

NEW YORK STATE  
ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

INTERNAL CONTROL MANUAL:  
Ensuring Efficiency, Accountability, and Transparency

Revised January 2018

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## **SECTION 1: PURPOSE; BOARD MEMBER RESPONSIBILITIES**

The purpose of this manual is to set forth NYSERDA's policies and procedures for ensuring an effective system of internal controls that also promotes accountability and transparency.

Public Authorities Law, Article 9, Title 8, §2931, known as the New York State Governmental Accountability Audit and Internal Control Act ("Internal Control Act") requires NYSERDA to establish and maintain a system of internal controls. The Internal Control Act defines internal controls as a "process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission" (Article 9, §2930).

The Internal Control Act lists specific objectives of an internal control system including, but not limited to:

- the safeguarding of assets;
- checking the accuracy and reliability of accounting data and financial reporting;
- promoting the effectiveness and efficiency of operations;
- ensuring compliance with applicable laws and regulations; and
- encouraging adherence to prescribed managerial policies.

The Public Authorities Accountability Act of 2005, which amends various sections of the Public Authorities Law, seeks to ensure greater efficiency, openness and accountability for the State's public authorities by codifying model governance principles, removing legal impediments that prevent full implementation of model governance principles, establish a new public authorities office within the Executive Department to provide additional oversight and ensure full compliance with the principles, and allow for the creation of an independent inspector general to ensure greater accountability for public authority activities and operations.

As explained below and through their review and approval of various guidelines, reports, planning documents, and other activities of NYSERDA staff, NYSERDA's Board Members are actively engaged in overseeing NYSERDA use of processes, policies, and procedures that accomplish NYSERDA's mission through an effective system of internal controls that incorporates accountability and transparency.

**Board Member Internal Control Responsibilities.** The Internal Control Act requires that the governing board of NYSERDA:

- establish and maintain for NYSERDA guidelines for a system of internal control that are in accordance with this article and internal control standards;
- establish and maintain for NYSERDA a system of internal control and a program of internal control review. The program of internal control review shall be designed to identify internal control weaknesses, identify actions that are needed to correct actions and periodically assess the adequacy of NYSERDA's ongoing internal controls;
- make available to each Board Member, officer and employee a clear and concise statement of the generally applicable managerial policies and standards with which he or she is expected to comply. Such statement shall emphasize the importance of effective internal control to NYSERDA and the responsibility of each Board Members, officer and employee for effective internal control;
- designate an internal control officer, who shall report to the head of NYSERDA, to implement

- and review the internal control responsibilities established pursuant to this section;
- implement education and training efforts to ensure that Board Members, officers and employees have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques; and
- periodically evaluate the need for an internal audit function.

**Board Member Accountability Responsibilities,** The Public Authority Accountability Act of 2005 requires the Board Members to:

- execute direct oversight of NYSERDA’s President and CEO and other senior management in the effective and ethical management of NYSERDA;
- understand, review and monitor the implementation of fundamental financial and management controls and operational decisions of NYSERDA;
- establish policies regarding the payment of salary, compensation and reimbursements to, and establish rules for the time and attendance of the President and CEO and senior management;
- adopt a code of ethics applicable to each officer, director and employee that, at a minimum, includes the standards established in section seventy-four of the public officers law;
- establish written policies and procedures on personnel including acts of wrongdoing, misconduct, malfeasance, or other inappropriate behavior by an employee or Board Member of NYSERDA, investments, travel, the acquisition of real property and the disposition of real and personal property and the procurement of goods and services;
- adopt a defense and indemnification policy and disclose such plan to any and all prospective Board Members; and
- attend State approved training, including such continuing training as may be required to remain informed of best practices, regulatory and statutory changes relating to the effective oversight of the management and financial activities of public authorities and to adhere to the highest standards of responsible government.

Through all of the processes, policies, and procedures set forth in this manual, the three underlying manuals (the Personnel Handbook, Information Security Policies Manual, Accounting Policies and Procedures Manual, and Operations and Procedures Manual), and through its review and approval of a diverse set of guidelines, reports, planning documents and more detailed Committee review of staff activities, NYSERDA’s Board Members comply with these statutory requirements.

NYSERDA’s Board has established the following standing committees:

**Audit and Finance Committee.** The Audit and Finance Committee is a standing advisory committee of the Authority. The Committee has not fewer than three or more than six Board Members. The Committee shall consist of not less than three independent Board Members who shall constitute a majority on the Committee and who shall possess the necessary skills to understand the duties and function of the Committee, provided, however, that in the event that there are less than three independent Members, the Members may appoint non-independent Members, provided that the independent Members constitute a majority of the Members of the Committee. In addition, the membership of the Committee includes the Chair of the Authority who serves ex-officio and who enjoys all the rights and privileges of membership, including the right to vote. A majority of the members of the Committee then in office, not including the Chair of the Authority, gathered together in the presence of each other or through the use of videoconferencing, constitutes a quorum, and the Chair of the Authority if present counts toward a quorum. Members of the Committee shall

be familiar with corporate financial and accounting practices.

The Audit and Finance Committee recommends the hiring of a certified independent accounting firm, establishes the compensation to be paid, and provides direct oversight of the performance of the independent audit performed, reviews the annual financial statements of the Authority prior to submission for approval to the Board Members of the Authority, reviews proposals for the issuance of debt by the Authority and makes recommendations, and may examine and consider such other matters in relation to the internal and external audit of the Authority's accounts, the Authority's financings, and in relation to the financial affairs of the Authority and its accounts as the Audit and Finance Committee may determine to be desirable.

Program Planning Committee. The Program Planning Committee is a standing advisory committee of the Authority. The Committee has not fewer than three or more than six Board Members, who are elected from among the Board Members of the Authority other than the Chair. A majority of these committee members are other than Board Members of the Authority who serve ex-officio. In addition, the membership of the Committee includes the Chair of the Authority, who serves ex-officio and who enjoys all the rights and privileges of membership, including the right to vote. A majority of the members of the Committee then in office, not including the Chair, gathered together in the presence of each other or through the use of videoconferencing, constitutes a quorum, and the Chair of the Authority if present counts toward a quorum.

The Program Planning Committee reviews the annual updating of the Authority's Strategic Program Plan; and preparation of the portions of the Authority's annual budget related to the energy research and innovation, market development, clean energy financing, and other related programs and initiatives; and provides guidance to the Authority's officers and employees in the preparation of those plans and those portions of the budget; and considers such other matters related to the Authority's energy research and development programs, energy services programs, energy analysis program, and economic development program as the officers of the Authority may refer to the Committee.

Waste and Facilities Management Committee. The Waste and Facilities Management Committee is a standing advisory committee of the Authority. The Committee has not fewer than three or more than six members, who are elected from among the Board Members of the Authority other than the Chair. A majority of these committee members are other than Board Members of the Authority who serve ex-officio. In addition, the membership of the Committee includes the Chair of the Authority, who serves ex-officio and who enjoys all the rights and privileges of membership, including the right to vote. A majority of the members of the Committee then in office, not including the Chair of the Authority, gathered together in the presence of each other or through the use of videoconferencing, constitutes a quorum, and the Chair of the Authority if present counts toward a quorum.

The Waste and Facilities Management Committee reviews the Authority's program and plans for management of the Western New York Nuclear Service Center, including the West Valley Demonstration Project, and for radioactive waste policy and nuclear coordination; reviews the preparation of the Authority's annual West Valley site management program and radioactive waste policy and nuclear coordination budgets; provides guidance to the Authority's officers and employees in the preparation of the plans and in preparation of such annual program budgets; and considers such other matters related to West Valley site management and radioactive waste policy and

nuclear coordination programs as the Officers of the Authority may refer to such Committee.

Governance Committee. The Governance Committee is a standing advisory committee of the Authority. The Committee shall consist of not less than three independent Members who shall constitute a majority on the Committee and who shall possess the necessary skills to understand the duties and function of the Committee, provided, however, that in the event that there are less than three independent Members, the Members may appoint non-independent Members, provided that the independent Members constitute a majority of the Members of the Committee. The Committee has not fewer than three or more than six members. In addition, the membership of the Committee includes the Chair of the Authority who shall serve ex-officio and who enjoys all the rights and privileges of membership, including the right to vote. A majority of the members of the Committee then in office, not including the Chair of the Authority, gathered together in the presence of each other or through the use of videoconferencing, constitutes a quorum, and the Chair of the Authority if present counts toward a quorum.

The Governance Committee keeps the Board Members informed of current best practices, reviews corporate governance trends, updates the Authority's corporate governance principles, as necessary, recommend updates to the corporate governance principles, advises appointing authorities on the skills and experience required of Board Members, examine ethical and conflict of interest issues, perform Board self-evaluation, and recommend By-laws which include rules and procedures for conduct of Board business.

All meetings of the Authority subject to the Open Meetings Law will be broadcast on the Internet.

### **Board Member Compliance with Lobbying Laws**

Procurement Lobbying: State Finance Law Sections 139-j and 139-k applies to all solicitations issued and procurements under active consideration that may result in a procurement contract in an amount in excess of \$15,000. Such solicitations and procurements under consideration must: (1) designate individuals at NYSERDA who may be contacted about the procurement by persons attempting to influence the procurement process (*i.e.*, offerers and persons hired by the offerer who attempt to influence the procurement), and (2) outline NYSERDA's procedures relating to contacts that are not permitted under the State Finance Law. All solicitations and procurements will identify NYSERDA employees, and not Board Members, as the individuals that may be contacted under such circumstances.

The responsibility to record information about contacts that reasonably appear to be attempts to influence the procurement process applies during the "restricted period." The restricted period begins once NYSERDA has made a decision to initiate procurement and extends until execution of the contract. It begins again at any time a modification to the contract is proposed and extends until the modification is executed.

The decision to initiate procurement occurs at the earliest of: (1) the Greenlight Committee's approval of the proposed issuance of a solicitation, (2) an employee's receipt of a proposal for a program project that does not meet the definition of Competitive Procurement Method under the Contracting Guidelines, or (3) at such other time when a determination is made to proceed with an administrative procurement. At this time and until the time a contract is executed, Board Members must: (1) record information regarding contacts that reasonably appear to be attempts to

influence the procurement process within the restricted period, and (2) submit the record to

NYSERDA's Director of Contract Management who will maintain such records in the appropriate file. The record is to include the contact including the name, the organization, the address, the telephone number, the place of principal employment, and the occupation of the contact and whether the person or organization making the contact is a "potential contractor" or is retained, employed, or designated by the potential contractor to appear before or to contact the agency regarding the procurement.

Failure to comply with the requirements may result in a contractor being barred from governmental procurements. Board Members should contact the General Counsel if they have any questions concerning these requirements.

Project Sunlight: Project Sunlight, a component of the Public Integrity Reform Act of 2011, is intended to provide the public with an opportunity to see when outside individuals and entities are interacting with—and attempting to influence—state government decision-makers in particular ways. Project Sunlight requires the reporting in an online database of all interactions that constitute "appearances" between "covered individuals" inside NYSERDA and "covered individuals" outside NYSERDA concerning one of five designated Project Sunlight subject areas.

An "appearance" is an in-person meeting, telephonic conversation, or video conference that is a substantive interaction meant to influence state government decision-making. The location, formality, and initiator of the interaction are irrelevant. Excluded from "appearance" are all written communications; administrative or ministerial interactions; purely informational exchanges; interactions regarding legislation or the budget; and meetings that are open to the public. NYSERDA "covered individuals" are those individuals designated as "policy-makers," which includes Board Members. "Covered individuals" outside NYSERDA include internal and external representatives of outside entities, individuals representing themselves, and representatives of advocacy groups. Not included are employees of other state agencies and of other governments; state elected officials, executive and legislative employees, judges, and employees of the judiciary; representatives of the media; and persons under the age of 18. An "appearance" between "covered individuals" must be reported if it concerns one of five designated subject areas: procurement (outside of the restricted period defined by the Procurement Lobbying Law), regulatory matters, rule making, judicial or quasi-judicial proceedings, and rate making.

Reportable appearances must be timely recorded in the database, within five business days after they occur. NYSERDA covered individuals complete the Project Sunlight reporting form available on NYSERDA's intranet and emails it to the dedicated email inbox: [projectsunlight@nyserda.ny.gov](mailto:projectsunlight@nyserda.ny.gov). NYSERDA's Project Sunlight Liaison, designated by the General Counsel, coordinates and oversees NYSERDA's reporting efforts. Board Members should contact the Project Sunlight Liaison or General Counsel if they have any questions concerning these requirements.

Regulatory Lobbying: Public Authorities Law §2987 requires every Member, Officer, or employee to record all contacts, whether oral or written, that are an attempt to influence the adoption or rejection of any rule or regulation having the force and effect of law that is issued by NYSERDA. The record must include the day and time of the contact, the identity of the lobbyist, and a general summary of the substance of the contact. NYSERDA shall maintain these records for not less than seven years.

## **INTERNAL CONTROL POLICY**

It is the responsibility of every employee to abide by the requirements of the internal controls system. All employees are expected to be aware of NYSERDA's internal controls system and regularly consider the system in performing their tasks. NYSERDA has prepared a Code of Conduct, attached hereto as Appendix B, summarizing a number of basic standards and State and Federal laws which NYSERDA employees are required to follow. The Code of Conduct sets forth NYSERDA's expectations that its employees conduct themselves in an honest and ethical manner and is provided to all employees.

If an employee identifies a potential weakness in, or deviation from, NYSERDA's internal control systems or generally accepted systems of internal controls, he or she shall report such potential weakness or deviation immediately in accordance with NYSERDA's Whistleblower Policy, attached hereto as Appendix C.

### **INTERNAL CONTROL SYSTEM**

The procedures herein establish checks and balances over NYSERDA's administration and operations practices, financial and accounting practices and personnel practices, regularly reviewing the adequacy of the controls, especially in areas of highest vulnerability, revising those controls as necessary to reflect organizational changes, new program mandates or staffing adjustments, and taking corrective action when internal control weaknesses are identified. NYSERDA stresses to its Directors and they to their staffs the importance of communicating and adhering to the policies and procedures in the Internal Control System.

The Internal Control Officer is responsible for assisting with the implementation and review of the internal control system and for implementing education and training of staff.

All employees and officers have access to all the manuals that comprise the internal control system which are:

- Internal Control Manual – the compilation of the accounting, operating and administrative controls of NYSERDA as described more fully in the following manuals:
- Operations and Procedures Manual – details the policies and procedures followed in planning and implementing NYSERDA's programs and administration, including its contracting process to ensure compliance with State statutes, regulatory requirements and Executive Orders;
- Accounting Policies and Procedures Manual – details the financing and accounting practices; and
- Personnel Handbook – details NYSERDA's personnel practices and policies which apply to all employees.

This manual also summarizes the primary functions and control objectives of each of NYSERDA's assessable units. Assessable units are defined in the Comptroller's Internal Control Standards, as units which perform a distinct function or service and/or that fulfill a law, regulation or mandate. NYSERDA's assessable units include:

- Energy Programs (Market Development, Innovation and Research, and other energy program activities)
- NY Green Bank
- Policy & Regulatory Affairs



- Radioactive Waste Management
- Bond Financing
- Contracts Management
- Accounting
- Human Resources
- Computer Systems
- Counsel's Office
- Governmental Affairs
- Communications
- Corporate Marketing
- Consumer Services and Events Management
- Internal Audit

All staff shall maintain NYSERDA records in accordance with the General Retention and Disposition Schedule for New York State Government Records.

### **INTERNAL CONTROL TRAINING AND AWARENESS**

The Internal Control Officer shall coordinate training and awareness activities to ensure that all NYSERDA employees have an understanding of internal control principles and how they relate to the performance of their work assignments.

In addition, the Internal Control Officer and executive management shall periodically communicate to NYSERDA staff regarding internal control principles and responsibilities, not less frequently than once each year.

### **INTERNAL CONTROL REVIEW PROCESS**

The Internal Control Officer shall coordinate a process of organization-wide risk assessment not less frequently than once every three years. The risk assessment shall identify significant risks which threaten the achievement of unit/organizational objectives, the controls in place to eliminate or mitigate these risks, and an assessment of the relative likelihood of occurrence and the impact of such risks (using a rating system to be established by executive management). Each risk assessment shall be reviewed and approved by the manager's supervisory personnel through executive management, and shall also be provided to the Director of Internal Audit for review and comment. The results of the organization wide risk assessment shall be communicated to the Audit and Finance Committee for review and comment.

In addition, the Internal Control Officer shall convene a multi-disciplinary internal control working group not less frequently than once a year to review NYSERDA's internal control policies and procedures, organizational structure and inventory of functions, and to consider and recommend changes to improve internal controls.

The Internal Control Officer shall be responsible for monitoring the implementation of corrective actions which result from internal control reviews, internal control testing, internal audit reports, or reports issued by external auditors related to internal control matters. The Internal Control Officer shall provide a report to the President and CEO not less frequently than annually summarizing the status of all such corrective actions.

### **INTERNAL CONTROL TESTING**

To supplement the ongoing evaluation of the adequacy of NYSERDA's internal controls, NYSERDA shall conduct periodic compliance testing, at least annually, to determine the extent to which staff follow prescribed policies and procedures.

### **ANNUAL REPORTING**

NYSERDA prepares the annual report required by Section 2800 of the Public Authorities Law and submits it to the Board Members for review and approval. The report is certified in writing by the President and CEO and the Treasurer that based on his or her knowledge the information provided therein is accurate, correct and does not contain any untrue statement of material fact, does not omit any material fact which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which such statement are made and fairly presents in all material respects the financial condition and results of operations of NYSERDA as of and for the periods presented in the report.

Attached as part of the annual report is a copy of the annual independent audit report, performed by a certified public accounting firm in accordance with generally accepted government auditing standards, and management letter with any other external examination of the books and accounts (other than reports of any examinations made by the State Comptroller).

This annual report is submitted to the persons designated by Sections 2800 and 2802 of the Public Authorities Law.

NYSERDA also submits the annual internal control certification and report in accordance with requirements established by the Authorities Budget Office.

## **SECTION 2: ENERGY PROGRAMS**

### **(MARKET DEVELOPMENT, INNOVATION AND RESEARCH, AND OTHER ENERGY PROGRAM ACTIVITIES)**

#### **Primary Functions**

- Program Planning Program Development
- Project Development
- Project Management Metrics Reporting

#### **Controls**

##### Program Planning

NYSERDA's multi-year strategic plan (Plan) includes goals, objectives, and funding for each program. Staff presents the Plan to NYSERDA's Program Planning Committee annually for review and approval. The Program Planning Committee is composed of NYSERDA Board members and is charged with reviewing, amending, and recommending approval of the Plan to the members of the Board. NYSERDA's Board must approve the Plan before it can be implemented by NYSERDA.

##### Program Development

Programs must operate in manner that is consistent with the Plan as approved by NYSERDA's Board. Programs must operate in a manner that is also consistent with any approved operating plan, funding agreement, Public Service Commission Order, law or regulation related to the program funding source. The Team Lead of each program is primarily responsible for development and implementation of their program area, for consistency with the Board-approved Plan, and for ensuring the collection and tracking of all required information and metrics needed for compliance filings according to the Public Authorities Law and other statutory and administrative requirements, in consultation with oversight provided by the Officer or Business Unit Lead (an employee that reports to the President with oversight of a Program or administrative area that has one or more Team Leads reporting to them) responsible for such Team.

##### Project Development

NYSERDA uses its best efforts to use competitive methods for selecting contractors, pursuant to Article III: Requirements regarding selection of contractors of NYSERDA's Contracting Guidelines, as adopted by the Board. In addition, projects selected for funding must be consistent with the goals and objectives of the Plan. Solicitations are developed by a Project Manager working in conjunction with a multi-disciplinary team (Team) comprised of: the Team Lead, an assigned attorney from Counsel's Office, and an assigned contract administrator from the Contracts Management department. Once approved by the Team, the request is approved by the Business Unit Lead<sup>1</sup>. Solicitation results are reviewed by a Scoring Committee based upon the evaluation criteria set forth in the Solicitation document. The results of the Scoring

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<sup>1</sup> Business Unit Leads are defined as any employee that reports to the President with oversight of a Program or administrative area that has one or more Team Leads reporting to them. In cases where Team Leads report to the President, the President may serve as Business Unit Lead or designate the authority to another Business Unit Lead.

Committee are summarized by the Project Manager, reviewed by the Team and approved by the Business Unit Lead.

### Project Management

The Project Manager is responsible for developing, in conjunction with the contractor, a clear and defined project statement of work (SOW), budget, and implementation schedule. The Project Manager is responsible for monitoring and oversight of the contractor's performance to ensure that it adheres to the work required under the contract while anticipating and resolving technical and administrative problems arising during the project. Project Managers communicate with contractors, review progress reports, conduct site visits, review and approve contractor invoices, review and approve technical reports, and approve final project reports.

### Metrics reporting

Programs shall be responsible for collecting all relevant data to measure program progress according to predetermined metrics, such as data that can be used to address the anticipated energy, environmental and economic benefits that are realized by projects, and as required by each operating plan or reporting requirement. All estimates shall reference credible sources and estimating procedures, and all assumptions shall be documented. This data will also be used to evaluate program impacts and progress towards goals.

## **SECTION 3: NY GREEN BANK**

### **Primary Functions**

- Business Planning
- Business Operation
- Procurement Activities
- Financial Investments
- Portfolio Management
- Metrics Reporting

### **Controls**

#### Business Planning

In addition to participating in NYSERDA's Multi-Year Strategic Program Plan, as described in Section 2, Program Planning, above, NY Green Bank develops an annual Strategic and Business Plan (Business Plan). NY Green Bank staff presents the Business Plan to NY Green Bank's Investment and Risk Committee (IRC) annually for review and approval. The IRC is composed of the President and Chief Executive Officer of NYSERDA, Treasurer of NYSERDA, President of NY Green Bank, and one or more NY Green Bank Managing Directors. The IRC is charged with reviewing and approving the Business Plan. The IRC must approve the Business Plan before it can be implemented by NY Green Bank.

#### Business Operation

NY Green Bank must operate in a manner that is consistent with the Business Plan, as approved by the IRC. In addition, NY Green Bank must operate in a manner that is consistent with any approved operating plan, funding agreement, Public Service Commission Order, law or regulation related to its funding source(s).

NY Green Bank's President reports to the President and Chief Executive Officer of NYSERDA, and Managing Directors report to the President of NY Green Bank. In its operations, NY Green Bank follows the NY Green Bank Operations and Procedures Manual, which is incorporated by reference into NYSERDA's Operations and Procedures Manual, forms part of NYSERDA's system of internal controls, and is designed to supplement existing NYSERDA controls.

The President of NY Green Bank is primarily responsible for oversight of the operations of NY Green Bank in a manner that is consistent with the Business Plan and the NY Green Bank Operations and Procedures Manual, and for ensuring the collection and tracking of all required information and metrics needed for compliance filings according to the Public Authorities Law and other statutory and administrative requirements.

#### Procurement Activities

When NY Green Bank procures goods and services, it does so subject to NYSERDA's Contracting Guidelines, as adopted by the Board, and the procedures summarized in Section 2, Project Management, above.

## Financial Investments

Potential financial investments that are considered for funding by NY Green Bank must meet the requirements of its investment process, including minimum investment criteria prescribed by the Public Service Commission (the “PSC”) and specific evaluation criteria. All such criteria, along with NY Green Bank’s investment process, are consistent with NY Green Bank’s goals and objectives, and are set out in various PSC Order and public filing made by NY Green Bank. NY Green Bank’s origination of clients, counterparties, collaborators, and potential transactions results from interactions with market participants who submit proposals that either: (i) respond to a NY Green Bank- specific solicitation and/or other publication of NY Green Bank’s investment criteria (a Competitive Opportunity) or (ii) identify a NY Green Bank role consistent with its mandate, but which does not strictly fall within the definition of “Competitive Opportunity” (Strategic Opportunity).

While open and public competitive processes are favored in the origination of NY Green Bank, clients, counterparties, collaborators and transactions, it is nevertheless recognized that there may be circumstances in which the strategic mission of NY Green Bank is best served by undertaking one or more Strategic Opportunities. Strategic selection methods may be utilized if it is determined by NY Green Bank management, with approval from the IRC, that the opportunity: (i) is presented by a private sector party with exceptional, relevant experience and expertise; (ii) is one-of-a-kind by virtue of location, high visibility, probability of a successful closing or leverage with other already committed private or public funding or possesses other unique attributes; (iii) has exceptionally strong compatibility with the strategic objectives and mandate of NY Green Bank; (iv) represents an urgent need as a result of public exigency or emergency, or would become unavailable as a result of delay, or would take an unacceptable length of time for a similar opportunity to reach the same level of readiness; and/or (v) relates to the next phase of a multiphase proposal or the expenditure is necessary to support or protect an existing NY Green Bank investment or initiative.

Competitive Opportunities are designed to comply with the definition of a “competitive procurement” set forth in the Office of the State Comptroller Rules, Part 206 to NYCRR Title 2 (Comptroller’s Regulations). For any proposed Strategic Opportunity involving NY Green Bank funding that will exceed \$1 million, NY Green Bank staff consults with NY Green Bank’s internal counsel regarding the application of the Comptroller’s Regulations.

Prior to issuing a solicitation for a Competitive Opportunity, or to undertake a Strategic Opportunity, NY Green Bank staff develops a summary thereof (Opportunity Summary) for review and approval by the IRC. Once an Opportunity Summary for a Competitive Opportunity is approved by the IRC, NY Green Bank personnel prepares that solicitation in collaboration with NYSERDA’s Contract Administrator and Counsel’s Office. The solicitation takes into account any comments or qualifications made by the IRC in conjunction with its approval. In the case of an Opportunity Summary for a Strategic Opportunity, once approved by the IRC, NY Green Bank initiates due diligence.

For Competitive Opportunities, a proposal evaluation and scoring committee, consisting of at least three (3) internal members who are designated by the President of NY Green Bank, evaluates proposals for transactions arising from NY Green Bank solicitations and recommends those opportunities that best meet NY Green Bank’s published investment criteria. Opportunities recommended by the committee will be subject to more detailed exploration and analysis.

For proposals selected for further exploration, whether as the result of a Competitive or Strategic Opportunity, NY Green Bank staff further evaluates and negotiates the proposed transaction and will prepare a Greenlight Memorandum (except in extraordinary circumstances that may permit a proposal to be immediately submitted to the IRC), which provides an analysis of the transaction. A Greenlight Committee, composed of at least three members of the IRC, reviews those transactions selected by staff for advancement, and may make general recommendations, or recommend required contingencies or conditions with regard to a proposed transaction, may recommend additional due diligence, or may recommend rejection of a proposed transaction. If the Greenlight Committee recommends rejection of a transaction, the recommendation shall be brought to the President and Chief Executive Officer of NYSERDA, who shall decide whether to accept the recommendation, or who may decide to require conditions or contingencies that have to be met in order for the transaction to proceed. When transactions are being considered, members of the Greenlight Committee and IRC will recuse themselves where there are any conflicts of interest.

For transactions receiving a recommendation to proceed in accordance with the above, NY Green Bank staff continues to evaluate and negotiate the proposed transaction. A Transaction Approval Memorandum, which provides a comprehensive analysis of a transaction, is then presented to the IRC for review and approval. Each IRC member is given the opportunity to submit comments, make recommendations, or suggest contingencies with regard to a proposed transaction, or may recommend additional due diligence. Once each IRC member is given the opportunity to comment and provide recommendations, the President and Chief Executive Officer of NYSERDA may approve or reject the transaction, either of which may require conditions and contingencies.

For approved transactions, assigned staff, along with any retained consultants, will then proceed to finalize any remaining diligence and all transaction documentation, taking into account any recommendations and contingencies expressed by the IRC. Only after transaction approval and only if the agreements are according to all material aspects of the transaction approval may a binding commitment or documentation be executed.

Any proposed post-closing modification to the terms and conditions of a transaction that may cause a material change in the investment outcome will be reviewed by the IRC, in accordance with the procedures set forth above for an original approval.

### Portfolio Management

NY Green Bank monitors all of its investments (irrespective of whether funded or unfunded commitments are involved) pursuant to monthly, quarterly and annual transaction reviews to assess performance; quarterly reviews that compare operating and financial results and investment value with expectations; and quarterly portfolio and pipeline reviews with the IRC. NY Green Bank assesses and rates the risk associated with each transaction individually and monitors these risks on an individual and portfolio basis, maintaining overall risk of loss within defined limits.

NY Green Bank also regularly reviews information received in connection with metrics on its investments (both internal and those for disclosure through required periodic public reporting).

The IRC reviews portfolio reports, and will make portfolio-related recommendations, as well as recommendations on the disposition of transaction waivers, amendments, and restructurings as may be required or presented for approval.

## Metrics Reporting

NY Green Bank shall be responsible for collecting certain data to support the calculation and reporting of agreed operational, risk management and financial metrics. In addition, NY Green Bank, in collaboration with other Authority staff, shall collect and process certain data required to assess the anticipated energy, environmental and economic benefits, as well as financial market impacts, that are realized by NY Green Bank's investments in clean energy projects, and as required by any applicable PSC Order or reporting requirement. All estimates shall reference credible sources and estimating procedures, and all key assumptions shall be documented. This data will be used to evaluate impacts and progress towards goals.



## **SECTION 4: ENERGY AND ENVIRONMENTAL ANALYSIS AND PROGRAM EVALUATION**

### **Primary Functions**

- Modeling and Analytics
- Data and Markets
- Policy Development
- Environmental Research
- Program Evaluation

### **Control Objectives**

#### Modeling and Analytics

##### *Statewide Energy Planning*

Energy and Environmental Analysis provides a coordinating and leadership role on behalf of NYSERDA in the development and preparation of the statutorily-mandated State Energy Plan. Energy and Environmental Analysis oversees the overall State Energy Plan process, including scope development, coordination of participating agencies and authorities, stakeholder outreach, scheduling, deliverables from other agencies, writing, editing, and document and website management.

The President and CEO of NYSERDA serves as the Chair of the Energy Planning Board, which consists of the chief executives from the 15 designated agencies and authorities who have responsibilities that affect or are affected by energy policy. The Director of Energy and Environmental Analysis serves as the Director of the Energy Coordinating Working Group, which functions as the staff arm of the Energy Planning Board. Analyses, documents and all costs associated with the coordination, development and production by Energy Analysis staff to support the State Energy Plan process are reviewed by the Energy Analysis Director and ultimately by the Chair of the Energy Planning Board.

##### *Modeling and Forecasting*

Energy and Environmental Analysis performs quantitative analyses using a wide range of analytical tools to provide the underpinnings for State policy and program development, regulatory initiatives, and energy decision-making. Responsibility for review, accuracy, and relevance of the various analyses and discussion papers developed is generally held by the Team Lead depending on the nature and sensitivity of the assignment.

#### Data and Markets

##### *Energy Data Clearinghouse*

Energy and Environmental Analysis serves as a source for NY State energy-related data and information. This program collects, compiles, maintains, and publishes a wide range of energy data, making extensive use of NYSERDA's web site to reach stakeholders. Information is reviewed by the responsible Team Lead prior to release.

##### *Energy Markets Monitoring & Intelligence*

Energy and Environmental Analysis monitors New York's major energy supply industries, including petroleum (liquid fuels), natural gas, coal, and electricity. Responsibility for review, accuracy, and relevance of the various analyses and discussion papers developed is generally held by the Team Lead depending on the nature and sensitivity of the assignment.

#### *State Energy Emergency Planning and Response*

Under Section 5-117 of the Energy Law, NYSERDA is responsible for developing and maintaining the New York State Energy Emergency Plan. Energy and Environmental Analysis maintains a process for annual review and update of the Energy Emergency Plan to assure the Plan is accurate, timely, and can be readily implemented as needed. In addition to Energy and Environmental Analysis, numerous State agencies including the Department of Public Service, Office of Emergency Management, and Office of Homeland Security contribute to the annual review.

#### *Radioactive Waste Policy and Nuclear Coordination.*

As required by Section 1854-d(1) of Public Authorities Law and Part 502 of Chapter XI of Title 21 NYCRR, Energy and Environmental Analysis collects and maintains data on the generation of low-level radioactive waste by facilities in the State and the subsequent storage, treatment, and disposal of that waste. After review by NYSERDA executive management, an annual final report is provided to the Governor and Legislature. NYSERDA is the State's lead agency for addressing radioactive waste policy issues. NYSERDA is the State's lead agency for addressing radioactive waste policy issues. Pursuant to NYSERDA's mandate under Section 7-101 of the Energy Law, Energy and Environmental Analysis coordinates the State's radioactive materials regulatory programs, and the State's oversight of nuclear power plant activities. Staff also provides technical nuclear engineering support to the New York State Department of Health as part of the State's nuclear power plant emergency preparedness and response program. Significant issues, communications and reports are reviewed and approved by senior management as appropriate.

### Policy Development

#### *State Energy Policy Development*

Energy and Environmental Analysis supports, coordinates or leads in the development of specific energy policies, and provides both quantitative and qualitative analysis of policy development and program implementation support. Areas of policy development support work include environmental, fuel and electricity financial and trading markets. Energy and Environmental Analysis provides draft policy initiative documents to Senior Management for approval prior to being distributed outside of NYSERDA.

#### *NYSERDA Program Development*

Program offerings within NYSERDA are planned and designed in a cooperative manner. Energy and Environmental Analysis participates in this process to help insure that the programs as designed and delivered are likely to achieve or exceed their stated goals and can be properly evaluated. In addition, as evaluation findings and conclusions are completed on specific programs, Energy and Environmental Analysis provides a formal feedback loop to the program implementation teams for improved program design and delivery, as warranted.

### *NYSERDA Strategic Planning*

Annually, the Authority develops a Strategic Plan, which describes how the Authority will pursue its mission, goals, and objectives over the ensuing three years. Energy and Environmental Analysis meets with senior management and program staff to discuss and evaluate goals and strategy options, and reviews and researches program planning documents. Energy and Environmental Analysis prepares a draft and a final version of the Plan, which is reviewed by senior management before sending to the Program Planning Committee and the Board for approval.

### *Regulatory Affairs and Administrative Proceedings*

Energy and Environmental Analysis actively monitors NYSERDA's interests in regulatory and administrative proceedings related to the State's energy and environmental policy goals, including those of the New York State Public Service Commission and Department of Environmental Conservation rulemakings. Energy and Environmental Analysis staff participates on internal teams with Counsel and other program staff to address particular issues or proceedings, helping to compile and analyze data, and prepare formal submissions, which are approved by senior management prior to submission.

### Federal Energy Policy and Planning

Energy and Environmental Analysis maintains relationships with national organizations and stakeholders in the energy arena in order to influence policy and program agendas, to track emerging policy trends and to coordinate NYSERDA responses based on the possible impact on existing or future programs, with senior management approval. In addition, Energy and Environmental Analysis identifies and works with other staff to pursue high value opportunities for collaboration with other state agencies, regional organizations, and neighboring states, with the goal of leveraging our resources and creating a larger impact. Energy and Environmental Analysis in cooperation with other staff also tracks federal solicitations to develop partnerships and high quality responses in areas consistent with NYSERDA's program and policy objectives.

### Environmental Research

Energy and Environmental Analysis supports environmental monitoring and associated research and analysis that are critical for assessing and quantifying the environmental soundness and effectiveness of energy programs, and for providing the foundation for researchers and policymakers to design and implement the most effective policies and programs. Energy and Environmental Analysis relies upon a network of professional contacts and working groups of science and policy experts to identify critical gaps and research needs in New York State. Multiple groups, including both the established Program Advisory Group and Science Advisory Committee, provide guidance on the areas representing the major issues and cutting edge scientific understanding related to energy-related environmental impacts. The results of this input are compiled into a comprehensive Research Plan designed to guide energy-related environmental research in New York State. The network of professional contacts also assists in measuring progress of environmental research activities.

### Program Evaluation

Performance and Market Standards is responsible for evaluating NYSERDA's market development, innovation and research, and other energy program activities. Performance and Market Standards is structured to assess the effectiveness of programs toward achieving the State's public policy goals. Performance and Market Standards conducts evaluation using competitively selected, expert evaluation contractors who measure and verify impacts attributable to NYSERDA's program activities and examine program efficiency and effectiveness.

NYSERDA reports monthly, quarterly, and annually on the performance of various programs to the Governor, the New York State Legislature, the Public Service Commission, other program sponsors, advisory groups and stakeholders based upon reporting requirements established by the program sponsor. NYSERDA program staff and management are integral to the evaluation process, providing both data inputs and acting on recommendations. Evaluation and status reports are reviewed by NYSERDA's Senior Management prior to being finalized.

## SECTION 5: RADIOACTIVE WASTE MANAGEMENT

### Primary Functions

- Management of NYSERDA's activities in the West Valley Demonstration Project (WVDP)
- Management of the State Licensed Disposal Area and Retained Premises of the Western New York Nuclear Service Center (WNYNSC)

### Controls

**The West Valley Demonstration Project Act** - The WVDP Act directs the U.S. Department of Energy (DOE) to carry out a demonstration project on high-level radioactive waste solidification and decommissioning at the WNYNSC. The WVDP Act directs DOE and NYSERDA to enter into a Cooperative Agreement to carry out the WVDP. The WVDP Act also stipulates that the federal government will pay 90 percent of the WVDP costs and New York State will pay 10 percent.

**Cooperative Agreement Between United States Department of Energy and New York State Energy Research and Development Authority on the Western New York Nuclear Service Center at West Valley, New York** - The Cooperative Agreement lays out a framework between DOE and NYSERDA on the implementation of the WVDP. The Agreement stipulates that DOE has the sole responsibility for carrying out the Project, but also provides for continued consultation and coordination between DOE and NYSERDA during the conduct of the WVDP. The Cooperative Agreement also provides for NYSERDA's participation in DOE's procurement process for selecting the management and operations contractor for the WVDP. NYSERDA provides DOE with input on WVDP activities, progress, plans, funding, issues and concerns, and participates in WVDP meetings with the public, regulators, technical consultants and experts and other stakeholders.

**Consent Decree** - The Consent Decree, filed with and approved by the U.S. District Court, resolves the majority of claims brought in a lawsuit filed by NYSERDA and New York State against DOE and the federal government regarding cost allocation for cleanup at the WNYNSC. In addition to the 90/10 cost split identified in the WVDP Act and the Cooperative Agreement for WVDP facilities, the Consent Decree identifies a specific cost split between NYSERDA and DOE for all remaining facilities and contamination at the WNYNSC. The Consent Decree is implemented in accordance with a Consultation Agreement prepared by DOE and NYSERDA.

**Waste and Facilities Management Committee** - The West Valley Site Management Program reports to NYSERDA's Board through its Waste and Facilities Management Committee. The Waste and Facilities Management Committee is provided with routine updates on WVSMP activities, accomplishments, issues, and other noteworthy items. The Committee provides guidance to the West Valley Site Management Program in regard to West Valley activities for the WVDP and the State License Disposal Area (SDA). The Chair of the Committee reports on the West Valley program to the full Board.

**Regulatory Requirements** – Work performed at the SDA is subject to numerous regulatory requirements and mechanisms, including a Radioactive Materials License issued by the NYS Department of Health, a Radiation Control Permit and a State Pollutant Discharge Elimination System permit issued by the New York State Department of Environmental Conservation, and a Consent Order issued by the NYS Department of Environmental Conservation and the U.S. Environmental Protection Agency. NYSERDA must also comply with all other applicable State and federal regulations, including regulations for

hazardous waste generation, management, and disposal; worker industrial safety; wetland protection; and environmental review.

**Written Plans and Procedures** – Written plans and procedures provide the mechanism for implementing the regulatory requirements identified above and for implementing additional best management practices. Plans and procedures are prepared by technical staff or contractors, and are reviewed and approved by the SDA Program Manager before they are incorporated into the program for implementation. Radiation Safety and Health and Safety plans and procedures are also reviewed and approved by the Team Lead and Radiation Safety Committee or Safety Committee before they are incorporated into the program for implementation.

**Radiation Safety Committee** – The WVSMP Radiation Safety Committee oversees the WVSMP’s Radiation Protection Program, ensuring that all individuals who work with, or in the vicinity of radioactive materials at the SDA have sufficient training and experience to perform their duties safely and in accordance with applicable NYS Department of Health regulations and the Radioactive Materials License. The Radiation Safety Committee also ensures that all uses of radioactive materials at the SDA is conducted in a safe manner and in accordance with applicable regulations.

**Safety Committee** – The West Valley Site Management Program Safety Committee oversees the WVSMP Health and Safety Program to establish policies, administrative controls and procedures to protect workers at the SDA and other NYSEERDA-controlled areas of the WNYNSC in accordance with applicable Occupational Safety and Health Administration and NYS Department of Labor regulations. The Safety Committee also provides guidance to the Safety and Health Supervisor on the implementation of the Safety and Health Program.

**Project Initiation Request Committee** – The Project Initiation Request Committee reviews all potential contract actions at an early stage to provide initial WVSMP management review and input on all activities requiring NYSEERDA contract actions, in accordance with NYSEERDA Contracting Guidelines requirements. The Committee evaluates and provides input on the purpose and need for the activity, the contracting approach, funding considerations, resource needs and availability, and staff involvement.

## **SECTION 6: BOND FINANCING**

### **Primary Functions**

- Issue tax-exempt bonds for utilities and other qualifying entities to finance eligible facilities
- Administer utility bonds previously issued

### **Controls**

#### Issue tax-exempt bonds for qualified entities to finance eligible facilities

Proposed financings are reviewed for eligibility by both NYSERDA staff and independent bond counsel.

An intent to issue new tax-exempt bonds may initially be evidenced by the approval of an inducement resolution or declaration of intent by the Audit and Finance Committee of NYSERDA's Board. The purpose of the inducement resolution or declaration of intent is to preserve, under the Federal Internal Revenue Code, the eligibility of the costs incurred from the date the action is taken to the date of the future financing for tax-exempt status.

New financings and refunding's also require the approval of an implementing resolution adopted by NYSERDA's Board.

#### **In addition to NYSERDA Approval:**

- The State Comptroller must approve bonds issued through a private negotiation sale, instead of public bid. As Chair of the State Securities Coordinating Committee, the Comptroller also oversees scheduling of major State and public authority financings.
- The Commissioner of the Department of Taxation and Finance approves certain arrangements of a bond sale, such as procedures for the security, collection, and investment of bond proceeds.
- The Public Authorities Control Board (PACB) reviews and approves the adequacy of the financial security of the bond issue.
- The Governor approves the minutes of NYSERDA's Board meetings. The Internal Revenue Code, also requires the Governor's approval for new bond financings that qualify as private activity bonds.

#### Administer bonds previously issued

The Finance Department prepares billings for annual administrative fees as summarized in the bond documents.

## **SECTION 7: CONTRACTS MANAGEMENT**

### **Primary Functions**

- Manage procurement and contracting process
- Contract management and administration

### **Controls**

#### Manage procurement and contracting process

The Director of Contract Management approves all procurements and contracts and ensures that they are consistent with NYSERDA's Contracting Guidelines and applicable Executive Orders and other requirements.

The Director of Contract Management reports to the Board on NYSERDA's compliance with the Contracting Guidelines as specified in those guidelines.

Duties are segregated between procurement, contract negotiation, and contract execution.

NYSERDA maintains standard contract terms and conditions. Significant exceptions to terms and conditions are identified for contract execution.

Contract Management staff provide training to staff on procurement and contracting policies and procedures to ensure compliance.

Each solicitation issued by the Authority shall designate the person(s) who may be contacted by offerers related to procurement pursuant to Section 139-j of the State Finance Law. Generally, any communication from an outside party which could reasonably be considered an attempt to influence the procurement may only be made to the designated person(s) in the solicitation.

#### Contract management and administration

The Contracts Management unit maintains central files including solicitations and contractual agreements.

The Contract Management unit is responsible for verifying compliance with contractual obligations, particularly provision for insurance and recoupment.



## SECTION 8: ACCOUNTING

### Primary Functions

- Preparation and approval of annual Budget and Financial Plan
- Maintenance of accounting records and systems and preparation of financial statements
- Cash and investments management
- Revenue processing
- Payment processing
- Payroll Processing
- Fixed assets

### Controls

#### Preparation and approval of annual Budget and Financial Plan

A proposed Budget and Financial Plan are initially prepared by Authority staff in accordance with generally accepted accounting principles on a modified accrual basis. Included are a corresponding proposed Budget and Financial Plan prepared on a cash basis, based on reasonable assumptions and methods of estimation. They are presented in a manner consistent with the Authority's programs and functions and include detailed estimates of revenues and expenditures for each program or function.

The proposed Budget and proposed Financial Plan are made available for public inspection, through posting on NYSERDA's website, no less than 60 days before the start of the fiscal year and at least 30 days before approval by the Board Members.

NYSERDA's proposed Budget and proposed Financial Plan are accompanied by:

- a description of the budget process, including the dates of key Budget decisions;
- a description of the principal Budget assumptions, including sources of revenues, staffing and future collective bargaining costs, and programmatic goals;
- a self-assessment of budgetary risks;
- a revised forecast of the current year's budget;
- a reconciliation that identifies changes in estimates from the projections in the previously approved budget and financial plan;
- a statement of the last completed fiscal year's actual financial performance in categories consistent with the proposed budget or financial plan
- a projection of the number of full-time and full-time equivalents employees, including sources of funding, and functional classifications;
- a statement of each revenue-enhancement and cost-reduction initiative that represents a component of any gap-closing program and the annual impact on revenues, expenses and staffing;
- a statement of the source and amount of any material non-recurring resource that is planned for use in any given fiscal year;
- a statement of any transactions that shift material resources from one year to another and the amount of any reserves;
- a statement of borrowed debt projected to be outstanding at the end of the fiscal year covered by the proposed Budget or proposed Financial Plan, the planned use or purpose of debt issuances,

scheduled debt service payments for both issued and proposed debt, the principal amount of proposed debt and assumed interest rate(s), debt service for each issuance as a percentage of total pledged revenues listed by type or category of pledge revenues, cumulative debt service as a percentage of available revenues, and the amount of debt that can be issued until legal limits are met;

- a statement of the annual projected capital cost broken down by category and sources of funding, and for each capital project, estimates of the annual commitment, total project cost, expected date of completion and the annual cost for operating and maintaining those capital projects or capital categories that, when placed into service, are expected to have a material impact on the operating budget; and
- a certification by the President and CEO that, to the best of his or her knowledge and belief after reasonable inquiry, the proposed Budget and proposed Financial Plan are based on reasonable assumptions and methods of estimation.

As part of the annual budget process, NYSERDA staff prepare working papers that detail the assumptions and methods of estimation used in preparing the proposed Budget and proposed Financial Plan.

The proposed Budget and Financial Plan are then submitted to NYSERDA's Board Members for approval in accordance with Section 2801 of the Public Authorities Law. After approval, the approved Budget and Financial Plan are submitted to the persons designated in such Section 2801 to receive such Budget and Financial Plan. This includes submitting copies of the approved Budget and Financial Plan to the State Comptroller within 7 days of approval by the Board Members, subject to approval by the Governor pursuant to Section 1854 of the Public Authorities Law. The approved Budget and Financial Plan are also made available for public inspection, through posting on NYSERDA's website, not less than 7 days before the start of the fiscal year.

Thereafter, the Treasurer provides quarterly updates to the Board Members on the status of actual revenues and expenses compared to the Budget targets. The Treasurer also provides the Board Members with a written mid-year report to explain and quantify material variances that are due to timing or have a budgetary impact, and provide an assessment of the impact. The report includes the status of capital projects, including but not limited to commitments, expenditures and completions, and an explanation of material cost overruns and delays. Subsequent changes to the Budget and the Financial Plan are made, as required, subject to approval by the Board Members.

Through posting on NYSERDA's website, not less than 90 days after the close of each fiscal year, the Treasurer publicly posts actual versus estimated Budget results as reported in NYSERDA's audited financial statements. The Treasurer also notifies the Board Members and the State Comptroller, in writing, at any point during the fiscal year when he or she learns of any adverse development that would materially affect the Budget or Financial Plan.

#### Maintenance of accounting records and systems and preparation of financial statements

As required by statute, NYSERDA's annual financial statements, which are prepared in accordance with generally accepted accounting principles and accounting standards promulgated by the Governmental Accounting Standards Board, are audited by independent auditors selected by the Audit and Finance Committee and the Board. In addition, the Treasurer provides quarterly financial statements to the Board, including a comparison of actual results against budgeted amounts. Expenditure statements are also provided quarterly to Program Directors, Program Managers and department heads.

Accounting, through a third-party service provider, prepares, reviews and/or signs tax reporting forms (eg., payroll/employment taxes, informational reporting of exemptions, taxable fringe benefits and other payments) required by Federal, State and local regulations.

NYSERDA ensures compliance with Federal, State, and Local tax reporting obligations of NYSERDA. In addition, NYSERDA solicits a tax compliance review from an independent accounting firm as deemed necessary, but not less than once every three years, to review NYSERDA's compliance with applicable tax regulations.

#### Cash and investments management

The Commissioner of Taxation and Finance serves as fiscal agent to NYSERDA pursuant to statute. There are no funds under NYSERDA's direct control. The fiscal agent, at the direction of NYSERDA, actually purchases, sells, and retains custody, where appropriate, of NYSERDA investments.

NYSERDA is subject to the provisions of Public Authorities Law Section 2925, the Office of the State Comptroller's "Investment Guidelines for Public Authorities," the provisions of NYSERDA's enabling legislation concerning NYSERDA investments, and NYSERDA's own "Investment Guidelines, Operative Policy and Instructions." At least annually, the Audit and Finance Committee of NYSERDA's Board reviews and evaluates NYSERDA's investment program results and approves any revisions to the Guidelines.

Duties are segregated between receipt and custody, depositing, recording, and reconciling cash and checks received.

The purchase and sale of investments is authorized by the Treasurer (or in his/her absence, the Controller and Assistant Treasurer, or any NYSERDA Officer), according to policy guidelines. Duties are segregated between authorization and recording of investments.

Receipts are deposited promptly, generally weekly.

The fiscal agent reconciles cash and investment accounts monthly. NYSERDA staff independently reconcile this data with the accounting records.

#### Revenue processing

Proper segregation of duties exists in the initiation, recording, and reconciliation of revenues. Only Accounting staff not responsible for cash reconciliations or deposits are authorized to prepare invoices.

A list of outstanding invoices is produced monthly and reconciled with the general ledger. Notices are sent for any outstanding invoices more than 30 days past due. The Controller and Assistant Treasurer, with the assistance of the Senior Energy Accountant, is responsible for following up on delinquent accounts.

An account receivable may only be written-off after all reasonable collection efforts have been exhausted and requires the approval of the Controller and Assistant Treasurer or any other NYSERDA Officer. The Controller and Assistant Treasurer or any other NYSERDA Officer must also approve any deferred

payment arrangements.

Accounts receivable more than 120 days past-due may be submitted to a private collection agency or the Attorney General's Office for collection.

As an alternative to receiving payments from RD&D program contractors through recoupment, and in an effort to assist in growing small businesses, NYSERDA may instead elect to take an equity position in an RD&D contractor. When deemed appropriate, an equity investment is consummated through a negotiated Stock Purchase Agreement, which outlines the terms and conditions of NYSERDA's investment.

### Payment processing

Section 2880 of the Public Authorities Law requires that payment be made to vendors within 30 days on all valid invoices. Failure to do so will result in the payment of interest.

Accounting staff prepares a weekly report of outstanding vouchers and their due dates which is reviewed by the Controller or Treasurer. NYSERDA reports annually to the Board at the June meeting on its compliance with the prompt payment policy.

Prior to payment, proper authorization must exist for payments to contractors.

All contracts or purchase orders must be signed by an Officer. Contracts or agreements in excess of \$1,000,000 must be signed by the President and CEO. Generally, goods and services in excess of \$5,000 require a written contract or purchase order.

Accounting staff monitor all payments, assuring that all invoices are mathematically correct, contain proper documentation, are within authorized funding limits, and are in accordance with the terms and conditions of the contract or purchase order.

Additional approval for payment is required from the Project Manager for payments under program contractual agreements, or from the Program Manager or department head, for administrative costs. Invoices equal to or greater than \$500,000 require secondary approval by the initial approvers' Supervisor.

NYSERDA checks require the signature of the Commissioner of Taxation and Finance, NYSERDA's fiscal agent. Payees electing to receive payment from NYSERDA by electronic transfer provide the necessary information and authorization in writing. Approval for disbursements is noted on a warrant request, which must be signed by an authorized signatory: the Controller and Assistant Treasurer or any NYSERDA Officer. For payees receiving payment by electronic transfer, the automated accounting system produces an electronic file containing necessary banking information for payees, which is transmitted to the bank by NYSERDA Finance staff and later released for processing to the bank by the Department of Taxation and Finance after all their reviews have been completed.

NYSERDA's integrated financial management system provides for automated, role-based security that properly segregates user access to functions for vendor accounting information addition and maintenance, invoice entry, invoice approval, and payment preparation. In addition, the system's budgetary management system prevents expenditure or encumbrance of funds in excess of authorized program funding.

## Payroll Processing

NYSERDA's President and CEO, or designee authorizes in writing payroll additions or salary changes. The Director of Human Resources provides notice, in writing, of any salary deletions. Human Resources staff initiates all ministerial changes such as benefit changes in accordance with requests submitted by employees.

All employees are required to maintain daily time records on a bi-weekly basis, using the automated time and attendance system. Employee timesheets require approval by the individual's supervisor.

NYSERDA uses a computerized payroll system to calculate and process payroll and checks. Access to the system is password restricted to only those individuals in the Accounting unit with responsibility for processing payroll.

## Fixed assets

Accounting staff maintain a computerized fixed asset system, ensuring that all fixed assets are identified by location, and that the fixed asset ledger is reconciled to the general ledger. Only assets with a dollar value in excess of \$2,500 and a useful life greater than two years are recorded.

The disposition of real property and personal property shall be in accordance with the Guidelines, Operative Policy, and Instructions for the Disposal of Real and Personal Property. The Treasurer is responsible for ensuring compliance with these guidelines, including the preparation of an annual report listing all real property of the Authority and a description of all real and personal property disposed of during such period.

## Financial Statements

NYSERDA prepares annual financial statements in accordance with generally accepted accounting principles (GAAP) applicable to state and local government entities, which are approved by the Board at the June meeting. The annual financial statements include a comparison of actual results versus financial projections and a certification by the Officers and the Director of Internal Audit that the financial statements and disclosures fairly present, in all material respects, the operations and financial condition of NYSERDA. NYSERDA's most recent annual financial statements are made available on the NYSERDA web site. Interim quarterly financial statements are also provided to the Board.

Financial statements are audited by an outside independent accounting firm selected by the Audit and Finance Committee and Board. The independent auditors are selected in accordance with the requirements of Section 2802 of the Public Authorities Law and are prohibited from providing non-audit services to NYSERDA contemporaneously with the audit, except as provided in Section 2802 of the Public Authorities Law. Non-audit services include bookkeeping or other services related to the accounting records or financial statements of NYSERDA; financial information systems design and implementation; appraisal or valuation services, fairness opinions or contribution-in-kind reports; actuarial services; internal audit outsourcing services; management functions or human services; broker or dealer, investment advisor, or investment banking services; and legal services and expert services unrelated to the audit.

The independent auditors must timely report to the Audit and Finance Committee all critical accounting policies and practices to be used, all alternative treatments of financial information within generally

accepted accounting principles that have been discussed with Authority management officials, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the certified independent public accounting firm; and other material written communications between the independent auditors and NYSERDA management, such as the management letter along with management's response or plan of corrective action, material corrections identified or schedule of unadjusted differences, where applicable.

The audit partner or lead audit partner responsible for reviewing the audit must not have performed audit services for the Authority in each of the five previous fiscal years.

## **SECTION 9: HUMAN RESOURCES**

### **Primary Functions**

- Recruit employees
- Manage compensation functions to appropriately reward employees
- Manage performance programs to reinforce and correct behaviors
- Manage employee benefits programs
- Facilitate employee training

### **Controls**

#### **Recruit employees: Prohibited Actions**

All NYSERDA positions are filled based on merit. A position posting containing minimum education and skill levels are established for every position. Reference, employment, criminal background and education information is verified for all prospective employees. The President and CEO, Treasurer, or Director of Internal Audit cannot have been employed by the Authority's independent auditors during the two-year period preceding an audit.

NYSERDA employees and board members are prohibited from participating in any hiring or employment decision or any contracting decision relating to any relative, and no employee may be hired into a position that reports to a relative.

No employee involved in recruiting, interviewing, or hiring applicants for employment or making promotional, disciplinary, or other employment decisions may ask any such applicant or employee to reveal their party affiliation, whether he or she has made campaign contributions, or whether the candidate voted for any elected official or candidate for elective office.

#### **Manage compensation functions to appropriately reward employees**

Merit payment recommendations are reviewed and approved by the Director of Human Resources and the Officers for conformance with NYSERDA's policies.

#### **Manage performance programs to reinforce and correct behaviors**

An annual Performance Review is drawn up between each employee and employee's supervisor which summarizes the employee's job responsibilities and specific performance objectives which are used for the performance evaluation. The document also summarizes planned training and development activities.

Performance Improvement Plans are completed by supervisors and approved by Human Resources for employees whose performance warrants significant improvement.

Manage employee benefits programs Human Resource staff provides assistance to employees with enrollment, changes, or answering questions for various NYSERDA-sponsored employee benefit programs. Special benefits, such as flexible work hours or part-time work are evaluated on a case-by-case basis with approval from the employee's supervisor and the Director of Human Resources to ensure consistent and equitable application.

Faciliate employee training

Human Resources facilitates various Statewide mandatory as well as other Authority-wide employee training programs using internal and external trainers. Individual employee training and professional development needs are generally identified as part of the evaluation process. Requests are approved by the direct supervisor, Team Lead, and Director of Human Resources.



## **SECTION 10: INFORMATION TECHNOLOGY**

### **Primary Functions**

- Procure, operate and maintain computer hardware and software
- Maintain security of computer hardware and software
- Provide training to staff on computer hardware and software usage
- Maintain Authority Web Site

### **Controls**

#### Procure, operate and maintain computer hardware and software

The Director of Information Technology must approve the purchase of computer hardware or software.

The IT unit maintains a service desk ( help desk) during normal business hours to respond to staff questions and problems with NYSERDA hardware or software.

The IT group contains several governance committees created to review, approval, and prioritize information technology projects. These committees include the following:

1. PeopleSoft (NEIS) – For Financial/Contractual system governance
2. Web – For projects related to web site development either internally or externally
3. Development – For enhancements to existing systems
4. Salesforce – For enhancements and new build requests on the Salesforce platform
5. Data Warehouse – For enhancements, new build and data quality work associated with the data warehouse

Each governance committee contains IT staff, Operational Transformation & Lean, Business unit, and Officer level representation.

All information technology development projects shall conform with system development life cycle standards in accordance with New York State policy requirements (NYS-S13-001).

#### Maintain security of computer hardware and software

All electronic data stored on the network file server is automatically backed up on a nightly basis. Once daily a copy of the backup is transmitted to an off-site server where up to 30 days of backups are retained. On a quarterly basis, a long-term backup is dropped to disk and stored off-site in a fireproof safe.

Staff are encouraged to store any data considered critical to the operation of NYSERDA on the network server, rather than on staff personal computers. This allows the data to become part of the automatic backup and disaster recovery procedures.

Electronic data stored on personal computers is backed up by the staff member to whom the computer is assigned. As an additional level of protection, non-sensitive personal computer backup media can be stored off-site, either at the staff member's home or at NYSERDA's off-site storage locations. This data must be encrypted prior to removal from the premises. The service desk can assist with the process.

Every reasonable effort is taken to ensure access to the network is restricted to valid users, and each user is given a password. The password can be changed by the user at any time or by the system administrator. System integrity is maintained by restricting network user privileges and by centralizing management duties to a password protected system administrator. Only the system administrator can alter network programs, security or operations. Physical access to the network computer systems equipment is limited to authorized staff.

All data stored on the network or personal computers is considered NYSERDA work product. NYSERDA computers and information systems (including email) must be used in accordance with New York State policy requirements (NYS-P14-001).

Recovery from the physical destruction of the network computer system is accomplished by using the most recent backup available and restoring data to another computer network system. At that time, single users can access critical computer-based information until NYSERDA operations can be reestablished at another location. Recovery from personal or network computer failure is accomplished by using spare computers or parts and restoring lost data from backup media. In some situations, accidentally deleted data can be recovered with the use of software utilities available to the system administrator.

Employees may borrow certain equipment for use outside NYSERDA for a finite length of time. The employee must sign the hardware out from the Service Desk Supervisor or his/her designee.

It is NYSERDA's policy to adhere to the stipulations of relevant end user license agreements and the copy protection laws which apply to a software package. Illegal copying of NYSERDA software, or use of illegal copies of software packages on any of NYSERDA's computers, is not permitted. In the event that an illegal copy of software is found on the premises, it will be destroyed immediately.

Non-NYSERDA software may not be copied or installed on NYSERDA computers without written authorization from the Service Desk Supervisor.

Every staff member of NYSERDA is assigned a computer and is given access to the network. It is the responsibility of each staff member to protect NYSERDA's investment in computer technology. The computers and software provided by NYSERDA for staff use are to be used for NYSERDA business purposes only. While employed by NYSERDA, each staff member shall be responsible for all assigned computer items. Staff members shall report immediately any lost, damaged or missing items.

The Information Technology unit records the serial number of each piece of equipment provided to each staff member; maintains a record of manuals and software programs provided to staff members; and updates these records as equipment, manuals and software are added or removed.

As part of the employee exit interview process, the IT Director or designee, signs the Exit Clearance Form, described in NYSERDA's Personnel Handbook, indicating that all assigned computer equipment, manuals and disks have been returned. All discrepancies must be cleared before the final paycheck can be released.

#### Provide training to staff on computer hardware and software usage

Information Technology unit staff conduct one-on-one or group training on various software applications and computer technology or can research and recommend outside training when requested.

### Maintain Authority Web Site

The Information Technology unit is responsible for maintaining the Authority's web site(s) based on requests approved by the Communication & Corporate Marketing department. At a minimum, the web site shall include a description of NYSERDA's mission, current activities, most recent financial reports, current year budget, its most recent independent audit report, and Guidelines, Operative Policy and Instructions for the Disposal of Real and Personal Property.

## **SECTION 11: INFORMATION SECURITY**

### **Primary Functions**

- Protect and maintain the confidentiality, integrity and availability of information and related infrastructure assets
- Manage the risk of security exposure or compromise
- Assure a secure and stable information technology (IT) environment
- Identify and respond to events involving information asset misuse, loss or unauthorized disclosure
- Monitor systems for anomalies that might indicate compromise
- Promote and increase the awareness of information security

### **Controls**

The NYS Office of Information Technology Services (ITS) establishes and regularly updates policies, standards, and guidelines for information security (collectively referred to as “ITS Security Policies”) for State Entities, including NYSERDA. These policies apply to all NYSERDA information technology devices and data, regardless of their medium or form. All individuals, including but not limited to, NYSERDA employees, contractors, temporary employees, and interns, who handle NYSERDA information must adhere to the provisions of these policies.

The Information Security Officer is the central point of contact for all information security matters. He or she reports independently to the Treasurer. The duties of the Information Security Officer are segregated from the operation of the information technology systems.

The Information Security Officer is responsible for the design, implementation and monitor of systems and procedures to protect and assure the availability of NYSERDA’s information and related infrastructure assets and to monitor for, and respond to, events involving information misuse, loss or unauthorized disclosure.

All data collected and stored by, or on behalf of, NYSERDA are classified and managed per policies and procedures outlined in NYSERDA’s Data Classification and Security Controls Policy. NYSERDA’s Data Governance Office is responsible for classifying data and coordinating external sharing requests with the Office of the General Counsel and Information Technology. Also, the Data Governance Office ensures that user authorization and permissions are set to protect confidential data.

To protect NYSERDA's computer systems against the introduction or spread of a computer virus, the network server and staff personal computers have been equipped with virus protection software. The virus protection software is configured for automatic checking and system shielding to detect and contain viruses as soon as possible. Network server files are scanned for viruses each time they are used while personal computer files are scanned once per day when the user first logs onto the LAN. The virus protection software also enables staff to manually scan hard drives, USB Drives, and CD’s as needed. In addition, portable computers that are signed out are scanned upon being returned.

All NYSERDA employees are required to complete annual state cyber security training.

## **SECTION 11: COUNSEL'S OFFICE**

### **Primary Functions**

- Provides legal advice and drafts legal opinions and documents for NYSERDA.
- Provides legal advice and oversight of the contracting process
- The Office of the General Counsel provides guidance to the Communications department in responding to Freedom of Information Law (FOIL) requests.
- Renders advice concerning all NYSERDA programs and policies
- As designated by the President and CEO, a Counsel's Office attorney serves as NYSERDA's ethics officer.
- Reviews NYSERDA related proposed legislation and regulations by providing assistance to the Governmental Affairs Director.
- Assists in the drafting of NYSERDA's rules and regulations and reviews NYSERDA's applications for permits and environmental assessments.
- Performs the secretarial function for the standing committees of the Board.
- Coordinates NYSERDA records management systems

### **Controls**

Provides legal advice for all NYSERDA matters.

General Counsel represents NYSERDA's interests in legal actions or proceedings and consults with executive management as deemed necessary.

Upon receipt of notice that an offerer has made contact with someone other than the Designated contact with respect to a procurement for a reason inconsistent with subsection 3 of Section 139-j of the State Finance Law, the ethics officer will immediately investigate the allegation, in accordance with the procedures set forth in, and make a determination as required by, such Section 139-j. A finding that an offerer has knowingly and willfully violated subsection 3 of Section 139-j of the State Finance Law will result in a finding of non-responsibility for such offerer as required by such section.

NYSERDA's President and CEO designates a Records Management Officer and has currently designated a member of Counsel's Office to act in that capacity. In consultation with the New York State Archives, the Records Management Officer is tasked with implementing the records management system, and providing staff with guidelines for maintaining records.

As part of the records management system, NYSERDA has adopted the General Retention and Disposition Schedule for New York State Government Records as issued by the New York State Archives Government Records Services. No record may be destroyed without the express consent of the Records Management Officer in accordance with the General Retention and Disposition Schedule for New York State Government Records, which is located on NYSERDA's intranet.

## **SECTION 12: GOVERNMENTAL AFFAIRS**

### **Primary Functions**

- To serve as a liaison between NYSERDA and all elected officials
- To address inquiries from the Governor's office, members of the federal and State legislature, as well as local government officials

### **Controls**

#### Records

The Office of Governmental Affairs tracks federal and State legislation that directly impacts energy-efficiency and environmental conservation policies, as well as legislation that may have other potential implications for NYSERDA and its stakeholders. Additionally, staff monitors legislative hearings, assists with the preparation of testimony for hearings, and coordinates the management of NYSERDA's legislative agenda.

The Director of External Affairs will maintain all records of contacts, whether oral or written, that are an attempt to influence the adoption or rejection of any rule or regulations having the force and effect of law that is issued by NYSERDA.

## **SECTION 13: COMMUNICATIONS**

### **Primary Functions**

- Responds to media and public inquiries on programs and acts as a liaison to the Governor's Press and Scheduling Offices
- Issues news releases, arranges media events, and oversees social media accounts
- Responsible for responding to Freedom of Information Law (FOIL) requests with guidance from Counsel's Office

### **Controls**

#### Responds to media and public inquiries on programs

Staff receiving phone calls, messages or other inquiries from the print or electronic media (including freelance journalists or reporters) are required to immediately forward such inquiries to Communications staff for response. As appropriate, Communications staff discusses responses with technical, legal, contracts, or administrative staff.

#### Issues news releases, arranges media events and oversees social media accounts

Communications staff are responsible for press releases regarding NYSERDA news, events, and programs. Communications works with the staff responsible for programs or events to draft a press release. Press releases are reviewed and approved by the Director of Communications (or designee), the President and CEO, and other parties involved.

Communications staff review NYSERDA-funded projects with special attention to the technology transfer components. Communications staff work with staff from other departments on technology transfer efforts that require communications expertise.

Communications staff are also responsible for targeting information to appropriate audiences-internal and external- to maximize the effectiveness of NYSERDA's outreach efforts.

All social media content distributed by NYSERDA across its various social media platforms is overseen by the Digital Content Editor and Social Media Manager who report into the Director of Communications.

#### Responding to Freedom of Information Requests

The Director of Communications assigns and oversees a Records Access Officer to respond to Freedom of Information Law (FOIL) requests with guidance from the Office of the General Counsel.

## **SECTION 14: CORPORATE MARKETING**

### **Primary Functions**

- Oversee execution of brand standards and visual guidelines across all NYSERDA communications
- Work with program staff, leading the development and execution of marketing plans
- Coordinate activities with assigned Communications, Social Media, and Web staff
- Develop messaging to ensure consistency in market
- Produce marketing materials and publications
- Oversee electronic communications sent via Salesforce CRM
- Produce and distribute general and technical reports about NYSERDA and its programs

Work follows one of two paths:

- Marketing works with competitively selected marketing firm to plan and implement a program to meet business objectives. This work is funded through program budgets.
- Marketing Services, an in-house marketing resource, creates materials, presentations, case studies, and other materials to support marketing of an identified initiative.

### **Controls**

#### Marketing materials and publications

Marketing staff work with executive and program staff to produce effective marketing materials (reports, brochures, case studies and fact sheets, paid advertising, displays, direct mail, exhibits, videos, presentations, conference materials, website content, and marketing collateral). Materials are reviewed and approved by an identified list of approvers for each project. Staff coordinate and monitor external mailings, NYSERDA photography and content.



## **SECTION 15: CONSUMER SERVICES AND EVENTS MANAGEMENT**

### **Primary Functions**

- Provide consumer information
- Manage and coordinate NYSERDA marketing events

### **Controls**

#### Consumer Services

The department manages the contract for NYSERDA's toll-free telephone inquiry line for consumer information operated by an outside contractor. Staff maintains up-to-date knowledge of NYSERDA's initiatives and eligibility criteria to train and support contract staff as well as respond directly to questions and inquires as necessary.

#### Events Management

Staff identify appropriate events, conferences, and exhibit opportunities for NYSERDA program marketing, outreach, and education, and provide conference and meeting support including venue selection and contracting, equipment and facility logistics. The department maintains a NYSERDA-wide events calendar to provide for coordination of activities.

## **SECTION 16: INTERNAL AUDIT**

The Authority shall maintain an internal audit function, consistent with Public Authorities Law Section 2932.

### **Purpose and Mission**

The purpose of the Authority's internal audit function is to provide independent and objective assurance and consulting services designed to add value and improve the Authority's operations, and, consistent with Public Authorities Law Section 2932, evaluate the Authority's internal controls and operations, identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. This is to be accomplished through a systematic, disciplined approach of evaluating the effectiveness of, and, when appropriate, recommending improvements to risk management, control, and governance processes.

### **Standards for the Professional Practice of Internal Auditing**

The internal audit function will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing* (the *Standards*), and the Definition of Internal Auditing. The Director of Internal Audit will report periodically to senior management and the Audit and Finance Committee regarding the internal audit function's conformance to the Code of Ethics and the *Standards*.

### **Organization, Reporting Structure and Authority**

The internal audit function shall be directed by a chief audit executive ("Director of Internal Audit"), who shall be appointed by the Board Members, as determined by the Audit and Finance Committee. Selection of the Director of Internal Audit shall be based upon his or her internal auditing credentials, including knowledge, skills, experience, and professional certifications necessary to perform the responsibilities described in this section.

The Director of Internal Audit shall report functionally to the Authority's Audit and Finance Committee and administratively (i.e., day-to-day operations) to the President and CEO. To establish, maintain, and assure that the Authority's internal audit function has sufficient authority to fulfill its duties, the Audit and Finance Committee will:

- Approve the internal audit function's description in this Section.
- Approve the risk-based internal audit plan.
- Provide input to the Director of Internal Audit for the internal audit function's budget and resource plan.
- Receive communications from the Director of Internal Audit on the internal audit function's performance relative to its plan and other matters.
- Approve the appointment or dismissal of the Director of Internal Audit.
- Make appropriate inquiries of management and the Director of Internal Audit to determine whether there are inappropriate scope or resource limitations.

The Chair of the Audit and Finance Committee will consult with the President and CEO on the performance reviews and compensation of the Director of Internal Audit.

The Director of Internal Audit shall have unrestricted access to, and communicate and interact directly with the Audit and Finance Committee.

The Audit and Finance Committee authorizes the internal audit function to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources within budgets approved by the board, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the Authority, as well as other specialized services from within or outside the Authority, in order to complete the engagement.

### **Independence and Objectivity**

The Director of Internal Audit will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the Authority or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Authority employee not employed by internal audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Director of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Director of Internal Audit will confirm to the Audit and Finance Committee, at least annually, the organizational independence of the internal audit function.

The Director of Internal Audit will disclose to the Audit and Finance Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### **Scope of Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit and Finance Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Authority. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Authority’s strategic objectives are appropriately identified and managed.
- The actions of the Authority’s officers, directors, employees, and contractors are in compliance with the Authority’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Authority.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Director of Internal Audit will report periodically to senior management and the Audit and Finance Committee regarding:

- The internal audit function’s purpose, authority, and responsibility.
- The internal audit function’s plan and performance relative to its plan.
- The internal audit function’s conformance with The Institute of Internal Auditor’s Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit and Finance Committee or the Board.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Authority.

The Director of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit function may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit function does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

### **Responsibility**

The Director of Internal Audit has the responsibility to:

- Submit, at least annually, to senior management a risk-based internal audit plan.
- Submit, at least annually, to the Audit and Finance Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Audit and Finance Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Authority's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Audit and Finance Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit and Finance Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this Section.
- Ensure trends and emerging issues that could impact the Authority are considered and communicated to senior management, and the Audit and Finance Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit function.
- Ensure adherence to the Authority's relevant policies and procedures, unless such policies and procedures conflict with this Section. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit and Finance Committee.

- Ensure conformance of the internal audit function with the *Standards*, with the following qualifications:
  - If the internal audit function is prohibited by law or regulation from conformance with certain parts of the *Standards*, the Director of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
  - If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the Director of Internal Audit will ensure that the internal audit function conforms with the *Standards*, even if the internal audit function also conforms with the more restrictive requirements of other authoritative bodies.

### **Quality Assurance and Improvement Program**

The internal audit function will maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The Quality Assurance and Improvement Program will include an evaluation of the internal audit function's conformance with the *Standards* and an evaluation of whether internal auditors apply The Institute of Internal Auditors' Code of Ethics. The Quality Assurance and Improvement Program will also assess the efficiency and effectiveness of the internal audit function and identify opportunities for improvement.

The Director of Internal Audit will communicate to senior management and the Audit and Finance Committee on the internal audit function's Quality Assurance and Improvement Program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Authority.

## **SECTION 17: DISCRETIONARY FUNDS**

The expenditure of the Authority's discretionary funds must relate directly to an enumerated power, duty, or purpose of the Authority. Public funds may not be used to purchase items that are considered personal expenses or that are intended to personally benefit a Member, Officer, or employee. The Authority may not use discretionary funds for purchases that are not necessary to advance the mission of the Authority, including supporting the private or personal interests of the Members, Officers, or employees of the Authority.

Examples of inappropriate use of discretionary funds may include, but are not limited to, the purchase of flowers and gifts for Members, Officers, employees, or family members; celebrations for special occasions; charitable contributions or sponsorships; renewal of professional licenses; personal use of Authority vehicles; and costs to purchase or mail holiday cards or expressions of sympathy.

The Authority's handbooks and manuals provide further guidance regarding appropriate uses of the Authority's discretionary funds for expenses directly related to an enumerated power, duty, or purpose of the Authority. The additional guidance sets forth a process for approving discretionary expenditures and indicates the individual authorized to approval such expenditures. The Personnel Handbook contains specific policies regarding reimbursement for food while traveling, professional memberships, use of Authority equipment and vehicles, and tuition reimbursement. The Operations and Procedures Manual details the Authority's policies regarding sponsorships and the purchase of food for meetings and conferences. The Code of Conduct details additional policies regarding use of Authority equipment and vehicles.