



CALIFORNIA ISO

California Independent
System Operator

2005 SAS 70 Audit Update

**Audit Committee of the
ISO Board of Governors
March 8-9, 2006**

Michael Epstein, Controller



Summary

- Conference call with SAS70 customer contacts on Dec 21
- Issued SAS 70 on December 22
- No exceptions on 36 of 39 control objectives
- Exceptions on 3 Information Services control objectives
- 2 of the 3 exceptions led to qualifications
- Post SAS 70 2005 period
 - Management performed significant additional procedures
 - Believes the integrity of the “bid to bill” process is intact
 - No errors were identified in any settlement statements
- No subsequent questions from customers
- Audit period for 2006 unchanged - October 31, 2006



Current Initiatives

- IT & Information Security
 - Reorganized responsibilities to improve segregation of duties
 - Improved preventive controls through levels of passwords
 - Added additional detective controls
 - Improved testing documentation and release practices
 - Increased assessments of access
- Continue to identify and mitigate root causes of disputes
- Continued focus of Business Process Control Team, Internal Audit and Risk Management
- Raise awareness of customers of the November 1, 2007 implementation date and their Sarbanes-Oxley requirements