

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NERC Regional Entity Audit Southwest Power Pool, RE (SPP)

Prepared by
Blane Taylor
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to ensure
the reliability of the
bulk power system

116-390 Village Blvd., Princeton, NJ 08540
609.452.8060 | 609.452.9550 fax
www.nerc.com

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Chapter 1 – Executive Summary

Overview

In accordance with the Federal Energy Regulatory Commission’s (FERC) Order No. 672, the North American Electric Reliability Corporation (NERC) developed a program to audit the Regional Entities’ adherence to the Rules of Procedures (ROP), the Compliances Monitoring and Enforcement Program (CMEP) and the requirements of the Regional Delegation Agreement (RDA). This effort was pursuant to FERC’s direction contained in Paragraph 773.¹ Additional requirements concerning the Regional Entity Audit Program attributes are contained in the ROP Section 402.1.3.²

Based on the NERC Board of Trustees’ (BOT) recommendation, NERC partnered with an independent auditing firm, Crowe Horwath, LLP (Crowe) to develop the procedures and perform the Regional Entity Audit Program. NERC determined an Attestation of Agreed-Upon Procedures (AUPs)³ was the best vehicle for meeting its responsibility as outlined by FERC. The Crowe endeavor was coupled with NERC staff performing areas requiring technical subject matter expertise.

NERC staff performed assessments in the following three areas: 1) information systems (Regional Entity processes for maintenance and control of data security); 2) audit validation (validation of the results of a compliance audit performed by the Regional Entity on one of its registrants); and 3) financial and budget management (a review of the Regional Entity’s financial records).

¹ See *Rules Concerning Certification of the Electric Reliability Organization; Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards*, FERC Stats. & Regs., ¶ 31,204 at P 773 (“Order No. 672”), *order on reh’g*, FERC Stats. & Regs. ¶ 31,212 (2006) (“Order No. 672-A”) (“We contemplate that a compliance audit of the ERO would typically involve an examination of the ERO’s ongoing compliance with statutory and regulatory criteria for certification and its performance in carrying out its responsibility to oversee the compliance with and enforcement of Reliability Standards. The Commission, however, maintains the flexibility to determine the applicable scope of a particular audit. The Final Rule eliminates the proposed periodic Commission compliance audit of each Regional Entity. Instead, we require the ERO periodically to audit each Regional Entity’s ongoing compliance with relevant statutory and regulatory criteria and performance in enforcing Reliability Standards and report the results to the Commission.”).

² See NERC Rules of Procedure at § 402.1.3 (“Regional Entity Program Audit - At least once every three years, NERC shall conduct an audit to evaluate how each regional entity compliance enforcement program implements the NERC Compliance Monitoring and Enforcement Program. The evaluation shall be based on these rules of procedures, the delegation agreement, approved regional entity annual compliance enforcement program annual implementation plans, required program attributes, and the NERC compliance program procedures. These evaluations shall be provided to the appropriate ERO governmental authorities to demonstrate the effectiveness of each regional entity.”).

³ An Attestation of an Agreed-Upon Procedure is an engagement relating to Agreed-Upon Procedures (criteria for auditing) to specified elements or accounts. Agreed-Upon Procedures are an engagement with an accounting firm that is hired to issue a report of findings (attestation) based on specified criteria. The user of the report, in this case NERC, agrees upon the procedures to be conducted by the accountant that NERC believes are suitable to the requirements. NERC takes responsibility for the adequacy of the procedures. In this engagement, the accountant does not express an opinion or negative assurance. Instead, the report is in the form of procedures and findings.

The audit of Southwest Power Pool, RE's (SPP) adherence to its delegated functions was held at SPP's headquarters during the week of February 1, 2010, with the audit of SPP information systems and data security being held during the week of February 15, 2010. Two observers from the FERC, representing the Office of Electric Reliability (OER) and the Office of Enforcement (OE), and a Compliance and Certification Committee (CCC) representative participated as observers during the first week of the audit.

SPP staff was very accommodating to the needs of the audit team. SPP provided all pre-audit information requested on or before the due date and worked diligently to provide supplemental information requested by the audit team in a timely manner.

Out of more than four-hundred agreed upon procedures that it performed, Crowe identified thirty-three exceptions to the AUP criteria, of which six were identified as exceptions to stated requirements. Appendices A and B of this report contain the exceptions to the AUP noted by Crowe. Appendix A includes exceptions relating to non-adherence to the ROP, RDA, or other NERC guidance or direction documents. Appendix B includes exceptions that do not necessarily constitute non-adherence to the ROP and RDA.

During the week of February 1, 2010, two members of NERC's compliance staff reviewed the conclusions and findings reached by SPP's staff in their audit of one registrant. NERC identified thirteen issues associated with the audits, which consisted of thirty-six standards including one-hundred thirty-two requirements. While the NERC audit team was unable to confirm SPP's conclusions for twelve reliability standard requirements based on the evidence provided for review, SPP had access to additional information that supported its findings but was not retained in the evidence file. The audit team did not conclude that the registrant was in violation of any standard based on the evidence provided. The remaining issue concerned the applicability of one Standard during the audit period. Subsequent to the audit, NERC has concluded that the Standard was not applicable during the audit period.

During the week of February 15, 2010, two members of NERC compliance staff performed an assessment of SPP's data security. The NERC compliance staff identified seven items SPP should address, and offered suggestions for improvements in those areas. The NERC staff concluded that the items identified by the audit team did not pose an immediate threat to SPP's data security.

NERC's Chief Financial and Administrative Officer determined that the financial review performed in connection with NERC's approval of SPP's 2011 budget was sufficient to cover this review and no issues were noted related to SPP funding.

Further details regarding each area assessed by NERC are contained in subsequent sections of this report. The attestation by Crowe of the AUP performed is separate and independent from this report. The exceptions to the AUP identified by Crowe are summarized in Appendices A and B.

Chapter 2 - Background

Program Development

NERC Compliance staff solicited proposals from four well-known, publicly recognized auditing firms. Three engagement types were provided by the auditing firms: 1) consultative; 2) management assertion and 3) attestation of the AUP. NERC executive management and compliance staff responsible for the project met on numerous occasions to discuss the options provided. An attestation of the AUP was determined the best vehicle to use for implementation of the NERC Regional Entity audit program since this type of engagement provides an audit format which is not open to subjectivity and can be consistently applied.

NERC also contracted Crowe Horwath, LLP to develop a consultative report in the form of a management letter to identify any areas of process improvement noted during the development of the AUP (management letter to NERC) and for each subsequent RE audit (management letter for each RE).

A NERC Senior Regional Entity Compliance Program Auditor worked with Crowe Horwath staff and the NERC program owners to develop the AUP criteria. A listing of the AUP with reference areas is captured in Appendix C.

Based on requests from the Regional Entities, NERC executive management decided to include other areas related to the Regional Entity's ERO functional requirements in the program during the first cycle of audits⁴. The decision was based on reducing the burden placed on the Regional Entities for supporting two separate audits. Regional Reliability Standards Development Program, Funding and Event Analysis were areas added to the Regional Entity Audit Program. The Regional Entity's role in Reliability Assessments was not included in the audit activities since NERC maintains control of and plays an active role throughout this process. The NERC independent reliability assessment is based on constant communication with the eight regions to collect data, regional self-assessments, and development of reliability assessment reports. In addition, to address emerging reliability considerations, NERC obtains perspectives, data and information from the regions to fortify its Special Reliability Assessments.

Drafts of the AUP were sent to each NERC program owner to review for accuracy and to the eight Regional Entities and FERC for review and comment. This was done to promote and maintain transparency of the Regional Entity Audit Program. Based on comments received, NERC revised areas of the original audit plan, specifically associated in the areas of funding and data security.

⁴ See NERC Rules of Procedure at § 1207 (“Regional Entity Audits - Approximately every three years and more frequently if necessary for cause, NERC shall audit each regional entity to verify that the regional entity continues to comply with NERC rules of procedure and the obligations of NERC delegation agreement.”).

Chapter 3 – Audit Process

Compliance and Certification Committee Participation

The Compliance and Certification Committee (CCC) is a NERC Board of Trustees appointed stakeholder committee reporting directly to the NERC Board. As part of its charter, the CCC monitors NERC's compliance with the Rules of Procedure while maintaining independence of the execution of NERC's programs. In meeting its obligation, a CCC member was designated to observe the RE audits to maintain oversight of NERC's implementation of the program.

Pre-Audit

Prior to the audit, NERC sent SPP three requests for information (RFI): Part 1, 2 and 3. RFI Part 1 (General Sample Population) requested lists of items for Crowe Horwath to use to randomly select test items for the audit. Part 2 (ROP/CMEP) was focused on CMEP items, and Part 3 (ERO Functional Responsibilities) focused on the RE enforcement functional responsibilities. NERC also provided SPP with two corresponding Pre-Audit Questionnaires, one specific to CMEP activities and the other to ERO functional requirements under the delegation agreement.

NERC made available to SPP each Crowe Horwath team member's work history, confidentiality agreements and conflict of interest statements. NERC also made available the CCC member's signed NERC conflict of interest and confidentiality statements and work history. These documents were provided to SPP within the specified time frame prior to the audit.

Off-site Audit Process

The off-site week of the audit process was focused on SPP's processes and procedures and performance of AUPs based on review of documentation provided. A NERC Compliance Auditor and a Senior Compliance Auditor were present to provide oversight, coordination and subject matter expertise to the Crowe Horwath staff, when required.

NERC and Crowe Horwath staff held a daily status conference call with SPP staff on Tuesday through Thursday. Items covered during these meeting included:

- Completed activities for the day, including AUP percent completion
- Planned activities for the following day.
- Open request for information items
- Possible exceptions to the AUP
- Possible management letter items

NERC provided SPP the opportunity to respond to any identified items. By the end of the off-site week, the Crowe Horwath team completed the following percentages of the procedures.

#	AUP Area	% completed
I	Data Retention & Confidentiality	70%
II	Independence	45%
III	Reporting to NERC	25%
IV	Registration	70%
VI	Compliance	60%
VII	Registrant Reporting	80%
VIII	Investigations	95%
IX	Notices	On-site

Chapter 3 – Audit Process

#	AUP Area	% completed
X	Penalties, Sanctions, & Settlements	On-site
XI	Mitigation Plans	-
XII	ERO	60%

On-site Audit Process

The team arrived at the SPP offices at 8:00 am, Monday, February 1. SPP introduced its staff to the NERC audit team and provided an overview of SPP including its committee structure, organization chart, and key facts about the organization.

NERC introduced its audit team members and provided an overview of the NERC RE audit process in a presentation to SPP staff in attendance. Topics included in the presentation were:

- Scope of the audit
- RE audit regulatory references
- Roles and responsibilities of the NERC team members and observers
- Deliverables and timelines

During the on-site audit, Crowe Horwath and NERC staff held interviews with key SPP personnel to validate evidence presented. FERC staff and the CCC representative were in attendance for many of the interviews.

At approximately 3:30 p.m. Monday through Thursday, Crowe Horwath and the NERC audit team provided status updates for SPP personnel. Items discussed were the same as previously mentioned for the Off-Site Audit process, with the addition of status reports on the NERC staff's verification of the selected SPP audit. SPP took the opportunity to discuss noted items, supply additional information for clarification, and confirm plans for the following day.

The audit team delivered the exit briefing on Friday, February 5, 2010. Crowe Horwath discussed noted possible exceptions to the AUP and management letter items. NERC staff provided a status update on the validation of the selected SPP audits. NERC indicated SPP needed to provide responses to open data requests by close of business Wednesday, February 10th, except for responses relevant to the Information Systems AUP to be audited as scheduled the following week. NERC also discussed the results of the audit validations and provided the timeline for development of the audit report and the reviews of the draft by SPP and NERC.

After completion of the On-Site Audit process, several AUP items needed further review by Crowe Horwath prior to finalization. This was completed, and Crowe Horwath's reports were delivered to NERC on February 26, 2010.

Chapter 4 – Financial and Budget Management

Background

Pursuant to the “Funding”⁵ Section 8 of the SPP Regional Delegation Agreement, NERC has the obligation to perform a review of SPP’s financial records, at a minimum of every three years. NERC developed audit criteria with Crowe Horwath, LLP based on the requirements outlined in the delegation agreement, in the form of an agreed upon procedure. The majority of criteria developed included items which an independent financial auditing firm should include in its annual review of RE financial records. SPP provided NERC copies of various requested documents which to assert to NERC that all items necessary for adherence to Section 8 were met and to provide assurance concerning financial and budget items presented to the NERC Board of Trustees.

Conclusion

A financial review was undertaken by NERC in connection with NERC’s recent review of SPP’s 2011 budget. The 2011 budget review included a review of SPP’s most recent audited and unaudited financial statements and their most recent outside audit report. NERC has determined that the results of that review were satisfactory to determine that SPP has complied with its obligations as required by Section 8 of the delegation agreement and to fulfill the requirement for this review.

⁵ Amended and Restated Delegation Agreement Between NERC and SPP of January 3, 2009, Section 8(j): NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of SPP in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

Chapter 5 – Information Systems

Discussion of Review

Pursuant to requirements outlined in RoP 402.3⁶, NERC staff in conjunction with Crowe Horwath, LLP staff developed criteria for assessing the regional entities process for maintenance of data security, confidentiality and integrity.

NERC staff performed an assessment of SPP's processes for maintenance and control of its data security. This audit took place at SPP's offices in Little Rock the week of February 15, 2010. Due to the sensitive nature of the information reviewed, this report contains only a summary of key areas evaluated. A more detailed report is being provided to SPP management under a separate letter.

The on-site audit of Information System Procedures addressed eight areas: Data Management: Data Classification: Data Transmittal: Data Security and Access Controls: Data Security for Contractors: Data Back-up and Recovery, Off-site Data Storage: and, Data Security and Monitoring.

The audit team reviewed SPP's information system procedures which address electronic and hard copy data supplied to SPP from its registered entities and internally created documents. The audit team identified seven issues and made recommendations regarding these issues to SPP management during the exit presentation. The audit team also identified a possible best practice associated with data backup and recovery.

Conclusion

The issues identified by the audit team did not pose an immediate threat to the security of SPP's information. The process SPP, Inc. used to identify the specific needs for data security, define the functions required of security processes and procedures, and design the system requirements to satisfy the data security requirements was thorough and effective in identifying what was required and how it would be used. The NERC audit team recommends the SPP, Inc. process be considered as a best practice.

⁶ Rules of Procedure 402.3-NERC Monitoring Program NERC and the regional entities shall implement data management procedures that address data reporting requirements, data integrity, data retention, data security, and data confidentiality.

Chapter 6 –Compliance Audit Validation

Discussion of Review

Pursuant of the Rules of Procedure 402.1.3.2⁷ NERC, in maintaining its oversight of the RE compliance monitoring and enforcement program, is obligated to verify the findings of previous compliance audits conducted by the RE. To meet this obligation, NERC evaluated the results of one compliance audit performed by SPP. The audit evaluated was an on-site audit of an SPP member registered as a BA, DP, GO, GOP, LSE, PSE, TO, TP, and TOP.

The NERC audit team performing the evaluations included two Regional Compliance Auditors. The audit team reviewed the documentation supplied by the registered entities to SPP as evidence of compliance and performed a detailed review of that evidence. Interviews were held with the SPP audit team lead to answer questions related to the evidence provided and conclusions reached in these SPP audit.

Thirty-six standards, including one hundred thirty-two requirements, were applicable to the SPP compliance audit reviewed. The NERC audit team reviewed the evidence provided for each requirement. The audit team was unable to confirm SPP conclusions based on the evidence provided for twelve requirements; however, the evidence provided did not indicate registrant non-compliance. There was simply insufficient evidence provided for the NERC staff to arrive at the same conclusion as the SPP staff.

A separate issue with IRO-006-3 R6 involved the applicability of R6. During the period between October 2008 and January 2009, IRO-006-4 had been approved by the NERC Board of Trustees and was waiting on FERC approval to replace IRO-006-3. This would have eliminated R6. IRO-006-04 was finally made effective in April 2009. Since IRO-006-4 was not finally effective until April of 2009, IRO-006-3 should have been treated as required in 2009 audits prior to April 2009. It was omitted from the SPP requirements audited. It would serve no purpose to have compliance with that requirement reviewed now, since the industry and FERC have determined that it should not be applicable. The SPP audit team also omitted PER-001-0 R1 from the audit. That requirement was not in the 2008 list of applicable requirements, but was in the 2009 list. The SPP audit was originally scheduled to be performed in October 2008, but was delayed until January 2009, and the requirement should have been audited. The NERC audit team was able to determine that the registered entity was compliant with that requirement based on evidence provided for other requirements included in the audit. The NERC audit team recommended SPP review its process for populating the lists of applicable standards and requirements to ensure similar issues do not arise in the future.

In discussions concerning the remaining requirements for which the NERC audit team could not confirm the SPP audit team's conclusions, the SPP audit team leader stated that the team heard or saw evidence that supported the conclusion that the registered entity was compliant, but the team did not capture evidence of those occurrences. In several cases SPP was able to provide

⁷ Rules of Procedure 402.1.3.2-NERC shall establish a program to audit bulk power system owners, operators, and users operating within a regional entity to verify the findings of previous compliance audits conducted by the regional entity to evaluate how well the regional entity compliance.

additional evidence that did support those conclusions. The NERC audit team recommended SPP ensure that all auditing personnel take a refresher course in gathering quality evidence at least annually and ensure that those personnel are aware of the need to capture the evidence needed to determine compliance with requirements in areas related to functions performed or supported by SPP or other regional organizations, even when the audit team members are aware of the processes being performed.

Conclusion

While the NERC audit team was unable to confirm SPP’s conclusions for twelve reliability standard requirements based on the evidence provided for review, the audit team did not conclude that the registrant was in violation of any standard based on the evidence provided.

Appendix A - AUP Exceptions to the Rules of Procedures, Delegation Agreement and Other

Note: These exceptions were copied from the Crowe Horwath, LLP Report.

V. Reporting To NERC

See Crowe report at § V.D.8.c.i.a.:

“For two (2) out of twelve (12) sampled registered entities (Sample No. 1 and 6 above), it was noted that SPP’s transmittal of notification and Mitigation Plan to NERC did not occur within five (5) business days of the date SPP accepted the Mitigation Plan. Specifically, it was noted for Sample No. 1, that the notification to NERC occurred after nineteen (19) business days. For Sample No. 2, the notification to NERC occurred after nine (9) business days.”

VIII. Compliance Activities

See Crowe report at § VIII.A.4.i.v.a):

“CMEP 3.1.4 states, "A Compliance Audit will include all Reliability Standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and three previous years, and may include other Reliability Standards applicable to the Registered Entity." Crowe noted that for all five (5) audits sampled, RSAWs related to standards applicable to the entity at the time of the audit were not included. Crowe noted that for some of the RSAWs that should have been included in the audits, the standard was included in the auditor's notes or final report. Detailed listing of the omitted reliability standards was documented in Crowe’s workpapers.”

See Crowe report at § VIII.A.4.p):

“CMEP 3.3.1 states, "the Compliance Enforcement Authority reviews the report developed by the audit team and completes an assessment of any Alleged Violations with the Reliability Standards identified in the report." Crowe noted that there was no documentation of SPP's review of the audit report available for four (4) of the five (5) compliance audits sampled. The fifth audit report was not finalized due to the fact that SPP was responding to commentary from NERC/FERC.”

IX. Registered Entity Reporting

See Crowe report at § IX.C.3.a.vi.:

“Section 3.6.1 of CMEP states, "The Compliance Enforcement Authority reviews its draft assessment of the Registered Entity's compliance with the Registered Entity and provides an opportunity for the Registered Entity to comment on the assessment before it is finalized." Crowe noted during PDS testing that SPP did not provide draft assessments for any of the ten (10) sampled registrant data submittals. As a result, Crowe was not able to perform the following procedures.”

See Crowe report at § IX.C.3.a.vii.:

“Section 3.6.1 of CMEP states, "The Compliance Enforcement Authority completes the assessment of the Registered Entity for compliance with the Reliability Standard and notifies the Registered Entity." During PDS testing, Crowe noted that SPP did not provide final assessments for any of the ten (10) sampled registrant data submittals. As a result, Crowe was not able to perform the following procedures.”

See Crowe report at § IX.D.2.a.i.c.):

“Section 3.7 of the CMEP states, "The Compliance Enforcement Authority shall also require Registered Entities to confirm the number of exceptions that have occurred in a given time period identified by NERC, even if the number of exceptions is zero." Crowe noted during testing that the 2008 notifications provided for all 10 sample items did not include this required language.”

Appendix B-AUP Exceptions

Note: The exceptions listed in Appendix B are quotes from the Crowe Horwath, LLP Report and are contained in quotes.

II. Data Retention and Confidentiality

See Crowe report at § II. B.9.a. i:

“We noted for all five (5) sampled compliance audits that documentation to support that SPP provided copies of signed confidentiality / non-disclosure agreements was not available. Per SPP, the audit team leader made the registered entities aware that these documents existed and would be provided to the registered entity on request. As a result, we were not able to perform the following procedures.”

III. Independence

See Crowe report at § III.A.4.a.iv.:

“Crowe noted that there was no mention of "Review of conflict of interest statements/disclosures submitted by Board members, executives, and staff in the Bylaws or the Standards of Conduct document provided by SPP.”

See Crowe report at § III.A.4.a.iv.c.:

“Crowe noted that there was no documentary evidence to confirm that a review of the Conflict of Interest statements was done by management. As such, Crowe was unable to perform the above procedures related to documentation of review.”

See Crowe report at § III.A.4.a.vii.:

“Crowe noted that there was no mention in the Bylaws or the Standards of Conduct document of, ‘Monitoring and enforcement of internal independence and conflict of interest policies.’”

See Crowe report at § III.A.4.a.vii.c.:

“Crowe noted that there was no documentary evidence to confirm that management performed monitoring and enforcement related to “Monitoring and enforcement of independence and conflict of interest policies related to internal parties.” Per SPP, they relied on the honesty of the employee to determine if there was a conflict and notify the RE immediately. As such, Crowe was unable to perform the above procedures related to documentation of monitoring procedures.”

See Crowe report at § III.A.7.d.:

“Crowe noted that there was no documentation available to support decisions made on possible alleged violations in the five compliance audits sampled. Per SPP, these decisions were made as a collaboration of the audit team and there was no one decision maker.”

See Crowe report at § III.B.2.d.iii.:

“Crowe noted that there was no documentary evidence to confirm that a review by management of the Conflict of Interest statements was done. As such, Crowe was unable to perform the above procedures.”

See Crowe report at § III.B.2.e.:

“Crowe noted that there was no documentation to support the, "Monitoring and enforcement of independence and conflict of interest policies related to external parties." Per SPP, they relied on the contractors and the registered entity to determine if there is a conflict and notify SPP immediately. As such, Crowe was not able to document who performs the monitoring and enforcement and the related procedures below.”

VI. Registration

See Crowe report at § VI.A.6.:

“Crowe selected three (3) LSE’s for testing. We noted during testing that SPP was unable to provide documentation showing they verified that any of the three sampled LSEs met one (1) of the necessary criteria for registration specified in section III of NERC’s Statement of Compliance Registry Criteria (version 5.0).”

See Crowe report at § VI.A.8.:

“Crowe selected three (3) DP’s for testing. We noted during testing that SPP was unable to provide documentation showing that any of the three sampled DPs met the necessary criteria for registration specified in section III of NERC’s Statement of Compliance Registry Criteria (version 5.0).”

See Crowe report at § VI.A.10.:

“Crowe selected three (3) GO’s. We noted during testing that SPP was unable to provide documentation showing that any of the three sampled GOs met the necessary criteria for registration specified in section III of NERC’s Statement of Compliance Registry Criteria (version 5.0).”

See Crowe report at § VI.A.12.:

“We selected three (3) TOPs. Crowe noted during testing that SPP was unable to provide documentation showing that any of the three sampled TOPs met the necessary criteria for registration as specified in section III of NERC’s Statement of Compliance Registry Criteria (version 5.0).”

See Crowe report at § VI.B.:

“Upon review of the registration process, Crowe noted that there were no written procedures to assure that all entities that should be registered within its region are actually registered.”

VIII. Compliance Activities

See Crowe report at § VIII.A.4.i.:

“For each of the five (5) audits in our sample, we haphazardly selected a sample of ten (10) RSAWs. We requested copies of each of the RSAWs in our samples. Section 9.2 of Compliance

Auditor Manual states that the RSAWs are to be used in the performance of the audit and auditors should incorporate their determination of whether the registered entity is compliant, non-compliant or the requirement is not applicable in the RSAWs. During the performance of the compliance audit AUP procedures, Crowe noted that the audit team did not utilize the RSAWs during the performance of the audits. Crowe also noted that the RSAWs provided for one (1) of the sampled audits did not relate to the sampled entity. Based on further discussions with SPP, Crowe noted that the sampled entity was consolidated into another entity prior to the audit date. Even though the sampled entity merged with another entity, the RSAW documentation should have been segregated due to the fact that both the entities had different NERC IDs and were registered for different functions for the audit period.”

See Crowe report at § VIII.A.4.i. ii.a):

“Crowe noted that for one (1) of the ten (10) RSAWs selected for testing under one (1) of the sampled compliance audits, one (1) of the requirements (COM-001-1 R6) in the NERC RSAW was not included in the SPP RSAW.”

See Crowe report at § VIII.A.4.i. ii.c):

“For all 10 (ten) RSAW sample items under each of the five (5) sampled compliance audits, Crowe noted that the checklists on the RSAWs were not marked in any way to denote the standard requirement had been addressed during the audit. Crowe would have expected to see each requirement include a check mark or a notation ("N/A.") indicating the requirement was not applicable.”

See Crowe report at § VIII.A.4.i. ii.d):

“Crowe noted that not all the RSAWs sampled under procedure A.4.i included all the requirements in the auditor notes document or audit report in order to state whether the requirement was compliant, not compliant or not applicable. Following was noted for the sampled compliance audits:

Compliance Audit (Sample No. 2) - For five (5) of the ten (10) RSAWs, some of the requirements were omitted from the auditor notes document.

Compliance Audit (Sample No. 3) - For four (4) of the ten (10) RSAWs, some of the requirements were omitted from the auditor notes document.

Compliance Audit (Sample No. 4) - For four (4) out of ten (10) RSAWs, some of the requirements were omitted from the auditor notes document or audit report.

Compliance Audit (Sample No. 5) - For two (2) out of ten (10) RSAWs, some of the requirements were omitted from the auditor notes document or audit report.

Detailed listing of the missing requirements was documented in our workpapers.”

See Crowe report at § VIII.A.4.i. ii.e):

“As the requirements were omitted from the auditor notes document or audit report as noted under procedure 4.A.i.ii.d) above, there was no corresponding reference to the supporting

documentation or description of information reviewed for the following sampled compliance audits:

Compliance Audit (Sample No. 2) - For five (5) of the ten (10) RSAWs, a reference to supporting documentation or a description of information reviewed for some of the requirements was omitted from the auditor notes document.

Compliance Audit (Sample No. 3) - For four (4) of the ten (10) RSAWs, a reference to supporting documentation or a description of information reviewed for some of the requirements was omitted from the auditor notes document.

Compliance Audit (Sample No. 4) - For four (4) out of ten (10) RSAWs, a reference to supporting documentation or a description of information reviewed for some of the requirements was omitted from the auditor notes document or audit report.

Compliance Audit (Sample No. 5) - For two (2) out of ten (10) RSAWs, a reference to supporting documentation or a description of information reviewed for some of the requirements was omitted from the auditor notes document or audit report.

Detailed listing of the omitted requirements was documented in Crowe's workpapers."

IX. Registered Entity Reporting

See Crowe report at § IX.C.3.a.ii.:

"Section 3.6.1 of the CMEP states that, as part of the data submittal process, "The Compliance Enforcement Authority makes a request for a Periodic Data Submittal." Crowe noted that for two (2) of the ten (10) sampled items, SPP did not provide documentation of notification sent to the registrant."

See Crowe report at § IX.C.3.a.v.:

"Section 3.6.1 of CMEP states the Regional Entity "reviews the data submittal to determine compliance with the Reliability Standards and may request additional data or information for a complete assessment or to demonstrate compliance." Crowe noted during PDS testing that SPP did not provide any documentation showing they reviewed any of the 10 sampled registrant's data submittals. As a result, Crowe was not able to perform the following procedures."

See Crowe report at § IX.D.2.a.i.:

"Crowe noted during testing that SPP provided Self-Certification notifications as documentation for all ten (10) sample Exception Report notifications. Crowe noted during on-site interviews that SPP issued the same documentation through the CDMS system for both reporting functions. However, there was no notation on any of the 2008 Self-Certification notifications provided by SPP that referenced the Exception Reporting function."

XII. Penalties, Sanctions, and Settlements

See Crowe report at § XII.C.2.a.i.:

“For five (5) of the ten (10) settlement agreements sampled, Crowe noted that there was no documentation from the registered entity stating who would be the authorized negotiator throughout the settlement process.”

XIII Mitigation Plans

See Crowe report at § XIII.A.4.:

“Crowe noted that for two (2) of the twelve (12) sampled mitigation plans, SPP did not provide the 'Mitigation Plan Approval Review' document. As a result, Crowe was unable to determine if the two mitigation plans were reviewed by management.”

See Crowe report at § XIII.A.4.a.ii.c.i.:

“Crowe noted that for six (6) of the twelve (12) sampled mitigation plans, documentation was not available to show that SPP reviewed and made a determination of whether the entity's plan properly identified the entities contact information associated with the plan as specified in NERC's Mitigation Plan Approval Criteria.”

See Crowe report at § XIII.A.4.a.ii.g.i.:

“Crowe noted that for three (3) of the sampled mitigation plans, documentation was not available to show that SPP reviewed and made a determination of whether the mitigation plans contained appropriate approval and commitment to the plan by entity's management, as specified by NERC's Mitigation Plan Approval Criteria.”

See Crowe report at § XIII.A.4.a.vii.a.:

“Crowe noted that for three (3) of the sampled mitigation plans, documentation was not available to show that SPP reviewed and made a determination of whether the plan can be adequately monitored for progress as specified in NERC's Mitigation Plan Approval Criteria.”

See Crowe report at § XIII.B.5.c.:

“Section 6.6 of the CMEP states, "The Compliance Enforcement Authority shall request such data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard." Crowe noted that for one (1) sampled mitigation plan, SPP was unable to provide documentation of their determination of whether all required actions in the mitigation plan were completed.”

Appendix C -AUP Procedures List

- I. Implementation plan
 - (Section 4 CMEP, ROP 403.8, ROP 403.9, & ROP 403.21)
- II. Data Retention and Confidentiality
 - (Section 9 CMEP, ROP 402.8, ROP 403.6.4, ROP 403.7.4, ROP 403.14, ROP 403.16, ROP 408.3.1, ROP 502.2.1, & ROP 502.2.2)
- III. Independence [Organizational Independence and Conflict of Interest]
 - (ROP 402.8, ROP 403.1, ROP 403.6.1, ROP 403.6.2, ROP 403.6.3, ROP 403.6.5, ROP 403.7.1, ROP 403.7.2, & ROP 403.7.3)
- IV. Information Systems
 - (ROP 402.3)
- V. Reporting to NERC
 - (Section 8 CMEP, ROP 401.3, ROP 403.10 , ROP 403.15, ROP 403.19, ROP 403.20, ROP 403.21.1, ROP 408.1, ROP 408.4, ROP 410.3, ROP 502.1.4, ROP 502.1.5, ROP 503.3.3.3, ROP 503.3.3.4, ROP 504.2, ROP 507.4, ROP 507.6, & throughout the CMEP sections)
- VI. Registration
 - (Section 2 CMEP, ROP 500, Appendix 5)
- VII. Certification
 - (Section 2 CMEP, ROP 500, Appendix 5)
- VIII. Compliance (Audits and Spot Checks)
 - (Section 3.1 CMEP, ROP 403.7.5, & ROP 403.11; Section 3.3 CMEP, & ROP 403.10.6)
- IX. Registered Entity Reporting (Self-Certifications, Exception Reporting, Self-Reporting, Periodic Data Submittals)
 - (Section 3.2 CMEP, Section 3.7 CMEP, Section 3.5 CMEP, Section 3.6)
- X. Investigations (Compliance Violation Investigations, Complaints)
 - Section 3.4 CMEP, & ROP 403.13, (Section 3.8 CMEP)
- XI. Notices (Possible, Alleged and Notices of Confirmed or Dismissals)
 - (Section 5.1 CMEP)
- XII. Penalties and Sanctions
 - (ROP 403.17, ROP 407.2, & Appendix 4B)
- XIII. Mitigation plans
 - (ROP 403.18, & Section 6 CMEP)
- XIV. Remedial actions
 - (Section 7 CMEP)
- XV. Hearings
 - (ROP 403.4, ROP 403.20, & ROP 407.3)
- XVI. ERO Functional Requirements (Delegation Agreements
 - a. Finance and Budget Management
 - b. Event Analysis
 - c. Regional Reliability Standards Development Program