




Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: April 19, 2016

TO: Julie I. Brown, Chairman

FROM: Steven J. Stolting, Inspector General 

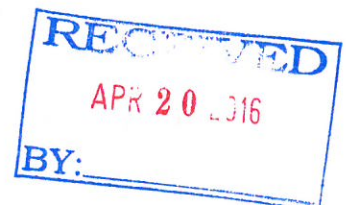
RE: Six-month Follow-up of the Auditor General's *Operational Audit of the Public Service Commission, Nuclear Power Plant Cost Recovery, Florida Energy Efficiency and Conservation Act, and Selected Administrative Activities (OIG 15/16-34)*

Pursuant to Section 20.055(5)(h), Florida Statutes, the Office of Inspector General is required to report to you regarding the status of the Commission's response to recommendations by the Auditor General six months after issuance of the audit report. In October 2015, the Auditor General issued their *Operational Audit of Nuclear Power Plant Cost Recovery, Florida Energy Efficiency and Conservation Act, and Selected Administrative Activities (Report No. 2016-022)*. It contained five findings and corresponding recommendations for corrective action. The following provides the original finding and recommendations, the Commission's initial response, and summarizes additional actions taken over the intervening six months to address the issues identified.

I am pleased to report that management has made significant progress in implementing the audit recommendations, and further actions are planned or underway to complete the necessary corrective actions. If you have questions or require further information, please let me know.

Finding 1: Audits of Nuclear Power Plant Project Management Internal Controls –

The Commission did not document that audits of nuclear power plant project management internal controls were adequately planned, conducted, and reviewed, or that all requested records were received and reviewed in accordance with Commission policies and procedures. In addition, Commission reports did not adequately describe the extent to which professional auditing standards applied.



Recommendation: We recommend that Commission management ensure that adequate documentation is maintained to demonstrate that audits of nuclear power plant project management internal controls are adequately planned, conducted, and reviewed, and that all requested records are received and reviewed in accordance with Commission policies and procedures. Additionally, to provide report users with information necessary to properly evaluate audit results, we recommend that Commission management ensure that reports clearly describe the professional auditing standards followed.

Commission Response: The Commission agrees with this finding, and will ensure that necessary documentation is included in the work papers to demonstrate that audit activities were properly planned, conducted, and reviewed as required by Commission policies and procedures. We will also ensure that policies and procedures are amended as necessary to clearly reference those professional auditing standards which generally apply, and that each report includes a statement describing the standards followed.

Current Status: COMPLETED. The written policies and procedures have been updated to require documentation that all audits are adequately planned, conducted, and reviewed. Written policies and procedures have also been updated to require that each audit report specify the auditing standards followed in performing each audit.

Finding 2: Agreed-upon Procedures Engagements – To verify the accuracy of utilities' annual Nuclear Cost Recovery Clause and Energy Conservation Cost Recovery Clause hearing filings, the Commission conducted agreed-upon procedures engagements; however, the Commission did not conduct or report the results of the engagements in accordance with applicable professional attestation engagement standards.

Recommendation: We recommend that Commission management enhance policies and procedures to clearly communicate the AICPA attestation standards the agreed-upon procedures engagements are to be performed in accordance with, include steps to verify that all applicable standards are adhered to, and reflect current Commission processes and organizational units. Additionally, to provide users of Bureau reports with the information necessary to properly evaluate the results, we recommend that Commission management revise the standard reports to comply with applicable professional standards and to disclose any departures from applicable standards and the reasons for such departures.

Commission Response: The Commission agrees with this finding and will update our written policies and procedures to reflect that these engagements are performed in accordance with the *General* and *Fieldwork* standards in *Section 50.02, SSAE Hierarchy, AICPA Attestation Standards*. We will also specify that all audit activities

must adhere to these standards and ensure that all Commission process and organizational unit information is current. In addition, our standard audit reports will be modified as necessary to reference those standards and will disclose any instances where a departure from those standards is warranted and the basis for that departure.

Current Status: COMPLETED. Written policies and procedures have been updated to reflect that these engagements are performed in accordance with the General and Fieldwork standards in Section 50.02, SSAE Hierarchy, AICPA Attestation standards. The written policies and procedures also specify that all audit activities must adhere to these standards, and standard audit reports have been modified to reference the standards. Finally, written policies and procedures have been updated to reflect current Commission processes and organizational structure.

Finding 3: FEECA Implementation for Natural Gas Utilities – The Commission did not fully implement FEECA requirements for natural gas utilities.

Recommendation: We recommend that Commission management fully implement FEECA specifically as it applies to natural gas utilities or seek legislative clarification regarding whether the Commission is required to adopt energy conservation and demand-side management goals for natural gas utilities and natural gas utilities are to offer residential energy audits.

Commission Response: The Commission agrees with this finding and Commission staff will explore the feasibility of additional procedures and processes to establish conservation goals and energy audit requirements for natural gas utilities with sales greater than 100 million therms, or seek legislative clarification of these provisions as necessary.

Current Status: IN PROGRESS. Management and staff have held several meetings to analyze data and evaluate options for establishing demand-side management goals and implementing energy audit requirements for natural gas utilities subject to FEECA. At this point, management has determined that the next course of action should be to initiate discussions with legislative staff to assess whether statutory changes would be a more appropriate resolution.

Finding 4: Monitoring FEECA Implementation – The Commission did not adequately monitor utilities' implementation of energy conservation programs, energy audit requirements, and demand-side renewable energy system programs.

Recommendation: We recommend that Commission management take steps to ensure adequate monitoring of the affected utilities' implementation of energy conservation programs, energy audit requirements, and demand-side renewable energy

system programs. Such monitoring should include verification that programs are implemented as reported by the utilities.

Commission Response: The Commission agrees with this finding and will improve documentation of existing procedures and implement additional measures to ensure adequate monitoring of affected utilities' implementation of energy conservation programs, energy audit requirements, and demand-side renewable energy system programs. A procedure will be developed to formalize the existing review and compilation of annual FEECA reports, and a process will be added to verify that energy savings calculations in the annual reports are consistent with those used in the setting of demand-side management goals for each utility. The Commission will also evaluate initiating additional management audits of utilities where warranted and feasible to verify that programs are being implemented consistent with Commission standards. Finally, the Commission will develop a process to expand existing audits of data filed in energy conservation cost recovery proceedings where warranted to include verification of the number of program participants reported by the utilities in the annual FEECA reports.

Current Status: IN PROGRESS. The Commission plans to develop procedures for the implementation and writing of the annual FEECA report, including a process to verify each FEECA utility's results against the demand-side management goals established by the Commission. The development of these procedures will occur in conjunction with the analysis and writing of the 2016 FEECA report.

Additionally, staff is evaluating the appropriate timing for a management audit of each FEECA utility's plan implementation process. The utilities implemented new programs in 2015, and therefore will not have a full year's data available for review until 2017. Deferring a management audit until at least 2017 would provide a more broad assessment of the effectiveness of these new programs. Technical and audit staff have been in discussion about the audit-initiation timeline and scope.

Finally, the Commission will add a procedure to its annual audit of the conservation clause to verify program participants against the utilities' data reported in the annual FEECA report. This procedure should be implemented for the 2016 audit.

Finding 5: Purchasing Card Cancellations – The Commission did not always timely cancel purchasing cards upon a cardholder's separation from Commission employment.

Recommendation: We recommend that Commission management establish policies and procedures specifying the manner and time frame in which PCards are to be canceled and take appropriate actions to ensure the timely cancellation of PCards when cardholders separate from Commission employment.

Commission Response: The Commission agrees with this finding and will update our PCard guidelines to include time frames for notification to the PCPA of cardholder separations and for PCard cancellation at the time of a cardholder's separation from employment. The revised procedure will also include periodic internal reviews to verify compliance with these procedures.

Current Status: COMPLETED. The Commission has modified SOP 1314 by adding Section 8, PCard Cancellations. This addition to the SOP includes specific procedures and time frames to help ensure timely cancellation of PCards when employees separate from the Commission. The Commission's Personnel Data System (PDS) has been modified so that the PCPA and Fiscal Services Section supervisor are automatically notified immediately when employees' separation information is entered into PDS.

SJS:ld

cc: Lisa Polak Edgar, Commissioner
Art Graham, Commissioner
Ronald A. Brisé, Commissioner
Jimmy Patronis, Commissioner
Joint Legislative Auditing Committee ✓

Braulio Baez
Lisa S. Harvey
Apyl Lynn
Keith C. Hetrick