

BPA Policy 130-5

Functional Statement for Office of Compliance, Audit and Risk Management

Compliance, Audit and Risk

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1.1 Compliance, Audit and Risk Management

Office of the Executive Vice President of Compliance, Audit and Risk (CAR) reports to the Deputy Administrator. The CAR is a principle Bonneville Power Administration (BPA) executive and is responsible for leadership, strategic planning and oversight of Civil Rights & EEO, Compliance and Governance, Risk Management and Internal Audit. The CAR oversees and provides direction and guidance for policy and program integration and execution that rigorously maintains regulatory compliance with applicable laws, rules and regulations and proactive risk management in support of BPA's mission, values and goals.

The CAR provides internal management oversight and leadership to enable the CEO to carry out the agency mission in accordance with statutory and contractual obligations, and achieve the agency's strategic business objectives.

The CAR provides leadership to the internal management efforts in the enhancement of performance of BPA systems, processes, and culture.

1.2 Compliance, Governance and Internal Controls

Compliance, Governance, and Internal Controls establishes and maintains a comprehensive regulatory compliance and ethics program which is aligned with and fully supports Bonneville Power Administrations (BPA's) mission and objectives. The Compliance, governance and Internal Controls group is led by the Chief Compliance Officer (CCO) and is comprised of Governance and Internal Control, FERC Compliance, Purchasing and Property Governance, Information Governance and Lifecycle Management (IGLM), and freedom of Information Act (FOIA) and Privacy Act. The CCO reports to the Executive Vice President, Compliance, Audit, and Risk Management.

A. **Governance, governance and Internal Controls** is responsible for ensuring appropriate governance over BPA's mission and regulatory obligations so that BPA can reasonably assure compliance with laws and regulations, reliability of financial reporting, and that BPA's operations efficiently and effectively meet its mission and objectives. Governance and Internal Control provides planning, development, and administration of programs, systems, and processes which are functionally critical for successful management and support of BPA's implementation of management controls and reporting, BPA Internal Policy Library and Department of Energy (DOE) Directives, Office of Management and Budget (OMB) Circular A-123, and Management's responsibility for Internal Control; and monitoring and shaping BPA's policies and practices as these policies and practices relate to these activities. This function serves as a focal point for agency-level reporting to the Department on a broad array of topics.

B. **FERC Compliance** provides planning, development, and administration of programs, systems, and processes which are functionally critical for successful management and support of BPA's compliance with all applicable Federal Energy Regulatory Commission (FERC), North America Electric Reliability Corporation (NERC), Western Electric

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Coordinating Council (WECC) and FERC Standards of Conduct (SOC) regulatory requirements. It also monitors and shapes BPA’s policies and practices as they relate to these above activities. This function serves as a focal point for agency-level reporting to FERC, NERC, and WECC on a broad array of topics.

C. **Purchasing/Property Governance** is responsible for the planning, direction, oversight and management of comprehensive supply chain policy and governance aligned to meet BPA mission and objectives. This function plans, develops, and administers programs, systems, and processes which are functionally critical for successful management and support of BPA’s supply chain policy and governance. This function includes the Head of Contracting Activity (HCA) authority; Organizational Property Management Officer (OPMO); and this function is responsible for optimizing BPA’s use of its separate statutory supply chain authority; delegating authority for contracts and financial assistance transactions (excluding land, power, and conservation acquisitions); and providing governance oversight to BPA’s acquisition, financial assistance, and personal property operations to ensure conformance with established law, regulations, policies, procedures, and good business practices.

D. **Information Governance and Lifecycle Management (IGLM)** provides planning, development and administration of programs, systems, and processes which are functionally critical for successful management and support of BPA’s information governance and lifecycle management, and Management’s responsibility for Internal Control. This function serves as a focal point for agency-level management of IGLM, FOIA, Privacy and PRA.

1. **Freedom of Information Act (FOIA) and Privacy Act:** BPA’s Freedom of Information Act Officer and Privacy Act Officer directs his/her staff to provide responses to FOIA and Privacy Act requests; serves as the liaison for BPA to the Department of Energy regarding FOIA and Privacy Act; and provides advice on compliance with FOIA and Privacy Act to BPA management and staff.

1.3 Risk Management

The Risk Management group is led by the Chief Risk Officer (CRO) and is comprised of Enterprise Risk Management (ERM) and Transacting and Credit Risk Management (TCRM). The CRO reports to the Executive Vice President, Compliance, Audit, and Risk Management.

Risk Management’s key responsibilities include: (1) facilitating a risk-based approach to setting strategic direction in which BPA’s overall risk portfolio, tolerance for specific risks, and overall risk management capability are key inputs to strategy development and execution planning; (2) providing a single point of accountability for ERM to ensure sustained and consistent focus on organizational management of enterprise risks, ERM process implementation, and continuous improvement; (3) providing a single point of contact for risk issues to work on a peer-to-peer basis with senior management; (4) independently evaluating, monitoring and reporting on the financial, credit and operational

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risks associated with BPA’s commercial transaction activity, and collaborating on development of risk mitigation strategies; and (5) proactively managing BPA’s credit exposure in the event of counter-party default; and (6) administering BPA’s property insurance programs and providing advice and consultation on insurance issues.

A. Enterprise Risk Management (ERM) is responsible for establishing and maintaining BPA’s ERM framework, program, and infrastructure to effectively manage its full range of risks on an integrated and agency-wide basis. The ERM program is based on a rigorous and systematic process to identify, analyze, evaluate, and treat risks. This process includes the analysis and measurement of agency financial risk, including the development and maintenance of probabilistic agency financial risk models and metrics, and the development of common procedures for collecting financial risk data from subject-matter experts throughout BPA. ERM supports the risk management activities of the Enterprise Board which includes definition of agency risk tolerance and the identification, assessment, and treatment of significant risks to agency strategic business objectives.

ERM is also responsible for administering the agency’s Corrective Action Program (CAP), which includes coordinating the activities of the Corrective Action Review Board (CARB), and for administering the Agency Decision Framework (ADF) to ensure that agency decision making is integrated, risk-informed, and high quality.

B. Transacting and Credit Risk Management (TCRM) is responsible for implementing a rigorous and coordinated approach to addressing the market, financial and operational risks associated with BPA’s commercial transaction activity. This includes developing and maintaining models quantifying financial risk, evaluating and mitigating counterparty credit risk, and administering, monitoring and reporting systems to ensure compliance with risk limits, processes and procedures consistent with relevant risk policies.

TCRM coordinates the activities of the Risk Operating Committee (ROC), responsible for oversight of risks associated with BPA’s commercial transaction activity. In addition, TRCM is responsible for administration of BPA’s insurance programs, including property insurance programs covering nuclear plant and transmission assets. It provides risk analysis and recommendations for various types and amounts of insurance coverage and provides insurance consulting services and training for management and staff across the agency.

1.4 Civil Rights and EEO

A. Civil Rights and EEO is responsible for providing equal opportunity in employment for all persons; to prohibit discrimination in employment because of race, color, religion, sex, national origin, age, disability, genetic information, or reprisal and to promote the full realization of equal employment opportunity through a continuing affirmative program, and to identify and eliminate discriminatory practices and policies. EEO also must provide for the prompt, fair, and impartial processing of pre-complaint (informal) and formal

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complaints; review and eradicate every form of prejudice or discrimination from agency's personnel policies, practices, and working conditions.

- B. EEO is to ensure that the agency makes reasonable accommodations to the religious needs of employees and applicants; and, make reasonable accommodations to the known physical or mental limitations of qualified employees and applicants with disabilities unless the accommodation would impose an undue hardship upon the business of the agency.
- C. EEO is to establish or make available an Alternative Dispute Resolution Program, for both the pre-complaint and the formal complaint process.
- D. Ensure compliance with EEOC's Model EEO Program elements, including 1) Demonstrated commitment from agency's leadership; 2) Integration of EEO into the agency's strategic mission; 3) Management and Program Accountability; 4) Proactive prevention of unlawful discrimination; 5) Efficiency; and 6) Responsiveness and legal compliance.

1.5 Internal Audit

The Internal Audit group is led by the Chief Audit Executive (CAE) and is comprised of Power (CNP), Transmission (CNT), and Governance (CNG) Departments. The CAE reports to the Executive Vice President, Compliance, Audit and Risk Management.

Internal Audit supports the governance objectives of BPA executive management and the BPA Audit Compliance and Governance Committee (ACGC); serves BPA managers by providing audits, reviews, surveys, analyses, testing, and investigations; and provides other services related to BPA operations, business controls, and compliance. Internal Audit also functions as the point of contact and coordinator for governmental reviews, audits, and investigations conducted by DOE's Inspector General, the Government Accountability Office, (GAO), and other external reviewers.

Internal Audit, in order to support an effective agency governance program and assist BPA managers in achieving targets, goals, and objectives, performs the following:

- A. Performs audits of BPA's operations and reviews internal controls within BPA programs, processes, initiatives and systems to give management, the ACGC, governance officials, and process owner's reasonable assurance on achievement of operation objectives. In addition, they audit for effectiveness and efficiency, compliance with laws and regulations, and reliability of financial reporting are also conducted.
- B. Consults with BPA managers on assessing and strengthening internal controls in programs, processes, initiatives, and systems to better ensure BPA achieves its objectives for efficient and effective operations; compliance with laws and regulations; and reliable financial reporting;

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- C. Works with ERM to develop BPA's ERM framework to assess the risk associated with current and prospective business operations;
- D. Facilitates risk/control self-assessments to assist business process owners and business units to identify and assess risks that threaten achievement of agency objectives.
- E. Reviews and verifies established internal controls over financial reporting to provide reasonable assurance on the adequacy of control design and effectiveness of operational controls to support BPA's Administrator's annual OMB Circular A-123 Appendix A Attestation; and

1.6 Review

BPA Functional Statements are reviewed and updated as required due to change in delegations of authority, statutory changes, or organizational changes, or at it's 5 year sunset review in 4/29/2020.

1.7 Revision History

Version	Issue Date	Description of Change
2	4/29/2015	Migrated to BPA Policy Template

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