

# Memorandum

**To:** Audit Committee of the ISO Board of Governors

**From:** Ryan Seghesio, Chief Financial Officer & Treasurer

**Date:** December 9, 2016

**Re:** **Acceptance of Audit of the California ISO Retirees Medical Plan**

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*This memorandum requires Committee action.*

## EXECUTIVE SUMMARY

Moss Adams LLP was engaged to audit the financial statements and supplementary information of the *California ISO Retiree Medical Plan* for the three-year period ending December 31, 2015. The audit of these statements was completed on December 8, 2016, and the statements are attached for Audit Committee review. Similar to the audit of the ISO's other retirement plan, the 401(k), the Department of Labor rules allow the independent accountant to issue a "disclaimer of opinion", as they rely on certified financial data from the trustee of the plan. Moss Adams LLP's opinion concludes that the financial statements and supplemental schedules are presented in compliance with the Department of Labor's rules and regulations for reporting and disclosure under the Employee Retirement Income Security Act of 1974 (ERISA).

Management recommends the following motion:

***MOVED, that the Audit Committee of the ISO Board of Governors accepts the financial statements and supplementary information of the California ISO Retirees Medical Plan for the years ended December 31, 2015, 2014, and 2013, as audited by Moss Adams LLP Certified Public Accountants, and as attached to the memorandum dated December 9, 2016.***

## DISCUSSION AND ANALYSIS

### *Reason for audit*

ERISA requires plan sponsors of certain plans to annually file an information return with the IRS after an audit has been completed by an independent accountant. Presently, the ISO's Retirees Medical Plan has fewer than 100 participants eligible to be in the

plan. Therefore, the ISO is currently exempt from an annual audit of the financial statements by an independent accountant. However, as a matter of good governance, Management has elected to have the financial statements audited once every three years to ensure accurate administration of the plan. The audit was last completed for the three year period ending December 31, 2012.

*Auditor recommendations:* NONE

## **CONCLUSION**

Moss Adams has completed the audit of the financial statements of the ISO's Retirees Medical Plan for the years ended December 31, 2015, 2014, and 2013. Their opinion concludes that the financial statements and supplemental schedules are presented in compliance with the Department of Labor's rules and regulations for reporting and disclosure under ERISA. While this audit is currently done on a voluntary basis by the ISO every three years, it will become a mandatory annual audit once the number of participants is 100 or more.