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# **Item 6: Results of Examination and Independence Report from the Service Organization Control (SSAE 16) Auditor**

*Lauren Edmonds*, BrightLine CPAs & Associates, Audit Manager

Finance & Audit Committee  
ERCOT Public  
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# Discussion Topics

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**ERCOT Examination Overview**

**Auditor Independence**

# SSAE 16 Overview

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- Statement on Standards for Attestation Engagements (SSAE) No. 16 examinations, also referred to as SOC 1 examinations, are utilized to report on controls at service organizations that are relevant to user entities' internal control over financial reporting.
- The 2013 SSAE 16 examination examined the Settlement Operations for the period of October 1, 2012, to September 30, 2013
- BrightLine worked with ERCOT process owners to modify control objectives and activities to align with current business processes
- 19 Control Objectives were within the scope of the 2013 audit
- Audit testing was conducted in two phases – May 2013 and August September 2013

# SSAE 16 Examination Overview

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- The 2013 SSAE 16 Examination Report for the Settlement Operations is ready for issuance pending F&A Committee approval
- The report will be issued with an unqualified opinion
- Four (4) testing deviations / disclosures were identified
  - Retail EDI Transaction Processing (Control 6.1.2): test result related to the 12/3/12 System Outage
  - Meter Data Acquisition and Validation EPS (Control 8.2.2): test result related to a manual error during a review activity for 1 of 60 dates sampled
  - Meter Data Aggregation Unaccounted Energy (Control 9.1.6): test result related to the 12/3/12 System Outage
  - Computer Operations (Control 16.4.2): test result related to off-site backup media rotation activity for 1 of 13 weeks sampled

*Please refer to Sections 4 and 5 of the SSAE 16 report for more information related to the testing deviations / disclosures*

# BrightLine's Audit Approach

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## Audit Team

- BrightLine's team for the ERCOT SSAE 16 Engagement consists of a primary and secondary principal, an audit manager and experienced senior auditors
- The audit report is subjected to a quality assurance checklist, and is reviewed by the senior auditor, audit manager, and two principals prior to release to ERCOT for review and approval. An additional review is performed by operations personnel during the final preparation procedures.

## Sampling

- Testing is performed in two phases (Q2 and Q3) and the sampling methodology covers the full 12-month review period
- BrightLine utilizes a standard sampling approach based on AU 350

# Auditor Independence

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- Professional standards require that CPA firms maintain independence in fact and appearance from their clients.
- To meet this requirement, BrightLine has implemented the following policies and procedures:
  - Implementation of Quality Control Procedures
  - Education
  - Elimination of all consulting services
  - Prohibition of any direct or materially indirect financial interest in clients by employees or their close relatives
  - Annual independence verification

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# Questions and Closing

