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Public Service Commission

September 15, 2008

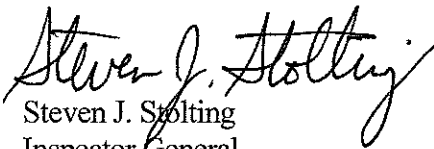
Mr. Terry L. Shoffstall, Director
Joint Legislative Auditing Committee
404 South Monroe Street
Tallahassee, Florida 32399-1100

Dear Mr. Shoffstall:

Pursuant to Section 20.055(5)(h), Florida Statutes, enclosed is a copy of my report to the Commission Chairman on the corrective actions taken in response to Auditor General Report No. 2008-101, *Public Service Commission Inspection of Regulated Companies and Selected Administrative Activities*.

If you have questions or require additional information, please advise.

Sincerely,


Steven J. Stolting
Inspector General

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Enclosure


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9/17/2008



Public Service Commission

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

DATE: September 12, 2008
TO: Matthew M. Carter II, Chairman
FROM:  Steven J. Stolting, Inspector General
RE: Status of Agency Actions Regarding Auditor General Report

Pursuant to Section 20.055(5)(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 February 2008, the Auditor General issued their *Operational Audit of the Commission's Inspection of Regulated Companies and Selected Administrative Activities*, containing six findings and corresponding recommendations for corrective action. The following provides the original recommendation, our initial response, and summarizes our actions in response and the current status of the recommendation.

Recommendation #1: We recommend that the Commission consider changing the focus of its inspection efforts from the inspection of individual construction projects to the periodic evaluation of the effectiveness of construction project quality control and safety inspection procedures of each of the electric utility companies.

Initial Response: Commission management will consider the addition of possible alternative approaches and modifications to the current inspection program. However, we also remain committed to the statutory direction to prescribe and enforce safety standards by continuing to conduct direct inspections of new construction in compliance with program guidelines. The Commission will continue to evaluate changes to improve the efficiency and effectiveness of our efforts, but available data does not indicate a significant rate of noncompliance with electric safety codes in new construction by the regulated utilities, or prompt concerns regarding the safety of electric facilities in the State.

Current status: IN PROGRESS. Management has developed and implemented a proposal to perform a one-time review of the four major investor owned electric utilities' quality control processes related to compliance with the National Electric Safety Code. The first review was initiated on August 15th, 2008 at Florida Power and Light, with a projected completion date of December 2008. The results of these reviews will be evaluated by management to assess whether they should become a permanent addition to the current inspection program. In the interim, the current program of inspecting a sample of new construction projects will continue, to ensure compliance with our statutory direction to enforce safety standards.

Recommendation #2: We recommend that the Commission implement written procedures that provide guidance to inspectors on how and when to record inspection data into E-Safe. We also recommend that the Commission take steps to enhance or replace the E-Safe Program. If the Commission keeps the E-Safe Program, it should be modified to include input edit functions that allow for identification and correction of input errors and enhancements to provide for the tracking of the status of utility responses to Commission variance letters.

Initial Response: Commission management agrees that additional written guidance to staff on recording E-Safe information would be beneficial and improve the consistency of reported data. We have also implemented additional edit checks and changes to E-Safe suggested in the audit and will continue to evaluate needed improvements or eventual replacement of the system.

Current status: **COMPLETED.** Commission written procedures have been adopted that provide the recommended guidance on E-Safe data entry. In addition, all E-Safe enhancements recommended have been implemented.

Recommendation #3: We recommend that the Commission revise the RCCA SOPs related to gas inspections to incorporate detailed instructions for conducting gas facility inspections, update reference to reflect current legal cites, and ensure that all checklists and documents in use are included. We also recommend the Bureau review and update its gas inspection checklists for accuracy and completeness.

Initial Response: Commission management agrees that additional information in the standard procedures for gas inspections, such as documentation requirements and report formats, would assist in training new inspectors and enhancing consistency. We also agree to correct obsolete or erroneous references in procedures or checklists to assist inspection staff.

Current Status: **COMPLETED.** Revised SOPs addressing these concerns were adopted in January 2008, and corresponding inspection checklists were updated in October 2007.

Recommendation #4: We recommend that the Commission inspectors include in service quality evaluation files explanations for any departures from CME SOPs and maintain all required documentation within the evaluation files.

Initial Response: Commission management agrees, and training has been conducted with all service evaluation staff to ensure compliance with relevant procedures. Any instance where a service evaluation is modified and departs from procedural requirements will require worksheet entries using standardized information to provide explanation. In addition, worksheets that have been maintained in electronic form will now be required by written procedures to be included in the service evaluation work papers.

Current Status: COMPLETED. Training has been conducted with all service evaluation staff in the Division of Service, Safety and Consumer Assistance to review each pertinent SOP to ensure compliance with specified procedures as outlined. Any time that a service evaluation is modified and departs from the SOPs, an entry will be made on the work sheet explaining the modification. A standardized legend has been incorporated on the work sheets to explain the entries or notes the evaluators use. To ensure accuracy of the reports, calculations and worksheets are checked by staff not involved with the evaluation prior to the draft report being issued.

All documentation has not been maintained in evaluation files because some required worksheets have been converted to electronic format and modified over time. While the completed forms were maintained on the Commission's computer network, a copy was not printed and included in the service evaluation work papers. SOPs have been updated to reflect the most recent forms with instructions that a printed copy of the completed forms must be included in the service evaluation work papers.

Recommendation #5: To ensure Commission management has accurate information upon which to base decisions related to budgets and the assessment of regulatory fees, we recommend that the Commission:

- **Ensure the manner in which employees are directed to record time is based on periodic evaluation of current data.**

Initial Response: Commission management agrees and has implemented use of more current data to allocate staff time in the Bureau of Complaint Resolution.

Current Status: COMPLETED. Beginning in January 2008, Commission management implemented procedures to track shifts in industry workload and to modify allocation percentages and notify staff of the changes when workload shifts above an established benchmark. Written procedures reflecting this process change have been drafted and are currently pending adoption.

- **Continue efforts to improve the procedures used to allocate the time of Commissioners and their immediate staff.**

Initial Response: ... We havechanged the methodology to allocate time of the Commissioners and immediate staff to more validly represent actual time expended...

Current Status: COMPLETED. In July 2007, the procedures used to allocate the time of Commissioners and their immediate staff were modified to use more valid measures to represent the time actually expended. Where formerly time had been allocated based solely on the percentage of decisions attributable to each industry, new procedures include more comprehensive estimates of time spent in hearings and agenda conference items heard. During this initial period, management will continue

to evaluate the methodology and refine it if necessary. At that time, written procedures will be formalized to provide necessary documentation.

- **Implement procedures to review, change (if applicable), test, and approve cost allocation computer program logic whenever Commission organizational or other changes could affect the recording of employee time, and therefore, the calculations made by the cost allocation computer application.**

Initial Response: (We have) made changes to the cost allocation computer program to help ensure employee time data continues to be accurately compiled.

Current Status: COMPLETED. ITS has updated the Standard Operating Procedure (SOP) for the Cost Allocation Program. The SOP defines the sources of data used by the program and the output generated. A section has also been added to trigger a review of the program for potential program changes if events occur that might change the cost allocation process.

ITS has also updated and expanded the documentation for the program. The documentation provides a detailed description of the program logic and how data is compiled to produce the Cost Allocation Report.

- **Develop and adopt comprehensive Standard Operation Procedures related to cost allocation.**

Initial Response: We will develop additional written guidance for the cost allocation process.....

Current Status: IN PROGRESS. Management is in the process of developing a comprehensive SOP related to cost allocation. When SOPs for the various inputs are final and adopted, those SOPs will be combined to create documentation of the complete process. Currently, the Division of Administrative Services (ADM) has amended its *SOP 1113 – Technical Human Resources Reports* to document the process whereby ADM-HR downloads monthly work hour allocation reports from the PeopleFirst Data Warehouse, reviews them for completeness and accuracy, makes any necessary adjustments, and then transmits the files to the Office of Information Technology (ITS). Other ADM SOPs are being updated to incorporate the procedures to utilize the reports produced by ITS containing the annual work hour percentages by sub-industry and by activity to 1) allocate fiscal year operating and non-operating costs to the various sub-industries, and 2) allocate fiscal year operating costs by activity for the purpose of preparing the Unit Cost Summary for the annual *Legislative Budget Request* and *Long Range Program Plan*. Finally, procedures for gathering Commissioners and their immediate staff hours, calculating allocation factors and transmitting this information to ITS for input into their program are being

refined. Once complete, SOPs for this process and the entire allocation process will be developed.

- **Enhance computer application documentation, possibly with additional detail narratives and flowcharts, to provide information and controls related to the input, processing, and output of the cost allocation application.**

Initial Response: We will develop additional written guidance for the computer application as needed.....

Current Status: COMPLETED. Documentation has been enhanced and now includes additional narrative and flow charts.

- **Implement procedures to maintain a log of changes made to downloaded PeopleFirst data and the reasons, therefore, and require an independent review and approval of changes made.**

Initial Response: (We will) establish a log with review of changes made to downloaded People First data.

Current Status: COMPLETED. Under this procedure, effective with the April 2008 time reporting, the Human Resources Section of the Division of Administrative Services (HR) maintains a log of changes made to the downloaded PeopleFirst monthly work hours allocations file. The HR Manager reviews and approves the changes made by the responsible HR staff member before each month's file is transmitted to Office of Information Technology Services.

Recommendation #6: We recommend that the Commission establish and implement policies and procedures to substantiate, in the manner required by United States Treasury Regulations, the business use of wireless communication devices and that the Commission review the related documentation to ascertain personal calls made and reimbursement thereof. In the absence of the implementation of such policies and procedures, the Commission should, in accordance with Federal requirements, report the value of wireless usage as employee income.

Initial Response: Commission management agrees and adopted revised procedures in June 2007 to ensure compliance with United States Treasury Regulations. We also identified those communication devices that could require additional substantiation for prior periods and obtained documentation and reimbursement for any personal use.

Current Status: COMPLETED. As noted above, Commission management adopted revised procedures in June 2007 to ensure compliance with United States Treasury Regulations through routine review of billing information and identification and

reimbursement for any personal use. For prior periods, as warranted, we conducted a review which identified and documented any personal use and obtained reimbursement to the Commission. This review was completed in May 2007.

We found that Commission management and staff have made significant efforts to address the report recommendations, and for areas remaining "in progress" processes have begun that require longer time periods to meet the requirements of the recommendation. Based on this assessment, I am confident that all recommendations will be fully resolved over the near term. My office will continue to monitor and assist in these activities as needed.

If you have any questions or need additional information please feel free to contact me.

SS/ld