleased to present the Florida Public Service Commission (Commission) Office of Inspector General (OIG) Annual and Long-Term Audit Work Plan for Fiscal Year (FY) 2023-2024. Section 20.055(6)(i), Florida Statutes (F.S.), requires the OIG to develop annual and long-term audit work plans based on the results of periodic risk assessments. This work plan is intended to be a guide to direct the activities of the OIG and may be modified during the year to address changing conditions, priorities, and risks.

Background

The OIG was established within the Commission to provide a central point for coordination of, and responsibility for activities that promote accountability, integrity, and efficiency in government. Section 20.055(2), F.S., designates responsibilities of the Inspector General, which include the following:

- Advising in the development of performance measures, standards, and procedures for the evaluation of Commission programs, and assess the reliability and validity provided by the Commission on performance measures and standards
- Providing direction for supervising and coordinating audits, investigations, and management reviews relating to the programs and operations of the Commission

- Reviewing actions taken by the Commission to improve program performance
- Conducting, supervising, and coordinating activities that promote economy and efficiency and prevent or detect fraud and abuse in Commission programs and operations
- Reviewing and evaluating internal controls to ensure fiscal accountability, efficiency, and integrity of the Commission's programs

Audits conducted by OIG are conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors.

Methodology

This work plan was developed as a result of a risk assessment process, which included interviews with Commission management, a review of relevant documents, and consideration of uncompleted projects from the prior audit work plan. Proposed audit projects were presented to the audit committee and a draft plan was developed for approval by the Chairman.

Resource Allocation

The OIG consists of two staff members, the Inspector General and an Inspector Specialist. The Inspector General is responsible for carrying out audit, investigative, and other responsibilities as required by Florida Statutes. The Inspector Specialist is responsible for administrative support of OIG office functions, the quality assurance and improvement program, and also assists on select audit and investigative activities. Based on projected hours allocated to general administrative tasks, professional development, and indirect activities, the total OIG hours available for audit services, investigative functions, and other required activities are estimated to be approximately 2,640 hours, of which approximately 1,650 are allocated for audit projects in FY 2023-2024.

The plan includes the following projects for the upcoming three-year period:

Annual Audit Plan – FY 2023-2024

- **Assessment of the Validity and Reliability of Selected Long-Range Program Plan (LRPP) Measures:** As required under Section 20.055(2)(b), F.S., OIG is responsible for assessing the reliability and validity of the information provided by the Commission on performance measures and standards, and to make recommendations for improvement. (250 hours)
- **Review of Select Auditing and Performance Analysis Processes:** The Office of Auditing & Bureau of Auditing conducts financial, compliance, billing, and verification audits and reviews. The primary engagements conducted include examinations of utility financial and operating records to verify supporting documentation for statements or filings made by regulated companies; financial audits of rate increases through rate cases or annual cost recovery clauses; and Regulatory Assessment Fee audits. The OIG will review select audit and performance analysis processes and make recommendations for process improvement. (400 hours)

Assurance and Consulting Audit Services

Under the *International Standards for the Professional Practice of Internal Auditing (Standards)*, the OIG may perform both assurance and consulting audit services. *Assurance services* involve the objective assessment of evidence to provide conclusions regarding an entity, operation, function, process, system, or other subject matter. *Consulting services* are advisory in nature. In addition, areas for consultation review may be directed by the Chairman or suggested by management during the work plan period.

- **Purchase Order Process Oversight:** Consulting engagement to review the Commission's oversight and management of purchase orders. (200 hours)

Cybersecurity Audit Plan – FY 2023-2024

- **Cybersecurity – Security and Incident Response:** Evaluate the Commission's compliance with the Florida Cybersecurity Standards (FCS) outlined in Chapter 60GG-2, Florida Administrative Code (F.A.C). This audit includes an assessment of the Commission's conformance with security and incident response, with a primary focus in the areas identified as the highest concern. (500 hours)
- **Cybersecurity – Continuous Monitoring:** (Carry over from prior year) Evaluate the Commission's compliance with FCS outlined in Chapter 60GG-2.004(2), F.A.C. with respect to continuous monitoring. The scope of this audit will focus on the Commission's monitoring of the physical environment, user activity, and for malicious code. (300 hours)

Long-Term Audit Plan – FY 2024-2025 and FY 2025-2026

- **Records Retention and Disposal:** Records management has been an area of prior review by the OIG, and the Commission has implemented significant changes in how electronic documents are maintained and disposed. This audit will assess these new processes after several years of operation to determine whether they are efficient, effective, and compliant with legal requirements. (500 hours)
- **Pipeline and Hazardous Materials Safety Administration (PHMSA) Federal Grant:** Operational review of the Commission's fiscal oversight of the PHMSA Grant. This review will focus on operational efficiencies in place as a result of OIG Audit 20-21-38 Audit. (500 hours)
- **Commission Contracts:** As required under Section 287.163, F.S., conduct a risk-based compliance audit of all Commission contracts for the preceding three fiscal years. The audit must include an evaluation of, and identify any trend in vendor preference. (600 hours)
- **Cybersecurity:** As required under Section 20.055, F.S., annually conduct audits of the Commission's cybersecurity. (600 hours)

- **Staff Assisted Rate Cases (SARC):** Advisory review and analysis of potential operational efficiencies available to improve Water and Wastewater SARC petition processes. (500 hours)
- **Review of Regulatory Fee Assessment and Collection:** In accordance with Section 350.113(3), F.S., each regulated company under the jurisdiction of the commission shall pay the commission a fee based on the gross operating revenues for the cost of regulation. The review will evaluate controls and oversight of the Commission's assessment and collection of fees. (600 hours)

Other Activities

The OIG is also responsible for several recurring activities as required by Florida Statutes. These responsibilities include, but are not limited to:

- Conducting an annual risk assessment;
- Developing an annual and long-term audit plan;
- Reviewing the Commission's performance measures; and
- Preparing the OIG annual report.

In addition to providing internal audit services, the OIG will continue to provide internal investigation support to the Commission, coordinate external audits affecting the Commission, and conduct other accountability activities as required or requested by management.

The Annual and Long-Term Audit Work Plan is respectfully submitted by:


 Valerie Peacock, Inspector General

8/9/23
 Date

The Annual and Long-Term Audit Work Plan is APPROVED.


 Andrew Giles Fay, Chairman

8/9/23
 Date