

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

## Appendix 4A

# Audit of Regional Entity Compliance **Programs**

Effective: October 4, 2013

## **Overview, Objective, and Scope**

The NERC Regional Entity audit program was established to assess the Regional Entity's implementation of the NERC Compliance Monitoring and Enforcement Program (CMEP) and determine whether the program, as implemented by the Regional Entity, effectively meets the requirements under the CMEP, the NERC Rules of Procedure (ROP), and the corresponding annual Compliance Monitoring and Enforcement Program Implementation Plan. Each year, NERC establishes which Reliability Standard Requirements will be placed into the CMEP through its annual Compliance Monitoring and Enforcement Program Implementation Plan. The scope of the Regional Entity audits includes the CMEP, related sections of the ROP, the annual Compliance Monitoring and Enforcement Program Implementation Plan as approved by NERC, and additional directives provided by NERC for implementing the CMEP and related ROP sections.

## **Scheduling**

Each Regional Entity Compliance Monitoring and Enforcement Program shall be audited at least once every five years. The schedule for the Regional Entity audit program is approved by NERC staff.

## **Audit Team**

- A member of NERC staff will be designated as the audit team lead (ATL) for the Regional Entity audits. In this role, the ATL maintains oversight of the auditing process, coordinates and facilitates the audit process steps with the Applicable Governmental Authorities, the Compliance and Certification Committee (CCC), and the audited Regional Entity.
- NERC staff will conduct the audit, in whole or in part.
- NERC may use external, independent auditors to conduct the audit, in whole or in part.
- A representative from the CCC may participate as an observer, at the discretion of the CCC.
- Representatives from Applicable Governmental Authorities may participate as observers.

Participation by a representative of an Applicable Governmental Authority shall be subject to the limitations of section 3.1.6 and 8.0 of Appendix 4C of the NERC Rules of Procedure regarding disclosure of non-public compliance information related to other jurisdictions.

In addition, Compliance Staff from other Regional Entities may participate as observers, with the mutual consent of NERC and of the compliance manager of the Regional Entity being audited.

## **Planning or Pre-Audit**

At least sixty (60) days prior to the on-site audit, the NERC ATL shall send a notification of intent to audit letter to the CEO of the Regional Entity to be audited, containing the scope of the audit and key audit dates; and shall send to the audited Regional Entity: (i) pre-audit questionnaire(s), and (ii) request(s) for information. The audited Regional Entity returns a

complete questionnaire to NERC, along with the requested reports and other documentation, thirty (30) days prior to the on-site audit.

The Regional Entity may request a planning conference with NERC to review audit scope, logistics, and other pertinent coordination matters to effectuate an efficient audit process.

### **On-Site Audit and Fieldwork**

Detailed questions related to the completed questionnaire(s) and requests for information are evaluated along with a random sampling of applicable evidence. The evidentiary review of documentation from the Regional Entity is used to determine whether the Regional Entity's program is effective and meeting the requirements described above. NERC shall evaluate the controls, physical security tools, staff training and internal procedures to meet the requirements of the Regional Entity audit program scope.

### **Reporting**

Upon completion of the on-site fieldwork, the audit team shall provide the Regional Entity with an exit briefing which shall include any preliminary findings and/or results from the examination. Within thirty (30) business days of the last day of on-site fieldwork, NERC shall provide the Regional Entity with a draft report which shall include a review of the scope, methodology, and evaluation of internal controls. The Regional Entity has thirty (30) business days to respond to the draft audit report and may request a conference with NERC to address any concerns with the draft report. Throughout this entire process, the information provided, discussions held, and the draft report will be kept confidential.

NERC will issue a final report to the Regional Entity forty-five (45) business days after the receipt of the Regional Entity's comments to the draft report. The audited Regional Entity is provided an opportunity to respond to the audit conclusions. The final report, along with the Regional Entity's response, are posted on the NERC web site after NERC presents the final report to the NERC Board of Trustees Compliance Committee.

The Regional Entity shall develop a corrective action plan to resolve the findings, if any, of the audit report and shall provide quarterly updates to NERC on the status of the corrective actions until completed.