

# SERC and BPU Partnership

## **Auditing of New Jersey Public Utilities**

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Bureau of Financial Audits  
Division of Audits**

# ***Statutory Authority***

The Board may inspect and examine all books, accounts, papers, records and memoranda kept by any public utility in respect of any matter within the Board's jurisdiction which would not be privileged in any judicial proceeding.

# ***Statutory Authority***

***(cont)***

The Board performs management audits on all or any portion of the operating procedures and any other internal workings of every gas or electric utility subject to its jurisdiction at least once every six years or more frequently.

# ***Statutory Authority***

***(cont)***

The Electric Discount and Energy Competition Act of 1999 (EDECA) requires audits of competitive services of gas and electric utilities every two years by independent auditors hired by the Board.

# ***Division of Audits***

- Bureau of Financial Audits
- Bureau of Management Audits

# ***Types of Audits***

- *Financial Audit*
- *Compliance Audit*
- *Management Audit*
- *Operational Audit*

# ***Financial Audit***

In a Financial Audit, the auditor seeks evidence about assertions related to financial information contained in financial statements or some component thereof.

- Environmental Remediation Costs
- Electric and Gas Fuel Costs
- Affiliated Company Transactions
- Universal Service Fund Costs
- Conservation Program Grants
- Annual Financial Reports

# ***Compliance Audit***

Compliance Audits determine whether an entity has complied with Board Orders, policies, procedures and regulations, as well as federal, State and/or local statutes and regulations.



# ***Management Audit***

A Management Audit is essentially an audit of the process of managing a business, as well as the managing skill of the person or persons responsible for the management process.

- Comprehensive – All inclusive
- Focused - Special areas of concern
  - Example - Executive Compensation
- Service Reliability Review
- Mergers and Acquisitions
- Competitive Services

# ***Operational Audit***

Operational Audits determine:

- Whether the entity is acquiring, protecting, and using its resources (such as personnel, property, and space) economically and efficiently
- Causes of inefficiencies or uneconomical practices
- Whether the entity has complied with laws and regulations governing matters of economy and efficiency.