Reliability & Security Workshop
WECC
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Internal Controls 101

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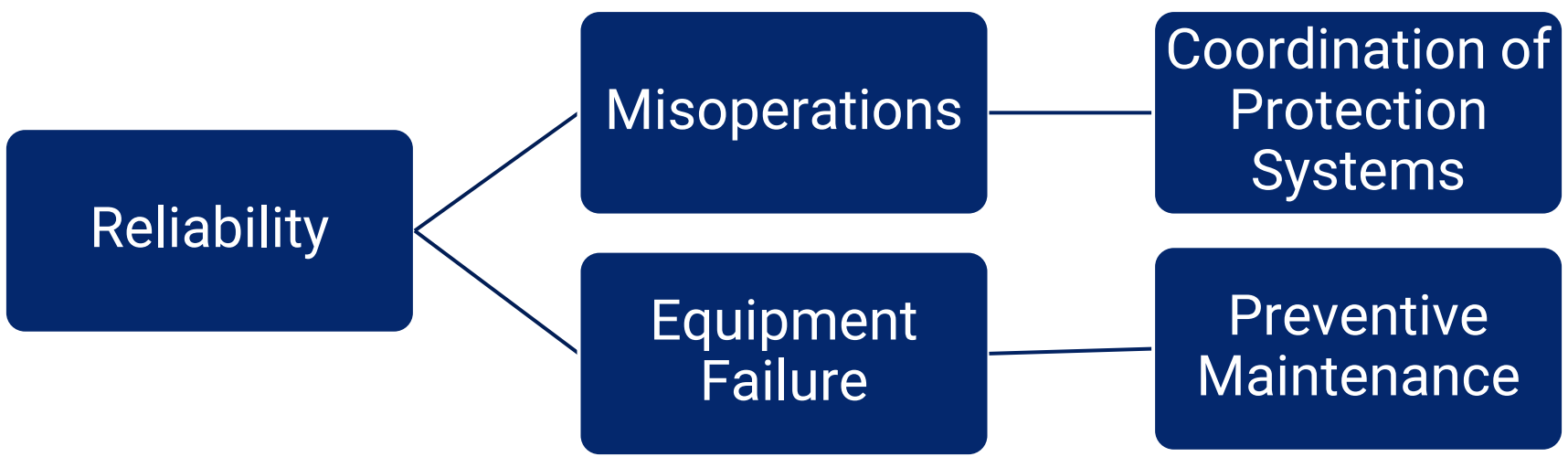
WECC Perspective on Internal Control and Risk

What is Internal Control?

Objective

Risk

Controls



Internal Controls Framework — Simplified

Control Environment

Culture of Compliance

Thoughtful governance and oversight model

Clear separation of responsibilities and accountability

Risk Assessment

Ability to document YOUR specific risk to the BES

Ability to document YOUR specific operational and security risk

Thoughtful program to abate risk and measure efficacy

Control Activities

Match controls to risks (compliance vs. operations vs. security)

Controls have clarity of purpose (preventative vs. detective)

Controls and process are one and the same

Information & Communication

Holistic internal communication (training, awareness, coordination, projects, etc.)

Holistic external communication (Coordination with other entities, WECC, vendors, etc.)

Information is good and current

Monitoring Activities

Internal monitoring and/or audits

Good investigations for when things go wrong

Document failures AND near-misses through to completion of risk mitigation

Control Environment

Commitment to integrity and ethical values

Oversight of the entity's internal control system

Establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives

Commitment to recruit, develop, and retain competent individuals

Evaluate performance and hold individuals accountable for their internal control responsibilities

Control Environment

Control Environment

Where to start

- Get to know the business
- Use your position to improve communication between business units
- Focus on nurturing a corporate culture that focuses on the things that matter — hiring, training, communication

Where to aim

- Add measurement that feeds into improvement programs
- Revise structures and add tools to foster learning between departments and break down silos
- Track improvement efforts

Do not edit
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What could have kept you from getting to this workshop today?

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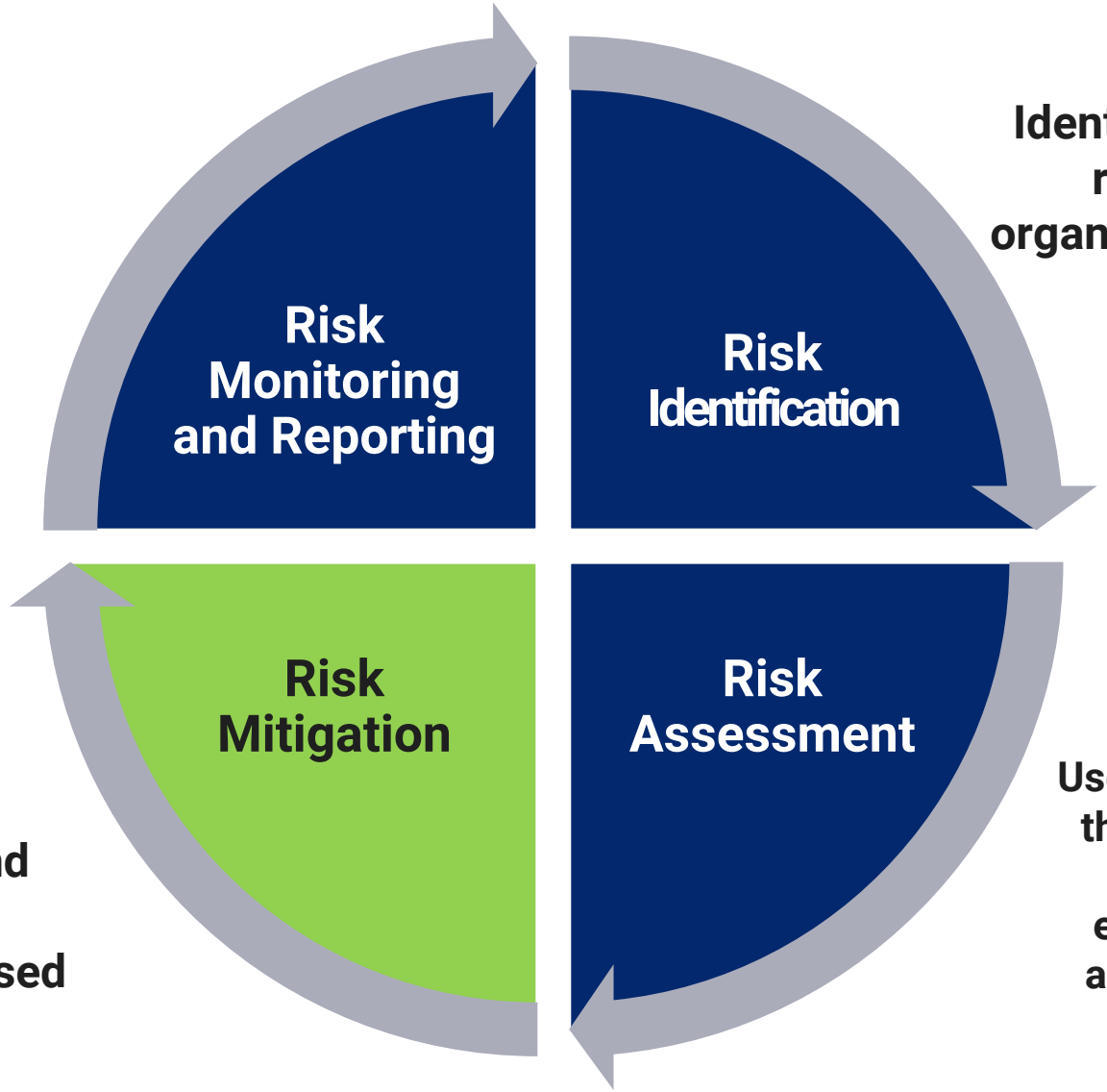
Risk Assessment

Continuously track organizational risks and adjust your internal controls as needed.



Identify the internal and external risks associated with the organization's ability to achieve its goals.

Mitigation includes designing, improving, and implementing internal controls to address assessed risks.

Use a risk assessment to evaluate the likelihood and impact of the identified risk, including the evaluation of existing controls and processes used to manage the risk.

Risk Assessment

Where to start

- Enterprise Risk Management (If you have it)
- ERO Enterprise resources
- Other industry resources

Where to aim

- Risk register
- Objectives are defined in measurable terms
- Understanding of the system and awareness of impact on the system (e.g., Aggregate Risk)
- Risk monitoring and continuous improvement (triggered, periodic, ongoing)

Risk Assessment

Identified Risk	Likelihood	Impact	Mitigation	Owner

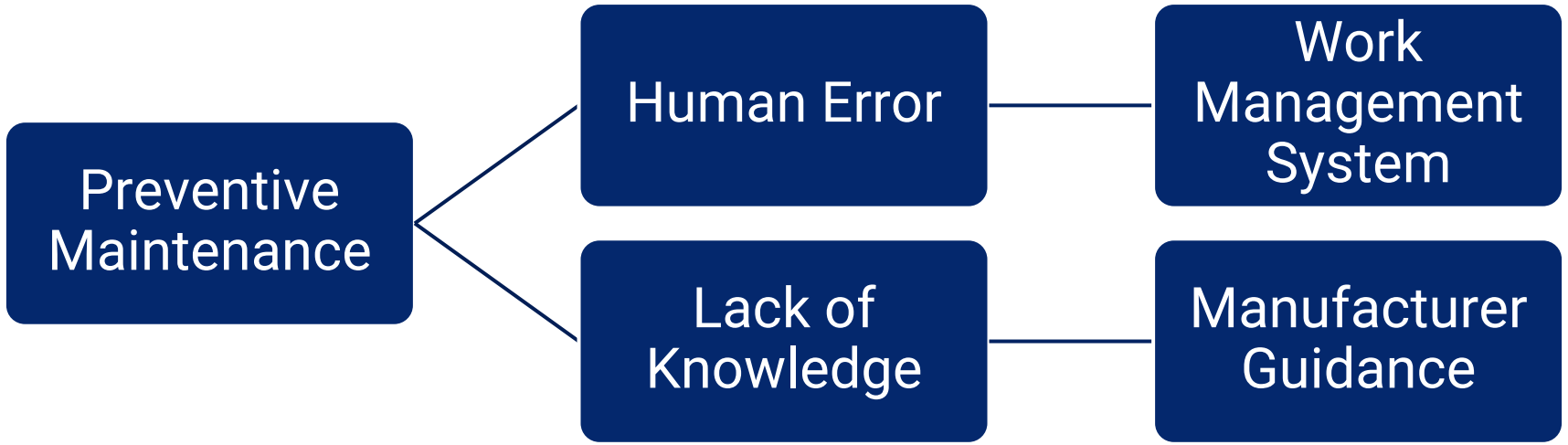
Version 1.1

Control Activities

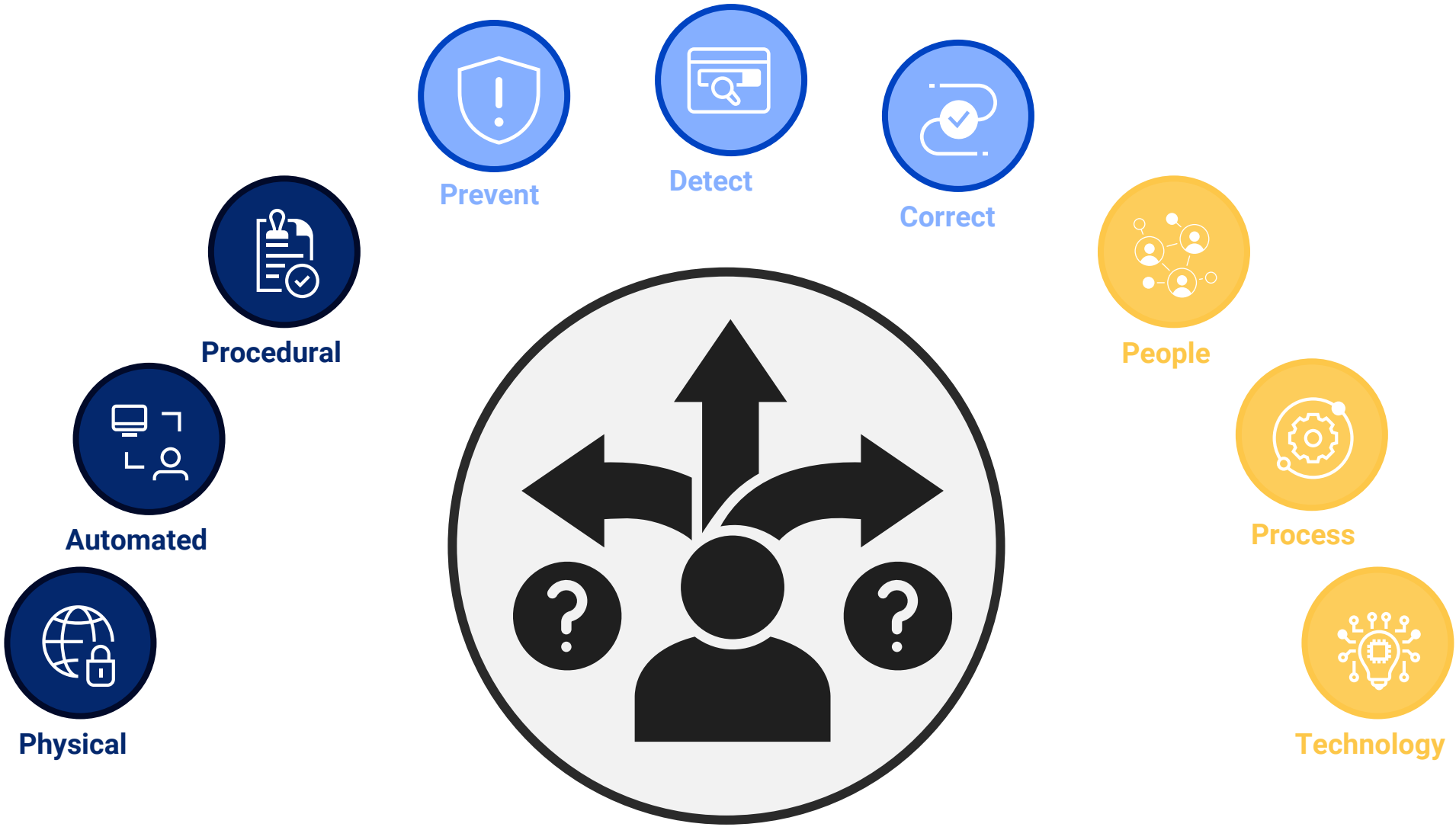
Control Objective

Risk

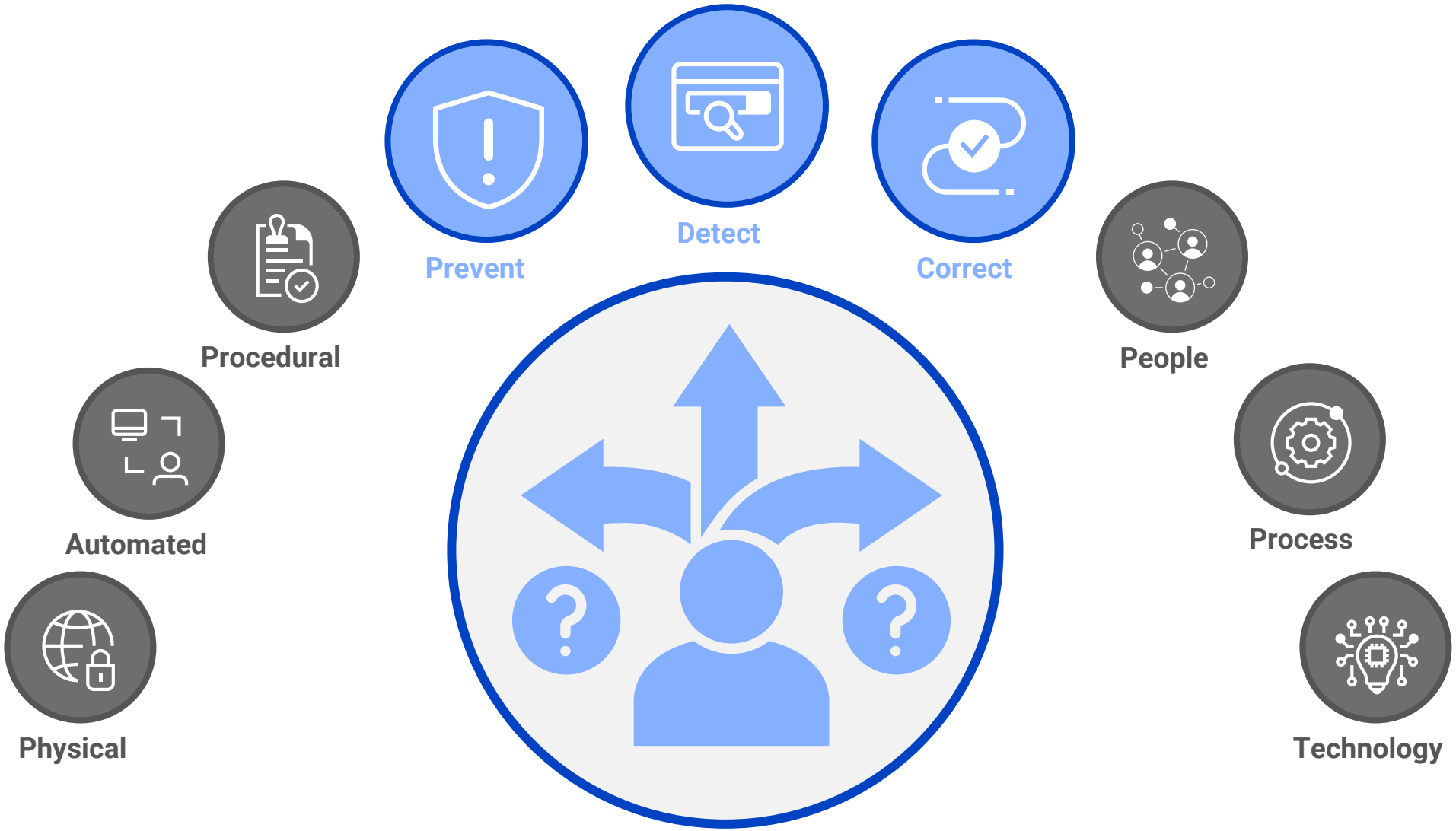
Control Activity



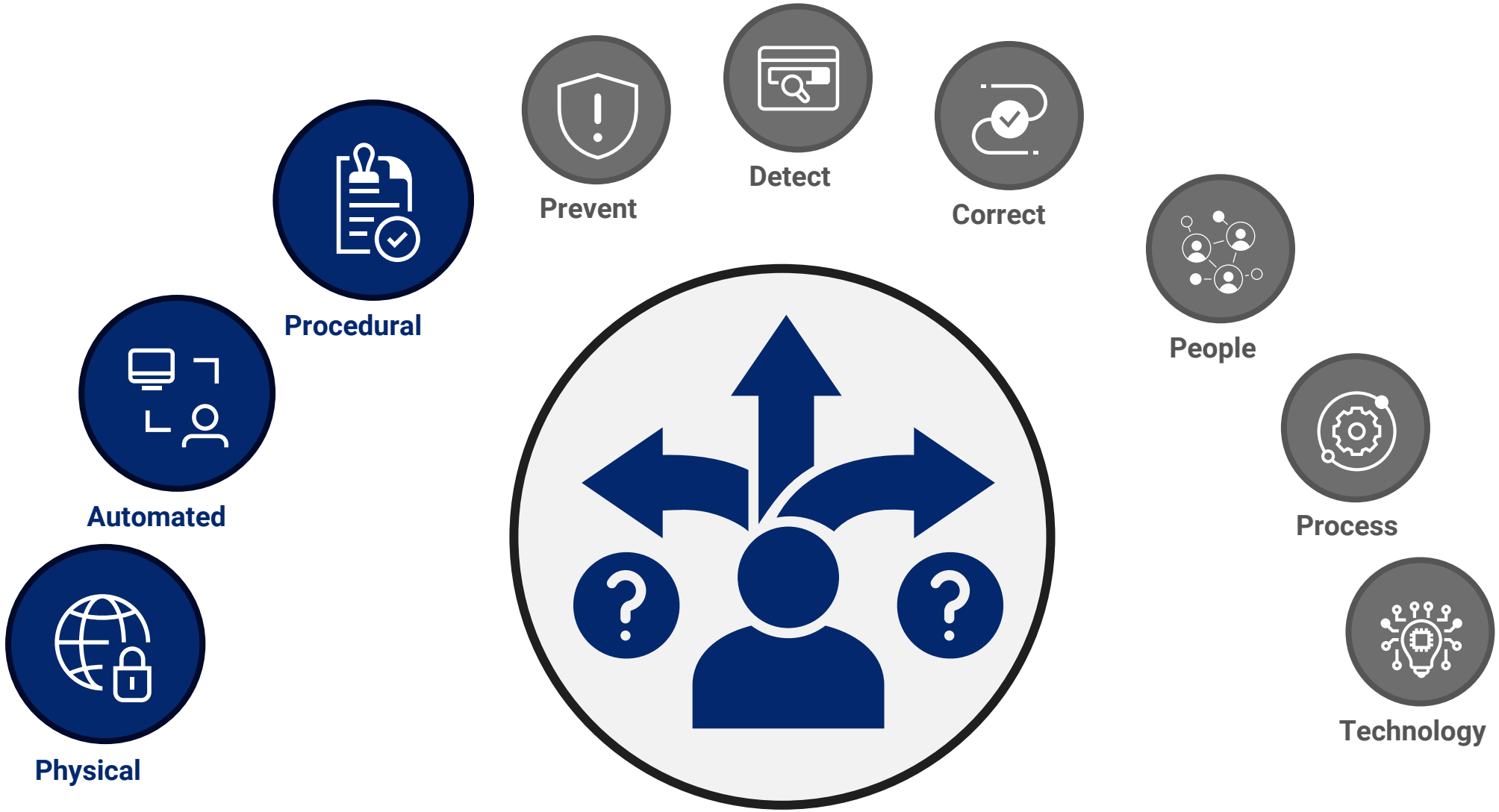
Control Activities



Control Activities



Selecting Controls



Selecting Controls

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What kind of control is this?

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Objective: Prevent Intrusion by Bad Actor

Fence	Security Guard	Sign-in Sheet
• Prevent • Physical • Technology	• Prevent or Detect or Correct • Procedural • People	• Prevent or Deter or Detect • Procedural • Process

Procedural Controls

Procedures mitigate a risk: Lack of Knowledge

- Inconsistency
- Absences
- Turnover

Benefits

- Inexpensive and easy to implement
- Track process changes and exceptions
- Support processes that are performed infrequently

Procedural Controls – What's Missing?

Pignoli

Ingredients

- 2 cans almond paste
- 2 egg whites
- 1 cup sugar
- powdered sugar
- egg white
- pine nuts

Directions

- Bake at 350 for 15 minutes

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What is missing in this recipe?

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Procedural Controls — What's Missing?

Purpose: How many cookies am I making?

Incomplete information/Tribal knowledge:

- What size is the can of almond paste?
- Which brand?

Step by Step instructions:

- Blend the almond paste, sugar, and egg whites in a double boiler
- Remove from heat and cool
- Knead on board sprinkled with powdered sugar
- 3rd egg white is brushed on the cookie before rolling in pine nuts
- Refrigerate before shaping
- Bake on parchment paper

Layering Controls

- Procedural controls alone:
  - Easy to circumvent
  - Susceptible to human error
  - May not produce enough evidence to monitor the process

Common Control Activities

	Prevent	Detect	Correct
People	Training, communication, coordination	Peer review, manager review, performance review	Disciplinary actions, remedial training
Process	Segregation of duties, action plans, checklists, triggers, identification/scoping, change authorization	Spot checks, internal audits, inventory counts, field walkthroughs	Business continuity plans, updated policies & procedures, corrective action plans
Technology	Access controls, firewalls, fence, Locks	Alarms, alerts, reconciliations, data integrity checks, monitoring	Patching, backups

Information and Communication

- At the organizational level
  - Reporting to decision-makers
  - Understanding of corporate goals
  - External communication
- At the process level
  - Training
  - Information flow between business units
  - Process coordination with relevant stakeholders
- Support corporate objectives and continuous improvement

Monitoring

Look For Indicators

- Frequency of errors/events
- High level of rework
- Length of time it takes to find issue
- Repeated root cause
- Performance vs. others

Periodic Assessment

- Have the risks changed?
- Are the risks sufficiently mitigated?

Monitoring

Documented

Effectiveness — not just implementation

Feed improvement processes

Moving to the Next Level of Maturity

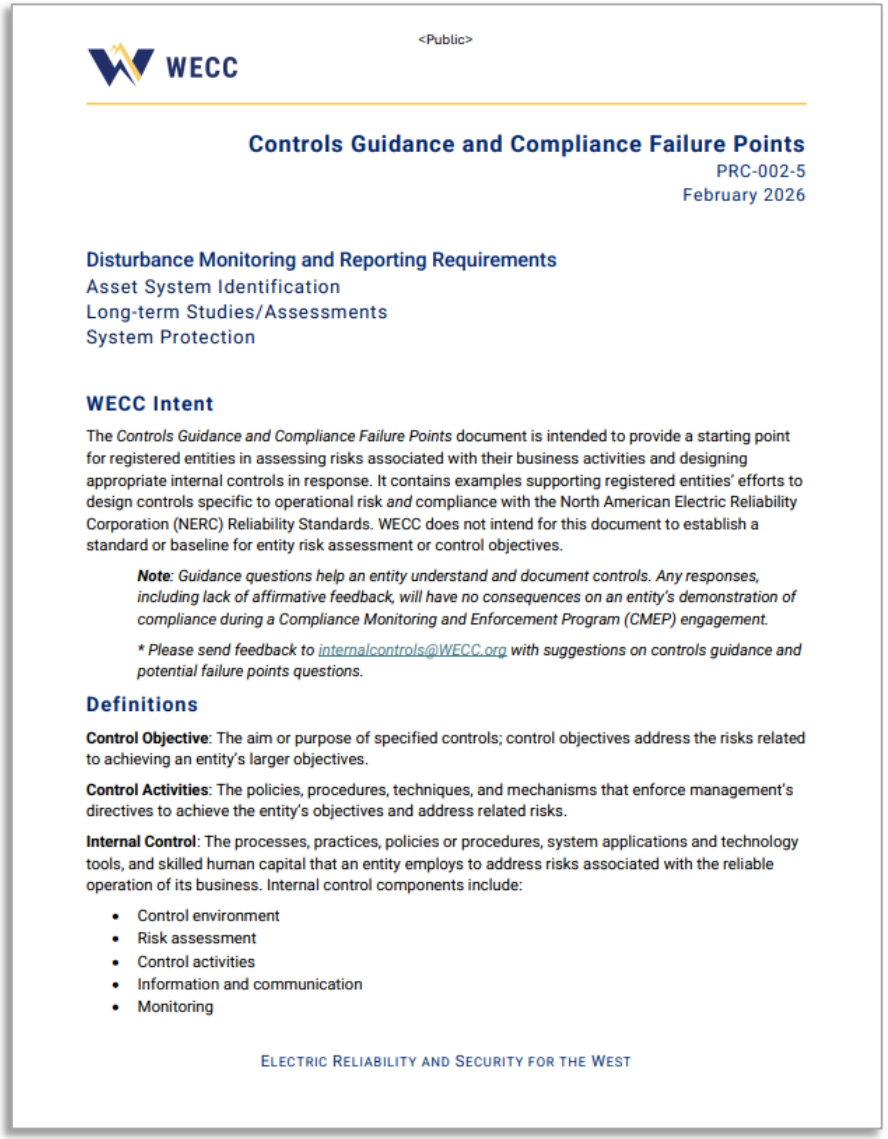
Be Proactive

Be Intentional

Use Lessons From Others

Resources

- *Standards for Internal Control in the Federal Government (Green Book)*
- Controls Guidance and Compliance Failure Points
- ERO Enterprise Guide for Internal Controls
- Generator Welcome Packet
- WECC Risk Register
- Compliance Monitoring and Enforcement Program Implementation Plan (CMEP-IP)



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WECC

Controls Guidance and Compliance Failure Points
PRC-002-5
February 2026

Disturbance Monitoring and Reporting Requirements
Asset System Identification
Long-term Studies/Assessments
System Protection

WECC Intent

The *Controls Guidance and Compliance Failure Points* document is intended to provide a starting point for registered entities in assessing risks associated with their business activities and designing appropriate internal controls in response. It contains examples supporting registered entities' efforts to design controls specific to operational risk *and* compliance with the North American Electric Reliability Corporation (NERC) Reliability Standards. WECC does not intend for this document to establish a standard or baseline for entity risk assessment or control objectives.

> ***Note**: Guidance questions help an entity understand and document controls. Any responses, including lack of affirmative feedback, will have no consequences on an entity's demonstration of compliance during a Compliance Monitoring and Enforcement Program (CMEP) engagement.*
>
> ** Please send feedback to internalcontrols@WECC.org with suggestions on controls guidance and potential failure points questions.*

Definitions

Control Objective: The aim or purpose of specified controls; control objectives address the risks related to achieving an entity's larger objectives.

Control Activities: The policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks.

Internal Control: The processes, practices, policies or procedures, system applications and technology tools, and skilled human capital that an entity employs to address risks associated with the reliable operation of its business. Internal control components include:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

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