

State of Florida

PUBLIC
SERVICE
COMMISSION



Office of Inspector General

2009-2010

ANNUAL
REPORT

Steven J. Stolting, Inspector General
September 15, 2010

| |
|-------------------|
| TABLE OF CONTENTS |
|-------------------|

| | |
|---|----------|
| 2009-2010 ANNUAL REPORT | 1 |
| A. INTRODUCTION | 1 |
| 1. Background | 1 |
| 2. Staffing and Organization | 1 |
| B. SUMMARY OF ACTIVITIES BY CATEGORY | 2 |
| 1. Audit Activities | 2 |
| 2. Internal Investigations | 3 |
| 3. Other Accountability Activities | 5 |
| 4. External Audit and Review Coordination | 6 |
| C. WORK HOURS DISTRIBUTION BY CATEGORY | 7 |
| D. ADDITIONAL STATUTORY ANNUAL REPORT ELEMENTS | 8 |
| 1. Significant Deficiencies Identified..... | 8 |
| 2. Prior Recommendations Status | 8 |
| 3. Performance Measures Activities | 8 |

**Florida Public Service Commission
Office of Inspector General**

2009-2010 ANNUAL REPORT

A. INTRODUCTION

1. Background

The Office of Inspector General is statutorily 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.

Section 20.055, Florida Statutes, assigns the Inspector General duties in the areas of audit, investigation, and other accountability activities. Specific responsibilities include assessing agency performance measures and data, conducting activities to promote economy and efficiency, and coordinating efforts to prevent or detect fraud or abuse in agency programs and operations.

The Inspector General is also charged with keeping the agency head informed regarding identified deficiencies in the agency and the progress of corrective actions to address those deficiencies. As part of this responsibility, by September 30th of each year the Inspector General is required to provide the agency head with an annual report summarizing the activities of the office during the preceding fiscal year.

2. Staffing and Organization

The Office of Inspector General consists of two staff members, the Inspector General and an Administrative Assistant. Consistent with statutory requirements, the Inspector General reports directly to the Chairman of the Commission. The current Inspector General, Steven J. Stolting, has served since January 2003. During Fiscal Year 2009-2010, administrative support was provided to the office by Linda Duggar.

B. SUMMARY OF ACTIVITIES BY CATEGORY

| NUMBER OF COMPLETED PROJECTS | CATEGORY |
|------------------------------|---|
| 3 | Audit Activities |
| 41 | Internal Investigations |
| 31 | Other Accountability Activities (e.g., consulting, performance measures review) |
| 7 | External Audits (liaison and support) |
| 82 | TOTAL PROJECTS |

1. Audit Activities

During Fiscal Year 2009-2010, the Office of Inspector General (OIG) conducted three audit-related activities under the *Standards for the Professional Practice of Internal Auditing (Red Book)*. Audit activities can consist of audits or consultations conducted by OIG, follow-up monitoring of the status of corrective actions recommended in prior internal audits, or risk assessment and audit work plan development.

The first audit activity was a consultation review conducted of the Commission's process for receiving and responding to public records requests. The review made ten recommendations to streamline and ensure consistency in this process, which were adopted and have been largely implemented by management. A six-month follow-up review is scheduled for October 2010.

The second audit activity was a six-month follow-up review of the internal *Audit of Commission Field Office Operations* (OIG Report #08/09-21). We found that Commission management had fully implemented the six recommendations made in that report, or an appropriate alternative, to address the audit findings in areas such as performance measurement, ethics, and staff training.

The third audit activity was a risk assessment of Commission programs and update to the OIG annual and long-range audit work plan.

2. Internal Investigations

The Office of Inspector General conducted 41 internal investigations during FY 2009-2010. These are summarized as follows:

- **Alleged failure of the Commission to address consumer complaints against regulated companies:** In 18 cases, consumers alleged inappropriate handling by staff of their complaints filed with the Commission against regulated companies. In each case, OIG evaluated the complaint to ensure that Commission staff addressed the consumer complaint properly and in compliance with Commission law, rules, and procedures. OIG then reported any findings to the consumer or referring authorities such as the Office of the Governor or Commission management. In all cases but one, we found that Commission staff had addressed the complaints properly and in compliance with procedures.
- **Complaint from entity involved in potential fraudulent enterprise:** The Commission received a request for administrative action from an entity which allegedly was involved in a Ponzi scheme to defraud investors using the PSC action to provide credibility to a project. OIG evaluated the facts presented to determine if referral for criminal investigation was warranted and determined that no further action was necessary.
- **Alleged excessive use of Commission information technology resources:** A Commission manager sought technical assistance with an evaluation issue involving an employee's productivity. OIG and Commission technology staff monitored the employee's computer records and found no evidence of excessive personal use or other misconduct. However, it was determined that non-Commission devices were being connected to the computer network. This security concern was reported to management and Commission procedures were amended to provide additional protection for the network.
- **Alleged violations of gas safety requirements:** The Commission received a complaint referred from federal authorities alleging that gas safety violations were not being addressed. No violations were identified, and Commission inspection staff were found to have carried out all associated responsibilities.
- **Alleged slander and libel by Commission staff:** A former Commission employee alleged that Commission employees were hindering future employment by inappropriately providing negative information to prospective employers and by including documents on the Commission network which contained negative information regarding the former staffer. OIG found no evidence of misconduct, and the Commission agreed to changes in its display of online documents in the matter at issue.

- **Arrests of Commission employees:** In separate incidents, two Commission employees were arrested on multiple drug charges. OIG obtained arrest records and other substantiating information and monitored the judicial processes. Adjudication of guilt was withheld in both cases, and both were placed on probation. The Commission took appropriate disciplinary action in each case, and OIG will continue to monitor the cases to ensure that all probationary conditions are fulfilled and no further misconduct occurs.
- **Alleged discrepancies on employment applications:** Commission policy requires criminal history checks on prospective employees. When the information obtained differs from the information on the application, OIG conducts an investigation to determine if falsification has occurred. OIG conducted two such investigations during the fiscal year. No falsification was determined in one case, and the second was inconclusive because management decided against proceeding with the hiring process and the investigation was terminated.
- **Consumer threats against Commission complaint staff:** OIG investigated two incidents of threats of physical violence against Commission staff by complainants. No evidence was found that either threat was credible or required referral to law enforcement for criminal investigation.
- **Alleged violations by Progress Energy:** A complaint received by OIG alleged various misconduct by employees of Progress Energy. Review by OIG and Commission staff found no violations of law by the company, and identified no failures or deficiencies in the Commission's regulatory activities.
- **Alleged misconduct by Commission manager attending social function at home of company official:** OIG investigated allegations that a Commission manager attended a party at the home of a Florida Power and Light official where guests included other company employees. OIG found that no law or policy was violated, but that the manager had exercised poor judgment and fostered negative perceptions of the Commission's objectivity. The manager resigned his position shortly after completion of the investigation.
- **Complaints of misconduct by a regulated electric company:** OIG evaluated multiple complaints filed by alleged employees of Florida Power and Light which claimed misconduct by company management including falsification of information provided to the Commission, violation of tax laws, and mismanagement of energy conservation programs. OIG assisted in referral of these allegations to the Florida Department of Law Enforcement for review of potential criminal allegations. No criminal investigation was determined to be warranted, and the Commission took appropriate regulatory action to address complaint allegations within Commission jurisdiction.

- **Conflict between staff on docketed item:** It was alleged by some staff that other staff exerted undue influence and tried to intimidate them into adopting their positions in writing a recommendation for Commission action. OIG assessed whether there was evidence of possible misconduct or bias on the part of any staff and whether further action or investigation was warranted. It was determined that, while the development of the recommendation was contentious and difficult, there was no basis to question the motivation of staff or to substantiate the allegations.
- **Consumer threat against a Commissioner:** A Commissioner received a threat of violence from a consumer in reference to a pending utility rate case. OIG coordinated referral of the information to FDLE and the provision of additional security at scheduled public proceedings in the case.
- **Complaint alleging inappropriate e-mail communications by Commission employee:** A consumer alleged that Commission employee(s) were sending derogatory and inappropriate e-mail communications because of prior complaints about the Commission. Investigation found no evidence that these e-mails were sent by Commission employees or through the Commission's computer network.
- **Complaints about Commission decisions:** Three complaints were received from consumers claiming that Commission decisions were unsupported or inappropriate. OIG coordinated review and response by Commission staff to these concerns.
- **Alleged personnel inequities and favoritism by management:** An employee complaint alleged workload inequities, lack of promotional opportunities, and favoritism. OIG reviewed these concerns in consultation with human resources management and found no basis to the claims. However, relevant information was communicated to management and the employee to facilitate resolution of the concerns.
- **Alleged perjury in Commission on Ethics investigation of alleged ex parte communications:** OIG reviewed alleged ex parte communications by Commission employees which were also the subject of a Commission on Ethics complaint. Allegations were made that a Commission employee provided false or inconsistent information in the course of that investigation, and OIG referred those allegations to FDLE for evaluation. No basis for criminal investigation was found.

3. Other Accountability Activities

Other accountability activities can include technical assistance provided to management, analyses of operational issues not conducted under audit standards, or responses to inquiries from consumers or external entities. The office conducted 31 such activities during the fiscal year to provide information and assistance to management and ensure that operational issues were addressed. Examples of more significant activities included:

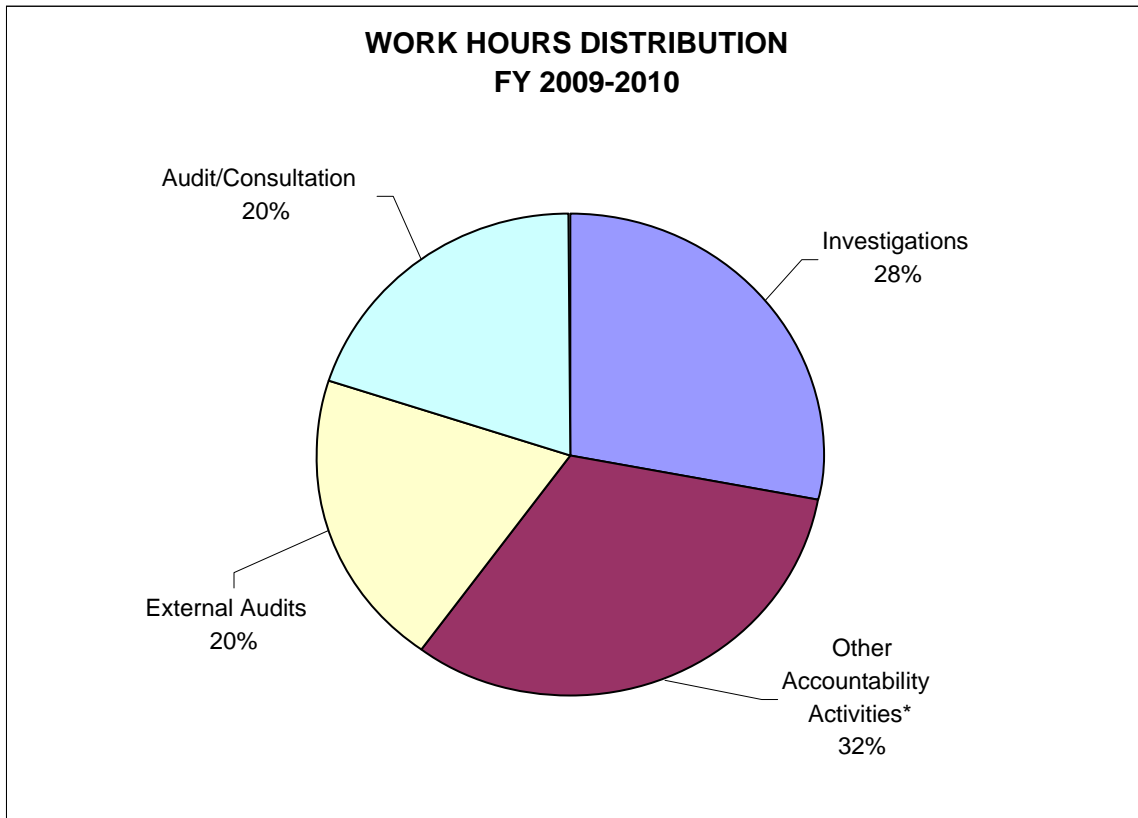
- **Public records policies:** OIG provided comments and technical assistance for revisions to Commission policies governing processes for creation and maintenance of public records.
- **Background screening procedures:** OIG provided technical assistance for revision of Commission policies to conduct criminal background checks of potential employees. As a result of an Auditor General review, the Commission implemented a requirement to conduct additional checks of staff working with sensitive information-technology systems.

4. External Audit and Review Coordination

Pursuant to statute, OIG coordinates activities pertaining to audits or reviews of the Commission by the Auditor General, the Office of Program Policy Analysis and Government Accountability (OPPAGA), and other external entities. During the fiscal year, OIG coordinated Commission involvement in seven of these external reviews, including an information-technology audit and an operational audit by the Auditor General, OPPAGA reviews or information requests pertaining to the Commission's consumer complaint call center and other areas, and a national review by the General Accounting Office (GAO) of the Lifeline program to provide telephone services to low-income Floridians.

C. WORK HOURS DISTRIBUTION BY CATEGORY

The following data displays the distribution of project-related work time across the workload categories and is intended to indicate efforts to maintain balance among audit, investigative, and other accountability activities, as required under Section 20.055(2)(i), Florida Statutes.



* "Other Accountability Activities" can include technical assistance, analysis of operational issues not conducted under audit standards, or evaluation of performance measures and data.

D. ADDITIONAL STATUTORY ANNUAL REPORT ELEMENTS

1. Significant Deficiencies Identified

Section 20.055(7), Florida Statutes, requires the Inspector General to include in the annual report a description of any significant abuses and deficiencies relating to the administration of programs and operations of the agency disclosed by investigations, audits, reviews, or other activities, along with any recommended corrective actions to address those deficiencies. No such deficiencies were identified during the reporting period.

2. Prior Recommendations Status

The annual report is also required to identify significant recommendations from prior annual reports on which corrective action has not been completed. Monitoring activities during FY 2009-2010 identified no significant recommendations that have not been addressed.

3. Performance Measures Activities

The annual report also should describe activities relating to the development, assessment, and validation of performance measures. During FY 2009-2010, the Office of Inspector General incorporated steps in each relevant project to evaluate data and performance measure information within the scope of that review. Performance measure information included in the Long Range Program Plan (LRPP) was consistent with prior years and therefore required only limited review.