

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NERC Compliance Process Directive #2010-CAG-001 Regional Entity Compliance Audit Report Processing

to ensure
the reliability of the
bulk power system

August 1, 2011

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Purpose

Version 1.4

August 1, 2011 | Public Process Announcement

This directive outlines the procedure by which Regional Entities are required to produce public and non-public compliance audit reports following each compliance audit, and for NERC to submit such reports to Applicable Governmental Authorities and post such reports for public viewing. Regional Entity spot checks of Registered Entities are a form of compliance audit, but with a narrower scope. Effective January 1, 2011 all spot checks performed by the Regional Entities are subject to the compliance audit reporting requirements as stated in this directive.

Critical Infrastructure Protection (CIP) compliance audits require the development of a CIP compliance audit report using the Non-Public Audit Report template located in Appendix 1 of this directive. A separate CIP compliance audit report is required whether the CIP compliance audit is performed independent of or concurrent with a non-Critical Infrastructure Protection audit. Development of a Public CIP compliance audit report is not required, as CIP audit reports may contain highly confidential material and will not be posted publically. Submission of the Non-Public CIP audit reports to NERC shall follow the process outlined in this directive with the exception that NERC shall not submit reports to Applicable Governmental Authorities pending development, and approval, of a CIP information handling process.

The Regional Entity is responsible for producing reports of its compliance audits and spot-checks of Registered Entities, and to submit these reports to NERC staff. NERC staff is responsible for reviewing and posting the reports, and for appropriate filing with the Applicable Governmental Authority.

Audit Report Summary

The Regional Entity will submit two compliance audit reports for each audit of a Registered Entity; a non-public report and a public report.

The non-public report will include a listing of the findings using approved terminology as defined in following sections. The non-public report may contain confidential information and critical energy infrastructure information. The non-public report shall include a detailed listing of the evidence used by the audit team to support the audit findings regardless of the finding; this detailed list of evidence shall be provided in the Findings table, which is located in the Audit Results section of the report template. The names and titles of all Regional Entity personnel and all Registered Entity personnel participating in the audit are included in the non-public report.

The public report will include a listing of the findings using approved terminology as defined in following sections. The public report will not contain critical energy infrastructure information or any other information deemed confidential. The public report shall not include a detailed listing of the evidence used by the audit team to support the audit findings, however, a general description of the evidence shall be provided in the Findings table, which is located in the Audit Results section of the report template. Also the public report will not include a description of how the audit team determined its findings. The names of the Regional Entity personnel and Registered Entity personnel participating in the audit will be excluded in the public report and all participants will be identified only by title.

The compliance audit reports are to be based on the information presented to the Registered Entity during the Regional Entity's exit briefing at the conclusion of the compliance audit. If it becomes necessary to deviate from the information presented at the exit briefing, such as the dismissal of a possible violation, the Regional Entity should explain such deviations in a statement in the Executive Summary of the non-public and public audit reports. Regional Entities are expected to notify Registered Entities of "areas of concern" per the *FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities*, dated January 15, 2009¹. The details of the areas of concern will be included in the non-public version of the audit report, while only general references to the areas of concern will be included in the public version of the audit report, regardless if the areas of concern were included in the exit briefing. Details of any Recommendations that an audit team provides to a registered entity during the course of an audit may be included in the non-public version of the compliance audit report, at the Regional Entities discretion, but shall not be included in the public version of the compliance audit report.

A link to the general Notice of Penalty (NOP) page will be included in the Executive Summary of all public audit reports that contain possible violations. NOPs and settlements often combine CIP and Non-CIP violations from various discovery methods. If the NOP or settlement contains both non-CIP and CIP information the link will not be included in the public report, even if the NOP has Unidentified Registered Entity (URE) as the entity name. Regional Entities that conduct non-CIP and CIP audits concurrently are expected to have separate audit reports for the non-CIP and CIP audits.

¹ See Guidance Order On Compliance Audits Conducted By The Electric Reliability Organization And Regional Entities, FERC Stats. & Regs., ¶ 61,038 at P 126 ("If an audit team learns about a situation that does not appear to involve a current or ongoing violation of a Reliability Standard requirement, but instead represents an area of concern that could become a violation, we expect the team to notify the registered entity of the situation, discuss it with the entity, and document such discussions in the compliance audit report. We remind audit teams that they are expected to fully test compliance with any non-actively monitored standard if the teams find evidence during the audit of non-compliance with such a standard."). <http://www.ferc.gov/whats-new/comm-meet/2009/011509/E-1.pdf>

Audit Report Submittal Summary

The Regional Entity will assign a primary designated staff member to be responsible for submission of all public and non-public compliance audit reports to NERC via the Regional Entities designated HTTPS site.

The designated staff member will provide all final non-public and public versions of reports that do not contain possible violations to the Registered Entity at least five business days prior to submitting them to NERC.

NERC will check the Regional Entities HTTPS sites for submitted reports at least once per week. NERC will send the final non-public reports to the Applicable Governmental Authority as informational submittals via a secure portal or other agreed upon means, and will post the final version of the public report to the NERC website. The Applicable Governmental Authority for the United States is the Federal Energy Regulatory Commission (FERC). The Applicable Governmental Authorities for each Canadian province and Mexico are separate and independent bodies and are identified later in this procedure.

The Regional Entity will not submit the public version of a compliance audit report that contains possible violations to NERC until the violations are processed through the NERC Compliance Monitoring and Enforcement Program (CMEP). Upon completion of this process, the Regional Entity designated staff member will provide the public version of the compliance audit report that contains possible violations to the Registered Entity for additional comment at least five business days prior to submitting it to NERC. Under this announcement, the processing of violations is complete when all possible violations are dismissed, a settlement is reached, or an NOP has been issued by NERC. A link to the general NOP page of the NERC website will be included in the Executive Summary of all public audit reports that contain possible violations. The NOP includes information detailing with the outcome of the findings, hearings, dismissals, settlements, appeals, and regulatory results. NOPs and settlements often combine CIP and Non-CIP violations from various discovery methods. If the NOP or settlement contains both non-CIP and CIP information the link will not be included in the public report, regardless if the NOP has Unidentified Registered Entity (URE) as the entity name.

The public version of the compliance audit report will include any formal statement, if provided, by the Registered Entity on any Notice of Confirmed Violation pursuant to section 8.0 of the CMEP. Prior to processing a submitted compliance audit report, NERC staff will review the report format for administrative errors and consistency with the Non-Public Audit Report template. NERC staff will inform the Regional Entity designated staff via e-mail of all reports that do not meet review criteria and require correction and re-submission. NERC will post the public compliance audit report and the Registered Entity statement, if provided, to the NERC website.

If for any reason it becomes necessary for the Regional Entity to modify a non-public report that was previously submitted to an Applicable Governmental Authority, the Regional Entity will

provide a statement with the modified report. The statement shall be made in the Executive Summary and will explain all changes from the original report.

Audit Report Naming Convention

All compliance audit reports submitted to NERC shall have the following file naming convention in order to properly track reports and to ensure that the confidentiality of all non-public reports is maintained. Each naming convention is followed by an example of a compliance audit report conducted in 2010 by the XYZ Regional Entity of Registered Entity ABC.

Public Reports:

[Year]_public_[Regional Entity Acronym]_[Audited Entity Acronym].pdf
e.g. 2010_public_XYZ_ABC.pdf

Non-public Reports:

[Year]_non-public_[Regional Entity Acronym]_[Audited Entity Acronym].pdf
e.g. 2010_non-public_XYZ_ABC.pdf

CIP Non-public Reports:

[Year]_non-public_[Regional Entity Acronym]_[Audited Entity Acronym]_[CIP].pdf
e.g. 2010_non-public_XYZ_ABC_CIP.pdf
e.g. 2010_non-public_XYZ_ABC Spot Check_CIP.pdf

Reports Requiring Re-submittal to NERC:

[Year]_public_[Regional Entity Acronym]_[Audited Entity Acronym]_UPDATE.pdf
e.g. 2010_public_XYZ_ABC_UPDATE.pdf

Reports for Multi-Region Audit of Same Entity:

[Year]_public_[Lead Regional Entity Acronym]_[MRRE] [Audited Entity Acronym].pdf
e.g. 2010_public_XYZ_MRRE_ABC.pdf
e.g. 2010_non-public_XYZ_MRRE_ABC.pdf

Public Spot Check Reports:

[Year]_public_[Regional Entity Acronym]_[Audited Entity Acronym].pdf
e.g. 2010_public_XYZ_ABC Spot Check.pdf

Non-Public Spot Check Reports:

[Year]_non-public_[Regional Entity Acronym]_[Audited Entity Acronym].pdf
e.g. 2010_non-public_XYZ_ABC Spot Check.pdf

CIP Non-Public Spot Check Reports:

[Year]_non-public_[Regional Entity Acronym]_[Audited Entity Acronym]_CIP.pdf
e.g. 2010_non-public_XYZ_ABC Spot Check_CIP.pdf

Terminology for Compliance Findings

In order to maintain consistency across all of the Regional Entities, and to ensure protection of confidential information, only the following terminology shall be used for all audit findings that appear in the public and non-public audit reports; No Finding, Possible Violation, Not Applicable, and Open Enforcement Action.

- No Finding (NF): The audit team did not discover areas of non-compliance based on the evidence presented by the Registered Entity and reviewed by the audit team.
- Possible Violation (PV): The audit team discovered areas of possible non-compliance based on the evidence presented by the Registered Entity and reviewed by the audit team.
- Not Applicable (NA):
 - The Requirement does not apply to the Registered Entity based on the functions which the entity is registered for.
 - The Requirement applies to the Registered Entity based on the functions the entity is registered for, but the entity does not possess the system(s) which the Requirement is referencing. Examples could be that the entity does not possess black start units, SPS, or UVLS.
- Open Enforcement Action (OEA): At the time of the audit the Registered Entity had an open action item regarding the Requirement. Use of this term shall include a NERC/Regional Entity enforcement tracking number in the Findings section. Examples could be an open mitigation plan, self-report, or settlement agreement.

In circumstances where an Open Enforcement Action exists for a Requirement, but a new Possible Violation has been identified by the audit team, the Open Enforcement Action shall be noted in the findings table and the new Possible Violation shall be discussed in the Executive Summary of the audit reports.

FERC Jurisdictional Public & Non-Public Reports with No Possible Violations

The following steps shall be followed for all FERC jurisdictional public and non-public compliance audit reports that do not contain possible violations:

The Regional Entity will complete the audit reports as soon as practical after the last day of the audit. The public and non-public compliance audit reports will be submitted at the same time and in separate PDF files. The Regional Entity designated staff will provide the Registered Entity with the final public and non-public versions of the referenced reports at least five business

days prior to submitting the reports to NERC. The designated staff will upload the compliance audit reports to the Regional Entities designated HTTPS site and will track submission of the compliance audit reports to avoid sending duplicate reports.

The NERC Compliance Administrator will check the Regional Entities HTTPS sites for submitted reports at least once per week, log receipt of the reports in the report tracking tool, and review the reports for administrative errors and consistency with the audit report template. NERC staff will inform the Regional Entity designated staff via e-mail of all reports that do not meet review criteria and require correction and re-submission. The NERC Compliance Administrator will post the accepted public reports to the NERC website, submit the accepted non-public and public audit reports to FERC via the secure portal, log all dates in the report tracking tool, archive both reports on the NERC Compliance drive, and notify the Regional Entity designated staff that the reports have been posted. All audit reports that include CIP audit information shall not be publically posted by NERC and shall not be submitted to Applicable Governmental Authorities pending development and approval of CIP information handling process.

FERC Jurisdictional Non-Public Report with Possible Violations

The following steps shall be followed for all FERC jurisdictional non-public compliance audit reports that contain possible violations:

The Regional Entity will complete the compliance audit report as soon as practical after the last day of the audit². The Regional Entity will provide the Registered Entity the non-public report, for additional comment, at least five business days prior to submitting the report to NERC. The Regional Entity designated staff will upload the report to the Regional Entities designated HTTPS site once the Registered Entity's comments are received or five business days have elapsed. The Regional Entity designated staff will provide the Registered Entity and NERC with the final non-public version of the report at the same time. The report will be submitted in PDF format and will include a statement in the Executive Summary if there is a difference between the exit briefing and the non-public report. The Regional Entity will track submission of the audit reports to avoid sending duplicate reports.

The NERC Compliance Administrator will check the Regional Entities HTTPS sites for submitted reports at least once per week, log receipt of the reports in the report tracking tool, and review the reports for administrative errors and consistency with the audit report template. NERC staff will inform the Regional Entity designated staff, via e-mail of all reports that do not meet review criteria and require correction and re-submission. The NERC Compliance Administrator will

² The process steps for the Compliance Audit normally completes within sixty (60) days of the completion of the on-site Compliance Audit work at the Registered Entity's site. *See* Appendix 4C of the NERC Rules of Procedure "Compliance and Enforcement Monitoring Procedures," at Section 3.1.1, available at http://www.nerc.com/files/Appendix4C_Uniform_CMEP_10022009.pdf

submit the accepted non-public report to FERC via the secure portal, log all dates in the report tracking tool, archive the report on the NERC Compliance drive, and notify the Regional Entity designated staff that the report has been submitted to FERC. All audit reports that include CIP audit information shall not be publically posted by NERC and shall not be submitted to Applicable Governmental Authorities pending development and approval of CIP information handling process.

FERC Jurisdictional Public Report with Possible Violations

The following steps shall be followed for all FERC jurisdictional public compliance audit reports that contain possible violations:

The Regional Entity will redact the non-public version of the report to create the public version of the report. The public report will not contain critical energy infrastructure information or any other information deemed confidential. The public report will not include a description of how the audit team determined its findings, but will only include a listing of the findings. The names of the Regional Entity personnel and Registered Entity personnel participating in the audit will be excluded in the public report and all participants will be identified only by title.

The Regional Entity will not submit the public version of a compliance audit report that contains possible violations to NERC until the violations are processed through the NERC CMEP. Upon completion of this process, the Regional Entity designated staff member will provide the public version of the compliance audit report that contains possible violations to the Registered Entity for additional comment at least five business days prior to submitting it to NERC. Under this announcement, the processing of violations is complete when all possible violations are dismissed, a settlement is reached, or an NOP has been issued by NERC.

The NOP may include information detailing the outcome of the findings, hearings, dismissals, settlements, appeals, and regulatory results. A link to the general NOP page of the NERC website will be included in the Executive Summary of all public audit reports that contain possible violations. If the NOP does not address all possible violations referenced in the audit report, such as dismissals, a brief explanation will be provided. In cases where possible violations result from a Multi-Regional Registered Entity (MRRE) joint audit, the Regional Entity responsible for producing the audit reports will ensure that processing is complete for all violations in the respective regions under the joint audit, prior to providing the final public report to the Registered Entity or submitting the final public report to NERC. The link to the general NOP page provided in the Executive Summary will serve to link multiple NOPs in the event that the enforcement actions were divided amongst the Regional Entities involved in the joint audit, or if violations were otherwise grouped. The NOP submittal will include any formal statement, if provided by the Registered Entity on any Notice of Confirmed Violation pursuant

to section 8.0 of the CMEP. NOPs and settlements often combine CIP and Non-CIP violations from various discovery methods. If the NOP or settlement contains both non-CIP and CIP information the link will not be included in the public report, even if the NOP has Unidentified Registered Entity (URE) as the entity name.

The NERC Compliance Administrator will check the Regional Entities HTTPS sites for submitted compliance audit reports at least once per week, log receipt of the reports in the report tracking tool, and review the reports for administrative errors and consistency with the audit report template. NERC staff will inform the Regional Entity designated staff via e-mail of reports that do not meet review criteria and require correction and re-submission. The NERC Compliance Administrator will post the accepted public report to the NERC website, log all dates in the report tracking tool, archive the report on the NERC Compliance drive, and notify the Regional Entity designated staff that the report has been posted. For compliance audit reports that include CIP audit information, NERC will not publically post the Registered Entity's confidential or identifying information. Instead, NERC will post a public notice with this referenced information, removed, redacted, or otherwise modified.

Non-FERC Jurisdictional Reports

NERC staff is currently reviewing the requirements applicable to the submission of compliance audit reports to Applicable Governmental Authorities other than FERC. At the current time, Regional Entities are directed to follow the processes outlined above for submission of public and non-public audit reports to NERC which involve Registered Entities in Canada and Mexico that are registered with NERC. In a future revision to this Public Process Announcement, NERC staff will communicate standard processes for submitting compliance audit reports to Applicable Governmental Authorities, publically posting reports, and updating the Regional Entities' process for submission of such reports to NERC, as necessary.



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Process disclaimer: NERC reserves the right to issue new process directives or modify existing process directives when necessary and at its discretion.

Revision History

Version.	Date	Reviewers	Revision Description
1	February 1, 2010 (effective on posting)	NERC and Regional Entity Staff	Version 1.0
1.1	April 30, 2010	Mike Moon, Jacki Power, Craig Struck, Regional Entity Staff	Directive Revisions: Removed flowchart. Audit Report Template Revisions: Added self-certification statement to Executive Summary, Added reference to NOP link in Executive Summary, Changed all references to PAV into PV.
1.1	May 19, 2010	NERC Management	Changed non-public status and posted publicly.
1.2	July 28, 2010	Craig Struck, NERC	Added guidance to directive and report templates on use of terms for identifying compliance findings in audit reports, and information regarding CIP audit reports.
1.3	October 11, 2010	Craig Struck, NERC Compliance Operations Management and Legal Department	Minor editorial & errata changes. Added references to pending CIP information handling process. Added wording stating spot-checks will require reports. Revised wording to state links will be to NOP page. Incorporated Compliance Operations Management and Legal Department comments.
1.4	August 1, 2011	Craig Struck, NERC	Added language to include “areas of concern” (as noted in January 2009 FERC Guidance Order on Compliance Audits) and Recommendations. Added clarifying language regarding NOP links, separate report requirements for concurrent non-CIP and CIP audits, level of details in findings table, and use of findings terminology in findings table. Modified audit report templates based on changes noted above. Minor editorial and arrangement changes.

Appendix 1: Non-Public Audit Report Template

[Insert Regional Entity Logo]

Compliance Audit Report Non-Public Version

[Entity Name]
NERC ID# **[xxxxxxxxx]**

**Contains Confidential Information (including
Privileged and Critical Energy Infrastructure
Information) – Do Not Distribute**

Date of Audit: [Dates Audit Performed]
**Date of Report: [Date Audit Report Submitted for
Management Approval]**

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Executive Summary

A compliance audit of [Entity Name] [Entity Acronym], NERC ID # - [NERC ID#] was conducted from [Dates of Audit Review]. At the time of the audit, [Entity Acronym] was registered for the [Functions registered (XX)] functions.

The audit team evaluated [Entity Acronym] for compliance with [number (XX)] requirements in the [Year, (YYYY)] NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards, and applicable Regional Reliability Standards, for the period of [Period of Audit]. [Entity Acronym] submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by [Entity Acronym] to assess compliance with standards applicable to [Entity Acronym] at this time.

Based on the information and documentation provided by [Entity Acronym], the audit team found [Entity Acronym] to have no findings of non-compliance with [Compl Req. # (XX)] applicable requirements. The audit team determined that [N/A Req # (XX)] requirements were not applicable to [Entity Acronym]. The audit team identified [PV # (XX)] Possible Violation(s). A Possible Violation(s) was identified for [Reliability Standard in Violation #, Req #, Standard Title] and sub-requirement [Sub Req #]. The audit team notified [Entity Acronym] of [number (XX)] Areas of Concern³ and [number (XX)] Recommendations.

The audit results are further explained in the Audit Results Findings section of this report which includes detailed information of the audit team's findings of applicability and compliance to the NERC Reliability Standards, and Applicable Regional Reliability Standards, within the scope of the compliance audit. Possible Violations will be processed as outlined in the NERC and [Regional Entity Name] CMEP. There [Were / Were Not] ongoing or recently completed mitigation plans and therefore [All / None] were reviewed by the audit team.

The [Regional Entity] audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP).⁴

OR

The [Regional Entity] audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP) with the following exceptions. The [Regional Entity] audit team

³ Per FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009.

⁴ This statement replaces the Regional Entity Self-Certification process.

did not adhere to [Section of ROP/CMEP] due to [State Reasons]. The [Regional Entity] audit team did not adhere to [Section of ROP/CMEP] due to [State Reasons].*

Audit Process

The compliance audit process steps are detailed in the [Regional Entity] CMEP. The [Regional Entity] CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

Objectives

All Registered Entities are subject to an audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.⁵ The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to [Entity Acronym], based on the functions that [Entity Acronym] is registered to perform;
- Validate compliance with applicable reliability standards from the NERC [year] Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by [Regional Entity];
- Validate compliance with applicable regional standards from the [Regional Entity] [year] Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document [Entity Acronym]'s compliance program and culture;
- Review the status of mitigation plans.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the [Regional Entity] [Year] Implementation Plan. In addition, this audit included a review of mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, [Entity Acronym] was registered for the functions of [Registered Functions]. The audit team evaluated [Entity Acronym] for compliance during the period of [Start Date of Monitored Period] to [Date of Audit].

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the [Regional Entity] Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. [Entity Acronym] was informed of [Regional Entity]'s obligations and responsibilities under the

⁵ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

agreement and procedures. The work history for each audit team member was provided to [Entity Acronym]. [Entity Acronym] was given an opportunity to object to an audit team member’s participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member’s impartial performance of duties. [Entity Acronym] had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by [Entity Acronym].

Methodology

The audit team reviewed the information, data, and evidence submitted by [Entity Acronym] and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to [Regional Entity] [Number of Days] days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding can be submitted upon agreement by the audit team lead.

The audit team requested and received additional information and sought clarification from subject matter experts during the audit.

The audit team reviewed documentation provided by [Entity Acronym]. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. which were validated, substantiated and cross-checked for accuracy as appropriate. Requirements which required a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the bulk electric system (BES).

Findings were based on the audit team’s knowledge of the BES, the NERC Reliability Standards and their professional judgment. All findings were developed based upon the consensus of the audit team.

Company Profile

This section should contain any descriptive information about the audited entity to explain its usage, ownership or operational responsibilities pertaining to the BES. In addition, information identifying geographical area, size, organizational roles, and etc. should be included.

Audit Participants

The following is a listing of all personnel from the Audit Team and [Entity Acronym] who were present during the meetings or interviews.

Audit Team Participants

Role	Name	Title	Entity
Audit Team Lead			
Team Member			

[Entity Acronym] Audit Participants

Name	Title	Entity

Audit Results

The audit team evaluated [Entity Acronym] for compliance with [number (XX)] requirements in the [Year, (YYYY)] NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of [Period of Audit]. [Entity Acronym] submitted information and documentation for the audit team’s evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by [Entity Acronym] to assess compliance with standards applicable to [Entity Acronym] at this time.

Based on the information and documentation provided by [Entity Acronym], the audit team found [Entity Acronym] to have no findings of non-compliance with [Compl Req. # (XX)] applicable requirements. The audit team determined that [N/A Req # (XX)] requirements were not applicable to [Entity Acronym]. The audit team identified [PV # (XX)] Possible Violation(s). A Possible Violation(s) was identified for [Reliability Standard in Violation #, Req #, Standard Title] and sub-requirement [Sub Req #]. The audit team notified [Entity Acronym] of [number (XX)] Areas of Concern.

Findings

[INSTRUCTIONS: The non-public report shall include a detailed listing of the evidence used by the audit team to support the audit findings regardless of the finding; this detailed list of evidence shall be provided in the Findings table below. In circumstances where an Open Enforcement Action exists for a Requirement, but a new Possible Violation has been identified by the audit team, the Open Enforcement Action shall be noted in the findings table and the new Possible Violation shall be discussed in the Executive Summary of the audit reports. **Delete instructions after reading.]**

The following table details the findings for compliance for the scope identified for this audit.

The Regional Entity can use the existing table or the following outline format to present the audit findings.

1. Reliability Standard # - [XXX-###-#]

Requirement # - [Req. # (XX)]

Finding - [Enter Finding: No Finding, Possible Violation, Not Applicable, and Open Enforcement Action (Include Enforcement Tracking Number)]

Evidence Supporting Finding

The Compliance Monitor shall provide the necessary information to support the compliance finding for the requirement based upon the evidence presented for review.

2. Reliability Standard # - [XXX-###-#]

Requirement # - [Req. # (XX)]

Finding - [Enter Finding: No Finding, Possible Violation, Not Applicable, and Open Enforcement Action (Include Enforcement Tracking Number)]

Evidence Supporting Finding

The compliance monitor shall provide the necessary information to support the compliance finding for the requirement based upon the evidence presented for review.

OR

Reliability Standard	Req.	Finding	Documentation Supporting Finding
[XXX-###-#]	[Req. # (XX)]	[Enter Finding: No Finding, Possible Violation, Not Applicable, and Open Enforcement Action (Include Enforcement Tracking Number). In circumstances where an Open Enforcement Action exists for a Requirement, but a new Possible Violation has been identified by the audit team, the Open Enforcement Action shall be noted in the findings table and the new Possible Violation shall be discussed in the Executive Summary of the audit reports]	The compliance monitor shall provide the necessary information to support the compliance finding for the requirement based upon the evidence presented for review. [The non-public report shall include a detailed listing of the evidence used by the audit team to support the audit findings regardless of the finding. Do Not provide unnecessary supporting documentation as this tends to significantly increase the number of pages contained in the report.]

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Compliance Culture

[Entity Acronym's] compliance culture was reviewed by the audit team.

The compliance monitor shall compile an overview of the entities compliance culture based upon the Internal Compliance Survey questions, information gathered at the audit, and observations made at the audit.

The compliance monitor should be cognizant of the following four factors that characterize vigorous and effective compliance programs and address these factors in the compliance culture overview:

- active engagement and leadership by senior management;
- preventive measures appropriate to the circumstances of the company that are effective in practice;
- prompt detection of problems, cessation of misconduct, and reporting of a violation;
- and remediation of the misconduct.

Additional information pertaining to the compliance culture of [Entity Acronym] can found in the Internal Compliance Survey

OR

[Entity Acronym's] compliance culture was not reviewed by the audit team. [Regional Entity]

Areas of Concern & Recommendations

FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009⁶, states that "If an audit team learns about a situation that does not appear to involve a current or ongoing violation of a Reliability Standard requirement, but instead represents an area of concern that could become a violation, we expect the team to notify the registered entity of the situation, discuss it with the entity, and

⁶ <http://www.nerc.com/files/GuidanceOrderOnComplianceAudits-01152009.pdf>

document such discussions in the compliance audit report. We remind audit teams that they are expected to fully test compliance with any non-actively monitored standard if the teams find evidence during the audit of non-compliance with such a standard.”

The audit team notified [Entity Acronym] of [number (XX)] Areas of Concern. The specific details of each area of concern are described below.

1. [Enter detailed description on Area of Concern].
2. [Enter detailed description on Area of Concern].
3. [Enter detailed description on Area of Concern].

[If the Regional Entity chooses to not include recommendations in the non-public report please delete the following section] Details of Recommendations that an audit team provides to a registered entity during the course of an audit may be included in the non-public version of the compliance audit report, at the Regional Entities discretion, but shall not be included in the public version of the compliance audit report.

The audit team notified [Entity Acronym] of [number (XX)] Recommendations. The specific details of each Recommendation are described below.

1. [Enter detailed description on Recommendation].
2. [Enter detailed description on Recommendation].
3. [Enter detailed description on Recommendation].

Appendix 2: Public Audit Report Template

[Insert Regional Entity Logo]

Compliance Audit Report Public Version

[Entity Name]

NERC ID# **[XXXXXXXXXX]**

**Confidential Information (including Privileged and
Critical Energy Infrastructure Information)
Has Been Removed**

Date of Audit: [Dates Audit Performed]

**Date of Report: [Date Audit Report Submitted for
Management Approval]**

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Executive Summary

A compliance audit of [Entity Name] [Entity Acronym], NERC ID # - [NERC ID#] was conducted from [Dates of Audit Review]. At the time of the audit, [Entity Acronym] was registered for the [Functions registered (XX)] functions.

The audit team evaluated [Entity Acronym] for compliance with [number (XX)] requirements in the [Year, (YYYY)] NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards, and Applicable Regional Reliability Standards, for the period of [Period of Audit]. [Entity Acronym] submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by [Entity Acronym] to assess compliance with standards applicable to [Entity Acronym] at this time.

Based on the information and documentation provided by [Entity Acronym], the audit team found [Entity Acronym] to have no findings of non-compliance with [Compl Req. # (XX)] applicable requirements. The audit team determined that [N/A Req # (XX)] requirements were not applicable to [Entity Acronym]. The audit team identified [PV # (XX)] Possible Violation(s). A Possible Violation(s) was identified for [Reliability Standard in Violation #, Req #, Standard Title] and sub-requirement [Sub Req #]. There [Were / Were Not] ongoing or recently completed mitigation plans and therefore [All / None] were reviewed by the audit team. The audit team notified [Entity Acronym] of [number (XX)] Areas of Concern⁷.

Any Possible Violations were processed through the NERC and [Regional Entity Name] CMEP. The following is a link to the general NOP page located on the NERC public website:
<http://www.nerc.com/filez/enforcement/index.html>

[NOTE: If an NOP or settlement contains both non-CIP and CIP information the link will not be included in the Executive Summary of the public report, regardless if the NOP has Unidentified Registered Entity (URE) as the entity name.]

[Insert explanation addressing all possible violations not addressed by NOP(s) as necessary]

The [Regional Entity] audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP).⁸

⁷ Per FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009.

⁸ This statement replaces the Regional Entity Self-Certification process.

OR

The [Regional Entity] audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP) with the following exceptions. The [Regional Entity] audit team did not adhere to [Section of ROP/CMEP] due to [State Reasons]. The [Regional Entity] audit team did not adhere to [Section of ROP/CMEP] due to [State Reasons].*

Audit Process

The compliance audit process steps are detailed in the [Regional Entity] CMEP. The [Regional Entity] CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

Objectives

All Registered Entities are subject to an audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.⁹ The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to [Entity Acronym], based on the functions that [Entity Acronym] is registered to perform;
- Validate compliance with applicable reliability standards from the NERC [year] Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by [Regional Entity];
- Validate compliance with applicable regional standards from the [Regional Entity] [year] Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document [Entity Acronym]'s compliance program and culture;
- Review the status of mitigation plans.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the [Regional Entity] [Year] Implementation Plan. In addition, this audit included a review of mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, [Entity Acronym] was registered for the functions of [Registered Functions]. The audit team evaluated [Entity Acronym] for compliance during the period of [June 18, 2007] to [Date of Audit].

⁹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the [Regional Entity] Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. [Entity Acronym] was informed of the [Regional Entity] obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to [Entity Acronym]. [Entity Acronym] was given an opportunity to object to an audit team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. [Entity Acronym] had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by [Entity Acronym].

Methodology

The audit team reviewed the information, data, and evidence submitted by [Entity Acronym] and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to [Regional Entity] [Number of Days] days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding can be submitted upon agreement by the audit team lead.

The audit team requested and received additional information and sought clarification from subject matter experts during the audit.

The audit team reviewed documentation provided by [Entity Acronym]. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. which were validated, substantiated and cross checked for accuracy as appropriate. Requirements which required a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the bulk electrical system (BES).

Findings were based on the audit team's knowledge of the BES, the NERC Reliability Standards and their professional judgment. All finding were developed based upon the consensus of the audit team.

Company Profile

This section should contain any descriptive information about the audited entity to explain its usage, ownership or operational responsibilities pertaining to the BES. In addition, information identifying geographical area, size, organizational roles, and etc. should be included.

Audit Participants

The following is a listing of all personnel from the Audit Team and [Entity Acronym] who were present during the meetings or interviews.

Audit Team Participants

Title	Entity

[Entity Acronym] Audit Participants

Title	Entity

Audit Results

The audit team evaluated [Entity Acronym] for compliance with [number (XX)] requirements in the [Year, (YYYY)] NERC Compliance Monitoring and Enforcement Program (CEMP). The audit reviewed NERC Reliability Standards for the period of [Period of Audit]. [Entity Acronym] submitted information and documentation for the audit team’s evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by [Entity Acronym] to assess compliance with standards applicable to [Entity Acronym] at this time.

Based on the information and documentation provided by [Entity Acronym], the audit team found [Entity Acronym] to have no findings of non-compliance with [Compl Req. # (XX)] applicable requirements. The audit team determined that [N/A Req # (XX)] requirements were not applicable to [Entity Acronym]. The audit team identified [PV # (XX)] Possible Violation(s). A Possible Violation(s) was identified for [Reliability Standard in Violation #, Req #, Standard Title] and sub-requirement [Sub Req #]. The audit team notified [Entity Acronym] of [number (XX)] Areas of Concern.

Findings

[INSTRUCTIONS]: The public report shall not include a detailed listing of the evidence used by the audit team to support the audit findings, however, a general description of the evidence shall be provided in the Findings table below. In circumstances where an Open Enforcement Action exists for a Requirement, but a new Possible Violation has been identified by the audit team, the Open Enforcement Action shall be noted in the findings table and the new Possible

Violation shall be discussed in the Executive Summary of the audit reports. **Delete instructions after reading.**

The following table details the findings for compliance for the scope identified for this audit.

Reliability Standard	Requirement	Finding
[XXX-###-#]	[Req. # (XX)]	[Enter Finding: No Finding, Possible Violation, Not Applicable, and Open Enforcement Action (Include Enforcement Tracking Number). In circumstances where an Open Enforcement Action exists for a Requirement, but a new Possible Violation has been identified by the audit team, the Open Enforcement Action shall be noted in the findings table and the new Possible Violation shall be discussed in the Executive Summary of the audit reports]

Compliance Culture

[Entity Acronym’s] compliance culture was reviewed by the audit team.

The compliance monitor shall compile an overview of the entities compliance culture based upon the Internal Compliance Survey questions, information gathered, and observations made at the audit.

The compliance monitor should be cognizant of the following four factors that characterize vigorous and effective compliance programs and address these factors in the compliance culture overview:

- active engagement and leadership by senior management;
- preventive measures appropriate to the circumstances of the company that are effective in practice;
- prompt detection of problems, cessation of misconduct, and reporting of a violation;
- and remediation of the misconduct.

Additional information pertaining to the compliance culture of [Entity Acronym] can be found in the Internal Compliance Survey.

OR

[Entity Acronym's] compliance culture was not reviewed by the audit team. [Regional Entity]

Areas of Concern

FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009, states that “If an audit team learns about a situation that does not appear to involve a current or ongoing violation of a Reliability Standard requirement, but instead represents an area of concern that could become a violation, we expect the team to notify the registered entity of the situation, discuss it with the entity, and document such discussions in the compliance audit report. We remind audit teams that they are expected to fully test compliance with any non-actively monitored standard if the teams find evidence during the audit of non-compliance with such a standard.” The audit team notified [Entity Acronym] of [number (XX)] Areas of Concern.