

MINUTES OF THE ONE HUNDRED THIRTIETH MEETING OF THE
AUDIT AND FINANCE COMMITTEE HELD
ON JANUARY 24, 2017

Pursuant to a notice and agenda dated January 11, 2017, and a revised notice and agenda dated January 19, 2017, a copy of which is annexed hereto, the one hundred thirtieth (130th) meeting of the Audit and Finance Committee (the “Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the “Authority”) was convened at 11:00 a.m. on Tuesday, January 24, 2017 at the office of the New York State Dormitory Authority (“DASNY”), One Penn Plaza, 52nd Floor, New York, New York, and by videoconference in the Authority’s Albany Office located at 17 Columbia Circle, Albany, New York.

The following members of the Committee were present:

Jay Koh

Richard Kauffman

Jigar Shah

Member Sherburne Abbott was unable to attend in person, but observed the meeting by telephone.

Also present were John B. Rhodes, President and CEO; Janet Joseph, Vice President for Innovation and Strategy; David Margalit, Chief Operating Officer; Jeffrey J. Pitkin, Treasurer; Noah C. Shaw, Esq., General Counsel; Sara LeCain, Esq., Senior Counsel and Secretary to the Audit and Finance Committee; Mark Mitchell, Director of Internal Audit; and various other staff of the Authority.

Mr. Koh called the meeting to order and noted the presence of a quorum. Mr. Koh stated that the meeting notice and agenda were forwarded to the Committee members on January 11, 2017 and the press on January 12, 2017. The first item on the agenda concerned the approval of

the minutes of the one hundred twenty-ninth (129th) meeting of the Committee, held on September 20, 2016.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members, the minutes of the hundred twenty-ninth (129th) meeting of the Committee, held on September 20, 2016, were approved.

Mr. Koh indicated that the next item on the agenda concerned a resolution to convene in executive session pursuant to Section 105(a) of the Public Officers Law to discuss the Authority's Information Technology and Cyber Security internal controls.

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

Resolution No. 422

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 on January 24, 2017 for the purpose of discussing a matter that would imperil public safety if disclosed.

The Committee took no action during the executive session. At the conclusion of the executive session, Mr. Koh reconvened the meeting in open session. Mr. Koh stated that the Committee appreciated the professionalism and hard work of the Authority's Information Technology and Information Security teams on the operation of the Authority's critical information technology systems.

Mr. Koh stated the next item on the agenda concerned a report from the Authority's Director of Internal Audit, Mark Mitchell, on his recent activities. Mr. Mitchell stated that since the last meeting of the Committee two internal audits were issued and both were provided to the Members in advance of the meeting.

Mr. Mitchell explained that Internal Audit followed up on the actions taken by the Authority's management to implement the recommendations contained in the Process Improvement Review of Recoupment which was issued on August 31, 2014 ("Recoupment Audit"). The Recoupment Audit was the result of having conducted a process review of the Authority's recoupment process, which seeks repayments of Research and Development project funding provided for activities that result in inventions that have become commercially successful. These repayments are referred to as "recoupment."

Mr. Mitchell stated that the Authority had addressed the seven recommendations identified in the initial Recoupment Audit. Mr. Mitchell indicated that one of the recommendations regarding the annual collection process was implemented in September 2016, but because of the timing of recoupment activities, all of the tasks associated with the annual collection process have not yet been performed. Therefore, Internal Audit noted management's implementation of the recommendation, but was unable to evaluate the effectiveness of the new processes implemented.

Mr. Mitchell indicated that based on Internal Audit's observations during the audit, he has concluded that the internal control improvements are satisfactory and that there is no need for a formal follow-up audit to the Recoupment Audit.

Next, Mr. Mitchell indicated that an audit was conducted to evaluate the effectiveness of the internal controls in place to ensure that the Authority could account for its computer and other Information Technology Department ("IT") equipment. The audit reviewed IT equipment with a unit cost less than \$2,500 that was purchased during the two-year period ending March 31, 2015.

Mr. Mitchell explained that when the audit fieldwork was initially being performed, there was no single system that provided an adequate tracking of the confirmed physical location of IT equipment and mobile devices were adequately safeguarded. As the audit was ongoing, IT implemented and executed improvements, including maintenance of records, regular inventory verifications, and reconciliations. Because of those improvements, the internal controls over the safeguarding of IT equipment purchased had been strengthened.

Mr. Mitchell stated that based on the observations during the audit, Internal Audit concluded that the internal control improvements are satisfactory and that there is no need to consider a formal follow-up audit to this report.

Mr. Mitchell added that since the issuance of the report, the IT equipment reconciliation has been completed. IT could account for all but three items: a monitor and two old USB wireless cards. Mr. Mitchell indicated that management believes all three items may have been previously disposed of and not removed from the inventory records. Mr. Mitchell stated that this demonstrates a commendable level of accountability.

Next, Mr. Mitchell stated that the Committee approved the Internal Audit Plan for Fiscal Year 2016-17 (“2016-17 Internal Audit Plan”) in April 2016, which included an audit of the Authority’s compliance with records retention requirements. Mr. Mitchell proposed postponing the assessment as the Authority’s Operational Transformation and LEAN team is in the process of examining and making improvements to a few components, such as system resources, processes, and roles. Therefore, Mr. Mitchell recommended that the audit is removed from the 2016-17 Internal Audit Plan and add it to a future Internal Audit Plan.

Mr. Mitchell indicated that management concurred with this amendment, and asked that the Committee provide their concurrence.

In response to an inquiry from Mr. Koh, Mr. Mitchell confirmed that the audit will be conducted once the records management project is complete.

In response to an inquiry from Mr. Koh, Mr. Shaw stated that the Committee does not need to pass a formal resolution. Instead, the Committee may provide their concurrence with the proposed amendment to the 2016-17 Internal Audit Plan.

The Committee concurred with the proposed amendments to the 2016-17 Internal Audit Plan.

Mr. Koh stated that the next item on the agenda was a report from the Authority's Treasurer, Jeffrey J. Pitkin, on a recent audit by the Office of the State Comptroller ("OSC"). Mr. Pitkin stated that the Committee was provided with an audit report issued by OSC regarding the Authority's administration of the NY-Sun Program, as well as the Authority's response to the audit report sent to the Governor and Legislative leaders pursuant to Section 170 of the Executive Law.

Mr. Pitkin explained that the audit report found that the Authority had provided adequate oversight, project management and quality assurance of the NY-Sun Program. The audit report provided two recommendations for further improving quality assurance of the NY-Sun Program, both of which the Authority has implemented.

In response to an inquiry from Mr. Shah, David Sandbank, Director of the NY-Sun Program, explained that often the photographs submitted as per the NY-Sun Program guidelines are geotagged and staff check the original photographs against the photographs submitted in the site plan. He indicated that it would be near impossible for participants to continually submit the same construction photos for different projects as there is ample documentation to indicate that the photograph is of the wrong site. Mr. Sandbank offered to discuss this concern further with Mr. Shah after the meeting.

Ms. Joseph added that the geotagging mechanism is approved by the Authority's Quality Assurance and Quality Control team as an effective and efficient tool and is being used across the Authority.

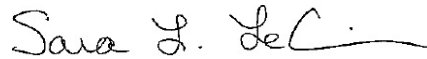
Mr. Koh commended the NY-Sun team for the audit processing. He added that this program is very complex and has substantial issues, but the findings indicate that staff is operating in a very professional manner and ensuring that the processes are in place.

Mr. Rhodes added that Mr. Sandbank and the NY-Sun team are receiving unsolicited comments from their partners that the Authority's software and the application handling is the best in the country.

Mr. Shah stated that that was impressive.

Mr. Koh stated 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 black ink that reads "Sara L. LeCain". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Sara L. LeCain
Secretary to the Committee



ANDREW M. CUOMO
Governor

NYSERDA

RICHARD L. KAUFFMAN
Chair

JOHN B. RHODES
President and CEO

REVISED NOTICE OF MEETING AND AGENDA

January 19, 2017

TO THE MEMBERS OF THE AUDIT AND FINANCE COMMITTEE:

PLEASE TAKE NOTICE that the one hundred thirtieth (130th) meeting of the AUDIT AND FINANCE COMMITTEE of the New York State Energy Research and Development Authority (“Authority”) will be held at the office of the New York State Dormitory Authority (“DASNY”), One Penn Plaza, 52nd Floor, New York, New York, and in the Authority’s Albany Office at 17 Columbia Circle, Albany, New York, on Tuesday, January 24, 2017, commencing at 11:00 a.m., for the following purposes:

1. To consider the Minutes of the 129th meeting held on September 20, 2016.
2. To consider and act upon a resolution to enter into an executive session pursuant to Section 105(a) of the Public Officers Law to discuss a review of the Authority’s Information Technology and Cyber Security internal controls.
3. To receive a report from the Director of Internal Audit on recent internal audit activities.
4. To receive a report on a recent audit by the Office of the State Comptroller.
5. To transact such other business as may properly come before the meeting.

Members of the public may attend the meeting at either of the above locations. In order to expedite the entry procedures established by the building management, any members of the public planning to attend the meeting at DASNY’s office should notify DASNY’s receptionist at 212-273-5000, 24 hours in advance of the meeting, and must be prepared to show valid photo identification upon arrival at One Penn Plaza.

Video conferencing will be used at both locations and the Authority will be posting a video of the meeting to the web within a reasonable time after the meeting. The video will be posted at <http://www.nyserda.ny.gov/About/Board-Governance/Board-and-Committee-Meetings>.

Sara L. LeCain
Secretary to the Committee

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