

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Independent Evaluation of NERC's CMEP and ORCP ROP Requirements

September 13, 2019

RELIABILITY | ACCOUNTABILITY



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Executive Summary

Pursuant to Section 400, Paragraph 406 and Section 500, Paragraph 506 of the North American Electric Reliability Corporation (“NERC” or “The Company”) Rules of Procedures (ROP), NERC is required to conduct an independent evaluation of (i) its Compliance Monitoring and Enforcement Program (CMEP) and (ii) Organization Registration and Certification Program (ORCP) through its Compliance and Certification Committee (CCC). The independent evaluation of the ROP was conducted by independent expert auditors selected by the NERC Board of Trustees. Under the direction of Matt Gibbons, NERC’s Director of Internal Audit and Corporate Risk Management, and with active participation from CCC Observers, NERC engaged an independent audit firm (“independent auditor”) to conduct a review of NERC’s CMEP and ORCP procedures, determine compliance with the ROP, and evaluate enhancements to the CMEP and ORCP processes subsequent to the last independent review in 2016. This report has been prepared by the independent auditor.

Scope and Method

To satisfy the ROP requirement, the independent auditor conducted a review of NERC’s compliance with the CMEP and ORCP sections of the ROP to cover the three year period between 2016 and 2018. As part of the NERC independent evaluation of the CMEP and ORCP requirements, the independent auditor performed the following procedures between June 2019 and August 2019:

- Obtained relevant ROP “shall statements” from NERC staff and assessed the completeness of the population of “shall statements” and the statements’ relevance to the audit objectives;
- Met with key process owners and gained an understanding of the CMEP and ORCP policies, processes and procedures;
- Assessed whether NERC is performing its responsibilities as set forth in the ROP and whether the existing policies, processes or procedures support the requirements outlined in the NERC ROP with respect to CMEP and ORCP;
- Assessed whether remediation efforts related to the 2016 independent review are designed appropriately and operating as intended; and
- Identified areas of noncompliance and process improvement opportunities, as needed.

The scope of the ROP included in the review (the “in-scope sections”) was as follows:

- **Section 400:** Compliance Monitoring and Enforcement (including Appendix 4A, 4B, 4C, 4D)
- **Section 500:** Organization Registration and Certification (including Appendix 5A, 5B)

To support compliance with the ROP, this report includes the independent auditor’s observations on areas where NERC generally conformed to the ROP, areas of noncompliance with the ROP, and specific process improvement opportunities. The criteria used to determine noncompliance was based on either the observation of specific evidence that NERC did not comply with the ROP requirements, or the lack of specific evidence to demonstrate that NERC clearly complied.

The independent auditor identified process improvement recommendations where evidence indicated that ROP requirements were achieved, but additional activities and internal controls could be implemented to enhance execution.

Between June 2019 and August 2019, the independent auditor met with NERC staff and performed detailed testing procedures on processes supporting the requirements of the in-scope Sections of the ROP, including related appendices. This report summarizes the meetings with key members of NERC staff and testing procedures performed by the independent auditor, as well as the independent auditor's assessment of the areas of general compliance, areas of noncompliance, and areas of process improvement within the in-scope sections of the ROP. Appendix A provides the listing of NERC staff interviewed during the independent evaluation and corresponding processes reviewed within the in-scope sections of the ROP.

This report includes the following sections:

- General Compliance with the ROP
- CMEP and ORCP Detailed Observations and Recommendations
- Related Appendices

The independent auditor's services were performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants. The independent auditor's work was limited to the specific procedures and analysis described herein and was based only on the information made available through August 2019. Accordingly, changes in circumstances after this date could affect the findings outlined in this report. The sections below detail the areas observed during the review where NERC generally conforms to the ROP, as well as relevant observations and recommendations to further improve CMEP and ORCP activities supporting the ROP.

General Compliance with the ROP

As a result of the interviews and testing procedures performed within the in-scope sections of the ROP (including related appendices), the independent auditor identified many areas where NERC generally conformed to the ROP and showed improvement from the 2016 independent evaluation. The key themes of general compliance with the ROP were as follows:

- Continued maturity of technologies, including the CORES initiative, to enhance business process activities, including the registration process;
- Continued maturity of NERC's risk-based approach across Compliance Assurance and Enforcement;
- Expanding resources and associated skills in the areas of Compliance Assurance, Enforcement, and training;
- Enhanced participation in, and oversight of, Regional Entity (RE) ORCP activities;
- Increased internal control over public disclosure processes; and
- Focused on reducing the number of technical feasibility exceptions (TFE) and enhanced the documentation and approval process.

Observations from the 2016 evaluation have generally been addressed. In addition to addressing these observations, the areas of general compliance with the ROP indicate NERC's proactive approach to continue to enhance CMEP and ORCP processes. Refer to Appendix D of this report for additional support on evidence reviewed by the independent auditor to identify areas of general compliance with the ROP.

Observations

In addition to identifying areas where NERC generally conformed, the independent auditor noted a specific observation of noncompliance with the ROP as well as areas for process improvement opportunities. For each observation, the corresponding recommendations include specific and actionable activities that NERC could implement to enhance overall compliance with the CMEP and ORCP sections 400 and 500, respectively. While NERC has demonstrated a commitment to further improve its activities supporting the ROP, NERC also has opportunities to enhance several of its key processes and further tailor its risk-based oversight of the REs. Key observation themes on areas of noncompliance and process improvement include:

Noncompliance

The ROP requires NERC to publicly post the final Compliance Audit report on the website. During the scope period (2016-2018), NERC publicly posted 31 Compliance Audit Reports, however approximately 500

Compliance Audit reports for 623 registered entities were not publicly posted to the website.¹

Following the 2015 CMEP audit finding that confidential information was inadvertently posted to the NERC website, the Compliance Assurance team enhanced their controls regarding the public posting of audit reports, causing a backlog of audit reports that were not publicly posted. Compliance Assurance staff stated that due to the migration of NERC's website application to SharePoint, audit reports that were in staging did not carry over to the new application's staging site.

Although the ROP does not explicitly state a requirement for timeliness of posting Compliance Audits (i.e. a deadline to post), NERC is required to post these reports publicly, and it has not done so for all reports provided to NERC during the scope period.

Please see "Posting Compliance Audit Reports" in "CMEP and ORCP ROP Detailed Observations" on page 2 for more information.

Process Improvement Opportunities

1. Update the ROP to reflect current Appendix 4A procedures;
2. Enhance process for tracking of Complaints;
3. Enhance training oversight;
4. Further differentiate self-logging and self-reporting processes.
5. Enhance processed to facilitate the timely processing of mitigation plans by the REs and NERC; and
6. Enhance the process for document retention related to penalties

Please see "CMEP and ORCP ROP Detailed Observations" for more information.

¹ In some cases, one audit may cover multiple affiliated individual registrations, which is why there are fewer audit reports than registered entities. For example, an entity with several individually registered generators, but with one corporate-level compliance program, may have one audit performed that covers all of the affiliated registrations at one time, resulting in one audit report.

Observation Themes and Associated ROP Sections

The heat map below summarizes the specific CMEP and ORCP sections of the ROP where the independent auditor has identified areas of noncompliance or process improvement. Please refer to “CMEP and ORCP Detailed Observations” for specifics on the observations of noncompliance and process improvement along with corresponding recommendations.

Thematic Observations	CMEP				ORCP
	402	Appendix 4A	Appendix 4B	Appendix 4C	502
Posting Compliance Audit Reports					
Appendix 4A Audits					
Complaints					
Training Oversight					
Self-Reporting vs. Self-Logging					
Mitigation Plans					
Penalty Calculation Tool					

	Area of noncompliance
	Process improvement opportunities

To evaluate compliance with the CMEP and ORCP requirements, the following criteria were used to determine whether an observation was an area of noncompliance with the ROP or an area of process improvement.

Noncompliance: Noncompliance was based on either the observation of specific evidence that did not comply with the ROP or the lack of specific evidence to demonstrate that NERC clearly complied with ROP requirements.

Process Improvement Opportunities: Process improvement opportunities were identified where evidence indicated that the ROP requirements were achieved; however, the efficiency or effectiveness of the process could be improved.

General Compliance with the ROP

To evaluate the CMEP and ORCP processes in place between 2016 and 2018, the independent auditor met with 31 individuals on NERC's staff between June 2019 and August 2019 and collected supporting evidence across the three year review period. Please refer to Appendix A for the list of NERC staff interviewed during this review and to Appendix B for the evidence collected during the review. During walkthroughs and testing, a number of areas were observed where NERC generally complies with the CMEP and ORCP ROP requirements. Furthermore, it was noted that the two items of noncompliance with the ROP from the 2016 independent review were remediated by NERC and all but one of the recommendations for improvement have also been addressed.

Throughout the review, NERC staff were accommodating and responsive to the requests of the independent auditor. NERC worked diligently to provide supplemental information requested by the independent auditor and answered questions in a timely manner.

CMEP Areas of General Compliance with the ROP

Based on the procedures performed within the scope of CMEP processes, and the results of those procedures, the independent auditor identified the following areas where NERC generally conforms to the CMEP requirements in the ROP.

1. NERC has continued to apply a risk-based approach to areas of the ROP, including the audit program, by focusing on higher risk areas.
2. NERC continues to provide oversight to the REs on a routine basis by observing compliance audits and spot checks. Furthermore, NERC continuously monitors the REs through activities such as post audit feedback surveys, audit notification letters and reports, and self-certifications.
3. NERC has taken significant measures to better align the Regions to obtain consistency for compliance and enforcement areas. The Compliance Monitoring Group, comprised of NERC and RE staff, meets regularly throughout the year to coordinate and collaborate on issues related to compliance monitoring activities in the implementation of the CMEP and to improve transparency, consistency, efficiency, cost effectiveness, quality, and timeliness.
4. NERC focused on drastically reducing the number of technical feasibility exceptions (TFE) during the scope period. The TFE Task Force met on a quarterly basis to ensure consistency across the Regions from a documentation and approval process standpoint.

ORCP Areas of General Compliance with the ROP

Based on the procedures performed within the scope of ORCP processes, and the results of those procedures, the independent auditor identified the following areas where NERC generally conforms to the ORCP requirements in the ROP.

1. NERC has invested time and resources into a new IT platform that will provide consistency across all REs. The Centralized Organization Registration ERO System (CORES) is the foundation of the new Align tool. CORES allows the REs to access and update registry data, as well as provide alignment and collaboration among all REs. The information collected in CORES is based on the Common Registration Form that each RE uses to process registration requests.
2. Through review of ORCP processes and entity registration documents, the independent auditor noted that NERC has enhanced and updated ORCP process documentation to help make the registration process easier for registered entities.

3. NERC has established a centralized review panel as a result of taking a risk-based approach to the registration process. The panel is comprised of NERC members and members of the REs with relevant expertise that are selected based on the issue under review. The primary purpose of the panel is to help drive consistency across the REs.

CMEP and ORCP Detailed Observations

This section of the report includes the independent auditor’s observations and recommendations resulting from testing procedures and results. A summary description of test procedures and results is detailed in Appendix D. Detailed recommendations are designed with specific and actionable activities to enhance overall compliance with in-scope sections of the ROP.

Posting Compliance Audit Reports

Compliance

In accordance with Appendix 4C of the NERC ROP, NERC is required to post compliance audit reports to the website, but no sooner than five days of receiving the report from the RE.

Noncompliance		
NERC ROP §:	Appendix 4C, ¶ 3.1.6 (p. 8)	
Observation	Recommendation	NERC Response
<p>During the scope period (2016-2018), NERC publicly posted 31 Compliance Audit Reports, however, approximately 500 Compliance Audit Reports for 623 registered entities were not posted to the website.</p> <p>Following the 2016 CMEP audit finding that confidential information was inadvertently posted to the NERC website in 2013, the Compliance Assurance Team enhanced their controls regarding the public posting of audit reports, causing a backlog of audit reports that were not publicly posted. Due to the migration of NERC's website application to SharePoint, audit reports that were in staging did not carry over to the new application's staging site.</p> <p>Although the ROP does not explicitly state a requirement for timeliness of posting Compliance Audits (e.g., a deadline to post), NERC is required to post these reports publicly, and it has not done so for all reports provided to NERC during the scope period.</p>	<p>We recommend NERC create and execute an action plan to correct the backlog of unposted Compliance Audit Reports. In addition, we recommend NERC define and communicate expectations for timely posting of audit reports.</p>	<p>NERC agrees with the recommendation, and an action plan to update the procedure with timelines for posting and to correct the backlog has been developed and is in progress.</p> <p>Targeted Completion Date: Q1 2020</p> <p>Responsible Party: Director of Regulatory Programs</p>

Process Improvements

The independent auditor noted no significant related opportunities for process improvement.

Appendix 4A Audits

Compliance

The independent auditor noted no related instances of noncompliance.

Process Improvements

Appendix 4A of the NERC ROP requires audits of RE Compliance Programs to assess the RE’s implementation of the NERC Compliance Monitoring and Enforcement Program (CMEP) and determine whether the program, as implemented by the RE, effectively meets the requirements under the CMEP, the ROP, and the corresponding annual CMEP Implementation Plan. More specifically, the final report, along with the RE’s response, should be posted on the NERC web site after NERC presents the final report to the NERC Board of Trustees Compliance Committee (BOTCC).

Process Improvement		
NERC ROP §:	402.1.3: Regional Entity Compliance Monitoring and Enforcement Program Audit (p. 26) Appendix 4A (p. 3)	
Observation	Recommendation	NERC Response
According to Appendix 4A of the ROP, NERC shall conduct a CMEP audit of each RE at least once every five years. NERC has recently implemented a new risk-based approach to performing these audits. As part of the risk-based approach, these audits are performed in accordance with a risk-based schedule throughout the five-year period. During the rollout in 2018, NERC IA performed an Internal Controls Evaluation audit for all REs. These audits are included in the Five-Year Performance Assessment Report provided to FERC, however they were not specifically provided to the BOTCC, which differs from the language per the ROP.	We recommend NERC update the ROP to more precisely reflect the current risk-based approach to which Appendix 4A audits are reported and communicated to the appropriate committee.	NERC agrees with the recommendation, and proposed changes to the ROP are included as part of an ROP modernization effort that is underway. NERC expects initial posting of these proposals under its ROP revision process to occur in Q4 2019 or Q1 2020. Targeted Completion Date: Q4 2020 Responsible Party: Senior Counsel of Legal and Regulatory

Complaints

Compliance

The independent auditor noted no related instances of noncompliance.

Process Improvements

The NERC Compliance Assurance team receives complaints using an email account (hotline@NERC.net). The team is responsible for adding complaints received via email to a separate log. Although the team has access to delete emails, best practice is that no emails be deleted from this email box. NERC manages the inbox to identify incoming complaints, but the inbox also receives spam.

Process Improvement		
NERC ROP §:	Appendix 4C, ¶ 3.7.1	
Observation	Recommendation	NERC Response
The independent auditor could not verify the completeness of the complaints log provided by NERC because the integrity of the inbox serving as the source of the complaints could not be established. There is a risk in tracking the completeness of complaints because judgment is used in deciding whether or not a complaint is valid. There is also a risk that emails are inadvertently deleted, or not identified amongst the spam.	We recommend NERC identify and evaluate ways to utilize technology to manage complaints to have an audit trail to evidence completeness of the population of complaints.	<p>NERC agrees with the recommendation and is currently exploring a technology solution that provides better tracking and management of submitted complaints, along with providing greater visibility into regional complaints.</p> <p>Targeted Completion Date: By the end of 2020</p> <p>Responsible Party: Associate Director of Reliability Assurance</p>

Training Oversight

Compliance

The independent auditor noted no related instances of noncompliance.

Process Improvements

The ROP requires NERC to develop and provide training in auditing skills to all people who participate in NERC and RE Compliance Audits. There are two required trainings that the core audit team members must take prior to an audit: Foundations of Auditing and Gathering Quality Evidence. In accordance with the NERC ROP, NERC shall develop and provide training in auditing skills to all participants in NERC and RE Compliance Audits, and participants in Certification evaluations. NERC CMEP Oversight Plans also specify required training for key positions.

Process Improvement		
NERC ROP §:	402.9: Auditor Training (p. 29) 502.2.2.7 (p. 49)	
Observation	Recommendation	NERC Response
The RE is responsible for determining who should take audit training, however, NERC does not always monitor to	We recommend NERC enhance RE training oversight activities for Compliance Audits and Certification to	NERC has a process in place to verify that all Certification team members have taken the required

<p>ensure team members complete the required training in a timely manner.</p> <p>During our testing, the independent auditor noted 2 out of 152 audit team members did not take the Foundations of Auditing training prior to the audit. Furthermore, 4 out of 76 team members did not take the Gathering Quality Evidence training prior to the audit. Of these 4 exceptions, 3 of the 4 have since completed the Gathering Quality Evidence training and 1 of the individuals no longer works at the RE.</p> <p>In 2017, NERC selected audit team members from 2016 audits to determine if they had completed the required training. Based on the results, all core audit team members had completed the training. Although there were no issues in 2016, completeness of training should be assessed on an annual basis to reflect new hires.</p>	<p>design and implement a preventive control to ensure RE personnel are receiving the ROP-required training, prior to participating in an audit.</p> <p>We also recommend NERC design and implement a control to re-perform its review of the audit training attendees at least annually to ensure all required team members complete the training timely.</p>	<p>training prior to participating in a Certification.</p> <p>For Compliance Audits, NERC is exploring automated control options to verify that audit team members have completed the required training before being able to be assigned to an audit. NERC expects implementation of such automated controls would address the testing concerns on an ongoing, recurring basis.</p> <p>Targeted Completion Date: Solution is concurrent with the rollout of Align, currently projected to occur throughout 2020.</p> <p>Responsible Party: Director of Regulatory Programs and IT Director—Business Engagement</p>
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Self-Logging vs. Self-Reporting

Compliance

The independent auditor noted no related instances of noncompliance.

Process Improvements

Registered Entities are responsible for self-reporting violations as they are discovered. If an entity demonstrates that they have robust internal controls, they may apply to a self-logging program that allows them to self-log lower risk items, or compliance exceptions, that are sent to NERC on a quarterly basis. The self-reporting process is intended for higher risk items.

Process Improvement		
NERC ROP §:	Appendix 4C ¶ 3.5 & 3.5A (p. 14-15)	
Observation	Recommendation	NERC Response
Although the self-logging process should require less	We recommend NERC evaluate the self-reporting and self-logging	NERC accepts the observation.

<p>documentation and steps to complete, interviews with NERC staff revealed that roughly the same amount of work is involved in processing self-logged versus self-reported items. As a result, the self-logging program is not producing the efficiency gains that it was designed to produce.</p>	<p>processes, to determine whether the issue should be logged or reported. If an issue is logged, the process should require less time and resources than a self-reported issue. Furthermore, NERC should consider delegating authority to the RE for lower risk items so they can focus more time and resources on higher-risk violations.</p>	<p>NERC is working with the Regions on proposals to revise the NERC Rules of Procedure (ROP) to allow greater differentiation between these two processes, which the existing ROP does not currently allow.</p> <p>Targeted Completion Date: Depending on ROP revisions end of 2020.</p> <p>Responsible Party: Senior Counsel and Director of Enforcement Oversight</p>
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Mitigation Plans

Compliance

The independent auditor noted no related instances of noncompliance.

Process Improvements

The ROP requires NERC to notify the RE and Registered Entity of their decision to either approve or disapprove the Mitigation Plan within 30 days of receipt from the RE.

Process Improvement		
NERC ROP §:	Appendix 4C ¶ 6.5 (p. 34)	
Observation	Recommendation	NERC Response
<p>Per review of the 2018 self-certifications administered by the NERC Internal Audit with oversight by the CCC, the independent auditor noted two instances where NERC deviated from the CMEP timelines in approving mitigation plans: 6 days and 21 days after the deadline. This issue was caused by the technical difficulties of InfoHub, NERC’s intranet platform, not always showing the newest version of the Mitigation Plan spreadsheet tracker.</p> <p>There were four other questions on the self-certifications related to the timeliness of Mitigation Plans at the RE level. More specifically, there were 94</p>	<p>We recommend NERC identify and resolve any technical issues with InfoHub that may have caused or contributed to these instances of late approval.</p> <p>We also recommend NERC consider designing and implementing a control to ensure REs are administering Mitigation Plans timely.</p>	<p>NERC accepts the observation.</p> <p>For the first recommendation, NERC staff has implemented process changes in work involving InfoHub that should prevent future problems with late NERC approval of Mitigation Plans. Additionally, NERC should have additional visibility into Mitigation Plan status and approvals when its CMEP systems are upgraded, further reducing the risk of late NERC approval of Mitigation Plans.</p> <p>For the second recommendation, the upgraded CMEP system will include controls to assist REs</p>

<p>deviations from the CMEP for the question related to the REs providing notification to NERC and the Registered Entity within five (5) business days of acceptance of a Mitigation Plan. Although this is a Regional responsibility under the ROP, NERC should monitor them to ensure they are submitting Mitigation Plans timely.</p>		<p>and NERC in the timely review, acceptance, and approval of Mitigation Plans. NERC will monitor that the controls in the system are working as expected.</p> <p>Targeted Completion Date: Solution is concurrent with rollout of Align, currently projected to occur throughout 2020</p> <p>Responsible Party: Enforcement Advisor</p>
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Penalty Calculation Tool

Compliance

The independent auditor noted no related instances of noncompliance.

Process Improvements

NERC uses the Enforcement Penalty Calculation Tool to oversee the similarity in degree and type of sanctions for violations, and to ensure penalties or sanctions bear reasonable relation to the seriousness of the violation.

Process Improvement		
NERC ROP §:	Appendix 4B	
Observation	Recommendation	NERC Response
<p>Currently, the calculation tool only allows for 25 violation ID's per workbook. There are instances where more than 25 violations are associated with one penalty. For a violation ID selected for testing, Enforcement could not locate 1 of the 3 workbooks that contained all violation ID's that made up the final penalty amount. There is a risk NERC will not be able to locate all necessary evidentiary support to justify the penalty.</p>	<p>We recommend NERC consider ways to enhance the process when more than 25 violations are associated with one penalty so that documentation is easily archived and readily available instead of contained in multiple files.</p>	<p>NERC accepts the observation.</p> <p>NERC will develop and implement improved process and procedural controls regarding inventorying and storing penalty related files in NERC's InfoHub system and will update the Enforcement Manual to clearly indicate what NERC needs from Regional Entities in order to process NOPs and SNOPs.</p> <p>In the vast majority of cases, NOPs and SNOPs involve fewer than 25 violation IDs, making reworking the tool to</p>

		<p>accommodate more violation IDs unnecessary.</p> <p>Targeted Completion Date: End of 2019</p> <p>Responsible individual: Senior Counsel and Director of Enforcement Oversight</p>
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Appendix A: NERC Staff Interviewed

Between June 2019 and August 2019, the independent auditor met with 31 individuals on NERC staff supporting the CMEP and ORCP processes. Please refer to the chart below for the staff interviewed as well as the date of each meeting.

NERC Staff – CMEP			
Process	NERC Staff	Title	Interview Date(s)
Compliance Assurance – Oversight of Regional Compliance Processes	Steve Noess	Director, Regulatory Programs	6/10/2019
	Kiel Lyons	Senior Manager, Grid Planning & Operations Assurance	6/10/2019
	Lonnie Ratliff	Senior Manager, Cyber and Physical Security Assurance	6/10/2019
Compliance Assurance – CMEP IP Related Processes	Steve Noess	Director, Regulatory Programs	6/10/2019
	Kiel Lyons	Senior Manager, Grid Planning & Operations Assurance	6/10/2019
	Ryan Mauldin	Senior Compliance Assurance Advisor	6/10/2019
	Yvette Landin	Compliance Assurance Advisor	6/10/2019
Complaints, Inquiries, and Investigations	Jim Stuart	Associate Director of Reliability Assurance	6/11/2019
	Steve Noess	Director, Regulatory Programs	6/11/2019
Compliance Assurance – Technical Feasibility Exceptions (TFE)	Steve Noess	Director, Regulatory Programs	6/11/2019
	Lonnie Ratliff	Senior Manager, Cyber and Physical Security Assurance	6/11/2019
Compliance Assurance – Handling of Confidential Information and Posting of Regional Reports	Steve Noess	Director, Regulatory Programs	6/11/2019
	Lonnie Ratliff	Senior Manager, Cyber and Physical Security Assurance	6/11/2019
	Kiel Lyons	Senior Manager, Grid & Planning Operations Assurance	6/11/2019
	Fahad Ansari	Senior Compliance Auditor	6/11/2019
	Chris Witherspoon	Senior Compliance Auditor	6/11/2019
Compliance Assurance – Training	Steve Noess	Director, Regulatory Programs	6/11/2019
	Lonnie Ratliff	Senior Manager, Cyber and Physical Security Assurance	6/11/2019
	Kiel Lyons	Senior Manager, Grid &	6/11/2019

NERC Staff – CMEP			
Process	NERC Staff	Title	Interview Date(s)
		Planning Operations Assurance	
	Craig Struck	Senior Auditor	6/11/2019
	Barbara Nutter	Manager Reliability Assurance	6/11/2019
Oversight of Regional Enforcement Processes	Sonia Mendonca	Vice President, Deputy General Counsel, and Director of Enforcement	6/13/2019
	Ed Kichline	Senior Counsel and Director of Enforcement Oversight	6/13/2019
Enforcement – Processing of Violations of Reliability Standards	Sonia Mendonca	Vice President, Deputy General Counsel, and Director of Enforcement	6/13/2019
	Ed Kichline	Senior Counsel and Director of Enforcement Oversight	6/13/2019
	Sara Minges	Compliance Enforcement Advisor	6/13/2019
	Farzaneh Tafreshi	Manager of Compliance Analysis Reporting and Tracking	6/13/2019
	Simran Ahuja	Compliance Enforcement Advisor	6/13/2019
Settlements, Mitigation Plans, Appeals	Sonia Mendonca	Vice President, Deputy General Counsel, and Director of Enforcement	6/13/2019
	Ed Kichline	Senior Counsel and Director of Enforcement Oversight	6/13/2019
	James McGrane	Senior Counsel	6/13/2019
Regional and Registered Entity Training, Outreach, and Communications	Sonia Mendonca	Vice President, Deputy General Counsel, and Director of Enforcement	6/14/2019
	Ed Kichline	Senior Counsel and Director of Enforcement Oversight	6/14/2019
Public Posting of Violations and Other Enforcement Information	Sonia Mendonca	Vice President, Deputy General Counsel, and Director of Enforcement	6/14/2019
	Ed Kichline	Senior Counsel and Director of Enforcement Oversight	6/14/2019
	Sara Minges	Compliance Enforcement Advisor	6/14/2019
	Farzaneh Tafreshi	Manager of Compliance Analysis Reporting and Tracking	6/14/2019
	Simran	Compliance Enforcement	6/14/2019

Appendix A: NERC Staff Interviewed

NERC Staff – CMEP			
Process	NERC Staff	Title	Interview Date(s)
	Ahuja	Advisor	
Handling of Confidential Information and Maintenance of Records	Sonia Mendonca	Vice President, Deputy General Counsel, and Director of Enforcement	6/14/2019
	Ed Kichline	Senior Counsel and Director of Enforcement Oversight	6/14/2019

NERC Staff – ORCP			
Process	NERC Staff	Title	Interview Date(s)
Overview of Certification and Registration Programs	Ryan Stewart	Senior Manager Organization Registration and Certification	6/12/2019
	Carter Edge	Senior Engineer of Reliability Assurance and Certification	6/12/2019
	Steve Masse	Senior Engineer of Registration	6/12/2019
	Candice Castaneda	Counsel	6/12/2019
	Alain Rigaud	Associate Counsel	6/12/2019
	James McGrane	Senior Counsel	6/12/2019
Certification of Registered Entities	Ryan Stewart	Senior Manager Organization Registration and Certification	6/12/2019
	Carter Edge	Senior Engineer of Reliability Assurance and Certification	6/12/2019
	Steve Masse	Senior Engineer of Registration	6/12/2019
	Candice Castaneda	Counsel	6/12/2019
	Alain Rigaud	Associate Counsel	6/12/2019
	James McGrane	Senior Counsel	6/12/2019
Registration of Entities for Bulk Power System Functions	Ryan Stewart	Senior Manager Organization Registration and Certification	6/12/2019
	Steve Masse	Senior Engineer of Registration	6/12/2019
	Chris Scheetz	Senior Registration Technical Analyst	6/12/2019

Appendix A: NERC Staff Interviewed

NERC Staff – ORCP			
Process	NERC Staff	Title	Interview Date(s)
	Kevin Koloini	Engineer and Project Manager, Registration	6/12/2019
	Candice Castaneda	Counsel	6/12/2019
	Alain Rigaud	Associate Counsel	6/12/2019
	James McGrane	Senior Counsel	6/12/2019

NERC Staff – Internal Audit & Legal			
Process	NERC Staff	Title	Interview Date(s)
Overview of Appendix 4A Audits	Matt Gibbons	Director of Internal Audit and Corporate Risk Management	7/8/19
	Jim Armstrong	Manager of Internal Audit and Corporate Risk Management	7/8/19
	Monica Bales	Internal Auditor and Corporate Risk Management	7/8/19
	Nina Johnston	Senior Counsel	7/8/19

NERC Staff – Information Technology			
Process	NERC Staff	Title	Interview Date(s)
Overview of IT General Controls	Marvin Santerfeit	Director of Information Technology and Services	7/8/19
	Don Prince	IT Director – Cyber Infrastructure	7/8/19
	LaCreacia Smith	Senior PMO Manager, ERO Enterprise Programs and Projects	7/8/19
	Jeff Hicks	Director, Information Technology and Projects	7/8/19

Appendix B: Catalog of NERC Documents Reviewed

During June 2019 through August 2019, the independent auditor reviewed internal NERC documentation related to the key CMEP and ORCP processes supporting the ROP requirements. Please refer to the chart below for a summary of documents used as evidence during the review (some documents have been removed from the list due to confidentiality requirements). Evidence used by the independent auditor during the review were either reviewed via hard copy or soft copy, or observed on-screen with the assistance of NERC staff, in order to maintain confidentiality.

CMEP and ORCP Data Request Catalog		
Process	ROP §	Document Name
All	All	All FERC-related filings during the scope period
All	All	NERC Process Owners for NERC Documentation
All	All	NERC RE Oversight Programs for CMEP/ORCP activities
All	All	NERC Reliability Standards as of 12/31/2018
All	All	NERC Rules of Procedure as of 12/31/2018
Data Management	All	NERC's Data Management Policies and Procedures, including Records Retention and Destruction
Data Management	All	NERC's Policies and Procedures regarding NERC's oversight of the Regional Entities' data management policies and procedures
All	All	Population of NERC members as of 12/31/2018
All	All	NERC Organizational Charts
CMEP	All	Population of users who have the authority to post documents publicly
All	All	Procedure for modifying the ROP
CMEP	401	Compliance Reporting Procedures
CMEP	401	NERC ERO Enterprise CMEP Annual Reports during the scope period
CMEP	401	NERC Security Guidelines for the Electricity Sector — Protecting Potentially Sensitive Information
CMEP	401	NPP-CO-301.R3 — Regional Entity-led Compliance Audit Report Procedure
CMEP	401	Policy/procedure for Reliability Standards violation appeals process for (a) Bulk Power System owners, operators, or users, and (b) Registered Entity or Regional Entity
CMEP	401	Population of ALL Confirmed Violations, Penalties or sanctions, settlement agreements, and final Compliance Audits or Compliance Investigation reports during the scope period
CMEP	401	Population of all enforcement actions during the scope period
CMEP	401	Regional Reliability Standards and Variances
CMEP	401, 402	Population of compliance submissions during the scope period, including self-reported, possible, alleged, and Confirmed Violations of approved Reliability Standards
CMEP	401, 402	Policy and Procedures for Issuing Penalties, Sanctions, and Remedial Action Directives
CMEP	401, 402, Appendix 4C	NERC Reliability Assurance Compliance Investigations Process

CMEP and ORCP Data Request Catalog		
Process	ROP §	Document Name
CMEP	401, 402, 403, Appendix 4A, Appendix 4C	NERC ERO CMEP Implementation Plans During the scope period
CMEP	401, 402, 404	Delegation agreements for all Regional Entities: MRO, SERC, WECC, NPCC, Texas RE, RF
CMEP	401, 402, 404	NERC Compliance Monitoring and Enforcement Program (Appendix 4C)
CMEP	401, 402, 404	Population of Bulk Power System owners, operators, and users, Regional Entities
CMEP	401, 404	Population of CMEP reports issued during the scope period
CMEP/ Confidentiality	401, 402, 403, Appendix 4C	Regional Entity Audit Report Template
CMEP	402	CCCPP-010-3 Criteria for Annual Regional Entity Program Evaluation (2017-06-23)
Code of Conduct/ Confidentiality	402	Confidentiality Policy (2016-02-01 Employee Handbook)
CMEP	402	Population of NERC Regional Entity compliance manager forums (2016-2018)
Code of Conduct/ Confidentiality	402	NERC Employee Code of Conduct (2016-02-01 Employee Handbook)
Training	402	Population of training in auditing skills provided by NERC to audit participants and audit team leaders during the scope period
CMEP	402, 404	Population of Regional Entity CMEP audits
Training	402, 502	Training provided by NERC to REs during the scope period
Training	402, 502	NERC ERO Enterprise Staff Training Procedure
Training	402, 502	NERC's process to monitor credentials and training of individual RE auditors
CMEP	403	Population of Notices of Penalty and settlement agreements executed during the scope period
CMEP	403	Population of public reports of each Compliance Audit completed during the scope period
CMEP	404	Population of public postings of violations of Reliability Standards during the scope period
CMEP	404, 407	Population of penalties, sanctions, and Remedial Action Directives during the scope period
CMEP	406	Independent Evaluation of NERC's CMEP and ORCP ROP Requirements (2016-10-18)
CMEP	407, 413	Population of Regional Entity Hearing Body final decisions issued pursuant to Attachment 2 to Appendix 4C
CMEP	408, 409, 410	Population of all Registered Entity and Regional Entity appeals of noncompliance, penalties, violations, and audit findings.
CMEP	414	Population of Appeals of Decisions of Regional Entity Hearing Bodies Granting or Denying Motions to Intervene in Regional Entity Hearing Body Proceedings
CMEP	Appendix 4B	Population of all FFTs, SNOs, and Full NOPs issued by the REs 2016-2018
CMEP	Appendix 4B	Violation Severity Level (VSL) Matrix
CMEP	Appendix 4C	Annual FFT Reports to FERC during the scope period

CMEP and ORCP Data Request Catalog		
Process	ROP §	Document Name
CMEP	Appendix 4C	ERO CMEP Manual for Compliance Auditors
CMEP	Appendix 4C	ERO Master Audit Schedule
CMEP	Appendix 4C	ERO Self-Report User Guide
CMEP	Appendix 4C	NERC Reliability Assurance: Complaint Handling and Tracking Process (2018-08-07)
CMEP	Appendix 4C	CMEP Implementation Plan Procedures (November 2016)
CMEP	Appendix 4C	CMEP Implementation Plans and CMEP Annual Reports for the scope period
CMEP	Appendix 4C	Population of all Compliance Exceptions (CEs) during the scope period
CMEP	Appendix 4C	Population of all Find, Fix, and Track (FFTs) during the scope period
CMEP	Appendix 4C	Population of all Full Notices of Penalties (FNOPs) during the scope period
CMEP	Appendix 4C	Population of all Mitigation Plans during the scope period
CMEP	Appendix 4C	Population of all Notices of Alleged Violation (NAV) during the scope period
CMEP	Appendix 4C	Population of all Notices of Possible Violation (NPV) during the scope period
CMEP	Appendix 4C	Population of all Settlements during the scope period
CMEP	Appendix 4C	Population of all spot check reports provided to NERC by the Regional Entity/Compliance Enforcement Authority
CMEP	Appendix 4C	Population of all Spreadsheet Notices of Penalties (SNOPs) during the scope period
CMEP	Appendix 4C	Population of Complaints 2016-2018, including anonymous complaints
CMEP	Appendix 4C	Population of Compliance Enforcement Authority final reports during the scope period, including whether or not the reports initially included any "Possible Violations."
CMEP	Appendix 4C	Population of Mitigation Plans accepted by a Regional Entity and submitted to NERC during the scope period
CMEP	Appendix 4C	Population of NERC publicly-posted final Compliance Audit Reports
CMEP	Appendix 4C	Population of Notices of Confirmed Violations issued to Registered Entities during the scope period
CMEP	Appendix 4C	Population of Notices of Penalties generated during the scope period
CMEP	Appendix 4C	Population of Notifications to Registered Entity of Alleged Violations from Compliance Enforcement Authority to Registered Entities during the scope period
CMEP	Appendix 4C	Population of Regional Entity Hearing Body decision appeals submitted to NERC by Registered Entities or Compliance Enforcement Authorities during the scope period
CMEP	Appendix 4C	NERC Reliability Assurance Complaint Handling and Tracking Process
TFE	Appendix 4D	List of permissible class-based categories of devices maintained on NERC's website
TFE	Appendix 4D	NERC Annual Report on Wide Area-Analysis of Technical Feasibility Exceptions (2016-2018)
TFE	Appendix 4D	TFE Annual Reports During the scope period
TFE	Appendix 4D	TFE Sample Submittal maintained on NERC's website
ORCP	501	Common Registration Form from NERC's website
ORCP	501	NERC Compliance Registry (NCR) Active Entity / Change Activity Lists (2016-2018)

CMEP and ORCP Data Request Catalog		
Process	ROP §	Document Name
ORCP	501	NERC Registration Program documentation
ORCP	501	NERC Certification Program documentation
ORCP	501	NERC Organization Certification Oversight Program (2018-01)
ORCP	501	Registration and Certification Continuity Plan (2014-05-19)
ORCP	501, 502, 503, 504	ERO Certification and Review Procedure (2016-12-15)
Training	502	Population of training in auditing skills provided by NERC to Certification participants during the scope period
ORCP	502, 503	Population of all certification evaluations held during the scope period, with detail for sampled Registered Entities
CMEP	503, Appendix 4B, Appendix 4C	Violation Risk Factors (VRF) Matrix
ORCP	504	Population of Registration or Certification appeals submitted to NERC during the scope period
ORCP	507	Joint Registration Organization (JRO) acceptance for sampled Registered Entities.
ORCP	508	Coordinated Functional Registration (CFR) acceptance and/or changes for sampled Registered Entities.
ORCP	Appendix 5A	CFR Registry Listing as of 12/31/2018
ORCP	Appendix 5A	JRO Registry Listing as of 12/31/2018
ORCP	Appendix 5A	NCR as of 12-31-2018, including registration details for sampled Registered Entities.
ORCP	Appendix 5A	NERC ERO Enterprise Registration Procedure (2017-05-22)
ORCP	Appendix 5A	NERC Registration and Appeals Process and a Population of Registration appeals during the scope period
ORCP	Appendix 5A	Population of Deregistered Entities 2016-2018
ORCP	Appendix 5B	Process for an Registered Entity to challenge the determination that registration on the NCR is required

Appendix C: Summary of Results of Independent Review

The chart below lists the in-scope ROP statements in sections 400 and 500, including applicable appendices (4A, 4B, 4C, 4D, 5A, 5B) covered by this report. For each statement, the independent auditor has indicated whether NERC Generally Conforms, is an area of Process Improvement, or Noncompliance. The criteria used to assess an area of general compliance with the ROP was based on observation or inspection of evidence that NERC performs CMEP and ORCP processes in line with the ROP requirement. The criteria used to assess a section of the ROP as Noncompliance was based on the observation of specific evidence that did not comply with the ROP requirements, or the lack of specific evidence to show that NERC complied. The criteria used to assess a section of the ROP as Process Improvement was based upon evidence that indicated the ROP requirements were achieved; however, additional activities could be implemented to enhance the execution.

Process	Section	Paragraph	Observation
All	All	All	Generally Conforms
CMEP	401	1-12	Generally Conforms
	402	1	Process Improvement
		2	Generally Conforms
		3	Process Improvement
		4-8	Generally Conforms
		9	Process Improvement
	403	1-16	Generally Conforms
	404	1-3	Generally Conforms
	406	1-4	Generally Conforms
	407	1-3	Generally Conforms
	408	1-11	Generally Conforms
	409	1-8	Generally Conforms
	410	All	Generally Conforms
	413	All	Generally Conforms
	414	1-5	Generally Conforms
	Appendix 4A	All	Process Improvement
	Appendix 4B	1-4	Process Improvement
	Appendix 4C	1-2	Process Improvement
		3	Noncompliance
		4-9	Process Improvement
Appendix 4D	1-10	Generally Conforms	
	11	Process Improvement	
	12-13	Generally Conforms	
ORCP	501	1-2	Process Improvement
		3	Process Improvement
	502	1	Process Improvement
		2	Process Improvement
	503	1-3	Generally Conforms
	504	1-2	Generally Conforms
	505	All	Process Improvement
	506	1-4	Generally Conforms
	507	1-9	Generally Conforms
	508	1-9	Generally Conforms
Appendix 5A	All	Generally Conforms	
Appendix 5B	All	Process Improvement	

	Area of noncompliance
	Process improvement opportunities

Appendix D: Summary Description of Testing Procedures by ROP Section

This appendix includes a summary description of the testing procedures performed for each section of the ROP during the review by the independent auditor. Please see “CMEP and ORCP Detailed Observations” for observations and recommendations. Detailed recommendations are designed with specific and actionable activities to enhance overall compliance with the in-scope sections of the ROP.

401: Scope of the NERC CMEP

Compliance

The independent auditor inquired with the NERC process owners to gain an understanding of the related processes, and inspected CMEP documents, including delegation agreements. The independent auditor inspected or observed evidence of related processes, and sampled to perform tests of details where necessary.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

402: NERC Oversight of the Regional Entity CMEPs

Compliance

The independent auditor inquired with the NERC process owners to gain an understanding of the related processes, and inspected RE CMEP documents, and NERC’s oversight plan. The independent auditor inspected or observed evidence of related processes, and sampled to perform tests of details where necessary.

Through review of the eight RE delegation agreements (now six regional entities as of 8/31/19), the independent auditor noted that NERC requires each RE to submit for review and approval an annual RE CMEP Implementation Plan. Appendix 4C of the ROP outlines the general tools and activities used to fulfill obligations in monitoring compliance to the Reliability Standards of the REs. During inspection of RE Implementation Plans and discussion with NERC, the independent auditor noted that NERC reviews the Implementation Plan and accepts it once the plan meets NERC requirements and the requirements of the delegation agreement.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

The 2016 independent review recommended that NERC enhance the RE training oversight activities regarding Compliance Audits and Certification to ensure RE personnel are receiving the ROP-required training. Following the independent review, NERC reviewed the auditor and certification training in the Learning Management System for the year 2016 and noted that all core audit team members that performed the Compliance Audits had completed the training. Although NERC addressed the lack of oversight in 2016, there has not been a review since this time period.

Based on the results of procedures performed, the independent auditor noted two opportunities for process improvement. Please see “Training Oversight” and “Appendix 4A Audits” of the “CMEP and ORCP Detailed Observations” section above for the observation and recommendation.

403: Required Attributes of Regional Entity CMEPs

Compliance

The independent auditor inquired with the NERC process owners to gain an understanding of the related processes, and inspected RE CMEP Implementation Plan documents. The independent auditor inspected or observed evidence of related processes, and sampled to perform test of details where necessary.

NERC conducted a variety of RE and Registered Entity monitoring activities during the period of this independent review. The independent auditor reviewed each of the RE delegation agreements and RE CMEP implementation plans for all REs. Through review of NERC's Implementation Plans for 2016 through 2018, NERC maintained and updated its Implementation Plan annually. Further, the independent auditor reviewed the listing of BAs, TOPs and RCs on NERC's website and noted that an audit was performed at least once every three years.

Note, as some of these audits were not publicly posted at the time of the independent auditor's review, the independent auditor observed the confidential audits in order to confirm that compliance audits for BAs, TOPs and RCs are performed at least once every three years.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

404: NERC Monitoring of Compliance for Regional Entities or Bulk Power Owners, Operator or Users

Compliance

During the period of this independent review, NERC conducted a variety of RE monitoring activities. Through inquiry of NERC's Director, Regulatory Programs and review of evidence supporting NERC's observation of the RE audits of Registered Entities, the independent auditor noted that NERC conducts oversight of the RE's monitoring of the Registered Entities. Per inquiry with Compliance Assurance and review of the 2018 CMEP report, NERC takes a risk-based approach to monitoring activities of the REs. During the scope period, NERC prioritized consistency in compliance monitoring implementation at the regional level.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

405: Monitoring of Reliability Standards and Other Requirements Applicable to NERC

Compliance

Through inquiry with NERC staff (refer to Appendix A for a list of individuals interviewed), the independent auditor noted that the CCC is responsible for conducting a periodic self-certification process with NERC staff to confirm compliance with the ROP. Through review of CCC monitoring procedures and NERC self-certification activities, the independent auditor noted that independent monitoring is performed to determine whether NERC complies with ROP requirements.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

406: Independent Audits of the NERC CMEP

Compliance

To conform to NERC's ROP requirement for an independent review of its CMEP program at least once every three years, this independent review of the CMEP evidences NERC's compliance with this requirement as of 2018. Based on inquiry with NERC staff supporting the CMEP processes (see Appendix A) and review of internal NERC documents for testing (see Appendix B), a review has been performed and the independent auditor has documented areas of compliance to the ROP, areas of noncompliance with the ROP, and areas of process improvement within this report. Refer to detailed observations in Section 400 for testing procedures and results.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

407: Penalties, Sanctions, and Remedial Actions

Compliance

Through review of RE and NERC documentation supporting the enforcement process, including settlement agreements, mitigation plans, Find, Fix, Track, and Reports (FFTs), Spreadsheet Notices of Penalties (SNOPs), Notices of Penalties (NOPs), and dismissal notifications, the independent auditor noted that NERC devotes significant effort in reviewing the RE's enforcement results.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

408: Review of NERC Decisions

Compliance

The independent auditor reviewed the NERC Compliance Enforcement Manual² and noted that the manual describes the process for a Registered Entity or RE to challenge a finding of noncompliance to the Reliability Standards or a CMEP audit finding. Per inquiry with NERC staff (see Appendix A), there were no appeals of this nature occurred during the scope period, 2016-2018.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

² NERC Compliance Enforcement Manual, NPP-CEM-100.R4 (July 27, 2015).

409: Appeals from Final Decisions of Regional Entity Hearing Bodies

Compliance

The independent auditor reviewed the NERC Compliance and Enforcement Manual and noted that the manual describes the process for a Registered Entity or RE to challenge a finding of noncompliance to the Reliability Standards or a CMEP audit finding. The manual describes the process for submitting a notice of appeal as well as the decision on the appeal from the Compliance Committee of the NERC Board of Trustees. Per inquiry with NERC staff (see Appendix A), there were no appeals of this nature that occurred during the scope period, 2016-2018.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

410: Hold Harmless

Compliance

The independent auditor reviewed the NERC Compliance and Enforcement Manual and noted that the manual describes the process for a Registered Entity or RE to challenge a finding of noncompliance to the Reliability Standards or a CMEP audit finding, as stated in ROP section 409. The manual also describes the “hold harmless” clause where any party assisting in the challenge or appeals process shall be held harmless against the consequences of or any action or inaction of the agreement reached on the appeal. Per inquiry with NERC staff (see Appendix A), there were no appeals of this nature that occurred during the scope period, 2016-2018.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

413: Review and Processing of RE Hearing Body Final Decisions that Are Not Appealed

Compliance

The independent auditor inquired with NERC and concluded there were no Regional Entity Hearing Body final decisions issued pursuant to Attachment 2 to Appendix 4C during the scope period, 2016-2018.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

414: Appeals of Decisions of Regional Entity Hearing Bodies Granting or Denying Motions to Intervene in RE Hearing Body Proceedings

Compliance

The independent auditor inquired with NERC and concluded that there were no appeals of decisions of Regional Entity Hearing Bodies of this nature during the scope period, 2016-2018.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

Appendix 4A: Audit of Regional Entity Compliance Programs

Compliance

Based on inquiry with Internal Audit and review of documents, the independent auditor noted that NERC utilizes a risk-based approach in completing audits of the RE Compliance Programs. During the 2016 independent review, this was noted as an area of noncompliance as NERC was in the process of rolling out the risk-based approach across the entity and audits had not been performed. In 2018, Internal Audit performed audits over a higher risk area, the “Internal Controls Evaluation” for all REs. The independent auditor noted that the prior noncompliance has been addressed.

Process Improvements

Based on the results of procedures performed, the independent auditor noted one opportunity for process improvement. Please see “Appendix 4A Audits” of the “CMEP and ORCP Detailed Observations” section above for the observation and recommendation.

Appendix 4B: Compliance Monitoring and Enforcement Program

Compliance

The independent auditor inquired with the NERC process owners to gain an understanding of the related processes, and inspected Enforcement documents, including NERC’s Sanction Guidelines and Violation Risk Factors (VRF) and Violation Severity Level (VSL) Matrices. The independent auditor inspected or observed evidence of Enforcement-related processes, and sampled enforcement actions to perform tests of details where necessary. The independent auditor notes that Sanction Guidelines and related processes support a process where NERC evaluates penalties, sanctions, and remedial action directives imposed by REs for consistency, similarity in degree and type for violations constituting comparable levels of threat to the reliability of the BPS, and aggravating and mitigating factors.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvement

Based on the results of procedures performed, the independent auditor noted one opportunity for process improvement. Please see “Penalty Calculation Tool” of the “CMEP and ORCP Detailed Observations” section above for the observation and recommendation.

Appendix 4C: Compliance Monitoring and Enforcement Program

Compliance

The independent auditor inquired with the NERC process owners to gain an understanding of the related processes, and inspected CMEP documents, including the NERC Electric Reliability Organization (ERO) Enterprise and RE CMEP Implementation Plans, annual audit plans, and populations of complaints, violations, settlements, and mitigation plans. The independent auditor inspected or observed evidence of related processes, and sampled Implementation Plans, complaints, violations, settlements, and mitigation plans to perform tests of details where

necessary.

Based on the results of procedures performed, the independent auditor noted one instance of noncompliance with the ROP. Please see “Posting of Compliance Audit Reports” of the “CMEP and ORCP Detailed Observations” section above for the observation and recommendation.

Process Improvements

Based on the results of procedures performed, the independent auditor noted three opportunities for process improvement. Please see “Complaints”, “Self-Logging vs. Self-Reporting”, and “Mitigation Plans” of the “CMEP and ORCP Detailed Observations” section above for the observation and recommendation.

Appendix 4D: Procedure for Requesting and Receiving Technical Feasibility Exceptions (TFEs) to NERC Critical Infrastructure Protection (CIP) Standards

Compliance

The independent auditor inquired with the NERC process owners to gain an understanding of the related processes, including the process to review and approve TFEs. The independent auditor inspected TFE documents, including submitted TFE requests, activities of the committee charged with reviewing TFE requests and Material Change Reports, and the annual TFE informational submission to FERC, and sampled to perform tests of details where necessary. The independent auditor noted the TFE process includes components to ensure consistency in the review, approval and disapproval of TFE requests and Material Change Reports among the REs with different types of covered assets that are subject to the same Applicable Requirement.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

501: Scope of the ORCP

Compliance

The independent auditor reviewed a population of Registered Entities added to the NERC Compliance Registry (NCR) between 2016 – 2018, and noted that the users, owners, and operators of the BPS were registered and certified in accordance with the registration and certification processes, as defined in the ROP, including notifications sent to the Registered Entities upon registration and certification.

Per inquiry with NERC staff (see Appendix A), and review of section 501 of the ROP, the independent auditor noted that the purpose of the ORCP is to clearly identify those entities that are responsible for compliance with the FERC approved Reliability Standards. These entities are to be identified by NERC and the REs and registered within the NCR for the appropriate function they perform (e.g. RC, BA, TOP).

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

502: ORCP Requirements

Compliance

The independent auditor inquired with the NERC process owners to gain an understanding of the related

processes, and inspected NERC ORCP documents. The independent auditor inspected or observed evidence of related processes, and sampled to perform tests of details where necessary.

Through inquiry of NERC staff (see Appendix A) and review of the Registered Entities added to the NCR between the years of 2016 – 2018, the independent auditor noted sufficient evidence of the Registered Entities’ registration and certification program requirements. In addition, the independent auditor reviewed ORCP policies and procedures, and noted that documented policies and procedures exist for the ORCP process. See “Process Improvements” below for a related observation.

While NERC holds training sessions during the year, the 2013 and 2016 independent reviews noted there was no formal process in place to ensure the correct individuals attended the required training. Although there is a Learning Management System (LMS) that is used by the REs to track attendance, NERC does not oversee RE training activities to ensure those who require training per the ROP receive that training. See “Process Improvements” below for a related observation.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

The 2016 independent review recommended that NERC enhance the RE training oversight activities regarding Compliance Audits and Certification to ensure RE personnel are receiving the ROP-required training. Following the independent review, NERC reviewed the auditor and certification training in the Learning Management System for the year 2016 and noted that all core audit team members that performed the Compliance Audits had completed the training. Although NERC addressed the lack of oversight in 2016, there has not been a review since this time period.

Based on the results of procedures performed, the independent auditor noted one opportunity for process improvement. Please see “Training Oversight” of the “CMEP and ORCP Detailed Observations” section above for the observation and recommendation.

503: Regional Entity Implementation of ORCP Requirements

Compliance

Through review of each RE’s Implementation Plans, the independent auditor noted each RE’s Plan included key CMEP activities and initiatives, and compliance enforcement initiatives. Further, within each of the RE Implementation Plans, the independent auditor noted evidence of enhancement programs, reporting, analysis & tracking tools, CMEP transparency elements, outreach efforts, the Compliance Audit Plan, spot checks, training, and other relevant areas of focus. The independent auditor also noted that the implementation plans stated that they are in accordance with NERC’s ROP.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

504: Appeals

Compliance

Based on inquiry with the NERC process owners and review of the appeals posted publicly to NERC’s website, no Registration or Certification appeals occurred during the scope period.

Process Improvements

None noted.

505: Program Maintenance

Compliance

The independent auditor inquired with the NERC process owners to gain an understanding of the related processes, and inspected NERC ORCP documents. The independent auditor inspected or observed evidence of related processes, and sampled to perform test of details where necessary.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

506: Independent Audit of NERC ORCP

Compliance

To conform to NERC's ROP requirement for an independent review of its ORCP program at least once every three years, this independent review of the ORCP evidences NERC's compliance with this requirement as of 2018. Based on inquiry with NERC staff supporting the ORCP processes (see Appendix A) and review of internal NERC documents for testing (see Appendix B), a review has been performed and the independent auditor has documented areas of compliance to the ROP, areas of noncompliance with the ROP, and areas of process improvement within this report. Refer to detailed observations in Section 500 for testing procedures and results.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

507: Provisions Relating to Joint Registration Organizations (JRO)

Compliance

The independent auditor reviewed the JRO registry listing on NERC's website and noted that the JRO entities have assumed the compliance responsibilities for themselves and their members.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvements

None noted.

508: Provisions Relating to Coordinated Functional Registration (CFR)

Compliance

The independent auditor reviewed the CFR registry listing on NERC's website and noted that the Reliability Standards or Requirements/sub-requirements for each function were appropriately included.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to

the ROP requirements within this section.

Process Improvements

None noted.

Appendix 5A: Organization Registration and Certification Manual

Compliance

The independent auditor inquired with the NERC process owners to gain an understanding of the related processes, and inspected ORCP documents, including Registration and Certification program documentation, and the NCR. The independent auditor inspected or observed evidence of related processes, and sampled to perform tests of details where necessary.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvement

None noted.

Appendix 5B: Statement of Compliance Registry Criteria

Compliance

The independent auditor inquired with the NERC process owners to gain an understanding of the related processes, and inspected ORCP documents, including Registration and Certification program documentation, and the NCR. The independent auditor inspected or observed evidence of related processes, and sampled to perform tests of details where necessary.

Based on the results of procedures performed, the independent auditor noted that NERC generally conforms to the ROP requirements within this section.

Process Improvement

None noted.

Appendix E: Participants

The table below lists the participants in the Independent Review.

Participants	
Group	Participant Name
NERC Internal Audit and Corporate Risk Management	Matthew Gibbons
	Jim Armstrong
	Monica Bales
CCC Observers	Jennifer Flandermeyer, CCC Chair
	Scott Tomashefsky, CCC Vice Chair
	Leigh Mulholland
	Tom McDonald