

MINUTES OF THE FOURTH MEETING OF THE  
GOVERNANCE COMMITTEE  
HELD ON APRIL 14, 2008

Pursuant to notice dated April 4, 2008, the fourth (4th) meeting of the Governance Committee of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY ("Authority") was convened at 10:00 a.m. on Monday, April 14, 2008, in the Authority's New York City office at 485 Seventh Avenue, 10<sup>th</sup> floor, New York, New York; by video conference in the Authority's Albany office at 17 Columbia Circle, Albany, New York; and by webcast.

The following members of the Committee were present:

George F. Akel, Jr., Chair

Vincent A. DeIorio, Esq., ex officio

Jay L. Gottlieb

Also present was Authority Member Parker D. Mathusa; Paul D. Tonko, President and CEO; Robert G. Callender, Vice President for Programs; Jeffrey J. Pitkin, Treasurer; Hal Brodie, Esq., General Counsel; Sara L. LeCain, Esq., Assistant Counsel and Secretary to the Governance Committee; and various other staff of the Authority.

Mr. Akel 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 third (3rd) meeting of the Committee held on June 18, 2007.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote, the minutes of the third (3rd) meeting of the Committee, held on June 18, 2007, were approved.

Mr. Akel said that the next item on the agenda concerned general salary increases for senior management. Mr. DeIorio, the Authority's Chair, explained that in accordance with the Public Authorities Law, the Members are required to approve the compensation of senior management, including general salary increases. Historically, the Authority has provided its employees with benefits comparable to those provided to Management/Confidential ("M/C") employees by the State. Recently, a new M/C agreement was put in place, retroactive to April 2, 2007, and prescribes M/C salary increases of 3% per year beginning April 2, 2007, and a 4% salary increase for the year beginning April 1, 2010. The Members are asked to approve the same percentage salary increases for Authority senior management. This would include a 3% retroactive general salary increases for senior management and the former President and CEO, retroactive to April 2, 2007, as appropriate. Additionally, the Members are asked to approve 3% salary increases for the Authority's President and CEO, Vice President for Programs, Treasurer, and General Counsel beginning April 1, 2008 and April 1, 2009, and a 4% salary increase beginning April 1, 2010. These funds have already been included in the 2007-2008 Budget.

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

#### Resolution No. 5

RESOLVED, that the Governance 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 salary of the current President and CEO, Vice President for Programs, Treasurer, General Counsel, and former President and CEO for fiscal year 2007-08 and thereafter.

Mr. Akel indicated that the next item on the agenda concerned amendments to the Authority's Internal Control Manual ("Manual"). Jeffrey J. Pitkin, the Authority's Treasurer, stated that the purpose of the Manual is to set forth the Authority's policies and procedures for ensuring an effective system of internal controls.

Public Authorities Law Section 2931, known as the New York State Governmental Accountability Audit and Internal Control Act (“Internal Control Act”), requires the Authority to establish and maintain a system of internal controls and a program of internal control review. The Members are responsible for approving all modifications to the Manual. A copy of the Manual reflecting changes from the version last approved by the Members in January 2007 was provided to the Members.

The New York State Comptroller is responsible for establishing standards for internal control in New York State government, and these standards were updated in October 2007, a copy of which is included in Appendix A to the Manual. The Authority’s department managers recently completed a self-evaluation to assess whether the revised standards were being met within each manager’s area of responsibility. The vast majority of department managers felt the standards were being fully met. The evaluation provided some suggestions for improvement, however, which will be reviewed by executive management to determine whether any changes in policies or procedures are needed.

In addition, Mr. Pitkin recently convened a multi-disciplinary staff working group to review the Authority’s policies and procedures to ensure that they reflect current practices, to ensure that they provide appropriate and effective internal controls, and to consider any editorial or clarifying changes. The proposed amendments reflect recommendations offered by the working group. They also include changes that formalize and implement recommendations contained in a New York State Internal Control Task Force report issued in September 2006 offering recommendations for State agency and public authority internal control programs.

The proposed amendments to the Manual include: formalizing requirements and processes for internal control training and awareness and internal control reviews in response to recommendations suggested by the State Internal Control Task Force; adding reference to a new Information Security Policies Manual which was adopted to summarize computer system

policies and procedures as required by the New York State Office of Cyber Security and Critical Infrastructure Coordination policies, including policies which were previously contained in other manuals; modifying provisions for records management to adopt State record retention standards; adding requirements for new hire employment verification; adding a separate section for the Marketing and Economic Development unit; incorporating in Appendix A the New York State Internal Control Standards revised by the New York State Comptroller in October 2007; and making various updating, editorial and clarifying changes.

Professional auditing standards require a periodic review of the Internal Audit function charter, contained in Section 13 of the Manual. The Director of Internal Audit, Mark B. Mitchell, has reviewed the charter and has concluded that no changes are necessary to this section of the Manual.

The Authority is required to annually certify to the New York State Division of the Budget on its compliance with the requirements of the Internal Control Act as well as to provide a report on internal control related activities during the past year. The certification is expected to be filed not later than April 30, 2008, and will certify the Authority's compliance.

Mr. Gottlieb commended staff on the changes to the Manual as they are critical to the operation of the Authority. The Authority has historically done a good job of maintaining and updating its internal controls to adhere to State standards.

In response to an inquiry from Mr. Gottlieb, Mr. Pitkin explained that the working group did not require a lot of staff time. The working group met five times for approximately one hour each time. The members were assigned different sections of each of the Authority's various manuals and asked to check the sections to ensure they reflected current State practices and procedures. The Manual calls for a risk assessment every three years, which evaluates the internal controls in place and whether they meet the needs of the Authority. The proposed changes create a more formalized process for this risk assessment.

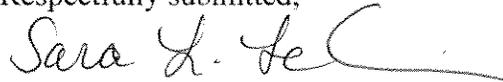
Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members present, the following resolution was adopted.

Resolution No. 6

RESOLVED, that the Governance 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 B), approving and adopting amendments to the Internal Control Manual as presented at this meeting, substantially in the form submitted to the Committee (attached as Exhibit C).

Mr. Akel 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 of the Committee members, the meeting was adjourned.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Sara L. LeCain".

Sara L. LeCain  
Secretary to the Committee