

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

***Recommendation Regarding Acceptance of  
2016 Service Organization Control (SSAE 16)  
Audit Report***

**at its meeting on December 12, 2016.**

**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 13, 2016.**

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



## MEMORANDUM

To: ERCOT Finance and Audit (F&A) Committee  
From: Jonathan Levine, ERCOT Corporate Counsel  
Date: December 5, 2016  
Re: Item 4 – Recommendation Regarding Acceptance of 2016 Service Organization Control (SSAE 16) Audit Report

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At the December 12, 2016 F&A Committee meeting, the Committee is scheduled to consider the recommendation regarding the acceptance of the 2016 Service Organization Control (SSAE 16) Audit Report as General Session Item 4.

The Board decision template is included with the Committee's materials for Item 4. However, due to the confidentiality of the 2016 Service Organization Control (SSAE 16) Audit Report, the draft report is available for the Committee's electronic viewing solely under Committee Executive Session Item ES 3.1.



**Date:** December 6, 2016  
**To:** Board of Directors  
**From:** Allison Atherton, Business Process Controls and Risk Manager  
**Subject:** Acceptance of 2016 Service Organization Control (SSAE 16) Audit Report

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** December 13, 2016

**Item No.:** 10.1

**Issue:**

Acceptance of the 2016 Service Organization Control Audit Report.

**Background/History:**

Per Section 1.4.3.1(1) of the ERCOT 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).” Schellman & Co., LLC (Schellman), formerly BrightLine CPAs & Associates, Inc., was engaged to perform the audit for 2016.

Schellman’s opinion on the SSAE 16 audit for the period from October 1, 2015 to September 30, 2016 is unqualified. There were no testing exceptions.

On December 12, 2016, Schellman will meet with the Finance and Audit (F&A) Committee of the Board to review the proposed SSAE 16 Audit Report for the twelve-month period ended September 30, 2016 (also known as the 2016 Service Organization Control (SOC) Audit Report). Given the unqualified opinion, the 2016 SOC Audit Report is expected to be recommended by the Committee to the Board for acceptance.

Due to the confidentiality of the 2016 SOC 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 (SOC) audit be performed;
2. Certain external organizations, including Market Participants, utilize the SOC 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 SOC 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 2016 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, Schellman & Co., LLC (Schellman) was engaged as the Independent Service Auditor to perform ERCOT’s Service Organization Control audit, also known as the SSAE 16 audit, for 2016;

WHEREAS, Schellman’s opinion on the Service Organization Control audit for the period from October 1, 2015 to September 30, 2016 is unqualified;

WHEREAS, after due consideration of the alternatives, the Finance and Audit (F&A) Committee, at its meeting on December 12, 2016, recommended that the Board of Directors (Board) of ERCOT accept the Service Organization Control audit report for the twelve-month period ended September 30, 2016 (also known as the 2016 Service Organization Control Audit Report), as presented by Schellman; 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 2016 Service Organization Control Audit Report;

THEREFORE, BE IT RESOLVED, that the 2016 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 13, 2016 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, 2016.

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Vickie G. Leady  
Assistant Corporate Secretary