

MINUTES OF THE NINETY-FIFTH MEETING OF THE
AUDIT AND FINANCE COMMITTEE
HELD ON JANUARY 29, 2007

Pursuant to notice dated January 16, 2007, the ninety-fifth (95th) meeting of the Audit and Finance Committee of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY ("Authority") was convened at 1:35 p.m. on Monday, January 29, 2007, in the Authority's board room at 17 Columbia Circle, Albany, New York, and was available by video conference in the Authority's 10th floor conference room at 485 Seventh Avenue, New York, New York, and by video conference in the Authority's conference room at 617 Main Street, Suite 105, Buffalo, New York.

The following members of the Committee were present in Albany, unless otherwise indicated:

Robert B. Catell, Chair (*by video conference from New York*)
Vincent A. DeIorio, Esq., ex officio
Jay L. Gottlieb, Vice-Chair
George F. Akel, Jr.

Also present were Authority Members Patricia L. Acampora, Frank V. Bifera, Esq., William F. Edwards, Parker D. Mathusa, Frank S. McCullough, Jr., Esq., and Dr. Elizabeth W. Thorndike; Peter R. Smith, President and CEO; Robert G. Callender, Vice President for Programs; Jeffrey J. Pitkin, Treasurer; Roger D. Avent, Esq., General Counsel; Jacquelyn L. Jerry, Esq., Associate Counsel and Secretary to the Audit and Finance Committee; Steve A. Mitnick, the Governor's Assistant Secretary for Energy and Telecommunications; Sigmund Peplowski and Gary Davidson, from the New York State Department of Public Service; John V. Connorton, Jr., Esq., from Hawkins, Delafield & Wood; and various other staff of the Authority.

Mr. Catell called the meeting to order and noted the presence of a quorum. He indicated that the first item on the agenda concerned the approval of the minutes of the ninety-fourth (94th)

meeting of the Committee held on September 25, 2006.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote, the minutes of the ninety-fourth (94th) meeting of the Committee, held on September 25, 2006, were approved.

Mr. Catell said that the next item on the agenda concerned approval of an Audit and Finance Committee Charter (“Charter”). At Mr. Catell’s request, Mr. DeIorio, the Authority’s Chair, explained that specific responsibilities for public authority audit committees are set forth in the Public Authorities Accountability Act of 2005 (“Accountability Act”) and the Authority’s By-laws mirror the statutory language. Under the Accountability Act, an Authority Budget Office (“ABO”) was created and is authorized to issue guidelines and standards that serve as the framework for accepted public authority governance principles. The ABO recently issued a model audit committee charter that was used in developing the Authority’s proposed Charter. The proposed Charter continues the responsibilities of the Committee to oversee the independent auditors, the Authority’s financial statements, and internal audit activities; and to review and oversee Authority financings, investments, and other activities historically considered by the Committee.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members, the following resolution was adopted.

Resolution No. 320

RESOLVED, that the Audit and Finance Committee recommends that the Members of the Authority adopt a resolution in substantially the same form as the resolution submitted to the Committee (attached as Exhibit A), approving the Authority’s Audit and Finance Committee Charter (attached as Exhibit B).

Mr. Catell said that the next item on the agenda concerned personnel issues and he suggested that the Committee members convene in executive session to receive a full report on these matters.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members, the following resolution was adopted.

Resolution No. 321

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Members of the Audit and Finance Committee of the New York State Energy Research and Development Authority shall convene in executive session for the purpose of discussing matters leading to the discipline, suspension, dismissal or removal of particular persons.

The Committee members then met in executive session with the Officers, the General Counsel, the Director of Internal Audit, and the Secretary to the Committee.

Mr. Catell reconvened the meeting in open session. Mr. Catell announced that no formal action was taken during the executive session.

Mr. Catell then indicated that the next item on the agenda was a report on the Authority's internal controls. Mr. Catell called upon Mr. Pitkin, the Authority's Internal Control Officer. Mr. Pitkin explained that internal controls have been discussed at almost all of the recent Authority meetings due to increased emphasis on accountability and transparency. This began with the Accountability Act and has continued through Governor Spitzer's recent Executive Orders. Throughout the past year, the Members have adopted a number of changes in the Internal Control Manual to promote accountability and transparency and to provide guidance for staff in meeting their responsibilities. Both the Internal Control Officer and the Director of Internal Audit, through his audits, have identified areas for improvement and have either presented them to the Members for approval or, in appropriate instances, merely implemented changes that improve internal practices.

The Internal Control Manual, and all of the more detailed manuals, are located on the Authority intranet and are always available to staff. In addition, staff have been periodically reminded of the need to comply with internal policies and procedures and encouraged to report any instances of non-compliance.

All new employees have been provided with a copy of each internal control policy manual.

Mr. Pitkin concluded his presentation by stating that, in addition, this past year, all staff were required to take an anti-sexual harassment refresher course and a cyber-security test, and were required to certify that they had reread the Public Officer's Law including the Code of Ethics.

Mr. Catell then called upon Mark Mitchell, Director of Internal Audit. Mr. Mitchell reported that an audit has been conducted of the Authority's information systems that are used by Communications and Legislative Affairs to respond to inquiries by the public and the press. The audit examined the type of information requested, the procedure for obtaining the necessary information, and the process for responding to the information request. The information systems were evaluated to determine how well they support staff's ability to respond to the types of inquiries received. The audit also looked at whether the Authority has a systematic mechanism for gathering and disseminating useful program and project-level information. In addition, the audit examined whether there are any opportunities to improve how phone calls to the Authority's 800 telephone lines, which is operated by an independent contractor, are monitored, and whether visits to the Authority's various websites are monitored and whether this information is considered in developing marketing approaches.

The draft audit report identifies several opportunities for improving staff's ability to obtain quick and regular access to data. It also identifies opportunities for possibly improving the efficiency and effectiveness of various communications and marketing-related activities.

The draft audit report has been given to the involved program unit managers and they are currently reviewing it. Once their review is complete, these managers will prepare a formal, written response for discussion with, and signature by, President Smith.

Lastly, Mr. Mitchell informed the Committee that he is in the early phase of conducting an audit of the New Construction Program, which is administered by the Energy Efficiency Services staff.

Mr. Catell indicated that the last agenda item concerned other business. There being no

further business, upon motion duly made and seconded, and by unanimous voice vote, the meeting was adjourned.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jacquelyn L. Jerry". The signature is written in black ink and is positioned above the printed name.

Jacquelyn L. Jerry

Secretary to the Committee