



Item 3: Results of Examination and Independence Report from the System and Organization Control (formerly "Service Organization Control") Auditor

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Finance & Audit Committee Meeting

ECOT Public

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Discussion Topics

1. ERCOT Examination Overview
2. Audit Approach
3. Auditor Independence



SOC 1 Examination Overview

Overview

- SOC 1 Examinations, under the Statement on Standards for Attestation Engagements (SSAE) No. 18, are utilized to report on controls at service organizations that are relevant to user entities' internal control over financial reporting.
- The 2017 SOC 1 examination examined the Settlement Operations and the supporting IT applications and systems for the period October 1, 2016, to September 30, 2017.
- 19 Control Objectives were within the scope of the 2017 examination.
- Testing was conducted in two phases: (Q2) April-May 2017 and (Q3) September 2017



SOC 1 Examination Overview

Results

- The 2017 SOC 1 Examination Report for the Settlement Operations is ready for issuance pending Board acceptance.
- 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 SOC 1 Engagement consists of a primary and secondary principal, and audit manager and experienced senior auditors.
- The audit report is subjected to a quality assurance process, 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 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 AICPA Authoritative standards and guidance (AU-C 530).



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
 - Independence Education and Training
 - 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

