

Report to the Board of Governors on the 2009 SAS 70 Type 1 Audit



Audit Committee Meeting of the
ISO Board of Governors

General Session

July 20, 2009



PRICEWATERHOUSECOOPERS 

Agenda



- SAS 70 Background
- Results of Audit
- Scope of Audit
- The Next Audit
- Closing Thoughts

SAS 70 Background



- Purpose of report
 - To report on the ISO's internal controls relating primarily to its market operations and settlements activities
- Expected use of report
 - Assurance to market participants who rely on the ISO's processing - the report is required by some market participants and their auditors to comply with Sarbanes-Oxley (404 Attest)
- Form of report
 - AICPA Statement on Auditing Standards (SAS) No. 70: Reports on the Processing of Transactions by Service Organizations

Results of Audit



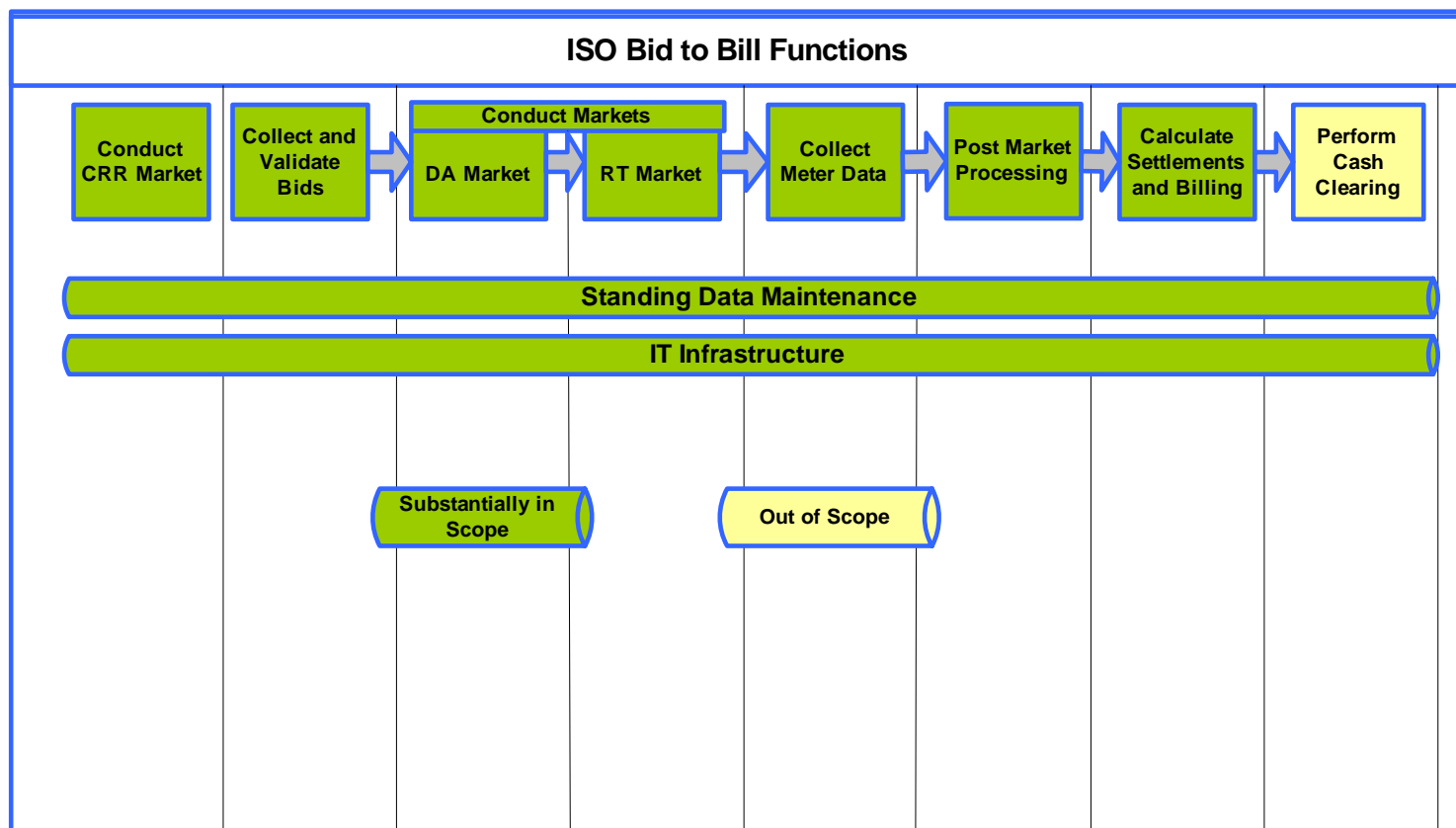
- PwC opinion and report issued July 17, 2009
- Report “as of date” is June 30, 2009
- The opinion is unqualified
 - Controls were suitably designed
 - Controls were placed in operation
- Audit coverage is different from last report issued
 - No opinion related to operating effectiveness for a period of time
 - No coverage of functions after the settlement statements issued and other functions that are transparent to the market

Scope of Audit



- The new market resulted in significant restructuring of the ISO's key controls related to market activities
- Total of 12 Control Objectives in Scope
 - 9 Objectives in Business Processes (Standing data maintenance, CRRs, Bids, DA and RT Markets, Settlements)
 - 3 Objectives in IT Processes (IT Operations, IT Security, Change Management)
- Processes not included in scope of report
 - Control room and operational judgments and decisions
 - Processes after the settlement statement preparation (such as invoicing and market clearing)
 - Other functions that are transparent to the market

Scope of Audit



The Next Audit



- The next SAS 70 period has already begun
 - Plan to resume “continuous” audit cycle
 - Next period covered - June 30, 2009 through October 31, 2009
 - Similar scope to this report
 - To be issued in December 2009

Closing Thoughts



- Unqualified opinion and quick report issuance are significant accomplishment for the ISO given the sweeping changes to the control environment
- ISO Staff have been extremely supportive of this first SAS 70 Audit performed related to the new market
- Demonstrated a high level of ownership
- Questions