MINUTES OF THE NINETY-FOURTH MEETING OF THE
AUDIT AND FINANCE COMMITTEE
HELD ON SEPTEMBER 24, 2007

Pursuant to notice and an agenda dated September 12, 2007, a copy of which is annexed hereto, the ninety-eighth (98th) meeting of the Audit and Finance Committee of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY ("Authority") was convened at 1:00 p.m. on Monday, September 24, 2007, in the Authority's Albany Office at 17 Columbia Circle, Albany, New York, by video conference in the Authority's New York Office at 485 Seventh Avenue, 10th floor, New York, New York, and by webcast.

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

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

Committee member Robert B. Catell was not present. Also present was Authority Member Parker D. Mathusa.

In addition, Paul D. Tonko, President and Chief Executive Officer; Robert G. Callender, Vice President for Programs; Jeffrey J. Pitkin, Treasurer; Hal Brodie, Esq., General Counsel; Mark B. Mitchell, Director of Internal Audit; Jacquelyn L. Jerry, Esq., Deputy Counsel and Secretary to the Audit and Finance Committee; and various staff of the Authority were present.

Since Mr. Catell, Chair of the Audit and Finance Committee, was unable to attend, Mr. Gottlieb, the Committee's Vice-Chair called the meeting to order. Mr. Gottlieb noted the presence of a quorum and indicated that this is the first Committee meeting to be webcast. In the future, all of the Authority's committee and Board meetings will be webcast. This will give the public access to watch the meetings through the internet from any location. This furthers the Authority's goal to conduct its business in an open and transparent manner and complies with the Governor's policies

regarding open government.

Mr. Gottlieb then stated that the first item on the agenda concerned the approval of the minutes of the ninety-seventh meeting of the Committee held on June 16, 2007.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members present, the minutes of the ninety-seventh meeting of the Committee, held on June 16, 2007, were approved.

Mr. Gottlieb said that the next agenda item concerned performance-based, lump sum payments to the Vice President for Programs and the Treasurer and asked Mr. DeIorio, the Authority's Chair, to discuss the item. Mr. DeIorio explained that, pursuant to the Public Authorities Law, the Members are required to approve the compensation of the Officers and senior management, including any merit increases. This year, merit payments are only proposed for the Vice President for Programs and the Treasurer, because the other Officers and the General Counsel have been serving in their positions for only a very short period of time. The Committee members are requested to adopt a resolution recommending approval of performance-based, lump-sum payments for these two individuals in an aggregate amount not to exceed $15,812. This amount equals 5.75% of their total aggregate salaries and is consistent with the aggregate percentage payment approved by the Members last year. The performance-based, lump sum payments are in recognition of the performance of these individuals and will be allocated by Mr. DeIorio, in consultation with the President and Chief Executive Officer. 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. 329

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 performance-based, lump sum payments to the Authority's Vice President for

Programs and Treasurer in an aggregate amount not to exceed $15,812, as allocated by the Chair in consultation with the President and CEO, payable on or about December 2007.

Mr. Gottlieb then indicated that the next agenda item concerned a report from the Director of Internal Audit, Mark B. Mitchell. Mr. Mitchell reported that, in 2006, the Office of the State Comptroller ("OSC") performed an audit of the Authority's procurement contract process. As part of that audit, OSC recommended that the Authority institute more detailed review procedures relating to contractor indirect cost rates. Shortly thereafter, the procedures were modified to require contractors to submit more detailed information in support of their indirect costs. This information was then to be reviewed for reasonableness before entering into a contract.

To monitor the effectiveness of these changes, Mr. Mitchell performed an audit of the Authority's indirect cost rate review procedures.

Mr. Mitchell evaluated whether the Authority had implemented a policy and related procedures to ensure indirect cost rates are reasonable, and whether the procedures are being followed and are adequate for ensuring that rates are reasonable, allowable, consistent, and allocable under applicable cost principles.

Mr. Mitchell said he reviewed several contracts executed between the period of September 2006 to the present. He found that requiring more detailed supporting documentation resulted in some improvement, but that further improvements could be made to make the process more effective. The audit states that this could be achieved by developing a more standardized approach to conducting the reviews and by better documenting the steps that are taken to evaluate a proposed indirect rate. In addition, the audit recommends that the Authority look into providing supplemental training for all Contract Management staff to provide them with a better understanding of indirect cost principles and how financial information is prepared and what it means.

Management has agreed to implement these recommendations.

Lastly, Mr. Mitchell reported that he and management have agreed that it would be more useful if the order of the audits scheduled under the 2007-2008 Audit Plan was changed. Mr. Mitchell will perform the audit of the invoice review and approval process next, instead of the Assisted Multifamily Program audit.

Mr. Gottlieb stated that the next agenda item was a resolution to convene in executive session for the purpose of discussing matters involving the employment history of particular persons.

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

Resolution No. 330

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Members of the New York State Energy Research and Development Authority shall convene in executive session for the purpose of discussing the employment history of particular persons.

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

Mr. Gottlieb said that the last item was other business and he asked if there were any other matters the Members wished to discuss. There being none, upon motion duly made and seconded, and by unanimous voice vote, the meeting was adjourned.

Respectfully submitted,

Jacquelyn L. Jerry

Jacquelyn L. Jerry
Secretary to the Committee

NYSERDA **New York State Energy Research and Development Authority**

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NOTICE OF MEETING AND AGENDA

September 12, 2007

TO THE MEMBERS OF THE AUDIT AND FINANCE COMMITTEE:

PLEASE TAKE NOTICE that the ninety-eighth (98th) meeting of the AUDIT AND FINANCE COMMITTEE of the New York State Energy Research and Development Authority will be held in the Authority's Albany Office at 17 Columbia Circle, Albany, New York and by video conference in the Authority's New York Office at 485 Seventh Avenue, 10th floor, New York, New York, on Monday, September 24, 2007, commencing at 1:00 p.m. for the following purposes:

1. To consider the Minutes of the 97th meeting held on June 18, 2007.

2. To consider and act upon a resolution approving a one-time, lump sum payment to senior management.

3. To receive a report by the Director of Internal Audit.

4. To consider and act upon a motion to convene in executive session for the purpose of discussing matters involving the employment history of particular persons.

5. To transact such other business as may properly come before the meeting.

Members of the public may attend the meeting at any location. The meeting is also available through webcast at http://www.nyserda.org/governancemeetings.asp

Jacquelyn L. Jerry
Secretary to the Committee

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EXHIBIT A

Resolution No. _____

RESOLVED, that the Members of the Authority do hereby approve performance-based, lump-sum payments to the Authority's Vice President for Programs and Treasurer in an aggregate amount not to exceed $15,812, as allocated by the Chair in consultation with the President and CEO, payable on or about December 2007.