

**Office of Enforcement  
Division of Audits and Accounting  
Frequently Asked Questions**

**1. What does DAA do?**

The Division of Audits and Accounting (DAA) administers the Office of Enforcement's (OE) audit, accounting, and forms administration programs to support the Commission's mission to assist consumers in obtaining reliable and efficient energy service, at a reasonable cost, through appropriate regulatory and market means. DAA's primary goal is to enable the Commission to achieve its strategic objectives by assisting in the development of just and reasonable rates and increasing compliance with Commission regulations and policies.

DAA's audit program supports the Commission's strategic objectives through public risk-based audits. DAA performs various types of audits that respond to the needs of the Commission, public, and industry, and advises the Commission on compliance and other matters. The audit program serves as a resource for the Commission to examine risk areas within the regulated industries and inform the Commission's actions regarding rates, tariffs, financial and operational transparency, policy initiatives, law, reliability, and other areas in the electric, natural gas, and oil industries. DAA audits also provide jurisdictional entities an opportunity to work with audit staff to evaluate and improve their overall compliance, and to identify potential areas of noncompliance before they escalate. For the Commission's regulated industries, DAA's publicly issued audit commencement letters and audit reports provide insight into and valuable guidance on areas of emphasis and concern.

DAA's accounting program is a vital component of the Commission's strategic goal of establishing just and reasonable cost of service rates, terms, and conditions by: (1) overseeing the accounting and reporting of financial information affecting cost of service rates; (2) acting as the focal point for interpretive guidance concerning the Commission's financial accounting and reporting rules, orders, regulations, and statutes; and (3) advising the Commission and industry on accounting and other financial issues. The accounting program facilitates the consistent reporting of financial information and ensures that an entity's operations are reported in a manner that most appropriately supports ratemaking analysis. DAA's accounting program also provides accounting expertise to the Commission's other program offices and assists in the development of Commission policies and proposed rulemakings to ensure these initiatives properly consider and evaluate the related accounting and financial issues.

DAA's forms administration program ensures compliance with certain Commission filing requirements, including the Electric Quarterly Report and FERC Form Nos. 1, 2, 6, and 60. The Commission requires companies subject to its jurisdiction to submit financial statements, operational data, and annual and quarterly reports regarding jurisdictional sales, and the Commission uses these reports for various analyses, such as evaluations of whether existing rates continue to be just and reasonable. DAA's forms administration program ensures that companies report accurate and complete information in these reports and in a timely manner.

**2. Why was my company selected for an audit?**

DAA selects audit candidates based on its annual audit planning process, which gathers input from a variety of sources, including but not limited to: DAA data screens, technical research of

financial and rate information by DAA staff, and collaboration with other Commission program offices. Based on this input, DAA selects audit topics and audit candidates using a risk-based methodology that supports the objectives of the Commission's strategic plan. Additional risk factors that impact the selection of audit candidates include the length of time since previous audit, company involvement in areas of high audit risk to the Commission, and the results of various data screens.

### **3. How can an audited company make the audit process most efficient?**

DAA strives to carry out a robust and effective audit program while giving appropriate consideration to opportunities to add efficiencies to the audit process and possibly shorten the length of the audit. In our experience, audits operate most efficiently when there is strong communication between the audited company and the audit team, responses to data requests are timely and complete, and technical discussions are held with the most knowledgeable staff. Audits are also most efficient when the audited company is well prepared by following the suggestions provided in FAQ #4 (below).

### **4. How can I prepare for an audit?**

Companies with a strong culture of compliance from the top down and design and implement compliance controls that are integrated into their operations are best prepared for an audit. DAA recommends companies review OE's *Report on Enforcement*, which highlights compliance areas addressed in recent audits. Also, companies should review DAA's publicly issued audit reports to learn about findings and recommendations that DAA identifies in its audits. In these audit reports, the Scope and Methodology section provides insight and details on the types of reviews and analyses that are performed during an audit. With this added insight, companies can focus its own internal efforts, including internal audit activities and compliance controls, on similar areas. All audit reports can be accessed from the Commission's eLibrary under FA and PA dockets.

### **5. What type of outreach does DAA perform?**

DAA actively engages in regular industry outreach with trade associations, such as the Interstate Natural Gas Association of America, Edison Electric Institute, Association of Oil Pipe Lines, and Natural Gas Supply Association, and encourages jurisdictional companies to contact DAA with any inquiries or concerns. As a result of such interactions, DAA considers opportunities to enhance the efficiency, transparency, and effectiveness of its audit and accounting programs. For example, in response to industry comments, DAA adopted a process of formally notifying a company by email from the Director of DAA of the close of an audit proceeding when the compliance implementation stage has been completed. DAA also engages with state regulators and the public accounting firms that audit and certify jurisdictional entities' financial reports. Such industry outreach contributes to DAA's analysis of accounting trends affecting jurisdictional entities and issuances of accounting guidance by the Chief Accountant. DAA continues to provide formal accounting guidance in response to accounting requests filed with the Commission. Informal accounting guidance may be requested and obtained from DAA via email ([accountinginquiries@ferc.gov](mailto:accountinginquiries@ferc.gov)) and phone ((202) 502-8877). Informal guidance on all other compliance matters may be obtained through the Compliance Help Desk.