STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2022-063
December 2021

PUBLIC SERVICE COMMISSION

Florida Public Service Regulatory Trust Fund and 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:

Gary F. Clark	From September 15, 2017 Chair from January 2, 2020
Art Graham	From July 16, 2010 Chair from January 2, 2018, through January 2, 2020
Julie I. Brown	January 2, 2011, through February 19, 2021
Donald J. Polmann	January 2, 2017, through January 1, 2021
Andrew Giles Fay	From February 2, 2018
Mike La Rosa	From January 2, 2021

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.

Please address inquiries regarding this report to Samantha Perry, CPA, Audit Manager, by e-mail at samanthaperry@aud.state.fl.us or by telephone at (850) 412-2762

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PUBLIC SERVICE COMMISSION

Florida Public Service Regulatory Trust Fund and Prior Audit Follow-Up

SUMMARY

This operational audit of the Public Service Commission (Commission) focused on the Florida Public Service Regulatory Trust Fund and included a follow-up on the findings noted in our report No. 2019-217. Our audit disclosed the following:

Selected Administrative Activities

Finding 1: As similarly noted in our report No. 2019-217, the Commission could not demonstrate that the results of the 2019-20 fiscal year physical property inventory were reconciled to Commission property records and noted differences investigated and corrected, as appropriate.

Finding 2: Commission controls regarding the accuracy of the information needed to correctly report and maintain proper accountability over Commission property and demonstrate compliance with applicable Department of Financial Services rules still need enhancement.

Finding 3: The Commission did not always ensure that travel reimbursements were appropriate.

Information Technology Controls

Finding 4: Certain security controls related to network user authentication need improvement to ensure the confidentiality, integrity, and availability of Commission data and information technology (IT) resources.

Finding 5: Commission IT access privilege controls for the Regulatory Assessment Fee System, Return on Equity System, and the Commission network need enhancement.

Finding 6: Commission configuration management controls need improvement to ensure that Commission records evidence the authorization, review, testing, and approval of IT system changes and the appropriate separation of programming duties.

BACKGROUND

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 2020-21 fiscal year, the Legislature appropriated approximately $25.9 million to the Commission and authorized 271 positions.[1]

[1] Chapter 2020-111, Laws of Florida, General Appropriations Act.

FINDINGS AND RECOMMENDATIONS

SELECTED ADMINISTRATIVE ACTIVITIES

As part of our audit, we evaluated selected Commission administrative activities and controls, including those related to property and travel.

Finding 1: Property Inventory

Effective controls for the management of tangible personal property[2] require that property items be adequately controlled, safeguarded, and accounted for by Commission management. Department of Financial Services (DFS) rules[3] require State agencies to record all tangible personal property with a value or cost of $5,000 or more and a projected useful life of 1 year or more and all attractive items[4] with a cost of less than $5,000 in the Florida Accounting Information Resource Subsystem (FLAIR) Property Subsystem. Pursuant to DFS guidance, Commission management elected to maintain non-attractive property items costing less than $5,000 in the FLAIR Property Subsystem.

DFS rules[5] also require the Commission to complete a physical inventory of all tangible personal and attractive property at least once each fiscal year and, upon completion of a physical inventory, reconcile the results to Commission property records. Noted differences are to be investigated and corrected, as appropriate. According to Commission records, as of March 31, 2021, the Commission was responsible for 726 property items with acquisition costs totaling $3,353,987.

In our report No. 2019-217 (Finding 1), we noted that, among other things, the Commission could not demonstrate that the results of the 2016-17 fiscal year physical property inventory were reconciled to Commission property records. As part of our follow-up audit procedures, we examined the Commission's 2019-20 fiscal year physical inventory records, including records for 25 property items with acquisition costs totaling $116,525, to determine whether the Commission appropriately conducted, and reconciled the results of, the physical inventory. Our examination disclosed that for 9 property items with acquisition costs totaling $38,535 the Commission could not demonstrate that the results of the physical inventory had been reconciled to Commission property records and noted differences investigated and corrected, as appropriate. The noted differences included incorrect property locations for power supply equipment, laptop computers, servers, and ethernet switch equipment and an incorrect property serial number for a server. In response to our audit inquiry, Commission management indicated that employee oversights and challenges brought on by the COVID-19 pandemic and working remotely contributed to the deficiencies noted.

[2] Property is defined in applicable laws and rules as State-owned equipment, fixtures, and other tangible personal property of a nonconsumable or nonexpendable nature, the value or cost of which is $5,000 or more and the projected useful life of which is 1 year or more.

[3] DFS Rule 69I-72.002, Florida Administrative Code.

[4] DFS Rule 69I-72.002(1), Florida Administrative Code, defines attractive items as tangible personal property used in operations that has a cost less than $5,000 and that requires special attention to ensure legal compliance, protection of public safety, and avoid potential liability, or to compensate for a heightened risk of theft.

[5] DFS Rules 69I-72.003 and 69I-72.006, Florida Administrative Code.

Periodic physical inventories conducted and documented in accordance with DFS rules are necessary to ensure proper accountability for and safeguarding of State-owned property.

Recommendation: We recommend that Commission management ensure that the results of annual physical property inventories are reconciled to Commission property records and noted differences investigated and corrected, as appropriate, in accordance with DFS rules.

Finding 2: Property Record Information

DFS rules[6] require that, for each tangible personal property item, the items be permanently marked with an identification number (property tag) and State agency property records include, among other things, the item's physical location and manufacturer serial number. As part of our audit, we analyzed Commission property records as of March 31, 2021, and attempted to physically observe 25 property items listed as active, with acquisition costs totaling $59,260. We found that:

- The property records did not include the serial number for 8 property items with acquisition costs totaling $51,447.
- While a video projector and satellite system totaling $10,953 were located, the items did not have affixed property tags, and the serial number for a $1,320 rack enclosure was different than the serial number recorded in Commission property records.
- A video camera, with an acquisition cost of $1,873, was not at the location listed in the property records but was found in another location. In addition, the video camera did not have an affixed property tag.
- A wireless microphone system and rack mount, with acquisition costs totaling $3,254, could not be physically located.
- A lift table, with acquisition costs totaling $1,112, was not at the location listed in the property records but was found in another location.
- While property disposition records indicated that 2 mailing stations, with acquisition costs totaling $2,204, were disposed of in 2019, the items were still included in the property records as active inventory items.

We also physically observed ten property items, with acquisition costs totaling $27,396, to determine whether information for the property items was accurately recorded in Commission property records. Our audit procedures disclosed that two laptop computers and two printers, with acquisition costs totaling $9,409, were observed in locations other than the locations listed in the property records.

According to Commission management, employee oversights and the COVID-19 pandemic contributed to the issues noted on audit. Absent effective property controls, Commission management cannot demonstrate compliance with applicable DFS rules and has reduced assurances regarding the accuracy of the information needed to correctly report and maintain proper accountability over Commission property. Additionally, by the nature of their portability, adaptability for personal use, or data storage capabilities, sensitive and attractive items, such as laptop computers and printers, are more susceptible to loss and theft. Therefore, controls designed to ensure property accountability for and safeguarding of

[6] DFS Rules 69I-72.004 and 69I-72.003(3), Florida Administrative Code.

those items, and any sensitive or confidential Commission data they may contain, are especially important. Similar findings were noted in our report No. 2019-217 (Finding 2).

Recommendation: We again recommend that Commission management enhance controls to ensure that property tags are affixed to Commission property items and that property records are complete and accurately maintained in accordance with DFS rules.

Finding 3: Travel Reimbursements

Commission procedures[7] specified that, when a purchasing card was used to pay for airfare, the traveler was not to be reimbursed for the airfare but was required to submit to the Fiscal Services Section a *Request for Advanced Air Fare* form approved by their supervisor and a *Voucher for Reimbursement of Travel Expenses* (Voucher) form. The *Request for Advanced Air Fare* form was to be used by Fiscal Services Section staff to track air fares purchased by Commission staff using their own purchasing card. The Voucher form was to include a summary of the travel expenses incurred and, to avoid duplicate payments, the traveler was to denote on the form any expenses paid using the traveler's purchasing card. The Voucher form was to be reviewed and approved by an employee within the Fiscal Services Section prior to payment.

To determine whether the Commission reimbursed travelers for travel expenses paid using a purchasing card, we analyzed Commission records for travel-related expenses, totaling $9,942, paid using a purchasing card during the period July 2019 through March 2021. Our analysis disclosed that the Commission reimbursed one traveler for two different airfares, totaling $932, paid using their purchasing card. In both instances, while the traveler included the airfare expenses on the Voucher form, the traveler did not note on the form that the airfares had been paid using a purchasing card.

According to Commission management, the expenses were not appropriately adjusted because the traveler did not complete a *Request for Advanced Air Fare* form and employee oversight when reviewing and approving travel Voucher forms for payment. Subsequent to our audit inquiry, the traveler reimbursed the Commission for the duplicate payments.

Absent proper completion of *Request for Advanced Air Fare* and travel Voucher forms and review and approval of the Voucher forms, the Commission cannot ensure that travel reimbursements are appropriate.

Recommendation: We recommend that Commission management enhance travel reimbursement controls to ensure that, when purchasing cards are used by employees to pay for airfare, *Request for Advanced Air Fare* forms are prepared, the traveler denotes the use of the purchasing card on the travel Voucher form, and Voucher forms are appropriately reviewed and approved, in accordance with established procedures.

INFORMATION TECHNOLOGY CONTROLS

State law[8] requires State agencies to establish information security controls to ensure the security of agency data, information, and information technology (IT) resources. Additionally, Department of

[7] Commission Administrative Procedures Manual, Chapter 7 - *Travel and Expense Accounts*.

[8] Section 282.318(4), Florida Statutes.

Management Services (DMS) rules[9] establish minimum security standards for ensuring the confidentiality, integrity, and availability of State agency data, information, and IT resources.

State law[10] requires that each regulated utility under the jurisdiction of the Commission pay to the Commission, for a 6-month period, a fee based upon the utility's gross operating revenues for the period. The fee is calculated by the utility and is 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. 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 recorded by the 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 Findings 4 through 6, noted areas in which IT controls need improvement.

Finding 4: Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit 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 specific issues.

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.

Recommendation: We 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.

Finding 5: IT Access Privilege Controls

DMS rules[11] require State agencies to periodically review user access privileges for appropriateness and ensure that IT access privileges are removed when access to an IT resource is no longer required. Prompt action to remove access privileges is necessary to help prevent misuse of the access privileges. According to the State of Florida *General Records Schedule GS1-SL for State and Local Government Agencies* (General Records Schedule), access control records for employees, contractors, or subscribers must be retained for 1 year after superseded or access rights are disabled. Pursuant to Commission procedures,[12] when an employee separated from Commission employment, an automated message was to be sent from the Commission's Personnel Data System to Commission Bureau of Information Technology staff, who were responsible for immediately disabling all network access privileges.

[9] DMS Rules, Chapter 60GG-2, Florida Administrative Code.

[10] Section 350.113(3), Florida Statutes.

[11] DMS Rules 60GG-2.003(1)(a)6. and 8., Florida Administrative Code.

[12] Commission Standard Operating Procedures 1520, *Determination and Granting of Network Access Privileges.*

Commission users accessed the RAF and ROE Systems by logging into the Commission's network. Commission management assigned users to established user profiles which allowed certain users the ability to edit RAF System data. According to Commission management, all Commission employees had access to view records within the RAF System and, as of June 15, 2021, 9 Commission employees had access to edit RAF System records based on elevated user roles, 35 Commission employees had update access to the ROE System, and 2 employees had read-only access.

As part of our audit, we evaluated Commission network access controls, reviewed Commission procedures, and examined Commission records to determine whether user access privileges were periodically reviewed for appropriateness and timely disabled upon an employee's separation from Commission employment. Although we requested, the Commission was unable to provide system-generated network access control records evidencing the date that user access rights to the network were disabled. In addition, Commission procedures did not require, and the Commission could not provide documentation evidencing, the conduct of periodic reviews of user access privileges for the RAF System, ROE System, or the Commission's network during the period July 2019 through March 2021. According to Commission management, the Commission did not maintain software with the capability to store network access control data and user access reviews were handled informally, either verbally or through e-mail, although no such e-mail records could be produced upon request.

Periodic documented reviews of IT user access privileges would provide Commission management assurance and serve to demonstrate that user access privileges are authorized and remain appropriate. Additionally, absent the appropriate retention of system-generated network access control records, the risk is increased that the Commission may not have sufficient documentation to assist in future investigations of security incidents, should they occur.

Recommendation: We recommend that Commission management revise procedures to ensure that periodic reviews of RAF System, ROE System, and network user access privileges are performed and documented in Commission records. We also recommend that Commission management ensure that system-generated network access control records are retained in accordance with the General Records Schedule.

Finding 6: Configuration Management Controls

To promote effective configuration management over IT resources, DMS rules[13] require State agencies to establish a configuration management control process to manage upgrades and modifications to existing IT resources. Effective configuration management controls ensure that all configuration changes (program or functionality changes) follow a configuration management process that provides for an appropriate separation of duties and ensures that changes are appropriately authorized, reviewed, tested, and approved. Additionally, agency records should clearly document and track the configuration management process from initial authorization to final approval of the change.

According to Commission records, the Commission completed 51 RAF System configuration changes and 3 ROE System configuration changes during the period July 2019 through March 2021. To determine whether the RAF System and ROE System configuration changes were appropriately authorized,

[13] DMS Rule 60GG-2.003(5)(c), Florida Administrative Code.

reviewed, tested, and approved, we reviewed Commission procedures,[14] interviewed Commission management to obtain an understanding of Commission change management processes, and requested from the Commission change management documentation for 5 of the RAF System changes and the 3 ROE System changes. We noted that the procedures did not require, and consequently the Commission could not provide, documentation evidencing the authorization, review, and approval of the 8 changes included in our audit testing nor documentation evidencing Commission testing of 6 of the changes. Additionally, the Commission could not provide documentation evidencing that the personnel responsible for implementing the changes into production were independent from the personnel responsible for programming the changes. In response to our audit inquiry, Commission management indicated that the Commission allowed for a less formal process to ensure prompt responses to change management requests.

Adequate procedures for executing change management processes and for retaining documentation evidencing, for each system change, the entire configuration management process provides assurance that only properly authorized, reviewed, tested, and approved changes were made.

Recommendation: We recommend that Commission management strengthen IT procedures to ensure that Commission records evidence the entire configuration management process for each system change and that the personnel responsible for implementing the changes into production are independent from the personnel responsible for programming the changes.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Commission had taken corrective actions for the findings included in our report No. 2019-217.

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 2021 through September 2021 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 Florida Public Service Regulatory Trust Fund. 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

[14] Commission Standard Operating Procedures 1412, *In-House Application Services*.

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.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all deficiencies noted in our report No. 2019-217.

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, 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 regulatory assessment fee processes.
- Obtained an understanding of selected Commission information technology (IT) controls, assessed the risks related to those controls, evaluated whether selected general and application IT controls for the Regulatory Assessment Fee System, Return on Equity System, and Commission network were in place, and tested the effectiveness of the selected controls.

- Evaluated Commission purchasing procedures to determine whether the procedures were sufficiently designed to ensure that the purchasing process encompassed the initiation of the requisition, receipt of the invoice and goods or services, and payment approval.
- Evaluated Commission payroll procedures to determine whether the procedures were sufficiently designed to ensure that payroll charges were accurate, allowable, and properly calculated.
- From the population of 615 nonpayroll and nontravel expenditures from the Florida Public Service Regulatory Trust Fund, totaling $2,535,657, made during the period July 2019 through March 2021, examined Commission records for 40 selected expenditures, totaling $657,118, to determine whether the expenditures were supported by appropriate documentation and correctly charged as to account, amount, and period.
- From the population of 5,300 payroll expenditures from the Florida Public Service Regulatory Trust Fund, totaling $24,096,995, made during the period July 2019 through March 2021, examined Commission records for 25 selected payroll expenditures, totaling $210,581, to determine whether the payroll expenditures were allowable, appropriately supported, and properly calculated.
- From the population of 1,439 travel expenditures from the Florida Public Service Regulatory Trust Fund, totaling $243,553, made during the period July 2019 through March 2021, examined Commission records for 25 selected travel expenditures, totaling $18,281, to determine whether the travel expenditures were properly authorized, approved, and reimbursed in accordance with Section 112.061, Florida Statutes, and Department of Financial Services (DFS) Rules, Chapter 69I, Florida Administrative Code.
- Evaluated Commission regulatory assessment fee procedures to determine whether the procedures were sufficiently designed to ensure the appropriate collection, depositing, processing, recording, and safeguarding of regulatory assessment fees.
- Evaluated Commission regulatory assessment fee procedures to determine whether the procedures were sufficiently designed to ensure that regulatory assessment fees were related to the cost of regulating related utilities in accordance with Section 350.113, Florida Statutes.
- Examined Commission records for 40 regulatory assessment fees, totaling $11,525,965, selected from the population of 1,756 regulatory assessment fees, totaling $50,813,077, received by the Commission during the period July 2019 through March 2021, to determine whether the fees were mathematically accurate, the fee assessment notices were timely mailed, and the fees were timely deposited and properly recorded in the Florida Accounting and Information Resource Subsystem (FLAIR), in accordance with Section 350.113, Florida Statutes, and Commission Rules 25-4.0161, 25-6.0131, 25-7.0131, 25-7.101, and 25-30.120, Florida Administrative Code.
- From the population of 133 utilities that paid regulatory assessment fees totaling $22,797,822 in July 2019, January 2020, and March 2020, examined Commission records for 25 selected utilities that paid regulatory assessment fees totaling $21,916,854 to determine whether the Commission reconciled the revenues reported on the utility's annual report to the revenues reported by the utility to ensure that the regulatory assessment fees were mathematically accurate and remitted by the utility.
- From the population of 162 utility accounts that were determined by the Commission to be delinquent in paying regulatory assessment fees totaling $74,335 as of June 16, 2021, examined Commission records for 25 selected utility accounts that owed regulatory assessment fees, interest, and penalties totaling $58,440 to determine whether the Commission sent the utilities a delinquency notice.
- Examined Commission records for 25 utility interest and penalty payments, totaling $31,194, selected from the population of 150 utility interest and penalty payments, totaling $37,875, made during the period July 2019 through March 2021, to determine whether the interest and penalties

remitted were mathematically accurate, remitted in full, and deposited in accordance with Section 350.113, Florida Statutes.

- Evaluated Commission actions to correct the findings noted in our report No. 2019-217. Specifically, we:
  - Reviewed Commission property management procedures to determine whether the procedures required the Commission's annual physical property inventory be reconciled to Commission property records and whether the procedures prohibited property custodians from conducting the annual physical inventory.
  - Examined the Commission's 2019-20 fiscal year physical inventory records, including records for 25 selected property items with acquisition costs totaling $116,525, to determine whether the inventory results were timely reconciled to Commission property records, appropriate actions were taken to follow up on any differences noted, the property custodian did not personally inventory items for which they were responsible, and the form used to record the physical inventory included property model information.
  - Analyzed Commission property records as of March 31, 2021, to determine whether Commission property records were complete in accordance with DFS Rules, Chapter 69I, Florida Administrative Code. As of March 31, 2021, the Commission was responsible for 726 property items with acquisition costs totaling $3,353,987.
  - From the population of 668 property items located in Tallahassee, with acquisition costs totaling $3,059,560, that the Commission was responsible for as of March 31, 2021, we attempted to physically observe 25 selected property items, with acquisition costs totaling $59,260, to determine whether the Commission appropriately accounted for property in accordance with DFS Rules, Chapter 69I, Florida Administrative Code.
  - Physically observed and traced ten property items with acquisition costs totaling $27,396 to Commission property records to determine whether information for the property items was accurately recorded in Commission property records.
  - Reviewed Commission contract management procedures to determine whether the procedures required the Commission to designate, for all applicable contracts, a contract manager in accordance with Chapter 287, Florida Statutes, contract managers to complete training for accountability in contracts and grants management, and all individuals involved in the procurement and awarding of contracts to complete conflict of interest attestations.
  - Examined FLAIR access and People First records for the eight users with FLAIR access privileges as of March 2021 to determine whether the access privileges were appropriate.
  - Examined FLAIR access and People First records for the four users with FLAIR access privileges who separated from Commission employment during the period July 2019 through March 2021 to determine whether the Commission timely deactivated user access privileges upon the employees' separation from Commission employment.
  - Performed inquiries of Commission management and reviewed Commission records to determine whether the Commission had established energy conservation and demand-side renewable energy system goals for natural gas utilities with annual sales of at least 100 million therms, in accordance with Section 366.82, Florida Statutes, and Commission Rule 25-17.0021, Florida Administrative Code.
- Reviewed applicable laws, rules, and other State guidelines to obtain an understanding of the legal framework governing Commission operations.
- Observed, documented, and evaluated the effectiveness of selected Commission processes and procedures for the administration of purchasing cards in accordance with applicable guidelines. As of March 2021, the Commission had 30 active purchasing cards.

- 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

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.



Sherrill F. Norman, CPA
Auditor General

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Public Service Commission

December 8, 2021

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 Commission's response to the preliminary and tentative findings and recommendations contained in your Operational Audit of the Public Service Commission, Florida Public Service Regulatory Trust Fund and Prior Audit Follow-Up. This response includes specific actions taken or planned to address the identified findings.

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

Sincerely,

Braulio L. Baez
Executive Director

Enclosure

Cc: Apryl Lynn, Deputy Executive Director, Administrative
Tiffany Hurst, Inspector General
Mr. Gary F. Clark, Chairman, Public Service Commission

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RESPONSE TO OPERATIONAL AUDIT OF THE PUBLIC SERVICE COMMISSION, REGULATORY TRUST FUND AND PRIOR AUDIT FOLLOW-UP

Selected Administrative Activities:

Finding 1: As similarly noted in our report No. 2019-217, the Commission could not demonstrate that the results of the 2019-20 fiscal year physical property inventory were reconciled to Commission property records and noted differences investigated and corrected, as appropriate.

Recommendation: We recommend that Commission management ensure that the results of annual physical property inventories are reconciled to Commission property records and noted differences investigated and corrected, as appropriate, in accordance with DFS rules.

Response: The Commission agrees with this finding and is implementing changes to ensure compliance with all DFS rules.

1. The Commission has chosen to maintain non-attractive assets valued at less than $5,000 in FLAIR based on DFS guidance. This applies only to assets purchased and entered into FLAIR when the threshold for OCO assets was $1,000. When these items reach the end of their useful life they will be removed from FLAIR, and as new non-attractive assets are purchased only those costing $5,000 or more will be entered into FLAIR.
2. The Commission is in the process of implementing a new asset management system that includes automatic registration of devices that attach to our network, the use of bar code labels for all IT assets, and the ability to produce reports that will make reconciling the FLAIR inventory more accurate and efficient.
3. The Commission is actively working to locate missing property, and to remove all assets certified for disposal from FLAIR. To date, we have located 27 items that were classified as unlocated in FLAIR, and FLAIR has been updated and reconciled to reflect the new asset status.
4. The Commission will continue to investigate all remaining items classified as unlocated in FLAIR; when the process is complete any items that are not located will be investigated and documented according to DFS rules.

Finding 2: Commission controls regarding the accuracy of the information needed to correctly report and maintain proper accountability over Commission property and demonstrate compliance with applicable Department of Financial Services rules still need enhancement.

Recommendation: We again recommend that Commission management enhance controls to ensure that property tags are affixed to Commission property items and that property records are complete and accurately maintained in accordance with DFS rules.

Response*:* The Commission agrees with this finding and is implementing changes to ensure compliance with all DFS rules.

1. The Commission will require verification of serial numbers during any physical inventory.
2. The Fiscal Services Section will provide a list of all assets that do not currently have a serial number listed in FLAIR. These items will be investigated and FLAIR will be updated when serial numbers are located.
    a. Two FLAIR assets that are missing serial numbers are projector screens that are permanently affixed to walls in the Internal Affairs room G-105, and their serial numbers are not accessible without dismantling at considerable cost to the Commission. There are no current plans to have the screens removed, so their serial numbers will not be entered into FLAIR.
3. The items that did not have property tags affixed were old, and it appears that the tags eventually fell off. The Commission will attempt to identify a way to ensure that tags remain attached to assets for as long as they remain in inventory.
4. The video camera that was not in the correct location has been moved and will remain in the appropriate location.
5. The lift table is by its nature very mobile, and intended to be used in many locations. It was assigned a "home" location, but it is often in different locations based on need.
6. The wireless microphone system and rack mount were old, and the Commission believes they were disposed of but not documented. Our procedure for disposal of assets now requires two-person verification to reduce the likelihood of undocumented surplus property leaving the building.

Finding 3: The Commission did not always ensure that travel reimbursements were appropriate.

Recommendation: We recommend that Commission management enhance travel reimbursement controls to ensure that, when purchasing cards are used by employees to pay for airfare, *Request for Advanced Air Fare* forms are prepared, the traveler denotes the use of the purchasing card on the travel Voucher form, and Voucher forms are appropriately reviewed and approved, in accordance with established procedures.

Response: The Commission agrees with this finding and the Fiscal Services Section has implemented the following procedures:

1. All travelers will be required to submit a *Request for Advanced Air Fare* form before reimbursement is approved.
2. Once the *Request for Advanced Air Fare* form is completed in the PSC travel system, the reimbursement form will automatically recognize that a purchasing card was used, and the amount to be reimbursed will be calculated correctly.

Information Technology Controls:

Finding 4: Certain security controls related to network user authentication need improvement to ensure the confidentiality, integrity, and availability of Commission data and information technology (IT) resources.

Recommendation: We 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.

Response: The Commission agrees with this finding and is taking steps to improve security controls to ensure compliance with all State of Florida Cyber Security Standards.

Finding 5: Commission IT access privilege controls for the Regulatory Assessment Fee (RAF) System, Return on Equity (ROE) System, and the Commission network need enhancement.

Recommendation: We recommend that Commission management revise procedures to ensure that periodic reviews of RAF System, ROE System, and network user access privileges are performed and documented in Commission records. We also recommend that Commission management ensure that system-generated network access control records are retained in accordance with the General Records Schedule.

Response: The Commission agrees with this finding and will make policy and technical control changes to ensure compliance by implementing the following changes:

1. The RAF system will be modified to produce a report of all users with elevated user access privileges. This report will be reviewed and documented.
2. The ROE system will be modified to produce a report of all users with elevated user access privileges. This report will be reviewed and documented.
3. The Commission's IT department will implement a new event log management system to capture and retain network access control records for their required retention schedule.

Finding 6: Commission configuration management controls need improvement to ensure that Commission records evidence the authorization, review, testing, and approval of IT system changes and the appropriate separation of programming duties.

Recommendation: We recommend that Commission management strengthen IT procedures to ensure that Commission records evidence the entire configuration management process for each system change and that the personnel responsible for implementing the changes into production are independent from the personnel responsible for programming the changes.

Response: The Commission agrees with this finding and will evaluate options to implement a formal configuration management process, including a separation of duties for personnel responsible for programming and implementing approved changes.