



## Ohio Administrative Code

### Rule 4901:1-14-07 Audits.

Effective: April 17, 2014

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(A) The commission shall conduct, or cause to be conducted, periodic financial and management/performance audits of each gas or natural gas company subject to the provisions of this chapter and division (C)(4) of section 4905.302 of the Revised Code. Unless otherwise ordered by the commission, the audits shall be conducted annually. Except as provided in paragraph (B) of this rule and division (C) of section 4905.302 of the Revised Code, and unless otherwise ordered by the commission, each audit shall be conducted by a qualified independent auditing firm selected according to paragraphs (C) and (D) of this rule. The cost of each such audit shall be paid by the gas or natural gas company.

(B) The commission may, upon the request of any party or upon its own initiative, conduct the audits required under this rule. In determining whether to do so, the commission shall consider:

- (1) The number of customers served by the company;
- (2) The cost of employing an independent auditor;
- (3) The availability of the commission staff to conduct the required audits; and
- (4) Such other factors as the commission considers appropriate.

(C) Each independent auditor shall file, with the commission, a certificate of accountability as described in paragraph (E) of this rule. The certificate of accountability shall attest to the accuracy of financial data pertaining to the period of the gas cost recovery rate activity designated by the commission and reference any errors or deviations from the calculations prescribed within Chapter 4901:1-14 of the Administrative Code. Pursuant to this rule, the independent auditor shall assure the commission that:

- (1) The costs reflected in the gas or natural gas company's gas cost recovery rates were properly



incurred by the company;

(2) The gas cost recovery rates were accurately computed by the gas or natural gas company;

(3) The gas cost recovery rates were accurately applied to customer bills; and

(4) If the company utilized weather-normalized historic and/or forecasted volumes, the auditor shall verify that the company has reasonably applied such approach throughout the audit period.

(D) Each gas or natural gas company, so designated by the commission, shall engage an independent auditor and/or consulting firm to conduct a management/performance audit of the company's compliance with the provisions of Chapter 4901:1-14 of the Administrative Code. The commission shall develop a request for proposal (RFP) designed to solicit responses for conducting a management/performance audit. The commission shall have the sole responsibility for sending out and accepting all responses to the RFP and shall select the company's management/performance auditor for the designated audit period. The management/performance audit report shall identify and evaluate the specific organizational structure, management policies, procedures, and reasoning of the company's existing or proposed procurement strategy. The report shall also contain management recommendations based on an evaluation of the company's performance during the audit period pertaining to those areas designated by the commission. The management/performance audit shall review any specific areas of investigation as designated by the commission and selected aspects of the company's gas production and purchasing policies to ascertain whether:

(1) Company purchasing policies were designed to meet objectives of the company's service requirements;

(2) Procurement planning is sufficient to ensure reliable service at optimal prices and is consistent with the company's long-term strategic supply plan; and

(3) The company has reviewed existing and potential supply sources.

(E) The certificate of accountability required by paragraph (C) of this rule shall read as follows:



We have examined the periodic filings of (insert gas or natural gas company name) which support the gas cost recovery (GCR) rates for the periods ended (insert effective ending dates of GCR periods being audited) for conformity in all material respects with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14 and related appendices of the Administrative Code. Our examination for this purpose was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did/did not make a detailed examination such as would be required to determine that each transaction has been recorded in accordance with the financial procedural aspects of Chapter 4901:1-14 and related appendices of the Administrative Code.

In our opinion, (insert gas or natural gas company name) has/has not fairly determined the GCR rates for the periods ended (insert effective ending dates of GCR periods being audited) in accordance with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14 and related appendices of the Administrative Code and properly applied the GCR rates to customer bills.

(If applicable) specific findings presented for the attention of the commission are attached in a separate "memorandum of findings."