

2013-109 AUDIT SCOPE AND OBJECTIVES—California Public Utilities Commission—Balancing Accounts

AUDIT SCOPE AND OBJECTIVES

The audit by the California State Auditor will provide independently developed and verified information related to the California Public Utilities Commission's (CPUC) policies and procedures for auditing the balancing accounts of entities it regulates and will include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Determine how the CPUC oversees the entities it regulates by performing, at a minimum, the following:
 - a) Review and evaluate the CPUC's policies and procedures for inspecting and auditing the revenues and expenditures of the reserve (balancing) accounts of those entities.
 - b) Determine whether such policies and procedures comply with applicable laws, regulations, and auditing standards.
3. Determine the number of balancing accounts authorized and established over the last nine years, and the number and frequency with which those accounts were audited by the CPUC. If all required audits were not completed, determine the reasons why.
4. Review the CPUC's practices over the last three years and determine whether the CPUC has complied with applicable laws, regulations, and policies in auditing the balancing accounts of the entities it regulates. If not, assess the reasons for noncompliance.
5. From a selection of CPUC audits conducted on balancing accounts in the last three years and determine the following:
 - a) Whether the audits were conducted in accordance with applicable laws, policies, and procedures, including any reporting requirements.
 - b) The findings and conclusions reached in each audit and the actions taken by the CPUC in response to those findings.
 - c) The revenues and expenditures for the selected accounts in each of the three years.
6. From a selection of balancing accounts that were not audited, or using the selection identified in objective number 5 above, to the extent possible determine:

- a) The purpose for which each account was authorized and whether each account was appropriately funded.
 - b) The sources of revenue and the major types of expenditures.
 - c) For a selection of expenditures, determine whether they were allowable and reasonable.
7. Review and assess any other issues that are significant to the audits of balancing accounts by the CPUC.