

Committee of Sponsoring Organization (COSO) of the Treadway Commission Internal Control Framework Assessment

COSO Principle	Relevant Entity	NTIA's Justification	Action	ICANN's Assessment and Plan
Governance Related Items				
Will the Board of Directors/management be expected to lead by example and demonstrate importance of integrity and ethical values?	PTI	<p>NTIA anticipates that explicit expectations for the PTI Board and management to be articulated during the implementation phase.</p> <p>Given that PTI is to be an affiliate of ICANN, NTIA expects that PTI will adhere to a form of the existing practices and expectations established for ICANN's Board members and senior management such as (1) the ICANN Board Code of Conduct, which explicitly states the expectation for adherence to a high ethical conduct and demonstration of integrity; and (2) the "ICANN Expected Standards of Behavior" that also include the expectation for ethical behavior and integrity.</p> <p>The ICG proposal specifically indicates that the PTI Board and management will adhere to conflict of interest requirements. Further, the ICG proposal specifically states its reliance upon ICANN's existing and soon to be enhanced accountability mechanisms.</p>	ACTION: NTIA recommends that ICANN and the community explicitly confirm the expectation that the PTI Board and management lead by example and demonstrate ethical behavior and integrity.	<p>ICANN will develop a Code of Conduct and Expected Standards of Behavior for PTI based on the ICANN's documents. These documents will be posted for public comment before adoption.</p> <p>STATUS: Already accounted for in the current implementation work plan, and will be completed by 30 September 2016</p>

<p>Will standards be put in place to guide directives, attitudes, and behaviors of the organization in achieving objectives?</p>	<p>PTI</p>	<p>NTIA anticipates that such standards will be put in place for PTI during the implementation phase.</p> <p>As an affiliate of ICANN, many of the standards in place for ICANN are expected to apply to PTI as well (e.g., a code of conduct, conflict of interest policy, and governance guidelines). Further, as PTI will be a subsidiary/affiliate of a California not-for-profit, PTI will be bound by the California Corporations Code requirement for a base standard of conduct.</p> <p>On the issue of whether PTI will have standards in place to guide its actions in achieving IANA-related objectives, ICANN will enter into a contract with PTI, which will articulate the community's expectations in PTI's performance of the naming functions. While the IETF and RIRs are entering into legal agreements with ICANN to perform the protocol parameter and numbering functions, ICANN will subcontract this work to PTI. The "standards" for achieving objectives in the performance of these functions are the IETF MOU and Supplemental Agreement, and the RIR SLA contract.</p>	<p>ACTION: NTIA recommends that ICANN and the community confirm that standards will be put in place for the purpose of guiding directives, attitudes, and behaviors of PTI in achieving objectives.</p>	<p>ICANN confirms that by the expiration of the IANA functions contract, PTI will have in place a code of conduct, conflict of interest policy, Bylaws, and contracts with ICANN that will include the terms and service level expectations for the performance of the IANA functions. All of these documents will guide directives, attitudes and behaviors of PTI in achieving its objectives.</p> <p>STATUS: Already accounted for in the current implementation work plan, and will be completed by 30 September 2016</p>
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<p>Does the organization have policies and practices in place to articulate the skills, competencies and behaviors that should be in place at all levels of the organization?</p>	<p>PTI</p>	<p>As the proposed PTI will be a subsidiary/affiliate of ICANN, it is expected that many of the policies and practices currently in place at ICANN will apply to PTI and the ICANN-based committees/teams (CSC, IFR Teams). These include the “ICANN Expected Standards of Behavior.” Related policies and practices specific to PTI and its new accountability structures are not expected to be developed until after NTIA approval of the proposal, but skills and competencies are clearly articulated in the proposal.</p> <p>Key PTI Staff: The proposal indicates specific and detailed requirements for a qualified program manager, which is incorporated in the proposed contract term sheet. There are also conflict of interest requirements in the current contract with NTIA that the community proposes to include in the PTI contract with ICANN.</p> <p>CSC: It is proposed that representatives have direct experience and knowledge of the IANA functions. All candidates are required to submit an Expression of Interest articulating what skills they bring, knowledge of IANA functions, understanding of CSC purpose, and a commitment to time necessary to effectively participate in the CSC.</p> <p>IFR Team: It is proposed that membership be comprised by community members in a manner that ensures adequate representation of the IANA customers and the broader community. Individuals interested in participating in the review team must submit an expression of interest that indicates their skills that will contribute to the review, knowledge of the functions, understanding of the IFR purpose, and understanding of the time commitment required and their ability to commit. It is clearly stated in the draft charter that all members selected are expected to</p>	<p>ACTION: NTIA recommends that ICANN and the community consider, if they have not already, confirming that existing ICANN practices and policies will apply to PTI and/or that PTI-specific policies and practices will be developed.</p>	<p>ICANN confirms that by the expiration of the IANA functions contract, PTI will have in place a code of conduct, conflict of interest policy, Bylaws, and contracts with ICANN that will include the terms and service level expectations for the performance of the IANA functions. All of these documents will guide directives, attitudes and behaviors of PTI in achieving its objectives.</p> <p>STATUS: Already accounted for in the current implementation work plan, and will be completed by 30 September 2016</p>
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participate actively and that reviews will be “high-intensity projects.”

RIR Numbering Review Committee: This committee will be composed of suitably qualified Internet Number Community representatives from each RIR region. The selection of these representatives will be conducted in an open, transparent, and bottom up manner appropriate for each RIR region.

<p>Will processes be put in place to evaluate Board and management adherence to standards of conduct?</p>	<p>PTI</p>	<p>Explicit “standards of conduct” have not yet been developed for PTI, but NTIA expects that they will be established during the implementation period.</p> <p>In so far as standards of conduct are intended to guide the directives, attitudes, and behaviors of the organization in achieving objectives, the transition proposal clearly articulates expectations associated with performing the functions. Therefore, the proposed contracts/agreements and the performance expectations stipulated therein are a form of standards of conduct providing processes to evaluate PTI Board and management adherence to those standards.</p> <p>Reviews of PTI’s performance specific to the names-related function, including the oversight performed by and accountability of PTI leadership, will take place. The Customer Standing Committee (CSC) will conduct regular operational oversight for purposes of monitoring performance. The CSC will be responsible for reviewing PTI’s monthly reports as to be required in the contract with ICANN as well as review any complaint received regarding PTI’s performance. The proposed IANA Functions Review Team (IFRT) will be responsible for conducting reviews in consultation with the CSC. The first IFR will be conducted after two years and subsequent ones no more than every five years.</p> <p>For the numbering function, the RIRs proposed a Review Committee to periodically review ICANN’s performance per their SLA and standards of conduct to be contained therein (performance requirements). For the protocol parameters function, the IETF stipulates in their supplemental agreement annual reviews of ICANN’s performance.</p>	<p>ACTION: NTIA recommends the respective communities and ICANN consider, if they have not already, additional processes by which to evaluate the Board and management of PTI in meeting any standards of conduct they deem necessary to guide ethical values and integrity in achieving their objectives.</p>	<p>The PTI Board members will be appointed for 2 year terms. Similar to the ICANN Board, various processes can be established to support a review of how the Board members are meeting their responsibilities. First, there are the practices that are required to follow the Conflicts of Interest Policy and the Code of Conduct, such as publication of statements of interests and updates, as well as the publication of an annual report on these issues. Second, the PTI Board is recommended to hold the responsibility of reviewing these items and for hearing any complaints of conflict issues for Board members. In addition, the PTI Board, as does the ICANN Board through its Board Governance Committee, can identify for the Nominating Committee the skill set and other needs that may support the PTI Board in performing its work.</p> <p>STATUS: Already accounted for in the current implementation work plan, and will be completed by 30 September 2016</p>
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<p>Will the makeup of the Board of Directors, including the number of Directors and their background and expertise, be appropriate given the nature of the organization? Will the makeup and skills of the board members be periodically evaluated?</p>	<p>PTI</p>	<p>The ICG proposal did not provide this level of detail with respect to the makeup of the PTI Board, nor did NTIA require it.</p> <p>However, NTIA finds that the PTI organizational makeup is appropriate, and expects that further details regarding how the PTI Board’s makeup and skills will be evaluated will be provided during the proposal implementation phase.</p> <p>The proposed PTI Board would consist of five people, comprised of three Directors employed by ICANN and two independent Directors appointed using “an appropriately rigorous nomination mechanism.” The skillset of the Board is recommended to be evaluated as a whole and not on a per-member basis, while also ensuring that each individual member is appropriately qualified to serve. The complete skill set of the board, as articulated in the proposal, should be balanced and cover an appropriate and complete composite of executive management, operational, technical, financial, and corporate governance experience.</p> <p>Since the proposed role of the PTI Board will be limited to providing oversight of PTI operations performed by 20 individuals, the proposed makeup and size of the PTI Board is sufficient. This is especially the case since the proposal creates other mechanisms for operational oversight provided by the community (CSC and reviews).</p>	<p>ACTION: NTIA recommends that ICANN and the community consider, if they have not already, processes by which to periodically evaluate the PTI Board makeup and the skills of the members.</p>	<p>See above, including the assessment of the overall skill set of the PTI Board and providing information to both ICANN and the NomCom on this in making selections and identifying support needed for the Board.</p> <p>STATUS: Already accounted for in the current implementation work plan, and will be completed by 30 September 2016</p>
<p>PTI Audit Committee</p>				

<p>Will there be a charter outlining the duties and responsibilities of the audit committee (or other similarly focused committee)?</p>	<p>PTI</p>	<p>The ICG proposal did not provide this level of detail, nor did NTIA require it. NTIA expects that a charter or other vehicle will be developed during the proposal implementation phase that outlines the duties of the audit or other committee responsible for overseeing PTI financials and/or its budget.</p> <p>The ICG proposal specifies that a process needs to be developed for performing a specific IANA budget review and audit that will include the PTI annual budget as well. This process development is an opportunity by which the community would specify a charter or other similar vehicle for the purpose of defining a PTI audit/oversight committee’s responsibilities.</p> <p>Much of the IANA operational costs and budget will continue to be the responsibility of ICANN. There is already in place at ICANN a Board-level Audit Committee with a charter that outlines its duties and responsibilities, which include overseeing all audit related activities including ICANN’s internal financial and accounting controls and procedures.</p> <p>In terms of overseeing internal controls specific to performing the IANA functions, there are a number of audit committee-like bodies and processes that are to be chartered. The ICG proposal requires numerous audits as part of the contract between ICANN and PTI, as well as the SLA between ICANN and the RIRs and the MoU/Supplemental agreement between the IETF and ICANN.</p> <p>Specific to the names related function, the ICG proposal creates an oversight committee (CSC) responsible for reviewing the outputs of the contractual audit requirements. Additionally, ICANN will convene an IANA Functions Review Team to regularly assess PTI’s performance. These bodies therefore will perform an</p>	<p>ACTION: NTIA recommends that ICANN and the community consider extending the ICANN Board Audit Committee responsibilities to the PTI and/or that an audit committee be established at the PTI Board level if they deem it necessary.</p>	<p>The PTI Bylaws will require the existence of an Audit Committee. A charter for the committee, adhering to best practices, will be in place by the time of transition.</p> <p>STATUS: Already accounted for in the current implementation work plan, and will be completed by 30 September 2016</p>
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Audit/Inspection Rights Items				

<p>Will there be a charter outlining the duties and responsibilities of the audit committee (or other similarly focused committee)?</p>	<p>ICANN</p>	<p>Charters are in place for all the existing ICANN Board-level committees that have an audit purpose, including the Audit Committee.</p> <p>Further, ICANN’s Bylaws outline the Board’s role and responsibilities for the initiation of organization-wide Organizational Reviews. The Bylaws compel the Board to define the criteria and standards of reviews.</p> <p>The CCWG-Accountability proposal will also create a community audit process to investigate fraud or gross mismanagement of funds by the Board. However, the proposal does not specify the creation of an audit committee or the use of any existing committee or mechanism to oversee the audit. Thus, there is not a proposed charter nor are there detailed criteria specified regarding this audit process. As this level of detail was not required, NTIA expects that the community will address this during the proposal implementation phase.</p>	<p>ACTION: NTIA recommends that the community specify who or what will be responsible for overseeing the proposed community audit process including whether or not a charter will be established or other vehicle by which to articulate the duties and responsibilities associated with audit oversight.</p>	<p>The investigatory right that is set up in the Bylaws is based on three Decisional Participants certifying that there is an issue with fraud or gross mismanagement, and then ICANN is obligated to initiate a third party investigation/audit, and provide public reports. As each instance will be a special, unique circumstance, and is not necessarily a standard financial audit that will already happen on an annual basis, a standing committee is likely not the appropriate means to address this action item. To address the concern raised by NTIA in its action item, ICANN is committed to working with the community as it forms the EC process to develop a process through which the EC can have a role in monitoring of ICANN's adherence to the special investigation requirements, including how to assess adherence with the outcomes of the investigations.</p> <p>STATUS: To be completed after the transition</p>
<p>Will there be communication lines between the Board (or appropriate management) and auditors/oversight body(ies)?</p>	<p>ICANN</p>	<p>Specific lines of communication are called for throughout the ICANN organization, including between the Board/management and those responsible for auditing and providing oversight. These lines of communication are articulated in ICANN’s Bylaws and fleshed out in Board resolutions and correspondence.</p> <p>For example, the Board’s Audit Committee acts as an interface between independent auditors and ICANN</p>	<p>ACTION: NTIA recommends that the community establish to whom any auditor retained to investigate gross mismanagement and fraud directly reports its findings, and how these</p>	<p>The Bylaws do not specify that the Empowered Community will have a direct retention right in the event the EC compels an independent investigatory right. The EC can compel ICANN to retain a proper auditor or investigator to address the specific issues identified. It is important that retention</p>

	<p>staff responsible for annual financial reporting, as well as overseeing the selection of independent auditors.</p> <p>In the case of Organizational Reviews, the Board’s Organizational Effectiveness Committee selects an independent evaluator via a public Request for Proposal to undertake an external review of an ICANN organization. The independent evaluator delivers a report to the Organizational Effectiveness Committee, who posts the report for public review. The report is also sent to a Working Party comprised of members of the organization being reviewed, who develop a feasibility and implementation review of the independent review. Once this is received, the Organizational Effectiveness Committee considers the results of the independent review and the input of the Working Party to make recommendations to the entire Board. In the case of a review of the ICANN Board, the process remains the same, however the Board itself selects a subset of current and former Board members to join the Working Party responsible for evaluating the feasibility of the independent reviewer’s recommendations. These lines of communication are clearly established, and have been tested through implementation.</p> <p>In addition to existing lines of communication, the CCWG-Accountability proposal provides that the Empowered Community can retain, through ICANN, a third-party firm to undertake an audit to investigate gross mismanagement and fraud. The lines of communication between the community, ICANN, and this independent auditor are not clear. As NTIA did not require this level of detail, NTIA expects that the community will address this during the proposal implementation phase.</p>	<p>findings will be considered.</p>	<p>obligations do not go to a broad range of the community, but remain limited so that assessments of independence and proper procurement practices can be maintained. Each firm retained will need the flexibility to design its investigation as appropriate, and that could include outreach to the community. As each instance will be a special, unique circumstance, and is not necessarily a standard financial audit that will already happen on an annual basis, a standing committee is likely not the appropriate means to address this action item. To address the concern raised by NTIA in its action item, ICANN is committed to working with the community as it forms the EC process to develop a process through which the EC can have a role in monitoring of ICANN's adherence to the special investigation requirements, including how to assess adherence with the outcomes of the investigations.</p> <p>STATUS: To be completed after the Transition</p>
PTI Operations			

<p>Will there be communication lines between the Board (or appropriate management) and auditors/oversight body(ies)?</p>	<p>PTI</p>	<p>The community will develop a process by which to review and audit the PTI and IANA budget during the implementation phase.</p> <p>In terms of communication lines being established between PTI management and auditors of IANA functions performance, these have been determined. For the naming function, the draft CSC charter states that a representative from PTI will be a liaison to the CSC and that both the CSC and PTI will designate primary and secondary points of contact to facilitate communication. There will also be an IANA functions Operator staff member (PTI staff) appointed as a point of contact for the future IANA Functions Review Teams.</p> <p>With respect to the protocol parameter function, it is understood-based largely on existing practice, that there will be a communication line between the IETF and the party responsible for the performance of the protocol parameter function. However, this is not explicit in the ICG proposal.</p> <p>Similar to the protocol parameters, it is not explicit, but understood, that the numbering Review Committee will have a communication line with the party responsible for performing the numbering function.</p>	<p>ACTION: NTIA recommends that ICANN and the community clearly articulate communication lines as they develop a process by which to review and audit the PTI and IANA-specific budgets. Further, the RIRs and IETF could consider making specific references to a line of communication between them (in the auditing capacity) and PTI (as the entity to perform their relevant functions).</p>	<p>There will be a public comment process for the PTI Budget, and it is expected that that will include consideration of how RIR or IETF concerns are reflected in the budget. The auditing of PTI's financial statements will also occur through standard best practice audit practices, overseen by the PTI Audit Committee and performed by an independent financial auditor.</p> <p>Oversight requirements are specified in the RIR SLA and IETF MoU Supplemental Agreement.</p> <p>STATUS: No further action required</p>
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<p>Are reporting lines clearly defined?</p>	<p>PTI</p>	<p>Reporting lines are clearly defined in that the naming function will be performed by PTI via a contract with ICANN. It is expected that points of contact will be identified in the contract and/or other documentation, during the proposal implementation phase.</p> <p>According to the Proposed Term Sheet between ICANN and PTI, the primary parties that need to be involved in key changes and in communicating (“reporting”) deliverables are identified. The ICG proposal also details how and to whom the CSC will communicate to resolve customer service complaints.</p> <p>With respect to the RIRs, ICANN will ultimately be responsible for performing the numbering function as signatory to the RIR SLA, but since the operations will be subcontracted to PTI, established reporting lines may be necessary between the RIRs and PTI as well. The RIRs will likely rely on much of the existing structure and process, in which reporting lines are already established. Escalation contacts are also already noted on the IANA web page. Other reporting lines have not been made explicit in the ICG proposal or other available materials.</p> <p>Similar to the RIRs and numbering, ICANN will also be ultimately responsible for the protocol parameters function through an MoU/Supplemental Agreement with the IETF, but PTI will actually perform the function. While the details in the ICG proposal are limited, it is explicit that the IETF will rely on existing reporting practice. This includes the escalation points of contact listed on the IANA web page. Most interaction between those performing the protocol parameters function and the IETF is currently through the Protocol Parameters Engagement Manager at ICANN.</p>	<p>ACTION: NTIA recommends that ICANN, the RIRs, and IETF consider, if they have not already, explicitly indicating key lines of reporting in their contracts and/or other agreements with PTI/ICANN.</p>	<p>Reporting requirements are specified in the RIR SLA and IETF MoU Supplemental Agreement.</p> <p>STATUS: No further action required</p>
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<p>Do the entity's policies include succession plans for senior executives and contingency plans for assignments of responsibilities important for internal control?</p>	<p>PTI</p>	<p>With respect to operations of the IANA functions, plans and/or planning associated with succession and continuity are addressed in the ICG proposal. Namely, all three functional communities (names, numbers, and protocol parameters) build in the ability to "separate" from the operator if deemed necessary.</p> <p>The names proposal includes a "Framework for Transition to Successor IANA Functions Operator" that specifies considerations for a smooth, stable, and functional transition in the unlikely event it is necessary. It also proposes that the contract between ICANN and PTI require continuity of operations that includes a commitment on behalf of the operator (PTI) to fully engage in a transition should one ever be necessary.</p> <p>The CRISP Team (numbers) proposal indicates that the RIRs will include in their contract with ICANN the requirement for the IANA functions operator to ensure an orderly transition of the numbering function while maintaining continuity and security of operations, in the unlikely event of separation.</p> <p>The IANAPLAN WG (protocol parameters) stated in their proposal the need for ICANN (as the contracted party responsible for the IANA functions) to "acknowledge that it will carry out the obligations established under the current IANA functions contract between ICANN and the NTIA to achieve a smooth transition to subsequent operator(s), should the need arise. Furthermore, in the event of a transition, the IETF community expects that ICANN, the IETF, and subsequent operator(s) will work together to minimize disruption in the use [of] the protocol parameters registries or other resources currently located at iana.org." It is the intention of the IETF to build such arrangements into future agreements (Supplemental</p>	<p>ACTION: NTIA recommends that ICANN and the community consider, if they have not already, specifically documenting succession plans for PTI senior executives.</p>	<p>ICANN confirms that PTI will develop a succession plan for PTI senior executives.</p> <p>STATUS: To be completed after the Transition</p>
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Agreement) following NTIA's stewardship transition.

Specific to PTI as an organization and its senior executives, NTIA expects that succession and contingency planning will be developed in the proposal implementation phase.