FRCC
Florida Reliability Coordinating Council, Inc.

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Culture of Compliance

Internal Compliance Program

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The Internal Compliance Program (ICP)

- An ICP is not required, but should be part of the organization's infrastructure for compliance
- Helps demonstrate the organization's "Culture of Compliance"
- Having a written program encourages discipline and commitment and helps establish authority for it's compliance program components
- A strong program results in less reliability risk

FRCC Experience so far

- Reviewed as part of Enforcement Process
  - 90 days prior to Settlement meeting, FRCC requests the ICP and provides “13 questions” to the entity
  - Each member of the enforcement team reviews the program documents utilizing the “CPAW”
  - An In-depth discussion of Compliance Program with the Registered Entity takes place at the Settlement Meeting

The CPAW

- FRCC's Compliance Program Assessment Worksheet
  - Helpful tool to review a Compliance Program
  - Follows the "13" questions developed from FERC Policy Statement(s)
  - CPAW is available on FRCC's compliance website
  - Provides FRCC a consistent approach for review

Documentation of ICP

- One overarching document most effectively communicates an ICP and should include:
  - Senior Management commitment and employee expectations
  - Assignment of Authority and Responsibility
  - Identification of training expectations and obligations
  - A continuing discipline and thorough approach
  - The importance of resources and budgets
  - A direct tie for failure to follow Reliability Standards to disciplinary action
  - Periodic review of ICP and program components

Common Documentation deficiencies

- There are several parts and pieces to the ICP with no overarching document
- Compliance program measures have been implemented but they have not been documented or integrated in the program itself
- The ICP document, Organizational Chart, or responses to the 13 questions are not consistent
- Signature of Senior Officer and date are missing
- Compliance Organizational Chart is missing
- No description of compliance program training- who, when, how, what
- Version/Review/Approval Control is missing

Dissemination and Training

- Dissemination of and training for the ICP should be throughout the whole organization, not just those responsible for compliance
- Where, when, how and to whom the ICP is disseminated and trained needs to be identified in the program
  - A common deficiency is not including departments such as HR and Legal in training activities

ICP Oversight Position

- An oversight position should be clearly identified, along with the responsibilities and requirements of the position
  - A common deficiency is inconsistency of the named oversight position or titles in the Organizational Chart, the ICP, and the responses to 13 questions

High Level Supervision

- Supervision of the ICP Oversight position should be at a high level
- An Organizational Chart should identify clear organizational responsibilities
- The ICP oversight position should have direct, independent access to the CEO/Board or President of the organization
- A common deficiency is not showing the "chain of command for the oversight position and/or there is no independent access to the CEO/Board

Independent Management of ICP

- The ICP oversight position should not have responsibility over any direct implementation of activities to meet a standard requirement
  - Utilize other departments such as Human Resources, Legal, or internal Auditing to operate or manage the Program
  - Use other outside sources such as other related facilities or plants

Senior Management Support and Participation

- The ICP document should have a clear description of how Senior Management is involved and must discuss how <u>corrective actions</u> are ensured.
- Senior management involvement could include :
  - Meetings on a monthly or other specified basis
  - Agenda topics such as new standards, self assessment results, Audits etc.

Ensuring Corrective Actions

- Very important to include :
  - Analyze via root cause analysis or some other method
  - Solve/Mitigate the problem quickly
  - Determine how to prevent reoccurrence
  - Report back to Senior Management in a “feedback loop” to ensure ongoing review and self enforcement

Self Assessments & Internal Controls

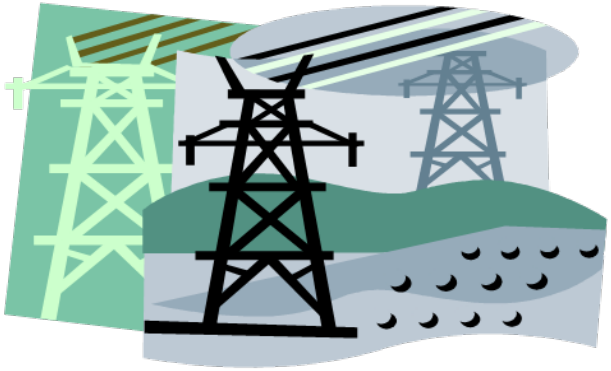
- A critical part of the ICP !
  - The ICP should identify the periodicity, by whom, and how self assessments are performed
  - Self assessments or internal audits should take place on an off cycle from RE audits or self certifications
  - The ICP should include a description of the steps or internal controls in place to keep the violation from occurring again
  - Once weakness is found it should be reported to top management (feedback loop) to work on how to strengthen the weakness (prevention of reoccurrence)

Internal Controls and Self Enforcement

- The ICP documentation should include a description of self assessment and should have enough steps or controls to keep the violation from occurring again
- Once weakness is found it should be reported to top management (feedback loop) to work on how to strengthen the weakness (prevention of reoccurrence)

The ICP and Settlement

- How does a good Compliance Program influence a Settlement Penalty?
  - A good Compliance Program can be considered as a credit toward reduction in penalty
  - Agreed upon improvements to a Compliance Program at Settlement can be captured in an “above and beyond” for credit toward penalty

Conclusion

- The FRCC's extensive review of the ICP, use of the CPAW tool, and direct involvement with the Registered Entities leads to a stronger Internal Compliance Program
- A strong Internal Compliance Program helps to ensure better reliability to the Bulk Electric System
- QUESTIONS?