

Columbia Gas of Pennsylvania, Inc.  
2016 General Rate Case  
Docket No. R-2016-2529660  
Standard Filing Requirements  
Exhibit 13  
Volume 4 of 10

COLUMBIA GAS OF PENNSYLVANIA, INC.  
53.52

Applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies.

- (a) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall submit to the Commission, with the tariff, revision or supplement, statements showing all of the following:

- (1) The specific reasons for each change.

Response (Kempic):

The rate changes are being proposed to allow Columbia Gas of Pennsylvania a reasonable opportunity to recover revenue sufficient to cover its operating expenses and increases to rate base and provide a reasonable opportunity to earn a fair rate of return.

- (2) The total number of customers served by the utility.

Response (Kempic): Refer to Exhibit No. 3.

- (3) A calculation of the number of customers, by tariff subdivisions, whose bills will be affected by the change.

Response (Bell): Refer to Exhibit No.103, Schedule No. 8.

- (4) The effect of the change on the utility's customers.

Response (Bell): Refer to Exhibit No. 103, Schedule No. 8.

- (5) The direct or indirect effect of the proposed change on the utility's revenues and expenses.

Response (Kempic): Refer to Exhibit Nos. 3 and 4.

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- (6) The effect of the change on the service rendered by the utility.

Response (Kempic): Service rendered by the utility will not be impacted by the changes to rates.

- (7) A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C.S. §1308 (relating to voluntary changes in rates).

Response (Kempic): Not Applicable.

- (8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C.S. §1308.

Response (Kempic): Not Applicable.

- (9) Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided

Response (Kempic): No customer polls were taken to indicate customer acceptance and desire for the proposed rate changes.

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- (10) Plans the utility has for introducing or implementing the changes with respect to its ratepayers.

Response (Kempic): Columbia will notify its ratepayers of the proposed changes through a bill insert in compliance with the Commission's Regulations (Pa Code Section 53.45).

- (11) F.C.C., F.E.R.C. or Commission orders or rulings applicable to the filing.

Response (Kempic): There are no orders or rulings that directly apply to this change.

- (b) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision, or supplement which will increase or decrease the bills to its customers, it shall submit in addition to the requirements of subsection (a), to the Commission, with the tariff, revision or supplement, statements showing all of the following:

- (1) The specific reason for each increase or decrease.

Response (Kempic): The rate changes are being proposed to allow Columbia Gas of Pennsylvania a reasonable opportunity to recover revenue sufficient to cover its operating expenses and increases to rate base and provide a reasonable opportunity to earn a fair rate of return.

- (2) The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing.

Response (Kempic): Refer to Exhibit No.2.

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- (3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

Response (Bell): Refer to Exhibit No. 103, Schedule No. 8.

- (4) A calculation of the total increase, in dollars, by tariff subdivision, projected to an annual basis.

Response (Bell): Refer to Exhibit No. 103, Schedule No. 8.

- (5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

Response (Bell): Refer to Exhibit No.103, Schedule No. 8.

- (6) A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.

Response (Bell): Refer to Exhibit No.103, Schedule No.8.

COLUMBIA GAS OF PENNSYLVANIA, INC  
53.53 II RATE OF RETURN  
A. ALL UTILITIES

13. Attach copies of the summaries of the projected two years' Company's budgets (revenues, expense, and capital).

Response:

Please see Exhibit GAS-ROR-13 for projected revenues and expenses.

Please see Exhibit GAS-ROR-14 for the projected construction budget.

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Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended <u>November 30, 2015</u>		Fully Forecasted Rate Year Twelve Months Ended <u>December 31, 2017</u>		Witness
		Exhibit	Schedule	Exhibit	Schedule	
<b>53.52</b>	<b><u>Applicability: Public Utilities Other Than Canal, Turnpike, Bridge, and Wharf Companies</u></b>					
53.52(a)	Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall submit to the Commission, with the tariff, revision, or supplement, statements showing all of the following:	13	3			Kempic
53.52(a)1	The specific reasons for each change.	13	1	113	1	Kempic
53.52(a)2	The total number of customers served by the utility.	3 13	1	103 113	1	Bell Kempic
53.52(a)3	A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.	3 13	1	103 113	1	Bell Kempic
53.52(a)4	The effect of the change on the utility's customers.	3 13	1	103 113	1	Bell Kempic
53.52(a)5	The direct or indirect effect of the proposed change on the utility's revenue and expenses.	13	1	113	1	Kempic
53.52(a)6	The effect of the change on the service rendered by the utility	13	1	113	1	Kempic
53.52(a)7	A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a change seeking a general rate increase as defined in 66 Pa. C. S. & 1308 (relating to voluntary changes in rates)	13	1	113	1	Kempic
53.52(a)8	Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C. S. & 1308.	13	1	113	1	Kempic
53.52(a)9	Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.	13	1	113	1	Kempic
53.52(a)10	Plans the utility has for introducing or implementing the changes with respect to its ratepayers.	13	1	113	1	Kempic
53.52(a)11	FCC, FERC or Commission orders or rulings applicable to the filing.	13	1	113	1	Kempic
53.52(b)	Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement which will increase or decrease the bills to its customers, it shall submit in addition to the requirements of subsection (a), to the Commission, with the Tariff, revision, or supplement, statements showing all of the following:	13	3			Kempic

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Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended November 30, 2015		Fully Forecasted Rate Year Twelve Months Ended December 31, 2017		Witness
		Exhibit	Schedule	Exhibit	Schedule	
53.52(b)1	The specific reasons for each Increase or decrease.	13	1	113	1	Kempic
53.52(b)2	The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing.	2 3 13	1	102 103 113	1 1	Miller Bell Kempic
53.52(b)3	A calculation of the number of customers, by tariff subdivision, whose bills will be increased.	3 13	1	103 113	1	Bell Kempic
53.52(b)4	A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis.	3 13	1	103 113	1	Bell Kempic
53.52(b)5	A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.	3 13	1	103 113	1	Bell Kempic
53.52(b)6	A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.	3 13	1	103 113	1	Bell Kempic
53.52(c)1	A Statement showing the utility's calculation of the rate of return earned in the 12-month period referred to on subsection (b)(2), and the anticipated rate of return to be earned when the tariff, revision, or supplemental becomes effective. The rate base used in this calculation shall be supported by summaries of original cost for the rate of return calculation.	8		108		Paloney
53.52(c)2	A detailed balance sheet of the utility as of the close of the period referred to in subsection (b)f2).	1	1	101		Miller
53.52(c)3	A summary, by detailed plant accounts, of the book value of the property of the utility at the date of the balance sheet required by paragraph (2).	8	1, 2	108		Paloney
53.52(c)4	A statement showing the amount of the depreciation reserve, at the date of the balance sheet required by paragraph (2), applicable to the property, summarized as required by paragraph (3).	8	3	108	3	Paloney
53.52(c) 5	A statement of operating income, setting forth the operating revenues and expenses by detailed accounts for the 12-month period ending on the balance sheet required by paragraph (2).	2	1	102	1	Miller
53.52(c) 6	A brief description of a major change in the operating or financial condition of the utility occurring between the date of the balance sheet required by paragraph (2) and the date of transmittal of the tariff, revision or supplement. As used on this paragraph, a major change is one which materially alters the operating or financial condition of the utility from that reflected in paragraphs (1) - (5).	1	2	101		Miller
53.53 I.A	<b>53.53 I. VALUATION</b> <b>A. ALL UTILITIES</b>					
53.53.I.A.1	Provide a corporate history (include the dates of original incorporation, subsequent mergers and/or acquisitions). Indicate all countries and cities and other governmental subdivisions to which service is provided (including service areas outside the state), and the total population in the area served.	15	1	115		Paloney



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		Exhibit	Schedule	Exhibit	Schedule	
53-53.I.A.2	Provide a schedule showing the measures of value and the rates of return at the original cost and trended original cost measures of value at the spot, three-year and five-year average price levels. All claims made on this exhibit should be cross-referenced to appropriate exhibits. Provide a schedule similar to the one listed above, reflecting respondent's final claim in its previous rate case.	8		108		Paloney
53-53.I.A.3	Provide a description of the depreciation methods utilized in calculating annual depreciation amounts and depreciation reserves, together with a discussion of all factors which were considered in arriving at estimates of service life and dispersion by account. Provide dates of all field inspections and facilities visited.	9	1	109	1	Spanos
53-53.I.A.4	Set forth, in exhibit form, charts depicting the original and estimated survivor curves and a tabular presentation of the original life table plotted on the chart for each account where the retirement rate method of analysis is utilized. a. If any utility plant was excluded from the measures of value because it was deemed not to be "used and useful" in the public service, supply a detailed description of each item of property. b. Provide the surviving original cost at test year end by vintage by account and include applicable depreciation reserves and annuities. (i) These calculations should be provided for plant in service as well as other categories of plant, including, but not limited, to contributions in aid of construction, customer's advances for construction, and anticipated retirements associated with any construction work in progress claims (if Applicable)	9	1	109	1	Spanos
53-53.I.A.5	Provide a comparison of respondent's calculated depreciation reserve vs. book reserve by account at the end of the test year.	9	2	109	2	Spanos
53-53.I.A.6	Supply a schedule by account and depreciable group showing the survivor curve and annual accrual rate estimated to be appropriate: a. For the purposes of this filing. b. For the purposes of the most recent rate increase filing prior to the current proceedings. (i) Supply a comprehensive statement of any changes made in method of depreciation and in the selection of average service lives and dispersion.	9	3	109	3	Spanos
53-53.I.A.7	Provide a table, showing the cumulative depreciated original cost by year of installation for utility plant in service at the end of the test year (depreciable plant only) as claimed in the measures of value, in the following form: a. Year installed. b. Original cost - the total surviving cost associated with each installation year from all plant accounts.	9	4	109	4	Spanos

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		Exhibit	Schedule	Exhibit	Schedule	
	c. Calculated depreciation reserve-the calculated depreciation reserve associated with each installation year from all plant accounts. d. Depreciated original cost - (Column B minus Column C). e. Total - cumulation year by year of the figures from Column D. f. Column E divided by the total of the figure in Column D.	9	4	109	4	Spanos
53-53.I.A.8	Provide a description of the trending methodology which was utilized. Identify all indexes which were used (include all backup workpapers) and all the reasons particular indexes were chosen. If indexes were spliced, indicate which years were utilized in any splices. if indexes were composite, show all supporting calculations, include any analysis made to "test" the applicability of any index.	8		108		Paloney
53-53.I.A.9	Provide an exhibit indicating the spot trended original cost at test year end by vintage by account and include applicable depreciation reserves. Include total by account for all other trended measures of value.	8		108		Paloney
53-53.I.A.10	Supply an exhibit indicating the percentages of Undepreciated original cost which were trended with the following indexes: a. Boeckh. b. Handy-Whitman. c. Indexes developed from suppliers' prices. d. Indexes developed from company records and company price histories. e. Construction equipment. f. Government statistical releases.	8		108		Paloney
53-53.I.A.11	Provide a table, showing the cumulative trended depreciated original cost (at the spot price level) by year installation for utility plant in service at the end of the test year (depreciable plant only) as claimed in the measures of value, in the following form: a. Year installed. b. Trended original cost (at the spot price level) - the total surviving cost associated with each installation year from all plant accounts. c. Trended calculated depreciation reserve - the calculated depreciation reserve associated with each installation year from all plant accounts. d. Depreciated trended original cost - (Column B minus Column C). e. Total-accumulation year by year of the figures from Column D. f. Column E divided by the total of the figures in Column D.	8		108		Paloney
53-53.I.A.12	If a claim is made for construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expended at the end of the test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion date and estimated total amounts to be spent on each project. [These exhibits should be updated at the conclusion of these proceedings.]	8		108		Paloney

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Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended <u>November 30, 2015</u>		Fully Forecasted Rate Year Twelve Months Ended <u>December 31, 2017</u>		Witness
		<u>Exhibit</u>	<u>Schedule</u>	<u>Exhibit</u>	<u>Schedule</u>	
53-53.I.A.13	If a claim is made for non-revenue producing construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expended at the end of the test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion date and estimated total amounts to be spent on each project. [These exhibits should be updated at the conclusion of these proceedings.]	8		108		Paloney
53-53.I.A.14	If a claim is made for plant held for future use, supply the following: a. A brief description of the plant or land site and its cost. b. Expected date of use for each item claimed. c. Explanation as to why it is necessary to acquire each item in advance of its date of use. d. Date when each item was acquired. e. Date when each item was placed in plant held for future use.	8		108		Paloney
53-53.I.A.15	If materials and supplies comprise part of the cash working capital claim, attach an exhibit showing the actual book balances for materials and supplies by month for the thirteen months prior to the end of the test year. Explain any abrupt changes in monthly balances. [Explain method of determining claim if other than that described above.]	8		108		Paloney
53-53.I.A.16	If fuel stocks comprise part of the cash working capital claim, provide an exhibit showing the actual book balances (quantity and price) for the fuel inventories by type of fuel for the thirteen months prior to the end of the test year by location, station, etc. [Explain the method of determining claim if other than that described above.]	8		108		Paloney
53-53.I.A.17	Regardless of whether a claim for net negative or positive salvage is made, attach an exhibit showing gross salvage, cost of removal, and net salvage for the test year and four previous years by account.	9	5	109	5	Spanos
53-53.I.A.18	Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not previously mentioned, in the measures of value.	8		108		Paloney
<b>53-53.I.C</b>	<b>53-53.I VALUATION</b> <b>C. GAS UTILITIES</b>					
53-53.I.C.1	Provide, with respect to the scope of operations of the utility, a description of all property, including an explanation of the system's operation, and all plans for any significant future expansion, modification, or other alterations of facilities. This description should include, but not be limited to the following: a. If respondent has various gas service areas, indicate if they are integrated, such that the gas supply is available to all customers. b. Provide all pertinent data regarding company policy related to the addition of new consumers in the company's service area. c. Explain how respondent obtains its gas supply, as follows: (i) Explain how respondent stores or manufactures gas; if applicable. (ii) State whether the company has peak shaving facilities. (iii) Provide details of coal-gasification programs, if any. iv) Describe the potential for emergency purchases of gas. (v) Provide the amount of gas in MCF supplied by various suppliers in the test year (include a copy of all contracts).	17		117		Paloney

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		Exhibit	Schedule	Exhibit	Schedule	
	d. Provide plans for future gas supply, as follows: (i) Supply details of anticipated gas supply from respondent's near-term development of gas wells, if any. (ii) Provide gas supply agreements and well development ventures and identify the parties thereto.  e. Indicate any anticipated curtailments and explain the reasons for the curtailments. f. Provide current data on any Federal Power Commission action or programs that may affect, or tend to affect, the natural gas supply to the gas utility.	17		117		Paloney
53-53.I.C.2	Provide an overall system map, including and labeling all measuring and regulating stations, storage facilities, production facilities transmission and distribution mains, by size, and all interconnections with other utilities and pipelines.	15	2	115		Paloney
<b>53-53.II.A</b>	<b>53-53.II. RATE RETURN A. ALL UTILITIES</b>					
53-53.II.A.1	Provide capitalization and capitalization ratios for the last five-year period and projected through the next two years. (With short-term debt and without short-term debt.) Company, Parent and System (consolidated). a. Provide year-end interest coverages before and after taxes for the last three years and at latest date. (Indenture and SEC Bases.) (Company, Parent and System (consolidated)). b. Provide year-end preferred stock dividend coverages for last three years and at latest date (Charter and SEC bases).	401		401		Moul
53-53.II.A.2	Provide latest quarterly financial report (Company and Parent).	402		402		Moul
53-53.II.A.3	Provide latest Stockholder's Report (Company and Parent).	403		403		Moul
53-53.II.A.4	Provide latest Prospectus (Company and Parent).	404		404		Moul
53-53.II.A.5	Supply projected capital requirements and sources of Company, Parent and System (consolidated) for each of future three years.	405		405		Moul
53-53.II.A.6	Provide a schedule of debt and preferred stock of Company, Parent and System (Consolidated) as of test year-end and latest date, detailing for each issue (if applicable): a. Date of issue b. Date of maturity c. Amount issued d. Amount outstanding e. Amount retired f. Amount reacquired g. Gain on reacquisition h. Coupon rate i. Discount or premium at issuance j. Issuance expenses k. Net proceeds l. Sinking Fund requirements m. Effective interest rate n. Dividend rate o. Effective cost rate p. Total average weighted effective Cost Rate	406		406		Moul

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		Exhibit	Schedule	Exhibit	Schedule	
53-53.II.A.7	Supply financial data of Company and/or Parent for last five years: a. Earnings-price ratio (average) b. Earnings-book value ratio (per share basis) (avg. book value) c. Dividend yield (average) d. Earnings per share (dollars) e. Dividends per share (dollars) f. Average book value per share yearly g. Average yearly market price per share (monthly high-low basis) h. Pre-tax funded debt interest coverage i. Post-tax funded debt interest coverage j. Market price-book value ratio	407		407		Moul
53-53.II.A.8	State amount of debt interest utilized for income tax calculations, and details of debt interest computations, under each of the following rate cases vases: a. Actual test year b. Annualized test year-end c. Proposed test year-end	7		107		Fischer
53-53.II.A.9	State amount of debt interest utilized for income tax calculations which has been allocated from the debt interest of an affiliate, and details of the allocation, under each of the following rate cases vases: a. Actual test year b. Annualized test year-end c. Proposed test year-end	7		107		Fischer
53-53.II.A.10	Under Section 1552 of the Internal Revenue Code and Regulations 1.1552-1 thereunder, if applicable, Parent Company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to the participating members to determine each member's tax liability to the federal government. (If this interrogatory is not applicable, so state.)  a. State what option has been chosen by the group. b. Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return c. Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members. d. Provide annual income tax return for group, and if income tax return shows net operating loss, provide details of amount of net operating loss allocated to the income tax returns of each of the members of the consolidated group.	7		107		Fischer

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		Exhibit	Schedule	Exhibit	Schedule	
53.53.II.A.11	Provide AFUDC charged by company at test year-end and latest date, and explain method by which rate was calculated.	408		408		Miller
53.53.II.A.12	Set forth provisions of Company's and Parent's charter and indentures (if applicable) which describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts.	409		409		Moul
53.53.II.A.13	Attach copies of the summaries of the projected 2 year's Company's budgets (revenue, expense and capital).	13	2	113	2	Miller
53.53.II.A.14	Describe long-term debt reacquisition's by Company and Parent as follows: a. Reacquisition's by issue by year. b. Total gain on reacquisition's by issue by year. c. Accounting of gain for income tax and book purposes.	410		410		Moul
53.53.II.A.15	Set forth amount of compensating bank balances required under each of the following rate base bases: a. Annualized test year operations. b. Operations under proposed rates.	411		411		Moul
53.53.II.A.16	Provide the following information concerning compensating bank balance requirements for actual test year: a. Name of each bank. b. Address of each bank. c. Types of accounts with each bank (checking, savings, escrow, other services, etc.). d. Average Daily Balance in each account. e. Amount and percentage requirements for compensating bank balance at each bank. f. Average daily compensating bank balance at each bank. g. Documents from each bank explaining compensating bank balance requirements. h. Interest earned on each type of account.	411		411		Moul
53.53.II.A.17	Provide the following information concerning bank notes payable for actual test year: a. Line of Credit at each bank. b. Average daily balances of notes payable to each bank, by name of bank. c. interest rate charged on each bank note (Prime rate, formula rate or other). d. Purpose of each bank note (e.g., construction, fuel storage, working capital, debt retirement). e. Prospective future need for this type of financing	412		412		Moul
53.53.II.A.18	Set forth amount of total cash (all cash accounts) on hand from balance sheets for last 24-calendar months preceding test year-end.	1	3	101		Miller
53.53.II.A.19	Submit details on Company or Parent common stock offerings (past 5 years to present) as follows: a. Date of Prospectus b. Date of offering c. Record date d. Offering period-dates and number of days e. Amount and number of share of offering	413		413		Moul

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		Exhibit	Schedule	Exhibit	Schedule	
	f. Offering ratio (if rights offering) g. Per cent subscribed h. Offering price i. Gross proceeds per share j. Expenses per share j. Net proceeds per share (i-j) l. Market price per share 1. At record date 2. At offering date 3. One month after close of offering m. Average market price during offering 1. Price per share 2. Rights per share-average value of rights n. Latest reported earnings per share at time of offering o. Latest reported dividends at time of offering	413		413		Moul
53-53.II.A.20	Provide latest available balance sheet and income statement for Company, Parent and System (consolidated).	414		414		Miller
53-53.II.A.21	Provide Original Cost, Trended Original Cost and Fair Value rate base claims.	8		108		Paloney
53-53.II.A.22	a. Provide Operating Income claims under: (i) Present rates (ii) Pro forma present rates (annualized & normalized) (iii) Proposed rates (annualized & normalized) b. Provide Rate of Return on Original Cost and Fair Value claims under: (i) Present rates (ii) Pro forma present rates (iii) Proposed rates	2	2	102	2	Miller
53-53.II.A.23	List details and sources of "Other Property and Investments," "Temporary Cash Investments and Working Funds on test year-end balance sheet.	1	4	101		Miller
53-53.II.A.24	Attach chart explaining Company's corporate relationship to its affiliates (System Structure).	15	3	115		Paloney
53-53.II.A.25	If the utility plans to make a formal claim for a specific allowable rate of return. Provide the following data in statement form: a. Claimed capitalization and capitalization ratios with supporting data. b. Claimed cost of long-term debt with supporting data. c. Claimed cost of short-term debt with supporting data. d. Claimed cost of total debt with supporting data. e. Claimed cost of preferred stock with supporting data f. Claimed cost of common equity with supporting data.	400		400		Moul
53-53.II.A.26	Provide the following income tax data: a. Consolidated income tax adjustments, if applicable. b. Interest for tax purposes (basis).	7		107		Fischer
<b>53-53.II.C</b>	<b>53-53.II. RATE RETURN</b> <b>C. GAS UTILITIES</b>					
53-53.II.C.1	Provide test year monthly balances for "Current Gas Storage" and notes financing such storage.	1	5	101		Miller

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		Exhibit	Schedule	Exhibit	Schedule	
53-53.III.A	<b>53-53.III. BALANCE SHEET AND OPERATING STATEMENT A ALL UTILITIES</b>					
53-53.III.A1	Provide a comparative balance sheet for the test year and the preceding year which corresponds with the test year date.	1	1	101		Miller
53-53.III.A2	Set forth the major items of Other Physical Property, Investments in Affiliated Companies and Other Investments.	1	6	101		Miller
53-53.III.A3	Supply the amounts and purpose of Special Cash Accounts of all types, such as: a. Interest and Dividend Special Deposits. b. Working Funds other than general operating cash accounts. c. <u>Other special cash accounts and amounts (Temporary cash investments).</u>	1	7	101		Miller
53-53.III.A4	Describe the nature and/or origin and amounts of notes receivable, accounts receivable from associated companies, and any other sign fact receivables, other than customer accounts, which appear on balance sheet.	1	8	101		Miller
53-53.III.A5	Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued, and amounts written-off in each of the last three years.	1	9	101		Miller
53-53.III.A6	<u>Provide a list of prepayments and give an explanation of special prepayments.</u>	1	10	101		Miller
53-53.III.A7	<u>Explain in detail any other significant (in amount) current assets listed on balance sheet.</u>	1	11	101		Miller
53-53.III.A8	Explain in detail, including the amount and purpose, the deferred asset accounts that currently operate to effect or will at a later date effect the operating account supplying: a. Origin of these accounts. b. Probable changes to this account in the near future. c. Amortization of these accounts currently charged to operations or to be charged in the near future.  d. Method of determining yearly amortization for the following accounts: Temporary Facilities Miscellaneous Deferred Debits Research and Development Property Losses Any other deferred accounts that effect operating results.	1	12	101		Miller
53-53.III.A9	Explain the nature of accounts payable to associated companies, and note amounts of significant items.	1	13	101		Miller
53-53.III.A10	<u>Provide details of other deferred credits as to their origin and disposition policy (e.g. - amortization).</u>	1	14	101		Miller
53-53.III.A11	<u>Supply basis for Injury and Damages reserve and amortization thereof.</u>	1	15	101		Miller
53-53.III.A12	Provide details of any significant reserves, other than depreciation, bad debt, injury and damages, appearing on balance sheet.	1	16	101		Miller
53-53.III.A13	Provide an analysis of Unappropriated retained earnings for the test year and three preceding calendar years.	1	17	101		Miller
53-53.III.A14	Provide schedules and data in support of the following working capital items: a. Prepayments - List and identify all items b. Federal Excise Tax accrued and prepaid c. Federal Income Tax accrued or prepaid d. Pa. State Income Tax accrued or prepaid e. Pa. Gross Receipts Tax accrued or prepaid	8		108		Paloney



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	f. Pa. Capital Stock Tax accrued or prepaid g. Pa. Public Utility Realty Tax accrued or prepaid h. State sales tax accrued or prepaid i. Payroll taxes accrued or prepaid j. Any adjustment related to the above items for ratemaking purposes.	8		108		Paloney
53-53.III.A15	Supply an exhibit supporting the claim for working capital requirement based on the lead-lag method. a. Pro forma expenses and revenues are to be used in lieu of book data for computing lead-lag days. b. Respondent must either include sales for resale and related expenses in revenues and in expenses or exclude from revenues and expenses. Explain procedures followed (exclude telephone).	8	4	108	4	Paloney
53-53.III.A16	Provide detailed calculations showing the derivation of the tax liability offset against gross cash working capital requirements.	8	4	108	4	Paloney
53-53.III.A17	Prepare a Statement of Income for the various time frames of the rate proceeding including: Col. 1-Book recorded statement for the test year. 2-Adjustments to book record to annualize and normalize under present rates. 3-Income statement under present rates after adjustment in Col. 2 4-Adjustment to Col. 3 for revenue increase requested. 5-Income statement under requested rates. a. Expenses may be summarized by the following expense classifications for purposes of this statement: Operating Expenses (by category) Depreciation Amortization Taxes, Other than Income Taxes Total Operating Expense Operating Income Before Taxes Federal Taxes State Taxes Deferred Federal Deferred State Income Tax Credits Other Credits Other Credits and Charges, etc. Total Income Taxes Net Utility Operating Income Other Income & Deductions Other Income Detailed listing of Other Income used in Tax Calculation Other Income Deduction Detailed Listing Taxes Applicable to Other Income and Deductions	2 2	3 4	102	3	Miller Miller

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	Listing Income Before Interest Charges Listing of all types of Interest Charges and all amortization of Premiums and/or Discounts and expenses on Debt issues Total Interest Net Income After Interest Charges (Footnote each adjustment to the above statements with explanation in sufficient clarifying detail.)	2	3, 4			Miller
53-53.III.A18	Provide comparative operating statements for the test year and the immediately preceding 12 months showing increases and decreases between the two periods. These statements should supply detailed explanation of the causes of the major variances between the test year and preceding year by detailed account number.	2	5	102	4	Miller
53-53.III.A19	List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization. Sufficient supporting data must be provided.	13	5	113	3	Miller Palonev
53-53.III.A20	Supply detailed calculations of amortization of rate case expense, including supporting data for outside services rendered. Provide the items comprising the rate case expense claim (include the actual billings or invoices in support of each kind of rate case expense), the items comprising the actual expenses of prior rate cases and the unamortized balances.	4	4	104	4	Miller
53-53.III.A21	Submit detailed computation of adjustments to operating expenses for salary, wage and fringe benefit increases (union and non-union merit, progression, promotion and general) granted during the test year and six months subsequent to the test year. Supply data showing for the test year: a. Actual payroll expense (regular and overtime separately) by categories of operating expenses. i.e. maintenance, operating transmission, distribution, other. b. Date, percentage increase, and annual amount of each general payroll increase during the test year.  c. Dates and annual amounts of merit increases or management salary adjustments. d. Total annual payroll increases in the test year e. Proof that the actual payroll plus the increases equal the payroll expense claimed in the supporting data (by categories of expenses). f. Detailed list of employee benefits and cost thereof for union and non-union personnel. Any specific benefits for electives and officers should also be included, and cost thereof. g. Support the annualized pension cost figures (i) State whether these figures include any unfunded pension costs. Explain. (ii) Provide latest actuarial study used for determining pension accrual rates. h. Submit a schedule showing any deferred income and consultant fee to corporate officers or employees.	4	5	104	5	Miller
53-53.III.A22	Supply an exhibit showing an analysis, by functional accounts, of the charges by affiliates (Service Corporations, etc.) for services rendered included in the operating expenses of the filing company for the 12-month period ended prior to the test year. a. Supply a copy of contracts, if applicable. b. Explain the nature of the services provided. c. Explain basis on which charges are made. d. If charges allocated, identify allocation factors used.	4	11	104	9	Miller

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		<u>Exhibit</u>	<u>Schedule</u>	<u>Exhibit</u>	<u>Schedule</u>	
53-53.III.A23	e. Supply the components and amounts comprising the expense in this account. f. Provide details of initial source of charge and reason thereof. Describe costs relative to leasing equipment, computer rentals, and office space, including terms and conditions of the lease. State method for calculating monthly or annual payments.	4	12	104	9	Miller
53-53.III.A24	Submit detailed calculations (or best estimates) of the cost resulting from major storm damage.	4	13	104	9	Miller
53-53.III.A25	Submit details of expenditures for advertising (National and Institutional and Local media). Provide a schedule of advertising expense by major media categories for the test year and the prior two comparable years with respect to: a. Public health and safety b. Conservation of energy c. Explanation of Billing Practices. Rates, etc. d. Provision of factual and objective data programs in educational institutions e. Other advertising programs f. Total advertising expense	4	8	104	6	Miller
53-53.III.A26	Provide a list of reports, data, or statements requested by and submitted to the Commission during and subsequent to the test year.	14	1	114	1	Bardes Hasson
53-53.III.A27	Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for by the Company and the cost thereof.	4	14	104	9	Miller
53-53.III.A28	Submit a schedule showing, by major components, the expenditures associated with Outside Services Employed, Regulatory Commission Expenses and Miscellaneous General Expenses, for the test year and prior two comparable years.	4	14	104	9	Miller
53-53.III.A29	Submit details of information covering research and development expenditures, including major projects within the company and forecasted company programs.	4	9	104	7	Miller Krajovic
53-53.III.A30	Provide a detailed schedule of all charitable and civic contributions by recipient and amount for the test year.	4	15	104	9	Miller
53-53.III.A31	Provide a detailed analysis of Special Services-Account 795.	4	14	104	9	Miller
53-53.III.A32	Provide a detailed analysis of Miscellaneous General Expense-Account No. 801.	4	14	104	9	Miller
53-53.III.A33	Provide a labor productivity schedule.	4	10	104	8	Miller
53-53.III.A34	List and explain all non-recurring abnormal or extraordinary expenses incurred in the test year which will not be present in future years.	4	16	104	9	Miller
53-53.III.A35	List and explain all expenses included in the test year which do not occur yearly but are of a nature that they do occur over an extended period of years. (e.g.,-Non-yearly maintenance programs, etc.)  [Responses shall be submitted and identified as exhibits.]	4	16	104	9	Miller
53-53.III.A36	Using the adjusted year's expenses under present rates as a base, give detail necessary for clarification of all expense adjustments. Give clarifying detail for such adjustments that occur due to changes in accounting procedure, such as charging a particular expense to a different account than was used previously. Explain any extraordinary declines in expense due to such change of account use.	4	16	104	9	Miller

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53-53.III.A37	Indicate the expenses that are recorded in the test year, which are due to the placement in operating service of major plant additions or the removal of major plant from operating service, and estimate the expense that will be incurred on a full-year's operation.	4	16	104	9	Miller
53-53.III.A38	Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures.	4	16	104	9	Miller
53-53.III.A39	Identify the specific witness for all statements and schedules of revenues, expenses, taxes, property, valuation, etc.	13	3	113	3	Kempic Paloney
53-53.III.A40	Adjustments which are estimated shall be fully supported by basic information reasonably necessary.	13	4	113	3	Miller Paloney
53-53.III.A41	Submit a statement explaining the derivation of the amounts used for projecting future test year level of operations and submit appropriate schedules supporting the projected test year level of operations.	13	4	113	3	Miller Paloney
53-53.III.A42	If a company has separate operating divisions, an income statement must be shown for each division, plus an income statement for company as a whole.	2	6	102	5	Miller
53-53.III.A43	If a company's business extends into different states or jurisdictions, then statements must be shown listing Pennsylvania jurisdictional data, other state data and federal data separately and jointly (Balance sheets and operating accounts)	2	6	102	5	Miller
53-53.III.A44	Ratios, percentages, allocations and averages used in adjustments must be fully supported and identified as to source.	13	4	113	3	Miller Paloney
53-53.III.A45	Provide an explanation of any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate case.	13	4	113	3	Miller Paloney
53-53.III.A46	Supply a copy of internal and independent audit reports of the test year and prior calendar year, noting any exceptions and recommendations and disposition thereof.	13	4	113	3	Miller Paloney
53-53.III.A47	Submit a schedule showing rate of return on facilities allocated to serve wholesale customers.	11		111		Balmert
53-53.III.A48	Provide a copy of the latest capital stock tax report and the latest capital stock tax settlement.	6	3	106	3	Fischer
53-53.III.A49	Submit details of calculations for Taxes, Other than Income where a company is assessed taxes for doing business in another state, or on its property located in another state.	6	4	106	3	Fischer
53-53.III.A50	Provide a schedule of federal and Pennsylvania taxes, other than income taxes, calculated on the basis of test year per books, pro forma at present rates, and pro forma at proposed rates, to include the following categories: a. social security b. unemployment c. capital stock d. public utility realty e. PUC assessment f. other property g. any other appropriate categories	6	2	106	2	Fischer
53-53.III.A51	Submit a schedule showing for the last five years the income tax refunds, plus interest (net of taxes), received from the federal government due to prior years' claims.	7		107		Fischer

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53-53.III.A52	Provide detailed computations showing the deferred income taxes derived by using accelerated tax depreciation applicable to post-1969 utility property increases productive capacity, and ADR rates on property. (Separate between state and federal, also rate used).	7		107		Fischer
	a. State whether tax depreciation is based on all rate base items claimed as of the end of the test year, and whether it is the annual tax depreciation at the end of the test year. b. Reconcile any difference between the deferred tax balance, as shown as a reduction to measures of value (rate base), and the deferred tax balance as shown on the balance sheet.	7		107		Fischer
53-53.III.A53	Submit a schedule showing a breakdown of the deferred income taxes by state and federal per books, <u>pro-forma existing rates, and under proposed rates.</u>	7		107		Fischer
53-53.III.A54	Submit a schedule showing a breakdown of accumulated investment tax (credits 3 percent, 4 percent, 7 percent, 10 percent and 11 percent), together with details of methods used to write-off the <u>unamortized balances.</u>	7		107		Fischer
53-53.III.A55	Submit a schedule showing the adjustments for taxable net income per books (including below-the-line items) and pro-forma under existing rates, together with an explanation of any difference between the adjustments. Indicate charitable donations and contributions in the tax calculation for <u>rate making purposes.</u>	7		107		Fischer
53-53.III.A56	Submit detailed calculations supporting taxable income before state and federal income taxes where the income tax is subject to allocation due to operations in another state, or due to operation of other <u>taxable utility or non-utility business, or by operating divisions or areas.</u>	7		107		Fischer
53-53.III.A57	Submit detailed calculations showing the derivation of deferred income taxes for amortization of repair allowance if such policy is followed. [Note: Submit additional schedules if the company has more than one accounting area.]	7		107		Fischer
53-53.III.A58	Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other <u>deferred income tax credits and reserves by accounting areas.</u>	7		107		Fischer
53-53.III.A59	Provide details of the Federal Surtax Credit allocated to the Pennsylvania jurisdictional area, if <u>applicable.</u>	7		107		Fischer
53-53.III.A60	Explain the reason for the use of cost of removal of any retired plant figures in the income tax <u>calculations.</u>	7		107		Fischer
53-53.III.A61	Submit the corresponding data applicable to Pennsylvania Corporate Income Tax deferral. a. Show the amounts of straight line tax depreciation and accelerated tax depreciation, the difference between which gave rise to the normalizing tax charged back to the test year operating statement.  b. Show normalization for both Federal and State Income Taxes. c. Show tax rates used to calculate tax deferral amount.	7		107		Fischer

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53.53.III.A62	Provide the accelerated tax depreciation and the book depreciation used to calculate test year deferrals in amounts segregated as follows: For: a. Property installed prior to 1970. b. Property installed subsequent to 1969 (indicate increasing capacity additions and no increasing capacity additions).	7		107		Fischer
53.53.III.A63	State whether all tax savings due to accelerated depreciation on property installed prior to 1970 have been passed through to income. (If not, explain).	7		107		Fischer
53.53.III.A64	Show any income tax loss/gain carryovers from previous years that may effect test year income taxes or future year income taxes. Show loss/gain carryovers by years of origin and amounts remaining by years at the end of the test year.	7		107		Fischer
53.53.III.A65	State whether the company eliminates any tax savings by the payment of actual interest on construction work in progress not in rate base claim. If response is affirmative: a. Set forth amount of construction claimed in this tax savings reduction. Explain the basis for this amount. b. Explain the manner in which the debt portion of this construction is determined for purposes of the deferral calculations. c. State the interest rate used to calculate interest on this construction debt portion, and the manner in which it is derived. d. Provide details of calculation to determine tax saving reduction. State whether state taxes are increased to reflect the construction interest elimination.	7		107		Fischer
53.53.III.A66	Provide a detailed analysis of Taxes Accrued per books as of the test year date. Also supply the basis for the accrual and the amount of taxes accrued monthly.	7		107		Fischer
53.53.III.A67	For the test year as recorded on test year operating statement: a. Supply the amount of federal income taxes actually paid. b. Supply the amount of the federal income tax normalizing charge to tax expense due to excess of accelerated tax depreciation over book depreciation. c. Supply the normalizing tax charge to federal income taxes for the 10% Job Development Credit during test year. d. Provide the amount of the credit of federal income taxes due to the amortization or normalizing yearly debit to the reserve for the 10% Job Development Credit. e. Provide the amount of the credit to federal income taxes for the normalizing of any 3% Investment Tax Credit Reserve that may remain on the utility books.	7		107		Fischer
53.53.III.A68	Provide the debit and credit in the test year to the Deferred Taxes due to Accelerated Depreciation for federal income tax, and provide the debit and credit for the Job Development Credits (whatever account) for test year.	7		107		Fischer

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53-53.III.A69	Reconcile all data given in answers to questions on income taxes charged on the test year operating statement with regard to income taxes paid, income taxes charged because of normalization and credits due to yearly write-offs of past years' income tax deferrals, and from normalization of investment tax and development credits. (Both state and federal income taxes.)	7		107		Fischer
53-53.III.A70	With respect to determination of income taxes, federal and state: a. Show income tax results of the annualizing and normalizing adjustments to the test year record before any rate increase. b. Show income taxes for the annualized and normalized test year. c. Show income tax effect of the rate increase requested. d. Show income taxes for the normalized and annualized test year after application of the full rate increase. [It is imperative that continuity exists between the income tax calculations as recorded for the test year and the final income tax calculation under proposed rates. If the company has more than one accounting area, then additional separate worksheets must be provided in addition to those for total company.]	7		107		Fischer
53-53.III.A71	In adjusting the test year to an annualized year under present rates, explain any changes that may be due to book or tax depreciation change and to debits and credits to income tax expense due to accelerated depreciation, deferred taxes, job development credits, tax refunds or other items. (The above refers only the adjustments going from recorded test year to annualized test year).	7		107		Fischer
<b>53-53.III.E</b>	<b>53-53.III.BALANCE SHEET AND OPERATING STATEMENT</b> <b>E. GAS UTILITIES</b>					
53-53.III.E.1	If Unrecovered Fuel Cost policy is implemented, provide the following: a. State manner in which amount of Unrecovered Fuel Cost on balance sheet at the end of the test year was determined, and the month in test year in which such fuel expense was actually incurred. Provide amount of adjustment made on the rate case operating account for test year-end unrecovered fuel cost. (If different than balance sheet amount, explain.) b. Provide amount of Unrecovered Fuel Cost that appeared on the balance sheet at the opening date of the test year, and the manner in which it was determined. State whether this amount is in the test year operating account..	1	18	101		Miller
53-53.III.E.2	Provide details of items and amounts comprising the accounting entries for Deferred Fuel Cost at the beginning and end of the test year.	1	18	101		Miller
53-53.III.E.3	Submit a schedule showing a reconciliation of test year MCF sales and line losses. List all amounts of gas purchased, manufactured and transported.	10	7	110	7	Paloney
53-53.III.E.4	Provide detailed calculations substantiating the adjustment to revenues for annualization of changes in number of customers and annualization of changes in volume sold for all customers for the test year. a. Break down changes in number of customers by rate schedules. b. If an annualization adjustment for changes in customers and changes in volume sold is not submitted, please explain.	3		103		Bell
53-53.III.E.5	Submit a schedule showing the sources of gas supply associated with annualized MCF sales.	12	1	112	1	Paloney

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53-53.III.E.6	Supply, by classification. Operating Revenues - Miscellaneous for test year	3		103		Bell
53-53.III.E.7	Provide details of respondent's attempts to recover uncollectible and delinquent accounts.	16		116	1	Paloney
53-53.III.E.8	Describe how the net billing and gross billing is determined. For example, if the net billing is based on the rate blocks plus FCA and STA, and the gross billing is determined by a percentage increase (1, 3, 5 percent), then state whether the percentage increase is being applied to all three items of revenue - rate blocks plus FCA and STA.	3		103		Bell
53-53.III.E.9	Describe the procedures involved in determining whether forfeited discounts or penalties are applied to customers billing.	3		103		Bell
53-53.III.E.10	Provide annualization of revenues as a result of rate changes occurring during the test year, at the level of operations as of end of the test year.	3		103		Bell
53-53.III.E.11	Provide a detailed billing analysis supporting present and proposed rates by customer classification and/or tariff rate schedule.	3		103		Bell
53-53.III.E.12	Provide a schedule showing residential and commercial heating sales by unit (MCF) per month and degree days for the test year and three preceding twelve month periods.	10	1	110	1	Efland
53-53.III.E.13	Provide a schedule of present and proposed tariff rates showing dollar change and percent of change by block. Also, provide an explanation of any change in block structure and the reasons therefore.	3		103		Bell
53-53.III.E.14	Provide the following statements and schedules. The schedules and statements for the test year portion should be reconciled with the summary operating statement. a. An operating revenues summary for the test year and the year preceding the test year showing the following (Gas MCF): (i) For each major classification of customers (a) MCF sales (b) Dollar Revenues (c) Forfeited Discounts (Total if not available by classification) (d) Other and Miscellaneous revenues that are to be taken into the utility operating account along with their related costs and expenses. (ii) A detailed explanation of all annualizing and normalizing adjustments showing method utilized and amounts and rates used in calculation to arrive at adjustment. (iii) Segregate, from recorded revenues from the test year, the amount of revenues that are contained therein, by appropriate revenue categories, from: (a) Fuel Adjustment Surcharge (b) State Tax Surcharge (c) Any other surcharge being used to collect revenues. (d) Provide explanations if any of the surcharges are not applicable to respondent's operations.  [The schedule should also show number of customers and unit of sales (Mcf), and should provide number of customers by service classification at beginning and end of test year.]	3		103		Bell



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	b. Provide details of sales for resale, based on periods five years before and projections for five years after the test year, and for the test year. List customers, Mcf sold, revenues received, source of Mcf sold (storage gas, pipeline gas, manufactured gas, natural or synthetic), contracted or spot sales, <del>whether sales are to affiliated companies and any other pertinent information</del>	3		103		Bell
53-53.III.E.15	State manner in which revenues are being presented for ratemaking purposes: a. Accrued Revenues b. Billed Revenues c. Cash Revenues Provide details of the method followed.	3		103		Bell
53-53.III.E.16	If revenue accruing entries are made on the books at end of each fiscal period, give entries made accordingly at the end of the test year and at the beginning of the year. State whether they are reversed for ratemaking purposes.	2	7	102	6	Miller
53-53.III.E.17	State whether any adjustments have been made to expenses in order to present such expenses on a basis comparable to the manner in which revenues are presented in this proceeding (i.e. - accrued, billed or cash).	4	1	104	1	Miller Miller/ Krajovic
53-53.III.E.18	If the utility has a Fuel Adjustment Clause: a. State the base fuel cost per MCF chargeable against basic customers' rates during the test year. If there was any change in this basic fuel charge during the test year, give details and explanation thereof. b. State the amount in which the fuel adjustment clause cost per MCF exceeds the fuel cost per MCF charged in base rates at the end of the test year. c. If fuel cost deferment is used at the end of the test year, give (i) The amount of deferred fuel cost contained in the operating statement that was deferred from the 12-month operating period immediately preceding the test year. (ii) The amount of deferred fuel cost that was removed from the test period and deferred to the period immediately following the test year. d. State the amount of Fuel Adjustment Clause revenues credited to the test year operating account. e. State the amount of fuel cost charged to the operating expense account in the test year which is the basis of Fuel Adjustment Clause billings to customers in that year. Provide summary details of this charge f. From the recorded test year operating account, remove the Fuel Adjustment Clause Revenues. Also remove from the test year recorded operating account the excess of fuel cost over base rate fuel charges, which is the basis for the Fuel Adjustment charges. Explain any differences between FAC Revenues and excess fuel costs. [The above is intended to limit the operating account to existing customers' base rate revenues and expense deductions relative thereto].	12	2	112	2	Paloney
53-53.III.E.19	Provide growth patterns of usage and customer numbers per rate class, using historical and projected data.	10	2	110	2	Efland
53-53.III.E.20	Provide, for test year only, a schedule by tariff rates and by service classifications showing proposed increase and percent of increase.	3		103		Bell

Columbia Gas of Pennsylvania, Inc.  
R-2016-2529660  
Referenced by Commission Regulations

Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended <u>November 30, 2015</u>		Fully Forecasted Rate Year Twelve Months Ended <u>December 31, 2017</u>		Witness
		Exhibit	Schedule	Exhibit	Schedule	
53-53.III.E.21	If a gas company is affiliated with another utility segment, such as a water or electric segment, explain the effects, if any, upon allocation factors used in the gas rate filing of current or recent rate increases allowed to the other utility segment (or segments) of the company.	2	8	102	7	Miller
53-53.III.E.22	Provide supporting data detailing curtailment adjustments, procedures and policies.	10	3	110	3	Paloney
53-53.III.E.23	Submit a schedule showing fuel cost in excess of base compared to fuel cost recovery for the period <u>two months prior to test year and the test year</u>	12	3	112	2	Paloney
53-53.III.E.24	Supply a detailed analysis of Purchased Gas for the test year and the twelve month period prior to the test year.	12	4	112	2	Paloney
53-53.III.E.25	Submit calculations supporting energy cost per MCF and operating ratio used to determine increase in costs other than production to serve additional load.	12	4	112	2	Paloney
53-53.III.E.26	Submit detailed calculations for bulk gas transmission service costs under supply and/or interconnection agreements.	12	4	112	2	Paloney
53-53.III.E.27	Submit a schedule for gas producing units retired or scheduled for retirement subsequent to the test year showing station, units, MCF capacity, hours of operation during test year, net output produced and cents/MCF of maintenance and fuel expenses.	13	6	113	4	Paloney
53-53.III.E.28	Provide a statement explaining the details of firm gas purchase (long-term) contracts with affiliated and nonaffiliated utilities, including determination of costs, terms of contract, and other pertinent information.	17		117		Paloney
53-53.III.E.29	Provide intrastate operations percentages by expense categories for two years prior to the test year.	4	17	104	9	Miller
53-53.III.E.30	Provide a schedule showing suppliers, MCF purchased, cost (small purchases from independent suppliers may be grouped); emergency purchases, listing same information; curtailments during the year; gas put into and taken out of storage; line loss, and any other gas input or output not in the ordinary course of business.	12	4	112	2	Paloney
53-53.III.E.31	Provide a schedule showing the determination of the fuel costs included in the base cost of fuel.	12	5	112	2	Paloney
53-53.III.E.32	Provide a schedule showing the calculation of any deferred fuel costs shown in Account 174. Also, explain the accounting, with supporting detail, for any associated income taxes.	1	19	101		Miller
53-53.III.E.33	Submit a schedule showing maintenance expenses, gross plant and the relation of maintenance expenses thereto as follows. (i) Gas Production Maintenance Expenses per MCF production, per \$1,000 MCF production, and per \$1,000 of Gross Production Plant; (ii) Transmission Maintenance Expenses per MMCF mile and per \$1,000 of Gross Transmission Plant; (iii) Distribution Maintenance Expenses per customer and per \$1,000 of Gross Distribution Plant; (iv) Storage Maintenance Expenses per MMCF of Storage Capacity and per \$1,000 of Gross Storage Plant. This schedule shall include three years prior to the test year, the test year and one year's projection beyond the test year.	4	18	104	9	Miller
53-53.III.E.34	Prepare a 3-column schedule of expenses, as described below for the following periods (supply sub-accounts, if significant, to clarify basic accounts): a. Column 1 - Test Year b. Column 2 and 3 - The two previous years	4	3 19	104	3	Miller

Columbia Gas of Pennsylvania, Inc.  
R-2016-2529660  
Referenced by Commission Regulations

Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended November 30, 2015		Fully Forecasted Rate Year Twelve Months Ended December 31, 2017		Witness
		Exhibit	Schedule	Exhibit	Schedule	
	Provide the annual recorded expense by accounts. (Identify all accounts used but not specifically listed below.)					
53-53.III.E.35	Submit a schedule showing the Gross Receipts Tax Base used in computing Pennsylvania Gross Receipts Tax Adjustment.	6	1	106	1	Fischer
53-53.III.E.36	State the amount of gas, in MCF, obtained through various suppliers in past years.	12	4	112	2	Paloney
53-53.III.E.37	In determining pro forma expense, exclude cost of gas adjustments applicable to fuel adjustment clause and exclude fuel adjustment clause revenues, so that the operating statement is on the basis of base rates only.	3		103		Bell
53-53.III.E.38	Identify company's policy with respect to replacing customers lost through attrition.	10	4	110	4	Paloney
53-53.III.E.39	Identify procedures developed to govern relationship between the respondent and potential customers - i.e., basically expansion, alternate energy requirements, availability of supply, availability of distribution facilities, ownership of metering and related facilities.	10	4	110	4	Paloney
<b>53-53.IV.B</b>	<b>53-53.IV. RATE STRUCTURE</b> <b>B. GAS UTILITIES</b> Each gas utility shall submit the following simultaneously with any rate increase filing:					
53-53.IV.B.1	Provide a Cost of Service Study showing the rate of return under the present and proposed tariffs for all customer classifications. The study should include a summary of the allocated measures of value, operating revenues, operating expenses and net return for each of the customer classifications at original cost and at the 5-year trended original cost.	11		111	1 - 3	Balmert
53-53.IV.B.2	Provide a statement of testimony describing the complete methodology of the cost of service study.	11		111		Balmert
53-53.IV.B.3	Provide a complete description and back-up calculations for all allocation factors.	11		111	4	Balmert
53-53.IV.B.4	Provide an exhibit for each customer classification showing the following data for the test year and the four previous years: a. The maximum coincident peak day demand. b. The maximum coincident 3-day peak day demand. c. The average monthly consumption in Mcf during the Primary Heating Season (November-March). d. The average monthly consumption in Mcf during the Non-heating season (April-October). e. The average daily consumption in Mcf for each 12-month period	10	5	110	5	Paloney
53-53.IV.B.5	Submit a Bill Frequency Analysis for each rate. The analysis should include the rate schedule and block interval, the number of bills at each interval, the cumulative number of bills at each interval, the Mcf or therms at each interval, the cumulative Mcf or therms at each interval, the accumulation of Mcf or therms passing through each interval, and the revenue at each interval for both the present rate and the proposed rates. The analysis should show only those revenues collected from the basic tariff	11		111		Bell
53-53.IV.B.6	Supply copies of all present and proposed Gas Tariffs.	14	2	114	1	Bardes Hasson
53-53.IV.B.7	Supply a graph of present and proposed base rates on hyperbolic cross section paper.	11		111	5	Bell

Columbia Gas of Pennsylvania, Inc.  
R-2016-2529660  
Referenced by Commission Regulations

Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended November 30, 2015		Fully Forecasted Rate Year Twelve Months Ended December 31, 2017		Witness
		Exhibit	Schedule	Exhibit	Schedule	
53-53.IV.B.8	Supply a map showing the Gas System Facilities and Gas Service Areas. The map should include transmission lines, distribution lines, other companies' lines interconnecting with the interconnecting points clearly designated, major compressor stations, gas storage and gas storage lines. The normal direction of gas flow within the transmission system should be indicated by arrows. Separate service areas within the system should be clearly designated.	15	2	115		Paloney
53-53.IV.B.9	Supply a cost analysis supporting minimum charges for all rate schedules.	11		111	2 - 3	Balmert
53-53.IV.B.10	Supply a cost analysis supporting demand charges for all tariffs which contain demand charges.	11		111		Balmert
53-53.IV.B.11	Supply the net fuel clause adjustment by month for the test year.	12	6	112	2	Paloney
53-53.IV.B.12	Supply a tabulation of base rate bills for each rate schedule comparing the existing rates to proposed rates. The tabulation should show the dollar difference and the per cent increase or decrease.	11		111	6	Balmert
53-53.IV.B.13	Submit the projected demands for all customer classes for both purchased and produced gas for the three years following the test year filing.	10	6	110	6	Efland
53-53.IV.B.14	Supply an exhibit showing the gas deliveries to each customer class for the most recent 24 month period. The exhibit should identify the source of the gas, such as "purchased" (pipeline), "production" (include purchases from local producers), "storage withdrawal", "propane/air", and "unaccounted for".	10	7	110	7	Paloney
<b>53.62</b>	<b>53.62 RECOVERY OF FUEL COSTS BY GAS UTILITIES</b> In addition to information otherwise required to be filed by a jurisdictional natural gas distributor with gross intrastate annual operating revenues in excess of \$40 million seeking a change in its base rates, each gas utility must also file updates to the information required by &53.64(c) (relating to filing requirements for natural gas distributors with gross intrastate annual operating revenues in excess of \$40 million). In the case of a utility purchasing gas as defined at &53.61 (a) (relating to purpose) from an affiliated interest, it shall also file updates to the information required at &53.65 (relating to special provisions relating to natural gas distributors with gross interstate annual operating revenues in excess of \$40 million with affiliated interests). These updates shall be made at the time the base rate case under 66 Pa.C.S. 1308 (relating to voluntary changes in rates) is originally filed. Deficiencies in filing will be treated as set forth at &53.51 (c) (relating to general).					
	Weather Normalization Adjustment	10	8	110	8	Efland
	Volumetric Portion of Load Growth Adjustment	10	9	110	9	Efland
	Estimated Number of Bills and Normalized Sales Volumes	10	9	110	9	Efland
	Future Test Year Sales Forecast	10	9	110	10	Efland
	Adjustment to Purchase Gas Expense	12	7	112	3	Paloney
	Recovery of Fuel Costs by Gas Utilities (1307-F)	12	8	112	4	Paloney

COLUMBIA GAS OF PENNSYLVANIA, INC  
53.53 III. BALANCE SHEET AND OPERATING STATEMENT  
A. ALL UTILITIES

40. Adjustments which are estimated shall be fully supported by basic information reasonably necessary.

Response: All adjustments made were based on annualizing and normalizing the 12 months ended November 30, 2015. The derivation and support behind the adjustments are shown on the following exhibits:

Exhibit No. 2	Income Statement
Exhibit No. 3	Revenues
Exhibit No. 4	Expenses
Exhibit No. 5	Depreciation
Exhibit No. 6	Taxes Other Than Income Taxes
Exhibit No. 7	Income Taxes
Exhibit No. 8	Measures of Value

41. Submit a statement explaining the derivation of the amounts used for projecting future test year level of operations and submit appropriate schedules supporting the projected test year level of operation.

Response: Exhibits explaining the derivation of the amounts used for projecting a future test year (12 months ending November 30, 2016) and a fully forecasted rate year (12 months ended December 31, 2017) are:

Exhibit No. 102	Income Statement
Exhibit No. 103	Revenues
Exhibit No. 104	Expenses
Exhibit No. 105	Depreciation
Exhibit No. 106	Taxes Other Than Income Taxes
Exhibit No. 107	Income Taxes
Exhibit No. 108	Measures of Value

COLUMBIA GAS OF PENNSYLVANIA, INC  
53.53 III. BALANCE SHEET AND OPERATING STATEMENT  
A. ALL UTILITIES

44. Ratios, percentages, allocations and averages used in adjustments must be fully supported and identified as to source.

Response: When allocation factors are used, they are identified on the appropriate exhibit.

45. Provide an explanation of any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate case.

Response: There are no differences.

46. Supply a copy of internal and independent audit reports of the test year and prior calendar year, noting any exceptions and recommendations and disposition thereof.

Response: Please see the attached internal audits. There were no independent audit reports performed specifically for Columbia Gas of Pennsylvania during the test year and prior calendar year.

# B U I L D I N G

## NiFiT Deployment 2 - Risk Assessment Review

NiSource IT Audit

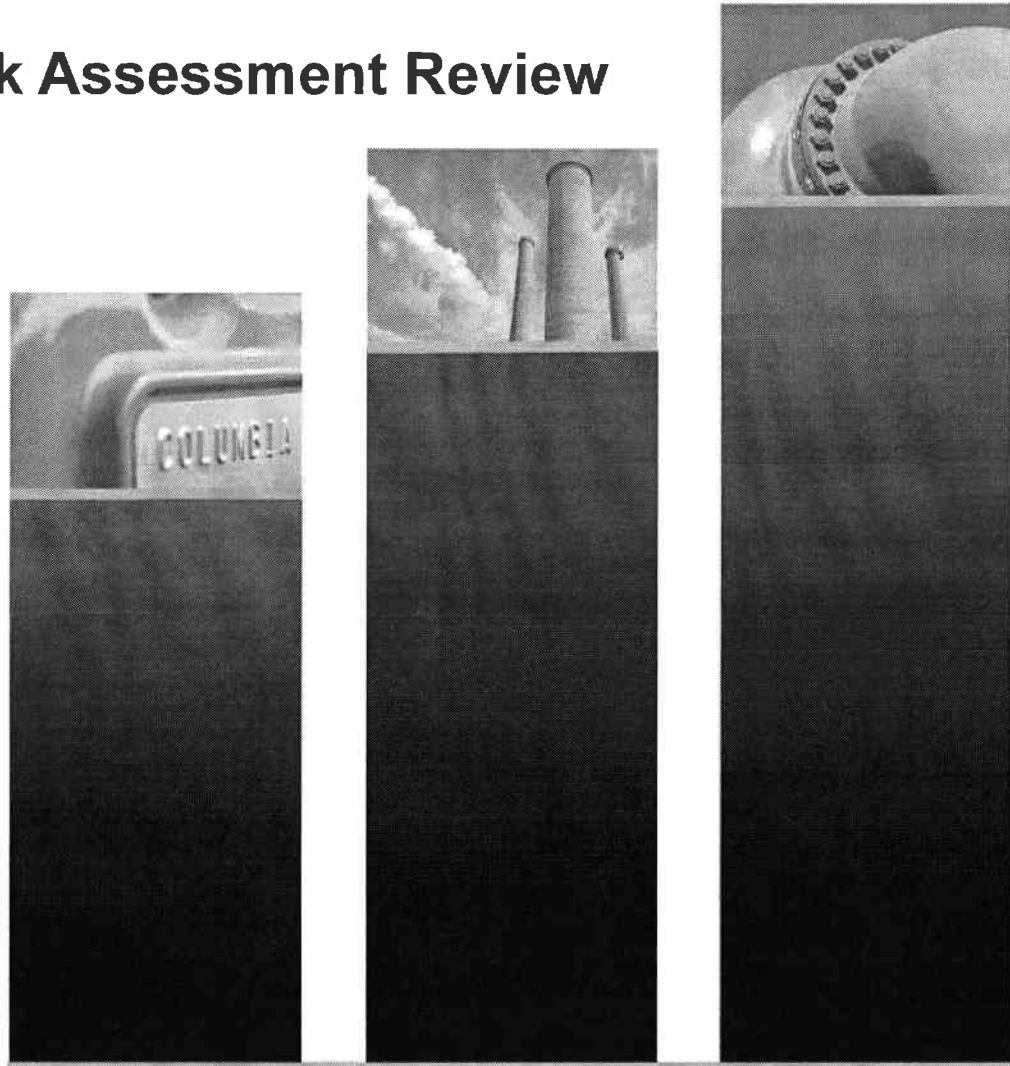
January 3, 2014

**To:**

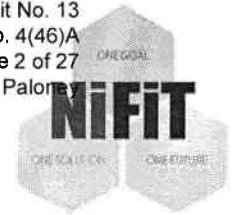
Rick Fontaine, VP - Financial Transformation  
Russ Viater, VP – IT Service Delivery (NIPSCO/NCS)  
Jon Veurink, VP - Chief Accounting Officer  
Tim Tokish, VP – Financial Planning & Analysis

**From:**

John Manfreda, Project Manager – IT Audit  
Greg Wancheck, Manager – IT Audit  
Ray Irvin, Director – IT Audit



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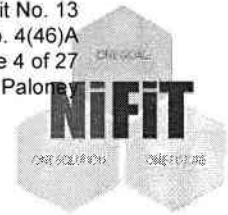
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NiFiT Deployment 2 - Risk Assessment Review

# EXECUTIVE OVERVIEW



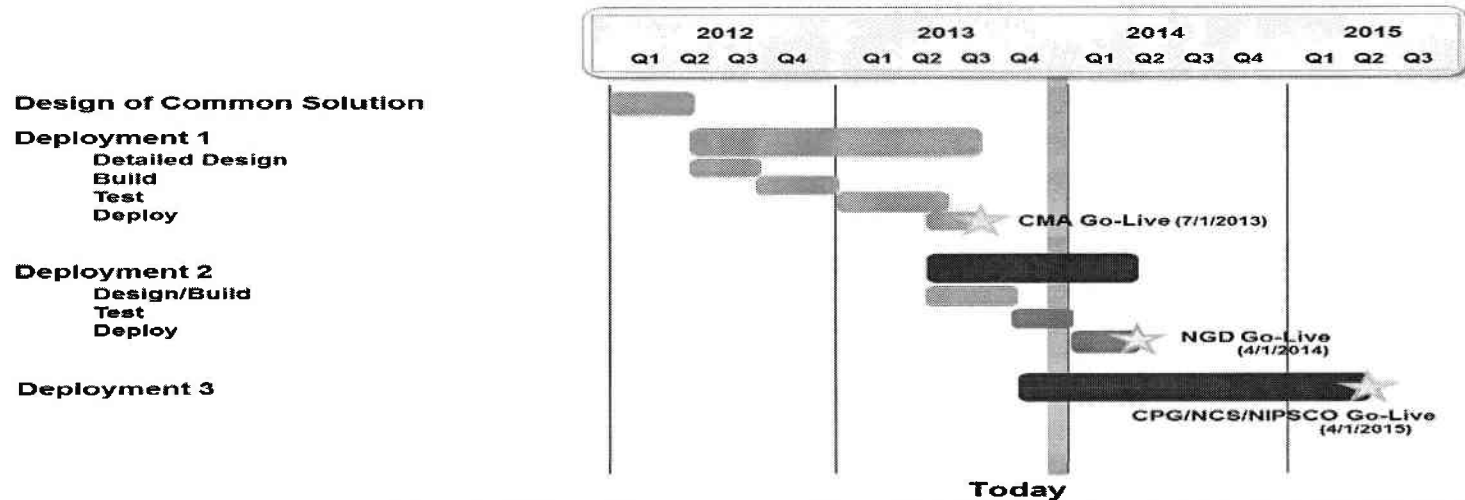
# NiFiT Deployment 2 - Risk Assessment Review

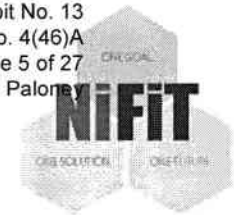
## Executive Overview

Scope

The NiFiT project is currently the largest IT project being undertaken by NiSource IT and NiSource Corporate Business Services (NBCS). NiFiT has an estimated budget of \$125MM over its projected four (4) year lifecycle and employs forty-one (41) full-time NiSource personnel who are being assisted by their system integration partner, Accenture, and other partner firms (including IBM, HMB, PowerPlan, Navigator and Axia). The result is a full-time NiFiT project peak team size of 147 people spanning nine (9) different partner companies participating from four (4) countries around the globe.

The following timeline depicts the phased approach being followed by the NiFiT Project team. The approach calls for three (3) deployments, with Deployments 1 and 2 including the NGD (NiSource Gas Distribution) companies (CMA, COH, CPA, CKY, CVA and CMD). Deployment 1 (CMA) went live in July 2013 while Deployment 2, which encompasses the remaining NGD Companies, is targeted for April 2014. Deployment 3 will include the Columbia Pipeline Group (CPG), NiSource Corporate Business Services (NCBS) and Northern Indiana Public Service Company (NIPSCO) business units and is currently planned for April 2015.





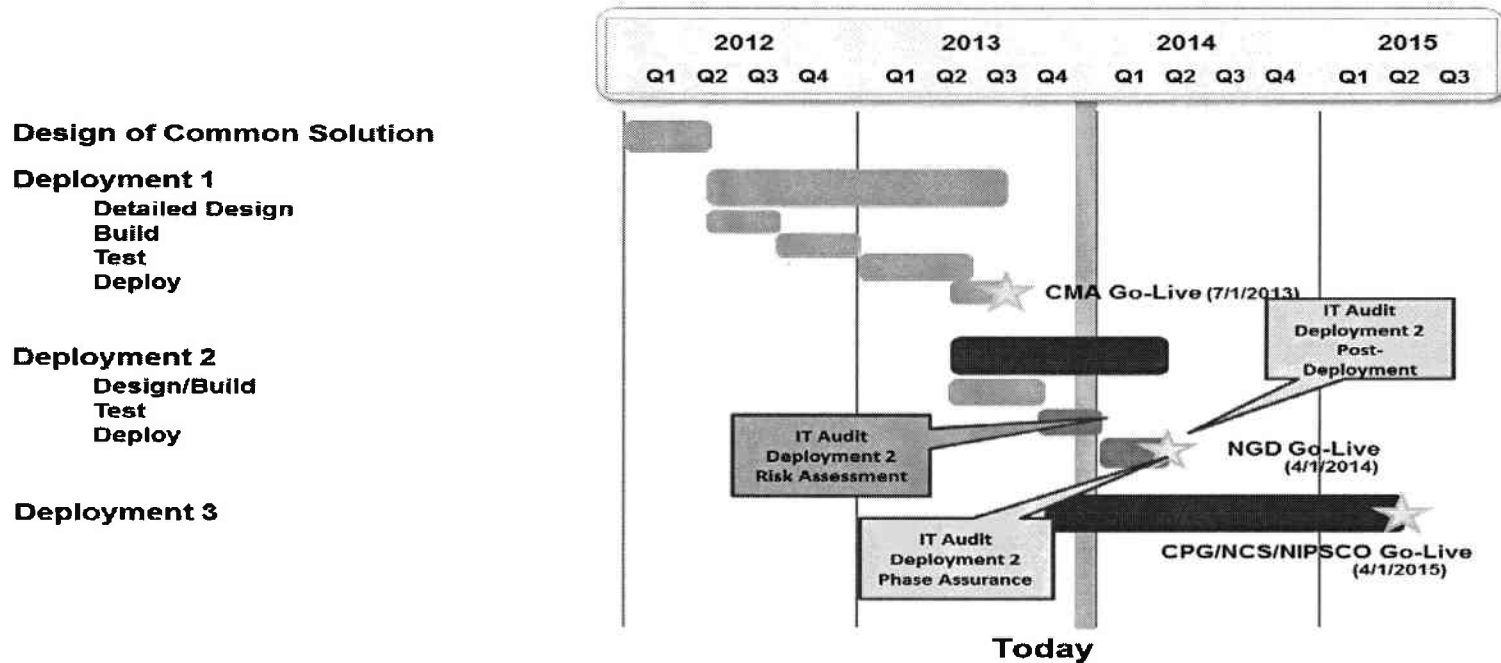
# NiFiT Deployment 2 - Risk Assessment Review

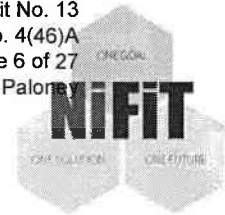
## Executive Overview (Cont'd)

Audit Plan

Throughout 2013 and 2014, NiSource IT Audit will issue several reports timed and focused on NiFiT Deployment 2. Our reports will include a Risk Assessment Review, a Phase Assurance Report planned to be delivered near go-live in April 2014 and a Post-Deployment Review, timed shortly after Deployment 2 implementation, which will include an opinion on solution turnover and Hypercare support. The timing of these NiFiT Deployment 2 reports has been determined to allow for adequate and timely feedback to NiFiT Project team Management.

The following chart depicts the planned reports to be delivered by IT Audit in support of the NiFiT Deployment 2 effort. This Deployment 2 Risk Assessment Review is the tagged box below highlighted in light blue.





# NiFiT Deployment 2 - Risk Assessment Review

## Executive Overview (Cont'd)

Approach

IT Audit continues to provide both advisory and assurance services during the current and future phases of NiFiT. The purpose of each IT Audit review is as follows:

- Capture and report on key information and data regarding NiFiT project delivery execution.
- Assess the effectiveness of adoption and usage of the NiFiT system by NiSource.
- Conclude whether controls were considered and tested by relevant parties as part of NiFiT deployment.

The following terms are used to describe services provided by IT Audit throughout the duration of the NiFiT project:

**Assurance Services:**

Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusion regarding an entity, operation, function, process, system or other subject matter. (IIPF standards revised October 2010)

**Advisory Services:**

Consulting services are advisory in nature and are performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. (IIPF standards revised October 2010)



# NiFiT Deployment 2 – Risk Assessment Review

## Executive Overview (Cont'd)

Objective

The objective of IT Audit's NiFiT Deployment 2 (D2) Risk Assessment is to provide management with an evaluation of the policies, procedures and processes used to manage risks associated with Deployment 2 and provide assurance that business process controls impacted by Deployment 2 are considered, approved and documented. This Deployment 2 Risk Assessment Review focuses on the following:

### 1) Risk Documentation and Risk Management Processes

Review NiFiT project risk management documentation to obtain a perspective on related risks to Deployment 2 and how those risks impact release delivery timing and quality. Review risk identification and mitigation measures to provide a perspective to NiFiT management.

### 2) Project Management Controls

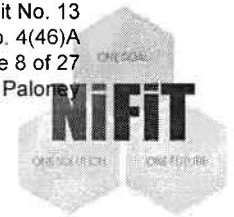
Review project management controls over NiFiT schedule, scope and costs to provide reasonable assurance processes instituted for Deployment 1 continue to be used for Deployment 2.

### 3) Stakeholder Risk Management Perspective

Provide a perspective to both the NiFiT Project team and relevant NiFiT Stakeholders on overall risk management practices and procedures used to guide Deployment 2 activities.

### 4) Business Process Controls

Review automated business process control designs, documentation and process owner approvals to provide an opinion on the adequacy of management's inclusion of controls for Deployment 2. Review whether the Risk Navigator SOX database is aligned with corresponding NiFiT Risk and Control Matrices (RCMs) for Deployment 2.



# NiFiT Deployment 2 - Risk Assessment Review

## Executive Overview (Cont'd)

### Background

A key area of sound project management includes managing risk, with corresponding risk management exercises involving three (3) primary processes: risk identification, risk analysis and risk mitigation. Since changes occurring both within, and outside NiFiT, can impact whether a negative project event takes place, risk management is an on-going process that needs to be continuously managed for awareness. The following is provided as background relevant to the NiFiT Deployment 2 Risk Assessment Review.

IT Audit issued a NiFiT Deployment 1 Risk Assessment Review in December of 2012 focusing on risk management practices employed by the NiFiT Project team. This Deployment 2 Risk Assessment Review is being undertaken to help ensure project risk management controls instituted during Deployment 1 continue to operate effectively throughout Deployment 2.

### Findings

The NiFiT Project team categorizes and manages risk at three (3) unique levels:

- Technical/Tactical (detailed-level)
- Project Operational (mid-level)
- Executive (high-level)

Of the three (3) levels of risk categorized, IT Audit noted both the NiFiT Project Risk Log (tracking tactical/technical project risks) and the Executive Risk Heat Map (tracking executive project-level risks) instituted during Deployment 1 are consistently being reviewed and updated by the NiFiT Project team as part of continuing efforts for Deployment 2. IT Audit also found the tracking and review of project operational (mid-level) risks by NiFiT Project team Management is a newly implemented oversight practice for Deployment 2 and encourages the procedure both continue to be used for mid-level risk evaluation/mitigation and be shared with relevant parties where applicable.



## NiFiT Deployment 2 - Risk Assessment Review

### Executive Overview (Cont'd)

Findings (Cont'd)

IT Audit also noted the NiFiT project is required to use the NiSource Project Management Methodology (PMM) and has a dedicated Project Management Office (PMO) team for providing project management services and support to the NiFiT Project team. For purposes of testing project management controls owned and operated by both the NiFiT PMO and Project teams, IT Audit reviewed various NiFiT Weekly Status Reports to determine whether designated project management controls for Deployment 2 schedule, scope and cost modifications were functioning as intended. Post review, IT Audit found NiFiT project management controls related to schedule, scope and/or cost changes related to Deployment 2 are being executed as designed with results being actively shared with NiFiT Project Sponsors and key Stakeholders.

IT Audit also engaged the NiFiT Executive Advisor team and a select sample of key Deployment 2 Stakeholders for inclusion in a formal interview process around risk management procedures incorporated by the NiFiT Project team. Upon consolidation of interview participant responses, IT Audit identified a subset of risk items which were reviewed with the NiFiT Project Executive for confirmation of awareness and risk ownership validation. IT Audit found all of the Executive Advisor and/or key Deployment 2 Stakeholder risks identified were formally acknowledged by the NiFiT Project Executive as mid-level risks with ownership/alignment already assumed by NiFiT Project team Management.

Overall, IT Audit noted one of the most significant ongoing risks for NiFiT Deployment 2 is the increased number of impacted users and locations in relation to Deployment 1. As such, NiFiT organizational change management activities encompassing communications, training and stakeholder management are paramount to successful Deployment 2 implementation and resulting user uptake of the solution. IT Audit believes this inherent risk is being tracked, communicated and managed by the NiFiT Project team through enhancements made in the supporting Deployment 2 Change Champion Network (CCN), both in CCN member composition (type of personnel skills) and expectations (preparing for go-live and deployment support). IT Audit will continue to monitor this area throughout Deployment 2 and provide independent assessments through our 2014 NiFiT Deployment 2 Phase Assurance and Post-Deployment reviews.



## NiFiT Deployment 2 - Risk Assessment Review

### Executive Overview (Cont'd)

Findings (Cont'd)

As part of NiFiT Deployment 2 planning, IT Audit obtained the most current versions of the NiFiT Deployment 2 Risk and Controls Matrixes (as of November 2013) and found two (2) net, new automated SOX controls were added post Deployment 1. For both automated controls added, IT Audit found corresponding Process Owner approval of the automated control along with a corresponding control test script created within NiSource's HP ALM (Application Lifecycle Management) testing tool. IT Audit also inspected the HP ALM testing tool during December 2013 and noted both of the new automated SOX controls were included as part of the NiFiT Project team's System Pass (II) testing effort with their corresponding testing script successfully executed prior to the start of Deployment 2 User Acceptance Testing (UAT) in December 2013.

IT Audit obtained the Q4 2013 NiFiT Deployment 2 Risk and Control Matrix-to-Risk Navigator Reconciliation performed by the NiSource Controls team and noted the reconciliation took place, comparing the most up-to-date versions of the four (4) Deployment 2 RCMs (as of November 2013) and cross-referencing both primary and key secondary automated and manual controls appearing with the NiSource Risk Navigator SOX controls database.





NiFiT Deployment 2 - Risk Assessment Review

# REVIEW RESULTS



# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS

### Objective 1.

**Review relevant documentation to obtain a perspective on related risks to NiFiT Deployment 2 and how those risks may impact release timing and quality.**

The NiFiT Project team categorizes risk at three (3) unique levels: tactical/technical, project operational (mid-level) and executive. Tactical/technical project risks are maintained on a NiFiT Project Risk Log which is updated weekly and shared as part of the NiFiT Weekly Status Report distributed to relevant parties. Operational (mid-level) risks are captured informally by the NiFiT Project team and managed by the NiFiT Project Executive, who reports ongoing status of these operational risks on an "as needed" basis during various NiFiT Project team Management and Leadership meetings. For top-level project risks, an Executive Risk Heat Map has been created by the NiFiT Project team to display the expected impact and likelihood of executive risks for NiFiT Project Sponsors and members of the NiSource Executive Committee.

#### **Tactical/Technical Risks:**

IT Audit found the NiFiT Project team has taken the standard Action/Issue/Risk (AIR) Log template from NiSource's Project Management Methodology (PMM) framework and created a specific NiFiT Project Risk Log, displayed below, to track both tactical and technical project risks at a detailed level. The NiFiT Project Risk Log is an ongoing tracker where deployment risks are captured by ID, Risk Title, Resolution Status, Impact to Project Success and Risk Mitigation Owner. IT Audit noted the NiFiT Project Risk Log is updated on a weekly basis by the NiFiT Project team with status reported on the corresponding NiFiT Weekly Status Report distributed to NiFiT Project team management and stakeholders.

ID	Title	AIR Status	Impact to Project Success	Mitigation Owner
112	PowerPlant to EPM 8.9 Interface	Resolved	Significant	Ken Smith
114	Resource contention may cause delays in meeting deliverable schedule	Resolved	Significant	Kenneth Smith
120	Payroll Testing - Resource Constraint	Resolved	Significant	Ken Smith
121	Resource constraint for System Testing	Resolved	Significant	Sandeep Rustagi
122	Schedule overlap with Workbrain 6 Green Pay project	Resolved	Significant	Troy Martin
124	Enhance Allocations for Prior Period Adjustments at Historical Allocation Rates	Resolved	Significant	Bob Kriner



# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

### Objective 1. (Cont'd)

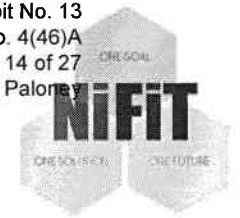
**Project Operational (Mid-Level) Risks:**

IT Audit noted project operational risks to the current NiFiT deployment are captured by the NiFiT Project team and maintained by the NiFiT Project Executive. Although there is no formal tracking performed for these mid-level risks, they are still reviewed on an ongoing basis by NiFiT Project team Management to determine trending patterns. These project operational risks are also shared as part of bi-weekly NiFiT Leadership discussions (where necessary) and with select NiSource management teams where applicable.

**Deployment 2 - Risk Analysis**

Risk	Description	Status
<b>Maintaining the Test Schedule</b>	System and User Acceptance Testing (UAT) must be completed by the end of the year.	●
<b>Managing the Code Freeze</b>	Changes to the legacy systems that were tested during the first quarter of 2014 must be closely monitored and strictly limited.	●
<b>Increasing reliance on the Change Champion Network (CCN)</b>	Increased number of employees dispersed across a larger geographic footprint (21 locations for D2 compared to 4 for D1). Increased responsibilities, such as training and testing, for CCN.	●
<b>Maintaining the attention of NGD employees</b>	D2 Change Impacts are muted compared to D1. Must maintain the focus of D2 employees so that they are aware of what is changing and the actions they need to take.	●

● Positive    ○ Neutral    ● Negative



# NiFiT Deployment 2 - Risk Assessment Review

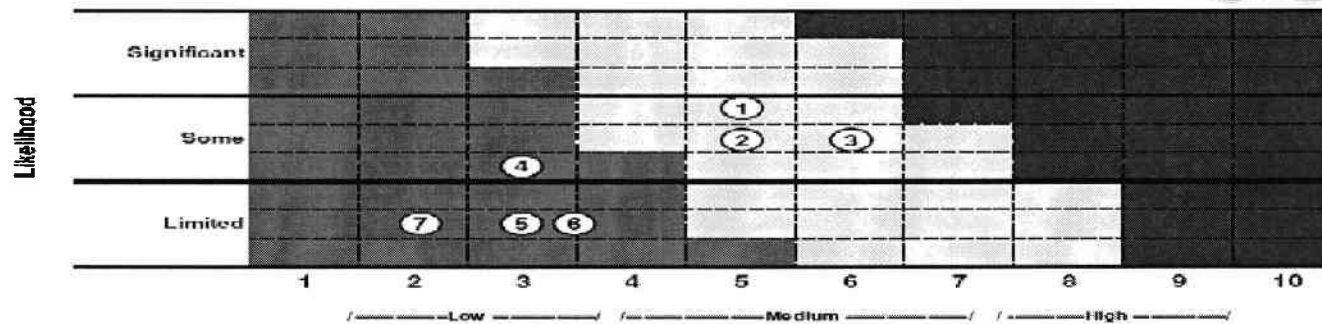
## REVIEW / RESULTS (Cont'd)

### Objective 1. (Cont'd)

**Executive Risks:**

IT Audit found known executive risks to the NiFiT project have been formally documented and are displayed on an Executive Risk Heat Map (shown below). This Executive Risk Heat Map charts seven (7) unique executive-level risks which have been identified for assessing both the likelihood and expected impact of the impending risk. IT Audit noted the Executive Risk Heat Map is updated by NiFiT Project team Management and shared periodically with NiFiT Project Sponsors and NiSource Executive Committee Members for visibility into ongoing project risk management practices instituted for NiFiT.

**NiFiT Project Risks – Known and Managed**



**Expected Impact (budget, employee engagement, standardization/ simplification, etc.)**

- |  |   |
|--|---|
| 1. Change Acceptance                           | 5. Technical Environment                                  |
| 2. Meet Schedule                               | 6. Scope Creep  |
| 3. Dependency on Completion of Other Projects  | 7. Delivered Solution Meets Defined Business Requirements |
| 4. Team Productivity (ability to hit estimate) |   |

Recommendations: None





# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

### Objective 2.

**Review any relevant updates in the Deployment 2 risk management process used by NiFiT post Deployment 1.**

IT Audit noted both the NiFiT Project Risk Log (for tracking tactical/technical project risks) and the Executive Risk Heat Map (for tracking executive project-level risks) were created during Deployment 1 and are consistently being reviewed and updated as part of continuing project efforts for Deployment 2. IT Audit did find the review of project operational (mid-level) risks by NiFiT Project team Management is a newly implemented oversight procedure for Deployment 2 and encourages Project team Management to continue to evaluate and discuss these project operational risks and share with relevant parties where applicable.

**Recommendations:** None.



# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

### Objective 3.

**Review risk management process practiced by the NiFiT Project team for Deployment 2. IT Audit will provide an independent perspective on the processes used and provide feedback to NiFiT management.**

IT Audit reviewed NiFiT Project team risk management activities for Deployment 2 for each of the following categorized risk levels:

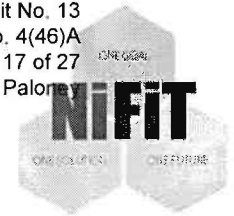
- Technical/Tactical (detailed-level)
- Project Operational (mid-level)
- Executive (high-level)

**Tactical/Technical Risks (detailed-level):**

IT Audit performed a review of randomly selected, technical/tactical risks appearing within the Deployment 2 NiFiT Project Risk Log, including analysis of Risk Log field entries related to risk impact, mitigation owner, mitigation strategy and resolution status. IT Audit found these Risk Log field entries, along with corresponding values input by the NiFiT Project team, were consistent with active risk management activity practices and were reasonable based on IT Audit attendance at regular NiFiT Project team status meetings where risk items appearing within the Risk Log were discussed for pending resolution.

IT Audit also obtained two (2) snap shots of the NiFiT Project Risk Log as of October 28 and November 20, 2013 and, of the aggregate six (6) tactical/technical risks appearing, selected two (2) Deployment 2 risks for determining whether corresponding NiFiT Risk Log field entries were completed with values input for risk description, ownership, mitigation strategy and resolution status. IT Audit noted that for each of the risks selected, risk values input by the NiFiT Project team appeared reasonable for tracking the risk mitigation process to resolution.

**Leading Practice Opportunity:** IT Audit identified an opportunity for the NiFiT Project team to add rational for resolution within the risk journal field used to populate the NiFiT Project Risk Log. Updating the NiFiT Project Risk Log with detail in the risk journal field will help clarify risk closure and provide management enhanced visibility over closure action.



# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

### Objective 3. (Cont'd)

#### **Project Operational Risk (mid-level)**

IT Audit reviewed project operational (mid-level) risk activities by observing the Deployment 2 Risk Analysis update shared by NiFiT Project team Management at the NiSource Finance Director Roundtable on November 13, 2013. Of the four (4) project operational risks being tracked on the Deployment 2 Risk Analysis update, IT Audit noted each risk was previously shared by NiFiT Project team Management at relevant meetings for visibility to Executive Advisors and Project Sponsors. IT Audit encourages NiFiT Project team Management continue providing this visibility level of project operational risks to relevant NiFiT parties for the remainder of Deployment 2 and throughout Deployment 3.

#### **Executive Risk (high-level)**

In order to evaluate whether NiFiT Project team Management is updating the Executive Risk Heat Map on a periodic basis, IT Audit compared the Deployment 1 Executive Risk Heat Map published in Q1 2013 to the Deployment 2 Executive Risk Heat Map published in Q4 2013 and found the seven (7) executive risk areas reported in Q1 2013 continue to be tracked as of Q4 2013. IT Audit also noted NiFiT Project team Management is updating the Executive Risk Heat Map, as the Change Acceptance and Meet Schedule risks moved down in Likelihood while Change Acceptance and Delivered Solution Meets Defined Business Requirements moved down in Impact. As a result, IT Audit found Executive Risk Heat Map entries are being updated as needed and, based upon attendance at NiFiT Project team weekly status meetings and NiFiT Project Leadership meetings, are also being discussed with appropriate NiFiT Project Sponsors and NiSource Executive Committee Members.

**Recommendations:** None.



# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

### Objective 4.

**Review on-going NiFiT project management processes to provide reasonable assurance that processes instituted and adhered to for Deployment 1 continue to be executed for Deployment 2.**

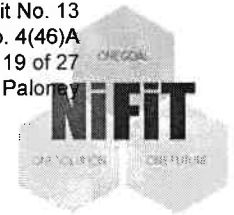
NiFiT is required to use the NiSource Project Management Methodology (PMM) and has a dedicated Project Management Office (PMO) team for providing project management services/support to the NiFiT Project team. For purposes of testing project management controls owned and executed by both the NiFiT PMO and Project teams, IT Audit reviewed various NiFiT Weekly Status Reports to determine whether designated project management controls for Deployment 2 schedule, scope and cost modifications were operating as intended.

**Schedule Management:**

IT Audit noted the NiFiT PMO monitors time charged to the project within the PWA (Project Web Access) system and reports weekly any time submittal exceptions via email to NiFiT Project team leads for review and subsequent correction. For testing purposes, IT Audit selected two (2) weeks during Deployment 2 (weeks of October 26 and November 16, 2013) and found the NiFiT PMO appropriately performed the timely weekly email send of hours submittal exceptions to relevant NiFiT Project team leads for correction. IT Audit also noted the number of NiFiT Project team members who displayed time exceptions in PWA decreased from fifteen (15) the week of October 26, 2013 to four (4) for the week of November 16, 2013, lending credence to the continued emphasis from NiFiT Project team Management of the importance of proper time entry within PWA.

IT Audit also performed a review for project schedule control over actual Deployment 2 project hours charged vs. planned project hours. IT Audit inspected both the October 26 and November 15, 2013 NiFiT Weekly Status Reports and found the actual Deployment 2 project hours charged vs. planned project hours report created from PWA was consistent with actual Deployment 2 project hours charged vs. planned project hours reported in the NiFiT Weekly Status Reports.





# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

### Objective 4. (Cont'd)

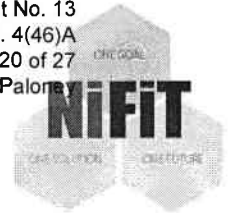
#### **Schedule Management: (Cont'd)**

Finally, IT Audit noted any modifications associated with project schedule are required to have a corresponding PCR (Project Change Request) completed and authorized by an appropriate NiFiT Project team approver(s). For testing purposes, IT Audit obtained the listing of Deployment 2 PCRs presented within the October 18 and November 15, 2013 NiFiT Weekly Status Reports – six (6) from October 18 and four (4) from November 15 – and randomly selected two (2) PCRs to determine whether the corresponding Log entries for each PCR were completed with PCR approval obtained by the appropriate NiFiT Project team approver(s). IT found that for each PCR selected (#477 from October 18 and #479 from November 15), corresponding PCR Log entry detail was complete and proper NiFiT Project team Management approval was obtained prior to PCR execution

#### **Scope Management:**

In order to effectively monitor controls associated with project scope, the NiFiT PMO maintains a Deliverables RACI Matrix for each NiFiT Deployment. The Deliverables RACI Matrix contains NiFiT Project team tasks segmented by responsible group, deliverable type, approver and date completed and is updated on an ongoing basis by the NiFiT PMO for inclusion in the NiFiT Weekly Status Report. For testing purposes, IT Audit obtained two (2) NiFiT Weekly Status Reports (weeks of October 18 and November 1, 2013) and found the Deliverables RACI Matrix for Deployment 2 was both included within the NiFiT Weekly Status Report and was updated with deliverable metrics consistent with those reported to NiFiT Project team Management within weekly NiFiT Project Team status meetings.

Any modifications associated with project scope for the current deployment are also required to have a corresponding PCR (Project Change Request) completed and authorized by an appropriate NiFiT Project team approver(s). For testing purposes, IT Audit obtained the listing of Deployment 2 PCRs presented within the October 18 and November 1, 2013 NiFiT Weekly Status Reports – six (6) from October 18 and two (2) from November 1 – and randomly selected two (2) PCRs to determine whether the corresponding Log entries for each PCR were completed and overall PCR approval was obtained by the appropriate NiFiT Project team approver(s). IT found that for each PCR selected (#475 from October 18 and #483 from November 1), corresponding PCR Log entry detail was complete and proper NiFiT Project team Management approval was obtained prior to PCR execution.



# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

### Objective 4. (Cont'd)

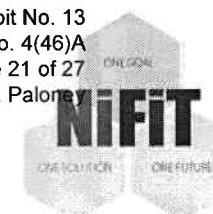
#### **Cost Management:**

The NiFiT Project team has also created cost controls for the reporting of actual/estimated/budgeted project financials, along with tracking any observed project financial variances versus expectations. These project financials are maintained with the NiFiT Financial Model and are included for reporting within the NiFiT Weekly Status Report. As part of a recommendation from the NiFiT Deployment 1 Post-Deployment review, IT Audit noted NiFiT Project team Management is currently saving a copy of the NiFiT Financial Model (and it's related data) used to populate each NiFiT Weekly Status Report for reconciliation purposes.

For testing alignment between the NiFiT Financial Model and financial data presented within the NiFiT Weekly Status Report, IT Audit obtained snapshots of the Deployment 2 NiFiT Financial Model from November 15 and November 29, 2013 and compared financial totals displayed against financial data presented by NiFiT Project team Management within the November 15 and November 29, 2013 NiFiT Weekly Status Reports. IT Audit found that for both snapshots selected, the corresponding data within the NiFiT Financial Model agreed to financial data presented within the NiFiT Weekly Status Report.

As with project scope modifications, changes associated with project costing for the current deployment are also required to have a corresponding PCR (Project Change Request) completed and authorized by an appropriate NiFiT Project team approver(s). For testing purposes, IT Audit obtained the listing of Deployment 2 PCRs presented within the October 18 NiFiT Weekly Status Report – six (6) total – and randomly selected a single cost PCR (#468) to determine whether the corresponding Log entry was completed and overall PCR approval was obtained by the appropriate NiFiT Project team approver(s). IT found that for the single PCR related to a project cost change, corresponding PCR Log entry detail was complete and proper NiFiT Project team Management approval was obtained prior to the PCR being executed.

**Recommendation(s):** None.



# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

### Objective 5.

**Provide an independent perspective to both the NiFiT Project team and relevant NiFiT Stakeholders on overall risk management practices and procedures used to guide Deployment 2 activities.**

The NiFiT project has a designated Executive Advisor team who are involved in overseeing the project in regards to enterprise governance and risk management. As part of internal change management and communications efforts, the NiFiT Project team has also identified and engaged key Stakeholders who have defined financial and/or operational responsibilities for the successful implementation of Deployment 2.

For gaining a perspective on project governance and risk management practices used to guide the Deployment 2 effort, IT Audit engaged both the NiFiT Executive Advisor team along with a selected sample of key Deployment 2 Stakeholders (displayed below) for inclusion in a formal risk assessment interview process. IT Audit performed a series of twelve (12) interviews throughout November and December 2013 in support of understanding risk management procedures used by the NiFiT Project team, as well as specific areas of project risk that NiFiT Project team Management is responsible for addressing. The Executive Advisor interviews focused on both high-level Deployment 2 risk categories defined by NiFiT Project Leadership and the project risk management/governance performance of the NiFiT Project team. The IT Audit interviews with key Deployment 2 Stakeholders included discussion of NiFiT project risk areas (as seen from a Stakeholder perspective) and questions identifying potential operational risks to CDC (Columbia Distribution Companies) that Deployment 2 may pose.

Executive Advisors			
<input type="checkbox"/> VP – Financial Transformation	<input type="checkbox"/> VP – Corporate Controller/CAO	<input type="checkbox"/> VP – IT Service Delivery (NBCS/NIPSCO)	<input type="checkbox"/> VP – Financial Planning & Analysis
Stakeholders Members			
<input type="checkbox"/> Segment Controller (NCBS)	<input type="checkbox"/> Segment Controller (NGD)	<input type="checkbox"/> VP – IT Service Delivery (NGD)	<input type="checkbox"/> SVP/COO (NGD)
<input type="checkbox"/> VP – Human Resources (NGD)	<input type="checkbox"/> COO (NGD Operations)	<input type="checkbox"/> VP & GM (COH)	<input type="checkbox"/> Director - HR Ops Delivery

# NiFiT Deployment 2 - Risk Assessment Review



## REVIEW / RESULTS (Cont'd)

### Objective 5. (Cont'd)

Upon consolidation of interview participant responses, IT Audit identified the following twelve (12) risk items which were reviewed with the NiFiT Project Executive for confirmation of awareness and risk ownership validation. See the following chart:

ID #	IT Audit - Interview Risk Identified	Risk Owner
1	<b>NiFiT Staffing – Turnover</b> <i>Loss of project productivity due to staffing changes</i>	R. Fontaine
2	<b>NiFiT Staffing – Fatigue</b> <i>Loss of project productivity due to staffing fatigue</i>	R. Fontaine
3	<b>NGD Operational staff communication during D2 deployment/cutover events.</b> <i>Potential for errors during D2 cutover leading to NGD operational challenges.</i>	R. Fontaine , K. Smith
4	<b>D1 enhancements taking focus away from D2 activities</b> <i>D2 deployment is adversely impacted for cost, scope, quality or schedule.</i>	R. Fontaine
5	<b>System changes requested by NGD being delayed or deferred due to NiFiT</b> <i>Business operations are adversely impacted</i>	R. Fontaine
6	<b>System changes made between UAT completion and actual D2 deployment</b> <i>D2 deployment is adversely impacted for cost, scope, quality or schedule.</i>	R. Fontaine , T. Martin
7	<b>Inaccurate charging of NiFiT resource time</b> <i>Inaccurate actual cost causing both payment variances to vendors and cost recording for NiFiT</i>	R. Fontaine, G. Bane
8	<b>Inaccurate time classification between O&amp;M and Capital</b> <i>Inaccurate actual cost classification for NiFiT</i>	R. Fontaine , G. Bane
9	<b>Support for regulatory tracking and filing</b> <i>Could be adversely impacted by D2 deployment</i>	R. Fontaine
10	<b>Access to NGD operational data and reports</b> <i>Could be adversely impacted by D2 deployment</i>	R. Poe
11	<b>Closing NGD accounting periods for financial reporting</b> <i>Could be adversely impacted by D2 deployment</i>	J. Konold
12	<b>Responding to regulatory support and audit requests</b> <i>Could be adversely impacted by D2 deployment</i>	R. Fontaine, R. Kriner



# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

### Objective 5. (Cont'd)

IT Audit found the NiFiT Executive Advisors shared common perspectives on the following seven (7) executive risks areas identified within the NiFiT Executive Risk Heat Map. IT Audit additionally noted the Executive Advisor group believes the NiFiT Project team executes sound project governance and risk management practices based upon their observation and project participation:

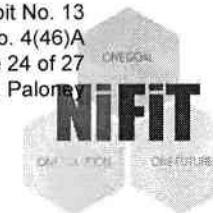
- Change Acceptance
- Meeting Schedule
- Dependency on Completion of other Projects
- Team Productivity (Ability to Hit Estimate)
- Technical Environment
- Scope Creep
- Delivered Solution Meeting Defined Business Requirements

IT Audit also found the key Deployment 2 Stakeholder group interviewed had varying levels of awareness of these seven (7) executive risk items identified above. This level of awareness appears to be predicated on how involved in Deployment 2 each key Stakeholder (and their supporting team) had been up through the interview period. IT Audit also found certain key Stakeholders identified potential Deployment 2 operational risks yet noted they believe the NiFiT Project team is aware of these operational risks and willing to work with the Stakeholders group for risk mitigation exercises.

Finally, IT Audit found each of the twelve (12) Executive Advisor and/or key Deployment 2 Stakeholder risks identified) were acknowledged by the NiFiT Project Executive as mid-level risks with ownership already assumed for ten (10) items by NiFiT Project team Management the NiFiT team is aligned with the Process Owners to assist with managing the risk for the two (2) items identified as owned by Process Owners.

**Recommendation(s):** None.

**Management Comments:** Regarding risk #4 on the previous slide, there are no D1 enhancements in process or contemplated for the future. Therefore, there is no risk of such enhancements taking focus away from D2 activities. Procedurally, D1 was tendered from HyperCare to steady state in September, 2013 per NiFiT's documented processes thus ending NiFiT's role in D1. This shift to steady state was agreed to by each of the relevant steady state process owners, and was approved by the NiFiT Executive Advisors and Executive Sponsors.



# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

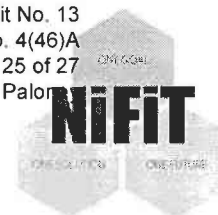
### Objective 6.

**Review KPMG Controls team activities to address modified or newly added automated controls for NiFiT Deployment 2 to ensure complete and accurate integration into NiFiT Risk and Control Matrixes (RCMs). Review NiFiT Project team testing plans for impacted Deployment 2 automated controls to determine whether new or modified automated controls are included and have been approved by Process Owners.**

As part of NiFiT Deployment 2 planning, the KPMG and NiSource Controls teams aligned to identify a total of nine (9) net new, automated control points for integration into Deployment 2 testing performed by the NiFiT Project team. Of the nine (9) automated control points added, two (2) were found to be automated SOX control activities in PeopleSoft Financials while seven (7) were noted as automated interfaces either into or out-of PeopleSoft Financials with a SOX impact.

IT Audit obtained the most current versions of the NiFiT Deployment 2 Risk and Controls Matrixes (as of November 2013) and found two (2) net, new automated SOX controls were added post lock-down of the Deployment 1 RCMs. For both automated controls added for Deployment 2, IT Audit found corresponding Process Owner approval of the automated control along with a corresponding control test script created within the HP ALM testing tool. IT Audit also inspected the HP ALM testing tool during December 2013 and noted both new, automated SOX controls were included as part of the NiFiT Project team's System Pass (II) testing effort with their corresponding testing script successfully executed prior to the start of Deployment 2 User Acceptance Testing (UAT).

IT Audit also obtained the Deployment 2 Interface listing (as of December 2013) and found seven (7) net, new automated interfaces for feeder systems into and out-of PeopleSoft Financials were added post NiFiT Deployment 1 go-live. For each of the seven (7) automated interfaces identified, IT Audit also found a corresponding SOX control testing script created within the HP ALM testing tool that was successfully executed prior to the start of Deployment 2 User Acceptance Testing (UAT) – as automated interfaces aren't required to have corresponding Process Owner approval prior to deployment.



# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

### Objective 6. (Cont'd)

#	Test Script	Control / Process	SOX Type	Team	System Test Status (HP ALM)
New Automated SOX Interfaces (D2)					
1	SCM.S.003.02	DIS (Cash) > PS AP	SOX Interface	Supply Chain	Passed
2	SCM.S.005.02	Lease-Rental Control System > PS AP	SOX Interface	Supply Chain	Passed
3	SCM.029.03	PNC (Disbursements) > PS AP	SOX Interface	Supply Chain	Passed
4	ACT.I.003.01	DIS (Choice) > PS GL	SOX Interface	Accounting	Passed
5	ACT.I.004.01	DIS (Non-Choice) > PS GL	SOX Interface	Accounting	Passed
6	ACT.I.021.05	OSS > PS GL	SOX Interface	Accounting	Passed
7	ACT.I.002.04	DIS JV > PS GL	SOX Interface	Accounting	Passed
New Automated SOX Controls (D2)					
8	ACT.FIT.010.23	ALLOC.01: Allocations Security	SOX Control	Accounting	Passed
9	ACT.01.W.01.04	INTCO.03: Intercompany Journal Approvals	SOX Control	Accounting	Passed

For additional review whether NiFiT Deployment 2 RCMs are being actively managed and kept current, IT Audit obtained RCM Change Logs maintained by the NiSource Controls team as of December 2013. IT Audit noted that for each of the four (4) individual Deployment 2 RCM's, a corresponding Change Log is being updated on a month-by-month basis for any modified control data (i.e. control activity description, process owner, process owner approval, etc.). IT Audit encourages the NiSource Controls team continue this RCM Change Log update practice as it helps ensure modifications to the each of the four (4) Deployment 2 RCMs is tracked, readily visible and able to be reconciled back to the current Deployment 2 RCM versions maintained.

**Recommendations:** None.



# NiFiT Deployment 2 - Risk Assessment Review

## REVIEW / RESULTS (Cont'd)

### Objective 7.

**Review activities to update the NiSource Risk Navigator SOX controls database with new or updated controls for NiFiT Deployment 2 to provide assurance that relevant controls documentation is aligned with Deployment 2 RCMs.**

IT Audit obtained the Q4 2013 NiFiT Deployment 2 RCM-to-Risk Navigator Reconciliation performed by the NiSource Controls team and noted the reconciliation took place, comparing the most up-to-date versions of the four (4) Deployment 2 RCMs (as of November 2013) and cross-referencing both primary and key secondary automated and manual controls appearing with the NiSource Risk Navigator SOX controls database. Based on the November 2013 reconciliation performed, the NiSource Controls team found the following statistics:

- 881 Primary and Key Secondary Controls present within Risk Navigator
- 496 Primary and Key Secondary Controls appearing in the NiFiT Deployment 2 RCM's (as of November 2013)
- 474 Primary and Key Secondary Controls appearing in Risk Navigator related to NiFiT (as of November 2013)
- 22 Primary and Key Secondary Controls with variance – located in the Deployment 2 RCM's but not located in Risk Navigator

IT Audit determined the twenty-two (22) primary/key secondary SOX control variance was due to these controls being newly added to the RCM's for NiFiT Deployment 2, with the update to include those controls in the Risk Navigator SOX database taking place in April 2014 post go-live of NiFiT Deployment 2.

**Recommendations:** None.





# NiFiT Deployment 2 - Risk Assessment Review

## REPORT DISTRIBUTION

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**TO:** Susan Taylor, Controller Corporate Services

**FROM:** Shelley Duling, Audit Senior *Shelley Duling*  
Jaclyn Callahan, Audit Manager *Jaclyn Callahan*  
Ryan Binkley, Audit Director *Ryan Binkley*

**DATE:** February 18, 2014

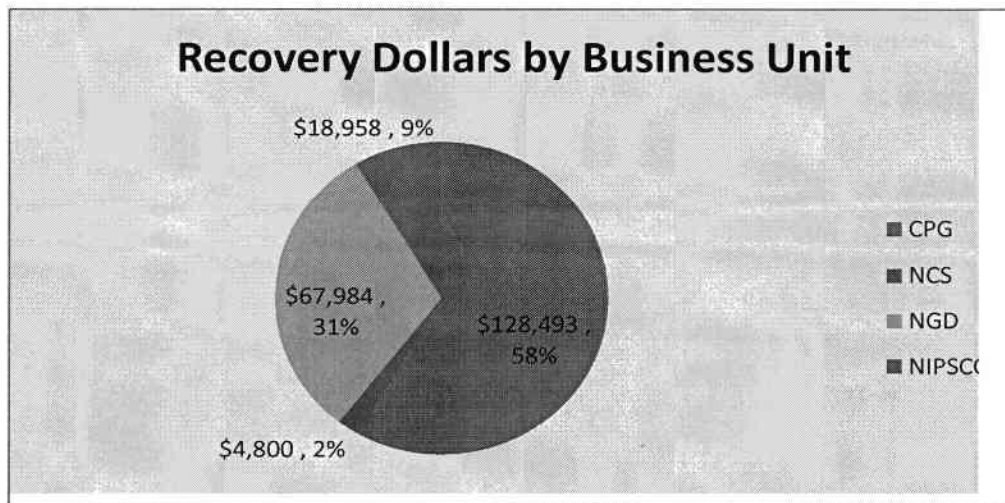
**SUBJECT:** Accounts Payable Recovery Audit (NiSource)

We have completed an Accounts Payable recovery audit for the period June 1, 2011 through May 31, 2013. This review is jointly conducted between NiSource Internal Audit and Renew International, LLC (Renew) and is completed on a bi-annual basis to identify and recover duplicate payments, erroneous payments, and outstanding credits on the books and records of NiSource vendors. The total spend was approximately \$4.5 billion across all NiSource business units for the period under review.

**Scope of Work / Audit Results**

NiSource's payment data along with Renew's proprietary software was used to analyze payable data to generate audit exception reports. A summarized listing of expenditures by vendor was used as a basis to solicit statements of account for open items with key suppliers of NiSource. Overall, the scope of the audit encompassed approximately 738K invoices with nearly \$4.5B in trade payable spending with the solicitation of statements from 2,752 selected vendors. The total amount of overpayments identified during the audit was ~\$220K (38 total claims). Of the total ~\$220K in overpayments confirmed as payable to NiSource by vendors, the Company has received a total of ~\$195K in reimbursements as of the date of this audit report; NiSource is still awaiting the receipt of refunds for the remaining confirmed ~\$25K of vendor overpayments.

The following graph illustrates the portion of the total recovery amount for each business unit that had recoveries:

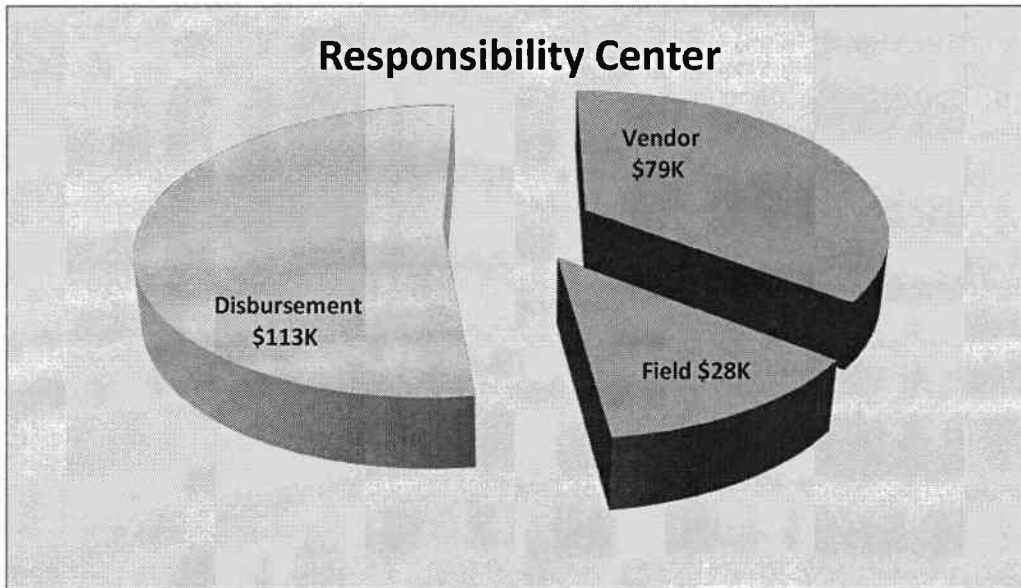


\*\* These recoveries were processed by the individual business units.

The following chart represents the types of errors noted during the review by Revenew, including the root cause for the 38 claims submitted:

Key Responsibility Center	Type of Error	Root Cause	Claims	%	\$(000's)	%
Vendor	Overcharges	Pricing Error / Miscellaneous	4	10.5%	15	6.8%
	Rebates	Warranty Settlement	1	2.6%	2	0.9%
	Duplicate Billing	Revised Amount / Two Different Invoices	7	18.4%	59	26.8%
	Other	Revenew Did Not Determine R.C.	1	2.6%	3	1.4%
Field	Returned Items	Cancelled Order / Surplus Repurchased / Wrong Items	9	23.7%	28	12.7%
<b>Non-Disbursement Error Types</b>			<b>22</b>	<b>57.9%</b>	<b>107</b>	<b>48.6%</b>
Disbursement	Duplicate Payment	Different Invoice Number	5	13.2%	15	6.8%
		Different Vendor Number	2	5.3%	3	1.4%
		Different Amounts	1	2.6%	6	2.7%
		Different Dates	1	2.6%	3	1.4%
	Paid Credit Memo	Entered Credit Memo in Wrong Sign	2	5.3%	19	8.6%
	Paid Wrong Vendor	Lookup Error	1	2.6%	10	4.5%
	Overpayment	Paid Incorrect Invoice / Other	2	5.1%	19	8.2%
	Other	Revenew Did Not Determine R.C.	2	5.3%	38	17.3%
<b>Disbursement Error Types</b>			<b>16</b>	<b>42.1%</b>	<b>113</b>	<b>51.4%</b>
<b>Totals</b>			<b>38</b>	<b>100.0%</b>	<b>220</b>	<b>100.0%</b>

The following graph illustrates the responsibility center and the associated dollar amounts for the types of errors noted. (The color-coded "Key" field located in the chart above, lists the error types included in each of the graph segments below):



### **Conclusion**

Internal controls appear to be effective in mitigating the risks specific to identifying vendor overpayments. Total recoveries of ~\$220K for the current audit period represent a significant decrease from ~\$555K for the prior audit period August 2009 through May 2011. However, awareness should be brought to personnel approving invoices to stress the importance of diligence in the invoice review and approval process to prevent "non-disbursement" error types (such as duplicate billings and overcharges).

### **Management Response**

Accounts Payable has made strides with reducing duplicate payments by enhancing training and developing the internal AP team, customers, and outsourced provider on ensuring accuracy with invoice processing. This has been done with daily interactions with our stakeholders, as well as on-site training classes. We have also partnered with SourceNet on exception processing to ensure duplicates are quickly identified and resolved.

As always, we appreciate the cooperation and assistance that your staff provided during this review. Should you have any questions or require additional information, please do not hesitate to contact Ryan Binkley at (614) 460-5985, Jaclyn Callahan at (614) 460-5493 or Shelley Duling at (614) 460-6062.

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# B U I L D I N G

## NiFiT Deployment 2 - Phase Assurance Review NiSource IT Audit

March 19, 2014

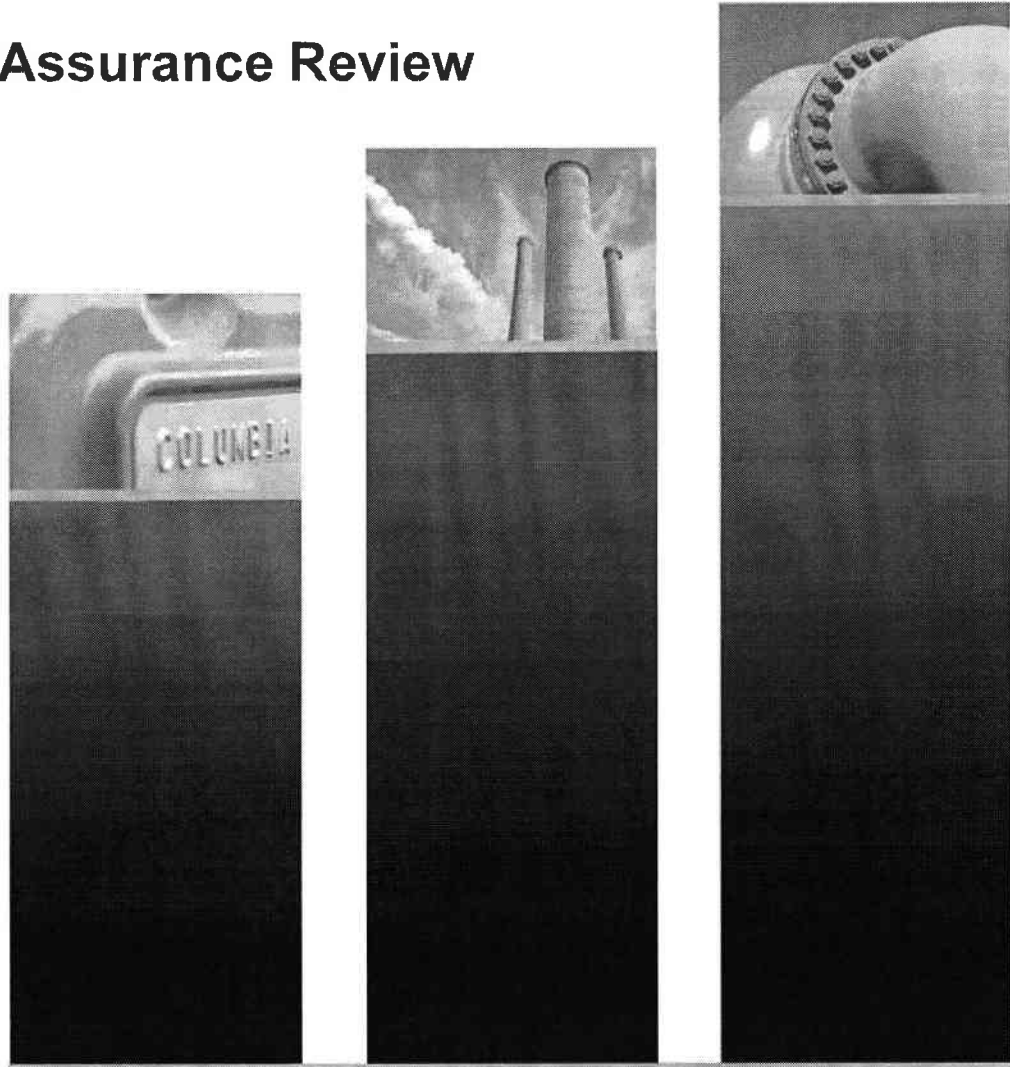
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NiFiT Deployment 2 - Phase Assurance Review

# EXECUTIVE OVERVIEW





# NiFiT Deployment 2 - Phase Assurance Review

## Executive Overview

### Phase Assurance Objectives

The objective of IT Audit's Deployment 2 Phase Assurance Review was to provide management with an overall evaluation of the policies, procedures and processes used to manage activities associated with the NiFiT Deployment 2. Test phase, specifically focusing on the following areas:

**1) Project Management Controls**

Review project management controls in the areas of budget, schedule and scope to ensure that NiSource corporate policy and/or NiFiT standards are followed.

**2) Business Process Controls**

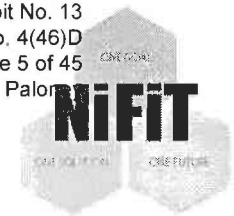
Review automated and manual business process control test status to provide an opinion on the adequacy of management's inclusion and testing. Also, independently test the effectiveness of both automated and manual business process controls.

**3) Project Conduct Controls**

Review conduct of the NiFiT Project Team in its achievement of program objectives.

**4) Deliverable Quality Controls**

Review phase deliverable quality assurance practices and key deliverables by the NiFiT Project Team to provide an independent perspective on quality measures.



# NiFiT Deployment 2 - Phase Assurance Review

## Executive Overview (Cont.)

Phase Assurance Background

The NiFiT Deployment 2 Phase Assurance Review covers activities supporting the NiFiT Test phase as conducted between September 2013 and January 2014 by the NiFiT Project and Controls Teams, post IT Audit's issuance of the NiFiT Deployment 2 Risk Assessment in December 2013.

During the Deployment 2 Test phase, NiFiT Project Team leadership continued internal initiatives to help ensure alignment over test streams being executed by team members. These efforts included maintaining oversight and reporting diligence associated with project scope, schedule and financial cost controls in accordance with both NiSource corporate policy and documented NiFiT project standards.

The NiFiT Project Team also undertook significant System and User Acceptance Test (UAT) efforts as part of the Deployment 2 Test phase to create individual business process test scripts within the HPALM (Hewlett Packard Application Lifecycle Management) software, whereby both NiFiT Project Team members and participants from the NGD end-user community could re-perform newly implemented automated and manual business processes for operating assurance prior to Deployment 2 go-live in April 2014. As part of Deployment 2 System and UAT testing efforts, the NiFiT Controls Team additionally aligned with the NiFiT Project Team to pinpoint specific test steps within the business process test scripts that impacted NiSource's Sarbanes-Oxley (SOX) financial controls.

Throughout the duration of the Deployment 2 Test phase, the NiFiT Project Team also created detailed internal documentation and analytic metrics to help with information sharing amongst project stakeholders and to ensure oversight in the quality of project deliverables reported to management.



# NiFiT Deployment 2 - Phase Assurance Review

## Executive Overview (Cont.)

Phase Assurance Findings

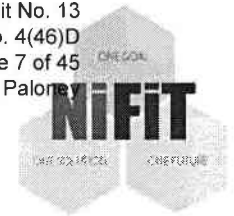
### **Project Management Controls:**

IT Audit identified numerous positive practices and consistent control reviews being performed by the NiFiT Project Team in the overall management of the Test phase gate associated with Deployment 2. Specifically, IT Audit noted the NiFiT Project Team is using the standardized project change request (PCR) process to both initiate and approve any scope modifications to the NiFiT Project Charter, hours and staffing plan adjustments within the NiSource PWA scheduling system and project costing variances observed between budgeted/actual/forecasted costs in the NiFiT Financial Tracking Model.

IT Audit found the NiFiT Project Team continues to proactively manage project steps associated with the reporting and remediation of both test defects and project deliverables observed within the Deployment 2 Test phase gate. Noted test defects and project deliverables were addressed by the NiFiT Project Team in a timely manner, with status reporting being regularly updated to the stakeholder community. IT Audit also found relevant parties involved in the Deployment 2 project management effort are aligned with one another through regularly scheduled status updates, reporting metric discussions and required conference calls.

### **Business Process Controls:**

IT Audit also determined efforts by the NiFiT Project Team to fully test business process controls associated with Deployment 2 were completed. IT Audit observed the two (2) automated controls newly defined within the locked, December 31, 2013 NiFiT Risk and Controls Matrices (RCMs) were both tied to a corresponding NiFiT Project Team test script within Hewlett Packard Application Lifecycle Management (HPALM), which is the enterprise testing software utilized by both NiFiT and NiSource enterprise IT for software deployment quality assurance. To ensure the accuracy of legacy Financial Statement information, the Columbus Internal Audit team reviewed the PeopleSoft Balance Sheet and Income Statement variation reports along with other selected Financial Statement reports for each of the five (5) Columbia Distribution Companies for the December 2013 time period and verified that key line items agreed to legacy system data, noting no exceptions.



## NiFiT Deployment 2 - Phase Assurance Review

### Executive Overview (Cont.)

#### Phase Assurance Findings (Cont.)

IT Audit continued testing efforts for Deployment 2 by performing independent test script execution of the two (2) scripts developed to test the two (2) new, automated controls present in the locked December 31, 2013 NiFiT RCM's. IT Audit found both automated control scripts to be "effective" post testing performed during January 2014. IT Audit also re-executed twenty-two (22) automated control scripts from Deployment 1 associated with primary SOX controls and noted all twenty-two (22) continue to operate effectively prior to Deployment 2 go-live.

IT Audit performed additional Deployment 2 testing efforts within the PeopleSoft Financials 9.1 test environment staged by the NiFiT Project Team for independent analysis of system robustness and quality. This exercise involved IT Audit team members performing various ad hoc testing techniques in a non-scripted manner to assert whether the NiFiT PeopleSoft Financials 9.1 environment would be able to withstand "unplanned" actions that could occur during the course of normal business action. Based on the single, automated control test script identified for independent IT Audit testing, IT Audit noted the corresponding test passed with no defect.

For coverage of the four (4) NGD data conversion streams migrated into both PeopleSoft Financials 9.1 and PowerPlant via NiFiT Project Team transport/translation initiatives, IT Audit found a robust plan and test/deployment strategy in place by the NiFiT Project Team to formally review and authorize legacy data conversion efforts for "completeness" and "accuracy." IT Audit also noted that for the Deployment 2 data conversion efforts performed as of January 2014 (for 2012 income statement and balance sheet financials between NGD's GEAC system and PeopleSoft Financials 9.1), all appropriate NiFiT and NiSource management authorizations were obtained on a corresponding Data Approval Sheet to help ensure legacy data was both transported and translated in a complete and accurate manner.

In relation to Deployment 2, IT Audit reviewed all seven (7) interfaces associated with automated SOX controls as determined by the NiSource Controls Team and determined all seven (7) SOX-related interfaces were tested and labeled as "passed" by the NiFiT Project Team prior to deployment, with adequate results documentation included in HPALM to support a "pass" conclusion of a controls-related script.



# NiFiT Deployment 2 - Phase Assurance Review

## Executive Overview (Cont.)

Phase Assurance Findings (Cont.)

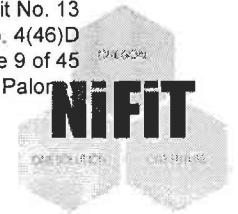
IT Audit observed various communication points and pre-scheduled reporting meetings occurring between the NiFiT Project and Controls Teams, NiFiT Process Owners, NiSource's IT Audit and Columbus Internal Audit teams, and Deloitte regarding assessment activities associated with the design/effectiveness testing of both automated and manual controls impacted by Deployment 2. Besides being an active participant in discussion coordination between the multiple parties listed above, IT Audit attended regularly scheduled communication streams throughout duration of the Deployment 2 Test phase to help ensure alignment between all relevant meeting attendees.

### **Program Conduct Controls:**

IT Audit noted adequate controls in place by the NiFiT Project Team in relation to program conduct, as various solution test efforts and continuous test result reporting were both incorporated and distributed through project status reports and management test summaries. IT Audit additionally found the NiFiT Project Team regularly communicated project scope, status and requirements to Deployment 2 stakeholders using numerous means of information distribution. IT Audit noted these stakeholder update mechanisms are integral to maintaining alignment and knowledge dissemination amongst active parties and encourages the NiFiT Project Team to continue these ongoing communication efforts as part of Deployment 3.

### **Deliverable Quality Controls:**

IT Audit reviewed quality assurance activities enacted by the NiFiT Project Team for quality definition and standards adherence and found quality and standards well-defined and included within Deployment 2 Test phase gate documentation. IT Audit also found the NiFiT Project Team instituted internal defect reporting for both identification and severity tracking of testing defects encountered within the Deployment 2 Test phase gate. IT Audit additionally noted that, as of Deployment 2 Test phase gate closure, no deliverable exceptions were reported as all previously reported defects met the defined gate exit criteria of required review and remediation prior to gate closure.



NiFiT Deployment 2 - Phase Assurance Review  
Assurance Objectives

# REVIEW RESULTS



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS

### Project Management Controls – Objective 1

**Review project management controls in the areas of scope , schedule and budget to ensure NiSource corporate policy, good practice and NiFiT standards are followed.**

#### **Results:**

IT Audit reviewed three (3) key project management control areas as part of the Deployment 2 Phase Assurance Review:

- Scope Controls - Is the NiFiT Project Team managing what it delivers is appropriate and approved by management?
- Schedule Controls - Is the NiFiT Project Team managing a schedule to ensure on-time project delivery?
- Cost Controls - Is the NiFiT Project Team managing costs to ensure delivery occurs within a defined and approved cost structure?

#### **Scope Controls:**

NiFiT has an approved Project Charter used as the key control document for establishment of project scope. IT Audit noted all project scope changes, including Project Charter modifications, are required to be reviewed and approved through the Project Change Request (PCR) process. This PCR process helps ensure any alterations in project deliverables are communicated, reviewed and approved by appropriate parties. For testing purposes, IT Audit reviewed a selected sample of Deployment 2 project scope changes documented in weekly NiFiT Status Reports and found the changes were reviewed and approved by appropriate parties using the defined process.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Project Management Controls – Objective 1 (Cont.)

#### **Schedule Controls:**

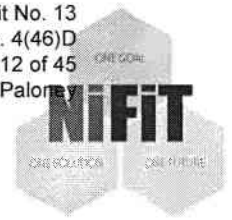
IT Audit found NiFiT has a project schedule in place for Deployment 2, which is enabled by the NiSource Project Web App (PWA) system. The project schedule is updated during planning activities for each NiFiT phase and tracks all work performed in regards to both planned and actual hours. NiFiT project personnel are required to enter their time into the PWA system in order for the NiFiT Project Management Office (PMO) to perform the following:

- Weekly variance analysis between planned and actual hours for performance tracking.
- Weekly comparison of scheduled hours to the overall project staffing model.

Once the NiFiT PMO has completed their weekly activities and aligned with NiFiT Project Team leads on both missing hours in the PWA system and staffing plan adjustments, the NiFiT PMO reports this information in the weekly NiFiT Status Report and approves the project schedule. IT Audit noted that once the project schedule is approved, subsequent changes are also required to use the project change request (PCR) process.

For testing purposes, IT Audit reviewed a sample of Deployment 2 project schedule changes as reported in weekly NiFiT Status Reports and found that each selected change was reviewed and approved on a corresponding PCR form. IT Audit also reviewed a sample of both weekly variance analysis and comparison reports conducted by the NiFiT PMO out of PWA and noted differences observed were appropriately communicated to NiFiT Project Leads with corresponding information required either for correction or further detailed explanation.





# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Project Management Controls – Objective 1 (Cont.)

#### **Cost Controls:**

The NiFiT project has an approved budget used as the primary control for project costing. IT Audit noted the NiFiT Financial Tracking Model reported in the weekly NiFiT Status Report includes the following items, types and categories used by the NiFiT Project Team for project costing efforts associated with Deployment 2:

#### Items:

- Actuals – Actual costs incurred for the NiFiT project as reported by NiSource Accounting (updated monthly).
- 0&12 Plan - Budgeted costs for the project as defined by the NiSource 0&12 plan.
- Variance – Reported differences between Budget-to-Actual information.

#### Types:

- Internal Labor - NiSource employees engaged on the NiFiT project.
- IBM - Specific NiFiT project vendor costs.
- External Labor - Consultants and contractors engaged on the NiFiT project.
- Non-Labor - Associated hardware and software costs for the NiFiT project.

#### Categories:

- Capital
- O&M (Operations & Maintenance)
- Total (combined Capital + O&M)



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

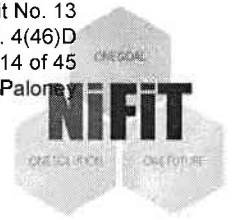
### Project Management Controls – Objective 1 (Cont.)

On a monthly basis, the NiFiT PMO uses the Financial Tracking Model to perform the following:

- Collection of project cost actuals from various sources by the NiFiT PMO at month end.
- Updating of actual O&M and Capital costs for the previous month.
- Based upon the project budget, a variance analysis is produced against actuals for the month.
- Variance analysis of budget-to-actuals is used by management to enable subsequent changes to budgeting information.

For testing purposes, IT Audit reviewed a sample of project cost-related changes, as reported in weekly NiFiT Status Reports, and found each selected cost change was reviewed and approved on a corresponding PCR by appropriate personnel, along with the PCR containing the appropriate support materials used for cost estimation. IT Audit also reviewed selected weekly NiFiT Status Reports and found reported project costing information was accurately reflected in the Financial Tracking Model for the period reviewed.

**Recommendation:** None.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Project Management Controls - Objective 2

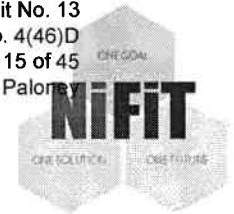
**Review identified exceptions to corporate policy and whether the exception process/steps were communicated and reviewed with the IT PMO and NiFiT Project Team management.**

**Results:**

IT Audit reviewed associated Deployment 2 Test phase gate process documentation and concluded the NiFiT Project Team is following the prescribed Test phase gate review process as outlined within NiSource's IT Project Management Methodology.

IT Audit found that per Test phase gate exit criteria, of the five (5) High open defects reported in the January 2014 User Acceptance Test Summary report, all five (5) High defects were closed prior to phase gate completion on January 29, 2014. IT Audit also noted that no deliverable exceptions were found during the Test phase gate review and that appropriate review approvals were obtained for phase completion on the Testing Stage Completion Approval document required by NiSource's IT Project Management Methodology.

**Recommendation:** None.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Project Management Controls – Objective 3

Determine whether adequate alignment exists on project management control activities implemented by NiFiT across the NiFiT Project Team, Process Owners, NiSource SOX Compliance, KPMG Controls Team and Deloitte & Touche Audit personnel.

#### Results:

Between December 2013 and February 2014, IT Audit regularly attended the following NiFiT project meetings. Covered topics associated with Deployment 2 project management control activities included current project status (based upon relevant project management control metrics), project change request status, issue/risk identification and project updates.

- **NiFiT Project Leadership (Wednesday 10am EST)**

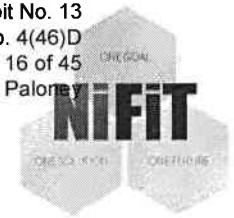
*Type:* Weekly Project Leadership team meeting regarding NiFiT project progress, project status updates by the NiFiT PMO and agenda presentations by NiFiT Project Team leads and subject matter experts.

*Attendees:* NiFiT Project Leadership and IT Audit.

- **NiFiT Weekly Deployment 2 and Deployment 3 Status (Tuesday 1:00pm EST)**

*Type:* Weekly status meeting covering project work accomplished, deliverable(s) status, staffing updates and issue/risk metric reporting.

*Attendees:* NiFiT PMO, NiFiT Project Team Leads and IT Audit



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Project Management Controls – Objective 3 (Cont.)

- **NiFiT Controls Status (Monday 10:30am EST)**

*Type:* Weekly status discussion regarding automated and manual controls inclusion within the NiFiT RCMs, System and UAT test script results communication between the NiFiT Controls and Project Teams and segregation of duties evaluation status between the NiFiT Project/Control Teams and Deloitte.

Attendees: NiFiT Project Team, NiFiT Controls Team and IT Audit.

IT Audit also engaged with key NiFiT Project Team personnel on a one-on-one basis to facilitate project management alignment. Project management controls were discussed, as needed, by IT Audit as part of the following reoccurring weekly meetings:

- **IT Audit and NiFiT Program Manager ( Wednesday 2:00pm EST)**
- **IT Audit and NiFiT Deployment 3 Lead (Monday 9:00am EST)**
- **IT Audit and NiFiT Deployment 2 Lead (Thursday 4:00pm EST)**

Based on routine NiFiT project status meeting attendance throughout Deployment 2, coupled with one-on-one IT Audit weekly engagement with NiFiT Project Team leadership and coordination facilitation between the NiFiT Project Team and Deloitte, IT Audit found adequate alignment exists on project management control activities implemented by NiFiT amongst relevant parties.

**Recommendation:** None.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Business Process Controls - Objective 1

**Review automated and manual business process controls status within the Build and Test phases to provide an opinion on the adequacy of management's inclusion and testing**

Prior to the System Test phase of Deployment 2, the NiFiT Controls Team and the NiFiT Project Team aligned to map controls, identified as "requirements," from the ongoing NiFiT RCMs (Risk and Control Matrices) to corresponding test scripts included in Hewlett Packard Application Lifecycle Management (HPALM). Consistent with Deployment 1, IT Audit noted the NiFiT Project Team continues to use HPALM as the enterprise testing software for managing project requirements (including controls), test plans, test execution steps and test results.

The diagram on the following page illustrates the requirements traceability and documentation process developed and used by NiFiT for Application Lifecycle Management (ALM). NiFiT controls, labeled within ALM as SOX, are traced by the NiFiT Controls Team to test requirements in HPALM and are then aligned with a corresponding test script (aka: Test Plan) to provide assurance controls are operating in the intended manner.

With guidance from the NiFiT Controls Team, the NiFiT Project Team developed unique, HPALM test scripts with specific action steps identified as Deployment 2 SOX controls. IT Audit noted Deployment 2 SOX control steps within the individual HPALM test scripts contained directions for NiFiT System and UAT testers to capture evidence of control performance. The NiFiT Controls Team also tracked results of NiFiT System and UAT test execution of controls-related scripts by the NiFiT Project Team and reported test execution status as part of their scheduled Deployment 2 reporting to NiFiT Project Team management.

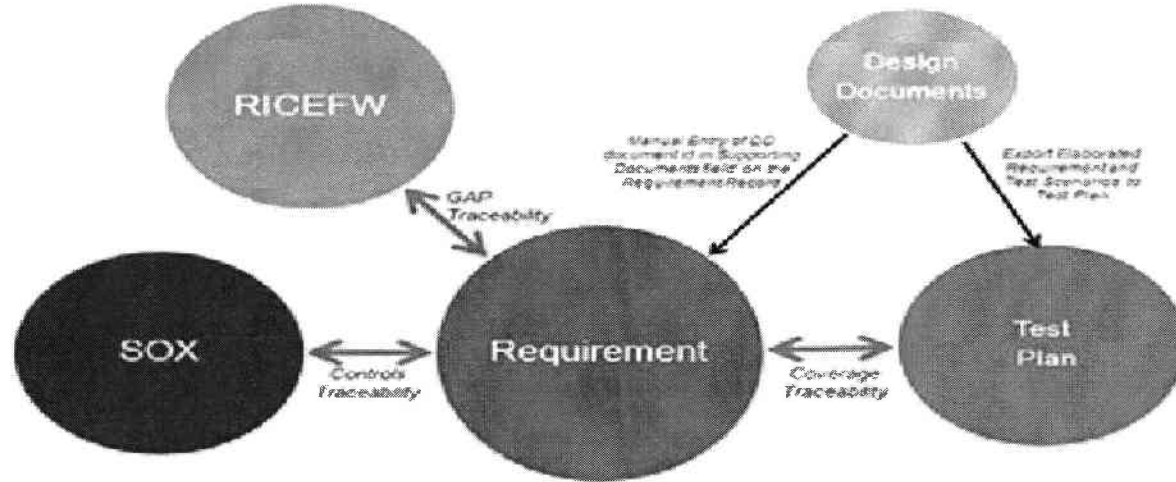


# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Business Process Controls – Objective 1 (Cont.)

#### Traceability in ALM



- Notes:**
- 1. Approved Design Phase content loaded from Sharepoint artifacts.
  - 2. Baseline created to monitor changes.
  - 3. Defects can be traced to all Artifacts

**NiSource**

**NiFiT Test Design (Detailed Design Phase)**



## NiFiT Deployment 2 - Phase Assurance Review

### REVIEW / RESULTS (Cont.)

#### Business Process Controls – Objective 1 (Cont.)

##### Automated Controls:

For testing whether Deployment 2 automated controls identified within the ongoing NiFiT RCM's (Risk and Control Matrices) had corresponding test scripts mapped within HPALM, IT Audit analyzed locked versions of the December 31, 2013 NiFiT RCM's as supplied by the NiFiT Controls Team. Of the two (2) new, automated Deployment 2 controls identified within the December 31, 2013 RCM's, IT Audit found both controls were correctly mapped to a corresponding test script within HPALM.





# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

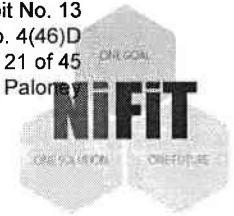
### Business Process Controls – Objective 1 (Cont.)

#### **Manual Controls:**

Columbus Internal Audit reviewed the NiFiT Risk and Control Matrices (RCMs) provided by the NiFiT Controls Team, as of December 31, 2013, and identified no new manual controls being implemented as part of Deployment 2. Internal Audit also confirmed with NGD Accounting and Accounts Payable Management that they could generate all the necessary PeopleSoft queries and reports to execute existing NiSource manual controls, as User Acceptance Testing (UAT) performed during Deployment 1 covered all manual controls included as part of Deployment 2.

In addition, and to ensure the accuracy of legacy Financial Statement information, the Columbus Internal Audit team reviewed the newly generated PeopleSoft Balance Sheet and Income Statement variation reports for each of the five (5) Distribution Companies for the December 2013 time period and verified that Total Assets, Total Liabilities and Net Income line items agreed to legacy system data. Further, Internal Audit reviewed a selection of various other Financial Statement balances from the PeopleSoft Balance Sheet and Income Statements to legacy account information provided by NGD Accounting Management, noting no exceptions.

**Recommendation:** None.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

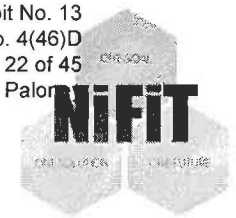
### Business Process Controls – Objective 2

**IT Audit will independently test the effectiveness of automated NiFiT business process controls.**

Per IT Audit's request to independently test automated business process controls associated with Deployment 2, the NiFiT Project Team staged a unique PeopleSoft Financials 9.1 application environment for IT Audit testing. Post staged environment completion, IT Audit and the NiFiT Project Team aligned for IT Audit usage of HPALM for independent automated control test execution using Deployment 2 test scripts created and approved by the NiFiT Controls Team.

Independent IT Audit testing efforts commenced during January 2014 using NiFiT's PeopleSoft Financials 9.1 FS91TST (i.e. System Test) environment, which IT Audit verified included relevant code updates and staged data utilized for the Deployment 2 System Test phase. Along with IT Audit testing, this FS91TST environment also formed the baseline for subsequent User Acceptance Testing (UAT) coordinated by the NiFiT Project Team in order to provide assurance NiSource end-users were able to validate NiFiT applications were operating in an effective manner.

Using the versions of the locked December 31, 2013 NiFiT RCMs already provided by the NiFiT Controls Team for Deployment 2 control-to-test script reconciliation, IT Audit identified two (2) unique automated control test scripts within HPALM for independent testing of the two (2) new, Deployment 2 automated NiFiT controls.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Business Process Controls – Objective 2 (Cont.)

Based on independent testing of the two (2) Deployment 2 automated control test scripts performed between January 6-10, 2014, IT Audit noted an initial test script “success” rating of 100%, as both scripts passed successfully with no noted defects. As a result, IT Audit was able to conclude both new, automated control test scripts, or 100%, were operating effectively prior to Deployment 2 go-live.

Automated Control Scripts (D2)	Scripts Tested (D2)	Testing Percent (D2)	D2 Scripts Passed (Success)	D2 Script Pass Percent	D2 Scripts Failed (Defects)	D2 Script Fail Percent
2	2	100.00%	2	100.00%	0	0.00%

Also between January 6-10, 2014, IT Audit re-executed twenty-two (22) automated control test scripts for primary SOX controls originally tested for NiFiT Deployment 1. IT Audit noted an initial Deployment 1 test script re-execution “success” rating of 100%, as all twenty-two (22) scripts passed with no noted defects. As a result, IT Audit was able to conclude all automated control test scripts associated with primary SOX controls from Deployment 1 continue to operate effectively prior to Deployment 2 go-live.

Automated Control Scripts (D1 - SOX)	Scripts Tested (D1-SOX)	Testing Percent (D1-SOX)	D1-SOX Scripts Passed (Success)	D1-SOX Script Pass Percent	D1-SOX Scripts Failed (Defects)	D1-SOX Script Fail Percent
22	22	100.00%	22	100.00%	0	0.00%

**Recommendation:** None.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

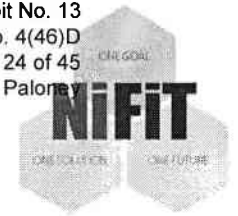
### Business Process Controls – Objective 3

**IT Audit will conduct independent testing of the application system for robustness and quality.**

Using the same PeopleSoft Financials 9.1 FS91TST environment staged by the NiFiT Project Team for previous IT Audit Deployment 2 control script testing, IT Audit also performed continued independent testing of the application for system robustness and quality. This testing effort involved IT Audit team members performing test exercises in a non-scripted manner using combinations of the testing techniques described below:

- Leaving required text fields with a null/blank or invalid value for attempted transaction processing.
- Attempting to access transactional areas with improper role-level security.
- Entry of transactional data amounts above/below pre-defined tolerance levels.
- Bypassing pre-configured transactional workflow steps by attempting to edit/modify standard approval parameters.

IT Audit performed their robustness and quality test exercise during the week of January 13, 2014 with the purpose of providing reasonable assurance the PeopleSoft Financials 9.1 environment would be able to withstand “unplanned” actions that could occur by Deployment 2 end-users during the course of normal business action. Based on the single (1) automated control test script defined for initial independent IT Audit testing, a corresponding exercise was identified for non-scripted testing as the second automated control test script in place for Deployment 2 did not require transactional data entry or workflow approval configuration.



# NiFiT Deployment - Phase Assurance Review

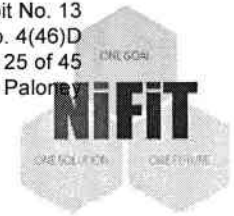
## REVIEW / RESULTS (Cont.)

### Business Process Controls – Objective 3 (Cont.)

Based on the single (1) robustness and quality test exercise performed for Deployment 2, IT Audit noted an initial “success” rating of 100%, as the test passed with no defect.

Total "Unscripted" Tests	Total "Unscripted" Tests Completed	Testing Percent	Scripts NOT Requiring "Unscripted" Testing	"Unscripted" Tests Passed (Success)	"Unscripted" Test Pass Percent	"Unscripted" Fails (Defects)	"Unscripted" Fail Percent
1	1	100.00%	23	1	100.00%	0	0.00%

**Recommendation:** None.



# NiFiT Deployment - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Business Process Controls – Objective 4

**Review NiFiT Data Conversion controls to provide a perspective on the considerations taken for security, test planning, execution, documentation and end-user sign-off on conversion results.**

#### **Results:**

The NiFiT Project Team is executing the following four (4) data conversion efforts as part of Deployment 2:

- Chart of accounts conversion (general ledger) - GEAC to PeopleSoft Financials 9.1
- Vendor conversion (accounts payable) – GEAC to PeopleSoft Financials 9.1
- Cost repository account code conversion (asset management) - PowerPlant
- Work order number conversion (asset management) - PowerPlant

IT Audit noted data conversion efforts by the NiFiT Project Team contain both transport and translation elements required to ensure the “completeness” and “accuracy” of data within NiFiT. As the NGD GEAC system will be retired post Deployment 2, the chart of accounts and vendor conversion efforts have translation and transport components associated with legacy data migration into PeopleSoft Financials 9.1. With PowerPlant remaining as NiSource’s asset management system post NiFiT, the cost repository account conversion and work order numbering exercises for Deployment 2 were strictly performed for information translation purposes by the NiFiT Project Team.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Business Process Controls – Objective 4 (Cont.)

IT Audit found the following control items in place for the four (4) Deployment 2 data conversion efforts post review of associated conversion documentation, observed conversion validation activities, participation in conversion sessions (work order number, cost repository accounts and vendors) and interviews with key NiFiT Project Team members involved in the data conversion process:

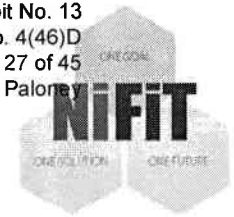
- Conversion Approach/Plan
- Conversion Tests
- Deployment Conversion Activities Plan
- Conversion Results – Business User Review/Approval

#### **Conversion Approach Plan**

As part of initial data conversion efforts, a Conversion Approach Plan is created for providing overall guidance and objectives related to the data input and output validation strategy. IT Audit noted that for each of the four (4) data conversion streams present within Deployment 2, a corresponding Conversion Approach Plan was generated by the NiFiT Project Team and shared with project members involved in the conversion exercise(s).

#### **Conversion Tests**

To help ensure data migration transport and translation occurs as planned during Deployment 2 go-live, the NiFiT Project Team performed a series of mock conversion tests for each conversion stream. IT Audit inspected mock testing plans and results for all four (4) Deployment 2 data conversion streams and found the NiFiT Project Team executed on performance of the mock tests, documented corresponding mock conversion test results and held consistent information sessions with relevant parties for status on mock test progress to date.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Business Process Controls – Objective 4 (Cont.)

#### Deployment Conversion Activities Plan

The NiFiT Project Team has formulated a Deployment 2 Cutover Checklist for conversion activities planning. IT Audit inspected the Deployment 2 Cutover Checklist and found it incorporated the following planning metrics:

- Associated steps/tasks for the data conversion transport or translation migration.
- Team and individual owner responsible for each step in the conversion.
- Resource requirements plans(s) for the conversion effort.
- Timing/schedule for the conversion actions.
- Issue Log tracking for errors/anomalies experienced during conversion cutover exercises.

For testing purposes, IT Audit found all four (4) data conversion streams associated with Deployment 2 were included in a single Cutover Checklist maintained by the NiFiT Project Team. IT Audit also noted the Cutover Checklist is being updated and actively managed on a daily basis by the NiFiT Project Team in preparation for Deployment 2 go-live in April 2014.





# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Business Process Controls – Objective 4 (Cont.)

#### **Conversion Results – Business User Review/Approval**

As part of Deployment 2 go-live approval, select members of NiSource and NiFiT Project Team management are responsible for authorizing whether data conversion exercises performed through the mock testing and Cutover Checklist planning activities led to “complete” and “accurate” data transport and/or translation for NiFiT systems. As of Deployment 2’s Test phase gate closure on January 29, 2014, the only scheduled data conversion having occurred was 2012 COA (Chart of Accounts) general ledger financials from the NGD GEAC system into PeopleSoft Financials 9.1. IT Audit noted that in support of management authorization for “completeness” and “accuracy” of GEAC to PeopleSoft Financials 2012 data, a review and sign-off process for the converted information was conducted by the NiFiT Project Team with NGD business SME’s (subject matter experts). IT Audit additionally found that a formal Data Conversion Approval document was created and authorized by the NGD Controller, NGD Assistant Controller and corresponding NGD Accounting Managers (CVG,CPA,CKY,CMD and COH) as evidence for data conversion “completeness” and “accuracy.”

IT Audit also noted subsequent data conversion efforts involving transport and/or translation between GEAC and PeopleSoft Financials 9.1, along with translation exercises planned for PowerPlant, have been scheduled during the Deployment phase in the late March/mid April 2014 timeframe by the NiFiT Project Team. As such, IT Audit will conduct further analysis of these data conversion streams as part of its Deployment 2 – Post Deployment Review.

**Recommendation:** None.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Business Process Controls – Objective 5

**Review NiFiT Interface controls associated with Deployment 2 to provide a perspective on considerations taken for test planning, execution, documentation and end-user sign-off on interface operation.**

#### **Results:**

As part of NiFiT, interfaces exist for data transfer between legacy NiSource applications and the new PeopleSoft 9.1 solution. These interfaces, defined during the Plan and Build phases by the NiFiT Project Team, provide a platform for helping to ensure data is “completely” and “accurately” migrated from one system to another and that any errors/exceptions experienced are rectified by responsible parties in a timely manner.

In relation to Deployment 2, IT Audit reviewed all seven (7) interfaces associated with automated SOX controls as determined by the NiFiT Controls Team. For each of the seven (7) interfaces, IT Audit reviewed corresponding HPALM test script information to ensure the supporting automated SOX control was tested prior to production deployment. Through this review of test script documentation, IT Audit determined all seven (7) SOX-related interfaces were tested and labeled as “passed” by the NiFiT Project Team prior to deployment, with adequate results documentation included in HPALM to support a “pass” conclusion of a controls-related script (i.e. screen prints, reconciliation/error reports, etc.).

**Recommendation:** None.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Business Process Controls – Objective 6

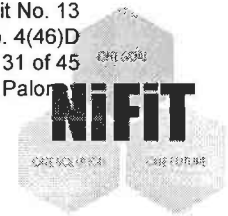
**Determine adequate alignment exists on automated and manual Deployment 2 control activities for associated parties (e.g. NiFiT Project Team, NiFiT Process Owners, NiFiT Controls Team, Internal Audit and Deloitte).**

IT Audit observed various communication points and pre-scheduled reporting meetings occurring between the NiFiT Project and Controls Teams, NiFiT Process Owners, NiSource's Columbus Internal Audit Team and Deloitte regarding assessment activities associated with the design/effectiveness testing of both automated and manual controls impacted by Deployment 2. Besides being an active participant in discussion coordination between the multiple parties listed above, IT Audit noted the following regularly scheduled communication streams throughout duration of the Deployment 2 Build and Test phases:

- **NiFiT Controls Status (Monday 10:30am EST)**

*Type:* Weekly status discussion regarding automated and manual controls inclusion within the NiFiT RCMs, System and UAT test script results communication for Deployment 2 between the NiFiT Controls and Project teams and segregation of duties evaluation status between the NiFiT Project/Control Teams and Deloitte.

*Attendees:* NiFiT Project Team, NiFiT Controls Team and IT Audit.



## NiFiT Deployment 2 - Phase Assurance Review

### REVIEW / RESULTS (Cont.)

#### Business Process Controls – Objective 6 (Cont.)

Along with the scheduled, weekly NiFiT Controls and Deloitte NiFiT Status discussions, numerous ad hoc conversations also took place during both the Build and Test phases of Deployment 2 to align NiFiT Process Owners with the ongoing actions of the NiFiT Controls and NiSource Internal Audit Teams. IT Audit noted NiFiT Process Owners meet frequently with the NiFiT Controls Team to determine the viability of both legacy manual and new, automated PeopleSoft Financials 9.1 controls for population of the ongoing NiFiT RCMs. These Process Owners were also engaged by the NiFiT Controls Team to provide documented approval of the final December 31, 2013 versions of the RCMs prior to independent IT Audit and Columbus Internal Audit test efforts commencing in January 2014. IT Audit also held internal conversations on an ongoing basis with Columbus Internal Audit to coordinate individual test efforts during February 2013 for alignment on reporting metrics to both NiFiT Project Team management and Deloitte.

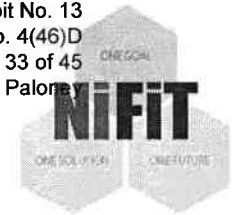
IT Audit also found the NiFiT Controls Team completed a quarterly reconciliation procedure in February 2014 to align SOX controls present within the NiSource Risk Navigator controls database with those SOX controls newly inherent within the December 31, 2013 RCMs for Deployment 2. IT Audit encourages the NiFiT Controls Team to continue usage of the quarterly Risk Navigator-to-NiFiT RCM recon as the NiFiT project moves into Deployment 3.

**Recommendation:** None.



NiFiT Deployment 2 - Phase Assurance Review  
Advisory Objectives

# REVIEW RESULTS



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS

### Project Conduct – Objective 1

**IT Audit will provide timely, objective feedback on project conduct to inform NiFiT Project Team management of improvement opportunities.**

#### **Results:**

IT Audit performed a review of NiFiT Project Team quality control (QC) activities and noted the primary effort conducted was solutions testing, as NiFiT conducted the following seven (7) key types of solution tests below in chronological order:

- Unit Testing – Validates developed solution components function as designed.
- Integration Testing – Validates the various technical systems in the solution communicate in the correct manner.
- System Testing – Validates the solution conforms to approved requirements and is fit for use.
- Performance Testing – Validates that technical components of the solution execute within expected timeframes.
- Deployment Testing – Validates the plan to deploy solution components (technical and functional) are accurate and complete.
- User Acceptance Testing (UAT) – Validates the solution conforms to approved requirements by using end-user test scenarios.
- Parallel Testing – Validates the solution provides a comparable result to the preceding system (limited to the T&L/Payroll area).

IT Audit noted each type of solution test effort performed above by the NiFiT Project Team, with the exception of initial Unit Test, had embedded test plans created and housed with HPALM as Unit Test had already been included within the NiFiT Build plan for Deployment 2. IT Audit also inspected the individual Summary Reports created for each solution test above and determined the Summary Reports specified the solution test scope, objective(s), results and any established entrance/exit criteria for the test.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Project Conduct – Objective 1 (Cont.)

IT Audit found all solution testing was conducted using HPALM with the NiFiT Project Team tracking metrics associated with both test script execution and defect remediation. IT Audit noted the NiFiT Project Team consistently reported test script execution (i.e. planned vs. actual/success vs. failure) and defect remediation status to the NiFiT PMO for proper inclusion in the weekly NiFiT Status Report.

#### **Quality Control - Report Review:**

For testing purposes related to Deployment 2 report quality, IT Audit reviewed the following reporting documentation:

1. Integration Test Summary Report
2. System Test Pass 2 Summary Report
3. Payroll Parallel Test Approach
4. UAT Summary Report

Post review, the following advisory recommendations were provided by IT Audit on the Payroll Parallel Test Approach document:

- Test Scope Clarification
- Responsible party identification for key testing processes
- Responsible party identification for functional reconciliation processes
- Functional Test Resource availability planning

These advisory recommendations were considered by NiFiT Project Team management and subsequently included in the Payroll Parallel Test Approach document prior to Test phase closure. For the remaining three (3) Deployment 2 documents reviewed, no additional advisory recommendations were noted by IT Audit as the reporting documentation appeared comprehensive and complete.



# NiFiT Deployment - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Project Conduct – Objective 1 (Cont.)

#### Quality Control - Execution Review:

In order to assess Deployment 2 quality control activities performed by the NiFiT Project Team, IT Audit re-executed a management testing documentation review for a sample of thirty (30) non-Sox related System Test Pass 1 test scripts over the five (5) unique System Test cycles. IT Audit re-performed the review using the defect types established by Project Team management. The results of the re-execution review were as follows:

Test Scripts/Results Sampled	Scripts where actual results not meeting expected results	Scripts with missing security role	Scripts with missing supporting documentation
30	0	0	2

Based upon this review, IT Audit found the NiFiT Project Team is appropriately reviewing test scripts and execution results for completeness and accuracy prior to Test phase closure. Although evidence attachment for non-Sox scripts is not a formal NiSource test execution requirement, IT Audit is encouraged that over 90% (28 of 30) of the sampled test scripts had supporting documentation attached.





# NiFiT Deployment - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

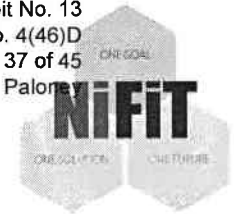
### Project Conduct – Objective 1 (Cont.)

#### **Quality Control - Defect Severity Change Review:**

A key risk in test results reporting is the possibility that open defect severity may be adjusted downward without management review and approval. This action could result in Test phase exit criteria being met, however without an accurate representation of the fitness of the solution to meet requirements. Post IT Audit's recommendation from the Deployment 1 Phase Assurance report, NiFiT Project Team management instituted a Defect Severity Change Report review process for the Deployment 2 Test phase. As part of the Defect Severity Change Report reviews performed in December 2013 and January 2014, NiFiT Project Team management reported a total of nine (9) open defect severity changes - all of which had management approval for the severity downgrade.

For testing purposes, IT Audit re-executed the Defect Severity Change Report reviews for December 2013 and January 2014 and found supporting evidence that all nine (9) defect severity downgrades had appropriate management approval documented in HPALM. IT Audit also noted that the downgrades appeared reasonable, as explained in the HPALM defect log entries. IT Audit concludes the NiFiT Project Team is conducting thorough defect severity change reviews on a consistent basis.

**Recommendation:** None.



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Program Conduct – Objective 2

IT Audit will independently review the program alignment of project scope, business needs and requirements with stakeholders' expectations.

#### Results:

IT Audit found the NiFiT Project Team regularly communicated project scope, status and requirements to Deployment 2 stakeholders using the following means of information distribution:

- NiFiT Communications and Engagement Plan
- NiFiT Sponsor Meetings
- NiFiT Executive Advisor Updates
- NiFiT Project Announcements
- NiFiT MySource web portal
- NiFiT Change Champion Network



# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Program Conduct – Objective 2 (Cont.)

#### **NiFiT Communications and Engagement Plan:**

IT Audit noted a formal NiFiT Communications and Engagement Plan continues to be maintained by the Project Team for tracking both planned and due delivery dates of key messaging streams, along with identifying stakeholders for knowledge dissemination. IT Audit also found the NiFiT Communications and Engagement Plan, in being a working document, is being charted and updated by the Project Team on a monthly basis to track Deployment 2 metrics related to communication type, demand requirements, activity estimates, project communication progress (both monthly and to-date), executive committee communication status and cancelled communications.

#### **NiFiT Sponsor Meetings:**

On a monthly basis, Executive Sponsors of the NiFiT program are presented a communication deck from NiFiT Project Team leadership detailing ongoing items requiring executive oversight. IT Audit noted that topical information included within the Sponsor Meeting presentations include both a rolling Budget and Contingency Status for NiFiT and Project Status for NGD Deployment 2 go-live (encompassing testing, training, change management communication and deployment updates). IT Audit also found these Project Sponsor Meetings are taking place as scheduled and with active participation/feedback from members of the Executive Sponsor group, thereby helping to ensure project sponsor alignment with the NiFiT Project Team.



## NiFiT Deployment 2 - Phase Assurance Review

### REVIEW / RESULTS (Cont.)

#### Program Conduct – Objective 2 (Cont.)

##### **NiFiT Executive Advisor Updates:**

Weekly NiFiT Executive Advisor (EA) Update decks continue to be created by NiFiT Project Team leaders and distributed to the greater NiFiT Project community to provide insight and knowledge updates on topics required for successful implementation of Deployment 2. IT Audit noted these EA Updates are capturing relevant data and project themes that are inherent for collective NiFiT Project Team alignment and are being updated with themes pertinent to the specific NiFiT project stage to keep information targeted to both current and future action steps. IT Audit also found these EA Updates are being formally tracked by the NiFiT Project Team on a month-by-month basis by agenda items and are used to determine whether any previous talking points from prior EA Updates need revisited with refreshed information.

##### **NiFiT Project Announcements:**

On an “as needed” basis, IT Audit noted project announcements related to significant NiFiT Deployment 2 milestones are released by either NiFiT Project Team leadership or members of NGD executive leadership as a means of keeping parties effected by the pending release abreast of project happenings. IT Audit found these communication streams are helping to supplement more formal data distribution efforts by NiFiT Project Team leadership by providing stakeholders with frequent ad hoc updates regarding Deployment 2 project status and the effect those updates may have on day-to-day business operations.



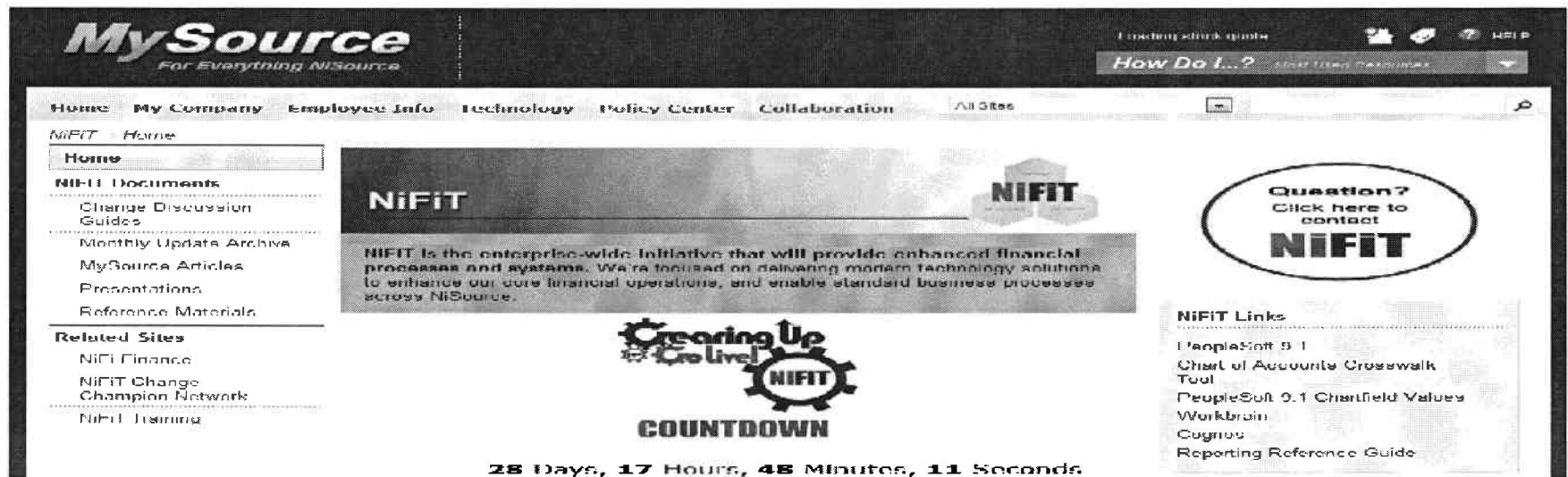
# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Program Conduct – Objective 2 (Cont.)

#### NiFiT MySource Web Portal:

The NiFiT Project Team continues to maintain a dedicated information site on Nisource's MySource intranet portal to provide Project Team members and interested NiSource employees with information on Deployment 2 timing, discussion guides and reference materials. IT Audit found the connection to the NiFiT MySource portal is easily located from the MySource "My Company" links and adequately provides a detailed repository of MySource articles, presentations and discussion threads to help guide the NiFiT Project Team and the broader NiSource user community with pertinent project information. IT Audit also noted the NiFiT MySource portal is continuously updated by the Project Team to keep information fresh and related to upcoming events impacting Deployment 2.





# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Program Conduct – Objective 2 (Cont.)

#### **NiFiT Change Champion Network:**

The NiFiT Change Champion Network (CCN) is comprised of project Change Champions from across NiSource whose areas will be impacted by the NiFiT solution. The NiFiT CCN is designed to enable two-way communication across the organization and to extend NiFiT project reach to impacted employees. The goal of the CCN is to provide NiFiT project stakeholders with the required information, support and guidance to help ensure a successful transition to the desired future state. Due to the larger number of users and number of locations impacted in Deployment 2, the Change Champion Network is also being relied upon to provide go-live prep sessions for assigned users during the Deployment phase and facilitate end-user support during the Hypercare period post go-live.

IT Audit found a list of the Deployment 2 Change Champions is displayed within the Change Champion portal on the NiFiT MySource website to identify those individuals with responsibility for NiFiT project communication back to their fellow business/operations team members. IT Audit observed the Deployment 2 Change Champion list is structured by physical location, personnel assigned and provides both the name and title of active members. IT Audit also noted the Change Champion portal maintains an up-to-date link to the NiFiT Training site. Post inspection, IT Audit determined the Deployment 2 Training site provides course support materials for classroom training and will contain finalized training material when delivered during the Deployment phase of IT PMM. IT Audit observed that training attendance for CCN go-live prep sessions is tracked and monitored by the NiFiT Change Management Team. IT Audit finally found the NiFiT Training site contained on-line training materials for reference that are being delivered via NiSource's Learning Management System (LMS) with completion of modules being tracked and monitored by the NiFiT Change Management Team. IT Audit will continue to monitor user acceptance of the Deployment 2 solution based upon on-going activities of the CCN and NiFiT Change Management Team post release.

**Recommendation:** None.





# NiFiT Deployment 2 - Phase Assurance Review

## REVIEW / RESULTS (Cont.)

### Deliverable Quality – Objective 1

**Review project deliverable quality assurance activities for the project phases under consideration.**

#### **Results:**

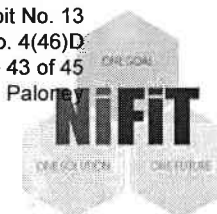
IT Audit reviewed Deployment 2 quality assurance activities enacted by the NiFiT Project Team for definition and standards adherence.

#### **Quality Definitions and Standards (Internal Quality Assurance)**

IT Audit found the NiFiT Project Team has defined and documented quality definitions and standards included within Deployment 2 Test phase gate documentation. IT Audit noted key quality definitions were resident within the following testing documentation created/maintained by the NiFiT Project Team:

- Quality definition for System & UAT (functional quality) – Included in System & UAT Test plans for Deployment 2
- Quality definition for Performance Testing (technical quality) – Included in Performance Test plans for Deployment 2
- Quality standards for Test Phase Entrance and Exit criteria – Included in System, UAT, & Performance Test documentation for Deployment 2
- Quality standards for Defect Severity Definitions – Included in System Test plans for Deployment 2

IT Audit noted that NiFiT's functional quality definition continues to be consistent with published best practice documentation as "... a test executed to completion to ensure the business solution meets identified business requirements deemed in Scope." IT Audit also found technical quality definitions were established in line with best practice as "... a test to determine end-to-end timings for time critical transactions and business processes to verify execution within an expected timeframe and in a dedicated, controlled and production-like environment."



# NiFiT Deployment 2 - Phase Assurance Review

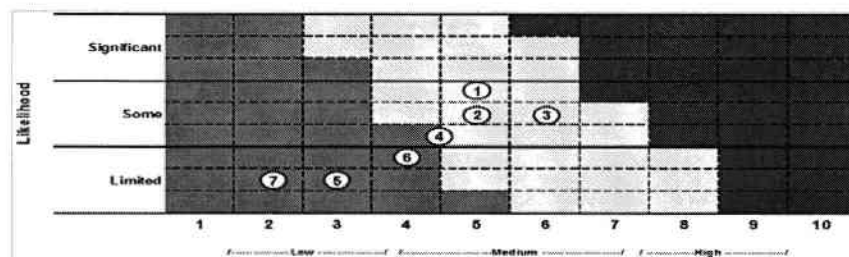
## REVIEW / RESULTS (Cont.)

### Deliverable Quality – Objective 1 (Cont.)

#### Quality Assurance Activities (Systems Integrator external)

IT Audit noted the NiFiT Project Team engaged the primary system integration partner firm (Accenture) to provide quality assurance reviews for the project. IT Audit found the system integration partner is performing regular quality assurance reviews of the project and reporting results to the Project Executive, Sponsors and Board in the form of an Executive Risk Matrix (see below).

### NiFiT Program Risks Known and Managed



- Expected Impact (budget, employee engagement, standardization/ simplification, etc.)**
1. Change Acceptance
  2. Meet Schedule
  3. Dependency on Completion of Other Projects
  4. Team Productivity (*D3 future* ability to hit estimate)
  5. Technical Environment
  6. Scope Creep (*focus on D3 complexity*)
  7. Delivered Solution Meets Defined Business Requirements

- Success of the D1 foundation provides confidence that NiFiT has a solid core finance solution.
- The D2 experience provides evidence that the project has matured into a efficient, high quality "delivery factory".
- The D2 experience also demonstrates the project has become a personnel "development factory".
- D2 expands the core solution to 5 additional geographic locations which requires a stronger emphasis on the CCN to deliver end-user training and Hypercare.
- D2 / D3 overlap during the April and May timeframe poses greater risk than D1 / D2 overlap due to the greater relative complexity of each.
- Risk 4: Strong management focus will be required to maintain team productivity; impact of missing schedule/budget is harder to recover.
- Risk 6: D3 complexity poses increased risk for unexpected scope changes.





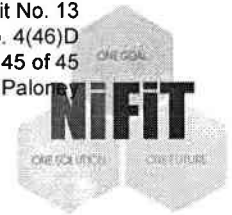
## NiFiT Deployment 2 - Phase Assurance Review

### REVIEW / RESULTS (Cont.)

#### Deliverable Quality – Objective 1 (Cont.)

IT Audit also performed a secondary review of quality assurance materials for Deployment 2 and found the materials to be adequate for a project of NiFiT's size and stature. IT Audit additionally interviewed the system integration firm's primary quality assurance resource and noted the resource possessed a comprehensive background for providing assurance services for NiFiT. Overall, IT Audit found the quality assurance updates provided appear to assist the NiFiT Project Team, Sponsors and Board by providing a perspective on the changing risks faced as the project progresses.

**Recommendation:** None.



# NiFiT Deployment 2 - Phase Assurance Review

## REPORT DISTRIBUTION

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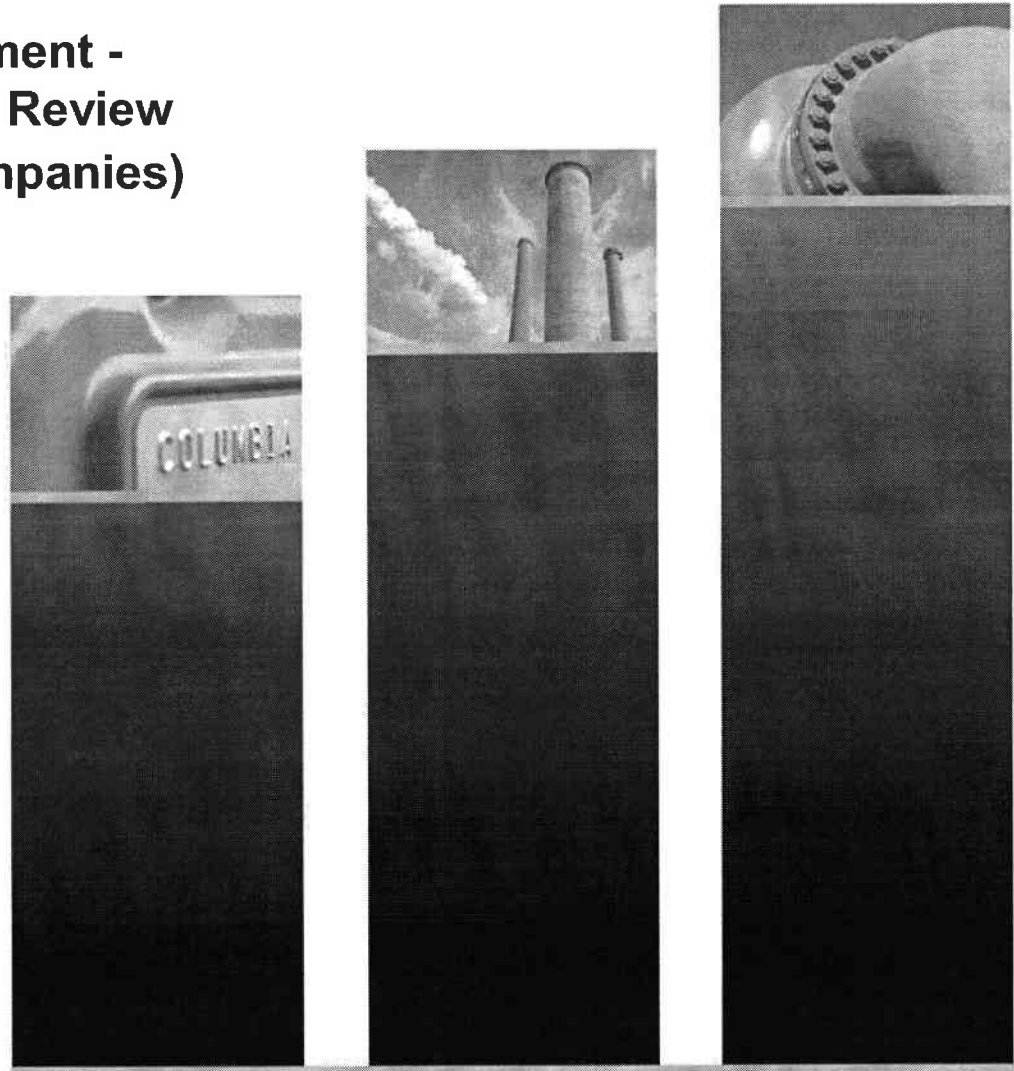
## NiSource Internal Audit Department - Project Management Follow Up Review (NiSource Gas Distribution Companies)

May 28, 2014

To: C. E. Shafer, VP Engineering &  
Construction

From: J. M. Siget, Director Audit  
S. A. Titus, Audit Manager

**NiSource**<sup>®</sup>



# NGD Project Management Follow-up Review - Index

- Executive Summary ..... Page 3
- Background..... Page 4
- Scope Summary..... Page 5-6
- Results, Recommendations & Management Responses... Page 7-17
- Report Distribution..... Page 18

# NGD Project Management Follow-up Review

## Executive Summary

Internal Audit has completed a review of the conformance to the deliverables, policies, procedures and controls that were developed through the NiSource Project Excellence Action Plan. The action plan was developed as a response to the NiSource-wide project management assessment performed by PricewaterhouseCoopers (PwC). The assessment scaled each business unit's project management maturity, reported on gaps and gave recommendations for improvement.

Overall, NiSource Gas Distribution (NGD) management satisfactorily addressed the recommendations in the assessment and action plan. The evidence provided by NGD suggests a strong foundation of program management tools to execute programs and projects. The following observations were noted as a result of the audit and were reviewed with NGD management:

- The response to the action plan related to change management did not clearly address the PwC recommendation.
- The NGD Level 2 training class provided by project management is adequate.
- Internal Audit evidenced the incorporation of the newly developed NiSource Project Management Standard into NGD's capital programs.

As always, we appreciate the cooperation and assistance that your staff provided to the audit team during this review. Should you have any questions or require additional information, please do not hesitate to contact Joseph Siget at (614) 460-4847 or Stephen Titus at (202) 510-7425.

# NGD Project Management Follow-up Review

## Background

- PwC performed the assessment using a capital program maturity model. The maturity model rated all three business units on the following project elements: Governance, Organization, Procurement, Schedule, Scope and Change Management, Financial, Risk, Systems and Communication and Reporting. The assessment scaled each business unit, reported on gaps and gave recommendations on improvement. The organization and output of this team is in response to the recommendations on the assessment.
- As a result of the assessment, the NiSource Project Excellence Team was formed and charged with developing a governing structure with corresponding standards and guidelines as well as high-level plans and recommendations for construction and engineering projects. A subset of this group — a red team — went to the business units throughout 2013 and reviewed each one's respective responses to the recommendations provided by PwC in the assessment.
- The NiSource Project Excellence Team met on March 5, 2014 to review the status of each of the business units responses to the action plan.
- The purpose of our audit was to review the conformance to the deliverables, policies, procedures and controls that were developed as an outcome of the action plan.

# NGD Project Management Follow-up Review

## Scope Summary

# NGD Project Management Follow-up Review

## Scope Summary

**Objective:** Assess the NGD governing structure, corresponding standards, guidelines and high level plans/strategy for construction and engineering projects.

### **Audit Scope**

In order to achieve the audit objective, Internal Audit performed the following:

**Scope Area 1** - Reviewed the observations and recommendations issued by PwC in the assessment and NGD's corresponding responses.

**Scope Area 2** – Evaluated the NGD Level 2 Applied Project Management training class.

**Scope Area 3** - Reviewed the newly-developed NiSource Project Management Standard and assessed NGD's approach to implement the standard.

The Results, Recommendation & Management Responses section of this report links the three areas listed above.



# NGD Project Management Follow-up Review

## RESULTS, RECOMMENDATIONS & MANAGEMENT RESPONSES

# NGD Project Management Follow-up Review

## Results, Recommendations & Management Responses

### Scope Area 1 - Assess Responses to PwC Recommendations

#### Background:

As a result of the action plan, NGD formulated a detailed response to each of the PwC recommendations in the assessment. The responses — 44 in total — were captured in a tracking document. The tracking document consisted of the PwC observation, the corresponding recommendation, the responsible party in NGD to respond to the item and that party's detailed response.

As a supplement to the tracking document, a three-volume set of documents that corresponded to each of the respective line items in the tracking document was provided. It included supporting documentation for the responses.

#### Observation 1:

- Overall, NGD satisfactorily responded to each of the 44 items outlined in the action plan except as noted on the next page.

# NGD Project Management Follow-up Review

## Results, Recommendations & Management Responses

### **Observation 2:**

Internal Audit noted the following related to change management:

- There is no standard approach to processing a change order (or scope change) or defining what constitutes a change within the NGD Project Management Reference Guide (Reference Guide). PwC recommended, as part of its assessment, that NGD should establish a standard approach to monitor and control scope changes that includes:
  - Identification of scope change
  - Evaluation of scope change
  - Review and approval of change
  - Implementation of scope change
  - Management and recording of change
- The response to the action plan and supporting documentation provided in the supplemental information to the responses did not clearly address this recommendation.
- With the observation listed above, and the change management observation noted in the recently issued Bremono Bluff Financial Review Audit Report, dated May 14, 2014, the evidence suggests that the change order process, both internally and with NGD contractors and customers, could use enhancement.

# NGD Project Management Follow-up Review

## Results, Recommendations & Management Responses

### Observation 2 (continued):

- Specifically, NGD utilizes a Project Management Reference Guide, which has the stated purpose to provide the user "...with the tools and thought processes necessary to ensure the safe and successful completion of assigned projects. Throughout this reference material, you will find examples of forms, processes and other information based on years of practical experience that are used in the planning, estimating, installation and close-out of projects."
- Page 31 of the reference guide provides a template/form titled Change Order that is used in the event of a change. Additionally, the template provides the following narrative: "*All change orders shall be brought to the attention of the project manager as soon as it is known that a change is necessary. No work shall proceed under a change order until reviewed and approved by the project manager.*"
- No other information is provided in the reference guide that would aid a project manager to approach the five areas identified on page 9.

# NGD Project Management Follow-up Review

## Results, Recommendations & Management Responses

### Management Response:

- NGD management concurs with this observation and will take the following steps to address it:
  - Development and implementation of a integrated change control process within our project management group that meets the requirements identified in the PwC audit.
  - Coordination of this process with engineering leadership as well as construction leadership to ensure that all stakeholders have been involved.
  - Documentation of this process in the Project Management's Reference Guide.
- We anticipate that this corrective action will be completed within 90 days.

# NGD Project Management Follow-up Review

## Results, Recommendations & Management Responses

### Scope Area 2 - Level 2 Project Management Class

#### Background:

Internal Audit was asked to “audit” the class for content, delivery and comment on its effectiveness by the manager of project management operations at NGD. The three-day course is part of a four-part curriculum intended to prepare an individual to sit for and pass the Project Management Institute (PMI) Project Management Professional (PMP) exam, therefore earning the PMP credential. Key components of the curriculum are as follows:

**Level 1** – Online training, core-level subjects (including an overview of PMI’s Project Management Body of Knowledge or “PMBOK”), Project Planning & Control, Cost Control & Schedule Development, Communication and Human Resource Management.

**Level 2** – Classroom - Advanced subjects that cover the project life cycle specific to NGD’s type of projects and many hands-on classroom exercises.

**Level 3** – IN DEVELOPMENT – will cover Advanced Underground Construction Project Management.

**Level 4** – IN DEVELOPMENT – will cover advanced skill development, which focuses on the obtaining of the PMP Certification.

# NGD Project Management Follow-up Review

## Results, Recommendations & Management Responses

### Observation:

- The content and its delivery of the Level 2 PM Class was adequate. There was a balance of corporate-level information that is generally not seen or discussed at field engineer or coordinator level. The numerous class exercises were relevant to the roles and responsibilities of those in attendance. Additionally, Internal Audit reviewed the course surveys filled out by those in attendance and the feedback was overwhelmingly positive.

### Recommendation:

- None.

# NGD Project Management Follow-up Review

## Results, Recommendations & Management Responses

### Scope Area 3 – Review of the newly developed NiSource Project Management Standard

#### Background:

The NiSource Project Excellence Team was formed and charged with developing a governing structure, corresponding standards and guidelines and high level plans/recommendations for construction and engineering projects. An outcome of the establishment of this group was the NiSource Project Management Standard (the Standard).

The Standard was developed to give the NiSource organization a uniform way to evaluate and manage capital construction projects and programs across all business units. As its introduction indicates, the Standard should be used as a guideline for the organization and management of projects and programs, along with the documentation necessary for quality implementation success. This standard was developed within the context of the PMBOK and was adjusted accordingly by the NiSource Project Excellence Team to fit the NiSource organizational framework.



# NGD Project Management Follow-up Review

## Results, Recommendations & Management Responses

### **Background (continued):**

The Standard is composed of nine Sections:

- Scope
- Terms and Definitions
- General Standard Requirements
- Project Management Requirements
- Portfolio Management Requirements
- Program Activities
- Training Requirements
- Technology Platform
- Governance

### **A key component of the Standard is Section 4, Project Management Requirements**

- Each business unit will designate the appropriate approval levels for the application of recommended components within the affected business unit. Please see page 16 for a matrix that defines what is required vs. what is recommended for each type of project.

# NGD Project Management Follow-up Review

## Results, Recommendations & Management Responses

Requirements and Recommendations for Program and Project Management Plans				
Document/ Management Plan	Major Project	Large Project	Project	Program
Charter	X	X	*	*
Scope	X	X	X	X
Requirements	X	*	n/a	*
Schedule	X	X	*	X
Cost	X	X	*	X
Quality	X	*	n/a	X
Human Resources	X	*	n/a	*
Communications	X	*	n/a	*
Risk	X	X	X	X
Procurement	X	*	n/a	X
Stakeholder	X	*	n/a	n/a
Safety	X	*	*	*
Scope Baseline	X	X	X	n/a
Schedule Baseline	X	X	X	*
Cost Baseline	X	X	X	*
Progress Reports	X	X	X	X
Project Information System	X	X	X	X
Metrics	X	X	X	X

X = Required; \* = Recommended

# NGD Project Management Follow-up Review

## Results, Recommendations & Management Responses

### **Background (continued):**

When the Standard was issued to the business units in 2013, our scope was only to assess NGD's approach to its implementation. Internal Audit plans to include in future annual audit plans, beginning in 2015, an assessment of conformance to the Standard and the quality of its execution against each of the required components listed in the matrix on page 16.

### **Observation:**

- After review of the documentation provided by project management within NGD, Internal Audit determined that project management, both at the program and project levels, is currently incorporating many aspects of the required information at each of the different project levels.

### **Recommendation:**

- None

# NGD Project Management Follow Up Review

## Report Distribution

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# NiFiT D2 – Post Deployment Review NiSource IT Audit

June 25, 2014

To:

Rick Fontaine, VP - Financial Transformation  
Russ Viater, VP – IT Service Delivery (NIPSCO/NCS)  
Joe Mulpas, VP - Chief Accounting Officer  
Tim Tokish, VP – Financial Planning & Analysis

From:

John Manfreda, Project Manager – IT Audit  
Greg Wancheck, Manager – IT Audit  
Ray Irvin, Director – IT Audit



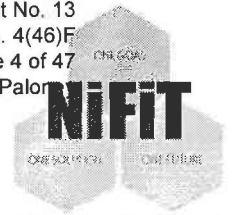


- **Executive Overview . . . . . Page 3**
  - Approach, Objectives and Background
  - Summary Findings
  
- **Review Results (Assurance). . . . . Page 10**
  - Project Management Controls
  - Delivered Function / User Acceptance Controls
  - Business Process Controls
  - IT General Controls
  
- **Review Results (Advisory). . . . . Page 35**
  - Project Conduct / Deliverable Quality Controls
  
- **Report Distribution . . . . . Page 47**



NiFiT Deployment 2 - Post-Deployment Review

# EXECUTIVE OVERVIEW



# NiFiT Deployment 2 - Post-Deployment Review

## Executive Overview

NiFiT Approach

IT Audit continues to provide both advisory and assurance services during the current and future phases of NiFiT. These services will be divided between an overall Pre-Deployment Review, release specific Phase Assurance Review and a final phase Post-Deployment Review after go-live, which is this report. The purpose of each IT Audit review is as follows:

- Capture and report upon key information/data regarding NiFiT project delivery execution.
- Assess the effectiveness of adoption and usage of the system by NiSource.
- Conclude whether controls were considered and tested by relevant parties as part of NiFiT deployment.

The following terms are used to describe services provided by IT Audit throughout the duration of the NiFiT project:

### **Assurance Services:**

Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusion regarding an entity, operation, function, process, system or other subject matter. (IIPF standards revised October 2010)

### **Advisory Services:**

Consulting services are advisory in nature and are performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. (IIPF standards revised October 2010)





# NiFiT Deployment 2 - Post-Deployment Review

## Executive Overview

### Post-Deployment Objectives

The objective of IT Audit's D2 Post-Deployment Review was to provide management with an overall evaluation of the policies, procedures and processes used to manage activities associated with the Deployment and Turnover phases of NiFiT Deployment 2 for in-scope NGD companies, specifically focusing on the following areas:

**1) Project Management Controls**

Review project management controls in the areas of budget, schedule and scope to ensure that NiSource corporate policy and NiFiT standards are followed.

**2) Deliverable Acceptance and Quality Controls**

Review phase deliverable acceptance, quality assurance practices and key deliverables by the NiFiT Project Team to provide an independent perspective on quality measures.

**3) Business Process Controls**

Review automated and manual business process control test status to provide an opinion on the adequacy of management's inclusion and testing. Also independently test the effectiveness of both automated and manual business process controls post go-live.

**4) IT General Controls**

Review IT general controls in the areas of systems change management, systems operation, data validation, systems security, and backup and recovery to assess whether NiSource corporate policy is followed.

**5) Program Conduct Controls**

Review conduct of the NiFiT Project Team in its achievement of program objectives.



# NiFiT Deployment 2 - Post-Deployment Review

## Executive Overview

Post-Deployment Background

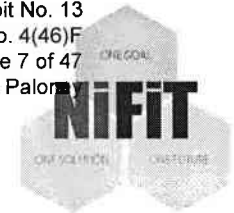
The NiFiT D2 Post-Deployment Review covers activities supporting the Deployment and Turnover phases of NiSource's IT Project Management Methodology (PMM) as conducted between March 2014 and June 2014 and post issuance of IT Audit's D2 Phase Assurance Review in March 2014.

NiFiT Project Team activities occurring during the Deployment and Turnover phases of D2 for NGD (excluding CMA) centered around both the decision process used to facilitate a go/no-go decision on the production release of the NiFiT solution, as well as steps planned and executed to help ensure the deployed NiFiT solution was functioning as intended and provided the benefits desired by NiSource management.

During the D2 Deployment and Turnover phases, NiFiT Project Team leadership continued its practice of requiring a Project Change Request (PCR) for any modification related to requirements and deliverables. This ongoing effort allowed NiFiT to continue oversight and reporting diligence associated with project scope, schedule and financial costing controls for alignment with NiSource corporate policy and documented NiFiT project standards.

The NiFiT Project Team also leveraged NiSource's Organizational Change Management (OCM) methodology to guide practices related to change readiness, end-user training and adoption of the D2 solution. The utilization of these existing practices, along with increased use of the Change Champion Network (CCN) to provide training and end-user support, allowed the NiFiT Project Team to engage the large NGD end-user community and supporting management to help ensure the system provide the benefits that NiFiT intended to deliver.

As with previous project phases, the effective operation of business process controls associated with D2 is of primary concern for the NiFiT Project Team. As such, the NiFiT Project Team continues to be engaged with the various parties who play a role in the definition, execution and independent evaluation of risk and controls associated with the NiFiT solution.



# NiFiT Deployment 2 - Post-Deployment Review

## Executive Overview

Post-Deployment Findings

### **Assurance - Project Management Controls (PMC):**

IT Audit noted the NiFiT Project Team continues to use positive practices and consistent control reviews to manage the Deployment and Turnover phases of D2. IT Audit found the Project Change Request (PCR) process continued to be used to initiate and approve changes to key project deliverables, scope and schedule adjustments, including modifications within the NiFiT PWA scheduling system and variances observed between actual, estimated and forecasted project hours as calculated in the NiFiT Financial Tracking Model.

### **Assurance - Delivered Function User Acceptance Controls (DFUA):**

As part of NiFiT D2, IT Audit noted the NiFiT Project Team used the HyperCare process enacted in D1 to facilitate production turnover and to help Columbia Distribution Companies (CDC) end-users both absorb usage of the new solution and assist with any business process or technical incidents arising. IT Audit found that along with daily D2 HyperCare meetings performed by the NiFiT Project Team, 264 of the 288 tickets associated with D2 HyperCare were "closed" or "resolved" at conclusion of the May 2014 CDC accounting close. IT Audit determined these 288 HyperCare items handled for D2 represented a net forty-six percent (46%) reduction from HyperCare items addressed for D1. IT Audit also found the twenty-four (24) "open" HyperCare tickets remaining were successfully being tracked by the IBM Steady-State Support and NiSource Business Application Support Teams for final closure. Additionally, the NGD Segment Controller raised concerns associated with both the Job Order Re-Class process and allocations system performance during the April and May 2014 CDC accounting closes and requested an extension of HyperCare support from the NiFiT Project Team through the June 2014 CDC accounting close. IT Audit found the NiFiT Project Team aligned with the NGD Segment Controller and is extending HyperCare support for relevant systems per the request.

IT Audit found the NiFiT Project Team is complying with NiSource Organizational Change Management (OCM) guidelines to facilitate communication, training and change management activities associated with D2. IT Audit also noted that various communications events and pre-planned meetings were conducted through the Deployment and Turnover phases to ensure timely notification of key D2 events were disseminated among relevant parties.



# NiFiT Deployment 2 - Post-Deployment Review

## Executive Overview

Post-Deployment Findings (Cont.)

### **Assurance - Business Process Controls (BPC):**

Columbus Internal Audit reviewed a select population of high-risk manual SOX controls impacted by NiFiT D2 and found controls appeared to be operating effectively post production release.

IT Audit found final management reviews and sign-offs were obtained by appropriate business unit personnel for the four (4) NGD data conversion streams included as part of D2. These reviews and approvals provided the oversight needed to ensure that data converted from legacy NiSource applications into the NiFiT solution were migrated in a complete and accurate manner. **IT Audit identified a leading practice opportunity for Vendor Conversion sign-off requirements to be documented in a manner consistent with the other data conversion streams for future NiFiT deployments.**

IT Audit noted the NiSource SOX Controls Team continued their effort developed during D1 to align business process controls included in NiFiT Risk and Control Matrixes (RCMs) to controls present within NiSource's global SOX Risk Navigator database and found all controls appearing in the D2 NiFiT RCMs were also correctly located within Risk Navigator. IT Audit also performed an independent reconciliation of the D2 NiFiT RCMs to Risk Navigator and achieved the same results as the NiSource SOX Controls Team.

Finally, IT Audit's previous recommendation from the D1 Post-Deployment Review that the NiFiT Project Team ensure corresponding HyperCare Support Team access into the production PeopleSoft environment be limited to a reduced level of individuals was remediated prior to the April 15, 2014 D2 go-live date.



# NiFiT Deployment 2 - Post-Deployment Review

## Executive Overview

Post-Deployment Findings (Cont.)

### Assurance – IT General Controls (ITGC):

IT Audit determined the NiSource IT and IBM PeopleSoft Steady-State Teams are following the defined Phire change management process, as the proper approval documentation is being included to support production PeopleSoft object migrations. IT Audit did however make a **recommendation that Phire change request tickets be clearly linked to a corresponding ISM change ticket to help ensure adequate accessibility and linkage to required change management documentation and approvals.** IT Audit also identified a **leading practice opportunity for timely closure of Phire change request tickets by the NiSource IT and IBM PeopleSoft Steady-State Teams.**

### Advisory – Program Conduct and Deliverable Quality Controls (PC DQ):

Upon review of key project deliverables and artifacts, IT Audit noted NiFiT is following sound practice in the areas of project management, deployment and turnover strategy. IT Audit also found good execution for delivered function user acceptance and change management, with feedback being gained from D2 business stakeholders and documented for future use.

Based on independent interview results with key D2 business stakeholder leaders, Change Champion members and end-users, IT Audit received positive feedback for the NiFiT Project Team's engagement and alignment activities. IT Audit further received interviewee suggestions for improvement to communications, Change Champion management and support performance and shared those with the NiFiT OCM Team Lead for consideration in future NiFiT deployments.

Finally, IT Audit found the NiFiT Project Team is using an Operational Measures Scorecard to track improvement and value realization metrics for the NiFiT solution. Based upon the results and benefits noted from this program, IT Audit identified a **leading practice opportunity for NiSource IT to consider partnering with their business customers to develop a standard business value realization process based upon NiFiT's Operational Measures Scorecard and integrate any relevant deliverable(s) into the NiSource IT Project Management Methodology (PMM).**



## NiFiT Deployment 2 - Post-Deployment Review Assurance Objectives

# REVIEW/RESULTS



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Management Controls – Objective 1

Review on-going project management controls in the areas of scope, schedule and budget to ensure NiSource corporate policy, good practice and NiFiT standards are followed.

#### Results:

IT Audit reviewed three (3) key project management control areas as part of the D2 Post-Deployment Review for NiFiT:

- Scope Control - Is the NiFiT Project Team managing what it delivers is appropriate and approved?
- Schedule Control - Is the NiFiT Project Team managing a schedule to ensure on-time project delivery?
- Cost Control - Is the NiFiT Project Team managing costs to ensure delivery occurs within a defined and approved cost structure?

#### **Scope Controls:**

The NiFiT Project Team continues its usage of the Project Change Request (PCR) process as the primary means to manage NiFiT scope control, with alterations in project requirements and deliverables requiring review and approval by appropriate parties. IT Audit reviewed a sample of D2 project changes documented within weekly NiFiT Status Reports and found deliverable changes are being approved by appropriate parties using the related PCR process. IT Audit also found the NiFiT Project Team continues to track deliverable status using reports sourced from the PWA, Project Server system and provides weekly updates to the NiFiT PMO for independent review.



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Management Controls – Objective 1 (Cont.)

IT Audit also reviewed a sample of Deployment and Turnover phase project scope changes as reported in weekly NiFiT Status Reports and found each selected change was reviewed and approved on a corresponding PCR form. Finally, IT Audit inspected a sample of D2 deliverable tracker matrices sourced by the NiFiT PMO from NiSource's PWA system and found they were in alignment with corresponding deliverable matrices presented within the weekly NiFiT Status Report.

#### **Schedule Controls:**

IT Audit found NiFiT continues to use PWA as its primary scheduling control mechanism, with the project schedule updated during planning activities for each NiFiT phase. IT Audit noted PWA tracks all work performed to both planned and actual hours with NiFiT project personnel required to enter their time within PWA in order for the NiFiT PMO to perform the following actions:

- Weekly variance analysis between planned and actual hours for performance tracking.
- Weekly comparison of scheduled hours to the overall project staffing model.

Once the NiFiT PMO has completed their weekly activities and aligned with NiFiT Project Team Leads on both missing hours in PWA and staffing plan adjustments, the NiFiT PMO reports this information in the weekly NiFiT PMO Status Report and approves the project schedule. IT Audit found that once the project schedule is approved, subsequent changes are also required to follow the documented Project Change Request (PCR) process.





# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Management Controls – Objective 1 (Cont.)

For schedule control testing purposes, IT Audit reviewed a sample of Deployment and Turnover phase project schedule changes as reported in weekly NiFiT Status Reports and found that each selected D2 change was reviewed and approved on a corresponding PCR form. IT Audit also inspected a sample of both weekly variance analysis and comparison reports conducted by the NiFiT PMO for the D2 Deployment and Turnover phases and noted differences observed were appropriately communicated to NiFiT Project Team Leads with corresponding information required either for correction or detailed explanation. Finally, and based on a previous Internal Audit finding regarding post-dated planned versus reported hours modifications, IT Audit performed additional planned versus hours testing using selected weekly NiFiT Status Reports from April 2014 and found no variances occurring.

#### **Cost Controls:**

IT Audit noted project costing continues to be updated monthly by the NiFiT PMO using the Financial Tracking Model and is also reported on the weekly NiFiT Status Report, as follows:

##### Items:

- Actuals – Actual costs incurred for the NiFiT project as reported by NiSource Accounting (updated monthly).
- Plan – Budgeted costs for the project.
- Variance – Reported differences between Budget-to-Actuals and/or Budget-to-Forecast information.

##### Types:

- Internal Labor- NiSource employees engaged on the NiFiT project.
- IBM - Specific NiFiT project vendor costs.
- External Labor- Consultants and contractors engaged on the NiFiT project.
- Non-Labor - Associated hardware and software costs for the NiFiT project.



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Management Controls – Objective 1 (Cont.)

Categories:

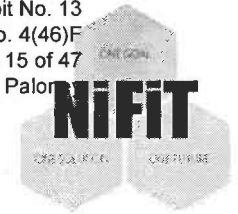
- Capital
- O&M (Operations & Maintenance)
- Total (combined Capital + O&M)

On a monthly basis, the NiFiT PMO uses the Financial Tracking Model to perform the following activities:

- Project actual costs are collected from various sources by the NiFiT PMO at month end.
- Actual O&M and Capital costs are updated for the previous month.
- Based on the project budget, a variance analysis is produced against actuals for the month.
- Variance analysis of budget-to-actuals is used by management to enable subsequent changes to budgets.

For testing purposes, IT Audit reviewed a sample of project cost-related changes as reported in weekly NiFiT Status Reports and found each selected D2 cost change was reviewed and approved on a corresponding PCR by appropriate personnel, along with the PCR containing the appropriate support material used for cost estimation. IT Audit also reviewed select weekly NiFiT Status Reports and noted reported project costing information was aligned with costing data as reported in the Financial Tracking Model. Finally, IT Audit noted the Financial Tracking Models being used to populate the weekly NiFiT Status Report are now being saved on SharePoint in alignment with IT Audit's recommendation from the D1 Post-Deployment Review.

Recommendations: None



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Management Controls - Objective 2

**Review identified exceptions to corporate policy and whether the exception process/steps were communicated and reviewed with the IT PMO and NiFiT Project Team management.**

#### **Results:**

##### **Deployment Phase (Required Documentation):**

IT Audit noted the following IT PMM/Sabanes-Oxley documentation required for the D2 Deployment phase gate was created, authorized and retained prior to transition to the Turnover Phase:

- User Documentation – created for NiFiT Deployment 2 to include user training guides and information on how to utilize the solution.
- Technical Documentation – included corresponding details associated with technical support information and requirements for NiFiT Deployment 2.
- Deployment Completion Approval – included overall phase approval and training plan inclusion for NiFiT Deployment 2.

##### **Turnover Phase (Required Documentation):**

IT Audit noted the following IT PMM/Sabanes-Oxley documentation required for the D2 Turnover phase gate was in process creation at the time of audit review. IT Audit will review the completed documentation at the time it becomes available:

- Lessons Learned – includes information on lessons learned during phase lifecycles of NiFiT Deployment 2.
- Turnover Stage Completion – includes the approval and authorization of Deployment 2 transition to steady state solution servicing.

**Recommendations: None**





# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Management Controls – Objective 3

**Determine whether adequate alignment exists on project management control activities implemented by NiFiT across the NiFiT Project Team, Process Owners, NiSource SOX Controls Team and Deloitte & Touche Audit personnel.**

#### Results:

IT Audit regularly attended the following NiFiT project meetings between March 2014 and June 2014. Covered topics associated with project management control activities included current project status (based on relevant project management control metrics), project change request status, issue/risk identification and project updates.

- **NiFiT Project Leadership (Every other Wednesday 10:00am ET)**

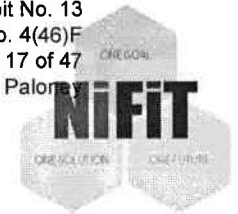
*Type:* Bi-Monthly Project Leadership team meeting regarding NiFiT project progress, project status updates by the NiFiT PMO and agenda presentations by NiFiT Project Team Leads and subject matter experts.

*Attendees:* NiFiT Project Leadership, NiFiT Project Executive Advisors and IT Audit.

- **NiFiT Weekly Deployment 2/3 Status Meeting (Tuesday 1:00pm ET)**

*Type:* Weekly status meeting covering project work accomplished, deliverable(s) status, staffing updates and issue/risk metric reporting.

*Attendees:* NiFiT PMO, NiFiT Project Deployment Leads, NiFiT Project Team members (topical) and IT Audit.



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Management Controls – Objective 3 (Cont.)

- **NiFiT Controls Status (Monday 10:30am ET)**

*Type:* Weekly status discussion regarding updates to both NiSource's SOX Risk Navigator database for impacted D2 controls and security controls associated with elevated D2 HyperCare access.

Attendees: NiFiT Project Team, NiSource SOX Controls Team and IT Audit.

IT Audit also engaged with key NiFiT Project Team personnel on a one-on-one basis to facilitate project management alignment. Project management controls were discussed, as needed, by IT Audit as part of the following reoccurring weekly meetings:

- IT Audit and NiFiT Program Manager (Wednesdays 2:00pm ET)
- IT Audit and NiFiT Deployment 2 Lead (Thursdays 4:00pm ET)
- IT Audit and NiFiT Organizational Change Management Lead (Mondays 8:30am ET)

Based on routine NiFiT project status meeting attendance throughout the D2 Deployment and Turnover phases, coupled with one-on-one IT Audit weekly engagement with NiFiT Project Team leadership and coordination facilitation between the NiFiT Project Team and Deloitte, IT Audit found adequate alignment exists on project management control activities implemented by NiFiT amongst relevant parties.

**Recommendations:** None



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Delivered Function User Acceptance - Objective 1

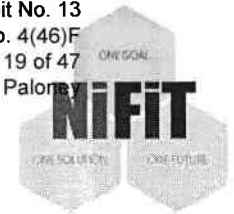
**Review NiFiT training, change management and communications practices to provide reasonable assurance NiSource corporate policy and/or NiFiT project standards are followed.**

#### **Results:**

Major portions of the Deployment and Turnover phases of NiFiT are focused on ensuring users of the solution know how to properly use the related systems and how the solution changes processes that users support. Accomplishing these tasks involves training, change management and communications created by the NiFiT Project Team as part of NiSource's Organizational Change Management (OCM) methodology for IT projects. IT Audit noted NiFiT has a dedicated OCM team that is responsible for communication, change management and training coordination.

In relation to D2, IT Audit noted no changes to the NiSource OCM playbook developed during D1 to serve as a NiSource project management phase guide for OCM deliverables. IT Audit also reviewed documented evidence of NiFiT's OCM-related plans and requirements and found the following D2 phase related deliverables were both consistent with NiSource enterprise OCM guidelines and were created, updated, reviewed and approved by appropriate parties:

- Change Readiness Assessment – Survey of users to gauge organizational readiness for project changes.
- Deployment Campaign - Coordinated communications activities for the project deployment phase.
- End-User Training – Delivery of training to impacted users and personnel.



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Delivered Function User Acceptance - Objective 1 (Cont.)

As of this D2 Post-Deployment Review report date, IT Audit noted the following status of OCM deliverables for the D2 Turnover phase:

- Lessons Learned – Survey based reviews with NiFiT Project Team members conducted to gather good practices and improvement items for future phases. The Lessons Learned Survey is scheduled for the week of June 8, 2014 with the final Lessons Learned deliverable to be completed by June 30, 2014.
- Change Adoption Assessment – Survey based approach to identify any remaining barriers to change adoption. The D2 Change Adoption Survey is scheduled from June 16, 2014 through June 27, 2014 with results finalized and reviewed by the NiFiT OCM Lead on July 7, 2014.

Based on independent review, IT Audit concludes NiFiT is following the NiSource OCM methodology with deliverables being reviewed and approved by appropriate project-related parties.

**Recommendations:** None



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Delivered Function User Acceptance - Objective 2

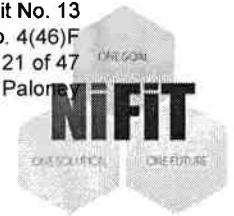
**Review NiFiT delivered function user acceptance approval activities to provide reasonable assurance NiSource corporate policy or project standards are followed.**

#### **Results:**

IT Audit found the NiFiT Project Team continues to follow a structured approach to user acceptance activities. As preparation for Deployment phase entry, the NiFiT Project Team engaged supporting team members, Executive Advisors, Project Sponsors and constituent groups as part of the D2 go-live decision process. IT Audit also noted a three (3) checkpoint approach was created and adhered to for go-live decision activity, which included a readiness scorecard based upon key project indicators with allowance for review and input at the various checkpoint levels. Checkpoints were defined by the NiFiT Project Team, as follows:

- Deployment Initiation (Checkpoint 1) – Occurring Feb 5, 2014
- Pre-Deployment (Checkpoint 2) - Occurring March 5, 2014
- Go-Live Commitment (Checkpoint 3) - Occurring March 19, 2014





# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Delivered Function User Acceptance - Objective 2 (Cont.)

IT Audit noted the NiFiT Project Team also used the following categories of readiness information and corresponding criteria to gauge D2 go/no-go decision activity:

- Project Readiness (Issues , Risks and Schedule)
- Business Solution Readiness (Requirements, Testing and Security)
- Data Conversion Readiness (Conversion status)
- SOX Readiness (Controls status)
- Legacy Readiness (Interfacing system components readiness)
- 3<sup>rd</sup> Party Readiness (Banks and other 3<sup>rd</sup> party readiness)
- Infrastructure Readiness (Hardware and software is available and ready)
- User Readiness (Training readiness)
- Deployment Readiness ( Deployment tests completed with plans and communications in place)
- Production Support Readiness (Production support teams, processes and tools ready)

Based on the categories of readiness information listed above and input from the NiFiT Project Team, Executive Advisors and selected Stakeholders as part of the checkpoint review process, the NiFiT Project Team gained agreement to proceed with D2 go-live deployment. IT Audit found this category readiness list and corresponding review process to be a good practice for this type of production deployment effort and encourages the NiFiT Project Team to continue these activities for Deployments 3 and 4.



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Delivered Function User Acceptance - Objective 2 (Cont.)

Upon Deployment phase entry, the NiFiT Project Team also executed it's step-based, go-live strategy to activate the NiFiT solution within production environments. As each system and/or system component was activated in production, the NiFiT Project Team partnered with Steady-State Support personnel to coordinate and orchestrate HyperCare activities, with HyperCare being a NiSource IT required set of activities to provide extended IT project team support for a period of time immediately following solution deployment. In NiFiT's case, HyperCare activities are being conducted for each effected systems between April 2014 and June 2014 with a total of 288 items handled by the HyperCare team as of June 6, 2014. IT Audit noted theses 288 HyperCare items handled for D2 represented a net forty-six percent (46%) reduction from the 538 items previously addressed for D1.

IT Audit noted the HyperCare team for D2 included personnel from the NiFiT Project and Steady-State Support Teams and selected Change Champions. IT Audit additionally interviewed selected stakeholders to gauge the level of engagement with NGD business teams affected by the NiFiT solution, finding positive results with stakeholders rating the level of engagement by NiFiT to be very good and commenting that support activities provided by the NiFiT Project Team were helpful and performed in a timely manner. IT Audit also noted the NGD Segment Controller raised concerns associated with Job Order Re-class processing and allocations performance and requested an extension of D2 HyperCare support from the NiFiT Project Team for the June 2014 CDC (Columbia Distribution Companies) accounting close. IT Audit found the NiFiT Project Team aligned with the NGD Segment Controller to support this request and, as a result, is extending HyperCare for relevant systems through the June 2014 accounting close timeframe via an in-process PCR. Based on review of relevant documentation, attendance at key meetings and stakeholder interview engagement, IT Audit concludes the NiFiT Project Team continues to follow NiSource enterprise project standards for delivered function user acceptance approval activities.

**Recommendations:** None



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Delivered Function User Acceptance - Objective 3

In cases where exceptions to NiSource corporate policy and/or NiFiT project standards are encountered in user acceptance, IT Audit will validate that proper review, sign-off and documentation are obtained by NiFiT Project Team.

#### Results:

Based on relevant documentation review and interviews with key personnel, IT Audit found no exceptions related to corporate policy or project standards as part of delivered function user acceptance activities for Deployment 2.

Recommendations: None



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Delivered Function User Acceptance - Objective 4

**Determine whether adequate alignment exists between the NiFiT Project Team and NiFiT Process Owners, NiSource SOX Compliance, NiSource Finance, NGD Management and Deloitte & Touche Audit on user acceptance control activities associated with the Deployment and Turnover project phases.**

IT Audit attended the following meetings and/or planned communications where user acceptance activities and related controls were discussed and noted adequate alignment exists between the parties involved on user acceptance.

- **NiFiT Project Leadership (Wednesday 10:00am EST)**

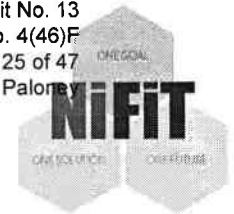
*Type:* Weekly Project Leadership team meeting regarding NiFiT project progress, project status updates by the NiFiT PMO and agenda presentations by NiFiT Project Team Leads and subject matter experts.

*Attendees:* NiFiT Project Leadership and IT Audit.

- **NiFiT Weekly Deployment 2/3 NiFiT Status Meeting (Tuesday 1:00pm EST)**

*Type:* Weekly status meeting covering project work accomplished, deliverable(s) status, staffing updates and issue/risk metric reporting. Included items regarding change management and user acceptance.

*Attendees:* NiFiT PMO, NiFiT Project Team Leads and IT Audit.



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Delivered Function User Acceptance – Objective 4 (Cont.)

- **Planned NiFiT communications with NGD D2 In-Scope Company personnel**

*Type:* E-mail, site visits and Change Champion communications.

*Audience/Participants:* NiFiT Project Team Leads, Change Champion Network (CCN) members and NGD management.

**Recommendations:** None



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Business Process Controls - Objective 1

**Review manual business process controls status within the Deployment and Turnover phases to provide an opinion on the adequacy of management's inclusion and testing of the automated manual business process controls.**

#### Results:

To verify manual controls operated effectively as part of the April 2014 accounting close for the Columbia Distribution Companies (CDCs), Columbus Internal Audit made a selection of twenty-five (25) CDC-focused primary and key secondary manual SOX controls out of the total population of 122 NGD SOX-related manual controls from the locked NiFiT Deployment 2 Risk and Control Matrixes. The manual controls tested by Columbus Internal Audit were controls determined to be most impacted by NiFiT. Additionally, only monthly controls impacted by NiFiT Deployment 2 could be reviewed per Columbus Internal Audit's testing procedures as April is not a quarter or year-end timeframe for NiSource. For each of the twenty-five (25) manual controls selected, Columbus Internal Audit reviewed documentation supporting the execution of the SOX control for the month of April 2014. As of the date of this report, Columbus Internal Audit had completed testing on all 25 controls selected, noting each selected CDC control appeared to be operating effectively.

**Recommendations:** None



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Business Process Controls – Objective 2

**Review NiFiT data conversion controls for activities executed since NiFiT Deployment 2 go-live to provide a perspective on conversion process owner review and sign-off on the conversion results.**

#### Results:

The NiFiT Project Team executed the following four (4) data conversion efforts as part of NiFiT Deployment 2:

- Chart of accounts and financial data conversion (general ledger) - GEAC to PeopleSoft Financials 9.1.
- Vendor conversion (accounts payable) - GEAC to PeopleSoft Financials 9.1.
- Cost repository account code conversion (asset management) – PowerPlant.
- Work order number conversion (asset management) – PowerPlant.



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Business Process Controls – Objective 2 (Cont.)

IT Audit noted final review and sign-off for the following Deployment 2 data conversion streams were obtained by NiFiT:

- Chart of accounts and financial data conversion (general ledger) – GEAC to PeopleSoft Financials 9.1.
  - Final sign-off obtained April 14,2014 during the general ledger deployment weekend.
- Vendor conversion (accounts payable) - GEAC to PeopleSoft Financials 9.1.
  - Final sign-off obtained March 27,2014 prior to the April 1,2014 accounts payable deployment date.
- Cost repository account code conversion (asset management) – PowerPlant. (Refer to **Note** below)
  - Final review obtained April 15,2014 1 day post the asset management April 14,2014 deployment date.
- Work order number conversion (asset management) – PowerPlant. (Refer to **Note** below)
  - Final review obtained April 15,2014 1 day post the asset management April 14,2014 deployment date.

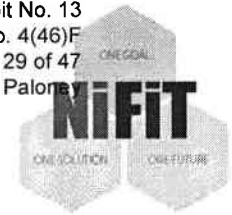
**Note:** Cost repository and work order number conversion review was obtained post PowerPlant deployment due to the conversions being executed during the weekend and final results dependent on deployment execution. Obtaining conversion reviews after deployment allowed NiSource Asset Management to review and validate conversion results in production, with any associated risk in having review and sign-off post production conversion mitigated by the execution of mock conversions during the D2 Testing phase.

**Leading Practice Opportunity:** IT Audit found the validation process related to supporting Vendor Conversion sign-off documentation was not consistent with conversion sign-off documentation requirements for the D2 Chart of Accounts, Cost Repository and Work Order streams. As a result, IT Audit sees an opportunity for Vendor Conversion sign-off requirements to be documented in a manner consistent with the other data conversion streams for future NiFiT deployments. IT Audit did note that as of this audit report date, the NiFiT Project Team has acted on this opportunity by creating a Vendor Conversion validation document that is aligned with the other conversion streams and which will be used during NiFiT Deployments 3 and 4.

**Recommendations:** None







# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Business Process Controls – Objective 3

**IT Audit will review NiSource SOX Controls Team inclusion and testing plans created to help ensure business process controls associated with Deployment 2 are completely and accurately migrated from NiFiT RCMs (Risk & Control Matrixes) into the NiSource SOX Risk Navigator Database.**

#### Results:

Spanning the D2 Deployment and Turnover phases, IT Audit noted the NiSource SOX Controls Team continued their effort commenced during D1 to align business process controls included in NiFiT Risk and Control Matrixes (RCMs) to controls present within NiSource's global SOX Risk Navigator database. Based on the D2 RCM versions locked as of April 2014, the NiSource SOX Controls team performed a controls reconciliation during May 2014 between the RCMs and Risk Navigator and noted all 477 controls appearing in the D2 NiFiT RCMs were also correctly located within Risk Navigator.

For independent testing purposes, IT Audit also performed a reconciliation between the locked NiFiT D2 RCMs as of April 2014 and the SOX Risk Navigator controls database and obtained the same results as the NiSource SOX Controls Team, with 477 aggregate controls appearing in the NiFiT RCMs and also documented within Risk Navigator for alignment purposes.

Recommendations: None



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Business Process Controls – Objective 4

**Review alignment efforts on post go-live manual business process control testing activities between NiFiT Project Team, Process Owners, the NiSource SOX Controls Team and Deloitte & Touche Audit.**

#### Results:

IT Audit observed various communication points and pre-scheduled reporting meetings occurring between the NiFiT Project and SOX Controls Teams, NiSource Process Owners, NiSource's IT and Columbus Internal Audit Teams and Deloitte regarding assessment activities associated with the design/effectiveness testing of controls impacted by NiFiT. Besides being an active participant in discussion coordination between the multiple parties listed above, IT Audit noted the following regularly scheduled communication streams throughout the duration of the D2 Deployment and Turnover phases:

- **NiFiT Controls Status (Monday 10:30am EST)**

*Type:* Weekly status discussion regarding controls inclusion within the NiFiT RCMs and Segregation of Duties evaluation status between the NiFiT Project and Control Teams.

*Attendees:* NiFiT Project Team, NiSource SOX Controls Team and IT Audit.

**Recommendations:** None



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Business Process Controls - Objective 5

**Review NiFiT Project Team activities related to reducing temporary production access required for HyperCare support**

**Results:**

As part of the NiFiT D1 Post-Deployment Review, IT Audit included a recommendation that the NiFiT Project Team ensure corresponding HyperCare Support Team access into the production PeopleSoft environment be limited to a reduced level of individuals with Update, Add and/or Correction capability. By restricting access granted, the NiFiT Project Team would significantly reduce the risk of any improper activity occurring within the production PeopleSoft environment during the HyperCare period for future NiFiT deployments.

To ensure the NiFiT Project Team actioned IT Audit's recommendation for D2, the NiSource SOX Controls Team aligned with Deloitte to run independent PeopleSoft security extracts both pre D2 commencement (March 2014) and post D2 go-live (April 2014). IT Audit noted all items found by both the NiSource SOX Controls Team and Deloitte as a result of the pre D2 PeopleSoft security extracts were discussed for joint alignment and subsequently remediated by the NiFiT Project Team prior to the April 15, 2014 D2 go-live date.

**Recommendations:** None



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### IT General Controls – Objective 1

**Perform independent effectiveness testing over select general IT computing controls presenting a heightened risk to NiFiT post go-live of Deployment 2.**

#### **Results:**

As part of the initial NiFiT D1 solution, the NiFiT Project Team implemented a version control tool, Phire, that is utilized both for migrating PeopleSoft 9.1 code into production and in providing systematic audit logging capabilities for defined PeopleSoft 9.1 code migrations. IT Audit found the Phire tool monitors all Peoplesoft application code changes, as well as specific operating system level changes (i.e. Crystal Reports, objects, etc.) which have an impact on application functionality. IT Audit additionally noted NiSource IT and IBM PeopleSoft Steady-State personnel document the tracking number (i.e. incident ticket, defect number or change request number) within a Phire Change Request ticket in order to link the change to NiSource's IT Change Management process via an ISM (Integrated Service Management) ticket. Details of the change approvals, description and documentation are then retained within ISM for overall audit and tracking purposes.

For independent D2 testing, IT Audit randomly sampled fifteen (15) of the forty-six (46) total PeopleSoft 9.1 objects migrated into production between January 1, 2014 and June 3, 2014. Upon review, IT Audit determined that although the defined Phire change management process is being followed, nine (9) of the fifteen (15) object migrations sampled within Phire did not include adequate documentation to link the Phire change request to the corresponding ISM change ticket containing supporting approval documentation. Additionally, IT Audit noted eleven (11) of the fifteen (15) sampled PeopleSoft 9.1 object migrations were left in an open status within Phire (i.e. 'Ready to Close', 'Post Migration', Etc.) for an extended period of time post the object migration being completed.



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### IT General Controls – Objective 1 (Cont.)

**Recommendations:** Phire change request tickets should be clearly linked to the corresponding ISM change ticket to help ensure adequate accessibility and linkage to required change management documentation and approvals.

**Management Response:** NiSource IT Service Delivery and IT Planning & Operations will be meeting with the PeopleSoft Support Business Area Manager (BAM) to reinforce the need to tie the Phire tickets to ISM tickets in the future and going forward. IT Operations is planning for an update of the NiSource Applications Change Management Controls Procedure document and when published, the process to reference Phire tickets to ISM tickets will be included.

**Leading Practice Opportunity:** IT Audit recommends the timely closure of change request tickets within the Phire tool by the NiSource IT and IBM PeopleSoft Steady-State Teams.



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### IT General Controls – Objective 2

Determine whether adequate alignment exists on general IT computer control activities implemented by the NiFiT Project Team with NiSource IT Compliance, NiSource SOX Compliance and Deloitte & Touche Audit.

#### Results:

IT Audit found adequate alignment exists between the NiFiT Project Team, NiSource IT Compliance, NiSource SOX Compliance and Deloitte Audit. Besides noting frequent interaction between the required teams to address any current changes in the general IT computer controls environment. IT Audit additionally executed Phire object migration testing over PeopleSoft change management controls on behalf of Deloitte, with testing results discussed and leveraged by the Deloitte Audit team.

Recommendations: None



NiFiT Deployment 2 - Post-Deployment Review  
Advisory Objectives

# REVIEW RESULTS



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Conduct/Deliverable Quality – Objective 1

**Review NiFiT D2 Deployment and Turnover phase process compared with industry practice and guidance to inform NiFiT Project Team management of relevant improvement opportunities.**

#### **Results:**

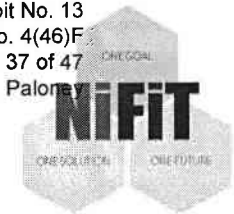
IT Audit reviewed NiFiT D2 HyperCare delivery by attending daily HyperCare status meetings and both inspecting HyperCare Daily Status Reports along with HyperCare ticket information to gauge standards compliance by NiFiT. IT Audit noted the NiFiT Project Team continues to report comprehensive status, consistent with D1, of the following HyperCare delivery attributes within the HyperCare Daily Status Report:

- Batch processing status
- Incidents reported and handled
- Function status by solution area
- Monthly accounting close status

IT Audit also found that as of June 6, 2014 and post conclusion of the May 2014 CDC accounting close, the HyperCare team reported 264 of the 288 total HyperCare incidents (92%) raised were either "closed" or "resolved", with only twenty-four (24) incidents (8%) remaining in "open" status. IT Audit noted these twenty-four (24) "open" tickets were being tracked by the NiSource Business Applications Support and IBM Steady-State Support Teams for continued monitoring and closure progression through the remainder of D2 HyperCare.

**Recommendations:** None





# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Conduct/Deliverable Quality – Objective 2

**Review stakeholder 's alignment and perspective on NiFiT solution Deployment and Turnover activities by interviewing selected Key D2 Stakeholders to provide feedback to NiFiT Project Team management of relevant improvement opportunities.**

#### Results:

To provide a perspective on project alignment with NiFiT's D2 release, IT Audit conducted a series of interviews with the following eight (8) key business stakeholders to assess NiFiT Project Team engagement in the D2 Deployment process:

- NGD Segment Controller
- NCS Segment Controller
- NGD COO
- NGD CFO
- NGD SVP/Chief Commercial Officer
- CPA/CMA President Regulatory Rev
- NiFiT OCM Lead
- NiFiT OCM Executive Advisor

Based on interview results, IT Audit received positive feedback for the NiFiT Project Team's engagement and alignment with key business stakeholders and heard no user acceptance improvement items for the NiFiT Project Team from a leading practice perspective. IT Audit did note the NGD Segment Controller raised concerns associated with both Job Order Re-class processing and allocations system performance during the April and May 2014 CDC accounting closes. IT Audit noted both items are prompting the extension of HyperCare for the June 2014 CDC accounting close with IT Audit monitoring corresponding NiFiT Project Team performance.



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Conduct/Deliverable Quality – Objective 2 (Cont.)

As part of the interview process, IT Audit additionally learned the NiFiT OCM (Organizational Change Management) Team had to provide enhanced support to a select number of D2 Change Champions to ensure their communication, training and support expectations were being accomplished. IT Audit noted that in order to address this item for D3 and D4, the NiFiT OCM team is planning on requiring more performance-based monitoring and continual feedback between Change Champions and their corresponding managers and supervisors.

The following slides highlight comments/suggestions resulting from IT Audit’s interviews with key D2 business stakeholders:

Item #	Comments/Suggestions	Source Interview(s)
<b>Stakeholder Comments</b>		
1	... NiFiT’s practice of “Telling the people ahead of time why and what is changing rather than just changing things and then telling personnel” helped drive a higher acceptance rate for the project.	CPA -President
2	A large effort was demonstrated by NiFiT Project team to engage ... his team. ... felt that these efforts were proactive and that NiFiT Project team did an excellent job as the D2 effort was almost a “non-event” for his Operations organization.	NGD - Operations
3	Just a thumbs-up ... that overall the D2 deployment was a success and any issues that came up are being addressed in a timely manner.	NCS – Segment Controller
4	Very nice job by the NiFiT Project Team. Very impressed with the Team and the results delivered. Recognized that it took a tremendous amount of discipline and effort from the NiFiT team to accomplish transition. Also noted that the team was great to work with.	NGD – Segment Controller



# NiFiT Deployment 2 – Post Deployment Review

## INTERVIEW RESULTS

### Project Conduct/Deliverable Quality – Objective 2 (Cont.)

Item #	Comments/Suggestions	Source Interview(s)
<b>Stakeholder Suggestions</b>		
1	... certain D2 communications during HyperCare were extremely detailed and lengthy, resulting in minor challenges for re-communication back out to our organization.	CPA – President
2	... the current level of change management and communications should be maintained by NiFiT for future deployments.	NGD Operations
3	...the impact of NiFiT on secondary systems may be an improvement consideration area for both D3 (NIPSCO/NCS and D4 (CPG).	NGD Operations
4	The testing performed by the NiFiT Project Team didn't seem to include enough transaction capacity for allocations to adequately test load on the system. At close ,the transactions posted were of a normal amount however the system still had capacity problems.	NGD Segment Controller
5	... disappointed with the WMS Job Order Re-class. ... felt the issue was minimized because the net total is not material. However, the jobs run and transactions handled have regulatory impacts and are critical to regulator review and rate cases.	NGD Segment Controller & NGD SVP/COO

**Recommendations:** None



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Conduct/Deliverable Quality – Objective 3

**Review the project’s delivered functional solution acceptance activities (user acceptance) including training, change management and communications compared with industry practice and guidance to inform NiFiT Project Team management of relevant improvement opportunities.**

#### **Results:**

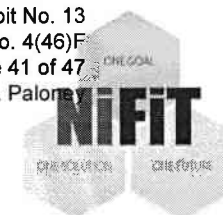
IT Audit noted the NiFiT Project Team is using prescribed NiSource Organizational Change Management (OCM) tools and procedures to provide overall guidance for user training, change management and communications for NiFiT D2. For testing purposes, IT Audit reviewed the following, relevant NiFiT OCM project documentation:

- NiFiT OCM Work-plan.
- NiFiT Communications Plan.
- NiFiT Training schedules and attendance information.
- NiFiT Training Survey Feedback information.
- NiFiT Change Adoption Survey Plans

Post comparison with OCM materials available from the Association of Change Management Professionals (ACMP) and experienced-based project knowledge, IT Audit concluded the NiFiT Project Team is following best practices in this area and encourages continued usage of the prescribed OCM tools and procedures for future deployments.

**Recommendations:** None





# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Conduct/Deliverable Quality – Objective 4

**Review the project's delivered functional solution acceptance activities (aka: user acceptance) focusing on CCN (Change Champion Network) effectiveness by comparing NiFiT Change Champion feedback results with independent Change Champion Network interview results to inform NiFiT Project Team management of relevant improvement opportunities.**

#### Results:

Along with interviewing key D2 business stakeholders, IT Audit also conducted interviews with both selected Change Champions and End-Users impacted by NiFiT D2 to provide an independent opinion on user acceptance of the deployed solution and NiFiT Project Team engagement. Interviews were conducted during May 2014 in the following locations and functional areas:

<b>Location</b>	<b>Functional Area(s)</b>
• Canonsburg, PA	Operations, Engineering & Construction
• Washington, PA	Operations
• Lexington, KY	Regulatory, Operations
• MarbleCliff, OH	Engineering & Construction
• Columbus, OH	Commercial-CFO, Finance, Customer Operations, Regulatory

As with key D2 stakeholders, IT Audit again found positive responses from a majority of CCN participants and noted no user acceptance improvement items for the NiFiT Project Team from a leading practices perspective. The following slides highlight comments/suggestions resulting from IT Audit's interviews with selected D2 Change Champions and End-Users:

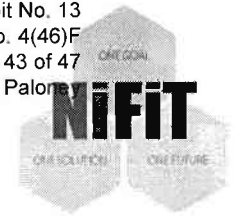


# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Conduct/Deliverable Quality – Objective 4 (Cont.)

Item #	Comments/Suggestions	Source Location
<b>Change Champion Network Comments</b>		
1	... NiFiT project and Project Team is one of the best he has been involved with over his 35 year career at NiSource. He also mentioned that he would recommend participating as a change champion on other projects that used the same CCN process as NiFiT. He lastly mentioned that without the Change Management support provided by NiFiT he does not think that the project would have been successfully implemented.	CPA
2	The training and support provided was top-notch. It provided information and key steps to be a successful speaker. I felt confident and well-versed.	CPA
3	... enjoyed being part of the delivery process and was encouraged to see this type of effort on large projects.	CKY
4	Best communication and change management effort that I've ever been involved in. The planning and execution was great.	COH
5	... thought that the NiFiT Project Team's organizational commitment to getting it "right" was really demonstrated by all the NiFiT Project Team members he worked with throughout the process. ... one of the smoothest go-lives he has experienced in his career. ... was impressed by the NGD Executive commitment and involvement in NiFiT.	NGD
6	Lots of communications and teamwork were important to success. ... role as a change champion was a great opportunity to grow professionally.	NGD



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Conduct/Deliverable Quality – Objective 4 (Cont.)

Item #	Comments/Suggestions	Source Location
<b>Change Champion Network Suggestions</b>		
1	Consider having smaller CCN groups for Go-Live Prep-Sessions to allow both for more candid feedback back to the Change Champions and for more one-on-one work.	CPA
2	Once the CE and Commodities are identified, an overview on how to code them properly in the Catalyst system would be beneficial. "Even though I understand the process and what was changed, the coding of the invoices is still an issue."	CKY
3	... the NiFiT Project Team should consider sharing more details up front (i.e. in the beginning of the process ) and make new Change Champions aware of metric trackers earlier in the process.	CKY
4	... having Change Champions be back-ups to one another, in both user assignment and updates to tracking material, may be helpful for achieving better Change Champions coverage.	CKY
5	The Project Team should consider using another tool besides Myers-Briggs	NGD
6	The Project Team should consider adding a manager in FP&A to the Change Champion Network for D3.	NGD



# NiFiT Deployment 2 - Post-Deployment Review

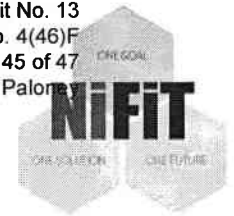
## REVIEW / RESULTS

### Project Conduct/Deliverable Quality – Objective 4 (Cont.)

Item #	Comments/Suggestions
<b>End-User Comments (General)</b>	
1	Felt training and/or communications materials were appropriate and timed well
2	Felt well-supported by NiFiT throughout the process
3	Felt that communications and training were key to the success of NiFiT in their area.
<b>End-User Suggestions (General)</b>	
1	Include more detailed examples of new code use with more transactions - especially for the commodity codes within training and communications materials.
2	Include more repeated communications of locations/web links of Chart of Accounts mapping tools and lists.

**Recommendations:** None





# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Conduct/Deliverable Quality – Objective 5

**Review NiFiT Project Team activities and plans related to the criteria and metrics used to gauge adoption, usage and business value realization of the Deployment 2 solution and compare with industry practice to inform NiFiT Project Team management of relevant improvement opportunities.**

#### **Results:**

IT Audit found the NiFiT Project Team is using an Operational Measures Scorecard to track improvement and value realization metrics for the NiFiT solution. IT Audit noted the Operational Measures Scorecard – shown on the following slide for April 2014 - uses a total of ten (10) metrics to gauge monthly value realization from the NiFiT project and follows a defined approach for both metric type(s) and success criteria based upon input from the NiFiT Project Team, related Process Owners and NiSource management.

**Leading Practice Opportunity:** NiSource IT should consider partnering with their business customers to develop a standard business value realization process based upon NiFiT's Operational Measures Scorecard and integrate any relevant deliverable(s) into the NiSource Project Management Methodology (PMM).



# NiFiT Deployment 2 - Post-Deployment Review

## REVIEW / RESULTS

### Project Conduct/Deliverable Quality – Objective 5 (Cont.)

The NiFiT Project Team reported the following operational metrics results after the first D2 accounting close of the NGD companies in April 2014. IT Audit also noted the NiFiT Project Team performed a detailed review of these Operational Measures for May 2014 and updated metrics as required.

**Note:** IT Audit found metrics within the Operational Scorecards for April and May 2014 related to Change Adoption Score (for User Acceptance), however the corresponding metric for Change Adoption was in process at the time of this audit report.

### D1 and D2 Operational Measures: April 2014 Actuals



Exceeds  
  Meets  
  Partially Meets  
  Not Met

	Metric	Status	D1 & D2 April 14 Actuals	D1 March 14 Actuals	D1 Feb 14 Actuals	"Meets" Target
Acct Ops	Month-End Close Duration (Day 1 to Hyperion)	<input checked="" type="radio"/>	D1 – Workday 5 D2 – Workday 11	Workday 5	Workday 5	D1 – Workday 5 D2 – Workday 15 April, Workday 5 by Q2 Close
	Avg # BU Topside Entries (Hyperion)	<input checked="" type="radio"/>	D1 and D2 – 0 topside entries	0 topside entries	0 topside entries	– 1-6 lines
	% New Account Additions, Annual	<input checked="" type="radio"/>	8 additions YTD, .056% growth	2 additions YTD	0 additions	– < 1% cumulative growth, annual
AP	# Supplier Master Values	<input checked="" type="radio"/>	41% reduction from new D2 baseline	26% reduction from D1 baseline	26% reduction from D1 baseline	– > 15% reduction at Go Live
	% Vendor Invoices Paid On Time	<input checked="" type="radio"/>	D1 – 39% by terms, 71% within 30 days D2 – 46% by terms, 61% within 30 days	41% by terms, 71% within 30 days	46% by terms, 69% within 30 days	– 48% by terms, 73% within 30 days
	% Vendor Payments By ACH	<input checked="" type="radio"/>	D1 – 18% ACH D2 – 15% ACH	30% ACH	23% ACH	–> 15% ACH
AR	Avg # CR Reconciliation Entries	<input checked="" type="radio"/>	D1 – 0 lines D2 – 3 lines	1 line	0 lines	D1 – 0 lines D2 – 0 lines by Q2 Close
	# System Customizations With Potential Upgrade Impact (PeopleSoft)	<input checked="" type="radio"/>	7 PeopleSoft Customizations	7 PeopleSoft Customizations	7 PeopleSoft Customizations	5-10 PeopleSoft Customizations
	Annual SOX Control Audit Exceptions	<input checked="" type="radio"/>	3 Exceptions	NA	NA	– 1-6 Exceptions
Org Stability	Change Adoption Score	<input type="radio"/>	NA	NA	NA	– > 80% Agree or Strongly Agree by Q2 Close

**Recommendations:** None






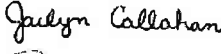
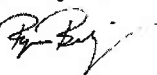
## NiFiT Deployment 2 - Post-Deployment Review

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**TO:** James Hastings, Program Specialist – Operations Compliance NGD

**FROM:** Amar Patel, Senior Auditor   
Jaclyn Callahan, Audit Manager   
Ryan Binkley, Director Audit 

**DATE:** June 27, 2014

**SUBJECT:** NGD Internal Operations Audit Program Process Review

In conjunction with the NiSource Gas Distribution (“NGD”) Pipeline Safety and Compliance Department (“Pipeline Safety”), Internal Audit conducted a walkthrough and ride along to gain an understanding of the processes and procedures undertaken during field audits (***see Background for detailed information on “field audit”***). The focus of our work was to review the policies, procedures, and execution of procedures associated with conducting on-site field audits.

The primary business risks associated with these activities are:

- Audit planning may not focus on the key risk areas identified by Senior Management;
- Field Audits may not adequately address the risk that field operation does not follow standards and practices established in the NGD Gas Standards or other applicable regulatory standards; and
- Pipeline Safety may not have the resources to adequately address risk associated with field work.

### **Background**

The *Internal Operations Audit Program* provides a systematic, documented, periodic, and objective assessment of distribution operations to measure compliance with pipeline safety regulations and NGD Gas Standards. Auditing assessments are a recognized tool to validate the following:

- *Performance against regulatory requirements and NGD Gas Standards;*
- *The effectiveness of policies, management systems and best practice communications;*
- *Future risks to pipeline safety; and*
- *Documentation exists to support that appropriate Internal Operations Audits are conducted by the Pipeline Safety and Compliance Department.*

The Mission Statement of the Internal Operations Audit Program is to:

- *“Provide an effective Internal Operations Audit Program to all NiSource Gas Distribution Operating Companies that ensures compliance with pipeline safety regulations and company procedures. Partner with Distribution, System Operations/ GM&T and Engineering to provide safe, reliable service throughout NiSource operating territories.”*

Pipeline safety has identified the following as key objectives in conducting field audits:

- To supply management with a view of day-to-day process effectiveness at the local level and assist in local implementation efforts to meet pipeline safety regulations;
- To identify and prioritize specific pipeline safety concerns;
- To identify, explain and document findings for specific issues that require corrective action to meet compliance regulations;
- To recommend corrective actions and timelines for mitigation of issues found to be out of compliance; and
- To provide pipeline safety and procedural compliance consultation services as issues are identified.

### **Field Audits**

The scope of field audits has been developed by Pipeline Safety to encompass the day-to-day operations of NGD. The scope of field audits can include the following areas:

- Pressure Control
- Corrosion Control
- Critical Valves
- Odorization
- Leakage Control
- DOT – Qualification of Pipeline Personnel
- O&M/Emergency Manual Review
- Service Technician Observations
- Pipeline Facility Repair/Installation Observations
- Fixed Pressure Factor Metering (FPFM)
- Gas Measurement
- Pipeline Integrity Management (TRIMP/DIMP)
- Employee Training

In 2014, Pipeline Safety is scheduled to perform nine field audits (refer to Appendix A for details of audit locations for 2013 and 2014). After a location is selected an audit notification is made 30 days in advance to the Operations Center/Local Operating Area. Two weeks prior to an audit, an offsite review of pertinent documentation is performed. The documentation review is then typically followed by a 14 day on-site field audit. During the on-site field audit the following is typically conducted:

- A meeting is held with the local leadership team to discuss the audit process and allow local management to communicate any special concerns or targeted focus recommendations;
- A review of local records maintained for regulatory and operating purposes for completeness and accuracy;
- Observation of both Company and contractor field personnel for compliance with regulatory requirements and NGD Gas Standards; and
- A closing meeting is held to inform local leadership team of audit findings.

Once the closing meeting is conducted, a report with all findings and corrective action plans is drafted and reviewed by NiSource Legal and provided to management. The final audit report includes the following information:

- An itemized summary of “open” findings and their significance/severity; and
- Corrective action recommendations and recommended timelines to “close” findings.

## Conclusions

Internal Audit completed a series of interviews and walkthroughs with Pipeline Safety during their field audit starting on May 5, 2014 at the Johnny Appleseed location in Columbus, Ohio (See Appendix A). While not included as reference in this report, the Pipeline Safety group will be issuing a separate report that will include the results of their review of the Columbus, Ohio Operations Center (1324, 1325) at a later date.

As part of the review, Internal Audit attended the field audit opening meetings, observed field audit procedures completed for a selection of locations, reviewed the documentation process completed by Pipeline Safety, and participated in the audit closing meeting. Based on the walkthroughs and interviews performed by Internal Audit, we noted the following:

- Pipeline Safety has formal processes, procedures, and policies to effectively plan, execute, and track audit results to address and correct identified exceptions.
  - While Pipeline Safety completes a documented and formal process to select audit locations, no formal sign-off is completed by senior Pipeline Safety Management to approve the annual audit plan. Internal Audit has made a minor process enhancement recommendation for management to consider revising their current process by obtaining formal sign-off and/or approval of the audit plan by Senior Management to ensure that Senior Management is in agreement with the scope of the annual audit plan.
- Field audits are conducted in accordance with NGD Gas Standards and other applicable governmental regulations. Field auditors were able to effectively reinforce training and development and provide guidance on areas in the Gas Standards which were ambiguous or unknown to field crews.
- While field audits reinforce training and development, Internal Audit noted instances where field auditors stopped field personnel while performing work due to activities that were not being executed in accordance with NGD Gas Standards and required correction. Feedback provided by field personnel indicated that the NGD Gas Standards were at times ambiguous to the work being performed, leading to confusion and the inappropriate execution of work.
  - Internal Audit recommends that Management consider the results of this process review as part of their NGD Training initiative and address any identified ambiguity in the Gas Standards and ensure all field crews are adequately trained.
- Current resources and Senior Management support of the Internal Operations Audit program are sufficient to carry out the annual audit plan.

**Summary of Business Objective(s), Scope, and Results and Recommendation(s)**

***Business Objective: Perform a walkthrough with Pipeline Safety in order to understand the planning, execution, and completion of field audit work.***

***Scope – Audit Planning:***

- *Audit planning may not focus on the key risk areas identified by Senior Management.*

***Internal Audit Results - Audit Planning:***

- Internal Audit discussed the field audit planning process with Pipeline Safety. As part of the planning processes, locations are selected each calendar year for audit. In 2013 and 2014, 11 and 9 locations were selected for audit procedures (See Appendix A for locations selected for audit by Pipeline Safety for 2013 and 2014). The process to select a site can include the following factors:
  - Size of local operation;
  - Extent of facilities;
  - Amount of work activity;
  - Local leadership/employee turnover;
  - Historic compliance level (past audit findings);
  - Targeted requests; and
  - Presence and schedule of utility commissions.
- Once locations are selected for the current year audit plan, the Manager of the Distribution Integrity Management Program signs off on the annual audit plan.
  - Internal Audit notes that only the Manager of the Distribution Integrity Management Program approves the annual audit plan. While Senior Management approval is not currently obtained, Senior Management is made aware of the audit plan and can make suggestions or changes as needed.

***Internal Audit Recommendation(s) – Audit Planning:***

- Senior leadership of the Pipeline Safety department should consider formally approving the annual plan to evidence to their agreement and acknowledgement of the audits being conducted.

***Scope – Audit Execution:***

- *Field audits may not adequately address the risk that field operations team do not follow standards and practices established in the NiSource Gas Standards or regulatory standards.*

***Internal Audit Results – Audit Execution:***

- Prior to the start of audit work in a given location, a kickoff meeting is held with leadership of the location. Expectations, scope of work planned, and audit scheduling is discussed with field management. Field management is asked for input on potential risk areas or concerns.
- During the walkthrough conducted with Pipeline Safety, Internal Audit obtained all checklists and documentation used during a field audit.
- Pipeline Safety maintains an Internal Operations Protocol spreadsheet which outlines the audit plan for each location audit. The spreadsheet has three separate areas addressing *Pipeline Safety Audit Protocols; Security Review Protocols; and Risk-based Audit Protocols* (See Appendix B for a short excerpt of these protocols).
  - **Risk-Based Audit Protocols:** Utilized to help identify the highest risk areas around Damage Prevention, Leakage, Odorization, and Over Pressurization. Most of the work related to risk-based audit protocols relates to documentation reviews to ensure compliance with standards and to look for operating inconsistencies.
  - **Pipeline Safety Audit Protocols:** Address unique Compliance areas (i.e. Pressure Control; Construction Operations, Corrosion, etc.). Each Compliance area has a several protocol details which assist auditors in the field to assess specific risks/compliance areas. Those risk/compliance areas correspond to government or internal NiSource standards. As testing is completed, the comments section is filled out by the auditor with any identified findings. The pipeline safety audit protocol is utilized to help identify and address issues in documentation identified in the risk based audit protocol and to address risks based on actual work performed during on-site audits.
  - **Security Review Protocol:** Assesses the physical security of a location. During field audits, a security review is normally conducted. The review includes areas around Security Plan Administration, Physical Security, Security Incident reporting and other location security risks.
- Internal Audit noted the following observations while onsite with Pipeline Safety Field Auditors:
  - Field auditors were able to provide field crews instant guidance and feedback in regards to specific NGD Gas Standards;
  - If field crews conducted an activity that did not align with NGD Gas Standards or personnel were acting in a potentially unsafe manner, field auditors stopped the work of field personnel and provided immediate feedback and corrective actions; and
  - In certain instances, the NGD Gas Standards did not appear to be uniformly understood by field crews. Internal Audit noted several instances where field auditors stopped work in order to correct actions which were ambiguous in the



NGD Gas Standards. In addition, Internal Audit noted instances where the Pipeline Safety auditor observed that new equipment was provided to field crews (*i.e. gas readers, anti-static spray*) without adequate training on the equipment.

- Once the documentation review and on-site inspections are completed, Pipeline Safety compiles all findings and recommendations into a draft document for a closing meeting with Management.
  - During the closing meeting, all findings and recommendations are discussed. Along with the discussions regarding findings and recommendations, responsible parties are identified and dates are confirmed for the resolution of corrective actions.
- Internal Audit noted that both positive findings and improvement opportunities are presented to field management during the closing meeting and in the final report.
- Pipeline Safety utilizes the following coding for each issue found during the audit:
  - **A** - Requires action to achieve, maintain or define compliance (30 day corrective action period);
  - **B** - Requires action to achieve, maintain or define compliance (90 day corrective action period);
  - **R** - Requires action to achieve, maintain or define compliance (30 day corrective action period – Repeat finding from a previous audit);
  - **H** - Requires local area notification and communication to third-party to achieve compliance (e.g. TCO) (90 day corrective action period); and
  - **X** - Revised “A” or “B” findings that cannot be closed by local operations due to external circumstances (Corrective action period to be determined).
- Audit findings are tracked in a Corrective Action Tracking System (CATS) database to monitor closure progress.
  - Compliance Managers for areas audited are responsible for “closing” audit findings in the CATS database once all required corrective actions for the findings have been entered in CATS.
- Summary reports of “open” audit findings are sent monthly to Operations Management (VP/GM/Director/Regional Mgr.) and Compliance Managers for follow-up.
- A semi-annual review of a random sample of “closed” findings is performed to determine if findings were properly “closed” in accordance identified corrective action recommendations.

***Internal Audit Recommendation(s) – Audit Execution:***

- While field auditors are able to provide instant, effective communication in regards to NGD Gas Standards and unsafe practices by field crews, NGD Management should consider the observations from this review as they develop and implement their NGD Training Initiative to ensure uniform understanding by all field crews.

**Scope – Resources:**

- *Pipeline Safety may not have the resources to adequately address risk associated with field work.*

**Internal Audit Results – Resources:**

- Per discussion with Pipeline Safety, the Operations Compliance-Program Specialist leads all audit initiatives. The Program Specialist is responsible for staffing audits with appropriate resources and pulling in subject matter experts as needed for individual sites. Operations Compliance provides resources from other Operational Audit & Compliance areas to assist in the filed audits.
- As of the date of this report, Pipeline Safety views management support and resources to be appropriate to execute the Internal Operations Audit Program's mission statement and scope.

**Internal Audit Recommendation(s) - Resources:**

- None

As always, we appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any questions or require additional information, please do not hesitate to contact Ryan Binkley at (614) 460-5985, Jaclyn Callahan at (614) 460-5493, or Amar Patel at (614) 460-6394.

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**Appendix A**

<b>2013 Internal Operations Audit Schedule</b>		
<b>11/28/2012</b>	<b>On Site Dates</b>	
	<b>Location (TCC's)</b>	<b>Begin                      End</b>
	<b>Springfield, Ohio Op. Ctr. (0651)</b>	1/21/2013                      2/1/2013
	<b>Suffolk, VA Op. Ctr. (3910)</b>	2/18/2013                      3/1/2013
	<b>CPA East Op. Ctr. - State College (2451)</b>	3/25/2013                      3/29/2013
	<b>CPA East Op. Ctr. - York (2421)</b>	4/1/2013                      4/12/2013
	<b>Valparaiso, IN LOA</b>	4/29/2013                      5/10/2013
	<b>Staunton, VA Op. Ctr. (3810)</b>	6/10/2013                      6/21/2013
	<b>North Pointe Op. Ctr. - Lorain, OH (1222)</b>	7/22/2013                      8/2/2013
	<b>North Pointe Op. Ctr. - Middleburg Hts., OH (1261)</b>	8/5/2013                      8/16/2013
	<b>Monticello, IN LOA</b>	9/16/2013                      9/27/2013
	<b>Brockton, MA Op. Ctr. (8100)</b>	10/14/2013                      10/25/2013
	<b>Toledo, Ohio Op. Ctr. (1121)</b>	11/18/2013                      12/6/2013

**Appendix A (Con't)**

<b>2014 Internal Operations Audit Schedule</b>		
<b>11/27/2013</b>	<b>On Site Dates</b>	
<b>Location (TCC's)</b>	<b>Begin</b>	<b>End</b>
<b>CPA South Op. Ctr. (2321)</b>	1/27/2014	2/7/2014
<b>Fort Wayne, IN LOA/GM&amp;T</b>	3/31/2014	4/11/2014
<b>Columbus, Ohio Op. Ctr. (1324, 1325)</b>	5/5/2014	5/16/2014
<b>Emlenton/New Bethlehem, PA (2232, 2234)</b>	6/16/2014	6/27/2014
<b>Gary, IN LOA/GM&amp;T</b>	7/21/2014	8/1/2014
<b>Great Trail (Ohio) Op. Ctr. (0971)</b>	8/18/2014	8/29/2014
<b>Lawrence, MA Op. Ctr. (8400)</b>	9/29/2014	10/10/2014
<b>Lynchburg, VA Op. Ctr. (3760)</b>	10/27/2014	11/7/2014
<b>Ohio Valley Op. Ctr. (0731, 0732, 0733)</b>	12/1/2014	12/12/2014

**Appendix B – Sample Risk Based Audit Protocol (Excerpt Only)**

Risk Area	Code Ext.	E-Engineering F-Field Ops. S-System Ops. P-PipelineS&C	Protocol Details	Off-site Review	On-site Review	Comments
Damage Prevention (DP)	1	S, E, F, P	Identify "high profile" lines in operating center that may or may not be transmission class, but have a combination of higher pressures and/or close proximity to customers/buildings and/or significant consequences anticipated due to either shut down, damages or both.	X		To determine what lines to review, an initial source for this should be a review conducted by Damage Prevention for Engineering. Contact A. Donnini. In addition, we should consult with the System Ops. Manager, Leakage FLL, the OCM and Engineering.  For offsite records reviews we will need to access WMS, Irthnet, DPTS, LMS and GIS.  For on-site efforts we will require locator equipment, leakage equipment, fluke meter and Personal Protective Equipment.
Damage Prevention (DP)	2	S, F	Review leak survey and patrolling records in WMS to understand the leak survey and patrolling frequencies assigned to "high priority" line segments and to identify leak history.	X		
Damage Prevention (DP)	3	F	Review ROW clearance history on "high priority" line segments to determine the frequency.	X		
Damage Prevention (DP)	4	F	Review locate history and leakage history due to damage including any related job orders and records to understand frequency of excavation activity around "high priority" line segments.	X		
Damage Prevention (DP)	5	S, F, E	Check all related critical valve inspection records, valve location records and valve maintenance history for valves located in "high priority" line segments.	X	X	
Damage Prevention (DP)	6	S, F	Check Operator Qualification records for personnel who recently performed activities <sup>1</sup> on "high priority" line segments.  <sup>1</sup> Leak surveys, patrolling, locates, CP monitoring, valve insp., line repairs.	X		
Damage Prevention (DP)	7	F	Call in a locate on a "high priority" line to understand the process followed and if the process varies from all other line segments.	X	X	
Damage Prevention (DP)	8	E, S	Walk the identified "high priority" line segments to verify right of way clearing, encroachment, exposure, line markers, test station access, actual location and general risks.		X	
Damage Prevention (DP)	9	S, F	Conduct QA/QC on recent activities <sup>1</sup> on "high priority" line segments.  <sup>1</sup> Leak surveys, patrolling, locates, CP monitoring, valve insp., line repairs.		X	
Odorization/ Odorant Fade (O)	1	E	Review recent WMS 555, 557/558 job orders to identify where large pipe replacement and new main projects have been completed to target where to check for odorant fade.	X		We will need the following equipment while on site: odorator or odorometer and personal protective equipment. The on-site person taking readings must have proper DOT operator qualifications.
Odorization/ Odorant Fade (O)	2	E	Determine where local production feeds into our systems (target systems that are predominately fed by local production).	X		
Odorization/ Odorant Fade (O)	3	E, S	Review GIS maps to understand the placement/location of odorizers to determine odor level testing is being conducted at the proper locations/areas.	X		

**Appendix B - Sample Pipeline Safety Audit Protocol (Excerpt Only)**

Compliance Area (Code)	Code Ext.	E-Engineering F-Field Ops S-System Ops C-Const Svcs	Protocol Details	49 CFR 192	NI OMP	CMA Gas Standards	COH, CKY, CPA, CMD, CGV Gas Standards	NIPSCO Gas Standards	Comments
Pressure Control (PC)	1	S	Verify regulators, pressure limiting devices and associated equipment at distribution system regulator stations are inspected as required.  > Perform on-site observations of regulator station design and station condition at selected regulator stations.	192.739	1750	1750.010	1750.010	1750.010  740-0031 thru 740-0033 740-0060	
Pressure Control (PC)	2	E, S	Review control/operator regulator set points shown on inspection records to verify they do not exceed the current downstream MAOP.	192.621 192.623	1750	1750.010	1750.010	1750.010  740-0031 thru 740-0033	
Pressure Control (PC)	3	E, S	Review overpressure protection device set points shown on inspection records to verify they are set within tolerances of downstream MAOP.	192.201	1750	1750.010	1750.010	1750.010  740-0031 thru 740-0033 740-0060	
Pressure Control (PC)	4	E	Review primary relief valve capacity verifications to assure they are performed as required.	192.743	1756	1756.010	1756.010	1756.010  320-0022	
Pressure Control (PC)	5	E	Verify pressure regulating station capacity reviews have been performed (and documented) at the required intervals.	192.739	1752	1752.010	1752.010	1752.010	
Pressure Control (PC)	6	S	Review pressure recording charts to verify operating pressures are within MAOP.	192.621 192.623	1750 1754 1754(IN) 1754(OH) 1754(PA)	1750.010 1754.010	1750.010 1754.010 1754.010 (OH, PA)	1754.010	
Pressure Control (PC)	7	E	Review MAOP Worksheets and related source documents to verify proper establishment of distribution system MAOPs.	192.619	1660 1660(PA)	1660.020	1660.020	1660.020	
Pressure Control (PC)	8	E, F, S, C	Verify proper uprate (pressure elevation) procedures/plans are followed.	192.553 192.555 192.557	1660 1660(PA)	5500.200 (MA)	5500	480-0010 480-0020	
Pressure Control (PC)	9	S	Verify that each distribution system supplied by more than one district pressure regulating station is equipped with telemetering or recording pressure gauges to indicate the gas pressure in the system(s).	192.741	1754 1754(IN) 1754(OH) 1754(PA)	2300.020	2300.020	2300.020	
Pressure Control (PC)	10	S	Verify pressure gauges are checked for accuracy at required intervals.	N/A	1754 1754(IN) 1754(OH) 1754(PA)	1754.010	1754.010 1754.010 (OH, KY)	700-0400	
Pressure Control (PC)	11	E	Verify each vault or pit containing pressure control equipment is designed in accordance with regulatory procedure(s).	192.183 192.185 192.187 192.189	1762	1762.010	1762.010	1762.010	
Pressure Control (PC)	12	S	Verify: > Vaults/pits are inspected as required. > Proper procedures are followed while working in vaults. > Proper disposition of any abandoned vault/pit facilities.	192.749	1762	1762.010	1762.010	1762.010	
Pressure Control (PC)	13	S	Verify Large Volume service regulators are inspected as required.	N/A	N/A	1750.020	1750.020	N/A	

**Appendix B – Sample Security Review Protocol (Excerpt Only)**

Security Review Subject Area		Security Review Details	Comments
Security Plan Administration	1	Has a Security Plan been developed and included as part of the local Emergency Manuals (Incident Manuals)? > Last review date of Security Plan: _____	
Security Plan Administration	2	Is the Security Plan available for authorized personnel, including contractors who have signed a non-disclosure agreement?	
Security Plan Administration	3	Have employees completed basic security and/or refresher training?	
Security Plan Administration	4	Are all employees and visitors displaying proper identification/ID badges?	
Physical Security	1	Is site/facility fenced? > Condition of fence/gate(s), and description > Are gate locks working properly? > Are there common keys for locks? - Key(s) number(s) _____	
Physical Security	2	Are materials/equipment stored at least three feet from either side of the site/facility fence?	
Physical Security	3	Are truck bins and equipment kept secured?	
Physical Security	4	Are critical valves secured?	
Physical Security	5	Are primary components inside of a locked building?	
Physical Security	6	Is valuable material stored in a secured location?	
Physical Security	7	Are unused tools, equipment and materials stored and secured?	
Physical Security	8	Is there outside lighting? > Are bulbs/lights in working order?	
Physical Security	9	Are contract security services used? > Name > Address > Telephone number > Point of contact	

**TO:** Susan Taylor, Controller, NiSource Corporate Services Company

**FROM:** Shelley Duling, Audit Senior *Shelley Duling*  
Jaclyn Callahan, Audit Manager *Jaclyn Callahan*  
Ryan Binkley, Audit Director *Ryan Binkley*

**DATE:** August 21, 2014

**SUBJECT:** NiSource Corporate Services Company Cost Allocation Audit

We have completed a review of the accounting systems, source documents, allocation methods, and billing procedures used by NiSource Corporate Services Company (NCSC) to allocate costs/expenses to the various subsidiary companies ("affiliates") including the holding company, for the period January 1, 2013 through December 31, 2013.

### **Background**

In February 2006, the Public Utility Holding Company Act (PUHCA) was repealed and replaced with the PUHCA of 2005. Prior to this date, NCSC was required to obtain prior approval from the Securities and Exchange Commission on new allocation methods used to allocate costs and expenses. The PUHCA of 2005 is primarily a "books and records" statute and provides the Federal Energy Regulatory Commission (FERC) with the authority over the books and records, the ability to prescribe standards, and gives access to the books and records of the holding company to the public utility commissions, but only to the extent relevant to the costs of the subsidiaries.

NCSC uses various allocation methods to assign expenses to companies (including the holding company), or groups of companies, to classify and disclose expenses in the financial statements. Such allocation methods are defined in the service agreements ("agreements") between NCSC and the affiliates. Affiliates are billed by NCSC via contract and convenience billings. Contract billings represent labor and expenses billed to an affiliate. These costs are identified by job order and represent costs incurred by NCSC to render services defined in the service agreements with affiliates. Convenience billings are accommodation payments that are rendered when NCSC makes a payment to a vendor for goods or services that are for the benefit of more than one or all affiliates, and can be made for an affiliate who may not have the means to wire money to outside vendors. Each affiliate is billed monthly for their proportional share of the payments made in that respective month.

Annually, Internal Audit conducts a review of the cost allocation methods and billing procedures used by NCSC and makes recommendations related to cost allocation and billing processes.

The primary business risks associated with these activities are:

- Allocation factors may not be updated properly to reflect current statistical data to ensure that NCSC charges are billed relative to current operations;
- Contract and convenience billings may not be properly billed to affiliates;



- Holding company costs incurred may not be properly segregated and paid by the holding company;
- Executive time allocation may not accurately reflect the companies benefiting from their services;
- Costs charged by department may not be in accordance with the NCSC cost allocation guidelines;
- Indirect costs may not be appropriately allocated to affiliates on a monthly basis;
- Intercompany payables and receivables may not be billed and settled accurately and timely; and
- Contract billings and accommodation payments may not be accurately reported in the annual FERC Form 60 Financial Report.

### **Conclusion**

Based on our audit results, the methods and procedures used to allocate costs/expenses and bill subsidiary companies, including the holding company, are reasonable. Amounts reported as accommodation and contract billing payments in the FERC Form 60 are proper. Instances of improper time allocation were identified that were subsequent to the 90 day transition period for which Management deems it appropriate to apply time to charge codes associated with a prior role. Internal Audit recommends that Management re-emphasize the importance of timely completion of time sheets and using appropriate charge codes in accordance with policy.

### **Summary of Audit Objectives, Scope, Results, and Recommendations**

**Audit Objective 1:** Costs are fairly and equitably allocated to all subsidiary companies including the holding company.

#### **Scope:**

- Determine if allocation factors are updated regularly to reflect current statistical data to ensure that NCSC charges are billed relative to current operations;
- Verify contract and convenience billings are properly billed to affiliates;
- Verify holding company costs incurred are properly segregated and paid by the holding company;
- Verify executive time allocation accurately reflects the companies benefiting from their services; and
- Verify costs charged by department are in accordance with the NCSC cost allocation guidelines.

## Results:

- Allocation factors are updated semiannually and reflect allocation bases as defined in the agreements between NCSC and the affiliates. A sample of allocation factors were recalculated using source data, noting no exceptions. Internal Audit verified that these factors were accurately updated in the Billing Mainframe (“mainframe”).
- A sample of affiliate contract billings showed that direct charges are being properly allocated to affiliates based on actual costs and current allocation percentages for respective bases per the agreements between NCSC and affiliates with exception of the following:
  - One employee incorrectly charged time and expenses using an “AC” allocator, rather than an “AD” allocator. “AC” allocates costs to the CDCs, while “AD” allocates costs to the CDCs *and* Columbia Gas of Massachusetts (i.e. NiSource Gas Distribution (NGD)). The dollar impact of using the “AC” allocator compared to the “AD” allocator is presented in **Appendix A; Employee 4**. The net financial impact to NiSource Gas Distribution (NGD) is \$0.
  - One employee incorrectly charged 100% of their time to Columbia Gas of Maryland (CMD) for the period July 1, 2013 through October 21, 2013. During this timeframe, the employee was assisting another team on work benefitting CMA, thus CMA should have been allocated 100% of the employee’s labor costs. The dollar impact related to this improper time allocation is presented in **Appendix A; Employee 5**. The net financial impact to NGD is \$0.

A sample of accommodation payments made by NCSC was also reviewed and charges to affiliates for accommodation billings were accurately billed to the affiliates.

- Holding company costs are required to be segregated and paid by the holding company. Examples of holding company costs include, but are not limited to:
  - Board of directors fees.
  - Consulting, legal and all other costs related to mergers, acquisitions and corporate restructuring.

A sample of costs charged to the holding company was tested and indicated that costs being charged to the holding company appeared proper.

- Executives are required to report time based on the affiliates receiving benefit from their services. A sample of executive timesheets indicated charges for executive labor appeared to be accurately allocated to the affiliates benefiting from their services.
- NCSC employees are required to report time based on the affiliates receiving benefit from their services and in accordance with the NiSource Cost Allocation Manual. A sample of NCSC employee timesheets was tested and indicated charges for labor appear to be charged in accordance with guidelines established in the Cost Allocation Manual with exception of the following:
  - One employee transitioned roles within Company 12 effective September 1, 2013 and continued to use the “KF” allocator associated with their prior position. Their

time should have been charged to Columbia Gas of Maryland (CMD), Columbia Gas of Pennsylvania (CPA), or Columbia Gas of Virginia (CGV) depending on the work performed each day. The dollar impact of using the “KF” allocator is presented at **Appendix A; Employee 1** with the assumption the employee spent time equally among CMD, CPA and CGV during the selected time period. Management has determined that it is reasonable for employees to utilize charge codes associated with a prior role for a period of 90 days subsequent to the transition date. Employees may assist in activities such as training new employees, completing a project, etc. As such, the amounts shown at **Appendix A** exclude the 90 day transition period. The net financial impact to each business unit is as follows: NGD \$(2,215); Columbia Pipeline Group (CPG) \$721; Northern Indiana Public Service Company (NIPSCO) \$1,478; and NCSC/Other \$16.

- For the period January 1, 2013 through August 1, 2013, one employee incorrectly charged their time to the “AD” allocator, which allocates expenses to NGD based on each company’s proportion of gross fixed assets and operating expenses, rather than the “JI” allocator, which allocates expenses to NGD based on each company’s proportion of total retail customers. Refer to **Appendix A; Employee 3**, for the dollar impact of using the “AD” allocator compared to the correct “JI” allocator. The net financial impact to NGD is \$0.
- One employee transitioned roles within Company 12 effective September 1, 2013 and continued to charge the “AQ” allocator associated with their prior role through December 9, 2013, at which time the “AD” allocator was utilized through December 31, 2013. The correct allocator for this employee’s role for the period September 1, 2013 through December 31, 2013 is the “JI” allocator. The “AQ” and “AD” allocators utilize gross fixed assets and operating expenses to allocate charges, while the “JI” allocator utilizes total retail customers. Refer to **Appendix A; Employee 2**, for the dollar impact of using the “AQ” and “AD” allocators compared to the correct “JI” allocator. The amounts shown at **Appendix A** exclude the 90 day transition period discussed above. The net financial impact to NGD is \$0.

**Internal Audit Recommendation(s):**

Management should re-emphasize the importance of employees completing their time sheets timely in accordance with policy and charging time to the appropriate charge codes. Training sessions should be held as deemed necessary.

**Management Response:**

NCSC Accounting/Special Studies continually emphasizes the importance of employees completing their timesheets both appropriately and timely through on-going communications, proactive training sessions, and departmental reviews. In addition, NCSC Accounting/Special Studies implemented additional analysis and review practices at the beginning of 2014, as noted below. For the employees specifically noted above, NCSC reached out to the employees to educate them on the use of proper charge codes and assisted the employees on changing their codes prospectively.

***Please note that upon the implementation of Deployment 3 of the NiFiT Transformation on April 1, 2015, combo edits will be configured based on department and role to limit the employee's options of available billing pool allocation combinations. Project-based work will also have specific billing pool assignments. This will greatly mitigate the risk of improper allocation of costs charged by a department.***

NCSC Accounting/Special Studies conducts regular reviews of the accounting data, allocation methods, and billing processes to ensure accuracy, to identify internal training necessities, and to meet regulatory requirements. These reviews include, but are not limited to, the following activities:

- Department Review (effective 9/1/12): Semi-annually, a review of all NCSC billings is completed, by department, to ensure the accuracy of the account classification in its entirety.
- Management Fee Review (effective 1/1/14): Monthly, a review of NCSC billings, by regulated company, is completed in conjunction with the BU accounting departments to ensure cost allocation accuracy and to address billing questions or concern in a timely fashion, per section 2.3 of the service agreement.
- Headcount Analysis (effective 1/1/14): Monthly, reconciliations are performed to track NCSC headcount changes, including Company 12 transfers in, new hires, and NCSC department transfers. In conjunction with this analysis, a review of the labor associated with these changes is conducted. Further, new hire on-boarding, as well as targeted training, accompanies this analysis to promote understanding and awareness of appropriate time allocation.
- Regulatory Data Review (as needed): In preparation for a regulatory filing, all NCSC billings, by regulated company, are reviewed and thoroughly analyzed to ensure accuracy and recoverability of the costs.

**Audit Objective 2:** Processes and procedures are in place to verify monthly that all costs have been allocated and intercompany payables and receivables are billed and settled in a timely manner.

**Scope:**

- All costs are appropriately allocated to affiliates;
- Intercompany payables and receivables are billed and settled accurately and timely; and
- Verify contract billings and accommodation payments are accurately reported in the FERC Form 60 Financial Report.

**Results:**

- Summaries detailing costs to be billed to affiliates for contract and convenience billings are prepared monthly to ensure that all costs are allocated out to the affiliates. A sample of contract and accommodation billings was reviewed, and all costs were properly allocated to affiliates based on the allocator used.

- Monthly, summary and detail bills for contract and accommodation costs are generated for each affiliate. The receivable is immediately settled via a money pool transaction. For a selection of months, Internal Audit confirmed the intercompany contract and accommodation payable amount with the affiliated company noting that the amount agreed to the respective invoice for the selected month. As such, it appears that the intercompany amounts are being settled timely and accurately.
- FERC Form 60 is an annual regulatory support requirement for centralized service companies, designed to collect financial information from centralized service companies subject to the jurisdiction of the FERC. Within the Form 60, amounts related to contract and accommodation payments are disclosed. Internal Audit reviewed the most recent filing of the Form 60 (2013) and tested a sample of transactions included in the amounts disclosed for contract and accommodation payments. Amounts included in the filing for contract and accommodation payments appeared proper and reconciled to amounts billed to affiliates by NCSC.

**Internal Audit Recommendation(s): None**

We appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any questions or require additional information, please do not hesitate to contact Ryan Binkley at (614) 460-5985, Jaclyn Callahan at (614) 460-5493, or Shelley Duling at (614) 460-6062.

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**APPENDIX A**

The table below presents the impact of incorrect coding of time and expenses for 2013 by company for those employees identified in Audit Objective 1. For example, Columbia Gas of Kentucky was improperly allocated \$3.9K of time and expenses.

Company #	Company Name	Business Unit	Employee 1	Employee 2	Employee 3	Employee 4	Employee 5	Total
11	Columbia Energy Group	Corp/Other	1.10	-	-	-	-	1.10
14	Columbia Gulf Transmission Company	CPG	17.12	-	-	-	-	17.12
22	NiSource Insurance Corporation	Corp/Other	0.27	-	-	-	-	0.27
24	Energy USA - TPC Corp	Corp/Other	3.93	-	-	-	-	3.93
32	Columbia Gas of Kentucky	NGD	81.60	394.13	(165.60)	3,660.82	-	3,970.96
34	Columbia Gas of Ohio	NGD	676.12	1,520.66	(20,985.14)	28,333.66	-	9,545.29
35	Columbia Gas of Maryland	NGD	(1,241.63)	(61.24)	734.59	1,209.22	10,295.09	10,936.03
37	Columbia Gas of Pennsylvania	NGD	(947.52)	(919.09)	5,334.45	14,235.93	-	17,703.77
38	Columbia Gas of Virginia	NGD	(1,125.16)	(600.37)	1,530.96	7,379.47	-	7,184.91
44	Crossroads Pipeline Company	CPG	1.00	-	-	-	-	1.00
51	Columbia Gas Transmission	CPG	565.85	-	-	-	-	565.85
54	Columbia Remainder Corporation	Corp/Other	0.21	-	-	-	-	0.21
57	CNS Microwave	Corp/Other	0.89	-	-	-	-	0.89
58	NiSource, Inc.	Corp/Other	7.25	-	-	-	-	7.25
59	Northern Indiana Public Service Company	NIPSCO	1,462.04	-	-	-	-	1,462.04
60	NiSource Development Company	Corp/Other	1.63	-	-	-	-	1.63
62	NiSource Capital Markets	Corp/Other	0.01	-	-	-	-	0.01
68	EnergyUSA	Corp/Other	0.13	-	-	-	-	0.13
71	NiSource Retail Services	NGD	0.79	-	-	-	-	0.79
74	Service Protection Group	NGD	0.00	-	-	-	-	0.00
75	NiSource Finance Corporation	Corp/Other	0.27	-	-	-	-	0.27
78	NiSource Energy Technologies	Corp/Other	0.03	-	-	-	-	0.03
80	Columbia Gas of Massachusetts	NGD	340.38	(334.09)	13,550.75	(54,819.10)	(10,295.09)	(51,557.16)
82	NiSource Gas Transmission and Storage Company	CPG	120.95	-	-	-	-	120.95
89	Northern Indiana Public Service Company - Electric	NIPSCO	10.75	-	-	-	-	10.75
90	Northern Indiana Public Service Company - Gas	NIPSCO	5.73	-	-	-	-	5.73
92	NiSource Energy Ventures	CPG	1.14	-	-	-	-	1.14
93	Columbia Gas of Ohio Receivables Corporation	Corp/Other	0.07	-	-	-	-	0.07
94	Columbia Gas of Pennsylvania Receivables Corporation	Corp/Other	0.12	-	-	-	-	0.12
96	NiSource Midstream Services	CPG	14.92	-	-	-	-	14.92
<b>Grand Total</b>			-	-	-	-	-	-

**APPENDIX A (Cont'd)**

The table below presents the impact of incorrect coding of time and expenses for 2013 by business unit for those employees identified at Audit Objective 1. For example, NIPSCO was improperly allocated \$1.5K of time and expenses.

Business Unit	Employee 1	Employee 2	Employee 3	Employee 4	Employee 5	Total
Corp/Other	15.91	-	-	-	-	15.91
NGD	(2,215.42)	0.00	0.00	0.00	-	(2,215.42)
CPG	720.98	-	-	-	-	720.98
NIPSCO	1,478.53	-	-	-	-	1,478.53
<b>Grand Total</b>	-	-	-	-	-	-

# NiSource Employee Expense Reimbursement Audit

September 22, 2014

To: Susan Taylor, Corporate Controller

From: Ryan Binkley, Audit Director  
Jaclyn Callahan, Audit Manager  
Michelle Eich, Lead Data Analyst





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# NiSource Employee Expense Reimbursement Audit

*(Audit Period: July 1, 2013 through June 30, 2014)*

## EXECUTIVE OVERVIEW

# NiSource Employee Expense Reimbursement Audit

## Executive Overview

The Internal Audit Department began performing regular audits of the expense reimbursement process in 2009 by analyzing trends in employee spending to identify non-compliant expense transactions.

- The scope of the audit includes the following NiSource Business Units (BU):
  - ***NiSource Gas Distribution Companies (NGD)***
  - ***NiSource Corporate Services (NCS)***
  - ***Northern Indiana Public Service Company (NIPSCO)***
  - ***Columbia Pipeline Group (CPG)***

Executive Council (Officer) expense statement reviews are performed annually. Internal Audit issued a separate report for Officer expense reimbursements (audit period January 1, 2013 – December 31, 2013) on June 30, 2014.

In early 2014, the Internal Audit department embarked on an internal process improvement initiative to enhance our data analytic proficiencies. Through a formal RFP process, Internal Audit engaged ***Protiviti***, a leading data analytics consulting organization, and on-boarded a permanent Lead Data Analyst to assist us in the pursuit of our efforts. The Employee Expense Reimbursement Audit was chosen to be a part of a “Pilot” effort by the audit group to utilize and showcase our enhanced data analytic process, procedures, and tools. In the future, the “Employee Expense Reimbursement Audit” will be a part of our continuous audit program and the audit period will be modified to align with the Company’s annual financial reporting period of January 1 through December 31. Additionally, by aligning our procedures with the calendar year, Internal Audit will have the ability to better ensure taxable costs are included in employee income at year-end.

# NiSource Employee Expense Reimbursement Audit

## Executive Overview

Specifically, the focus of our audit included the following:

- Perform analysis on employee expense reimbursement data to identify unusual items and/or trends and provide management with insights into employee expense activity across the four NiSource business units; and
- Based on the results of our data analysis, verify if employee expenses are incurred and reimbursed in accordance with Company Policy and Internal Revenue Service guidelines.

### ***Overall Conclusions:***

As a result of our procedures, Internal Audit identified some minor exceptions to established Employee Expense policies and procedures and has made the following recommendations to management:

- Reinforce documentation requirements for Entertainment and Gift transactions to ensure compliance with Company policy;
- Ensure all taxable Gift transactions are properly identified and included in employees income for IRS reporting;
- Reinforce the communication and review of personal mileage requirements to ensure employees traveling more than 12,000 miles while using their personal vehicle are being considered for fleet transportation;
- Reinforce the policy requirements for the use of personal vehicles for business travel; and
- Ensure appropriate documentation is retained for employees with unique commuting arrangements for the identification of taxable travel.

# NiSource Employee Expense Reimbursement Audit

## Executive Overview

### Analytic Observations:

Perform analysis on employee expense reimbursement data to identify unusual items and/or trends and provide management with insights into employee expense activity across the four NiSource business units.

**NOTE:** Audit periods included in this review extend cover the twelve month period July 1 to June 30 of the given audit year (E.g. AYE 2014 = audit period of July 1, 2013 through June 30, 2014).

*As part of our analytical review, Internal Audit observed the following:*

- **NiSource\***: ERS expenses have increased in total over the last three (3) years, but the % increase year-over-year has steadily declined. From 2013 to 2014, Internal Audit noted a **~9% increase (~\$2.6M)** in total ERS expenses of ~\$28.5M to ~\$31.1M.
  - **NGD**: ERS expenses increased **~\$0.3M** or **~5.0%** from AYE 2013 of ~\$4.9M to AYE 2014 of ~\$5.2M
  - **NIPSCO**: ERS expenses increased **~\$0.1M** or **~3.5%** from AYE 2013 of ~\$3.6M to AYE 2014 of ~\$3.7M
  - **NCS**: ERS expenses increased **~\$0.9M** or **~7.4%** from AYE 2013 of ~\$11.8M to AYE 2014 of ~\$12.7M
  - **CPG**: ERS expenses increased **~\$1.4M** or **~16.9%** from AYE 2013 of ~\$8.1M to AYE 2014 of ~\$9.5M



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*\* The total number of NiSource employees submitting ERS expenses increased by ~5% from June 30, 2013 to June 30, 2014 – see slide 15 for more information.*

# NiSource Employee Expense Reimbursement Audit

## Executive Overview

### Analytic Observations (Cont'd):

- The average total NiSource ERS expense per employee increased ~4% from AYE 2013 to AYE 2014 while overall total ERS expenses increased ~9% during the same time period (See slide 15);
- The total number of employees submitting expenses increased by ~5% during AYE 2014 (4,780 to 4,999; See slide 15);
- Hotel, Meals, and Air Travel expense categories have been consistent drivers of most ERS spend for the past three (3) years. These three (3) expense categories comprise ~70% of all ERS expenses during that time period. However, while overall ERS spending has increased ~9% from AYE 2013 to 2014, this increase is less than the increases in expenses from AYE 2012 to AYE 2013 of ~17% (See slide 22);
- Seven (7) primary ERS expense categories increased from AYE 2013 to AYE 2014; Gift transactions decreased ~38% year-over-year (See slide 22); and
- Personal mileage of ~3.6 *Million* miles was submitted for reimbursement during AYE 2014 and AYE 2013 (See slide 54).

# NiSource Employee Expense Reimbursement Audit

## Executive Overview

### Audit Objective :

**As a result of data analysis observations and through appropriate sampling methodology, determine if employee expenses are submitted timely and processed in accordance with Company Policy and Internal Revenue Service guidelines.**

### *Internal Audit identified the following:*

- Expenses are captured, processed and approved in the Expense Reporting System (ERS) maintained by IBM;
- Through a risk-based analytical sampling process, Internal Audit reviewed eighty-five (85) expense reports noting no significant policy violations. Internal Audit identified the following exceptions:
  - Two (2) taxable Gift transactions were not properly identified by current manual review processes and included in the respective employee's 2013 income;
  - Personal mileage reimbursements in excess of 12,000 miles were submitted by twenty-six (26) employees during AYE 2014;

**NOTE:** *Current policy requires receipt documentation for a limited set of transactions (i.e. "Room and Tax" & "Cash"). Internal Audit's assessment of the reasonableness of the expense in accordance with policy was limited to the information required to be input into ERS.*

# NiSource Employee Expense Reimbursement Audit

## Executive Overview

### Audit Objective (Cont'd):

- Accounts Payable (A/P) performs periodic audits of employee expenses based on consistent criteria and risk factors; A/P's assessment of whether an expense item is in accordance with policy can be affected by the limited amount of detail required to be input into ERS for some transactions;
- Generally, NiSource employees submit expenses within forty-five (45) days after incurring expenses, as required by policy. Internal Audit identified that employees have been submitting expenses more timely with 98% of all expenses being submitted within the forty-five (45) day requirement in AYE 2014 as compared to 97% in AYE 2013;
- Taxable travel for two (2) identified NiSource employees with unique commuting arrangements were tracked and reported in each employee's income by Management through December 31, 2013. Management is in process of reviewing taxable travel during 2014 for inclusion in the employee's income and W-2 for 2014. Internal Audit will validate the inclusion of taxable travel amounts in each employee's income for those costs incurred in 2014 in our employee expense reimbursement audit that will cover the twelve month calendar period ending December 31, 2014; and
- Taxable use of the Company-leased aircraft appears to be properly tracked and monitored. Internal Audit will validate the inclusion of taxable amounts in employee's income for those costs incurred in 2014 in our employee expense reimbursement audit that will cover the twelve month calendar period ending December 31, 2014.



# NiSource Employee Expense Reimbursement Audit

## Executive Overview

### Audit Objective (Cont'd):

### *Internal Audit Recommendation(s):*

Management should consider the following process enhancements to strengthen the current control environment:

- Reinforce the documentation requirements for employees submitting Entertainment and Gift expenses to ensure compliance with the “Business Expense Reimbursement and Reporting Policy” and the “Employee Gift and Award Accounting and Reporting Policy”;
- Ensure that all taxable Gift transactions are properly identified and that taxable amounts included in employees income, as in accordance with IRS requirements;
- Reinforce the “Passenger Vehicle Policy” and the “Travel Policy” that define when fleet vehicles should be considered to be cost effective for the Company and rental cars should be utilized in place of personal vehicles;
- While the trend of submitted late transactions appears to be decreasing, reinforce expense policy for those employees who may consistently submit expense reports past forty-five (45) days; and
- Enhance current review processes and procedures to ensure an appropriate amount of supporting documentation is maintained to adequately support tax treatment conclusions (taxable vs. non-taxable) for all expenses submitted by employees with unique commuting arrangements.

# NiSource Employee Expense Reimbursement Audit

## Executive Overview

### Audit Objective (Cont'd):

**General Comment(s):** In order to improve documentation in ERS, all employees should consider providing as much information as practicable to support their expenses in the comments section of ERS (examples include mileage details, types of gifts to ensure appropriate tax treatment, and explanations for expenses that do not align with policy). If a future ERS system update is implemented, Management should consider enhancing current documentation requirements and/or system controls for Gift, Cash, and Car Rental expenses.

We have shared our analytic objective results with Management and they agree with our results.

# NiSource Employee Expense Reimbursement Audit Analytic Objective

## **ANALYTIC OBSERVATIONS**

**Perform analysis on employee expense reimbursement data to identify unusual items and/or trends and provide management with insights into employee expense activity across the four NiSource business units.**

# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

### Analytic Observations:

#### *Results:*

- For the current and prior audit periods, Internal Audit independently accessed ERS through its online reporting tool (GERS) and extracted all employee expense data from July 1, 2011 - June 30, 2014.
  - **NOTE:** Data accuracy is limited by potential data input errors by employees (i.e. coding an expense incorrectly).
- Internal Audit developed a new continuous review process regarding the audit of ERS data. In May of 2014, the department on-boarded a new Lead Data Analyst to assist in the development of data analytic processes and procedures. The department also invested in a data analytic tool “Tableau” that assisted us the in the execution of our data analysis and our audit testing sampling processes. For our data analytic observations, we imported all ERS data for the three (3) years presented; our audit procedures focused on the twelve months ending June 30, 2014.
- As part of future audits and on a go-forward basis, we will continue to import ERS data into the Tableau tool for data analysis purposes and to assist execution of audit procedures which will ensure both an efficient and consistent audit process going forward.

# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

### Analytic Observations (Cont'd):

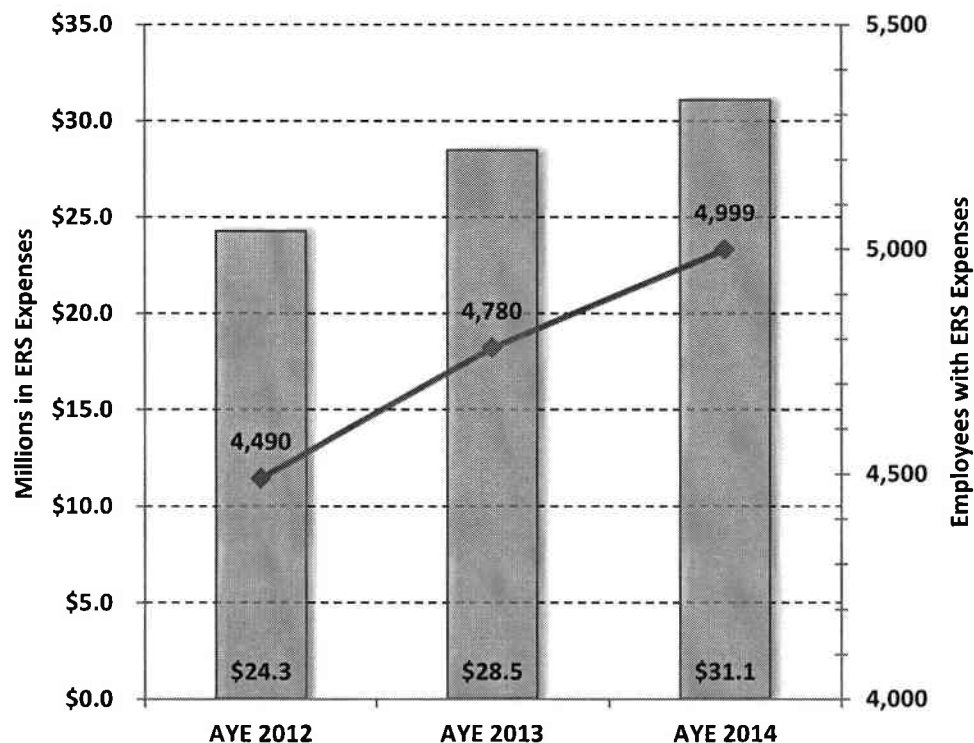
Key highlights and significant fluctuations identified from the analytics performed are as follows:

- **NiSource:** ERS expenses have increased in total over the last three (3) years, but the percentage increase year-over-year has steadily declined:
  - **~42% increase** from 6/30/2011 to 6/30/2012 (**AYE 2012**) (~\$17.1M to ~\$24.3M)
  - **~17% increase** from 6/30/2012 to 6/30/2013 (**AYE 2013**) (~\$24.3M to ~\$28.5M)
  - **~9% increase** from 6/30/2013 to 6/30/2014 (**AYE 2014**) (~\$28.5M to ~\$31.1M)
- **NGD:** ERS expenses have **increased** **~\$0.3M** or **~5.0%** from AYE 2013 of ~\$4.9M to AYE 2014 of ~\$5.2M
  - *Total average expense per NGD employee increased ~1.3% from AYE 2013-2014*
- **NIPSCO:** ERS expenses have **increased** **~\$0.1M** or **~3.5%** from AYE 2013 of ~\$3.6M to AYE 2014 of ~\$3.7M
  - *Total average expense per NIPSCO employee decreased ~1.5% from AYE 2013-2014*
- **NCS:** ERS expenses have **increased** **~\$0.9M** or **~7.4%** from AYE 2013 of ~\$11.8M to AYE 2014 of ~\$12.7M
  - *Total average expense per NCS employee decreased ~0.4% from AYE 2013-2014*
- **CPG:** ERS expenses have **increased** **~\$1.4M** or **~16.9%** from AYE 2013 of ~\$8.1M to AYE 2014 of ~\$9.5M
  - *Total average expense per CPG employee increased ~16.9% from AYE 2013-2014*

# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total NiSource ERS Expenses**  
 (AYE 2012 – AYE 2014)



**Observations:**

Internal Audit noted that the average total NiSource ERS spend per employee increased ~4% from AYE 2013 to AYE 2014 while overall total ERS spending increased ~9%. While the total number of employees submitting expenses increased by ~5% during AYE 2014 (4,780 to 4,999), total ERS expenses appear to have outpaced the overall increase in employees submitting expenses. See chart included and table below:

Audit Period	Average ERS Spend / Employee	% Increase in Spend / Employee Y/Y	% Increase in ERS Spend Y/Y
AYE 2012	\$5,406	N/A	N/A
AYE 2013	\$5,958	10%	17%
AYE 2014	\$6,220	4%	9%

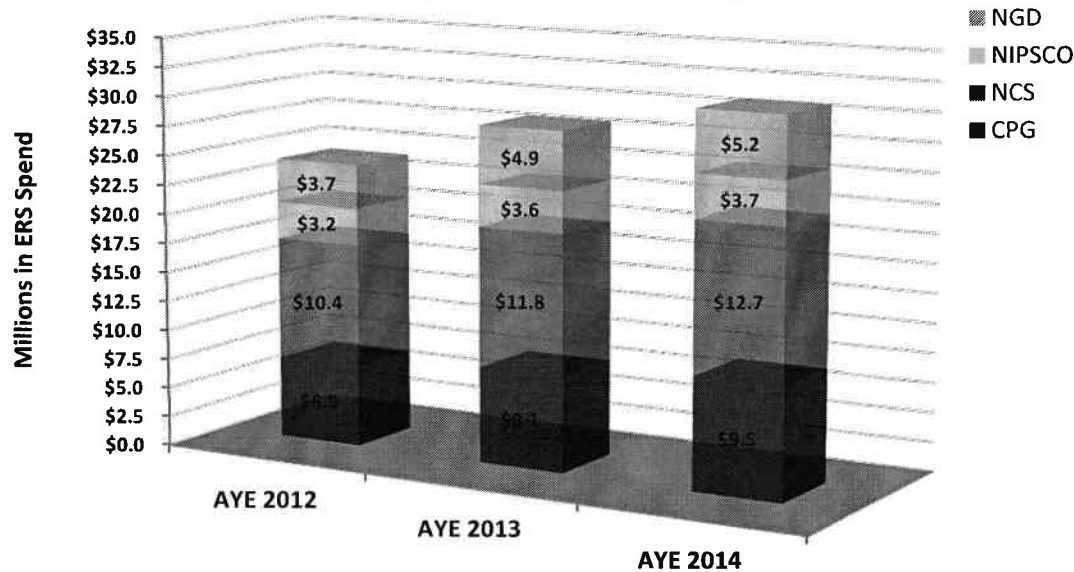


**NOTE:** Total Employee Spend in the table above includes "Officer" spend to properly illustrate overall NiSource employee expense spending.

# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total NiSource ERS Expenses / BU**  
 (AYE 2012 – AYE 2014)



**Observations:**

Internal Audit noted that total NiSource BU ERS costs have increased year-over-year for the periods under review.

- **NIPSCO** total ERS costs have slightly increased during the periods observed, while NIPSCO's total % of overall NiSource ERS costs slightly decreased during AYE 2014.
- While **NCS** total ERS costs comprise the largest proportion of overall ERS costs, their respective % of overall ERS costs slightly decreased during AYE 2013 and AYE 2014.
- **NGD** total ERS expenses have increased year-over-year, but NGD's % of overall costs remain steady from AYE 2013 to AYE 2014.
- **CPG** total ERS total costs and its % of overall costs have increased slightly year-over-year for all periods observed.

Business Unit	AYE 2012	% of Total	AYE 2013	% of Total	AYE 2014	% of Total
NGD	\$3,733,238	15%	\$4,922,172	17%	\$5,169,548	17%
NIPSCO	\$3,213,181	13%	\$3,579,065	13%	\$3,703,754	12%
NCS	\$10,428,858	43%	\$11,834,839	42%	\$12,704,431	41%
CPG	\$6,896,201	28%	\$8,141,854	29%	\$9,516,750	31%
<b>NiSource</b>	<b>\$24,271,478</b>		<b>\$28,477,930</b>		<b>\$31,094,483</b>	

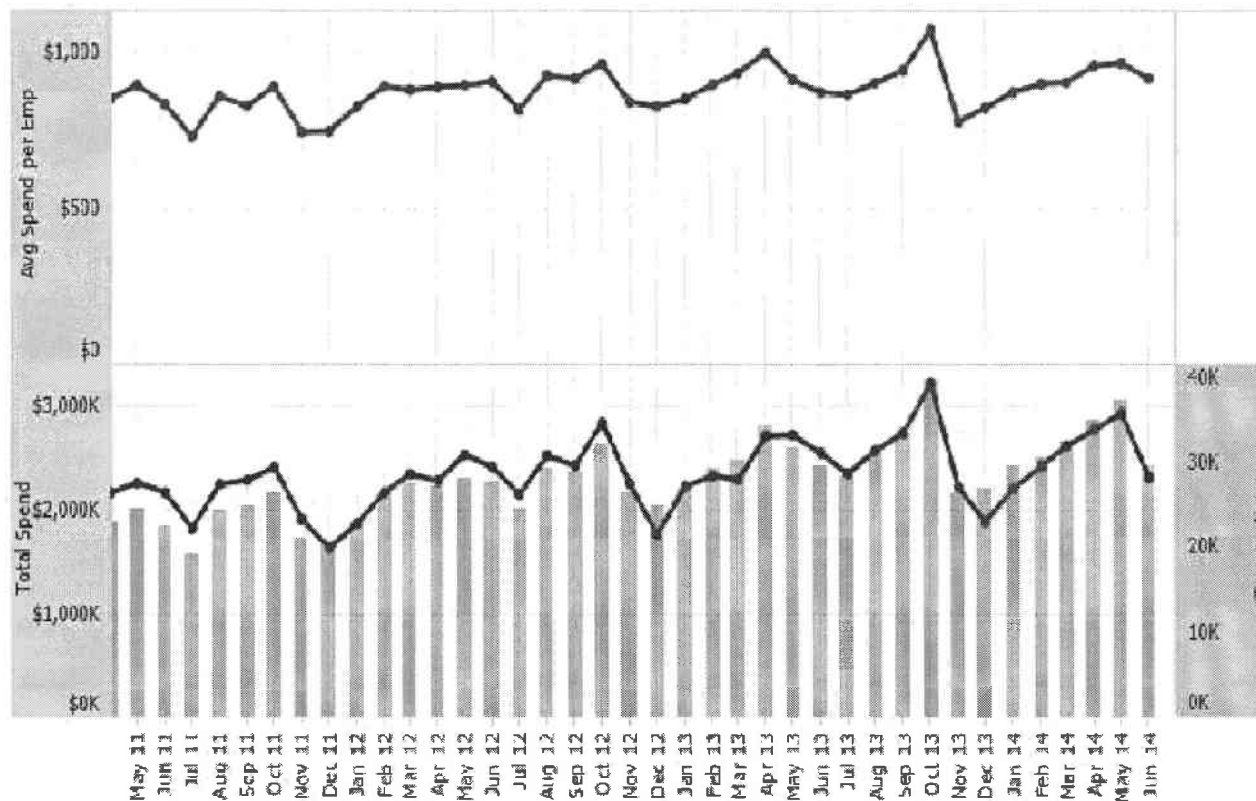


**NOTE:** Total Employee Spend in the table above includes "Officer" spend to properly illustrate overall NiSource employee expense spending.

# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total NiSource ERS Monthly Spend Trending\***  
 (AYE 2012 – AYE 2014)



■ Avg Spend per Emp  
 ■ Total Spend  
 ■ Trans

**Observations:**

While total NiSource ERS spending has increased year-over-year, it appears monthly spending tends to spike during the September-October months and falls to the lowest levels in December of each of the periods observed.

Year-over-year, the total number of transactions appear to have greater peaks of activity throughout 2012 and 2013.



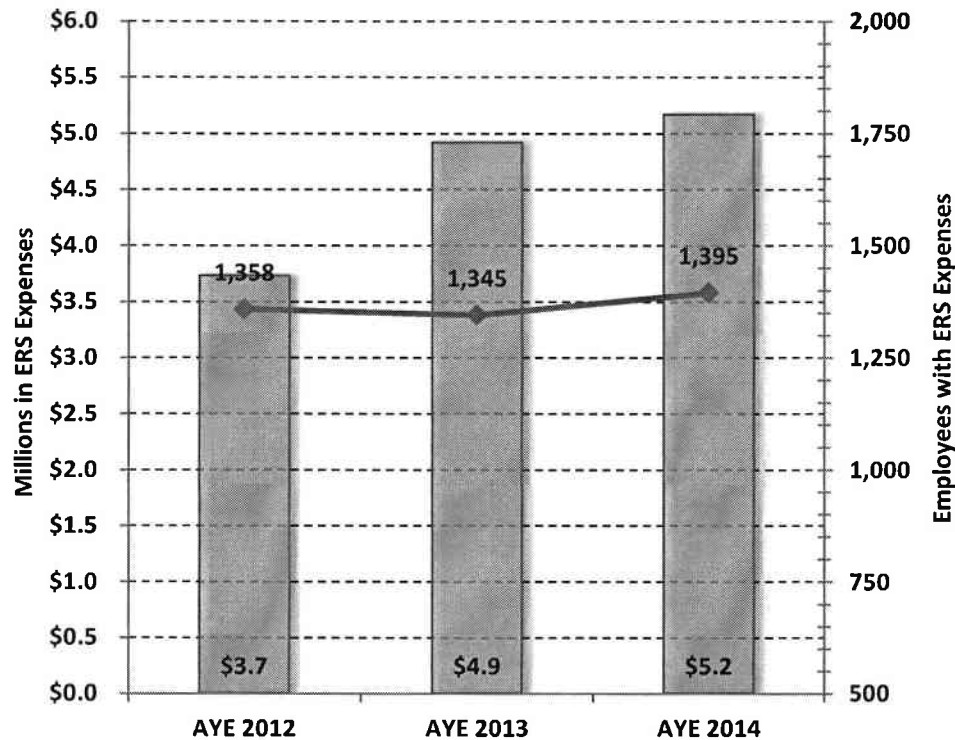
\*The chart included is an illustration from the Tableau tool, representing NiSource ERS monthly spend trending for the periods observed.



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total NGD ERS Expenses**  
 (AYE 2012 – AYE 2014)



**Observations:**

Internal Audit noted that the average total NGD ERS spend per employee increased ~33% from AYE 2012 to AYE 2013 and ~1% from AYE 2013 to AYE 2014. Overall, NGD ERS costs appear to have outpaced the increase in NGD employees submitting expenses during the audit periods, but appears to have proportionally decreased year-over-year from AYE 2013 to AYE 2014. See table below:

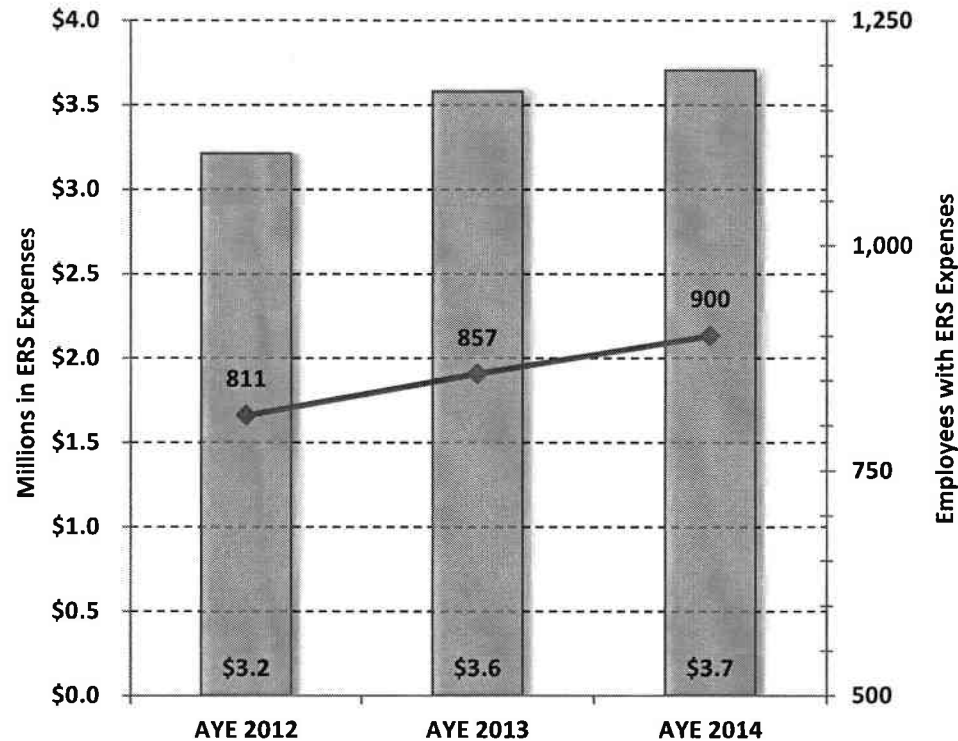
Audit Period	Average ERS Spend / Employee	% Increase in Spend / Employee Y/Y	% Increase in ERS Spend Y/Y
AYE 2012	\$2,749	N/A	N/A
AYE 2013	\$3,660	33%	32%
AYE 2014	\$3,706	1%	5%



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total NIPSCO ERS Expenses**  
 (AYE 2012 – AYE 2014)



**Observations:**

Internal Audit noted that the average total NIPSCO ERS spend per employee increased ~5% from AYE 2012 to AYE 2013 and decreased ~1% from AYE 2013 to AYE 2014. Overall, average employee ERS costs appear to be trending downward from AYE 2013 to AYE 2014 despite an overall increase in NIPSCO employee headcount. See table below:

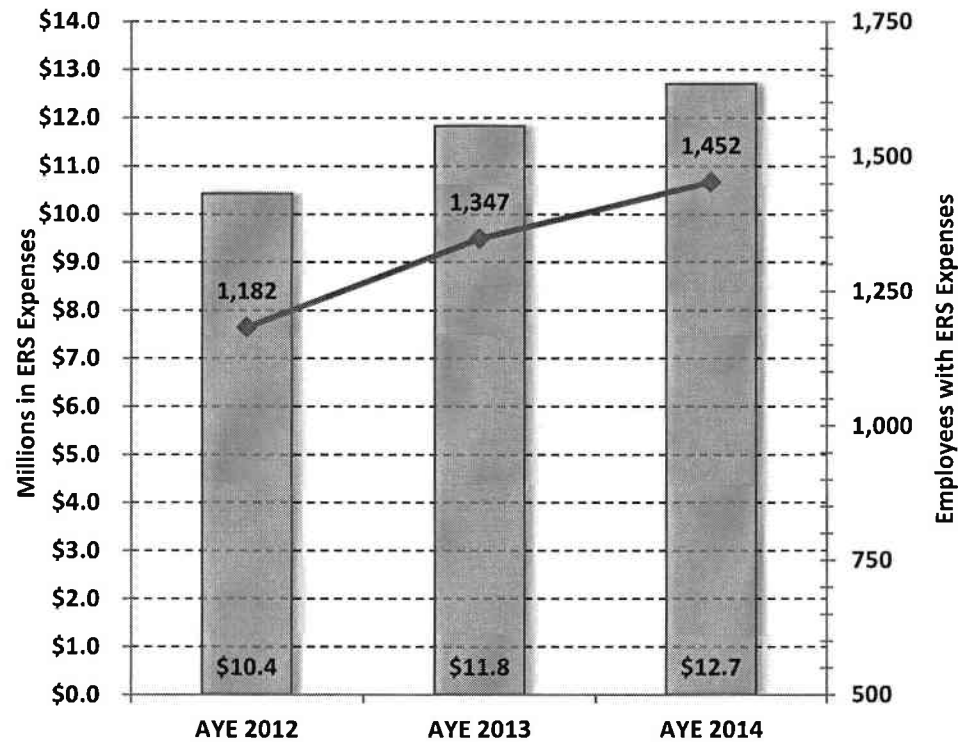
Audit Period	Average ERS Spend / Employee	% Change in Spend / Employee Y/Y	% Change in ERS Spend Y/Y
AYE2012	\$ 3,962	N/A	N/A
AYE2013	\$ 4,176	5%	11%
AYE2014	\$ 4,115	-1%	3%



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total NCS ERS Expenses**  
 (AYE 2012 – AYE 2014)



**Observations:**

Internal Audit noted the average total NCS ERS spend per employee has remained steady year-over-year from AYE 2013 to AYE 2014. See table below:

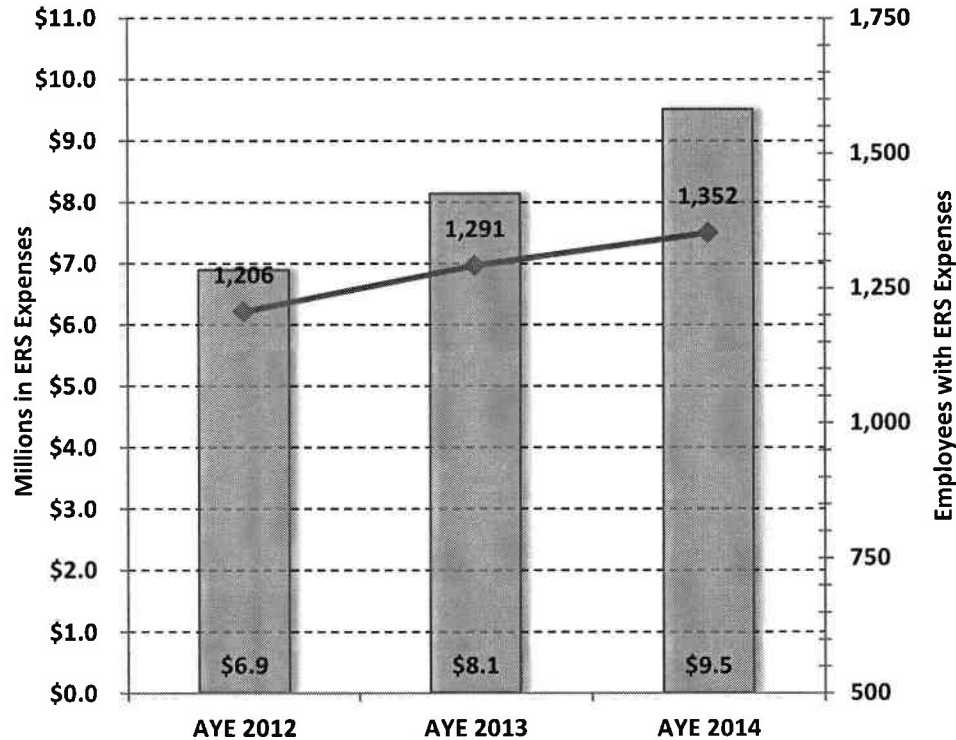
Audit Period	Average ERS Spend / Employee	% Change in Spend / Employee Y/Y	% Change in ERS Spend Y/Y
AYE 2012	\$ 8,823	N/A	N/A
AYE 2013	\$ 8,786	0%	13%
AYE 2014	\$ 8,750	0%	7%



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total CPG ERS Expenses**  
 (AYE 2012 – AYE 2014)



**Observations:**

Internal Audit noted that the average total CPG ERS spend per employee increased ~10% from AYE 2012 to AYE 2013 and further increased ~12% from AYE 2013 to AYE 2014. Overall, average employee ERS costs appear to be trending upward and outpacing the overall CPG employee headcount increases from AYE 2013 to AYE 2014. See table below:

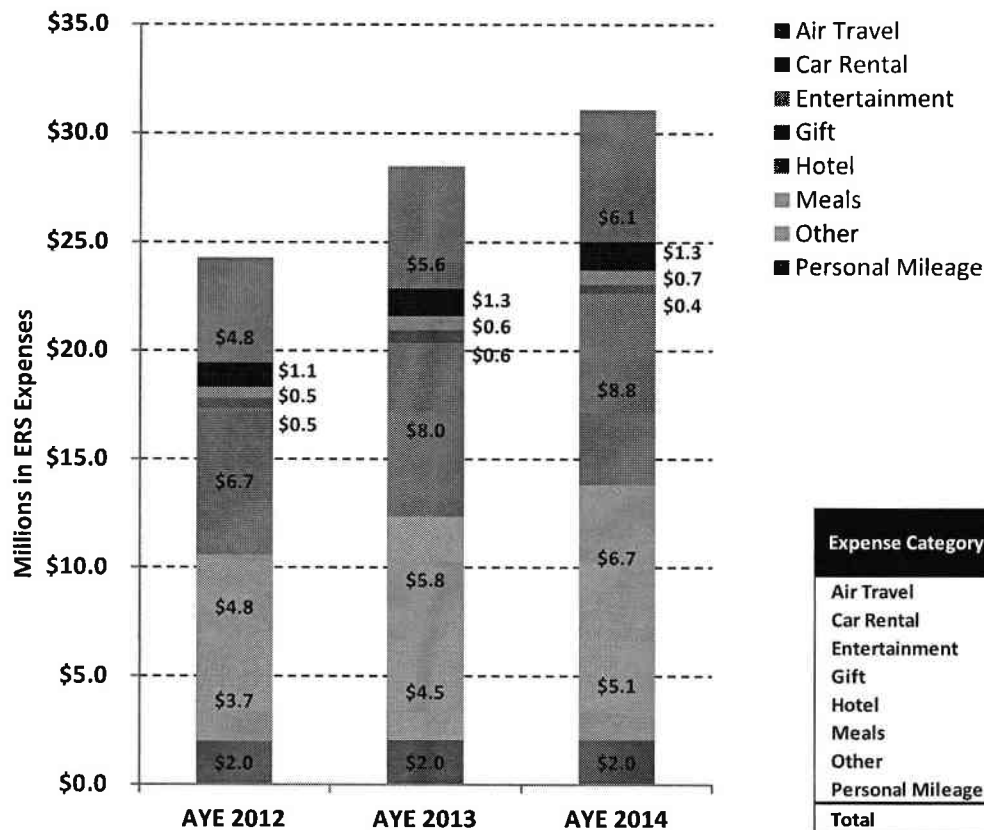
Audit Period	Average ERS Spend / Employee	% Change in Spend / Employee Y/Y	% Change in ERS Spend Y/Y
AYE 2012	\$ 5,718	NA	NA
AYE 2013	\$ 6,307	10%	18%
AYE 2014	\$ 7,039	12%	17%



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**NiSource ERS Expense Categories  
 (AYE 2012 – AYE 2014)**



**Observations:**

Overall, Hotel, Meals, and Air Travel expense categories have been consistent drivers of most ERS expense for the past three (3) years, as outlined in the graph and table below. These three (3) categories comprise ~70% of all ERS submittals. However, while overall ERS spending has increased ~9% from AYE 2013 to AYE 2014, the increasing pace of spend has slowed from ~17% as of AYE 2013. Additionally, the increase of pace of spend for each category has slowed from AYE 2013 – 2014. See table below.

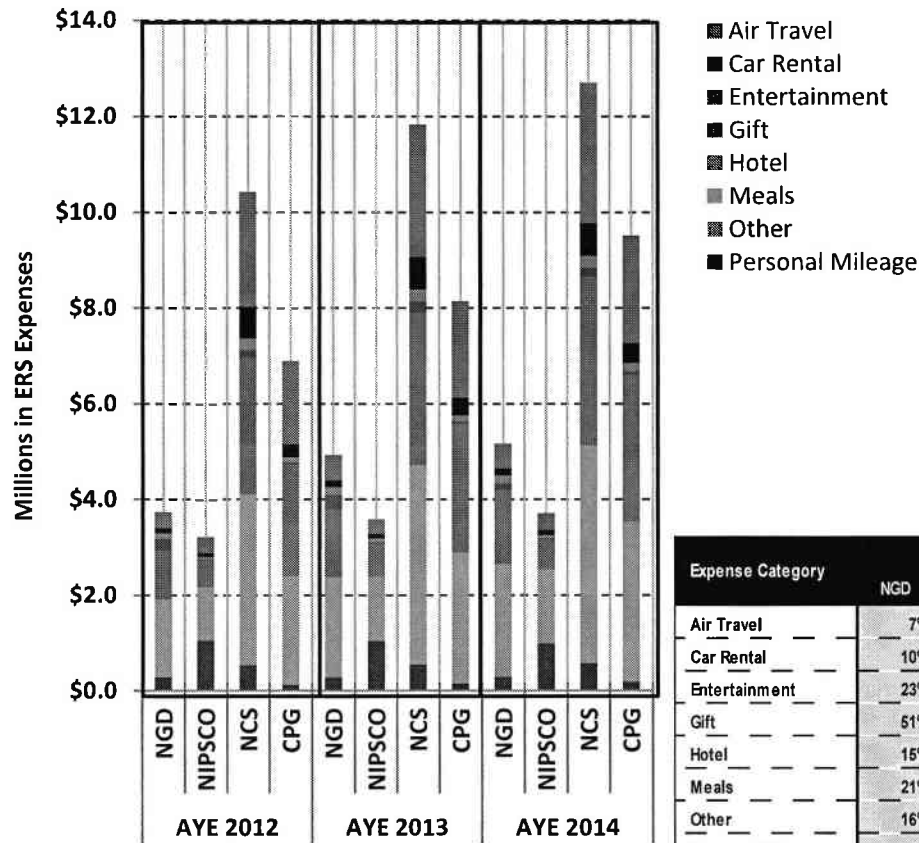
Expense Category	AYE 2012	AYE 2013		AYE 2014	
		ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y
Air Travel	\$ 4,827,248	\$5,629,439	17%	\$ 6,064,719	8%
Car Rental	1,142,198	1,280,718	12%	1,346,046	5%
Entertainment	510,733	608,505	19%	657,607	8%
Gift	468,579	626,224	34%	390,111	-38%
Hotel	6,742,482	8,009,989	19%	8,832,072	10%
Meals	4,847,158	5,804,432	20%	6,686,813	15%
Other	3,748,788	4,499,933	20%	5,088,027	13%
Personal Mileage	\$ 1,984,291	\$2,018,690	2%	\$ 2,029,088	1%
<b>Total</b>	<b>\$ 24,271,478</b>	<b>\$28,477,930</b>	<b>17%</b>	<b>\$ 31,094,483</b>	<b>9%</b>



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**NiSource ERS Expense Categories by BU**  
 (AYE 2012 – AYE 2014)



**Observations:**

**Allocation of ERS Spend across NiSource BU's:**

- **Air Travel:** allocation of spend has remained relatively flat year-over-year during recent periods.
- **Car Rental:** allocation of spend has shifted from NCS with proportional increases at CPG.
- **Entertainment:** proportion of spend has decreased at NCS with increases shifting to CPG.
- **Gift:** while total Gift spending has decreased across NiSource the proportion of spend has shifted from NGD to both NCS and CPG.
- **Hotel, Meals, and Other:** the allocation of ERS spend has remained relatively flat across the NiSource BU's over recent periods.
- **Personal Mileage:** proportion of spend has shifted from NIPSCO and CPG in recent periods.

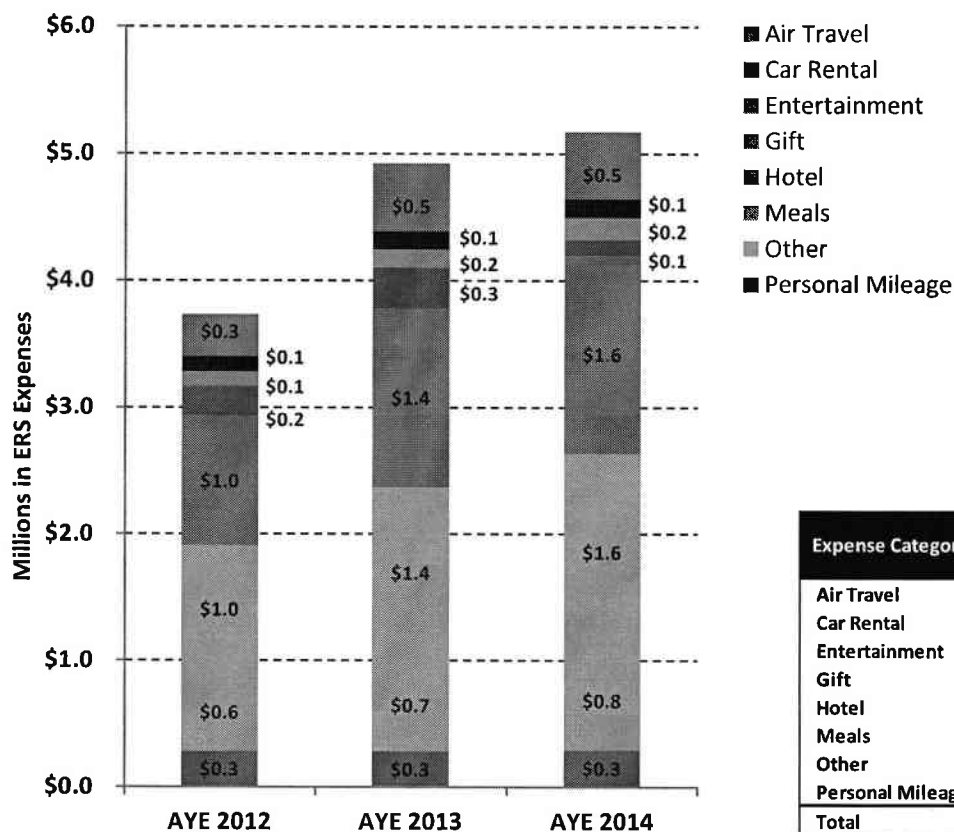
Expense Category	AYE 2012				AYE 2013				AYE 2014			
	NGD	NIPSCO	NCS	CPG	NGD	NIPSCO	NCS	CPG	NGD	NIPSCO	NCS	CPG
Air Travel	7%	7%	50%	36%	9%	5%	49%	36%	9%	6%	48%	37%
Car Rental	10%	7%	58%	25%	11%	7%	53%	29%	11%	8%	50%	31%
Entertainment	23%	10%	47%	20%	25%	12%	42%	20%	27%	10%	38%	26%
Gift	51%	2%	36%	11%	50%	4%	37%	9%	30%	7%	48%	15%
Hotel	15%	8%	42%	34%	18%	9%	40%	33%	18%	7%	40%	35%
Meals	21%	11%	39%	29%	23%	12%	36%	29%	23%	12%	35%	30%
Other	16%	15%	45%	23%	16%	14%	46%	24%	15%	14%	44%	26%
Personal Mileage	14%	53%	27%	6%	14%	52%	27%	8%	14%	48%	28%	9%



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**NGD ERS Expense Categories**  
 (AYE 2012 – AYE 2014)



**Observations:**

Overall, Hotel, Meals, and Other expense categories have been consistent drivers of NGD ERS spend for the past three (3) years, as outlined in the graph and table below. These three (3) categories comprise ~76% of all NGD ERS submittals. While overall ERS spending has increased ~5% from AYE 2013 to AYE 2014, the increasing pace of spend has slowed from an overall ~32% increase as of AYE 2013. Additionally, the increase of pace of spend for each category has slowed with decreases in Air Travel and Gift spending in AYE 2014.

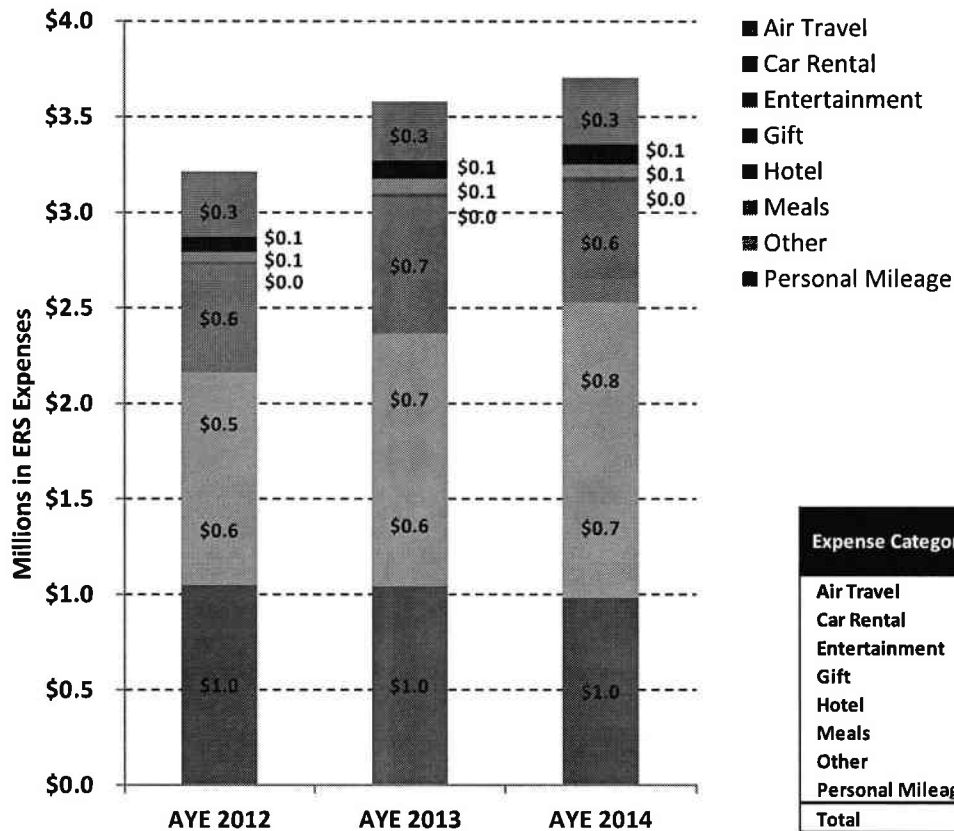
Expense Category	AYE 2012	AYE 2013		AYE 2014	
		ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y
Air Travel	\$ 332,349	\$532,834	60%	\$ 529,266	-1%
Car Rental	117,831	140,597	19%	143,933	2%
Entertainment	115,273	150,957	31%	174,547	16%
Gift	237,721	312,855	32%	117,638	-62%
Hotel	1,022,425	1,418,364	39%	1,570,550	11%
Meals	1,009,753	1,350,323	34%	1,557,224	15%
Other	617,468	740,110	20%	784,052	6%
Personal Mileage	\$ 280,418	\$276,132	-2%	\$ 292,338	6%
<b>Total</b>	<b>\$ 3,733,238</b>	<b>\$4,922,172</b>	<b>32%</b>	<b>\$ 5,169,548</b>	<b>5%</b>



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**NIPSCO ERS Expense Categories**  
 (AYE 2012 – AYE 2014)



**Observations:**

Overall, Meals, Other, and Personal Mileage expense categories have been consistent drivers of NIPSCO ERS spend for the past three (3) years, as outlined in the graph and table below. These three (3) categories comprise ~68% of all NIPSCO ERS expenses. While overall NIPSCO ERS spending has increased ~3% from AYE 2013 to AYE 2014, the increasing pace of spend has largely slowed from an overall ~11% increase as of AYE 2013. Additionally, Entertainment, Hotel, and Personal Mileage spend has decreased in AYE 2014.

Expense Category	AYE 2012	AYE 2013		AYE 2014	
		ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y
Air Travel	\$ 341,024	\$308,410	-10%	\$ 348,197	13%
Car Rental	79,442	93,725	18%	105,629	13%
Entertainment	53,106	76,055	43%	66,383	-13%
Gift	11,319	23,526	108%	27,676	18%
Hotel	566,312	712,480	26%	627,338	-12%
Meals	538,578	687,018	28%	813,793	18%
Other	575,960	636,841	11%	732,976	15%
Personal Mileage	\$ 1,047,440	\$1,041,011	-1%	\$ 981,762	-6%
<b>Total</b>	<b>\$ 3,213,181</b>	<b>\$3,579,065</b>	<b>11%</b>	<b>\$ 3,703,754</b>	<b>3%</b>

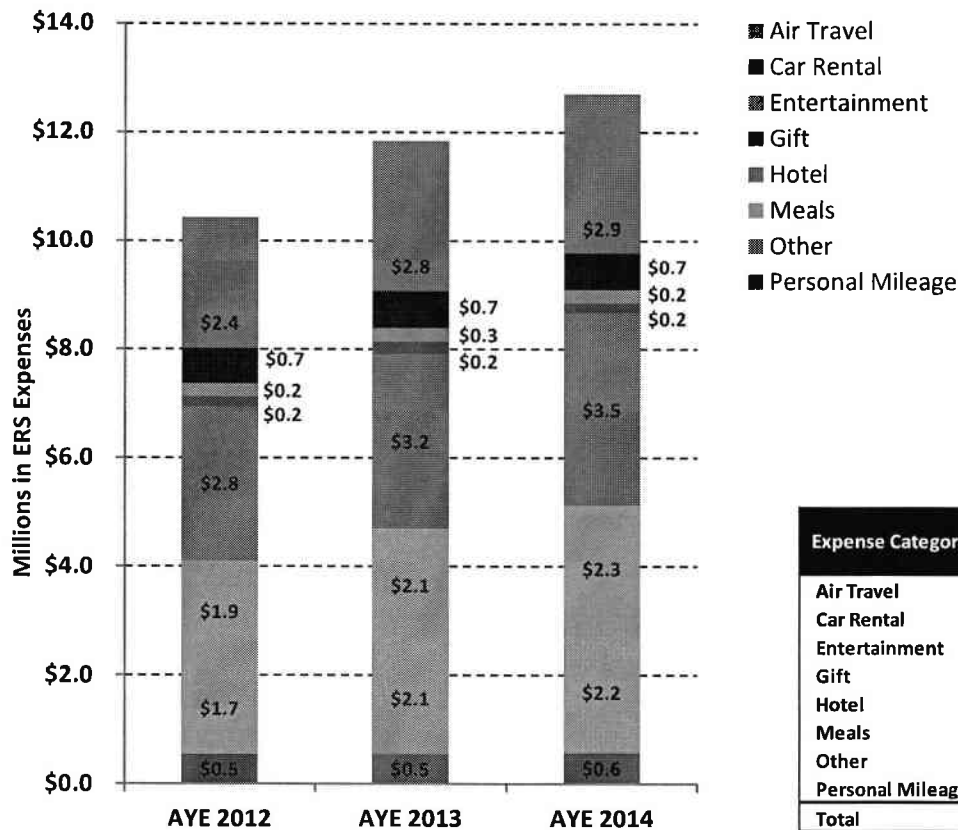




# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**NCS ERS Expense Categories**  
 (AYE 2012 – AYE 2014)



**Observations:**

Overall, Air Travel, Hotel, and Meals expense categories have been consistent drivers of NCS ERS spend for the past three (3) years, as outlined in the graph and table below. These three (3) categories comprise ~70% of all NCS ERS expenses. While overall ERS spending has increased ~7% from AYE 2013 to 2014, the increasing pace of spend has largely slowed from an overall ~13% increase as of AYE 2013. Additionally, Car Rental, Entertainment, and Gift spend has decreased in AYE 2014.

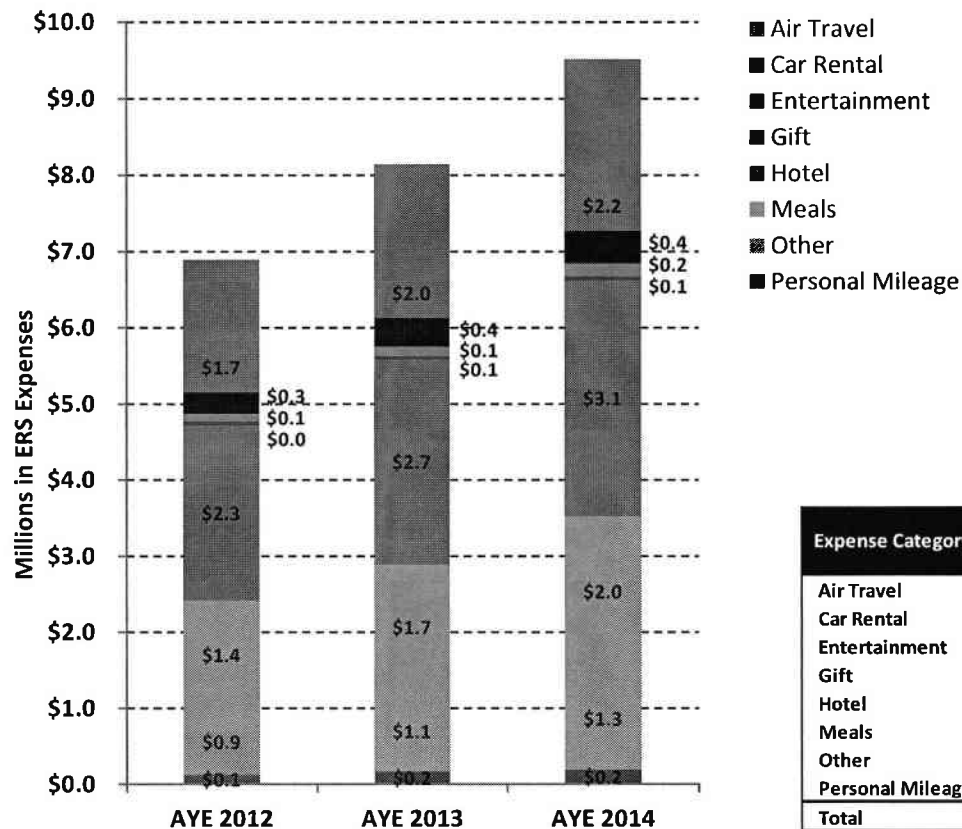
Expense Category	AYE 2012	AYE 2013		AYE 2014	
		ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y
Air Travel	\$ 2,409,603	\$2,769,121	15%	\$ 2,937,295	6%
Car Rental	663,495	679,089	2%	675,757	0%
Entertainment	237,987	257,141	8%	246,755	-4%
Gift	169,908	232,409	37%	187,917	-19%
Hotel	2,846,781	3,200,698	12%	3,541,527	11%
Meals	1,877,760	2,100,747	12%	2,322,113	11%
Other	1,686,026	2,052,454	22%	2,224,977	8%
Personal Mileage	\$ 537,298	\$543,180	1%	\$ 568,091	5%
<b>Total</b>	<b>\$ 10,428,858</b>	<b>\$11,834,839</b>	<b>13%</b>	<b>\$ 12,704,431</b>	<b>7%</b>



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**CPG ERS Expense Categories**  
 (AYE 2012 – AYE 2014)



**Observations:**

Overall, Air Travel, Hotel, and Meals expense categories have been consistent drivers of CPG ERS spend for the past three (3) years, as outlined in the graph and table below. These three (3) categories comprise ~77% of all CPG ERS submittals. While overall ERS spending has increased ~17% from AYE 2013 to 2014, the increasing pace of spend has slightly slowed from an overall ~18% increase as of AYE 2013. Additionally, Entertainment, Meals, and Other increased the most during AYE 2014 with a slight decrease in Gift spend.

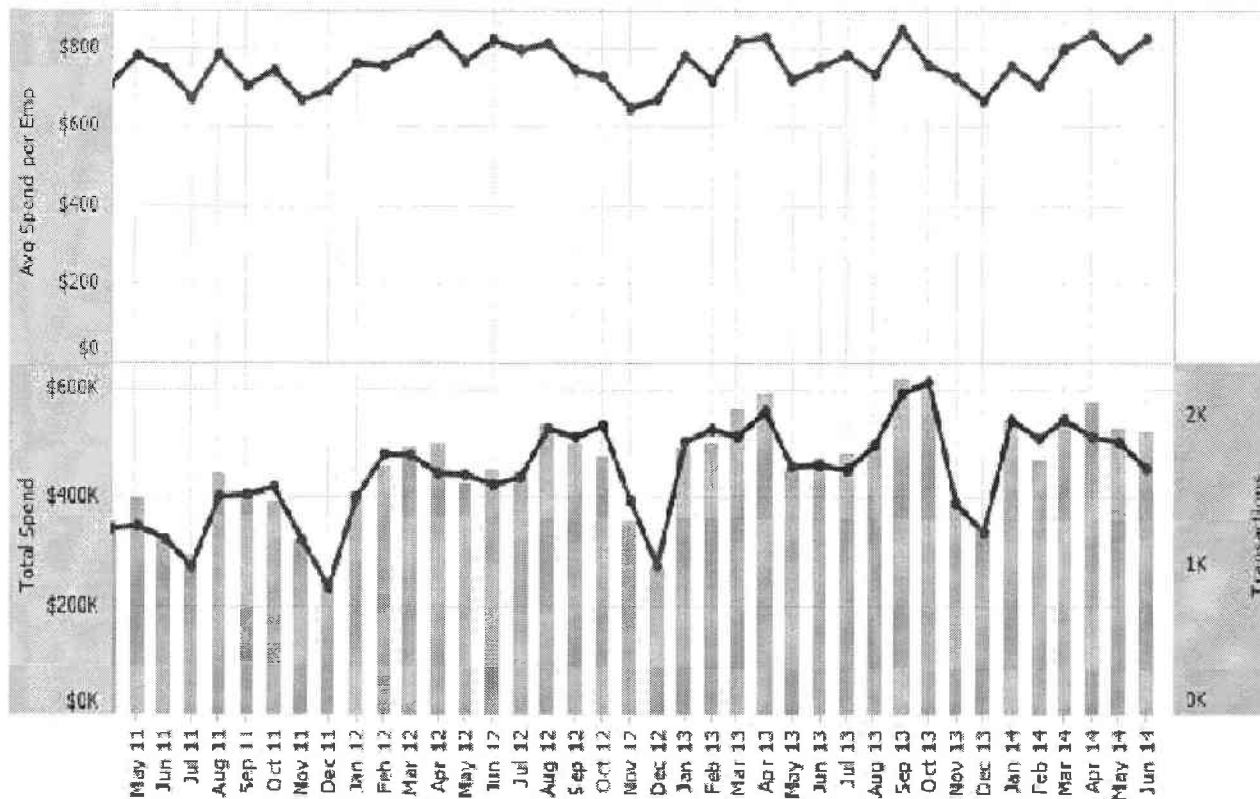
Expense Category	AYE 2012	AYE 2013		AYE 2014	
		ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y
Air Travel	\$ 1,744,272	\$2,019,073	16%	\$ 2,249,961	11%
Car Rental	281,430	367,308	31%	420,727	15%
Entertainment	104,367	124,354	19%	169,923	37%
Gift	49,631	57,434	16%	56,880	-1%
Hotel	2,306,963	2,678,447	16%	3,092,657	15%
Meals	1,421,068	1,666,343	17%	1,993,683	20%
Other	869,334	1,070,527	23%	1,346,022	26%
Personal Mileage	\$ 119,135	\$158,367	33%	\$ 186,897	18%
<b>Total</b>	<b>\$ 6,896,201</b>	<b>\$8,141,854</b>	<b>18%</b>	<b>\$ 9,516,750</b>	<b>17%</b>



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total "Air Travel" ERS Expense Trending\***  
 (AYE 2012 – AYE 2014)



- Avg Spend per Emp
- Total Spend
- Trans

**Observations:**

Air Travel costs have increased year-over-year in both 2013 and 2014. The trending of peak and non-peak spending appears to be relatively consistent during the periods under observation with the lowest spending and number of transactions occurring in the fourth quarter of the year and the highest level of activity occurring during the September and October months.



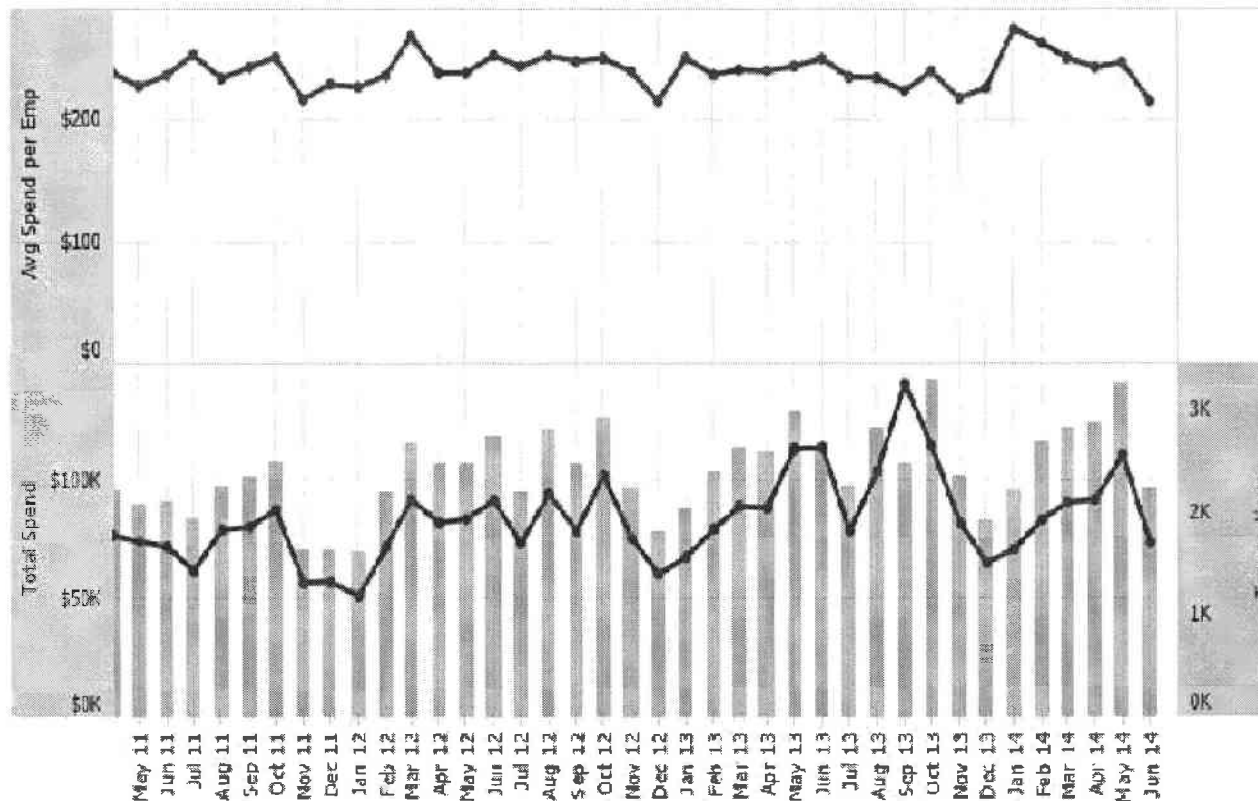
\*The chart included is an illustration from the Tableau tool, representing NiSource ERS monthly spend trending for the periods observed. Also refer to slides 29-37 for other expense category trend analysis.

# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total "Car Rental" ERS Expense Trending  
 (AYE 2012 – AYE 2014)**

Avg Spend per Emp  
 Total Spend  
 Trans



**Observations:**

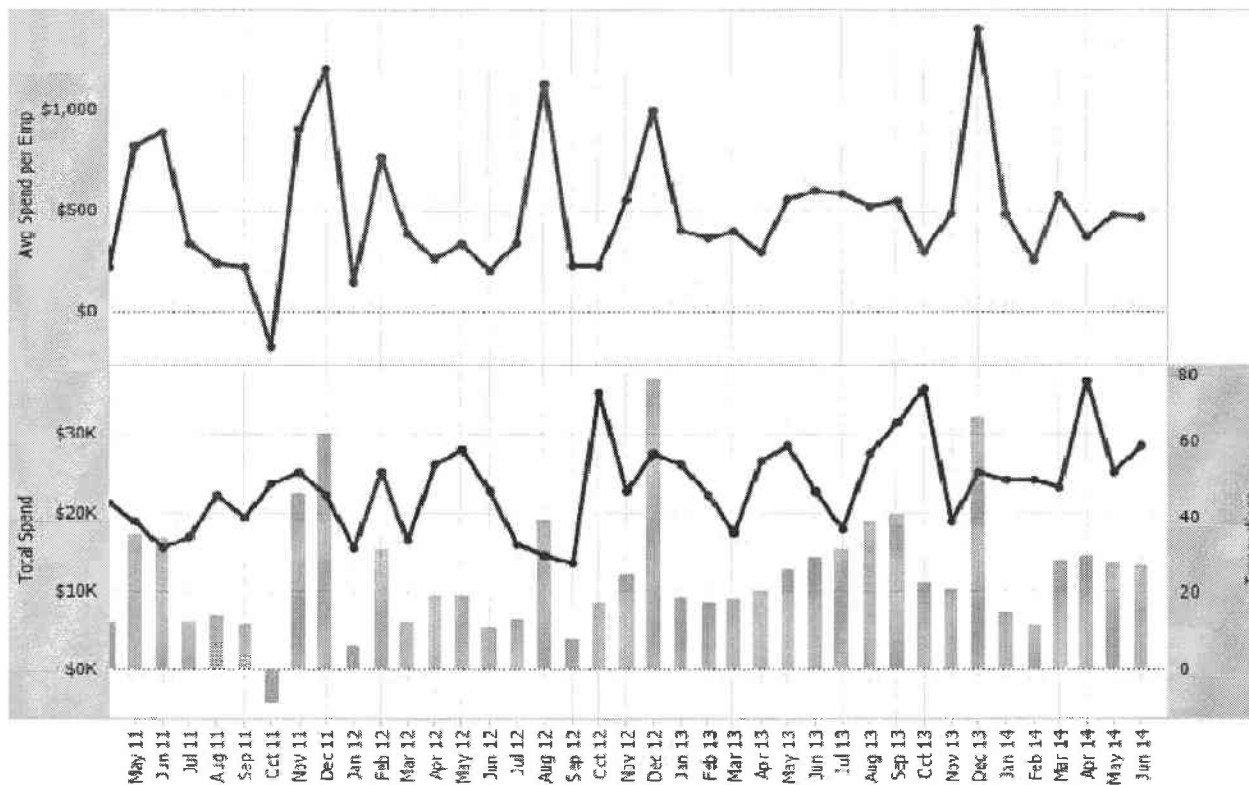
Overall, Car Rental costs do not have a smooth pattern of activity during the period under observation. However, the lowest level of spend and transactions typically occur in the December and January months, while a comparable pattern of peak activity appears to have occurred during May and October of 2013 and 2014. The high level of transactions in September of 2013 do not appear to align with the spend, as noted in other months.



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total “Entertainment” ERS Expense Trending  
 (AYE 2012 – AYE 2014)**



- Avg Spend per Emp
- Total Spend
- Trans

**Observations:**

Entertainment activity tends to clearly peak during the month of December during the periods under observation with other high levels of activity being noted in the August of 2012 and 2013. In contrast, the lowest level of activity appears to occur in the first quarter of each year.

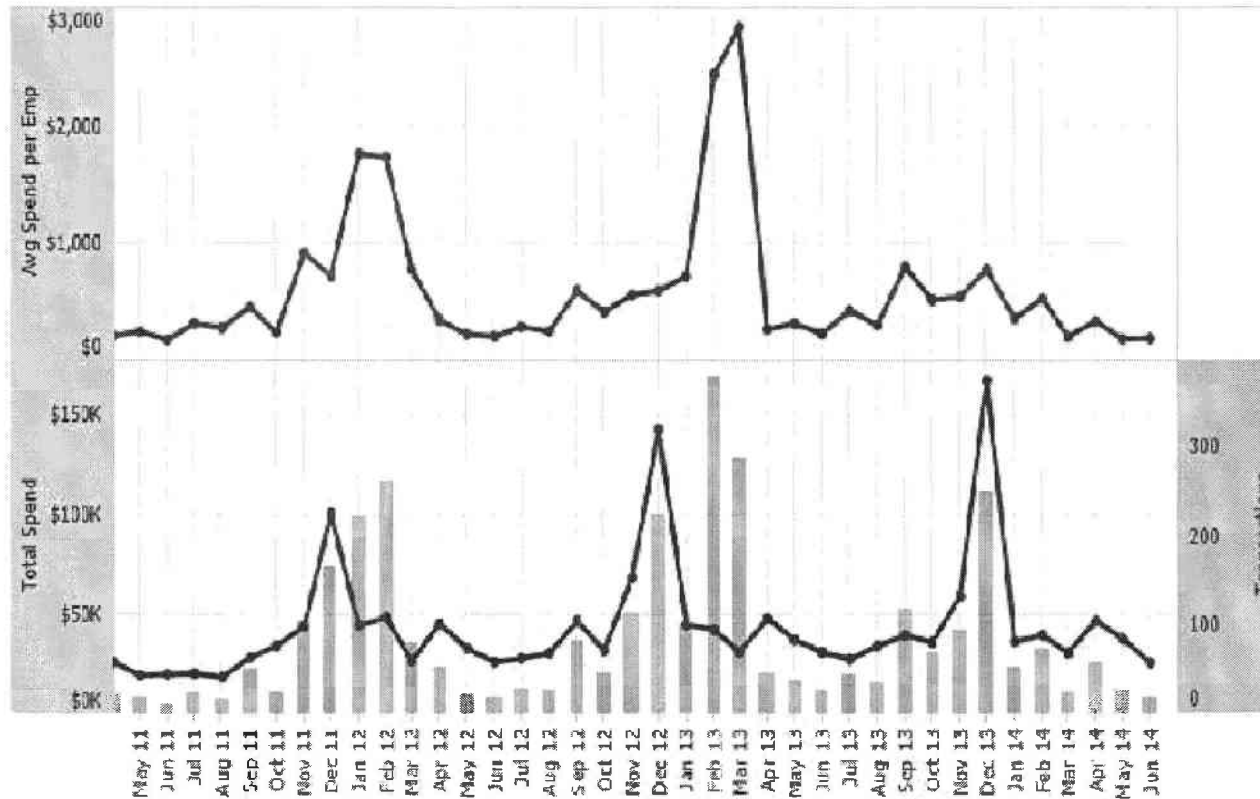


# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total "Gift" ERS Expense Trending**  
 (AYE 2012 – AYE 2014)

Avg Spend per Emp  
 Total Spend  
 Trans



**High-Level Observations:**

Gift activity tends to clearly increase in the fourth quarter of each year observed, with significant peaks in the first quarter of 2012 and 2013, which is largely attributed to amounts expensed for safety awards, as noted on the next slide. Overall, ERS Gift spend is down ~38% in AYE 2014. See the next slide for more information.



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

### Total "Gift" ERS Expenses Category Trending (AYE 2012 – AYE 2014)

Expense Description	TOTAL ERS GIFT TRANSACTIONS					
	AYE 2012		AYE 2013		AYE 2014	
		ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y	
Award [Cash or Cash Equivalents (gift cards)]	\$ 152,289	\$ 173,648	14.0%	\$ 153,069	-11.9%	
Gift [Merchandise / Service]	41,840	66,087	58.0%	75,303	13.9%	
Gifts [Employees]	51,628	55,419	7.3%	54,897	-0.9%	
Award [Merchandise / Service]	22,941	20,232	-11.8%	45,413	124.5%	
Safety Awards (Taxable)	155,473	253,178	62.8%	22,334	-91.2%	
Gifts [Flowers]	9,641	13,297	37.9%	13,403	0.8%	
Gifts [Non-Employees]	15,678	26,416	68.5%	11,096	-58.0%	
Gift [Retirement]	5,024	12,962	158.0%	8,255	-36.3%	
Safety Awards (Non Taxable)	\$ 14,065	\$ 4,985	-64.6%	\$ 6,342	27.2%	
<b>TOTAL ERS GIFT TRANSACTIONS</b>	<b>\$ 468,579</b>	<b>\$ 626,224</b>	<b>33.6%</b>	<b>\$ 390,111</b>	<b>-37.7%</b>	

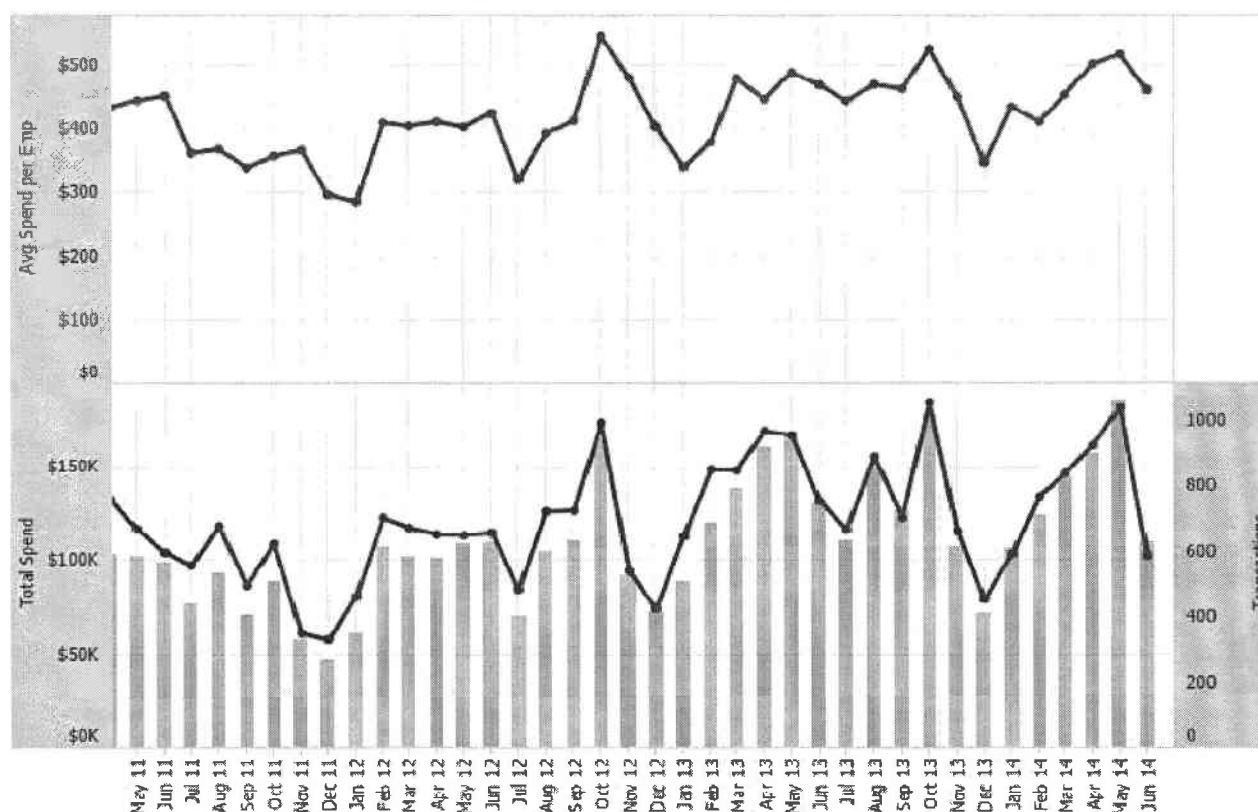
**NOTE:** The table above has been organized based upon significance of Gift spend in 2014. Internal Audit verified with NiSource HR that taxable transactions have been identified in each employees' 2014 income. Internal Audit was unable to accurately determine the average amount of gift transactions per employee as it was noted that data entered into ERS was incomplete in certain instances whereby recipient information was not included in the expense submission. As such, spend per employee is not reflected herein.



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total "Hotel" ERS Expense Trending  
 (AYE 2012 – AYE 2014)**



■ Avg Spend per Emp  
 ■ Total Spend  
 ■ Trans

**Observations:**

Hotel expenses comprise the largest proportion of overall ERS spending for all periods observed. Hotel activity has typically decreased in the fourth quarter of each year, with the peak activity occurring in October and then falling to the lowest level of activity in November and December of each year observed.

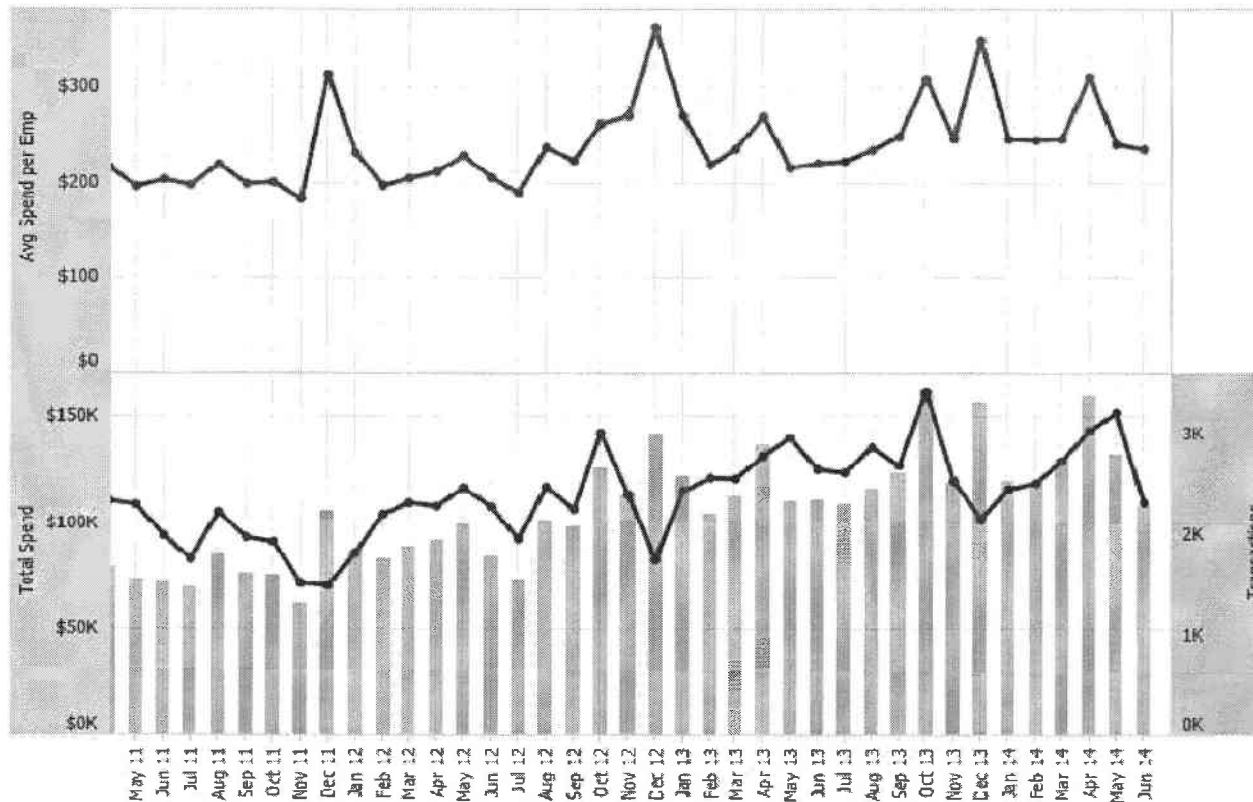




# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total "Meals" ERS Expense Trending  
 (AYE 2012 – AYE 2014)**



Avg Spend per Emp  
 Total Spend  
 Trans

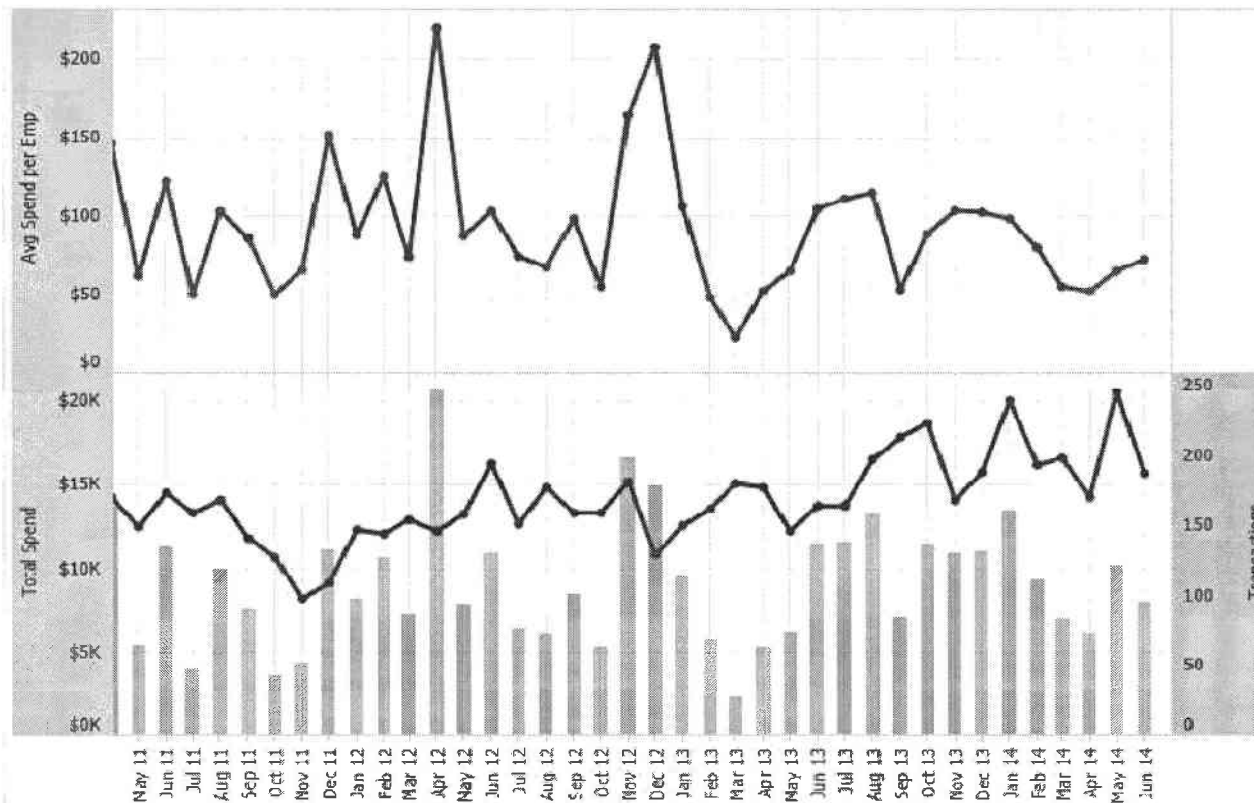
**Observations:**

Meal expense total monthly spend tends to peak in the December months. At the same time, the total number of transactions tend to be lower while the spend per employee tends to be much higher, as noted by the peaks at the top of the table. Ultimately, it appears that employees may not properly include the listing of employees in ERS for December gatherings/Holiday parties. The lowest level of spend appears to occur during the February and July months during the periods observed.

# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total "Other" ERS Expense Trending**  
 (AYE 2012 – AYE 2014)



- Avg Spend per Emp
- Total Spend
- Trans

**Observations:**

Overall, Other spend does not appear to have a discernable pattern of activity during the periods observed. As such, Internal Audit has included a table on the next slide that breaks down of the top fifteen (15) Other expense categories in order of highest to lowest spend during AYE 2014.

**Note:** In total, there are currently forty-one (41) Other expense categories that can be selected in ERS – please refer to Appendix A for a full listing and spend for the periods observed. The largest drivers of Other spend has been Seminar Fees, Training, and Parking/Valet.



# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

### Top 15\* "Other" NiSource ERS Expenses Category Trending (AYE 2012 – AYE 2014)

TOTAL ERS TOP 15 "OTHER" TRANSACTION CATEGORIES						
Expense Description	AYE 2012		AYE 2013		AYE 2014	
	ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y
Fees [Seminar / Conference]	\$ 769,732	9%	\$ 840,310	9%	\$ 883,016	5%
Training	440,237	22%	538,909	22%	628,118	17%
Parking/Valet	496,210	-9%	452,182	-9%	518,387	15%
Other / Miscellaneous	389,037	18%	457,941	18%	513,804	12%
Services & Supplies [Office]	260,657	11%	289,264	11%	365,488	26%
Services & Supplies [Other]	218,305	18%	257,233	18%	321,546	25%
Fuel	286,487	4%	298,715	4%	305,504	2%
Professional Associations	805	24225%	195,817	24225%	297,137	52%
Ground Transportation [Taxi / Limo]	165,424	18%	195,873	18%	210,713	8%
Business Center	96,992	11%	107,950	11%	160,061	48%
Safety Boots	138,516	-10%	124,281	-10%	132,511	7%
Gift [Cash or Cash Equivalents (gift cards)]	31,930	322%	134,747	322%	124,366	-8%
Ground Transportation [Car Service]	64,799	34%	86,774	34%	107,236	24%
Tolls	55,379	26%	69,672	26%	79,917	15%
Books/Magazines/Newspapers	52,006	25%	65,042	25%	75,401	16%
<b>TOTAL ERS GIFT TRANSACTIONS</b>	<b>\$ 3,466,517</b>	<b>19%</b>	<b>\$ 4,114,711</b>	<b>19%</b>	<b>\$ 4,723,206</b>	<b>15%</b>
<b>TOP 15 % OF TOTAL "OTHER"</b>	<b>92%</b>		<b>91%</b>		<b>93%</b>	
<b>TOTAL OTHER TRANSACTION</b>	<b>\$ 3,748,788</b>	<b>20%</b>	<b>\$ 4,499,933</b>	<b>20%</b>	<b>\$ 5,088,027</b>	<b>13%</b>

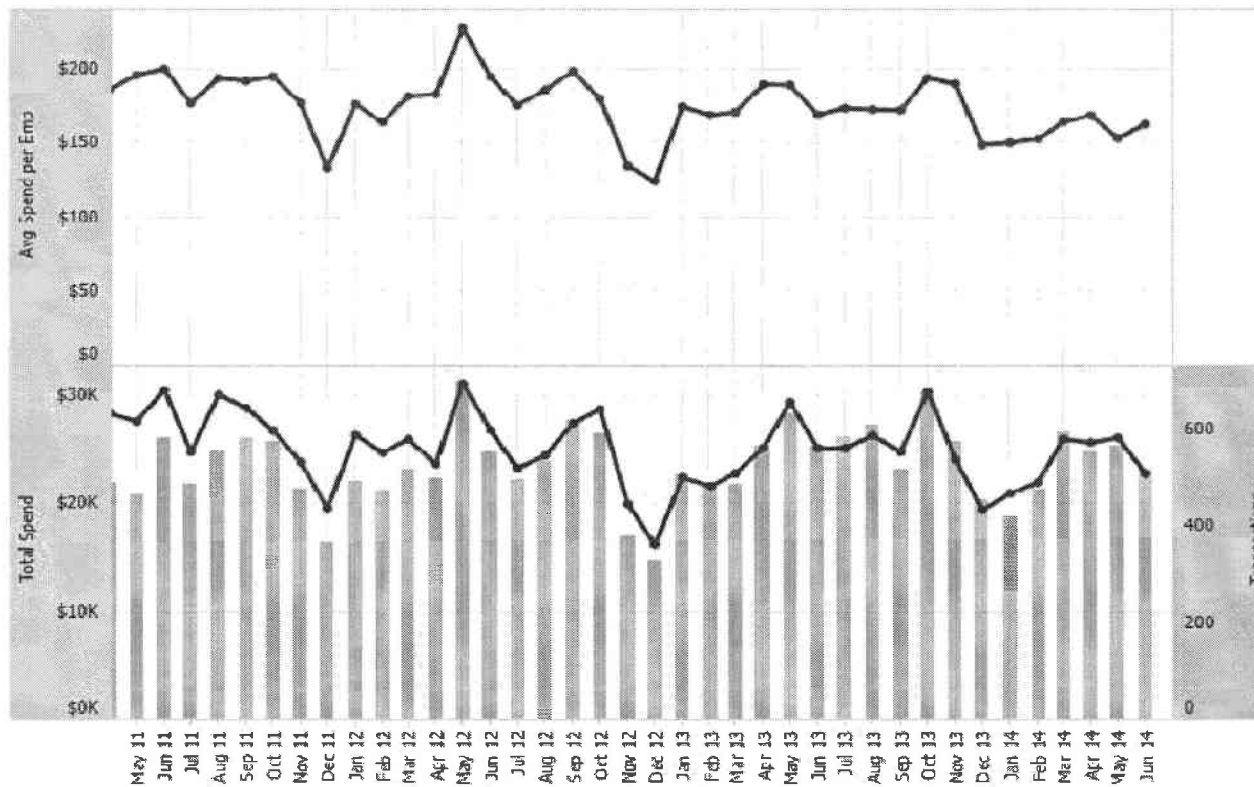


\* A total of (41) Categories were identified as "Other" in AYE 2014; see "Supplemental Slides" for additional information. "Professional Associations" were first widely processed in ERS in 2013.

# NiSource Employee Expense Reimbursement Audit

## Analytic Observations

**Total "Personal Mileage" ERS Expense Trending**  
 (AYE 2012 – AYE 2014)



- Avg Spend per Emp
- Total Spend
- Trans

**High-Level Observations:**

Total Personal Mileage costs have remained steady during 2013 and 2014 with less than a ~1% increase in overall costs. Peak travel periods appear to occur in May and October with the lowest level of activity occurring in December of each period observed. Internal Audit focused specifically on employees with more than 12,000 miles of reimbursed travel, as noted in the Audit Objective of the report.



# NiSource Employee Expense Reimbursement Audit

## Audit Objective

*(Audit Period: July 1, 2013 through June 30, 2014)*

# AUDIT RESULTS

# NiSource Employee Expense Reimbursement Audit

## Background

- AMEX corporate credit cards are provided to exempt employees to pay for appropriate Company related expenses and to certain non-exempt employees who travel frequently on Company business.
  - “Receipt Acknowledgments” are required to be signed by each employee, agreeing to the terms for using the AMEX card.
- Expenses are captured, processed and approved in the Expense Reporting System (ERS) maintained by IBM.
  - AMEX charges are auto-fed into the ERS system and then processed by individual employees.
  - Payments are remitted to AMEX by NiSource.
- Employees who are not issued corporate credit cards may still incur legitimate reimbursable business expenses.
  - Expenses are submitted and approved on an employee expense statement and sent to Accounts Payable for processing.
  - Cash advances are also available for approved expenses and are captured in the ERS system.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective :

**As a result of data analysis observations and through appropriate sampling methodology, determine if employee expenses are submitted timely and processed in accordance with Company Policy and Internal Revenue Service guidelines.**

- **Focus Area 1:**
  - Review employee expense reports identified as part of our analytic procedures and evaluate their compliance with Corporate Policy;
- **Focus Area 2:**
  - Review the procedures performed by Accounts Payable to periodically audit employee expense transactions and review the results of their audits for instances of non-compliance;
- **Focus Area 3:**
  - Ensure expenses are entered timely into ERS for review, approval, and payment; and
- **Focus Area 4:**
  - Verify taxable travel has been identified and properly included in income as required by IRS reporting requirements for employees with unique working arrangements, including travel with the use of the Company-leased aircraft for compliance.



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**NOTE :** *Audit Results are presented on slides 41-64; Refer to slides 65 and 66 for Internal Audit Recommendations for all four (4) focus areas noted.*

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### **Audit Objective – Focus Area 1:**

**Review employee expense reports identified as part of our analytic procedures and evaluate their compliance with Corporate Policy.**

### ***Audit Results:***

Based on the analysis performed as part of our *Analytic Observations*, eighty-five (85) samples were selected for further testing using a risk-based sampling approach.

- Internal Audit reviewed the selected expense statements within ERS to determine compliance with corporate policy, including the following:
  - *Business Expense Reimbursement and Reporting;*
  - *Corporate Credit Cards;*
  - *Employee Gift and Award Accounting and Reporting;*
  - *Passenger Vehicle Policy; and*
  - *Travel Policy.*
  
- Internal Audit did not identify significant and/or recurring violations of policy based on the samples selected. Audit noted that supporting expense receipts, per policy, are *primarily* only required for “Hotel”\* and “Cash” expenses.

***NOTE:*** Due to the lack of detail and supporting documentation required by corporate policy, Internal Audit’s assessment of the selected expense item as a reasonable business expense in accordance with corporate policy was limited in some cases based on the information retained in ERS. Currently, the version of ERS utilized by NiSource does not allow additional receipts to be required for categories which currently do not require one.



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\*Hotel expense includes Room & Tax, Conferences Rooms, and Other expenses charged through at hotels

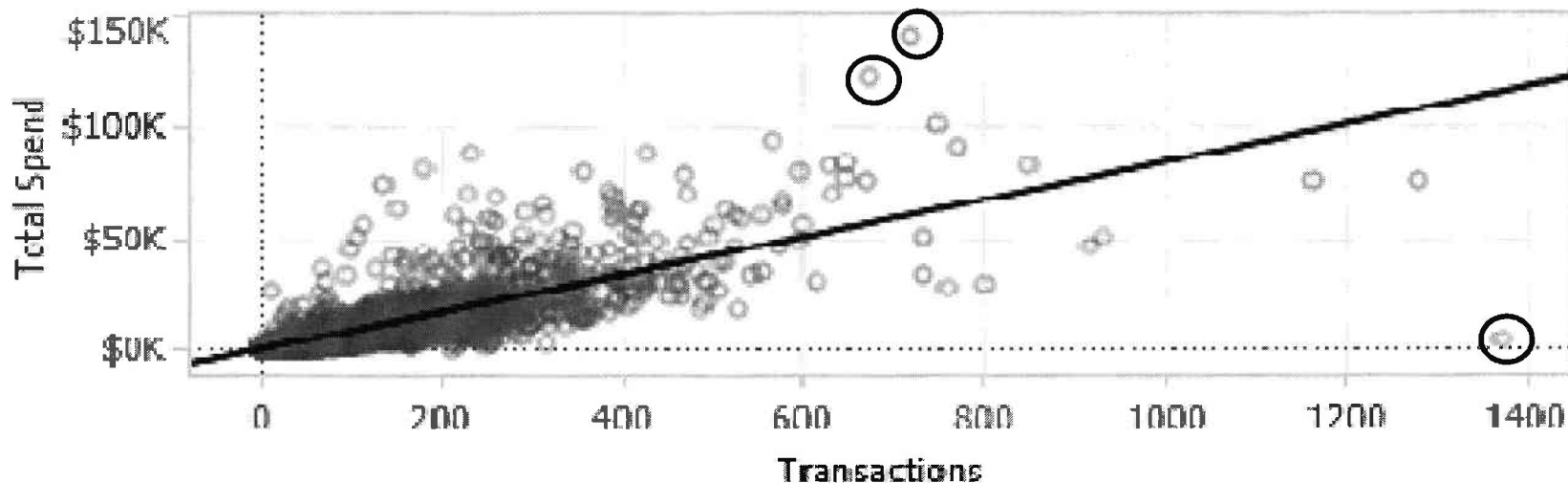


# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### Total Spend vs. Transactions by Employee



#### **Audit Selection Identification Process:**

Internal Audit utilized the data analytics tool **Tableau** to assist in the determination of selections for testing. The scatter chart above is a diagram that shows the spending relationship of all ERS expenses for AYE 2014. Our audit procedures largely focused on “outlier” transactions (as highlighted above in red circles) that deviate from median spend whereby an employee may have a large number of transactions with a large dollar value. The **black line** above illustrates the median spend for all AYE 2014 transactions.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### Audit Sample Identification Process:

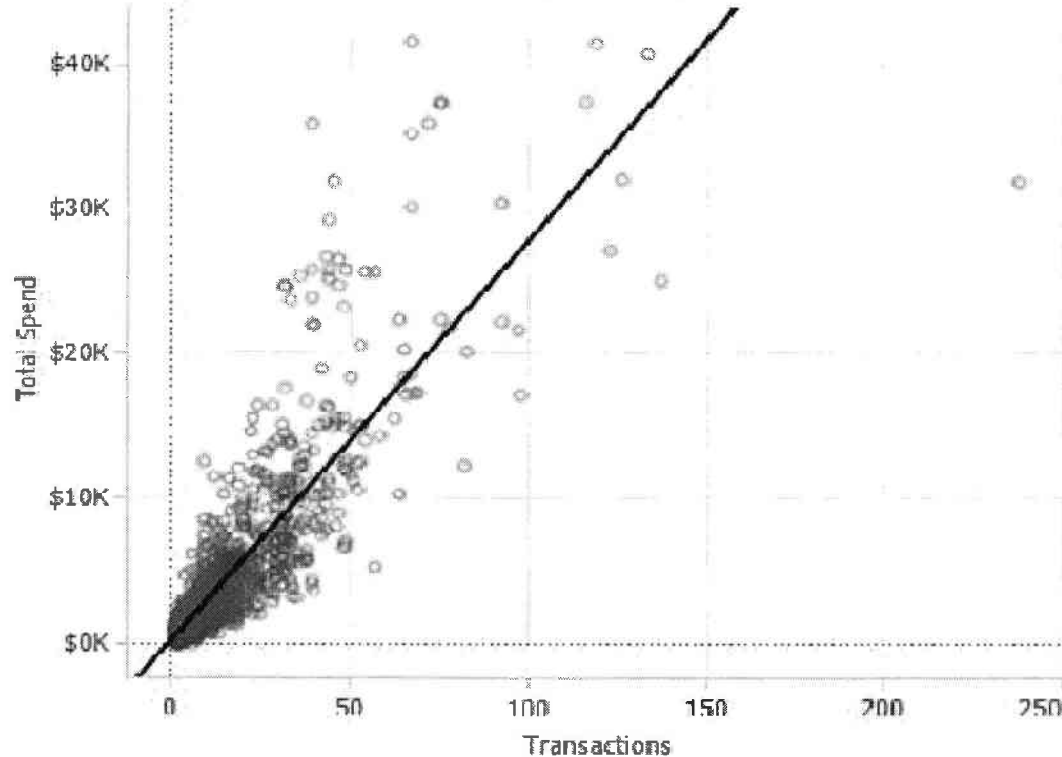
- Utilizing the analytical data, as outlined in the first section of this report, and through the use of scatter plot data associated with each of the eight (8) overall ERS expense categories Internal Audit focused our total selection population on “outlier” transactions by each employee of NiSource submitting expenses.
- Testing selections excluded expenses submitted by Officers as they are subject to testing in the Officer Expense review performed annually.
- In addition to outlier transactions, we also focused our efforts on the following activities:
  - *Gift transactions that result in a gift of over \$250 to the recipient;*
  - *Spouse or Partner transactions;*
  - *Cash Transactions and Advance Requests;*
  - *Personal Mileage greater than 12,000 miles in an annual period ;*
  - *Potential fraud indicators (Highest spend for a given category, round dollars, unusual vendor...etc.); and*
  - *Unusual flight destinations.*
- **Slides 45-57** contain scatter plot diagrams/activity for the eight (8) expense categories and cash transactions and note our conclusions for each of the categories and related selections tested.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

**Total “Air Travel” ERS Expense Scatter (By Employee)**  
(AYE 2014)



#### **Air Travel Transactions:**

As part of our risk-based approach, Internal Audit has focused on certain outlier transactions.

#### **Conclusions:**

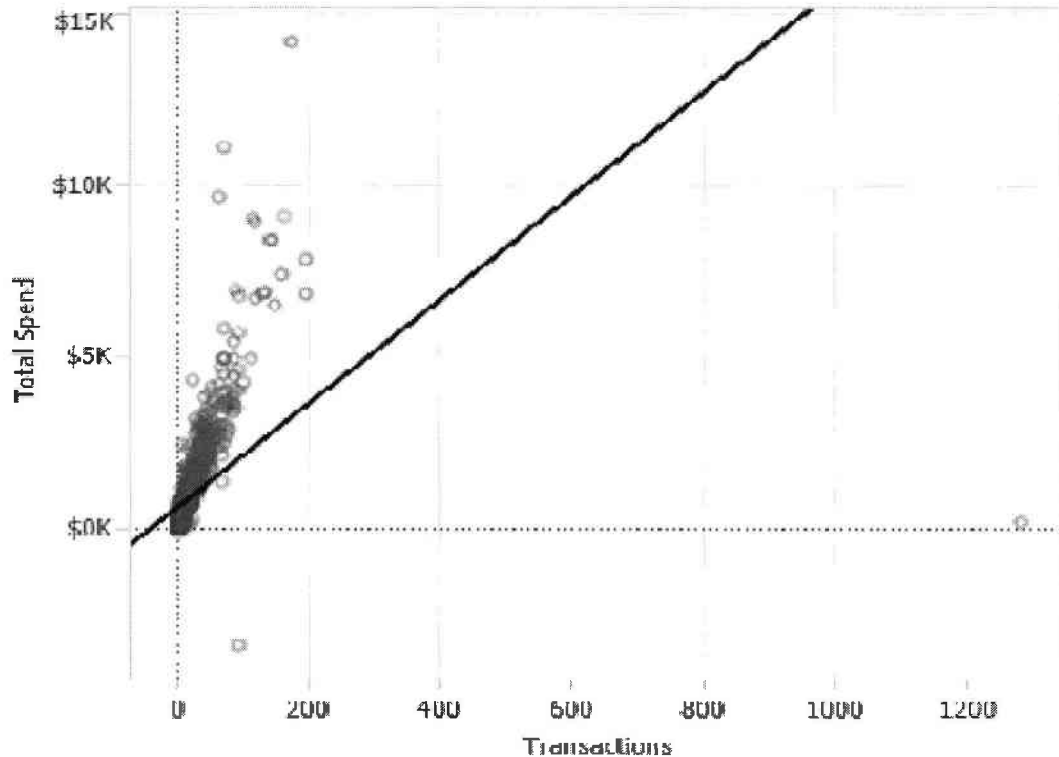
As part of our review of the identified audit selections, Internal Audit noted all selections were properly submitted in accordance with Corporate policies and were approved in ERS. However, Internal Audit noted additional business purpose documentation would enhance our ability to ensure Air Travel expenses are appropriate.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### *Total “Car Rental” ERS Expense Scatter (By Employee) (AYE 2014)*



#### **Car Rental Transactions:**

As part of our risk-based approach, Internal Audit has focused on certain outlier transactions.

#### **Conclusions:**

As part of our review of the identified audit selections, Internal Audit noted all selections were properly submitted in accordance with Corporate policies and were approved in ERS. See the next slide for more information.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### *Car Rental Testing (Cont'd):*

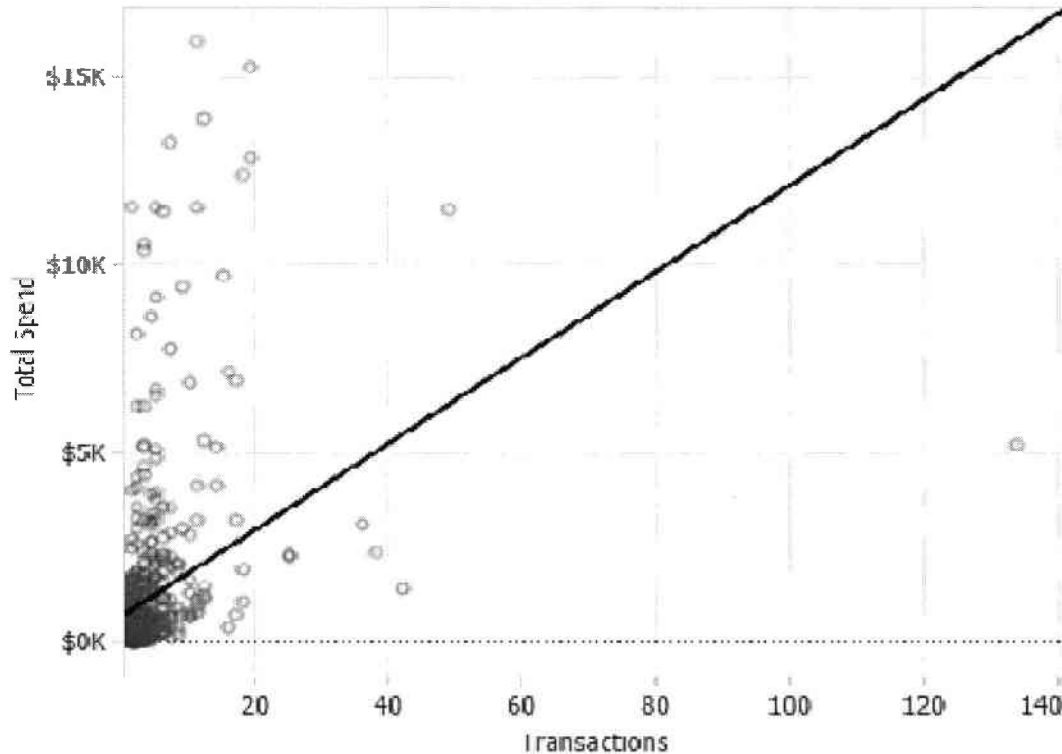
- Internal Audit made the following observations regarding Car Rental documentation requirements in ERS:
  - As it is not a pre-populated field, the Employee is able to manually select the car class within ERS, which may or may not align with the actual class of car rented/expensed; and
  - The Employee is able to manually choose how many days the car was utilized/rented, which may or may not align with the actual number of days the car was rented/expensed.
- Due to the manual input requirements noted above, observing and reporting on Rental Car activity may lead to inaccuracies to actual activity of Company personnel. As such, Internal Audit has only reported results on the total Car Rental spend, as noted in the Data Analytic Observation section of the report.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### *Total “Entertainment” ERS Expense Scatter (By Employee) (AYE 2014)*



#### **Entertainment Transactions:**

As part of our risk-based approach, Internal Audit has focused on certain outlier transactions.

#### **Conclusions:**

As part of our review of the identified audit selections, Internal Audit noted all selections tested were properly submitted in accordance with Corporate policies and were approved in ERS with minor documentation exceptions, as noted on the next slide.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### *Entertainment Testing (Cont'd):*

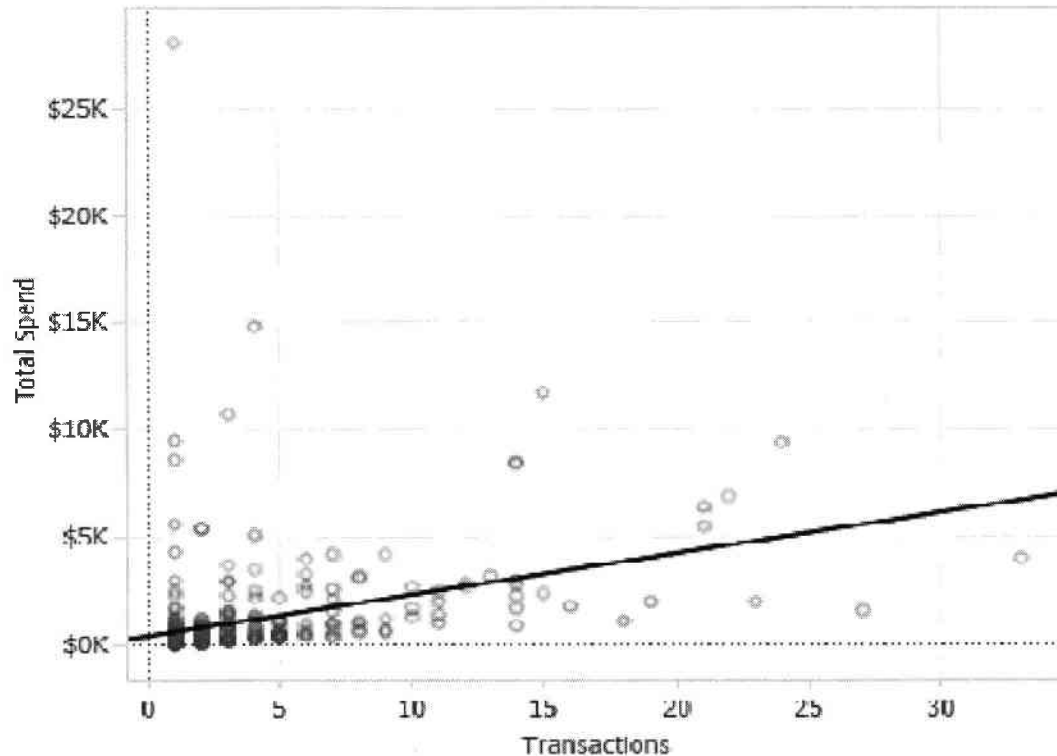
- **Section 7.9** of the “Business Expense Reimbursement and Reporting” Policy states the following:
  - The following information must be provided on the expense statement for entertainment expenses:
    - Amount
    - Date
    - Name of establishment
    - Nature of discussion or business purpose
    - Name, title, and company of each guest
  - If the Company incurs expenditures for non-business related entertainment or travel of the employee and/or the employee’s spouse, such expenditures shall be treated as compensation paid to the employee subject to withholding taxes.
- Internal Audit noted for some of our selections, the number of attendees (Name, title, and company of each guest) did not appear to be fully documented within ERS, as required per policy.
- Additionally, in some instances, documentation within ERS could be enhanced to provide more detail as to the business purpose of Entertainment transactions.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### *Total “Gift” ERS Expense Scatter (By Employee) (AYE 2014)*



#### **Gift Transactions:**

As part of our risk-based approach, Internal Audit has focused on certain outlier transactions.

#### **Conclusions:**

As part of our review of the identified audit selections, Internal Audit noted most selections were properly submitted and approved in ERS. However, see the next slide for more information on exceptions noted.



# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### *Gift Testing (Cont'd):*

- Internal Audit identified nine (9) transactions in our selection population that included taxable gifts to employees.
  - **Section 4.1** of the “Business Expense Reimbursement and Reporting” Policy states the following:
    - All cash or cash equivalents, such as gift cards and gift certificates, regardless of the amount, will be included in the employee’s gross income and taxed at the employee’s applicable tax rates.
  - IRS guidelines require that any gift over \$400 must be included in the employees gross income and taxed.
- Of nine (9) taxable gift transaction identified, seven (7) of the gift transactions were properly identified by Payroll and included in the each of the respective employee’s income; and two (2)\* taxable gift transactions were not properly included as income to the employee.
  - One (1) taxable gift transaction (amounting to ~\$1K) excluded from income to the employee was not identified by Payroll as part of their current review processes; and
  - One (1) taxable gift transaction (amounting to ~\$2K) excluded from income to the employee was identified as a retirement gift; retirement gifts are not currently reviewed by Payroll for inclusion in employee’s taxable income.

**NOTE:** Payroll will review retirement gifts for taxability on a go-forward basis.



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*\*Both transactions that were not properly included in income were incurred in 2013.*

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### *Gift Testing (Cont'd):*

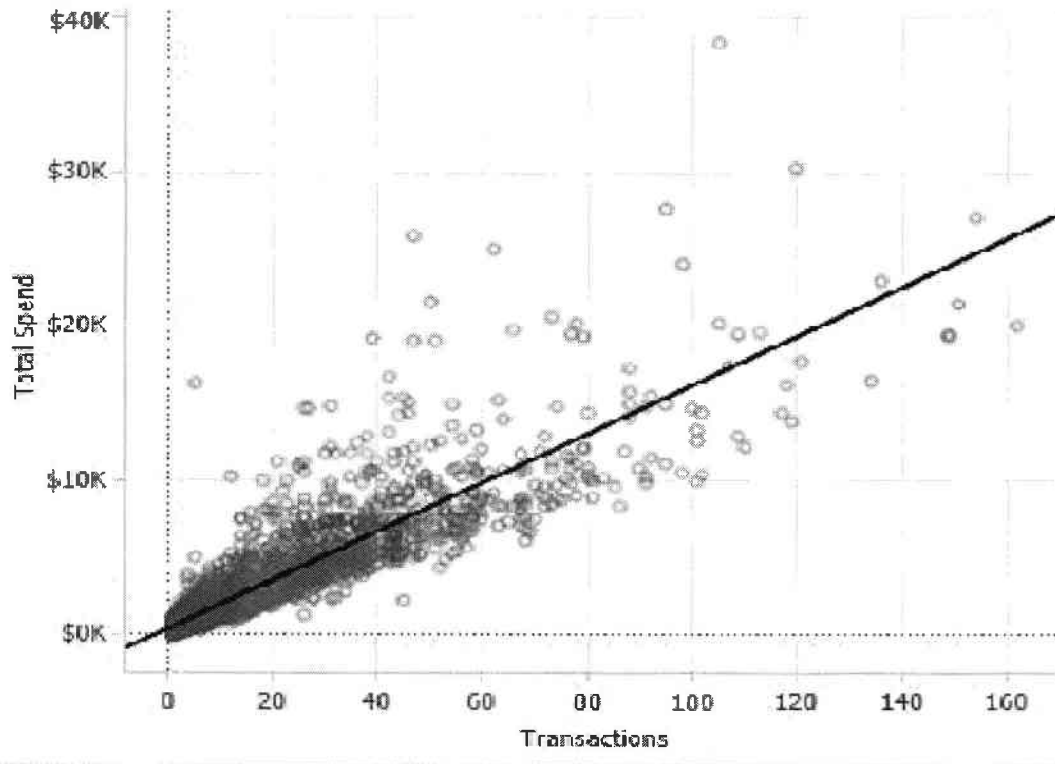
- **Section 6.1.1** of the “Employee Gift and Award Accounting and Reporting Policy” states the following: If the expense is charged to the corporate card or if an employee is to be reimbursed for the purchase – select the appropriate Award / Gift category in the ERS Tool. The following information must be provided:
  - Employee ID (recipient of the gift)
  - Employee Name (recipient of the gift)
  - Amount of the gift
  - Date of the gift
- Internal Audit noted for a number of our selections, the employee ID, employee name, amount of gift, or the date of the gift was not included in ERS.
- Additionally, Internal Audit observed that documentation within ERS could be enhanced to provide more detail as to the business purpose and/or nature of Gift transactions to ensure appropriate classification for taxability.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### *Total “Hotel Room & Tax” ERS Expense Scatter (By Employee) (AYE 2014)*



#### **Hotel (Room & Tax) Transactions:**

As part of our risk-based approach, Internal Audit has focused on certain outlier transactions.

#### **Conclusions:**

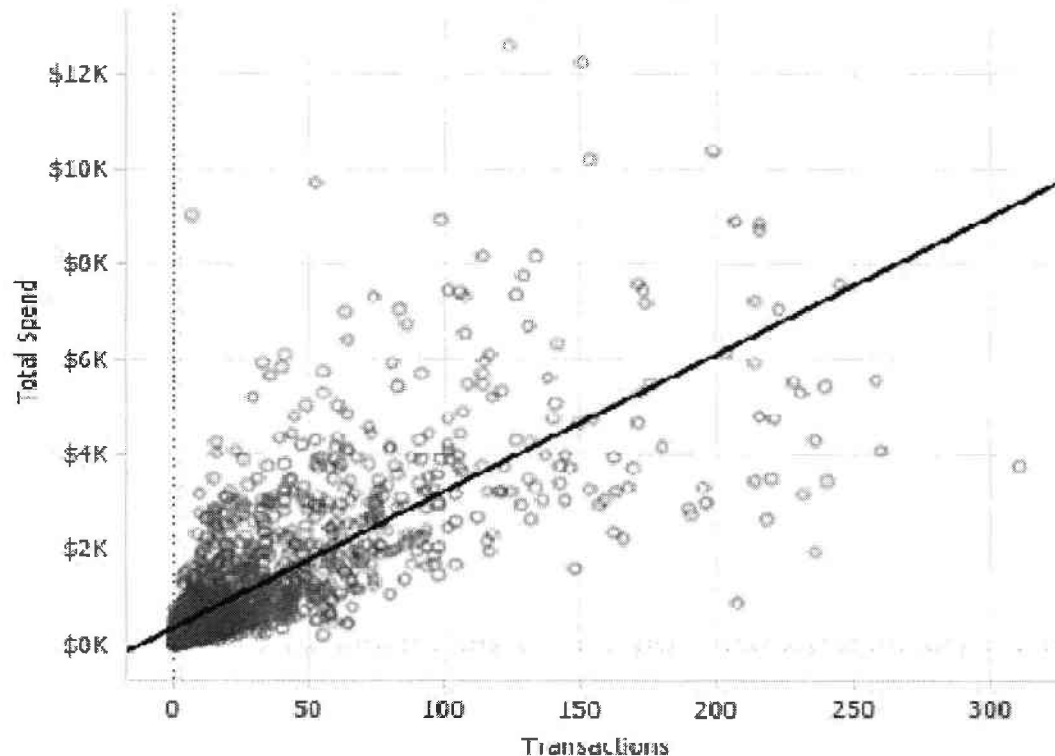
As part of our review of the identified audit selections, Internal Audit noted all selections were properly submitted in accordance with Corporate policies and were properly approved in ERS.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### *Total “Personal Mileage” ERS Expense Scatter (By Employee) (AYE 2014)*



#### **Personal Mileage Transactions:**

As part of our risk-based approach, Internal Audit has focused on certain outlier transactions.

#### **Conclusions:**

As part of our review of the identified audit selections, Internal Audit noted all selections were properly submitted in accordance with Corporate policies and were properly approved in ERS.

Internal Audit identified twenty-six (26) employees with submissions in excess of 12,000 miles during the audit period – see the next slide for more information regarding Personal Mileage transactions.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 1 (Cont'd):

#### *Personal Mileage Testing (Cont'd):*

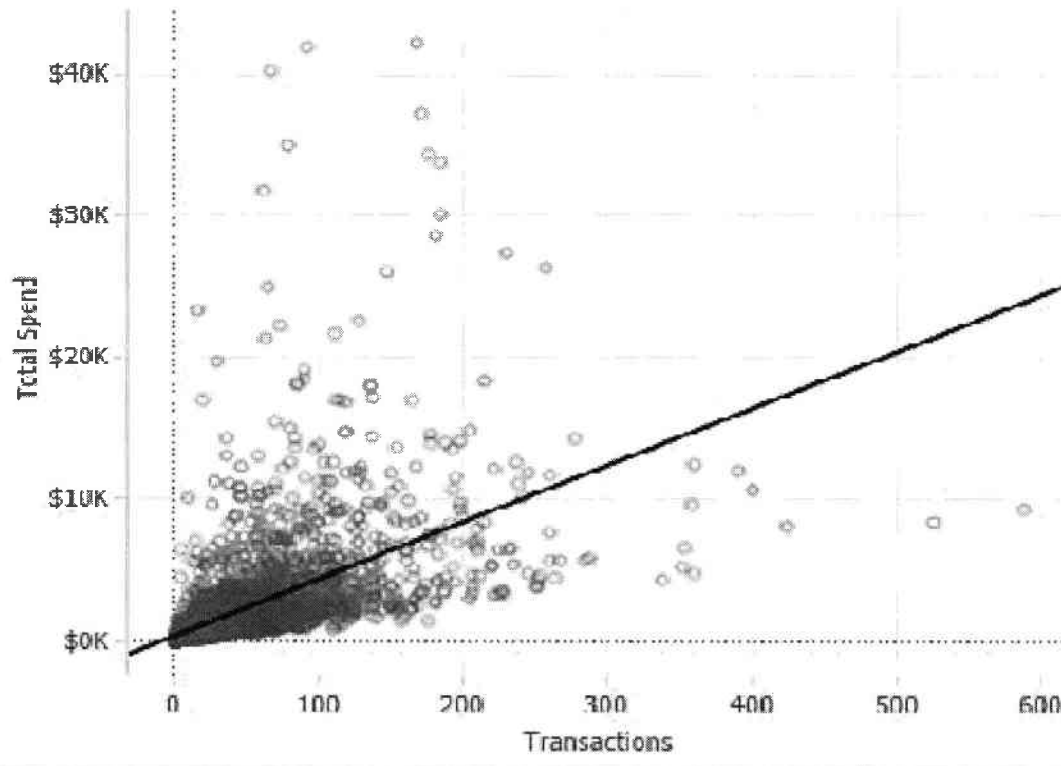
- Personal mileage of **~3.6 Million** miles was submitted for reimbursement during AYE 2014 (Internal Audit noted approximately the same number of miles submitted in AYE 2013.) Internal Audit summarized all personal miles for AYE 2014 and identified twenty-six (26) employees that had driven over **12,000** miles, which is the minimum annual mileage to be eligible for a fleet vehicle, per the “Passenger Vehicle Policy.”
  - Internal Audit noted four (4) employees received over **~\$10K** in reimbursement for personal vehicle miles during the current audit period.
- Per the “Travel Policy”, a rental car or flight must be taken if the cost is cheaper than the estimated personal mileage reimbursement. A flight should be taken if the time to drive is greater than *four (4) hours* or *200 miles*. When the vehicle rental rate is cheaper than the mileage reimbursement, employees are required to rent a vehicle from a preferred vendor.
  - Internal Audit identified instances whereby employees drove their personal vehicle extended distances when a rental car or a flight should have been considered, per policy.
- We identified fourteen (14) employees who submitted transactions with mileage of over 1,000 miles for one (1) day
  - Upon further review, we noted the identified employees needed to properly itemize travel each day instead of submitting expenses in total for a collection of days.

**NOTE:** NiSource Fleet Management reviews employees who have submitted more than 12K miles on a calendar year basis and inquires about the need for a company vehicle with the manager of the area.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

**Total “Meals” ERS Expense Scatter (By Employee)**  
(AYE 2014)



### Meals Transactions:

As part of our risk-based approach, Internal Audit has focused on certain outlier transactions.

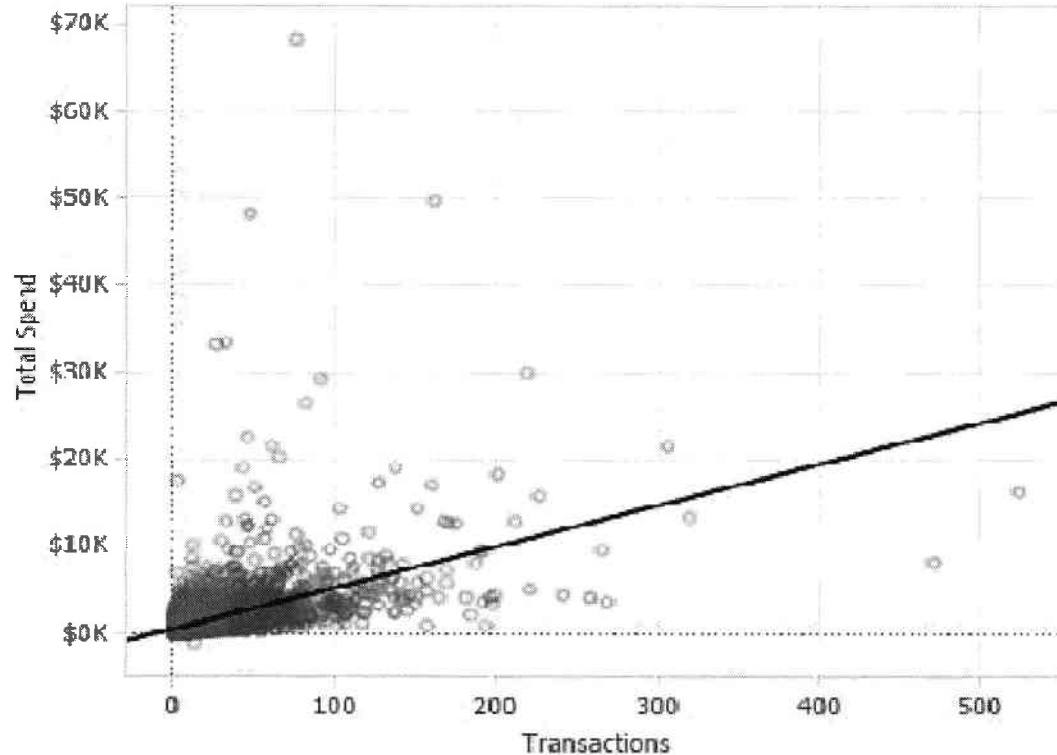
### Conclusions:

As part of our review of the identified audit selections, Internal Audit noted all selections were properly submitted in accordance with Corporate policies and were approved in ERS.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

**Total “Other” ERS Expense Scatter (By Employee)  
(AYE 2014)**



### Other Category Transactions:

As part of our risk-based approach, Internal Audit has focused on certain outlier transactions.

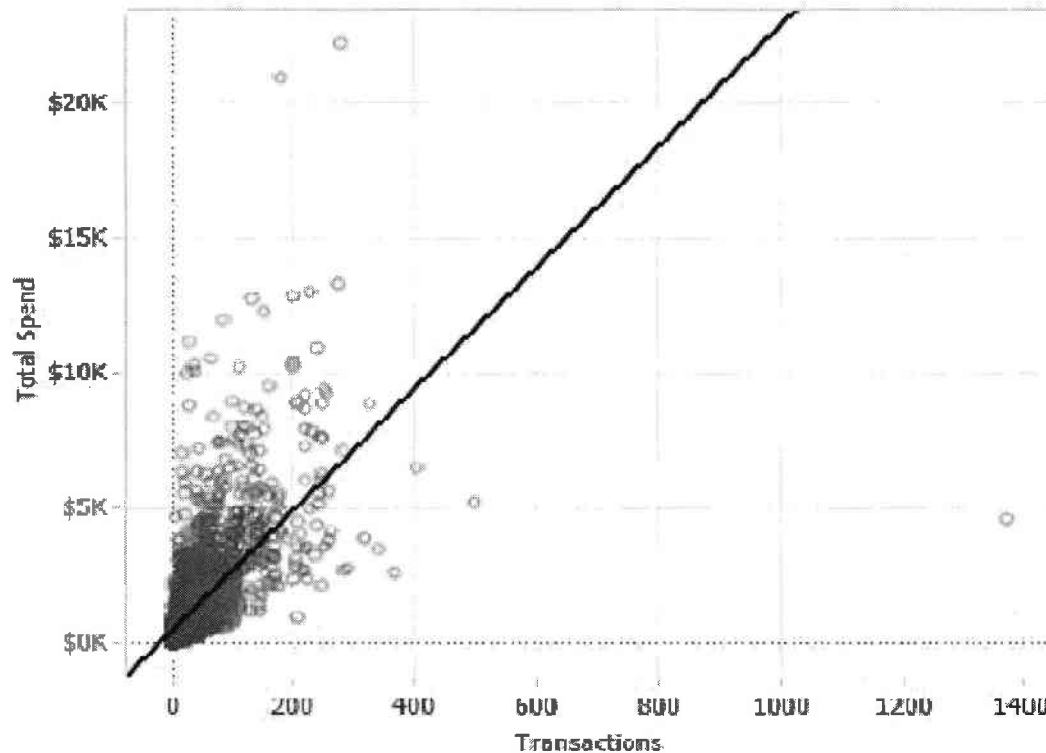
### Conclusions:

As part of our review of the identified audit selections, Internal Audit noted overall, most selections were properly submitted in accordance with Corporate policies and were approved in ERS. However, Internal Audit did identify a number of instances where the incorrect expense category was selected by the Employee for submission (E.g. “Telephone [Other]” was selected for an expense that should have been coded to “Hotel”).

# NiSource Employee Expense Reimbursement Audit

## Audit Results

**Total "Cash" ERS Expense Scatter (By Employee)  
(AYE 2014)**



### Cash Transactions:

As part of our risk-based approach, Internal Audit has focused on certain outlier transactions.

### Conclusions:

As part of our review of the identified audit selections, Internal Audit noted all selections were properly submitted in accordance with Corporate policies and were approved in ERS. All Cash transactions greater than \$25 were properly supported with receipt documentation.



# NiSource Employee Expense Reimbursement Audit

## Audit Results

### **Audit Objective – Focus Area 2:**

**Review the procedures performed by Accounts Payable to periodically audit employee expense transactions and review the results of their audits for instances of non-compliance.**

### ***Audit Results:***

- Internal Audit noted Accounts Payable performs audits on employee expenses that fall into the following categories:
  - *A pre-audit of all expense reports exceeding \$10,000;*
  - *A pre-audit of specifically identified employees based on historical experience and/or position within the Company;*
  - *A post audit of a random 10% sample of all expense submissions;*
  - *A post audit on all miscellaneous expenses exceeding \$250; and*
  - *A post audit on all cash out of pocket meals greater than \$25.*
  
- Internal Audit noted Accounts Payable is limited in their assessment, as receipts are not required for expenses other than “Room and Tax” and “Cash” transactions.
  - *Accounts Payable relies heavily on the supervisor’s approval of the expense.*
  - *Items that appear to be non-compliant with policy are investigated.*

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 2 (Cont'd):

- Internal Audit noted Accounts Payable conducted numerous training sessions at department staff meetings across NiSource to better educate Company personnel on the following:
  - How to properly utilize the ERS system for submitting employee expenses;
  - Understand and comply with Company policies;
  - Discuss typical areas of non-compliance;
  - Usage of Credit Cards; and
  - General Travel questions and concerns.
  
- Accounts Payable personnel have participated in CPG's monthly new employee orientation in Charleston and Houston, as well as three (3) of the Travel Fairs sponsored by Supply Chain. Each fair provided the opportunity for A/P to provide ERS information and to educate employees on ERS policies.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 3:

Ensure expenses are timely entered into ERS for review, approval, and payment.

### *Audit Results:*

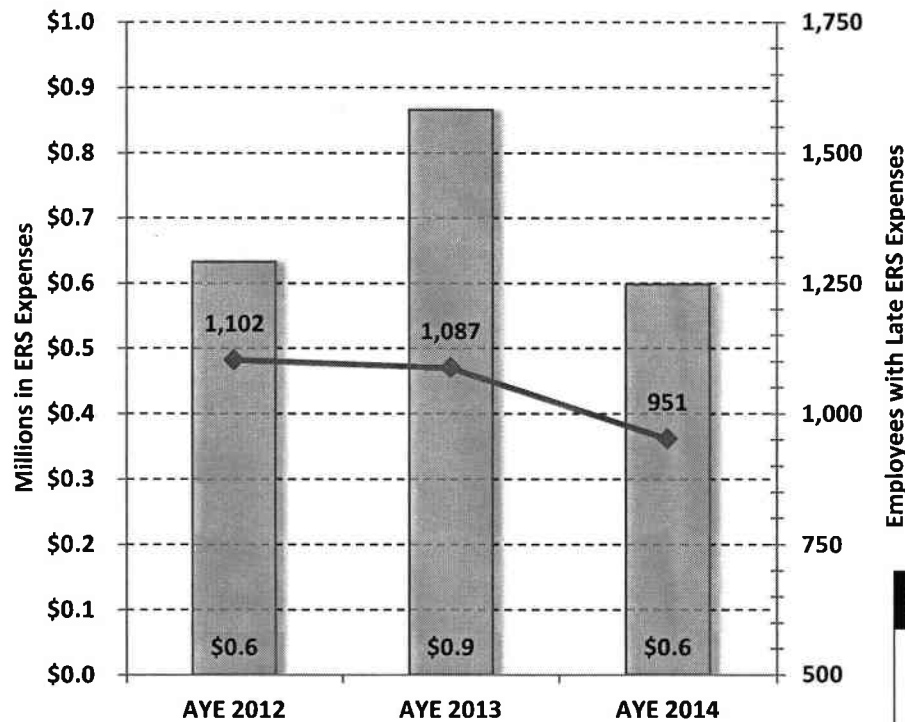
- Per the Employee Expense policy, expenses must be submitted 10 days after an employee receives a monthly statement, but not to exceed forty-five (45) days from the date of the expense transaction.
  - Internal Audit noted ~\$0.6M in ERS expenses, submitted by **951 employees**, were submitted past the forty-five (45) day requirement during AYE 2014, accounting for less than **~2%** of total expenses submitted during the audit period.
- Refer to the next slide for more information.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 3 (Cont'd):

**Transactions Submitted Past 45 Days  
 (AYE 2012 – AYE 2014)**



### Observations & Conclusions:

From AYE 2013 to AYE 2014, the number of employees submitting expenses has increased ~5% (Refer to slide 15). While the number of employees submitting expenses has increased, the total amount and number of employees submitting expenses past the forty-five (45) day requirement has decreased from AYE 2013 to AYE 2014. Overall, the total number of late expenses and transactions have decreased ~31% and 34%, respectively from AYE 2013 to AYE 2014.

The total amount of expenses submitted "late" during AYE 2014 was less than ~2% of the overall ~\$31.1M in ERS expenses, as compared to ~3% of total ERS expenses in AYE 2013.

Measure	2012	2013		2014	
			% Change Y/Y		% Change Y/Y
Transactions	8,981	9,782	8.9%	6,481	-33.7%
Expense Amount	\$632,896	\$866,070	36.8%	\$597,719	-31.0%
Employees with Exceptions	1,102	1,087	-1.4%	951	-12.5%

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### **Audit Objective – Focus Area 4:**

**Verify that taxable travel has been identified and properly included in income as required by IRS reporting requirements for employees with unique working arrangements, including travel with the use of the Company-leased aircraft for compliance.**

### ***Audit Results:***

#### ***Taxable Travel:***

- Employees whose personal residence is a location other than their principal place of employment may have business expenses reimbursed by NiSource that are taxable to the employee.
- The Director of Human Resources (HR) Operations Delivery obtains travel expenses from ERS for employees identified by applicable Human Resource Consultants as having commuting arrangements and determines taxable expenses based upon guidelines established by Legal and HR. As a result of the review, qualified taxable expenses are then added as taxable income to the employee.
- Taxable travel for two (2) identified NiSource employees (non-officers) with unique commuting arrangements was tracked and monitored by Management through December 31, 2013. Management is in process of reviewing taxable travel during 2014 for inclusion in the employee's income and W-2 for 2014. Internal Audit will validate the inclusion of taxable travel amounts in employees' income for those costs incurred in 2014 in our employee expense reimbursement audit that will cover the twelve month calendar period ending December 31, 2014.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 4 (Cont'd):

- **NOTE:** As noted in previous reviews of taxable travel expenses, the determination of taxable treatment depends upon the extent of supporting documentation. In some cases, the lack of substantial supporting documentation can lead to Internal Audit's inability to properly conclude on the appropriate tax treatment.

### ***Taxable Use of the Company-Leased Aircraft:***

- Internal Audit also noted during 2013, Management implemented a new control, with the use of a generated report from the Professional Flight Management System (PFM), to identify taxable commuting expenses associated with the use of the company-leased aircraft. The report allows the Aviation Department to more accurately track, monitor, and report personal commuting Travel by NiSource employees.
- At the end of 2013, Internal Audit performed procedures for a specific selection of employees related to how the company determines the taxable income associated with an employee's personal use of the Company-leased aircraft. As a result of that review (through December 31, 2013), Internal Audit identified additional taxable costs of *less than ~\$5K* for two employees (one Officer) which were not included as taxable income to the employee during the 2012 and 2013 tax years.
- For the January 2014 through June 2014 period, Internal Audit obtained the flight logs for Company-leased aircraft from Aviation Services Management for the period under review and noted that a business/flight purpose was included for each flight "leg" for each passenger.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective – Focus Area 4 (Cont'd):

#### *Taxable Use of the Company Leased Aircraft (Cont'd):*

- Internal Audit reviewed the flight log noting that flight management designates when a flight taken by a company employee is for personal reasons. For the period reviewed, twenty-seven (27) flights were deemed personal, per the flight log data.
  - Based on the information provided in the log, Internal Audit did not identify any other flights that appeared to be personal in nature.
- Internal Audit will validate the inclusion of identified taxable travel amounts in the respective employee's income for those costs incurred in 2014 as part of procedures performed in the upcoming employee expense reimbursement audit that will cover the twelve month calendar period ending December 31, 2014.

# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective Recommendations – Focus Areas 1-4

#### *Internal Audit Recommendation(s):*

##### *Focus Area 1:*

- Management should consider reinforcing the documentation requirements for employees submitting Entertainment and Gift expenses to ensure compliance with the “Business Expense Reimbursement and Reporting Policy” and the “Employee Gift and Award Accounting and Reporting Policy”;
- Management should ensure that all taxable Gift transactions are properly identified and that taxable amounts are included in employees income, as in accordance with IRS requirements; and
- Management should consider reinforcing the Passenger Vehicle Policy and the Travel Policy that define when fleet vehicles should be considered to be cost effective for the Company and when rental cars should be utilized in place of personal vehicles.

##### *Focus Area 3:*

- While the trend of submitted late transactions appears to be decreasing, Management should continue to reinforce expense policy for those employees who may consistently submit expense reports past forty-five (45) days.



# NiSource Employee Expense Reimbursement Audit

## Audit Results

### Audit Objective Recommendations – Focus Areas 1-4

#### *Internal Audit Recommendation(s) (Cont'd):*

##### **Focus Area 4:**

- Management should continue to consider enhancing current review processes and procedures to ensure an appropriate amount of supporting documentation is maintained to adequately support tax treatment conclusions (taxable vs. non-taxable) for all expenses submitted by employees with unique commuting arrangements.

**General Comment(s):** In order to improve the documentation in ERS, all employees should consider providing as much information as practicable to support their expenses in the comments section of ERS; examples include mileage details, types of gifts to ensure appropriate tax treatment, and explanations for expenses that do not align with policy. If a future ERS system update is implemented, Management should consider enhancing current documentation requirements and/or system controls for Gift, Cash, and Car Rental expenses.

# NiSource Employee Expense Reimbursement Audit

## Employee Spend Data by Business Unit (Exhibits)

Specific employee spend data related to each of the BU's are included in the following exhibits:

- Exhibit A – NiSource Gas Distribution Companies
- Exhibit B – Northern Indiana Public Service Company
- Exhibit C – NiSource Corporate Services
- Exhibit D – Columbia Pipeline Group

Exhibits have been provided to each BU's executive management for informational purposes and additional internal use, as deemed appropriate.

# NiSource Employee Expense Reimbursement Audit

## Report Distribution

cc:	R. C. Skaggs	(All Exhibits)
	S. P. Smith	(All Exhibits)
	C. J. Hightman	(All Exhibits)
	J. Hamrock	(Exhibit A)
	J. Stanley	(Exhibit B)
	J.W. Mulpas	(Exhibit C)
	G. L. Kettering	(Exhibit D)
	L. J. Francisco	(All Exhibits)
	V. Sistovaris	
	R. D. Campbell	
	D.A. Eckstein	
	L.M. Bolin	
	T. L. Tucker	
	B. M. Sedlock	
	Deloitte & Touche, LLP	

# NiSource Employee Expense Reimbursement Audit

## Appendix A – Supplemental Information

Internal Audit has included all ERS spend information by ERS expense category for the prior three (3) years informational purposes – see slides 69 through 72

ALL ERS TRANSACTIONS / CATEGORIES					
Expense Description	AYE 2012	AYE 2013		AYE 2014	
		ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y
<b>AIR TRAVEL</b>	<b>4,827,249</b>	<b>5,629,439</b>	<b>17%</b>	<b>6,064,719</b>	<b>8%</b>
<b>CAR RENTAL</b>	<b>1,142,198</b>	<b>1,280,718</b>	<b>12%</b>	<b>1,346,046</b>	<b>5%</b>
<b>ENTERTAINMENT</b>	<b>510,733</b>	<b>608,505</b>	<b>19%</b>	<b>657,607</b>	<b>8%</b>
Entertaining [Employee]	230,152	283,304	23%	358,196	26%
Entertaining [Non-Employee]	57,012	55,042	-3%	52,880	-4%
Golf Fees	7,933	18,119	128%	13,468	-26%
Special Event Ticket	29,467	91,547	211%	63,514	-31%
Sporting Event	186,168	160,494	-14%	169,548	6%
<b>GIFT</b>	<b>468,579</b>	<b>626,224</b>	<b>34%</b>	<b>390,111</b>	<b>-38%</b>
Award [Cash or Cash Equivalents (gift cards)]	\$ 152,289	\$ 173,648	14%	\$ 153,069	-12%
Gift [Merchandise / Service]	41,840	66,087	58%	75,303	14%
Gifts [Employees]	51,628	55,419	7%	54,897	-1%
Award [Merchandise / Service]	22,941	20,232	-12%	45,413	124%
Safety Awards (Taxable)	155,473	253,178	63%	22,334	-91%
Gifts [Flowers]	9,641	13,297	38%	13,403	1%
Gifts [Non-Employees]	15,678	26,416	68%	11,096	-58%
Gift [Retirement]	5,024	12,962	158%	8,255	-36%
Safety Awards (Non Taxable)	\$ 14,065	\$ 4,985	-65%	\$ 6,342	27%
<b>HOTEL (ROOM &amp; TAX)</b>	<b>6,742,482</b>	<b>8,009,989</b>	<b>19%</b>	<b>8,832,072</b>	<b>10%</b>



**NOTE:** Through review of ERS data, Internal Audit identified 69 total ERS expense categories.

# NiSource Employee Expense Reimbursement Audit

## Appendix A – Supplemental Information

ALL ERS TRANSACTIONS / CATEGORIES (CONTINUED)					
Expense Description	AYE 2012	AYE 2013		AYE 2014	
		ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y
<b>MEALS</b>	<b>4,847,158</b>	<b>5,804,432</b>	<b>20%</b>	<b>6,686,813</b>	<b>15%</b>
Business Lunch	2,029,199	2,417,701	19%	2,865,435	19%
Business Dinner	1,482,673	1,828,891	23%	2,110,096	15%
Dinner	608,482	668,313	10%	731,883	10%
Business Breakfast	251,150	348,235	39%	415,860	19%
Lunch	256,328	286,311	12%	300,203	5%
Breakfast	153,864	178,878	16%	190,422	6%
Work Late Dinner	28,596	40,576	42%	37,677	-7%
Snacks/Refreshments	34,652	33,376	-4%	32,942	-1%
Taxable Meal	806	1,545	92%	1,587	3%
Work Late Dinner (Group)	1,407	606	-57%	709	17%
<b>OTHER</b>	<b>3,748,788</b>	<b>4,499,933</b>	<b>20%</b>	<b>5,088,027</b>	<b>13%</b>
Fees [Seminar / Conference]	769,732	840,310	9%	883,016	5%
Training	440,237	538,909	22%	628,118	17%
Parking/Valet	389,037	457,941	18%	518,387	13%
Other / Miscellaneous	496,210	452,182	-9%	513,804	14%
Services & Supplies [Office]	260,657	289,264	11%	365,488	26%
Services & Supplies [Other]	218,305	257,233	18%	321,546	25%
Fuel	286,487	298,715	4%	305,504	2%
Professional Associations	805	195,817	24225%	297,137	52%

# NiSource Employee Expense Reimbursement Audit

## Appendix A – Supplemental Information

ALL ERS TRANSACTIONS / CATEGORIES (CONTINUED)					
Expense Description	AYE 2012	AYE 2013		AYE 2014	
		ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y
<b>OTHER (CONTINUED)</b>					
Ground Transportation [Taxi / Limo]	165,424	195,873	18%	210,713	8%
Business Center	96,992	107,950	11%	160,061	48%
Safety Boots	138,516	124,281	-10%	132,511	7%
Gift [Cash or Cash Equivalents (gift cards)]	31,930	134,747	322%	124,366	-8%
Ground Transportation [Car Service]	64,799	86,774	34%	107,236	24%
Tolls	55,379	69,672	26%	79,917	15%
Books/Magazines/Newspapers	52,006	65,042	25%	75,401	16%
Telephone [Other]	48,312	50,757	5%	47,132	-7%
Ground Transportation [Rail/Bus]	30,133	45,138	50%	43,820	-3%
Duplicating/Faxing	21,028	58,253	177%	42,766	-27%
Clothing [Protective]	19,052	20,320	7%	40,624	100%
Minibar / Refreshments	35,753	34,548	-3%	29,247	-15%
Tips / Gratuities	22,023	24,197	10%	24,394	1%
Telephone [Mobile]	15,247	22,345	47%	24,042	8%
Postage / Courier	14,910	34,143	129%	21,362	-37%
Golf	10,452	4,136	-60%	13,146	218%
Ground Transportation [Other]	8,458	15,843	87%	12,964	-18%
CDL / HOIST License	15,363	13,628	-11%	12,869	-6%
Telephone [Internet Service - Home]	12,424	11,309	-9%	9,521	-16%

# NiSource Employee Expense Reimbursement Audit

## Appendix A – Supplemental Information

ALL ERS TRANSACTIONS / CATEGORIES (CONTINUED)					
Expense Description	AYE 2012	AYE 2013		AYE 2014	
		ERS Spend	% Change Y/Y	ERS Spend	% Change Y/Y
<b>OTHER (CONTINUED)</b>					
Safety Glasses	9,432	7,467	-21%	9,227	24%
Hotel	634	7,549	1092%	6,100	-19%
Advance Request	6,195	7,400	19%	5,960	-19%
Dry Cleaning/Laundry	6,090	9,772	60%	5,783	-41%
Civic Associations	180	8,720	4745%	5,489	-37%
Fees [Passport/Visa/Immunization Costs]	600	3,140	423%	2,934	-7%
CDL Physical	1,671	2,774	66%	2,351	-15%
PAC/Lobbying Dues	0	525	N/A	2,079	296%
Telephone [Line Rental]	652	959	47%	1,170	22%
Spouse/Partner Expense	3,310	2,020	-39%	947	-53%
Fees [Currency Conversion/Traveler Checks]	37	99	169%	569	475%
Protective Lens Coating	223	96	-57%	310	222%
Spouse/Partner [Business/Achievement Award]	0	0	N/A	78	N/A
Telephone [Calling Card]	90	84	-8%	(66)	-179%
<b>PERSONAL MILEAGE</b>	<b>1,984,291</b>	<b>2,018,690</b>	<b>2%</b>	<b>2,029,088</b>	<b>1%</b>
<b>GRAND TOTAL - ERS EXPENSES</b>	<b>\$ 24,271,478</b>	<b>\$ 28,477,930</b>	<b>17%</b>	<b>\$ 31,094,483</b>	<b>9%</b>



COLUMBIA GAS OF PENNSYLVANIA, INC  
53.53 III. BALANCE SHEET AND OPERATING STATEMENT  
A. ALL UTILITIES

19. List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization. Sufficient supporting data must be provided.

Response: Columbia Gas of Pennsylvania, Inc. has no extraordinary property losses.



COLUMBIA GAS OF PENNSYLVANIA, INC  
53.53 III. BALANCE SHEET AND OPERATING STATEMENT  
E. GAS UTILITIES

27. Submit a schedule for gas producing units retired or scheduled for retirements subsequent to the test year showing station, units, Mcf capacity, hours of operation during test year, net output produced and cents/Mcf of maintenance and fuel expenses.

Response:

None.