

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

FINAL REPORT

Regional Entity Compliance Monitoring and Enforcement Program (CMEP 4A) Audit

Western Electricity Coordinating Council (WECC)

Date: August 4, 2022

RELIABILITY | RESILIENCE | SECURITY



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To: Melanie Frye, President and Chief Executive Officer
Jillian Lessner, Chief Administrative and Financial Officer

From: NERC Internal Audit

Date: August 4, 2022

Subject: Regional Entity CMEP 4A Audit – Western Electricity Coordinating Council (WECC)

Enclosed, please find Internal Audit’s report as it relates to the Regional Entity (RE) Compliance Monitoring and Enforcement Program (CMEP Appendix 4A) Audit.

The audit objective is to assess the RE’s implementation of the NERC CMEP and determine whether the program effectively meets the requirements under the Rules of Procedure (ROP) Section 400, Appendix 4C, and the corresponding annual CMEP Implementation Plan (IP), including monitoring and enforcement of compliance with relevant Reliability Standard requirements, and the delegation agreements.

Should you have any questions about this review, please contact Kristin Miller at kristin.miller@nerc.net or at 404-230-4663.

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Note: Individuals whose names appear in bold type are management action plan owner(s).

EXECUTIVE SUMMARY

Western Electricity Coordinating Council (WECC) CMEP Appendix 4A Audit

Background

The **Western Electricity Coordinating Council (WECC)** is one of six REs subject to the Electric Reliability Organization's oversight authority under a delegation agreement. Of those six entities, WECC oversees the largest and most geographically diverse region, known as the Western Interconnection. WECC works with entities across the West to further the common theme of [grid](#) reliability. Through its various reliability-related activities, WECC provides critical support to the Reliability Coordinator and the resource owners/operators throughout the Western Interconnection. One of WECC's functions is coordinating high voltage [intertie paths](#) throughout the region.

WECC's Headquarters are located in Salt Lake City, Utah. WECC's footprint extends from Canada to Mexico and includes the provinces of Alberta and British Columbia, the northern portion of Baja California, Mexico, and all or portions of the 14 Western states between. Additionally, WECC's footprint includes approximately 436 registered entities consisting of municipal utilities, cooperatives, investor-owned utilities, federal power marketing agencies, Canadian Crown Corporations, and independent power producers. Lastly, the WECC CMEP aligns structurally within the Reliability and Security Oversight function and employs approximately 68 professionals encompassing Entity Risk Assessment and Registration (ERAR), Entity Monitoring, Program Analysis and Administration, and Enforcement and Mitigation.

The NERC Regional Entity audit program was established to assess the Regional Entity's implementation of the NERC Compliance Monitoring and Enforcement Program (CMEP) and determine whether the program, as implemented by the Regional Entity, effectively meets the requirements under the CMEP, the NERC Rules of Procedure (ROP), and the corresponding annual Compliance Monitoring and Enforcement Program Implementation Plan (CMEP IP). Each year, NERC identifies risks to focus CMEP activities through its annual CMEP IP.

NERC Internal Audit independently performed the audit of the Regional Entity Compliance Program, which is required at least once every five years.

WECC has participated in periodic self-certifications related to its CMEP and activities up to the period of this engagement. The audit report contains observations and recommendations to assure the effective and efficient reduction of risks to the reliability and security of the Bulk Power System (BPS).

Audit Summary

The audit objective was to assess the RE's implementation of the NERC CMEP and determine whether the program, as implemented by the RE, effectively meets the requirements under the CMEP, the ROP, and the corresponding annual CMEP Implementation Plan (IP), including RE monitoring and enforcement of compliance with relevant Reliability Standard requirements, and the delegation agreements.

The scope of the audit engagement included select areas of the ROP, Appendix 4C, annual CMEP IP risk elements and associated areas of focus and monitoring schedules, and an evaluation of the Regional Entity's approach to and application of risk based CMEP, including the utilization of monitoring tools as defined within the ROP, or directed by NERC.

Overall, WECC’s CMEP was representative of a risk-based approach and included numerous investments and innovations to connect processes and data to enable data driven decisions. This was illustrated by end to end risk assessment processes to Compliance Oversight Plans (COPs), developed for the majority (97%) of registered entities within the WECC footprint. A disciplined approach is applied to determine and continuously monitor registered entities with the appropriate oversight strategy, tool(s) and intervals, influenced by critical inputs (i.e. “triggers”) evaluated with periodicity based on registration changes, analysis, performance considerations and risk.

The most commonly executed monitoring tools are: Compliance Audits (both CIP and Operations and Planning), Self-Certifications and Self-Reporting. Throughout the period of our audit (2020-2021), 42 audits were performed and 450 Self – Certifications. Spot Checks are performed minimally, and participation by registered entities within the Self-Logging program is at a nominal 2% of the total footprint.

In conclusion, the WECC risk-based approach to CMEP is effective and locally developed tools provide the required efficiencies to manage oversight for the largest, geographically diverse region with climate, social and energy challenges. However, WECC recently experienced turnover in three key CMEP management roles, such as, Director of Enforcement and Mitigation, Director of ERAR, and Supervisor, Internal Controls. These vacancies may impact the sustainability of processes and effectiveness of CMEP oversight in the short term. Lastly, there are opportunities to continue to improve processes and controls related to Complaints/Investigations, Training, and overall systematic recordkeeping of key data within local tools (IRAs/COPs/internal controls...) as the transition to Align is completed by year end 2022.

Audit Period and Scope	Observation Summary				
The period under review was January 1, 2020 through December 31, 2021.	Ratings				
The scope included the following:	Area	High	Medium	Low	Total
<ul style="list-style-type: none"> • Governance/Regional Delegation Agreements (RDA) <ul style="list-style-type: none"> ○ Compliance Registry - CMEP Contacts ○ Conflict of Interest (Board and Employees) ○ Training ○ Complaints and Investigations 	Governance	0	0	1	1
<ul style="list-style-type: none"> • Risk Assessment/Risk Categories/Factors/Elements <ul style="list-style-type: none"> ○ Inherent Risk Assessment (IRA) ○ Regional Risk Assessment ○ Mitigating activities 	Risk Assessment	0	0	0	0
<ul style="list-style-type: none"> • Compliance Oversight Plans (COPs) <ul style="list-style-type: none"> ○ Internal Controls 	COPs	0	1	0	1
<ul style="list-style-type: none"> • Enforcement activities and actions <ul style="list-style-type: none"> ○ Issue processing/potential non-compliance ○ Disposition determination ○ Penalty processes/assessments 	Enforcement	0	1	0	1
<ul style="list-style-type: none"> • Compliance Monitoring Processes and Tools <ul style="list-style-type: none"> ○ Compliance Audits ○ Spot Checks ○ Self-Reports, Self-Logging, Self-Certifications ○ Periodic Data Submittals (PDS) 	Monitoring Tools	0	1	0	1

<ul style="list-style-type: none"> • Supporting Activities <ul style="list-style-type: none"> ○ Methodologies and Processes ○ CMEP IP, Annual ERO Oversight Plan ○ Physical Security 	Supporting Activities	0	0	0	1
	Total	0	3	1	4

High/Medium/Low-Risk Rated Observations
(High, medium, and low risk observations require a management action plan)

Rating	Observation	Risk
Low	Methods or tools to ensure training tracking and monitoring is not consistent, and training or learning program process or procedure documents were not developed or updated within a stated frequency.	Staff may not be equipped to provide the subject matter expertise or demonstrate the responsibilities necessary to consistently and accurately perform CMEP duties.
Medium	Potential Non-Compliances (PNCs) identified through Self-Certifications performed in 2020, have not yet been recorded into Align and subsequently reported to NERC and FERC in accordance with the RDA and ROP.	Delays in performing Preliminary Screens in accordance with RDA Section 6b/c/d; ROP 3.0, 3A.1, and 3.8; the risk remains unmitigated impacting reliability and security.
Medium	Changes in IRA and COP processes revealed that registered entities within an assigned monitoring interval did not have an updated COP prior to or after a Compliance Audit, and several did not contain a review of internal controls.	Inconsistent IRA and COP processes reduce the risk-based application regional monitoring and does not adequately address reliability and security risk against the required monitoring interval.
Medium	Review and disposition of anonymous complaints were not managed timely, and were prematurely or inaccurately closed due to insufficient information.	An essential component of an ERO compliance program is not effective for addressing alleged violations of Reliability Standards or deficiencies in internal controls that adversely impact reliability and security.

Observation #	Location/ Scope Areas	Observation	Management Action Plan (MAP)	Responsible Person	Impact
1.	<p>Governance: Training</p> <p>NERC ROP 402 – NERC Oversight of RE CMEP</p> <p>402.9 – Auditor Training</p>	<p>Enhance processes to ensure CMEP staff receive the appropriate training and learning programs timely</p> <p>CMEP staff are required to be trained on processes and tools related to their area of responsibility.</p> <p>The WECC Entity Monitoring team identifies, applies and tracks required training in an ad hoc or inconsistent manner. Training applicable or required is not formally evidenced, as some certificates were issued while other attestations occurred.</p> <p>CMEP staff may not be equipped to provide the subject matter expertise or demonstrate the responsibilities necessary to consistently and accurately perform CMEP duties.</p> <p>Training process documentation, including requirements to provide training and track completion by applicable departments (functional and/or Human Resources) should be established.</p>	<p>For all remaining 2022 audit engagements (QTR 3 & 4), we will review and confirm Audit Team Lead (ATL) training records are accounted for and archived for individuals assigned as ATLs by August 1, 2022.</p> <p>We will update our Personnel Tracking Sheet to reconcile dates of completed training and ensure evidence of training is archived and available (e.g., certificates of completion). In addition to various information tracked in this sheet, we track the dates of completing NERC Foundations of Auditing and Gathering Quality Evidence courses; the sheet will be updated to capture dates of completing the NERC ATL training by September 1, 2022. If gaps are found, we will task the individual to promptly complete the requisite training by September 1, 2022.</p> <p>We will document a process for quarterly review of training records. We will implement the process beginning in quarter four of 2022. The process will identify roles, responsibilities, and controls, used to ensure quarterly reviews are in place by October 1, 2022.</p> <p>As part of the annual audit scheduling process, we will outline detailed steps to verify ATL training records are checked prior to finalizing ATL assignments each year. The process will identify roles, responsibilities, and controls, used to ensure training records are verified and accounted for. This process will be implemented with the 2024 scheduling (which will take place by March 31, 2023), and any necessary adjustments for 2023, such</p>	Regional Entity Manager, Program Analysis and Administration	Low

Observation #	Location/ Scope Areas	Observation	Management Action Plan (MAP)	Responsible Person	Impact
			<p>as changing ATL assignments and be in place by November 1, 2022.</p> <p>The Operations Lead for Entity Monitoring partners with the Audit Team Managers to plan how and when new members are added to audit engagements. As part of the on-boarding process, any new team members and/or observers will be required to complete the required training (NERC Foundations of Auditing and Gathering Quality Evidence) prior to finalizing the engagement roster.</p>		
2.	<p>Compliance Monitoring: Self-Assessments/ Preliminary Screen</p> <p>RDA Section 6 ROP Appendix 4C – 3.0 Compliance Monitoring; 3.2/3.2.1 Self-certifications/ Process Steps; 3.8 Preliminary Screen</p>	<p>Identify, Assess and Record Potential Non-Compliance (PNC) timely by performing Preliminary Screen and Determining Disposition</p> <p>A review of Guided Self-Certifications performed during the period under audit revealed two instances where PNCs were identified during the self-certification by the registered entities or WECC, however, not recorded within system of record (WEBCDMS or Align) for evaluation and disposition as of June 2022.</p> <p>If a compliance monitoring process reveals a potential non-compliance with a Reliability Standard, the RE will conduct a Preliminary Screen of the potential non-compliance in accordance with ROP Appendix 4C, Section 3.8 (Preliminary Screen).</p> <p>Delays in processing potential non-compliance may allow violations of Reliability Standards to go unmitigated and adversely impact reliability and security of the BPS.</p>	<p>Entity Monitoring staff has notified the two Registered Entities of the PNC identified during the Guided Self-Certification on 07/15/2022 and 07/18/2022 respectively. After verbal notification, a closure letter was sent to each Registered Entity on 07/19/2022 to notify them the GSC is closed. A PNC will be entered into Align no later than 07/22/2022.</p> <p>Review of GSC evidence of a third Registered Entity with the Entity; prompted a change in their GSC status from Compliant to Not Compliant. Entity Monitoring also identified an Area of Concern for another Requirement. A GSC closure letter was sent to the Registered Entity on 07/19/2022 with the AOC.</p> <p>In addition, we have developed a procedure providing guidance to the Entity Monitoring team around roles and responsibilities for Self-Certifications, including steps in review of Registered Entity submittal, how to address potential non-compliance and closure of the engagement. WECC’s procedures now ensure potential noncompliance are</p>	Regional Entity Director of Entity Monitoring	Medium

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		<p>The Entity Monitoring team did not report the potential non-compliance identified in the self-certifications as documentation revealed pending communication with the affected registered entities. The lack of entry into the CMEP system may have caused an inadvertent omission or oversight to process the potential compliance timely.</p> <p>WECC should ensure that potential non-compliance identified through compliance monitoring processes adheres to Appendix 4C Section 3.0 and 3.8 and are recorded systematically to facilitate timely Preliminary Screens and overall disposition and/or required mitigation.</p>	<p>entered into the system of record and a preliminary screen is performed. Additionally, Reliability and Oversight management has implemented a tracked metric with the goal of completing Self-Certification reviews within 90 days of the due date (or submit date, if later).</p>		
3.	<p>Risk Assessment/ Compliance Monitoring/ Risk based CMEP: IRAs/COPs</p> <p>The Electric Reliability Organization (ERO) Enterprise Guide for Risk-based Compliance Monitoring</p>	<p>Develop and Refresh Inherent Risk Assessments and Compliance Oversight Plans within a Standard Periodicity to Support Consistent Oversight Strategy</p> <p>An IA review of a representative sample of IRA and COPs, with a mix of risk category ratings of 1 through 6 revealed the following:</p> <ul style="list-style-type: none"> Discrepancy of risk category with one 3-year audit entity, noted audit interval was Category 1, to be audited every 1-3 years, however, planning tool indicated 2-4 years. IRA and COP refreshed in 2020. The entity was due for an audit in 2021. However, the entity was selected for a FERC audit in 2021, but this was not recorded in WECC's planning tools. 	<p>Modify Entity Risk Profile Tool</p> <ul style="list-style-type: none"> Add validation of final risk category with actual audit timing by November 15, 2022. Review and assess Internal Controls evaluations as part of the ERPT process by November 15, 2022. <p>Add items to Quality Control Checklist</p> <ul style="list-style-type: none"> Add step to transfer the final audit/COP timing from the ERPT to the IRA_COP Tracker by August 30, 2022. <p>Add items and process change in IRA_COP Milestones and Assignments Tracker</p> <ul style="list-style-type: none"> Add process step to validate audit/monitoring interval when setting next planned refresh by August 30, 2022. 	Regional Entity Director, Entity Risk Assessment & Registration	Medium

Observation #	Location/ Scope Areas	Observation	Management Action Plan (MAP)	Responsible Person	Impact
	<p>Compliance Oversight Plan Process Enhancements 11/13/2020</p> <p>NERC ROP 401 – Scope of the NERC CMEP 401.6 – Risk Elements</p>	<ul style="list-style-type: none"> Discrepancy of risk category with one 3-year audit entity, noted audit interval should be category 1, however, planning tool indicates 3-5 years. IRA/COP was not refreshed pre or post audit in 2021 and current file indicated IRA/COP from 2018. Three registered entities did not have IRA/COP updated pre or post audit, and overall it could not be determined what annual CMEP IP focus areas and/or risk elements applied within the monitoring interval and primary CMEP tools. Internal controls as a performance consideration was not addressed in 80% of COPs reviewed. <p>The Electric Reliability Organization (ERO) Enterprise Guide for Risk-based Compliance Monitoring describes the process used by the Regions to develop entity-specific COPs and serve as a common approach for the North American Electric Reliability Corporation (NERC) and WECC for implementing risk-based compliance monitoring.</p> <p>NERC guidance is that REs should treat the COP as a living document updating it as new, emerging, or unique information is obtained either about the registered entity or about risks to the reliability of the BPS. While feedback from audits is a significant trigger, there are additional triggers for determining if any updates are needed/updating the COP such as changes in registration, a change in the registered entity</p>	<p>Update WECC Risk Based Monitoring Planner tool Add audit/monitoring interval to ensure this planning tool is the authoritative source based on ERPT and IRA/COP Tracker input by September 30, 2022.</p>		

Observation #	Location/ Scope Areas	Observation	Management Action Plan (MAP)	Responsible Person	Impact
		<p>inherent risks (captured in the IRA), new Reliability Standards, changes in controls, emerging risks, changes in performance considerations, FERC scheduled audits, and feedback from CEA staff or other CMEP activities.</p> <p>The discrepancies with risk category and targeted monitoring interval may be due to changes in IRA and COP processes from 2020 to January 1, 2022. For example, tools such as Entity Risk Profile Tool were developed to capture real-time information such as “triggers” and a new IRA/COP combined template was issued by NERC in 2020. Lastly, WECC changed the process to refresh IRA/COP from pre-audit to post-audits in April 2021.</p> <p>Inconsistent processes reduces the effectiveness of the risk based application of the WECC regional monitoring program and reduces the quality and appropriate risk oversight of the registered entity.</p> <p>Align locally developed tools such as the Entity Risk Profile Tool – Entity Ranking, Risk-based Monitoring Planner and IRA/COP Milestones and Assignments Tracker to the ERO Enterprise Guide and Align functionality as applicable. Lastly, ensure established criteria and data within tools and Align substantiate determinations and provide evidence that each registered entity is handled consistently and fairly.</p>			

Observation #	Location/ Scope Areas	Observation	Management Action Plan (MAP)	Responsible Person	Impact
4.	<p>Governance: Complaints and Investigations</p> <p>ROP Appendix 4C – 3.0 Compliance Monitoring Processes</p> <p>3.7 Complaints</p> <p>3.7.1 Complaints Process Steps</p> <p>3.7.2 Anonymous Complainant Notification Procedure</p>	<p>Evidence Sufficient Initial Review, Assessment and Final Disposition of Complaints</p> <p>An anonymous complaint received by WECC during the period under audit revealed that upon forwarding to NERC, the final disposition was not known by the RE as of May 2022. The complaint was sent to RE anonymously by a registered entity employee in May 2021. However, due to a WECC CMEP workflow issue, the complaint was not immediately identified. Subsequently, the complaint was forwarded by WECC to NERC in December 2021. Internal Audit followed up with NERC and learned the complaint was closed due to insufficient information. Evidence to support an initial review and assessment was not provided, only that the complainant could not be reached and NERC’s disposition was that the alleged complaint did not violate Reliability Standards. However, the allegations in total warranted a more thorough assessment due to the potential internal control/IT General Control implications related to relevant CIP Standards, and potential initiation of another compliance monitoring or enforcement process.</p> <p>All anonymous Complaints will be reviewed and any resulting compliance monitoring or enforcement processes will be conducted by NERC in accordance with Section 3.7.2 to prevent disclosure identity of the complainant. NERC should fully document the Complaint and the Complaint review, and whether another compliance monitoring process or enforcement process is warranted. If NERC determines that the initiation of another</p>	<p>WECC CMEP workflow issue</p> <p>An internal control was added in the WECC Complaint Process dated 5/12/2022 for the Compliance Program Coordinator to test the system monthly and verify no new complaints have been received.</p> <p>A SharePoint alert was set up for the Director of Entity Monitoring and the Vice President of Reliability and Security Oversight to immediately send an email for “All Changes” in the Complaint Forms as a backup to the above internal control.</p> <p>Prematurely closing Complaints without evidence of initial review and assessment to potentially warrant another compliance monitoring process</p> <p>For Complaints handled by WECC, language was added to the WECC Complaint Process dated 7/15/22, for an additional review of the Complaint by the appropriate Entity Monitoring Manager and the Director of Entity Monitoring regarding whether the complaint contains sufficient basis in initiating any applicable Compliance Monitoring process. The Director of Entity Monitoring documents this review, the decision made, and the reasons for that decision.</p> <p>For the May 2021 complaint filed by a registered entity employee, a follow-up to assess all the potential allegations of Reliability Standards will be addressed during the upcoming scheduled audit of the entity during August 2022. Specifically, CIP-005-6 R1 and R2 are in scope for the audit for validation of</p>	Regional Entity Director of Entity Monitoring	Medium

Observation #	Location/ Scope Areas	Observation	Management Action Plan (MAP)	Responsible Person	Impact
		<p>compliance monitoring or enforcement process is not warranted, it will notify the Complainant and the RE that no further action will be taken.</p> <p>Prematurely closing Complaints without evidence of initial review and assessment to potentially warrant another compliance monitoring process increases risk of non-compliance or internal control issues impacting reliability and security. In addition, lack of communication with the RE prohibits use of their discretion to incorporate assessment results into further monitoring processes.</p> <p>NERC should perform an initial review and assessment, and document the results thoroughly to support the determination of another compliance monitoring or enforcement process. NERC should assess all the potential allegations within anonymous Complaints to ensure that potential violations of Reliability Standards are addressed with the appropriate monitoring or enforcement activity, and communicated such with the RE in a timely manner.</p>	<p>vendor remote access. In addition, a readiness for check for CIP-005-7 will be conducted, which has the new R3 for vendor-initiated remote access to PACS and EACMS. Based on the rules we observe, risk-based discussions will occur.</p> <p>Recent revisions to the ROP made modifications to Section 4.7.2 of the CMEP to allow Complaints lodged by a person or entity requesting that the complaint’s identity not be disclosed to be investigated by NERC or the Regional Entity. This improvement as well as others provides future opportunities to make our processing of Complaints better going forward.</p> <p>The WECC Complaint Process was modified to reflect that for complaints closed without initiating another compliance monitoring process due to insufficient information, we will consider any information received from the compliant during future compliance monitoring activities and to determine whether any other appropriate action should be taken</p> <p>Lack of communication with the RE in a timely manner For Complaints handled by NERC, the WECC Complaint Process was modified on 7/15/2022 to include steps to ensure the resolution of all Complaints once submitted to NERC.</p> <p>Beginning July 1, 2022, NERC and WECC will have a quarterly call to discuss progress and resolution of all Complaints.</p>		

Appendix

Audit Approach

The scope of our procedures was determined through our annual risk assessment process, discussions with members of management, and qualitative and quantitative factors identified during the audit-planning phase. The audit engagement team performed various auditing techniques described in the table below:

Technique/Test	Description
Inquiry	Questions and responses to confirm understanding and ownership of processes, risks and controls; potentially establish additional testing criteria.
Inspection	Examining records or documents indicating performance of the control activity or physically examining inventory, systems, books and records.
Observation	Looking at a process or procedure performed by others (e.g., observation of user access reviews by the Company's personnel).
Re-performance	Verifying the operational effectiveness and/or accuracy of a control.
Analytical Procedures	Evaluating information by studying plausible relationships among both financial and nonfinancial data.

Throughout our testing, we used widely accepted audit sampling techniques. These sampling techniques allowed us to obtain audit evidence, which is sufficient and appropriate, and necessary to arrive at a conclusion on the population.

Note: The status of the management action plans will continue to be reported to the Audit/Finance Committee until the observation is successfully remediated.

Observation Ratings

In determining an observation's risk rating (i.e., high, medium, or low), we consider a variety of factors including, but not limited to, the potential impact, the likelihood of the potential impact occurring, risk of fraud occurring, regulatory and legal requirements, repeat observations, pervasiveness, and mitigating controls.