MINUTES OF THE ONE HUNDRED TWENTY-SEVENTH MEETING OF THE
AUDIT AND FINANCE COMMITTEE
HELD ON APRIL 11, 2016

Pursuant to a notice dated March 30, 2016, a copy of which is annexed hereto, the one hundred twenty-seventh (127th) meeting of the Audit and Finance Committee (the "Committee") of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the "Authority") was convened at 11:30 a.m. on Tuesday, April 11, 2016, at the office of the New York State Dormitory Authority ("DASNY"), One Penn Plaza, 52nd Floor, New York, New York, and in the Authority's Albany Office at 17 Columbia Circle, Albany, New York.

The following members of the Committee were present:

Jay Koh, *Chair of the Committee*
Sherburne Abbott
Charles Bell
Richard Kauffman, *Chair of the Authority*
Jigar Shah

Also present were Member Elizabeth Thorndike; John B. Rhodes, President and CEO; Janet Joseph, Vice President for Technology and Strategic Planning; David Margalit, Chief Operating Officer; Jeffrey J. Pitkin, Treasurer; Noah C. Shaw, Esq., General Counsel; Sara LeCain, Esq., Senior Counsel and Secretary to the Audit and Finance Committee; Mark Mitchell, Director of Internal Audit; Dean Geesler and Beth Clague from KPMG, LLP; and various other staff of the Authority.

Mr. Koh called the meeting to order and noted the presence of a quorum. Mr. Koh then stated that the meeting notice and agenda were forwarded to the Committee members and the press on March 30, 2016. The first item on the agenda concerned the approval of the minutes of the one hundred twenty-sixth (126th) meeting of the Committee, held on January 26, 2016.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members, the minutes of the hundred twenty-sixth (126th) meeting of the Committee, held on January 26, 2016, were approved.

Mr. Koh indicated that the next item on the agenda concerned a presentation from the Authority's independent auditors on the audit of the Authority's financial statements and the OPEB Trust for retiree health benefits for fiscal year 2015-2016. Mr. Koh called upon Jeff Pitkin, Treasurer, to introduce this item.

Mr. Pitkin stated that the Public Authorities Law requires the Committee to receive a report from and consult with independent auditors for independent financial statement audits, the OPEB Trust, and audits of the New York Green Bank ("Green Bank"). Mr. Pitkin then introduced Dean Geesler and Beth Clague from KPMG, LLP ("KPMG") to provide an overview of their audit approach and timeline.

Mr. Geesler discussed the timeline and the focus of the audit and gave a description of the accounting standards to be used. The independent auditors will review the Authority's financial statements for fiscal year 2015-2016, as well as the Authority's post-employment health insurance benefit trust. The independent audit will begin at the end of April 2016 and will be completed by the middle of May 2016. The audit will follow both Generally Accepted Auditing Standards and Governmental Auditing Standards promulgated by the Comptroller General of the United States. The audit will assess and test controls over investments, payroll procedures, procurement procedures, and disbursements relating to contracts; review revenues, receivables, and expenditures allocation by program; assess accrued liabilities; review cash and investments; and review financial reporting.

Mr. Koh added that the Authority has a long history of receiving unqualified opinions from the independent auditors on the annual financial statements.

In response to an inquiry from Mr. Koh, Mr. Geesler indicated that the Green Bank's financial statements will presented in a manner that will enable private sector entities to review them as a standalone document. KPMG will continue to monitor the Green Bank as its activities increase.

In response to an inquiry from Mr. Koh, Mr. Geesler indicated that the KPMG does not know the extent of the Authority's liability with respect to Governmental Accounting Standards Board Statement ("GASB") No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 74"). However, Mr. Geesler explained that this would be an actuarial calculation based upon the pool of employees receiving benefits and the actual benefits take by these employees for the period following employment through the end of lift. As GASB 74 is still a new requirement, there have not been any models developed to implement this. Mr. Geesler added that with respect to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* ("GASB 68"), KPMG will be following the State's implementation of GASB 68.

In response to an inquiry from Mr. Koh, Mr. Pitkin indicated that the footnote to the annual financial statements currently summarizes any unfunded liabilities associated with the NYSERDA OPEB Trust. Mr. Pitkin explained once GASB 74 is implemented, any unfunded liabilities would be reported in the accrual-based financial statements, but the cash-based fund financial statements would only report annual contributions to the Trust on a pay-as-you-go basis.

In response to an inquiry from Mr. Kauffman, Mr. Pitkin explained that GASB Statement No. 54 implemented in fiscal year 2011-12 required that government entities report post-employment benefits on its accrual-based financial statements on an actuarial basis, not just reporting its expenditures on a pay-as-you-go basis through the cash-based fund financial statements. In implementing this requirement, the Authority's Board chose to fund a special trust, the OPEB Trust, to fund those expenses because over time it would result in a lower cost for the Authority. GASB 74 will now require that government entities report any unfunded liabilities. Mr. Pitkin indicated that the Authority has reported post-employment benefits as expenses which are funded through the Authority's funding received for administering its programs. With the implementation of GASB 74, staff will need to consider how to reflect on the financial statements any additional charge associated with implementing the new standard.

In response to an inquiry from Mr. Koh, Mr. Geesler explained that the GASB 74 change does not affect cash flows.

Mr. Koh indicated that the next item on the agenda concerned the Internal Audit Plan for fiscal year 2016-2017. Mr. Koh called on Mark Mitchell, Director of Internal Audit, to present this item. Mr. Mitchell indicated that the Internal Audit Plan for fiscal year 2016-2017 ("Audit Plan") is presented to the Committee for approval.

In response to an inquiry from Mr. Koh, Mr. Mitchell indicated that the information technology ("IT") audit will also touch on cyber security. Mr. Margalit added that there is an ongoing independent review of IT security that will be completed by the June 2016 Committee meeting.

In response to an inquiry from Mr. Kauffman, Mr. Mitchell indicated that he often uses guidance he has received from attending industry meetings to inform ongoing audits, such as the IT audit. However, Mr. Mitchell indicated that there is an opportunity for greater coordination across the State, but for now, that is done anecdotally with his peers at other State agencies and authorities.

In response to an inquiry from Mr. Koh, Mr. Mitchell indicated that the client assurance review will only provide the Authority with a benchmark of how the Authority is meeting auditing standards. It will not provide a benchmark as to how the Authority compares across the State.

In response to an inquiry from Mr. Shah, Mr. Mitchell indicated that Internal Audit was involved in the initial implementation of Salesforce, but that based on the controls established at project conception, he determined that Internal Audit did not need to be part of the remainder of the project.

Thereafter, upon motion duly made and seconded, and by unanimous voice vote of the Member present, the following resolution was passed.

Resolution No. 413

RESOLVED, that the Audit and Finance Committee approves the Internal Audit Plan for fiscal year 2016-2017, as presented at this April 11, 2016 meeting, in the form submitted to the Committee.

Mr. Kauffman 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,

Sara L. LeCain

Sara L. LeCain
Secretary to the Committee

NOTICE OF MEETING AND AGENDA

March 30, 2016

TO THE MEMBERS OF THE AUDIT AND FINANCE COMMITTEE:

PLEASE TAKE NOTICE that the one hundred twenty-seventh (127th) meeting of the AUDIT AND FINANCE COMMITTEE of the New York State Energy Research and Development Authority (the "Authority") will be held at the office of the New York State Dormitory Authority ("DASNY"), One Penn Plaza, 52nd Floor, New York, New York, and in the Authority's Albany Office at 17 Columbia Circle, Albany, New York, on Monday, April 11, 2016, commencing at 11:30 a.m., for the following purposes:

1. To consider the Minutes of the 126th meeting held on January 26, 2016.
2. To discuss the independent audit of the Authority's financial statements and the Authority's OPEB Trust for fiscal year 2015-16.
3. To consider and act upon a resolution approving an Internal Audit Plan for fiscal year 2016-17.
4. To transact such other business as may properly come before the meeting.

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

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

Sara L. LeCain

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Secretary to the Committee