

ERCOT FACT SHEET

Contracting & Procurement

The following processes were implemented or strengthened in response to the discovery of employee misconduct at ERCOT in early 2004.

HR & CONTRACTING PRACTICES

- Implemented mandatory competitive bids for contractors and outside services
- Required extensive criminal background checks on outside contractors
- Required drug tests on contractors working on site
- Strengthened ethics agreement addressing employee-vendor relationships
- Instituted legal and financial review of prospective consulting companies and major vendors (credit check and Secretary of State confirmation)

FINANCE & ACCOUNTING PRACTICES

- Implemented two-signature approval on contractors' timesheets and invoices
- Added requirement for financial terms of contracts required on purchase orders
- Initiated secondary review of invoices by treasury analyst

MANAGEMENT PRACTICES

- Strengthened management compliance with personnel and contractor processes through employee disciplinary action
- Implemented mandatory management training on required policies and procedures for engaging consultants and contractors
- Expanded internal audit program by adding two employees (a third position currently posted) and implementing schedule of internal audits
- Hired experienced contracts administrator
- Implemented third-party reporting service (EthicsPoint) for employees and the public to report suspected inappropriate activity, anonymously if desired
- Nearing completion of agreement with Deloitte & Touche to provide an Internal Control Management Program to assist with development of enhanced policy and procedures assuring consistent internal controls in finance, personnel and contracting.