

# Internal Controls

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Compliance Committee Open Meeting

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- Internal Controls Commitment
- Definition of a Compliance Oversight Plan (COP)
- Elements and Outcomes of a COP
- Example Discussion
- Value Proposition



## CMEP Evolves and Matures

- Goals for internal controls unchanged
- Internal controls shape oversight planning

## Emphasis and Commitment Have Grown

- Internal Controls understanding built into all aspects of CMEP

## The Value Proposition

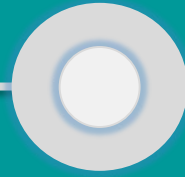
- Investment in strong internal controls matters
- CMEP experiences should reflect those differences

2016



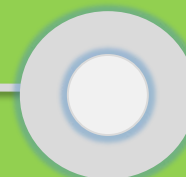
**Inherent Risk  
Assessment  
(IRA) Process  
Harmonization**

2018 - 2019



**COP Process  
Harmonization**

2019 - 2020



**Transition  
Period**

- The COP tailors compliance monitoring activities based on entity-specific factors.
- COP is the oversight strategy for a registered entity.
- COPs provide comparative assessments to shape oversight planning and resource allocation of ERO Enterprise staff.
- COPs place emphasis on understanding internal controls and other performance considerations.
- A COP is shared with the registered entity.



**Enhanced  
Analysis**



**Targeted  
Oversight**



**Prioritized  
Monitoring**



**Single  
Report**

- Compliance Monitoring Impacts
- Enforcement Considerations

- Understanding of entity and strength of controls impacts monitoring experience (frequency, scope, etc.)
- Impacts to risk assessment of violation



- Throughout the second half of 2019, REs began implementation of new COP summaries.
- Industry outreach will continue through 2020.



# Questions and Answers

# Streamlining in Enforcement

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- Themes from stakeholder perception survey:
  - Perception that it takes too long to resolve minimal risk noncompliance, and
  - Stakeholders see limited differentiation among processes for minimal risk noncompliance and higher risk violations.

- Sampling to verify completion of mitigation for Compliance Exceptions
- Enhancements to guidance for ERO Enterprise and registered entities
  - Information gathering
  - Risk assessment
  - Cause analysis and mitigation
- Rules of Procedure revisions
  - Self-Logging Program
  - Data retention
  - Mitigating activities



# Questions and Answers