OFFICE OF INSPECTOR GENERAL

ANNUAL REPORT

FISCAL YEAR 2025-2026

Valerie Peacock
Inspector General

July 31, 2026

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OFFICE OF INSPECTOR GENERAL

We are pleased to present the Florida Public Service Commission (Commission) Office of Inspector General's (OIG) Annual Report for Fiscal Year (FY) 2025-2026. This report highlights the accomplishments, findings, and recommendations of significant audit and investigative activities completed during FY 2025-2026. The OIG remains committed to promoting efficiency, accountability, and integrity in our efforts to detect and prevent fraud, waste, abuse, and mismanagement of Commission programs.

PURPOSE OF THIS REPORT

This report, which was prepared in accordance with Section 20.055(8), Florida Statutes (F.S.), summarizes the activities performed by the OIG during FY 2025-2026, based on its statutory responsibilities. This report includes:

- A description of activities relating to the development, assessment, and validation of performance measures.
- A description of deficiencies relating to the administration of the Commission's programs and operations disclosed by investigations, audits, reviews, or other activities during the reporting period.
- A description of the recommendations for corrective action made by the OIG during the reporting period, with respect to the deficiencies identified.
- The identification of each significant recommendation described in previous annual reports of which corrective action has not been completed.
- A summary of each audit and investigation completed during the reporting period.

BACKGROUND

Commission Mission

The Commission's mission is *to facilitate the efficient provision of safe and reliable utility services at fair prices. The Commission fulfills this mission by pursuing the number of goals related to economic regulation, regulatory oversight and service regulation and consumer assistance*. The Commission's goals may be viewed at the following website: https://www.floridapsc.com/about#MissionAndGoals.

OIG Mission

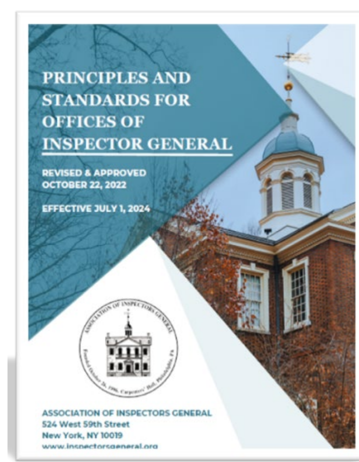
The mission of the OIG is to promote integrity, accountability, economy, and efficiency within the Commission. The OIG conducts audits and investigations that support process improvement and detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct and other abuses in order to assist the Commission in accomplishing its overall mission. Additional information about the OIG may be viewed at the following website: https://www.floridapsc.com/inspector-general.

Duties and Responsibilities of the Inspector General

Enhancing Public Trust in Government

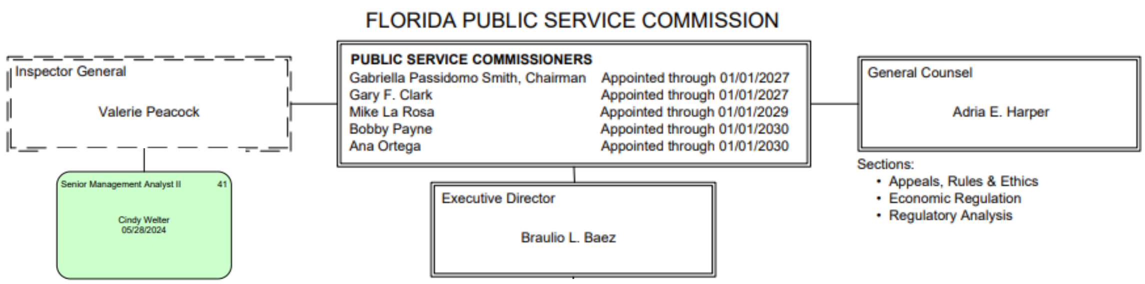
In accordance with Section 20.055(2), F.S., the OIG is established in each state agency to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government. It is the statutory duty and responsibility of the Inspector General to:

- ❖ Advise in the development of performance measures, standards, and procedures for evaluation of Commission programs.
- ❖ Assess the reliability and validity of the information provided by the Commission on performance measures and standards, and make recommendations for improvement, if necessary, before submission of such information pursuant to section 216.1827.
- ❖ Review the actions taken by the Commission to improve program performance, meet program standards, and make recommendations for improvement if necessary.
- ❖ Provide direction for, supervise, and coordinate audits, investigations, and management reviews relating to the programs and operations of the Commission.
- ❖ Conduct, supervise, or coordinate other activities carried out or financed by the Commission for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.
- ❖ Keep the Commission Chairman and leadership informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the Commission, recommend corrective action concerning fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action.
- ❖ Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view towards avoiding duplication.
- ❖ Review, as appropriate, rules relating to the programs and operations of the Commission and make recommendations concerning their impact.
- ❖ Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.
- ❖ Comply with the *Principles and Standards for Offices of Inspector General* as published and revised by the Association of Inspectors General.



Organizational Chart

The Office of Inspector General consists of two full-time positions, the Inspector General and the Senior Management Analyst II. Consistent with statutory requirements, the Inspector General reports directly to the Chairman of the Commission. The Inspector General, Valerie Peacock, has served as the Inspector General to the Commission since June 2023. Cindy Welter has been with the OIG since June 2024.



Professional Qualification and Affiliations

Staff within the OIG are highly qualified and bring various backgrounds and expertise to the Commission. The collective experience spans a variety of disciplines, including auditing, complaint intake, investigations, and information systems.

OIG staff members continually seek to enhance their abilities and contributions to the office and the Commission. Staff members have obtained certifications that demonstrate their knowledge, motivation, and commitment to the profession.

Professional certifications held by OIG staff members include:

- ❖ Certified Inspector General (CIG)
- ❖ Certified Internal Auditor (CIA)
- ❖ Certified Information Systems Auditor (CISA)
- ❖ Certified Fraud Examiner (CFE)
- ❖ Certified Inspector General Auditor (CIGA)
- ❖ Certified Risk Management Assurance (CRMA)
- ❖ Florida Certified Contract Manager (FCCM)

The OIG staff members participate in several professional organizations to maintain proficiency in their areas of expertise and certification. These associations allow them to establish and advance professional networks and participate in professional training and development activities.

OIG staff members are affiliated with the following professional organizations:

- Institute of Internal Auditors (IIA)
- Association of Inspectors General (AIG)
- Association of Certified Fraud Examiners (ACFE)
- Information Systems Audit and Control Association (ISACA)

SUMMARY OF ACTIVITIES BY CATEGORY

INTERNAL AUDIT

The authority of the OIG's internal audit function is established under Section 20.055, F.S., and the OIG Audit Charter. The responsibility of the Internal Audit function is to promote accountability, integrity, and efficiency within the Commission. The Inspector General reports to the Chairman of the Commission and maintains organizational independence.

During FY 2025-2026, OIG internal audit activity conducted audits in conformance with the Global Internal Audit Standards (Standards), published by the Institute of Internal Auditors. These Standards became effective January 2025. Audit reports issued by the OIG contain a statement that the audit was conducted pursuant to the appropriate standards. These reports are prepared and distributed to the Chairman of the Commission, senior management, other applicable Commission management, and the Auditor General.

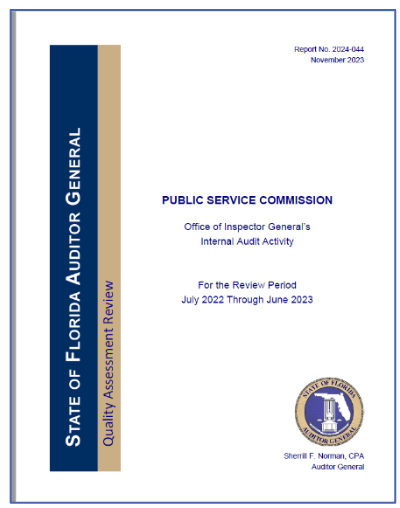
In addition, the OIG assists the Commission by coordinating audits and reviews of reports completed by the Office of Program Policy Analysis and Government Accountability, the Auditor General, and other oversight agencies. The OIG reports on the status of the recommendations included in these reports, as required by Section 20.055, F.S.

Quality Assurance and Improvement

The OIG has established quality assurance processes in conformance with the Standards. This includes both internal and external quality assurance assessments of internal audit activities. Ongoing monitoring is an integral part of the supervision, review, and measurement of internal audit activities. Continuous monitoring activities have been established through engagement planning, supervision, and review, as well as standardized procedures and approvals. An internal assessment of the internal audit activity is conducted by the Inspector General annually. The internal assessment is submitted to the Chairman of the Commission and senior management. An external assessment of the Internal Audit Section is conducted by the Auditor General in accordance with Section 11.45(2)(i), F.S., once every three years.

The OIG conducted an internal assessment of the Internal Audit Section activities during FY 2025-2026 to evaluate conformance with the Standards. Based on the internal assessment results, during FY 2025-2026, the OIG has fully implemented the requirements specified under the Standards.

The most recent external Quality Assurance Review of the OIG's internal audit activity by the Auditor General was conducted in November 2023 (Report 2024-044). The reported results stated, *In our opinion, the quality assurance and improvement program related to the Office of Inspector General's internal audit activity was adequately designed and complied with during the review period to provide reasonable assurance of conformance to applicable professional auditing standards and the Code of Ethics issued by The Institute of Internal Auditors. Also, the Office of Inspector General generally complied with those provisions of Section 20.055, Florida Statutes, governing the operation of State agencies' offices of inspectors general internal audit activities.*



Risk Assessment and Annual Audit Plan

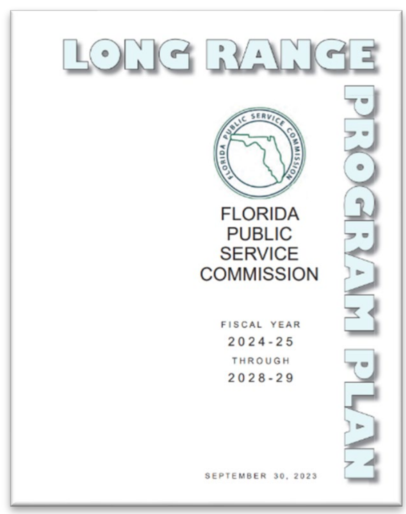
The OIG conducts an annual risk assessment in the development of the Annual Audit Plan. This assessment is based on program responsibilities, key areas of risk, budgets, management of contracts and grants, past audit activity, staffing levels, and internal control structure. Discussions are held with Commission leadership team members, division directors, and other management staff to identify areas of risk and concern to managers. In conducting the risk assessment, the OIG evaluates risk factors of Department programs and functions to assess the associated risks of operating those programs and functions. Factors considered in the assessment include:

- ❖ Internal audit mandate and range of internal audit services;
- ❖ Internal audit services that support the evaluation and improvement of the Commission's governance, risk management, and control processes;
- ❖ Significant risks and events that could impact a division's areas of responsibility;
- ❖ Processes managed in each division which may be cause for concern;
- ❖ Areas of concern that have potential to constitute fraud, waste, or abuse;
- ❖ Processes or practices that would limit the Commission's effectiveness in meeting its goals;
- ❖ Value of the financial resources applicable to the program or function;
- ❖ Commission expenditures;
- ❖ Statutes, rules, internal controls, procedures, and monitoring tools applicable to the program or function, concerns of management, impact on the public safety, health, and welfare;
- ❖ Complexity and/or volume of activity in a division or function;
- ❖ Previous audits performed; and
- ❖ Issues that would constitute a Commission-wide concern.

Program and function areas of risk are evaluated and prioritized to determine the most efficient audit schedule, given the resources available. The OIG completed its annual and long-term work plan, as required by Section 20.055(6)(i), F.S. The approved Annual Audit Plan for FY 2026-2027 was issued on June 11, 2026.

Performance Measures

P-2526PSC-002, Assessment of the Validity and Reliability of Selected Long-Range Program Plan (LRPP) Measures



OIG conducted an assessment of selected Long Range Program Plan (LRPP) Performance Measures. The purpose of this engagement was to meet the statutory requirement in Section 20.055, F.S., to assess the validity and reliability of the legislatively approved performance measures, and make recommendations for improvements, if needed. The scope of the engagement included all information, documentation, and data related to the following two performance measures for the Office of Industry Development and Market Analysis (IDM), as reported in the Commission's LRPP for fiscal years 2024-2025 through 2028-2029.

Number	Performance Measures
5	Proceedings to Evaluate or Resolve Retail and Wholesale Telecommunications Competitive Issues
21	Percent of Interconnection Agreements Processed Within 100 Days

<u>Results</u>

- <u>Validity</u>: Based on our assessment, the lack of a clear and documented definition of competitive issues for measure 5 may result in the name being subject to misinterpretation. The name and definition for measure 21 were considered valid.
- <u>Reliability</u>: Based on our assessment, the reporting and/or calculation of measures 5 and 21 were not complete and error-free for the measure's intended use.

<u>Recommendations</u>

Given the revisions to Section 216.013(7), during the 2025 legislative session, the LRPP and associated performance measures are not required to be reported for the current year. However, going forward, we recommended that any performance measures developed in accordance with future legislation:

- Be supported by SOPs which outline verifiable and reliable processes,
- Appropriately report well defined valid information for the measure as stated,
- Consistently include approved standards (Any necessary changes to the standard needs to be approved as appropriate.), and
- Represent a measure of activity which is within the control of the Commission.

<u>Actions Taken</u>

Should revisions to section 216.013, F.S., be enacted and filing requirements be disseminated by the Executive Office of the Governor, management will conform to such requirements and take the recommendations into consideration in preparing responsive documents.

External Audits and Reviews

The Office of Inspector General provides a single point of contact, for external agencies auditing the Commission. This is done to ensure effective coordination and cooperation between the Office of the Auditor General and other governmental bodies to minimize duplication of effort. We coordinate information requests and responses and assist in scheduling meetings for these entities. We provide coordination of the required responses to preliminary and tentative findings issued by the Office of the Auditor General and the Office of Program Policy Analysis and Government Accountability (OPPAGA). We also coordinate the six-month response on the status of corrective actions taken by the Commission on any audit findings and recommendations issued by the Office of the Auditor General or OPPAGA.

Auditor General- State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards 2025-162

There were no findings related to the Commission.

Prior Year Follow-up

During FY 2025-2026, the OIG monitored the corrective status of findings included in prior audits. The corrective status of the prior audits are as follows.

A-2425PSC-003, Enterprise Cybersecurity Audit of Commission Controls for Asset Management Pursuant to the Florida Cybersecurity Standards (Report Date: April 29, 2025)

As an audit of a state agency's information technology security program, the report and associated records are confidential and exempt from public disclosure pursuant to section 282.318(4)(g), F.S.

A-2526PSC-003, Audit of the Regulatory Assessment Fee Process (Report Date: December 22, 2025)

The OIG followed up on the status of corrective actions required in response to findings and recommendations contained in Report *A-2526PSC-003 Audit of the Regulatory Assessment Fee Process.* The report contained three findings and corresponding recommendations. Based on management's response and the supporting documents provided, management completed the corrective actions for the identified deficiencies. The follow-up status report was issued April 1, 2026.

Internal Audit Activities – FY 2025-2026

A-2526PSC-001, Enterprise Audit of Cybersecurity Controls for Data Protection and Security (Report Date: April 20, 2026)

As an audit of a state agency's information technology security program, the report and associated records are confidential and exempt from public disclosure pursuant to section 282.318(4)(g), F.S.

A-2526PSC-003, Audit of the Regulatory Assessment Fee (RAF) Process (Report Date: December 22, 2025)

The scope of this audit included processes and management oversight of the assessment and collection of RAFs. The audit objectives were to:

- Evaluate the effectiveness of the governance, risk management, and control process regarding the billing and collection of RAFs.
- Determine whether the revenues collected align with the cost of regulation pursuant to Section 350.113, F.S.

Results

Based on our audit, management has generally established effective governance, risk management and controls into the process of billing, collecting, and evaluating RAFs, with a few exceptions. In addition, we determined that in the revenues collected generally align with the cost of regulation in accordance with Section 350.113, F.S.

Our report contained three findings and two management comments. We identified improvements which could be made regarding controls over physical access to deposit documentation. We also noted areas of inconsistent oversight of utility reporting. Lastly, we identified improvements which would be made with respect to the RAF application system.

Recommendations

We recommended the Division of Administration and Information Technology (AIT) develop a written Standard Operating Procedure (SOP) that defines roles, responsibilities, and security requirements for safeguarding RAF payments. We also recommended that the Office of Auditing and Performance Analysis (APA) provide risk-based oversight of rural cooperative and municipal electric and gas utilities as well as telecommunication utilities. This included updated to APAs SOP 3003. Lastly, we recommended AIT finalize and communicate RAF application rights review procedures.

Actions Taken

Management took appropriate actions to address all recommendations. The AIT developed a written SOP to address needed security requirements. The AIT also modified the Application Rights Review system to address the recommendation. The APA revised SOP 3003 to consider options for clarity regarding and expansion of its RAF audit schedule.

A-2526PSC-004, Advisory Review of Natural Gas Utility Infrastructure Replacement Surcharge Annual Petitions (Report Date: July 21, 2026)

The scope of this advisory review included the:

- Cast Iron/Bare Steel Pipe Replacement Rider (Rider) by Peoples Gas System, Inc. (PGS),
- Safety, Access, And Facility Enhancement (SAFE) Program by Florida City Gas (FCG), and
- Gas Utility Access and Replacement Directive (GUARD) program by Florida Public Utilities Company (FPUC).

The objective of this review was to determine the extent to which the Commission's decision-making process considers the reasonableness and prudency of costs and whether the process structure could be improved to ensure due consideration for prudency of costs.

Results

Based on our review of annual petition filings, responses to data requests, and interviews with Commission staff, the current process for evaluating cost recovery for natural gas utility infrastructure replacement surcharges provides limited assessment of the prudency of costs submitted by utilities for recovery. As an advisory review, there were no findings or recommendations. However, we identified opportunities for improving the process for evaluating costs. These included the expansion of the review framework in future program terms; enhancement of data requests; the inclusion of additional division staff in petition reviews; and a reassessment of the submission and review timeframes.

A-2526PSC-005, Advisory Review of the Commission's Service Hearing Process (Report Date: April 1, 2026)

The scope of this advisory review included the facilitation of current and past service hearing practices and processes.

The objective was to evaluate opportunities to streamline and enhance the efficiency and effectiveness of the service hearing process, including the use of technology to improve meaningful participation.

Results

As a result of our review, we provided management with an outline of steps which would address opportunities for the Commission to strengthen planning, improve the customer experience, promote procedural consistency, and leverage technology more effectively. As an advisory review, there were no findings or recommendations.

A-2526PSC-006, Review of Commission Controls Over the Use of the Department of Highway Safety Motor Vehicles (DHSMV) Driver and Vehicle Information Database (DAVID) (Report Date: April 20, 2026)

The scope of the review included data obtained from the DHSMV's DAVID and related Commission activities beginning July 1, 2023. The objective was to determine whether the Commission's internal controls adequately protect data from unauthorized access, distribution use, modification, or disclosure as required by the MOU.

Results

Based on our review of documentation obtained from DAVID and Commission policies and procedures, as well as interviews with Human Resource Section Management, we determined that the Commission's internal controls adequately protect data from unauthorized access, distribution, use modification, or disclosure.

INVESTIGATIONS

The Inspector General is responsible for the management and operation of the Commission's internal investigations. This includes planning, developing, and implementing an internal review system to examine and investigate allegations of misconduct on the part of the Commission's employees. The investigative duties and responsibilities of the Inspector General, as defined in Section 20.055(7), F.S., include:

- ❖ Conducting, supervising, and coordinating investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses;
- ❖ Receiving complaints and coordinating activities of the Commission, as required by the Whistle-blower's Act pursuant to Sections 112.3187–112.31895, F.S.;
- ❖ Receiving and reviewing all other complaints (non-Whistle-blower's Act), and conducting such inquiries and investigations as the Inspector General deems appropriate;
- ❖ Conducting investigations related to alleged employee misconduct or reporting expeditiously to the Florida Department of Law Enforcement or other law enforcement agencies, as deemed appropriate by the Inspector General;
- ❖ Conducting investigations and other inquiries that are free of actual or perceived impairment to the independence of the Inspector General or the staff in the OIG;
- ❖ Submitting the findings to the subject of each investigation in which the subject is a specific entity contracting with the State or an individual substantially affected, if the investigation is not confidential or otherwise exempt from disclosure by law; the subject shall be advised in writing that they may submit a written response 20 working days after receipt of the findings; the response and the Inspector General's rebuttal, if any, must be included in the final report; and
- ❖ Submitting in a timely fashion, final reports on investigations conducted by the OIG to senior management and applicable Commission management, except for Whistle-blower investigations, which are conducted and reported pursuant to Section 112.3189, F.S.

Investigative Activities – FY 2024-2025

The OIG receives complaints and requests for assistance via telephone, letter, email, or in person. Each complaint or request for assistance is reviewed to determine if the provisions of Section 112.3187 – 112.31895, F.S., (Whistle-blower's Act) are met. During FY 2025-2026, the OIG received, reviewed and processed 41 complaints or requests for assistance, all of which were closed during the fiscal year. Of the 41 complaints or requests for assistance, one resulted in an investigation; three were handled as preliminary inquiries, six were referred to external agencies, and 31 were referred to management.

Investigative Activities Completed during FY 2025-2026

Type of Investigative Activity	Quantity
Investigations	1
Preliminary Inquiries	3
Management Referrals	31
Referrals to Another Agency	6
Total	**41**

Investigation

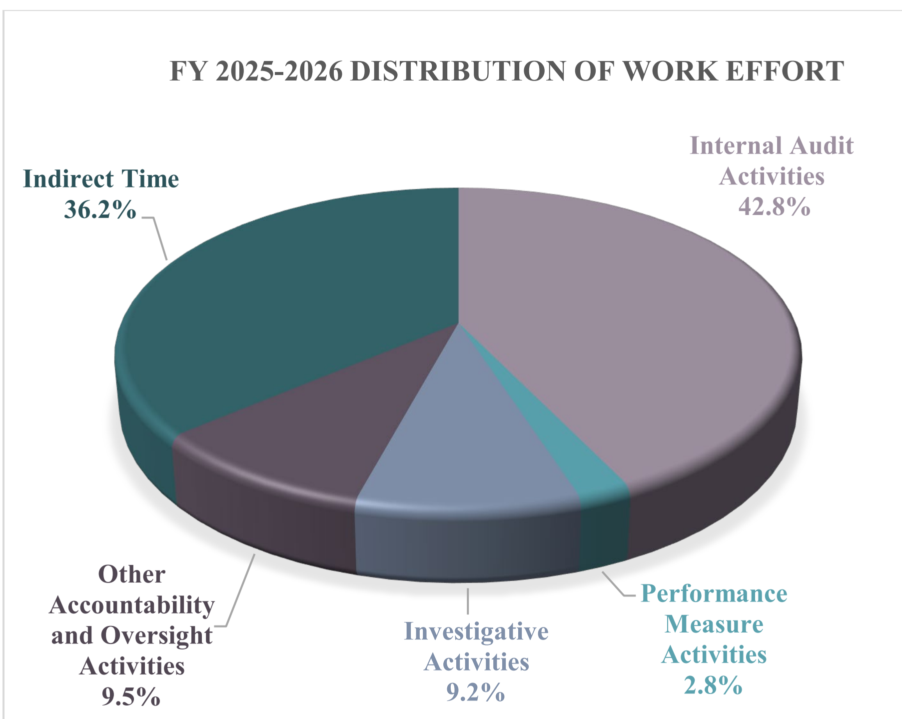
An anonymous complaint was received regarding the alleged misuse of a state-issued computer to access, create, edit, and/or stream personal online content and to promote derogatory speech by an employee. Based on the investigation, the employee's actions were not consistent with the requirements of Rule 60L-36.005(3)(f), F.A.C., *Conduct Unbecoming of a Public Employee*, and Administrative Procedures Manual (APM) Chapter 15, *Information Technology Resource Usage Procedures*. The alleged misuse of a state-issued computer to access, create, and edit personal online content that promoted derogatory speech was supported. The alleged use of a state-issued computer to stream derogatory content was not supported.

Preliminary Inquiries

OIG received three complaints (2026-018, 2026-025, and 2026-040) which were assessed to determine whether there was credible and factual information to reasonably suspect that an administrative violation had occurred. Based on our preliminary review, none warranted a full investigation by the OIG.

WORK HOURS DISTRIBUTION BY CATEGORY

The following chart demonstrates the distribution of time spent across project categories for FY 2025-2026 to demonstrate the balance of effort among audit, investigative, and other accountability activities, in accordance with Section 20.055(2)(i), F.S.



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