



AUDITOR GENERAL

DAVID W. MARTIN, CPA



PUBLIC SERVICE COMMISSION

INSPECTION OF REGULATED COMPANIES AND SELECTED ADMINISTRATIVE ACTIVITIES

Operational Audit

SUMMARY

This audit focused on the inspection and evaluation processes utilized by the Commission for electric, gas, and telecommunication utilities. Our audit also included a review of the Commission's cost allocation process and the use and assignment of cell phones and other wireless devices. Our audit included the period July 2005 through February 2007 and selected actions taken through June 2007. Our audit disclosed:

Inspections of Electric Utilities

Finding No. 1: Improvements were needed related to the methodology used for electric utility inspections.

Finding No. 2: The E-Safe Program, utilized by the Commission to track electric utility work order inspections, did not contain sufficient edit checks to ensure accurate data input. Also, procedures relating to the timely recording of inspections into E-Safe needed improvement.

Inspections of Gas Utilities

Finding No. 3: For gas utility inspections, the Standard Operating Procedures (SOPs) and inspection checklists contained incorrect legal citations, and in some instances, did not reflect current inspection practices.

Service Quality Evaluations of Telecommunications Companies

Finding No. 4: Documentation supporting the Commission's conduct of service quality evaluations was not always on file.

Allocation of Commission Operating Costs

Finding No. 5: Improvements should be made in the methodology used to allocate Commission costs to the industries it regulates.

Wireless Communication Devices

Finding No. 6: The Commission did not have policies and procedures in place to document the business use of wireless communication devices.

BACKGROUND

The Commission is responsible for the regulation of all investor-owned electric utilities, gas utilities, and telecommunications companies. During the 2005-06 fiscal year, there were 5 investor-owned electric companies, 7 investor-owned gas utilities, and over 1,400 telecommunications companies operating in the State. Additionally, the Commission was responsible for safety oversight of all electric and natural gas systems operating in the State, including, in addition to the investor-owned utilities, 34 municipally-owned electric systems, 18 rural electric cooperatives, and 27 municipally-owned natural gas utilities.

Florida Law¹ provides the Commission with the following powers and jurisdiction over electric and gas utilities and telecommunications companies:

- To perform investigations, inspections, and examinations of public utilities and telecommunications companies.
- To require repairs and improvements to the plant, equipment, and systems of public utilities and gas facilities to promote the convenience, protection, and welfare of the public.
- To prescribe and enforce safety standards for electric utilities.
- To enforce gas utility compliance with rules and regulations governing safety standards.
- To prescribe and require the filing of periodic reports by public utilities as necessary to exercise the Commission’s jurisdiction.
- To adopt rules to implement and enforce the provisions of Chapters 364, 366 and 368, Florida Statutes.

Consistent with these powers and jurisdiction, the Commission performs various types of inspections and evaluations of electric and gas utilities and telecommunications companies. These include safety inspections, evaluations of new construction, and compliance and service evaluations.

Appendix A to this report contains an organizational chart for the Commission. Within the Division of Regulatory Compliance and Consumer Assistance (RCCA), Bureau of Safety, there were five electric utility inspectors and one electric utility supervisor responsible for inspection of electric utility projects and five gas utility inspectors responsible for gas utility evaluations. Within the Division of Competitive Markets and Enforcement (CME), Bureau of Telecommunications Service Quality, Certification and Enforcement, there were five telecommunications inspectors.

Each division in the Commission had promulgated separate, detailed Standard Operating Procedures (SOPs) to guide employees in the conduct of their duties and responsibilities. Inspectors from both Divisions are located in Tallahassee, Miami, and

Tampa and perform inspections and evaluations throughout the State.

FINDINGS AND RECOMMENDATIONS

Inspections of Electric Utilities

Section 366.04, (6), Florida Statutes, provides that the Commission shall have the exclusive jurisdiction to prescribe and enforce safety standards for transmission and distribution facilities of all public electric utilities, cooperatives organized under the Rural Electric Cooperative Law, and electric utilities owned and operated by municipalities. Commission Rule 25-6.0345, Florida Administrative Code, requires that the 2002 edition of the National Electric Safety Code (NESC) shall be the standard for all new construction by public, rural, or municipal electrical utilities.

In order for the Commission to monitor compliance with the NESC for all new construction, the Rule requires all public, rural, and municipal electrical utilities to report to the Commission all completed work orders at the end of each calendar quarter. In the quarterly report, each utility is to certify that it met or exceeded the applicable standards. For the reported work orders, compliance inspections are then to be made by the Commission on a random basis or as otherwise determined appropriate by the Commission.

Finding No. 1: Selection and Performance of Electric Utility Work Order Inspections

The Commission’s rules require electric utilities to report all completed electric work orders within 30 working days of the end of the calendar quarter in which they are completed.² Reports are to include the work order number or project job, a brief title, and the cost in dollars. RCCA SOPs provide for selecting a sample of the reported work orders and the performance of on-site inspections to verify that project construction meets the standards of the NESC. When the construction does not meet NESC

¹ Chapters 364, 366, and 368, Florida Statutes.

² Public Service Commission Rule, 25-6.0345, Florida Administrative Code.

standards, the utility is to be notified and must reply in writing within 30 days.

A supervisor in the RCCA, Bureau of Safety (Bureau), is responsible for selecting work order projects for inspection and ensuring that inspections are performed. By selecting a standard number of work orders from each utility's quarterly report, this supervisor selects approximately three to four percent of reported projects and sends "Work Orders to be Inspected" memoranda to the applicable Bureau inspectors. The inspectors are to schedule the inspections with the utilities, perform the inspections, and input the inspection results into a computer application called the E-Safe Program.³ From July 2005 through December 2006, electric utilities reported 197,752 completed work orders and the Bureau selected 9,252 for inspection.

Our audit included a review of the work order project selection process and a quantitative analysis of work order selections made and inspections performed. We also reviewed a sample of 37 electric work order project inspections and any related re-inspections performed by the Bureau. As indicated by the following, our audit tests and analyses disclosed that the Commission has been unable to timely address the workload of inspections and re-inspections generated by its inspection approach:

- Many of the work order inspections in our sample were not conducted in a timely manner. Of the 37 Commission inspections that we reviewed, 25 inspections were conducted more than one year from the date the work orders were reported. For the 37 inspections reviewed, days from the work order reporting date to the inspection date ranged from 76 to 720 days. Further analysis of this matter disclosed that of the 5,219 work order inspections performed during the period July 2005 through December 2006, 1,737 related to projects reported during this 18 month period. The remaining 3,482 inspections were conducted for projects reported during the period January of 2003 to June of 2005.

- For the 5,219 work order inspections performed during the July 2005 through December 2006 period, the Bureau reported 2,872 total variances. Relative to these variances, after notification by the utility that corrections had been completed, the RCCA SOPs required the Commission to perform re-inspections. Our audit tests disclosed that in some instances, utility companies did not report corrective actions to the Commission, and in many instances, the Commission did not perform re-inspections. Of the 37 inspection records we tested, electric utility responses (notification of corrective actions taken) were not received by the Bureau for five work order inspections with variances, and for these five, re-inspections were not performed. For the remaining 32 work orders, also with reported variances, only five were re-inspected. Examples of compliance violations detected by Commission inspections included the lack of protective guards on guy wires, the failure to properly ground guy wires, sagging overhead power lines, and the failure to remove old poles and fittings. Reasons for not performing re-inspections were not documented.

As indicated above, the Commission's electric utility inspection approach focuses primarily on a sample of specific work orders. To more efficiently maximize the use of existing staff, the Commission should consider shifting its focus from inspecting individual projects, to evaluations of the effectiveness of construction project quality control and safety inspection procedures that should be in place at each of the electric utility companies. Such an approach would involve periodically selecting a sample of utility companies and for each of those companies, obtaining an understanding of the utility's quality control and safety inspection procedures, evaluating the design of those procedures, and then testing the utility's adherence to its policies and procedures. In addition to ensuring a more manageable workload, such an inspection process, by focusing on improving each utility's internal processes rather than identifying variances associated with individual construction projects, may also improve each utility's overall adherence to NESC standards. As indicated above, despite the Commission's ongoing historical inspection efforts, the variances that were routinely

³ Application developed by the Commission to track work order inspections, variances, and re-inspections.

disclosed by Commission inspections continue to be substantial in terms of their numbers.

Recommendation: 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.

Finding No. 2: E-Safe Program

The Commission utilized a computer application called the E-Safe Program to track electric work order inspections, variances, and re-inspections. For each inspection, inspectors were to input the inspection date, work order number, type of inspection, number of variances, and re-inspections performed. E-Safe Program information was used by Commission management to track the status and results of work order inspections and re-inspections. The following deficiencies were noted from our review of the E-Safe Program:

- The Commission had no written procedures providing guidance on how and when inspectors were to record inspections and re-inspections in E-Safe. Our tests disclosed instances in which inspectors entered inspection data into E-Safe months after the performance of the related inspections.
- Bureau staff indicated that not all selected work orders could be inspected due to factors, such as inaccessible sites and safety concerns for inspectors. While some work orders were entered into the E-Safe Program with information as to why the inspections were not performed, other such work orders were not entered or tracked in the E-Safe Program.
- Errors were noted in E-Safe related to utility names, inspection dates, number of variances, and cites of NESC standard violations. Some errors were due to computer program deficiencies which allowed inspections to be entered without utility names.
- E-Safe did not track whether and when compliance letters were sent to the utilities and whether or when the utilities responded.

Absent timely, accurate, and complete information, the Commission lacked a reliable means for monitoring the status of inspections and related corrective actions taken by utilities.

Commission staff indicated that management is considering replacing E-Safe with a program which may incorporate Internet access to reduce data entry time and improve efficiency.

Recommendation: 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.

Inspections of Gas Utilities

To ensure the safe design, installation, operation, and maintenance of gas facilities within the State, the Commission promulgated rules⁴ for the operation and maintenance of gas distribution facilities and gas transmission systems (pipelines) in the State. The Commission has also adopted the United States Department of Transportation Minimum Federal Safety Standards⁵ in its rules for the operation of gas distribution facilities and gas pipelines. The RCCA, Bureau of Safety (Bureau), is responsible for ensuring gas utility compliance with these rules and Standards through annual inspections and evaluations of gas facilities and transmission systems.

Finding No. 3: Standard Operating Procedures and Checklists

The RCCA SOPs related to the inspection of gas facilities were last updated May 1, 2004. As discussed below, we noted instances in which the contents of the RCCA SOPs did not reflect current operating policies, procedures, and regulatory requirements. For

⁴ Public Service Commission Rules, Chapters 25-7 and 25-12, Florida Administrative Code.

⁵ Title 49, Parts 191 and 192, Code of Federal Regulations.

**Service Quality Evaluations of
Telecommunications Companies**

example, the RCCA SOPs contained references to Florida Administrative Code rules that had been repealed, prescribed the use of some Gas Safety (GS) inspection checklists that were no longer used (GS-2, GS-4, GS-8, and GS-12), and did not address new checklists that were in use.

We also noted that the RCCA SOPs did not provide detailed procedural instructions relative to the performance of field inspections of gas facility procedures, equipment, and infrastructure. For example, the RCCA SOPs did not contain guidance to inspectors on what documentation (checklists and other documents) should be included in the evaluation packages and, through instructions or examples, how findings were to be presented in the standard report format used by the Bureau.

With respect to the checklists, we read five of the types used by Bureau gas inspectors (GS-1, GS-3, GS-5, GS-6, and GS-Special). Our review disclosed several instances in which the checklists were not accurate. For example, the GS-1 Checklist for New Construction Standards was a 25-page document that contained over 300 items that a gas inspector must address as part of an inspection. For this checklist, 24 of the cites to applicable Federal regulations or State rules were either missing or incorrect. Similar instances were noted in the other checklists reviewed.

The Commission provided a training program for its gas inspectors and we recognize that this program and the experience level of the Commission’s gas inspectors may have helped ensure that inspections were properly conducted and documented. However, up-to-date, accurate, and comprehensive SOPs and GS inspection checklists may better facilitate the complex tasks performed by gas inspectors and serve as a valuable training tool for new gas inspectors.

Recommendation: We recommend that the Commission revise the RCCA SOPs related to gas inspections to incorporate detailed instructions for conducting gas facility inspections, update references 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.

The CME, Bureau of Telecommunications Service Quality, Certification and Enforcement (Bureau), conducts service quality evaluations and inspections of telecommunications companies. Pursuant to Chapter 364, Florida Statutes, the Bureau conducts periodic on-site inspections of telecommunications facilities to ensure network reliability and evaluate the billing accuracy of long distance companies. The Bureau also monitors the quality of service provided by operators of the Florida Telecommunications Relay System, which is used by individuals who are hearing or speech impaired.

Our audit included an examination of the reports and supporting documentation for 14 service quality evaluations.

**Finding No. 4: Service Evaluation
Documentation**

In the conduct of each service quality evaluation, CME SOPs required the preparation of 21 standard documents, including an evaluation plan, certain worksheets, checklists, and other forms. These documents were to be used by Bureau engineers to record the work planned and performed and to provide support for conclusions reported in the service evaluation reports.

For 3 service quality evaluations reviewed, we found several instances in which standard documents were not located within the evaluation files and no documentation was noted within those files that explained why these documents were not used or maintained.

In the absence of required service quality evaluation documentation, the Bureau cannot readily demonstrate that the evaluations were conducted in accordance with Commission procedures. Also, the lack of documentation may diminish the Commission’s ability to sustain service evaluation report findings.

Recommendation: 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.

**Allocation of Commission
Operating Costs**

The operations of the Commission are primarily funded by fees collected from the utility companies regulated by the Commission. For the fiscal year ended June 30, 2006, fees collected totaled approximately \$31 million.

Section 350.113(3), Florida Statutes, requires that the fees shall, to the extent practicable, be related to the cost of regulating each type of regulated company. In following the intent of this law, the Commission has implemented a process to allocate total operating costs to applicable industries and sub-industries. Employee time serves as the basis for the Commission’s cost allocation process. Commission employees record work time using PeopleFirst, the State’s automated personnel and time reporting system. Employee time data is downloaded from PeopleFirst and input into an in-house automated system that compiles the data and computes allocation percentages. The allocation percentages are applied to the Commission’s total operating expenditures recorded in FLAIR (State’s accounting system) to derive the cost of regulation for each industry and sub-industry.

Finding No. 5: Cost Allocation Process and Documentation

Our tests of the Commission’s cost allocation process did not disclose significant instances in which industries and sub-industries were under- or over-allocated costs. However, we noted the following areas in which improvements were needed to help ensure that the methodology used provided reasonable identification of the costs associated with regulating each industry and sub-industry and that the process was adequately documented:

- The percentages used by employees working in the Commission’s Bureau of Complaint Resolution to record time were based on outdated data. Commission employees responsible for pursuing complaints or information requests were directed to record

their time using percentages that were based on the number of industry complaints or information requests received during the period January 2003 through June 2003. Since that time, the Commission had not performed updated analyses to determine the continuing applicability of those percentages to current activities within the Bureau. Upon our request, Commission staff provided an analysis that indicated the percentages being used varied slightly from those supported by more current data on information requests and complaints.

- The methodology used to allocate the time of the Commissioners and their immediate staff to each regulated industry may not reasonably reflect actual time expended. The number of Commission meeting decisions rendered for each industry as a percentage of total decisions rendered was used to derive the amount of time charged to each industry. The methodology did not take into consideration decisions that required large amounts of preparation time as opposed to those that require little or no preparation time. As a result, the Commission could not demonstrate that the methodology used reasonably allocated this cost center’s workload. Commission managers were, however, analyzing other allocation methodologies for possible implementation.
- The in-house computer program used to compile work time and compute percentages for allocating costs contained logic that would not, in certain circumstances, properly compile work time. Although the program deficiencies did not result in significant allocation errors for the 2005-06 fiscal year, costs could have been misallocated if employees had recorded time in a manner that was affected by the program errors. For example, if an employee in the Inspector General’s (IG) Office recorded any of his or her time directly to an industry, the computer program would have allocated all of the IG’s organizational unit’s indirect time to that industry, instead of appropriately allocating the time to all industries. According to Commission staff, the program was corrected subsequent to our April 2007 inquiry.
- The Commission had not adopted comprehensive written Standard Operating Procedures (SOPs) related to the cost allocation process. While there were limited

written procedures for certain segments, the process involved several organizational units, was multi-faceted and complex. Written SOPs would document the assignment of responsibility and provide guidance regarding the execution of the process and management evaluation of results.

- The Commission did not have cost allocation computer application documentation. Upon our request, a program narrative was prepared for our review. However, more detailed application program documentation that describes all inputs, processing, and outputs of the cost allocation application would help ensure the application program has adequate controls and is processing data as intended.
- Commission employees do not maintain documentation of changes made to downloaded PeopleFirst time data or the reasons therefore. Additionally, procedures were not in place for independent review and approval of changes. In certain circumstances (e.g., employees that terminated or changed organizational units), Commission staff must make changes to the downloaded PeopleFirst time data before inputting this data into the in-house automated system. Maintaining a log and having independent review and approval of the changes would help ensure all needed changes are made and that changes made are appropriate.

The amount of regulatory assessment fees that are charged to regulated utilities by the Commission should be indicative of the costs associated with regulating each industry and sub-industry. Therefore, the methodologies used to determine those costs should reasonably reflect the Commission’s actual work activity. Written operating procedures and documentation of the cost allocation process help provide an understanding of the process, assign responsibility, and ensure adequate controls are in place and operating effectively.

Recommendation: 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.**

- **Continue efforts to improve the procedures used to allocate the time of Commissioners and their immediate staff.**
- **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.**
- **Develop and adopt comprehensive Standard Operating Procedures related to cost allocation.**
- **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.**
- **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.**

Wireless Communication Devices

Finding No. 6: Personal Use of Wireless Communication Devices

Commission administrative policies and procedures (APM 12.03, A6) were revised in July 2005 to provide that cell phones and Blackberry devices could be used for personal use, but required employees to reimburse the Commission for personal calls if the employee exceeded the normal monthly flat rate.

Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of employer-provided property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T. Because cell phones are listed property, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which

requires employees to submit records to the Commission to establish the amount, date, place, and business purpose for each business use. The value of usage that has not been substantiated as business-related is to be considered personal usage and reported by the employer as taxable income of the employee.

Commission policies and procedures did not require that employees substantiate the business use of Commission-provided wireless devices. Because Commission policies and procedures did not require such records, the Commission should have reported to the Internal Revenue Service the value of the wireless services provided to each employee assigned a wireless device. Our review disclosed that the Commission did not include the value of these services in the income reported on the 2006 calendar year W-2 forms for these employees.

Recommendation: 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.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives related to our audit of the inspection of regulated utilities and selected administrative activities of the Commission were to obtain an understanding of internal controls, make judgments as to the effectiveness of those internal controls, and to evaluate management’s performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of the

Commission; the validity and reliability of records and reports; and the safeguarding of assets.

The scope of our audit of the Commission focused on inspections of electric utility construction work orders; annual safety inspections of operators of natural gas facilities; and evaluations of regulated telecommunications companies.

Additionally, we reviewed selected administrative activities of the Commission that included the allocation of Commission costs to the industries it regulates and the assignment and use of cell phones and other wireless devices.

In conducting our audit, we interviewed Commission personnel, observed and tested processes and procedures, and completed various analyses and other procedures as determined necessary to accomplish the objectives of the audit. Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 2005 through February 2007, and selected transactions taken through June 2007.

AUTHORITY

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.

David W. Martin, CPA
Auditor General

MANAGEMENT RESPONSE

In a letter dated February 21, 2008, the Executive Director provided a response to our preliminary and tentative audit findings. The letter is included at the end of this report as Appendix B.

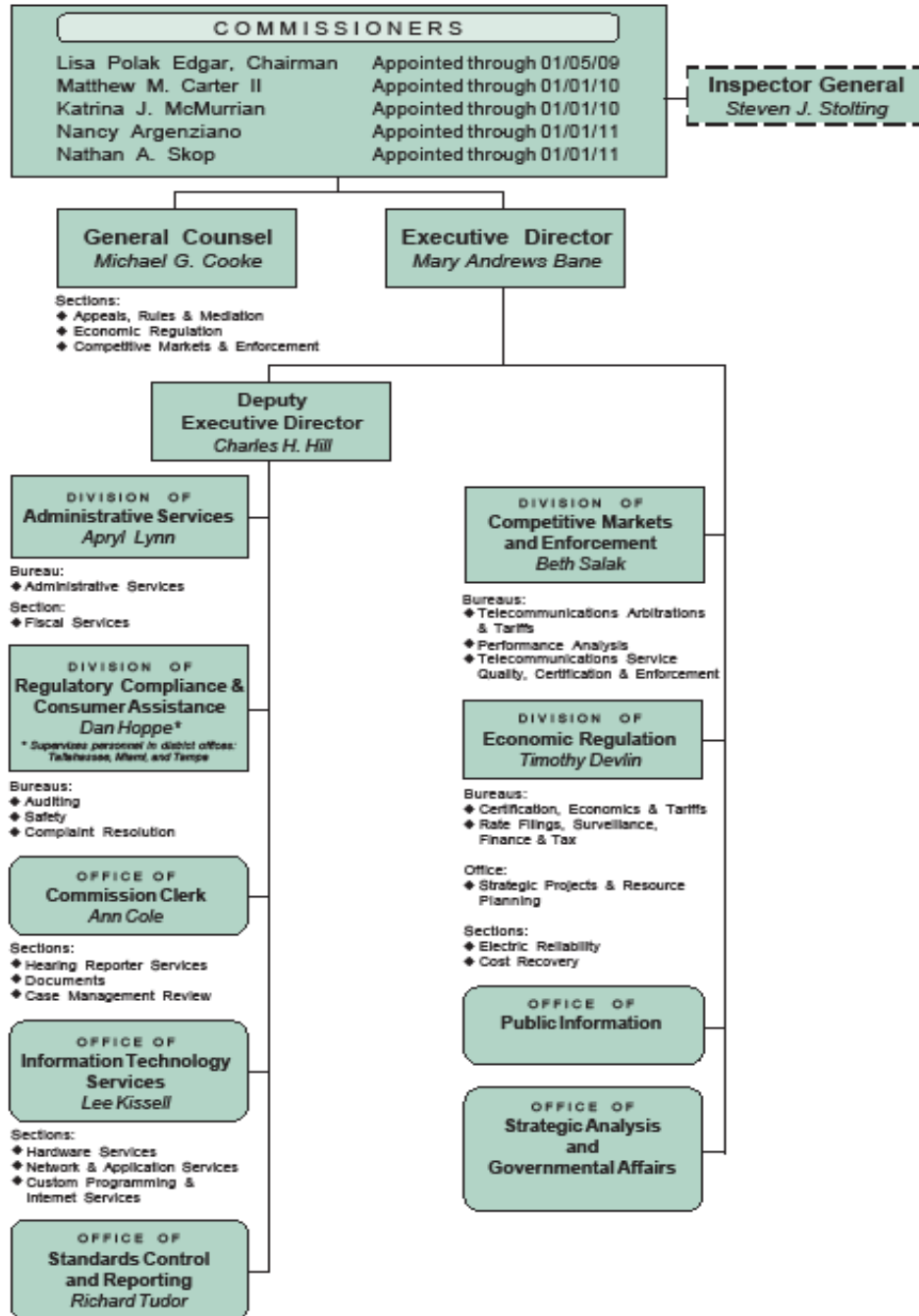
Operational audits are conducted to promote accountability in government and improvement in government operations. This operational audit was conducted in accordance with applicable *Generally Accepted Government Auditing Standards*. This audit was conducted by Linda Gardner, CPA, Annette Green, CPA, Marcia Maheu, CPA, and supervised by Ben H. Cox, CPA.

Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, by e-mail at (davidvick@aud.state.fl.us) or by telephone (850-487-4494). This report and audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone (850-487-9024); or by mail (G74, Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

APPENDIX A
ORGANIZATIONAL CHART

PSC Organizational Chart

AS OF AUGUST 2007



APPENDIX B

MANAGEMENT RESPONSE

COMMISSIONERS:
 MATTHEW M. CARTER II, CHAIRMAN
 LISA POLAK EDGAR
 KATRINA J. MCMURRIAN
 NANCY ARGENZIANO
 NATHAN A. SKOP

STATE OF FLORIDA



EXECUTIVE DIRECTOR
 MARY ANDREWS BANE
 (850) 413-6068

Public Service Commission

February 21, 2008

Mr. David W. Martin
 Auditor General
 G74 Claude Pepper Building
 111 West Madison Street
 Tallahassee, Florida 32399-0850

Dear Mr. Martin:

We are pleased to respond to the preliminary and tentative audit findings and recommendations of your operational audit of the Public Service Commission, Inspection of Regulated Companies and Selected Administrative Activities for the period July 2005 through February 2007, and selected actions taken through June 2007. As required by Section 11.45(4)(d), Florida Statutes, our response is as follows:

Finding No. 1: Selection and Performance of Electric Utility Work Order Inspections

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.

Finding No. 2: E-Safe Program

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.

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Internet E-mail: contact@psc.state.fl.us

APPENDIX B

MANAGEMENT RESPONSE
(CONTINUED)

Mr. David W. Martin
Page 2
February 21, 2008

Finding No. 3: Standard Operating Procedures and Checklists

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.

Finding No. 4: Service Evaluation Documentation

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.

Finding No. 5: Cost Allocation Process and Documentation

Response: Commission management agrees and has implemented use of more current data to allocate staff time in the Bureau of Complaint Resolution. We have also changed the methodology to allocate time of the Commissioners and immediate staff to more validly represent actual time expended and made changes to the cost allocation computer program to help ensure employee time data continues to be accurately compiled. We will develop additional written guidance for the cost allocation process and computer application as needed, and establish a log with review of changes made to downloaded People First data.

Finding No. 6: Personal Use of Wireless Communication Devices

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.

APPENDIX B

MANAGEMENT RESPONSE
(CONTINUED)

Mr. David W. Martin
Page 3
February 21, 2008

We appreciate the efforts of you and your staff to assist the Commission in improving our operations. If you require further information, please contact our Inspector General, Steven Stoltz, at 413-6338.

Sincerely,



Mary Andrews Bane
Executive Director

MAB:ld

cc: Chairman Matthew M. Carter II
Mr. Steven J. Stoltz