

State of Florida

PUBLIC
SERVICE
COMMISSION



Office of Inspector General

2010-2011

ANNUAL
REPORT

Steven J. Stolting, Inspector General
September 8, 2011

TABLE OF CONTENTS

2010-2011 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 4

 4. External Audit and Review Coordination 5

C. WORK HOURS DISTRIBUTION BY CATEGORY 6

D. ADDITIONAL STATUTORY ANNUAL REPORT ELEMENTS 7

 1. Significant Deficiencies Identified..... 7

 2. Prior Recommendations Status 7

 3. Performance Measures Activities 7

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

2010-2011 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 2010-2011, administrative support was provided to the office by Linda Duggar.

B. SUMMARY OF ACTIVITIES BY CATEGORY

| NUMBER OF COMPLETED PROJECTS | CATEGORY |
|------------------------------|--|
| 7 | Audit Activities |
| 23 | Internal Investigations |
| 17 | Other Accountability Activities |
| 3 | External Audit and Review Coordination |
| 50 | TOTAL PROJECTS |

1. Audit Activities

During Fiscal Year 2010-2011, the Office of Inspector General (OIG) conducted seven 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 engagement to evaluate Commission controls over receipt and expenditure of Federal stimulus funds under the American Recovery and Reinvestment Act of 2009. No reportable deficiencies were found, although some suggestions and comments were shared with management to improve operation of the program.

The second audit activity was a risk assessment of Commission programs and update to the OIG annual and long-range audit work plan, which specifies audit priorities over the next three fiscal years.

The third audit activity was an Operational Audit of the Surveillance Section of the Division of Economic Regulation. Surveillance Section responsibilities include work on rate cases for regulated utilities and review of utility data to ensure earnings are within approved ranges. OIG made five recommendations for streamlining and improving regulation, and management generally agreed with those findings.

Two activities involved the required six-month follow-up reviews of audits by the Office of the Auditor General. These pertained to an information technology audit of the Commission's Case Management System and an Operational Audit of the Commission's

assessment and collection of Regulatory Assessment Fees. OIG found that most recommendations from these audits had been fully addressed, while remaining actions were near completion.

The sixth audit activity was a consultation engagement to identify and assess Commission responsibilities and resources dedicated to regulation of the telecommunications industry. This was intended to provide information to management necessary to address changes in telecommunications jurisdiction and regulation pending at that time.

The seventh audit activity was a follow-up review of recommendations from a prior consultation engagement assessing handling of public records requests by the Commission. Audit standards require OIG to monitor management's response to recommendations made in audit engagements, and in this case we found that all recommendations but one had been fully addressed, with the remaining action to be completed within the near future.

2. Internal Investigations

The Office of Inspector General conducted 23 internal investigations during FY 2010-2011. These are summarized as follows:

- **Alleged failure of the Commission to address consumer complaints against regulated companies:** In 14 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, we found that Commission staff had addressed the complaints properly and in compliance with procedures.
- **Alleged threat by a Commission employee:** Information was provided to the Commission that an employee may have made threats outside the workplace. Review found no substantiation for this allegation, and no further action was warranted.
- **Complaint from employee regarding "robocalls:"** An employee complained that political "robocalls" were being received on his work telephone, and that these were disruptive. OIG determined that there was no legal prohibition on such calls and advised the employee to request removal from calling lists and notify OIG if calls continued.
- **Ethics question regarding hiring:** A Commission manager reported that the spouse of an applicant for employment was employed with the Office of Public Counsel and requested assistance in evaluating conflict of interest and other implications of this situation. While no legal basis was found to exclude the applicant, the potential for

conflicts in job duties was identified, and guidance was provided to the manager in conjunction with the Office of General Counsel.

- **Ethics allegation regarding contact with employees of regulated company at conference:** Information was received that Commission employees had social contact with employees of a regulated utility at a professional conference, and that these employees were involved in a regulatory action affecting that company. OIG investigation found no basis for further action and no inappropriate conduct.
- **Rumors regarding misconduct by Commission employees:** Information was communicated to OIG alleging that Commission employees may be involved in an inappropriate relationship. OIG investigated and found no basis for the allegation, and OIG coordinated with the Office of General Counsel to provide training to managers in addressing similar situations.
- **Alleged misuse of position by Commission employee:** A complaint was communicated to OIG alleging that a Commission employee had misused their position outside the workplace to obtain a benefit. OIG investigation found no basis for the complaint.
- **Alleged misconduct by Commission inspector failing to cite violations by utility company:** An anonymous complaint was received claiming that a Commission inspector had overlooked violations by a regulated gas company. OIG investigated these claims and found that all relevant procedures had been followed and documented by the inspector, and that the allegations were unsubstantiated. OIG recommended a follow up visit to the utility, utilizing staff not involved in the prior inspection, to ensure that all results were fully supported and verified.
- **Staff conflicts:** OIG investigated two incidents of staff conflict. The first alleged verbally abusive or threatening language which was substantiated by OIG. Management counseled the employees involved. The second involved alleged physical conflict between two employees. Investigation failed to substantiate the allegation, although management counseled the employees regarding appropriate workplace conduct.

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 17 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:

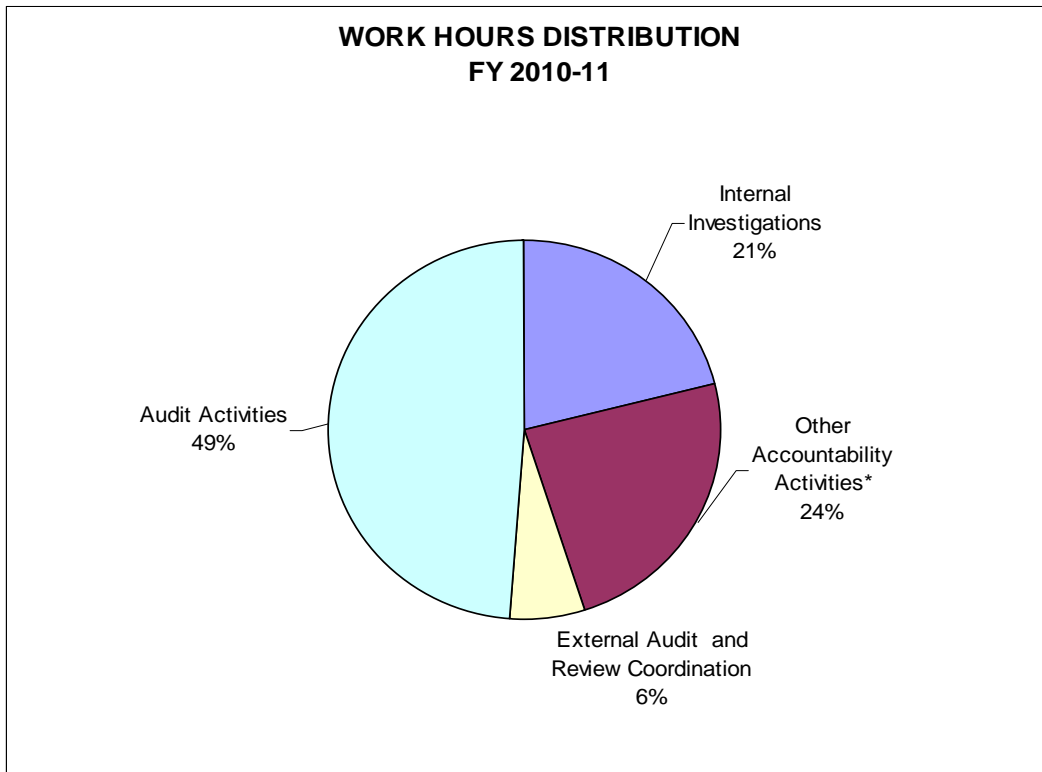
- **Development of OIG Web Page:** OIG created a web page to help educate employees, consumers, and others regarding activities of the office. Resources include posting of audit reports and other information, links to other useful information, and the capability to file complaints with the office online.
- **Whistle-blower information:** OIG created and distributed information regarding the whistle-blower law and protections for employees reporting agency misconduct.
- **Computer security incident:** As required by state law and rule, OIG participated in Commission actions to investigate and address allegations of a computer security breach. All identified risks were addressed.

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 three of these external reviews. Two involved OPPAGA reviews or information requests pertaining to State motor vehicles and travel. The third was a statutorily required 18-month follow-up by OPPAGA of the status of recommendations from their prior review of the Commission's consumer complaint call center, Commission regulation of small water and wastewater utilities, and the Lifeline Program which helps 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 2010-2011 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 2010-2011, the Office of Inspector General incorporated steps in each relevant audit or consultation project to evaluate data and performance measure information within the scope of that review. We also reviewed and provided comments for measures and data developed for inclusion in the Long-Range Program Plan (LRPP) prior to submission of the LRPP to the Governor and Legislature.