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Entity Self-Reporting & Upcoming Compliance Audits

Q What is an Entity supposed to do when it discovers a Self-Reportable issue after receiving the 90 Day Audit Notification?

A A Compliance Audit begins when an Entity receives the 90 Day Compliance Audit Notification. RF always encourages Entities to Self-Report issues as soon as possible upon discovery. This general rule holds true even when an Entity discovers the issue after receiving a 90 Day Audit Notification.

In this situation, the Entity should notify the Compliance Audit Team that it found an issue and that it will be Self-Reporting the issue. The Entity then should submit all relevant information in the Self-Report, including how the issue was discovered and why the entity is reporting it after receiving the 90 Day Audit Notification. Specifically, note in the Self-Report if the issue was discovered as result of an Entity's internal controls or if the issue was discovered during Audit related preparations or activities around the engagement (including questions raised from the Audit Team or in response to an Audit Team RFI).

This information included in the Self-Report should also be shared with the Compliance Audit Team. Fully disclosing the issue in the Self-Report to the Audit Team will allow the Audit Team to more completely and effectively evaluate an Entity's Compliance Program and assess the strength of the Entity's internal controls. Depending on the exact circumstances and time available, the Audit Team can also help an Entity develop and evaluate potential mitigating actions for the given issue or identify areas for improving an Entity's controls.

Q How will the Compliance Audit Team treat the Self-Report during the Compliance Audit?

A The table below summarizes how each circumstance will be addressed in the audit report, reporting prior to and after the 90 Day Audit Notification letter was issued. As a general rule, if the Compliance Audit Teams finds a noncompliance after issuing the 90 Day Audit Notification, even if that issue has been Self-Reported by the Entity, the Audit Team will write that noncompliance as a Potential Noncompliance (PNC). The Audit Team may also ask questions pertaining to an entity's internal controls and request additional information on an entity's mitigation of any noncompliance it finds during the Compliance Audit, including any Self-Reports.

At the conclusion of the engagement, all noncompliances and existing Self-Reports will be handed off to Enforcement for processing. If you have any questions about Compliance Audits, please feel free to reach out to Matt Thomas (Manager, CIP Compliance Monitoring) or Gary Campbell (Manager, Operations & Planning Monitoring). If you have any questions about the Enforcement Process, please reach out to your Case Manager.

Discovery Method		Audit Report Finding
Self-Report prior to 90 days		OEA
Self-Report during 90 days	If discovered by Audit Team (as a result of sampling, or additional evidence request made by the audit team where the audit team would have made a PNC determination and the entity submits a self-report)	PNC
	If Entity identifies (an issue through audit preparation that is outside of sample/scope of audit)	OEA