

NYSERDA'S 159th AUDIT AND FINANCE COMMITTEE MEETING

April 28, 2025

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Jay Koh:

I call this meeting to order a notice of this meeting was provided on April 16th, 2025 and to the press on April 17th, 2025. This meeting is being conducted by video conference. The Authority will post a video and a transcript of this meeting on the web to confirm that we have a quorum. I would like each of the Committee Members to introduce themselves. I will start. I am Jay Koh Chair of the Committee.

Sherburne Abbott:

Shere Abbott Member of the Committee, Member of the Board,

Jen Hensley:

Jen Hensley Member of the Committee, Member of the Board.

Lindsay Greene:

Lindsay Greene Member of the Committee, Member of Board.

Charles Bell:

Charles Bell Acting Chair of the Authority.

Jay Koh:

Alright, thank you. The first item on the agenda is the approval of the minutes of the 158th Committee meeting held on January 29th, 2025. Are there any comments on the minutes? See none may have a motion approving the minutes.

Lindsay Greene:

Second.

Jay Koh:

Thank you. All in favor?

Members of the Committee:

Aye.

Jay Koh:

Opposed? The minutes are approved. The next item on the agenda concerns the Annual Internal Audit Report for Fiscal Year 2024 to 2025 and approval of the Internal Audit Plan for Fiscal Year 2025 to 2026. The Authority's acting Director of Internal Audit, Dorraine Teitsch-Gilligan. I hope I'm pronouncing that correctly. We'll discuss the item, Dorraine.

Dorraine Teitsch-Gilligan:

Thanks, Jay. Good morning everyone. The Members are being provided the Annual Internal Audit Report for Fiscal Year 24 25, and the Internal Audit Plan for Fiscal Year 25 26. In addition

to our recent activity, I'll discuss the Annual report, the review of the Internal Audit Plan with you and ask that you approve the Fiscal Year 25 26 Audit Plan. The Annual Internal Audit Report. It's included in the meeting packet. Okay. Summarizes the audits and consulting activities that were performed and completed during the Fiscal Year that ended on March 31st, 2025. In addition to the audits that have been reported at previous meetings, I wanted to provide an update of the following items. So we completed the continuous monitoring activity of the internal control assessment. A report was provided to the VP of Finance for his review. In addition to the CFO and ICO prior to the President's final review, approval and submission to the office of the state comptroller due April 30th, 2025, and it has been submitted as of the date.

In accordance with the approved Annual Audit Plan, we continued to review a sample of invoices as an advisory activity on a consulting basis to ensure that project managers and positions above are reviewing and approving invoices and compliance with NYSERDA procedures. The testing performed for this activity was used to help satisfy the OSE certification of internal controls over the payment process that was sued the 30th for 2025. The following was also required voucher authorizer designation, review of internal controls over the payments and the assessment of controls for both load and voucher mass approval payment processing. We also completed the IT equipment and policies audit in accordance with the 20 24 25 plan. The audit included evaluating existing IT policies, procedures, and inventory controls for compliance and alignment with the New York State Office of ITS. Additionally, we assessed and I served as IT equipment controls related to inventory management functions including physical inventory, purchasing, receiving deployment, physical security, and disposed IT equipment.

The audit report was provided to the Members in March, while no evidence of wrongdoing was found, we did have some recommendations for improvement that were noted to further strengthen the controls and accountability beyond the corrections implemented during the audit. Large scale renewables 2022 and 23 for RES and OREC. The proposal and award review, this was a consulting activity at the request of the Authority's leadership for both 2022 and 2023 for the proposal evaluation and award processes. Reports from the third party firm were sent to the Members back in July. Relevant evaluation and award processes and criteria scoring Committee guidance and other documentation were appropriately followed and selection process was appropriate based on the scores of ranking. We also did a large scalable renewable 2024 res proposal and award review. Also a consulting activity to provide guidance and oversight. That was in addition to the originally approved audit 20 24, 25 plan.

With our assistance, we were able to contract with an MWBE firm to assist the LSR team with performing and consulting engagement to examine the 2024 proposed evaluation and award process. The contractor did observe the TEP in early September. Since then, the evaluation of bid proposal submitted to NYSERDA's 2024 Tier 1 solicitation concluded in October. The LSR team was working with proposers and the contractor and is still doing so. Internal audit has little interactions since then. However, if any issues arise, we will provide guidance to the contractor in coordination with the LSR team, an audit of employee onboarding. This review was delayed allowing for significant process changes and planned improvements to the area in addition to staffing resources. However, when considering the overall risk to the Authority, offboarding actually poses more of a risk because of security vulnerabilities that could be exploited through

unauthorized access. Offboarding has also been identified as a critical area of risk for the organization-wide risk assessment conducted in 2022.

Therefore, in consultation with executive management, it was agreed that examining offboarding rather than onboarding was a better use of our internal audit resources, which you'll see presented in the Audit Plan. We also did a follow up on previous recommendations for the NY Green Bank. We met with the Green Bank in November to review the audit recommendations from two prior audit reports, the compliance and the anti-money laundering audit. All open recommendations for the compliance audit were verified and closed satisfactorily. As for the AML audit, NY Green Bank recently determined that a formal AML program is not required. As such, they will be updating their policies and procedures to reflect the change keeping many of the tenants of the AML program as a best practice. 17 of the 18 recommendations have been addressed. The final pertains to some training and some customization to NY Green Bank's needs as they move forward, which should be completed later this year. So before I continue, does anybody have any questions before I get to the new plan?

So the Internal Audit Plan for 25 26. So included in your meeting packet is a memorandum that asks the Committee to approve the Annual Internal Audit Plan for Fiscal Year 25, 26 if approved by the Members. The Internal Audit Plan includes working with management on completing both consulting now called advisory activities and audits. The proposed activities include an audit of employee contractor offboarding, excuse me, employee and contractor offboarding process. So this audit is going to review the existing policies and procedures to assess the effectiveness of offboarding, including ensuring that former employee and contractor accounts are disabled to prevent access to the Authority systems, which really is crucial for security vigilance. An advisory activity for assisting management with examining the controls over payments over the Annual internal control certification. This is an ongoing activity performed by internal audit to review the payment transactions quarterly, which are then included as part of the internal controls over the payment process.

As you just heard, the scope and procedures are defined in consultation with the VP of Finance advisory Activity Assist Management with examining the federal grants. This is an advisory activity to perform a review of the federal grants to verify that they're compliant with certain terms and conditions and reporting requirements. The scope and procedures are defined in consultation with the VP of Finance and also the Chief Financial Officer. An advisory activity is also being asked for approval to assist management with a review of customer utility consent forms. This is an advisory activity to perform a review of consent forms to understand the intake process and ensure the forms are readily available and compliant with the requirements specified by the utilities and NYSERDA needs. The scope and procedures are going to be defined in consultation with business performance management and possibly legal internal audit biennial self-assessment. We reach the midpoint in our five-year external quality assurance review cycle per our quality assurance and improvement program will be starting a full assessment of our audits issued after March 31st, 2022. This review will also involve updating our existing policies, procedures, and practices for alignment with the new global audit standards that became effective in January. This was approved in the last year's Audit Plan, but it's moved this year to coincide with a more in-depth review of the new standards and to ensure we have adequate staffing. We also intend on hiring a summer intern to help with our endeavor for this matter.

There's the internal audit risk assessment in the coming year, the risk and controls working group led by the Authority's Internal Control Officer who's going to be updating the NYSERDA wide risk assessment last conducted in 2022. This is going to provide a robust inventory of risks identified through the Authority on completion. We will then update our internal audit rotational plan risk assessment, which will then help guide our activities, which may require adjusting the rotational and Audit Plans as we move forward. Internal audit is also required to perform additional activities to conform to the internal auditing standards. These additional activities include participating in continuous professional development training, at least 40 hours per auditor per year, continuing a quality assurance and improvement program and having a follow-up process to monitor the implementation of recommendations communicated in the internal audit reports. Regarding the internal audit staffing, we added a new Internal Auditor in November, 2024.

However, the Director of Internal Audit, excuse me, left NYSERDA in December. The Authority is currently canvassing for a new Director. Additionally, we're planning, as I said, to hire a summer intern. Finally, the standards require that the Director of Internal Audit 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, internal auditors encounter related to the scope, performance or communication of internal audit work and results. We have reviewed the standards and we have no concerns regarding any impairments. Our formal individual attestations are documented in our audit files and any rules where I've performed any advisory, there's been steps taken to ensure that there's no compromise there either. To maintain my own objectivity. I would be happy to answer any questions.

Jay Koh:

Are there any questions?

Lindsay Greene:

No, just the comment, it's really good to dig into offboarding practices in particular.

Jay Koh:

I agree with that, especially as we think about, as we keep saying in these meetings, especially at the Board level. The vulnerabilities of an agency like this, which is a very large public profile, which has the words bank in the name of one of its programs and which has to take care of a lot of rate payer funds and the interest of New York residents, I think is just increasingly important and keeps seeing more vulnerability. So thank you for your hard work notes. No formal action is required by Committee Members on this item. May I have a motion? Actually, sorry. Excuse me. May I have a motion approving the Internal Audit Plan for Fiscal Year 2025? 2026.

Lindsay Greene:

So moved.

Jay Koh:

All in favor?

Members of the Committee:

Aye.

Jay Koh:

The Internal Audit Plan for Fiscal Year 2025 2006 is approved. Thank you, Dorraine. The next item concerns a presentation from our independent auditors in the audit of Authority's financial statements and the NY Green Bank's financial statements for Fiscal Year 2024 to 2025. Dean Geesler lead audit partner from KPMG will present this item. Dean

Dean Geesler:

Morning everybody. Just confirming that you can hear me?

Jay Koh:

Yes.

Dean Geesler:

Alright, excellent. So I do have one of my Managers, Jen Greenlese with me as well, and she will assist in going through the presentation. So I don't see it up in front of my screen at least, but I know a presentation was provided to you and I will speak to it, I guess unless I see it pop up on my screen here. So we have had a series of planning meetings with management, obviously talking to Pam and her team, including Chris, who I think is in Albany. We also had a good discussion with Dorraine. There it is. Thank you. And we've gotten an update on the current year operations, any updates on risk, any changes to NYSERDA as we thought about our Audit Plan, and those have been incorporated into the main areas where they need to be for this year's Audit Plan. So if we want to skip ahead a couple of pages on the presentation.

Yeah, we can go to the next page. Actually one after this. Thank you there. So on this page we confirm the scope of the audit and that includes everything that we've done in the past, which is an audit of the basic financial statements of the Authority, as well as a separate audit of NY Green Bank for the year and March 31st, 2025. That audit is performed in accordance with the auditing standards generally accepted in the United States of America as well as government auditing standards. As part of that audit, we do consider internal controls as a basis for designing our audit procedures, but not for the expression of an opinion on the effectiveness of controls at the Authority. Additionally, we do perform an agreed upon procedures compliance report related to and required by the New York State rules and regulations covering the investments that NYSERDA holds within its portfolio. On the right side here, you do see a table. These are the topics that we are required to discuss with the committee. You can see here most of them have page numbers, so we will go over each of them as we flip through this presentation, but there are no significant findings or issues to date and nothing specific to be discussed,

And that's why that X is there. So we can go to the next page. Our engagement team has a number of folks. Obviously the folks in blue here include myself and Jen. We were part of the audit in the prior year. So we've got a very good amount of continuity on the engagement team, which translates into a better audit because the folks on the audit team understand NYSERDA its operations and its risks. On the bottom, you see that we do have a number of staff folks both from within KPMG as well as our MWBE firms. Those firms, Team Avaloria and Long Island

Financial Management have been involved in the audit since the beginning of the contract. And we'll be providing some folks who are understanding of NYSERDA operations and risks as well as folks that help us on other audits of Authority's and the state of New York. So a good amount of continuity and understanding of NYSERDA, which should be helpful to you as well as us.

We can go to the next page. So materiality is a concept that is applied to all audits and it is essentially put in place so that we don't have to audit every transaction that NYSERDA enters into. So materiality is determined on a year to year basis, and it involves a judgment about what financial level transactions and misstatements, for instance, would be considered to be material by the users of the financial statements. In the case of NYSERDA, we set and establish a number of different materiality levels depending on the programs, which are all independent, well, which not all of them, but the more significant ones are independent opinion units within NYSERDA. So we do look at some of the operations at a smaller materiality within certain programs. And generally the larger the programs, the larger the materiality just based on this concept of what a user might determine is material within each of those programs. So we can flip to the next page and I'm going to ask Jen to cover the next couple of pages.

Jennifer Greenlese:

Sure, thanks Dean. Just confirming everyone can hear me as well?

Members of the Committee:

Yes, yes.

Jennifer Greenlese:

Okay, great. So hi everyone, I'm Jennifer Greenlese, I'm the lead audit manager this year on the audit engagement, I'm going to bring you through some required communications, including our timeline. So we do have a timeline here listed starting in March. We did some planning calls internally discussed involvement of others and just identification of risks and kind of planning out the audit throughout the month of April. It's been the interim timeframe and also communicating the Audit Plan today with all of you. And then May and June we'll be moving into our year end field work. And also that will be just including reviewing the financial statements. And then in a few slides I have some more specific details about our testing. And then we'll be planning to issue in late June on the financial statement audit. So we can move to the next slide, please.

Okay. And then we are required to communicate to you about the significant risk identified of management override of controls. So this risk is not specific to the Authority, it is present in all audits. So we're required to communicate this to you, but this is a significant risk of fraud that is present in all audits. So not specific to you at all. And then we do have some ways that we wanted to present that we respond to that significant risk throughout the audit. So some of the highlights, we do prove the completeness of the journal entry population by doing a trial balance roll forward. So we make sure that we have all of the journal entries included in our testing and we review support for some high risk entries based on a certain set of criteria. And we're also applying professional skepticism the entire time that we're looking through those entries. So those are just some main highlights, but we do have a response here to address this risk. So we can move to the next slide.

And then we just wanted to present some key areas of focus in our audit, particularly around the accounting estimates. So the valuation of the green bank loans is always a big estimate item that we discuss throughout the audit and do lots of testing over the accrued liabilities and contingencies, and then the net OPEB liability. So those are estimates that we work on throughout the engagement. And then also on the left-hand side we have some of our material routine transactions. So these are just some quick bullet points of different areas that we test throughout the audit. Alright, we can move to the next slide please.

Okay. And then as Dean mentioned before, we do have some involvement of other specialists and team Members on our team throughout the audit. So we do involve the work of an actuarial specialist to help us review that actuarial valuation report for the pension and OPEB liability. And then we also have an OPEB reviewing partner that takes another look at those assumptions and just gives comments and feedback as well to our team. And then as Dean mentioned, we do have the MWBE participation Team Avaloria and Long Island Financial Management Services. So they have been on the engagement with us from the beginning and we are going to continue to use those firms in the current year. And so I'll turn it back over to Dean for the remainder of our required communications.

Dean Geesler:

So we can go to the next slide. On an annual basis, we do provide a list of newly effective accounting standards. There are a couple of them that are applicable this year. One has no impact. That is the accounting changes and error corrections. Well, I shouldn't say it has no impact because there is an accounting change related to GASB Statement 101. But otherwise, GASB statement 100 is essentially a non-event. So GASB Statement number 101 provides, I'll call it more specified guidance on how compensated absences are determined. The liability for that is determined how it's disclosed and where it shows up on the financial statements of NYSERDA. So that has been discussed with management. They have had their calculations of the liability redone under the new guidance and have a plan for implementing that statement within the financial statements this year. It does not have a large impact on the statements, but it does include a reclassification of something that was previously accounted for as part of the OPEB liability that Jen just talked about.

The other standards which are applicable and go forward years are not as significant and don't have an impact on the numbers, if you will, included in NYSERDA financial statements, but could have some impact on how things are disclosed, including next year. Some of the risk disclosures. We can go to the next slide. So the next slide deals with independence. And as we've talked about in past years, independence is very important in what we do. So we do track relationships, we make sure that we're aware of things that are happening within NYSERDA, as well as making sure that we don't have any investments or other relationships that might impair our independence. So it is tracked and happy to say there aren't any matters that we have that would create a problem with our independence from NYSERDA. The next slide includes a summary of responsibilities. Essentially, as I describe it very in a very summarized fashion, management is responsible for maintaining internal controls and preparing the financial statements.

We are responsible for auditing everything and this Board is responsible for overseeing those procedures. And so there are a number of obviously steps and procedures along the way that we all must carry through as we perform our overall responsibilities. But that's a summary of what everybody's role is during this audit process. If we go to the next slide, there are a number of inquiries that we perform. As noted, we did have some of these inquiries with management already and throughout the audit we'll continue to do so. These inquiries are presented to the Committee just in case you have any concerns that we should discuss at any time, either during this meeting, the executive sessions or separately. But as of now, we don't have any concerns related to fraud or compliance or any other matters. And we believe we get good answers for management that are adequately reflected in our own risk assessments and the Audit Plan as a whole.

And then I'll just point out that we do have some appendices, I'm not going to go over them in detail, but there are a couple of slides on our focus during the performance of the audit, how we are continuing continually investing in technology that helps us perform a better audit. And then as well as making sure that there's some information that is helpful to the Committee as far as what boards are talking about based on our own global client bases, those things that they're paying attention to, such as ai, such as making sure there's good plans as far as risk oversight and whatnot. So we do have those slides and I'm happy to answer any questions, but in the interest of time, I'm going to just see if there are questions from the committee or anyone else in the room.

Jay Koh:

Thank you very much. Are there any questions for anyone on the Committee?

Sherburne Abbott:

Chair I just have one. So on the routine measurement monitoring that you do with a list on the left hand side where it says the routine material you had,

Dean Geesler:

This is on slide, lemme see here, 10.

Sherburne Abbott:

You say you routinely look at the ZECs. It reminds me of the Dr. Seuss story, but why not RECS? Is that because of,

Dean Geesler:

We do some testing of RECs as well, and I don't know if we just thought it was included in another bullet or not, but the ZECs are a little bit more complex and have, I'll call it more of an impact on the balance sheet as opposed to the recs, I think turn more quickly and end up, I'll call it flowing through a little differently, but we do end up sampling both categories of transactions.

Sherburne Abbott:

Thank you.

Jay Koh:

And just to confirm, Dean, our historical experience at the agency with external auditors has had unqualified audit experiences. Is that correct?

Dean Geesler:

This is correct. We have not had any issues that have come up that resulted in us qualifying our opinion during our contract and we have not had any material errors that have been identified during the last several years of audits.

Jay Koh:

Thank you. I think just as a Member of this Committee, it's extremely important that we have the reliability of a third party review of the financials of the agency. There's increasing scrutiny of government activity broadly. I don't think that should change our practice, which I think has been extremely consistent and absolutely unimpeachable given the unqualified audit history that we've had here. But really commit management for engaging with the auditors and look forward to another successful set of reviews and any recommendations you might have. We're willing and open to hearing them. So thank you very much. If there are no other questions, no further action is required by this committee. Thank you very much for the participation of KPMG on this call. Is there any other business? The next item is other business. Are there any other matters that the Members would like to discuss? Seeing none, may I have a motion to adjourn?

Sherburne Abbott:

Second.

Jay Koh:

All in favor?

Members of the Committee:

Aye.

Jay Koh:

Opposed? Meeting is adjourned. Thank you very much.