



**Item 3: Results of Examination and  
Independence Report from the Service  
Organization Control (SSAE 16) Auditor**

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Finance & Audit Committee Meeting

ERCOT Public  
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# Discussion Topics

1. ERCOT Examination Overview
2. Audit Approach
3. Auditor Independence
4. Partner Rotation

# SSAE 16 Examination Overview

## Overview

- 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 2016 SSAE 16 examination examined the Settlement Operations and the supporting IT applications and systems for the period of October 1, 2015, to September 30, 2016
- 19 Control Objectives were within the scope of the 2016 examination
- Testing was conducted in two phases: (Q2) April-May 2016 and (Q3) August-September 2016

## Results

- The 2016 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 (“clean”) opinion
- No testing exceptions or deviations were identified

# Audit Approach

## Audit Team

- The audit 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. Two additional reviews are 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.
- Our sampling approach is based on the AICPA Sampling Guidance.

# Auditor Independence

- Professional standards require that CPA firms maintain independence in fact and appearance from their clients.
- To meet this requirement, we have 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

## Partner Rotation

- Planned partner rotation for 2017
- Transition plan implemented to ensure proper knowledge transfer
- Current partner will remain as concurring partner