

State of Florida



# Public Service Commission

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

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**DATE:** December 9, 2019

**TO:** Art Graham, Chairman

**FROM:** Ashley Clark, Inspector General *AC*

**RE:** Six-month Follow-up of the Auditor General's *Operational Audit of the Public Service Commission, Selected Administrative Activities and Prior Audit Follow-Up (OIG 19/20-22)*

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Pursuant to Section 20.055(6)(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 June 2019, the Auditor General issued their *Operational Audit of Selected Administrative Activities and Prior Audit Follow-Up (Report No. 2019-217)*. This report contained five findings and corresponding recommendations for corrective action. This memorandum provides the original findings and recommendations, the Commission's initial response, and summarizes additional actions taken over the intervening six months to address the issues identified.

Our review determined that the Commission has completed corrective actions regarding all recommendations, including training of staff, amendment of Commission forms and procedures, and approval of a petition establishing goals and audit programs for Peoples Gas System pursuant to the Florida Energy Efficiency and Conservation Act (FEECA).

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### Selected Administrative Activities

**Finding 1: Property Inventory.** The Commission could not demonstrate that the results of the 2016-17 fiscal year physical property inventory were reconciled to Commission property records, all required information was captured during the inventory, or that property custodians had not personally inventoried property items for which they were responsible.

**Recommendation:** We recommend that Commission management enhance procedures to ensure that annual physical inventories of Commission property are

conducted, and the results reconciled to Commission property records, in accordance with Department of Financial Services (DFS) rules.

**Commission Response:** The Commission agrees with the recommendation, and has implemented the following changes to address this finding, which will be incorporated into written procedures:

- The FLAIR inventory printout used by staff to conduct the physical inventory now includes all data fields required by DFS rules, including the name of the custodian and model of the item, if applicable. This will help ensure that required data is recorded accurately in Commission property records, and any incorrect or missing fields are updated.
- After the physical inventory, fiscal staff will verify the completed inventory printout for accuracy. If a record requires no modification, fiscal staff will initial next to the individual item on the physical inventory printout. If changes are needed, the specific property item will be marked with an asterisk and initials on the printout, indicating that the FLAIR inventory has been updated.
- Fiscal staff then creates a spreadsheet documenting all transactions that required a change to FLAIR data, and if paperwork such as a property transfer form is required to support the change, it will be scanned into the spreadsheet.
- Commission procedures will prohibit property custodians from conducting the physical inventory.

**Current Status: COMPLETED.**

- The new FLAIR printout used during the annual physical inventory includes all DFS required data, and will be used for all future inventories. This process has been documented through amendment of SOPs 1254 and 1255.
- The new procedure for verification of the completed inventory was implemented and tested during a mid-year inventory true-up. The process was documented by amendment of SOP 1255.
- The new Master Inventory Reconciliation spreadsheet was used during the mid-year inventory true-up noted above, which provides an additional layer of oversight and documents the final reconciliation of the annual property inventory. This process step is documented by amendment of SOP 1255.
- Fiscal staff communicated with all Area Property Custodians to make them aware of prohibitions on custodians conducting physical inventory of property under their control. This requirement has been incorporated in amendments to APM 10.07.

**Finding 2: Property Record Information.** Commission controls regarding the accuracy of the information needed to accurately report and maintain accountability over Commission property, and demonstrate compliance with applicable Department of Financial Services rules, need enhancement.

**Recommendation:** We recommend that Commission management enhance tangible personal property controls, including providing training to staff with property accountability responsibilities, to ensure that Commission property records are accurately maintained in accordance with DFS rules.

**Commission Response:** The Commission agrees with this recommendation, and has implemented the following changes to address the finding:

- Management has provided training to staff with property accountability responsibilities, including review of specific DFS requirements for maintenance of property records.
- Enhanced procedures as outlined in response to Finding 1 will help ensure compliance with DFS property inventory rules.

**Current Status: COMPLETED.**

- Training for staff with property accountability responsibilities has been completed, and staff will be required to attend additional annual training before beginning the annual physical inventory. This requirement has been documented through amendment of SOP 1255.
- Enhanced tangible personal property controls implemented in response to Finding 1 ensure that Commission property records are accurately maintained in accordance with DFS rules. These are incorporated in amendments to SOP 1255.

**Finding 3: Contract Awards.** The Commission did not always ensure that contract managers received required training for accountability in contracts and grants management, or that all individuals involved in the contract award process attested, in writing, that they were independent of, and had no conflicts of interest related to, the contractors selected.

**Recommendation:** We recommend that Commission management enhance policies and procedures to ensure that all designated contract managers complete the required CFO training for accountability in contracts management and all individuals involved in the procurement and awarding of applicable contracts complete conflict of interest attestations and that such attestations are retained in Commission records.

**Commission Response:** The Commission agrees with this recommendation, and all staff designated as contract managers have currently completed required CFO training. Written policies and procedures will be amended to include this requirement, as well as to require all individuals involved in procurement and awarding of contracts to complete conflict of interest attestations, which will be retained in Commission records.

**Current Status: COMPLETED.**

- The PSC's written policies and procedures have been updated requiring all staff designated as contract managers to have currently completed required CFO training. Further, policies and procedures now require all individuals involved in procurement and awarding of contracts to complete conflict of interest attestations, which will be retained in Commission records. These requirements have been documented through amendment of SOP 1312.

**Finding 4: FLAIR Access Controls.** The Commission did not timely deactivate user access privileges to the Florida Accounting Information Resource Subsystem upon an employee's separation from Commission employment.

**Recommendation:** We recommend that Commission management strengthen controls to ensure that FLAIR access privileges are deactivated immediately upon an employee's separation from Commission employment.

**Commission Response:** The Commission agrees with this recommendation, and will implement and update procedures to address this finding. Information technology staff will add a new feature to the Personnel Data System (PDS) to track employees with FLAIR access, generating an automated message specifically to staff responsible for deactivation of FLAIR access privileges. In addition, fiscal staff will conduct and document monthly audits to confirm the timely removal of FLAIR access rights when employees separate from the agency.

**Current Status: COMPLETED.**

- PDS has been updated to track employees with FLAIR access, and the automated email message reminding Fiscal Services Section staff to deactivate FLAIR access privileges is working as intended.
- Monthly audits of FLAIR access privileges have been implemented as a further safeguard to ensure timely deactivation of FLAIR access.

**Florida Energy Efficiency and Conservation Act**

**Finding 5: FEECA Implementation for Natural Gas Utilities.** As similarly noted in our Report No. 2016-022, the Commission did not fully implement requirements of the Florida Energy Efficiency and Conservation Act for natural gas utilities.

**Recommendation:** We again recommend that Commission management fully implement FEECA specifically as it applies to natural gas utilities.

**Commission Response:** The Commission's actions to fully implement FEECA as it applies to natural gas utilities are underway and nearing completion. Peoples Gas

System is the only investor-owned natural gas utility that meets the sales threshold in FEECA and is thus the only gas utility subject to FEECA. To comply with the Auditor General's finding in Report No. 2016-022 concerning implementation of FEECA requirements for natural gas utilities, Commission staff requested that Peoples Gas System develop and file with the Commission a petition for approval of proposed goals and an energy audit program. Commission staff has conducted extensive discovery and is currently completing its final review of Peoples Gas Systems' petition to establish conservation goals and an energy audit program. Commission staff expects to file its recommendation on these issues for Commission consideration at the August 6, 2019 Agenda Conference.

**Current Status: COMPLETED.**

The Commission's actions to fully implement FEECA as it applies to natural gas utilities are complete. Peoples Gas System (PGS) is the only natural gas utility that is subject to the requirements of FEECA. On October 15, 2018, PGS filed a petition for approval of its natural gas demand-side management (DSM) goals for the period 2019-2028, and its residential and commercial energy audit programs. Pursuant to Order No. PSC-2019-0361-PAA-GU, issued August 26, 2019, the Commission approved PGS' petition, including the proposed goals and audit programs. This Order became final on September 16, 2019 and therefore the Commission's actions are complete.

AC/ld

cc: Julie I. Brown, Commissioner  
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