

**GENERAL SESSION MINUTES  
AUDIT COMMITTEE MEETING  
December 14-15, 2016  
ISO Headquarters  
Folsom, California**

---

**December 15, 2016**

The Audit Committee of the ISO Board of Governors convened the general session meeting at approximately 12:00 p.m. and the presence of a quorum was established.

**ATTENDANCE**

The following members of the Audit Committee were in attendance:

Ash Bhagwat, Chair  
Mark Ferron  
Dave Olsen

The following members of the executive team were present at times throughout the meeting: Eric Schmitt and Roger Collanton

**GENERAL SESSION**

The following agenda items were discussed in general session:

**PUBLIC COMMENT**

There was no public comment offered at this time.

**DECISION ON GENERAL SESSION MINUTES**

Governor Ferron moved for approval of the Audit Committee's general session minutes for the August 31, 2016 meeting. The motion was seconded by Governor Olsen and approved 3-0.

**ACCEPTANCE OF AUDIT OF ISO RETIREES MEDICAL PLAN**

Brad Wall, with Moss Adams, provided the Audit Committee with highlights of the ISO Retirees Medical Plan for 2015 and noted the total Plan assets held in trust for benefits was \$9 million. Mr. Wall stated that there were 83 total participants, including 42 retirees and 41 fully eligible employees. He stated the financial statements were

prepared in accordance with the Governmental Accounting Standards Board (GASB) standards. Mr. Wall provided an overview of the scope of the audit and informed the Committee that the audit opinion concluded the financial statements were in accordance with the Department of Labor and ERISA requirements. Mr. Wall concluded by providing an overview of the auditor communications that are required as part of the auditors rules of professional responsibility. Brief discussion followed regarding plan eligibility.

## **Motion**

### **Governor Olsen:**

***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.***

The motion was seconded by Governor Ferron and approved 3-0.

## **ACCEPTANCE OF OPERATIONS AUDIT**

Mark Niehaus, with PricewaterhouseCoopers, provided the Audit Committee with an overview of the scope of the operations audit. Mr. Niehaus described how it was an assessment of a management assertion related to seven elements of ISO real-time exceptional dispatch procedures. He stated that PwC issued an unqualified audit opinion to ISO Management on November 28, 2016. Brief discussion followed regarding the assessment process.

## **Motion**

### **Governor Ferron:**

***Moved, that the Audit Committee of the ISO Board of Governors accepts the audit opinion issued on November 28, 2016 by PricewaterhouseCoopers LLC for the testing of specified control room operational processes for 2016, as attached to the memorandum dated December 7, 2016.***

The motion was seconded by Governor Bhagwat and approved 3-0.

## **BRIEFING ON ISSUANCE OF 2016 MARKET CONTROLS AUDIT AND SCOPE OF 2017 MARKET CONTROLS AUDIT**

Jon Lomeli, with PricewaterhouseCoopers, provided the Committee with an overview of the 2016 market controls audit. Mr. Lomeli stated the purpose of the audit is to report on the ISO's internal controls relating primarily to its market operations and settlements activities. He noted that the report provided assurance to market participants who rely on the ISO's controls related to the ISO's market settlements.

Mr. Lomeli explained that the opinion was unqualified and noted two exceptions, disclosed in the report, that were identified related to maintenance of standing data. He stated that over 60 different control activities and over 1400 transactions were tested. He discussed audit process improvements and discussed next steps. He stated that PwC and ISO staff have already begun planning for next year's internal controls audit. Mr. Lomeli stated that the ISO continued to demonstrate a high level of ownership for the control environment and the controls report.

## **BRIEFING ON SCOPE OF FINANCIAL AUDIT**

Sarah Tantawy, on behalf of PricewaterhouseCoopers, provided an overview of the objectives for the 2016 financial statements audit and reviewed a graph that depicted PwC's communications framework. Ms. Tantawy described PwC's audit strategy as based on a top-down, risk-based approach for planning and conducting the audit. She next provided a summary overview of the key audit areas, and the procedures that were planned to address them. She explained that PwC would be utilizing functional experts to evaluate key areas. She further noted that PwC considered both quantitative and qualitative factors in their assessment of materiality. She provided an overview of the audit's timing and stated that they are targeting May 2017 to present the final report to the Audit Committee.

Ms. Tantawy reviewed the perspectives on fraud risk and responsibilities as well as other required auditor communications. She also discussed the upcoming Code of Conduct Agreed Upon Procedures process and stated that they are on track to provide the final report to the Audit Committee in March 2017.

## **ADJOURNED**

There being no additional general session matters to discuss, the general session was adjourned at approximately 12:30 p.m.