

# STATE OF FLORIDA AUDITOR GENERAL

## Operational Audit

Report No. 2025-040  
October 2024

### PUBLIC SERVICE COMMISSION

#### Prior Audit Follow-Up



Sherrill F. Norman, CPA  
Auditor General

## The Public Service Commission and Executive Director

The Public Service Commission is established by Chapter 350, Florida Statutes. The Commission consists of five Commissioners appointed to 4-year terms by the Governor, subject to confirmation by the Senate, selected from the nominees recommended by the Florida Public Service Commission Nominating Council. The following individuals served as Commissioners during the period of our audit (July 2022 through March 2024):

Mike La Rosa            Chair, from January 2, 2024  
Andrew Giles Fay      Chair, through January 1, 2024  
Art Graham  
Gary F. Clark  
Gabriella Passidomo

The Executive Director is selected by the Commissioners and advises the Commissioners on all technical, administrative, and policy matters under the Commission's jurisdiction. In addition, the Executive Director oversees all Commission divisions and offices, except the General Counsel, and is responsible for the Commission's daily operations, including regulatory, internal management, and budgetary matters. Braulio L. Baez served as Executive Director during the period of our audit.

The team leader was Travis Lampinen, CPA, and the audit was supervised by Lynley B. Trent, CPA.

Please address inquiries regarding this report to Melisa Hevey, CPA, Audit Manager, by e-mail at [melisahevey@aud.state.fl.us](mailto:melisahevey@aud.state.fl.us) or by telephone at (850) 412-2935.

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# PUBLIC SERVICE COMMISSION

## Prior Audit Follow-Up

### **SUMMARY**

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This operational audit of the Public Service Commission (Commission) focused on the progress the Commission had made, or was in the process of making, in addressing Findings 3 through 6 noted in our report No. 2022-063. Our audit disclosed the following:

**Finding 1:** Certain security controls related to network user authentication continue to need improvement to ensure the confidentiality, integrity, and availability of Commission data and information technology resources.

### **BACKGROUND**

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The Public Service Commission (Commission) is responsible for regulating investor-owned electric utilities, gas utilities, certain water and wastewater utilities, and telecommunications companies in the State. Additionally, the Commission has limited jurisdiction over publicly owned rural electric cooperatives and municipally owned electric and gas utilities. The Commission's regulation of investor-owned electric, natural gas, and water and wastewater utilities is commonly referred to as rate base or rate-of-return regulation, and includes rate setting responsibilities, earnings oversight, monitoring quality of service, and resolving consumer complaints. For the 2023-24 fiscal year, the Legislature appropriated approximately \$28.9 million to the Commission and authorized 272 positions.<sup>1</sup>

### **FINDING AND RECOMMENDATION**

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State law<sup>2</sup> requires State agencies to establish cybersecurity controls to ensure the security of agency data, information, and information technology (IT) resources. Additionally, Department of Management Services (DMS) rules<sup>3</sup> establish minimum cybersecurity standards for ensuring the confidentiality, integrity, and availability of State agency data, information, and IT resources.

State law<sup>4</sup> requires each regulated utility under the jurisdiction of the Commission to pay to the Commission a fee based upon the utility's gross operating revenues for the applicable period. The fee is calculated by the utility and remitted to the Commission along with a Utility Regulatory Assessment Fee Return form (RAF form) documenting the utility's calculation of the assessment fee. The Commission utilizes the Regulatory Assessment Fee (RAF) System to manage utility regulatory assessment fees, including calculating any over or under payments based on reported revenues and amounts paid. The Commission utilizes the Return on Equity (ROE) System to monitor utility revenues as reported on utility annual reports and to analyze revenue discrepancies between the reported revenue and the revenue

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<sup>1</sup> Chapter 2023-239, Laws of Florida, General Appropriations Act.

<sup>2</sup> Section 282.318(4), Florida Statutes.

<sup>3</sup> DMS Rules, Chapter 60GG-2, Florida Administrative Code.

<sup>4</sup> Section 350.113(3), Florida Statutes.

recorded by a utility on the RAF form. As part of our audit, we evaluated selected Commission IT controls for the RAF and ROE Systems and the Commission network and, as discussed in Finding 1, noted areas in which IT controls continue to need improvement.

### **Finding 1: Security Controls – Network User Authentication**

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit procedures disclosed that certain security controls related to network user authentication need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising Commission data and related IT resources. However, we have notified appropriate Commission management of the areas needing improvement.

Without appropriate security controls related to network user authentication, the risk is increased that the confidentiality, integrity, and availability of Commission data and related IT resources may be compromised. A similar finding was communicated to Commission management in connection with our report No. 2022-063 (Finding 4).

**Recommendation: We again recommend that Commission management improve certain security controls related to network user authentication to ensure the confidentiality, integrity, and availability of Commission data and related IT resources.**

## ***PRIOR AUDIT FOLLOW-UP***

Except as discussed in the preceding paragraphs, the Commission had taken corrective actions for applicable findings included in our report No. 2022-063.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from April 2024 through July 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit of the Public Service Commission (Commission) focused on the progress the Commission had made, or was in the process of making, in addressing Findings 3 through 6 noted in our report No. 2022-063. For those areas, the objectives of the audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.

- Examine internal controls designed and placed into operation to promote and encourage the achievement of management’s control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal controls significant to our audit objectives; instances of noncompliance with applicable governing laws, rules, or contracts; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit’s findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, Commission policies and procedures, and other guidelines, and interviewed Commission personnel to obtain an understanding of applicable requirements and Commission travel and information technology controls.
- Inquired of Commission management regarding whether the Commission made any expenditures or entered into any contracts under the authority granted by an applicable state of emergency during the period July 2021 through January 2024.
- Evaluated Commission actions to correct Findings 3 through 6 noted in our report No. 2022-063. Specifically, we:
  - Examined Commission records for the seven airfare expenditures, totaling \$3,345, paid using a purchasing card during the period July 2022 through March 2024 to determine whether *Purchase of Advance Air Fare* forms were submitted before payment was approved, travelers were not reimbursed for airfare paid using a purchasing card, travelers denoted the use of the

purchasing card on the Travel Voucher form, Travel Voucher forms were appropriately reviewed and approved, and reimbursed travel expenditures were properly calculated in accordance with Commission procedures.

- Evaluated the adequacy of user authentication controls for the Commission network domain.
- Examined Commission records for the 53 Commission network user accounts that expired during the period January 2023 through March 2024 to determine whether Commission records evidenced the date that user access rights to the Commission network were disabled.
- Examined Commission records for the 53 Commission employees who separated from employment during the period January 2023 through March 2024 to determine whether the employees' network user access privileges were timely disabled.
- Reviewed Commission procedures to determine whether Commission procedures required periodic reviews of the appropriateness of user access privileges to the Regulatory Assessment Fee System, Return on Equity System, and Commission network.
- Examined Commission records to determine whether Commission records evidenced periodic reviews of the appropriateness of user access privileges to the Regulatory Assessment Fee System, Return on Equity System, and Commission network during the period January 2023 through March 2024.
- Compared Commission network access privilege records for the user accounts active as of May 16, 2024, to People First records and a Commission listing of the employees who separated from Commission employment during the period January 2023 through March 2024 to determine whether any active Commission network user accounts were assigned to employees who had separated from Commission employment.
- Examined Commission records for the 52 employees with Commission network user access privileges who separated from Commission employment during the period January 2023 through March 2024 to determine whether the employees' network user accounts were accessed, and any transactions were entered using the accounts, after the users' separation from Commission employment.
- Reviewed Commission policies and procedures, inquired of Commission management, and examined available records to obtain an understanding of Commission change management processes and to determine whether Commission records evidenced the authorization, review, testing, and approval of Regulatory Assessment Fee System and Return on Equity System program changes and whether the personnel responsible for implementing changes into production were independent from the personnel responsible for programming changes.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## ***AUTHORITY***

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Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial 'S'.

Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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## STATE OF FLORIDA

COMMISSIONERS:  
MIKE LA ROSA, CHAIRMAN  
ANDREW GILES FAY  
GARY F. CLARK  
ART GRAHAM  
GABRIELLA PASSIDOMO



EXECUTIVE DIRECTOR  
BRAULIO L. BAEZ  
(850) 413-6463

## Public Service Commission

October 30, 2024

Ms. Sherrill F. Norman  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Ms. Norman:

As required by Section 11.45(4)(d), Florida Statutes, enclosed is the Florida Public Service Commission's (Commission) response to the preliminary and tentative finding and recommendation contained in your Operational Audit - Prior Audit Follow-Up of the Commission. This response includes specific actions taken or planned to address the identified finding.

We appreciate your review and believe the audit information will assist us as we work to improve Commission operations. If any additional information is needed, please contact our Inspector General, Valerie Peacock, at (850) 413-6071.

Sincerely,

A handwritten signature in black ink, appearing to read "Braulio L. Baez".

Braulio L. Baez  
Executive Director

Enclosure

cc: Apryl Lynn, Deputy Executive Director, Administrative  
Bobby Maddox, Director, Division of Administration and IT Services  
Mike La Rosa, Chairman, Public Service Commission

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RESPONSE TO OPERATIONAL AUDIT – PRIOR AUDIT FOLLOW UP OF  
THE FLORIDA PUBLIC SERVICE COMMISSION

**Finding 1: Security Controls – Network User Authentication**

**Recommendation:** We again recommend that Commission management improve certain security controls related to network user authentication to ensure the Commission management improve certain security controls related to network user authentication to ensure the confidentiality, integrity, and availability of Commission data and related IT resources

**Response:** The Commission agrees with the finding and is evaluating options to strengthen controls related to network user authentication as recommended.