

MINUTES OF THE ONE HUNDRED FORTY THIRD MEETING OF THE
AUDIT AND FINANCE COMMITTEE
HELD ON APRIL 28, 2020

Pursuant to a notice and agenda dated April 17, 2020, a copy of which is annexed hereto, the one hundred forty-third (143rd) meeting of the Audit and Finance Committee (the “Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the “Authority”) was convened at 12:30 p.m. on Tuesday, April 28, 2020 by videoconference.

The following members of the Committee were present:

Jay Koh, *Committee Chair*

Richard Kauffman, *Chair of the Authority*

Sherburne Abbott

Kate Fish

Ken Daly

Also present were Alicia Barton, President and CEO; Janet Joseph, Senior Vice President for Strategy and Market Development; John Williams, Vice President Policy and Regulatory Affairs; Jeffrey J. Pitkin, Treasurer; Peter J. Costello, General Counsel and Secretary; Sara L. LeCain, Senior Counsel and Secretary to the Committee; Martin Dunbar and Jeffrey Mabb, KPMG, LLP; and various other staff of the Authority.

Mr. Koh called the meeting to order and noted the presence of a quorum. The meeting notice and agenda were forwarded to the Committee members and the press on April 17, 2020.

Mr. Koh indicated that the first item on the agenda concerned the approval of the minutes of the one hundred fortieth (142nd) meeting of the Committee, held on January 28, 2020.

Mr. Koh indicated that the next item on the agenda was a presentation from the Authority’s independent auditors on the audit of the financial statements of the Authority and NY Green Bank

for fiscal year 2019-2020. Martin Dunbar, lead audit partner at KPMG, LLP (“KPMG”), presented this item.

Mr. Dunbar began his presentation by highlighting some of the new and returning members of his audit team. Following the introductions, Mr. Dunbar provided a brief overview the independent audit and KPMG’s role in the process which is completed in accordance with the U.S. Governmental Accounting Standards. He then detailed the services that KPMG will provide in the 2019-2020 audit. He stated that the key takeaways are the continued review of interim financial information and sharing the thoughts with management.

Mr. Dunbar outlined the deliverables for the audit, noting that they are similar to the deliverables provided in previous years. These include an opinion on the financial statements of both the Authority and NY Green Bank together with the investment compliance examination. Following the audit, KPMG will issue an incremental audit opinion. In addition, a management letter may be issued if KPMG finds any significant deficiencies or material weaknesses through the audit process.

Next, Mr. Dunbar described the Audit Responsibilities. KPMG will provide an opinion on the financial statements that are being audited. Management is responsible for preparing the financials and making sure that the internal controls over financial reporting are in place so that the financial reports can be provided in a timely manner that is in accordance with the appropriate standards. The Committee will then be responsible for the oversight and maintaining the communication between the auditors and the Authority.

Mr. Dunbar explained that an important part of every audit is risk assessment. Part of the risk assessment process is the consideration of the prior year’s audits, information that has come up throughout the year as part of the quarterly review, and questions that have come up in meetings with management.

In response to an inquiry from Mr. Kauffman, Mr. Dunbar explained that in terms of the current circumstances and the valuation of accounts, there are different risk assessments that are

done to determine the difference in events that occurred before March 31, 2020 and events that occurred after that date. Depending on the type of event, such as outstanding loan payments, the value of the March 31 account balance is affected differently. Mr. Dunbar explained that the receivables, the loans, and the loan and signing team receivables that are outstanding would be the areas where the outstanding balances will need to be more thoroughly reviewed to understand whether or not there are exposures that are properly addressed when coming up with the value in the financial statements.

Mr. Pitkin added that as of March 31, he does not believe that there are any transactions in the NY Green Bank portfolio where payments have been missed. He went on to explain that since the COVID-19 situation occurred 15 days before the end of the fiscal year, they will need to look at events that occurred after March 31 to see if the value of the amounts presented at the end of the fiscal year need to be adjusted.

Mr. Pitkin continued by explaining what the role of the Committee will be once the final outcomes have been established. He explained that the first part will be management's presentation of the financial statements to the Committee, which will note if there had been any changes to the accounting policy or the accounting approach. He noted that the year-end financials have not yet been finalized because they are still monitoring effects of the events that occurred after March 31. Once those financials have been finalized, KPMG will be able to commence their audit. Management and the auditors will notify the Committee of any adjustments that have been made.

In response to concerns raised by Mr. Koh, Mr. Pitkin explained that the actuary who performs the actuarial liability for the OPEB Trust has recommended that the long-term rate consideration, which historically has been 6.5%, should be lowered. This lowered rate will not be reflected in the financials that will be reported on the 2019-2020 fiscal year, but will be part of the 2020-2021 fiscal year financial reporting. He noted that there has not been any specific guidance given on making any adjustments to the Green Jobs - Green New York or NY Green Bank portfolios.

Mr. Dunbar added that there have not been any changes to accounting regulations with respect to the present conditions.

In response to an inquiry from Ms. Abbott, Mr. Dunbar explained that the fraud risk assessment that is done as part of the audit is not necessarily specific to the Authority, it is more of a broader assessment done on the opportunities and pressures that may lead to fraud. He then noted that the internal controls that are in place at the Authority would prevent fraud regardless of whether staff are working onsite or remotely. Mr. Dunbar then reassured the Committee that KPMG would take these questions into consideration when assessing the risk.

Mr. Koh noted that the Committee did an in-depth assessment of the remote working internal controls at its January 2020 meeting. He indicated that due to the change in operating environment, there could be new threats and advised that management pay close attention to how the changes may create new vulnerabilities. He explained that there has been quite a bit of news covering cyber threats to financial institutions during this time, but he does not see that greatly impacting the month or so that falls under the fiscal year ending March 31, 2020. Mr. Koh predicts that this will be of more concern when assessing the current fiscal year, at next year's meetings.

Mr. Dunbar concluded his report by stating that the auditors are familiar with working remotely, as most of their work is done at their clients' offices. He noted one difference this time would be the necessity of having formal calendared meetings to discuss progress with management along the way, in order to keep everyone on the same page with updates, questions, and concerns. Further, Mr. Dunbar addressed the concern of obtaining information when working remotely, stating that this is not a concern as most of the information can be shared electronically.

Mr. Koh indicated that the next item on the agenda concerned the Annual Internal Audit Report and the approval of the Internal Audit Plan for fiscal year 2020-2021 from Mary Peck, the Authority's Director of Internal Audit.

Ms. Peck stated that the Annual Internal Audit Report summarizes the results and consulting activities that were performed in the fiscal year that ended March 31, 2020. The activity

included two written reports that were provided to the Committee and discussed at the October 2019 and January 2020 meetings respectively. Additionally, there is one audit that is completing fieldwork and two more that are either ongoing or about to be started.

Next, Ms. Peck provided the Committee with an update on two ongoing audits. The first, *IA-1920-04: "Integrity of Solicitations"*, is completing fieldwork. She noted that this was a difficult audit, but that the Contracts Management unit was very helpful. The second audit, *IA-1920-03 titled "Business Continuity and Disaster Recovery"*, has held preliminary meetings, and given the current COVID-19 health crisis, there has been an opportunity to observe the Authority's response to a real threat to its continuity. Ms. Peck stated that in her opinion, management was able to successfully assess, manage, and communicate its response activities to all employees, its sister agencies and stakeholders.

Lastly, Ms. Peck presented the Internal Audit Plan for fiscal year 2020-2021. She noted that if approved by the Committee, the Internal Audit Plan would include an audit of the Authority's compliance with website accessibility standards as set forth by the Americans with Disabilities Act of 1990 and other NYS website accessibility requirements; an audit of the Authority's business continuity and disaster recovery plans and preparedness; an assurance and consulting activity with Counsel's Office on a review of a contractor's recoupment reporting and payment obligations; a required self-assessment review of Internal Audit's activities, policies, and procedures in accordance with quality review standards; and an assurance and consulting activity to assist management with its annual internal controls review. Ms. Peck noted that two of the audits were originally approved as part of the Internal Audit Plan for Fiscal Year 2018-2019, but were postponed to allow for updates to be made in response to New York State policies.

Ms. Peck stated that Internal Audit is also required to perform additional activities to conform to internal auditing standards. These additional activities include participating in continuous professional development, maintaining a quality assurance and improvement program, and having a follow-up process to monitor the implementation of recommendations communicated in internal audit reports. There will also be a review of the Rotational Audit Plan to ensure it

remains in alignment with the Authority's current structure and goals. The overall results will be factored into the development of the Internal Audit Plan for Fiscal Year 2020-2021.

Ms. Peck explained that it is a requirement that she make an annual statement of independence to the Members. She stated that she and her staff have reviewed the standards and they have no concerns regarding any impairments. The review and the formal attestation will be documented in the Quality Assurance Review files.

In response to an inquiry from Mr. Koh, Ms. Peck stated that the Internal Audit Plan allows flexibility to make changes as the Authority addresses the impacts of COVID-19 on its operations. She indicated that Internal Audit will do its best to be as fast and flexible as possible in order to help management return to its normal operating procedures.

In response to an inquiry Mr. Kauffman, Ms. Peck explained that there are some things that need to be audited as a requirement by the State, while other audits are based upon what the Authority needs at a specific point-in-time. Therefore, the Internal Audit Plan is developed with flexibility in order to allow for adjustments during the year.

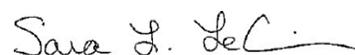
Whereafter, upon motion duly made and seconded, by voice vote of the Members present, the following resolution was approved.

Resolution No.

RESOLVED, that the Audit and Finance Committee approves the Internal Audit Plan for Fiscal Year 2020-2021, as presented at this April 28, 2020 meeting, in the form submitted to the Committee.

Mr. Koh indicated that the next item on the agenda was other business. There being no other business, the meeting was adjourned.

Respectfully submitted,



Sara L. LeCain
Secretary to the Committee