



**The Finance & Audit (F&A) Committee is  
expected to consider  
F&A Committee Agenda Item 4:**

***Recommendation regarding Acceptance of  
2015 Service Organization Control (SSAE 16)  
Audit Report***

**at its meeting on December 7, 2015.**

**The Board of Directors is expected to hear the  
F&A Committee's recommendation on this matter  
as part of the F&A Committee Report at  
the Board meeting on December 8, 2015.**

**Attached are the Board materials in relation to  
these agenda items.**



# **Item 4: Recommendation regarding Acceptance of 2015 Service Organization Control (SSAE 16) Audit Report**

*Allison Atherton*

Business Process Controls and Risk Manager

Finance & Audit Committee Meeting

ERCOT Public

December 7, 2015

## 2015 Service Organization Control Audit Report Acceptance

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- **Statement on Standards for Attestation Engagements No. 16 (SSAE 16) is the AICPA audit standard for reporting on controls at service organizations. ERCOT’s SSAE 16 audit covers the controls surrounding the settlement operations.**
- **The F&A Committee Charter specifies that “based on its review and discussions with management and the independent auditor, the Committee shall provide a recommendation to the Board whether the Company’s SSAE 16 audit report should be accepted.”**
- **The draft SSAE 16 audit report, dated October 31, 2015, for the twelve (12) months ending September 30, 2015 (i.e., the 2015 Service Organization Control Audit Report) is available for the F&A Committee’s consideration for recommendation to the Board.**



## Request for Recommendation to the Board

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- **With regard to the draft 2015 Service Organization Control Audit Report:**
  - It is expected to be issued with an unqualified opinion.
  - There were no internal control testing exceptions.



## Request for Recommendation to the Board (continued)

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- **ERCOT staff respectfully requests the F&A Committee recommend acceptance of the 2015 Service Organization Control Audit Report to the Board of Directors.**
- **The Board meeting materials for this topic are hereby provided for the F&A Committee's consideration. Please refer to Board Agenda Item 10.1 for the Board decision template.**
- **Due to the confidentiality of the 2015 Service Organization Control Audit Report, the draft report is available solely for the F&A Committee's electronic viewing under F&A Committee Agenda Item ES 3.1 and the Board's electronic viewing under Board Agenda Item ES 3.1.1.**

**<Vote>**





**Date:** December 1, 2015  
**To:** Board of Directors  
**From:** Allison Atherton, Business Process Controls and Risk Manager  
**Subject:** Acceptance of 2015 Service Organization Control (SSAE 16) Audit Report

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** December 8, 2015

**Item No.:** 10.1

**Issue:**

Acceptance of the 2015 Service Organization Control Audit Report.

**Background/History:**

Per section 1.4.3.1(1) of the ERCOT Nodal Protocols (entitled “Audits to be Performed”), “At least annually, an Appointed Firm shall perform an audit of ERCOT based on Statement on Standards for Attestation Engagements, No. 16 (SSAE 16).” BrightLine Certified Public Accountants & Associates, Inc. (BrightLine) was engaged to perform the audit for 2015.

BrightLine’s opinion on the SSAE 16 audit for the period from October 1, 2014 to September 30, 2015 is unqualified. There were no testing exceptions.

On December 7, 2015, BrightLine will meet with the Finance and Audit (F&A) Committee of the Board to review the proposed SSAE 16 Audit Report, dated October 31, 2015, for the twelve-month period ended September 30, 2015 (also known as the 2015 Service Organization Control Audit Report). Given the unqualified opinion, the 2015 Service Organization Control Audit Report is expected to be recommended by the Committee to the Board for acceptance.

Due to the confidentiality of the 2015 Service Organization Control Report, the draft report is available solely for the Board’s electronic viewing in the Board’s Executive Session meeting materials under Agenda Item ES 3.1.1.

**Key Factors Influencing Issue:**

1. ERCOT Protocol Section 1.4.3.1(1) requires an annual SSAE 16 audit be performed;
2. Certain external organizations, including Market Participants, utilize the SSAE 16 Audit Report as an assurance of the suitability of ERCOT internal controls in connection with certain Sarbanes-Oxley reporting requirements; and
3. Because most Market Participants’ fiscal years end December 31, acceptance of the SSAE 16 Audit Report in a timely manner will allow the Report to be utilized in connection with preparation of their year-end financial statements.

**Conclusion/Recommendation:**

ERCOT staff recommends, and the F&A Committee is expected to recommend, that the Board accept the 2015 Service Organization Control Audit Report.



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, Section 1.4.3.1(1) of the ERCOT Nodal Protocols (entitled “Audits to be Performed”) requires that at least annually, an Appointed Firm shall perform an audit of Electric Reliability Council of Texas, Inc. (ERCOT) based on Statement on Standards for Attestation Engagements, No. 16 (SSAE 16);

WHEREAS, BrightLine Certified Public Accountants & Associates Inc. (BrightLine) was engaged as the Independent Service Auditor to perform ERCOT’s Service Organization Control audit, also known as the SSAE 16 audit, for 2015;

WHEREAS, BrightLine’s opinion on the SSAE 16 audit for the period from October 1, 2014 to September 30, 2015 is unqualified;

WHEREAS, after due consideration of the alternatives, the Finance and Audit (F&A) Committee has recommended that the Board accept the SSAE 16 audit report, dated October 31, 2015, for the twelve-month period ended September 30, 2015 (also known as the 2015 Service Organization Control Audit Report), as presented by BrightLine at its meeting on December 7, 2015; and

WHEREAS, the Board deems it desirable and in the best interest of ERCOT to accept the F&A Committee’s recommendation to accept the 2015 Service Organization Control Audit Report;

THEREFORE, BE IT RESOLVED, that the 2015 Service Organization Control Audit Report is hereby accepted.

**CORPORATE SECRETARY’S CERTIFICATE**

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its December 8, 2015 meeting, the ERCOT Board passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of December 2015.

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Vickie G. Leady  
Assistant Corporate Secretary