

MINUTES OF THE ONE HUNDRED THIRTY-FOURTH MEETING
OF THE AUDIT AND FINANCE COMMITTEE HELD
ON JANUARY 23, 2018

Pursuant to a notice and agenda dated January 10, 2018, and a dated January 11, 2018, a copy of which is annexed hereto, the one hundred thirty-fourth (134th) meeting of the Audit and Finance Committee (the “Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the “Authority”) was convened at 11:00 a.m. on Tuesday, January 23, 2018 at the office of the New York State Dormitory Authority (“DASNY”), One Penn Plaza, 52nd Floor, New York, New York, and by videoconference in the Authority’s Albany Office located at 17 Columbia Circle, Albany, New York.

The following members of the Committee were present:

Jay Koh, *Chair of the Committee*

Sherburne Abbott

Richard Kauffman, *Chair of the Authority*

Member Paciorek was unable to attend

Also present were Kate Fish, Member of the Authority; Alicia Barton, President and CEO; Janet Joseph, Senior Vice President for Strategy and Market Development; Jeffrey J. Pitkin, Treasurer; Noah C. Shaw, Esq., General Counsel; Sara LeCain, Esq., Senior Counsel and Secretary to the Audit and Finance Committee; Mark Mitchell, Director of Internal Audit; and various other staff of the Authority.

Mr. Koh called the meeting to order and noted the presence of a quorum. Mr. Koh stated that the meeting notice and agenda were forwarded to the Committee members on January 10, 2018 and the press on January 11, 2018.

The first item on the agenda concerned the approval of the minutes of the one hundred thirty-third (133rd) meeting of the Committee, held on September 19, 2017.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the

Committee members, the minutes of the one hundred thirty-third (133rd) meeting of the Committee, held on September 19, 2017, were approved.

Mr. Koh indicated that the first item on the agenda was proposed approving amendments to the By-laws, Internal Control Manual, and Audit and Finance Committee Charter.

Jeffrey Pitkin, the Authority's Treasurer and Internal Control Officer, explained that the proposed changes to the Authority's By-laws amend the President and CEO's authority to delegate authority for requisitioning of disbursements from Authority bank accounts. One delegation would be to the Authority's Controller and Assistant Treasurer, which conforms to authorization already provided in the current Internal Control Manual. The second delegation is for the NY Green Bank Chief Operating Officer for NY Green Bank accounts, which would provide administrative efficiencies, while maintaining sufficient internal controls and separation of duties, and has been reviewed with and accepted by the independent auditors, KPMG, LLP.

Mr. Pitkin stated that the Internal Audit section of the Internal Control Manual was revised in response to recommendations provided in an independent Internal Audit Quality Assessment report provided to the Committee in April 2017. While that report found that the internal audit function generally conformed with auditing standards, it offered recommendations for improvement, including adopting the International Institute of Internal Auditors model charter for internal audit function.

Mr. Pitkin explained that the changes include revised responsibilities for the Committee to provide input on internal audit budget and resource plans, approving the appointment and dismissal of the Director of Internal Audit, and making inquiries to determine whether there are inappropriate scope or resource limitations; requires that the Chair of the Committee will consult with the President and CEO on the performance reviews and compensation of the Director of Internal Audit; more expansive requirements for maintaining independence of the internal audit function requirements for the Director of Internal Audit to confirm to the Committee the organizational independence of the function and any interference in carrying out its activities; more expansive description of activities and responsibilities for communications with the Committee and management; and requires maintenance of a quality assurance and improvement program for the internal audit function.

Mr. Pitkin indicated that additional changes to the Internal Control Manual included a new section for information security internal controls as recommended in a prior information technology and cyber security internal controls review; changes to incorporate requirements for second review and approval of payments in excess of \$500,000 in accordance with a prior internal controls review; and a number of updating, editorial, and clarifying changes.

Lastly, Mr. Pitkin explained that the proposed changes to the Audit and Finance Committee Charter are recommended to conform to the changes made to the Internal Control Manual regarding the internal audit function, including approving the internal audit charter and risk-based audit plan annually, providing input on the budget and resource plans for the internal audit function; approve the appointment or dismissal of the Director of Internal Audit; at least annually requiring that the Director of Internal Audit confirm the organizational independence of the internal audit activity; making appropriate inquiries of management and the Director of Internal Audit to determine whether there are inappropriate scope or resource limitations; review conformance with internal audit standards; and as permitted by law, meet separately with the Director of Internal Audit to discuss any matters that the Committee or the Director of Internal Audit believes should be discussed privately.

In response to an inquiry from Mr. Koh, Mr. Pitkin indicated that the Authority has a history of unqualified audits and internal control reviews by independent auditors.

In response to an inquiry from Mr. Koh, Mr. Mitchell indicated that the amendments reflect best practices for cyber security, internal audit, and governance of the Authority. They reflect the results of analyses completed by independent auditors.

In response to an inquiry from Mr. Koh, Mr. Pitkin stated that the changes will not bar the Committee from considering management's perspective and its judgement in the exercise of the function under review.

In response to an inquiry from Mr. Kauffman, Mr. Pitkin indicated that the amendments conform with requirements for the Committee's Charter that are promulgated by the New York State Authorities Budget Office. Mr. Shaw added that the amendments are consistent with policies and practices implemented by the New York Power Authority and DASNY.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the

Committee members present, the following resolution was adopted.

Resolution No. 433

RESOLVED, that the amendments to the Authority's By-laws, the Internal Control Manual, and the Audit and Finance Committee Charter, as presented at this January 23, 2018 meeting, are hereby recommended for approval by the Board.

Mr. Koh stated the next item on the agenda concerned a report from the Authority's Director of Internal Audit, Mark Mitchell, on his recent activities. Mr. Mitchell stated that Internal Audit recently completed an audit of the Authority's compliance with the New York State Freedom of Information Law ("FOIL"), which was approved as part of the Internal Audit Plan for fiscal year 2017-2018. Under FOIL, the Authority must make all eligible records available for public inspection or copying.

Mr. Mitchell indicated that the audit concluded that the Authority is very responsive to FOIL requests and identified no legal vulnerability; the Authority substantially complied with FOIL; and is committed to being responsive to the public while granting access to records in conformity with FOIL; the Authority has a strong ethical climate and reinforces an insistence on integrity; and management of FOIL requests provided reasonable assurance that records were released in a timely fashion consistent with the law's requirements.

Mr. Mitchell added that the Authority meets FOIL's requirements regarding administrative practices, such as maintaining a list of records by subject matter and providing certain information about records access on its website.

Mr. Mitchell stated that the Authority does not unnecessarily delay disclosure to the public. Access to the records sampled was granted in a timely manner and any instances in which access to records was denied were stated in writing, noting the reason for the denial and advising the requestor of the right to an appeal.

Mr. Mitchell indicated that the audit noted that the New York State Committee on Open Government has never found that the Authority has failed to comply with FOIL.

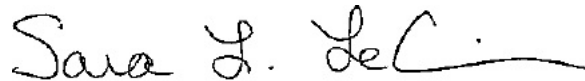
Mr. Mitchell stated that the audit did identify a few opportunities to improve the business processes. The most significant recommendation has already been implemented. In instances when several months will be needed to grant a request because, for example, of the volume or records requested or complexity of the review required, rather than issue an extension for a limited period and then issue subsequent extensions, the Authority will attempt to identify the expected period that will be required to respond to the request. This will bring the Authority into conformance with the Committee on Open Government Advisory Opinions.

Mr. Mitchell explained that the audit also recommended that the Authority update its Operations and Procedures Manual, as well as its rules and regulations with respect to some minor changes recommended in the audit.

Lastly, Mr. Mitchell indicated that the audit made several observations regarding administrative improvements, which management has agreed to implement.

Mr. Koh stated that the last agenda item concerned other business. There being no further business, upon motion duly made and seconded, and by unanimous voice vote, the meeting was adjourned.

Respectfully submitted,

A handwritten signature in black ink that reads "Sara L. LeCain". The signature is written in a cursive style with a long horizontal flourish at the end.

Sara L. LeCain
Secretary to the Committee

