

NYSERDA'S 157TH AUDIT AND FINANCE COMMITTEE MEETING

October 23, 2024

Clean Copy of Transcript

Unknown Speaker:

Thanks for working on it.

Chair Kauffman:

I had like to call this meeting to order notice of the meeting and an agenda was forwarded to the Committee member on October 15, 2024 and to the press on October 16, 2024 are advised. Agenda was issued on October 22, 2024. The scene is being conducted in person in by video conference. The Authority will post a video and a transcript of this meeting on the web. Richard Kauffman Chair of the Authority Committee's Chair Jay Koh was unable to attend today. Therefore I'll lead the meeting. I'd like to ask each of the Committee Members themselves.

Jen Hensley:

Jen Hensley from Con Edison.

Lindsay Greene:

Lindsey Greene from the Brooklyn Navy Yard.

Sherburne Abbott:

Sherburne Abbott, Member of the Board.

Chair Kauffman:

Thank you.

Chair Kauffman:

Okay. Alright. Before we turn to the formal agenda, I have one sad announcement. Mary Peck, the Director of Internal Audit will be leaving that I take another in New York State Government. In her six years at NYSERDA the Authority has benefited tremendously from her review and recommendations and the processes and operations allow us to continue mission and goals for Mary. On behalf of all of us, we wish you good luck next wall and thank you for your service to Authority.

Mary Peck:

Thank you.

Chair Kauffman:

Our loss is the rest of the New York.

Mary Peck:

Thank you. It's very kind of you.

Chair Kauffman:

Okay, so the first item on the agenda is the approval of the minutes of the 156 Committee meeting held on April 29, 2024. For any comments on the minutes there being none may have a motion approving the minutes.

Sherburne Abbott:

So moved.

Lindsay Greene:

Second.

Chair Kauffman:

Thank you. All in favor?

Members of the Committee:

Aye. Aye.

Chair Kauffman:

Any opposed? The minutes have been approved. Thank you. Next item on the agenda's report on the recent activities of internal audit. None other than our Director of Internal Audit. Mary Peck.

Mary Peck:

Thank you very much. Good morning. So regarding our current projects, our first is our CA-2425-01, which is our continuous monitoring invoice review and approval for the first quarter of the fiscal year, April to June of 2024. The testing performed for this continuous monitoring activity will be used to help us satisfy the requirements of the annual office of the state controller certification of internal controls over the payment process for 2025. This not only includes review of internal controls over the payment process, but also helps to assess the effectiveness of controls over bulk load and voucher mass approval payment processing. We looked at 15 payments of approximately \$5.5 million from nice, which is the NYSERDA Enterprise Information System for compliance with NY Sert's invoice review and approval process for April to June of 2024. We also reviewed five travel related expense reports totaling \$6,000. With regard to travel as a whole, we consider a high risk area for the Authority and it is something that we include every quarter as a normal course of business.

NYSERDA's internal controls over the payment process we're generally satisfactory regarding business travel. We noted some opportunities for improvement to optimize controls and strength and compliance with NYSERDA's travel policy. A copy of our report was provided to the vice president financing controller and the chief financial officer for their review. Next up, Large-Scale Renewables – RESRFP24-1. This project is also a consulting activity with LSR to provide guidance and oversight with our assistance. NYSERDA recently contracted with an outside provider to perform a consulting engagement to examine the proposal evaluation and award process to ensure compliance with all established procedures and processes as published in the RFP. The contractor observed the TEP in early September and will be assessing the final award model when completed to determine if relevant business processes and criteria were addressed in the RFPs. Internal audit is reviewing any issues as they arise in providing guidance to the

contractor in coordination with the LSR team, IA-2425-02 IT Equipment & Policies in accordance with the approved fiscal year 24-25 audit plan.

The audit scope will evaluate existing IT policies, procedures, and inventory controls for compliance and alignment with the New York State Office for Information and Technology Services. Additionally, the audit will assess NYSERDA IT equipment controls related to inventory management functions including physical inventory, purchasing, receiving deployment, physical security training, damages, obsolete and dispose IT equipment. We recently completed one of the primary field work activities observing inventory procedures at the Buffalo and West Valley locations. We're continuing to work with service desk personnel and information security staff to answer any remaining questions. Finally, we've concluded the interview process for our open Internal Auditor position and he will start with us on November 7th. He's actually with us as a guest today to understand how the Audit and Finance Committee operates with regard to internal audit. With that, I'd be happy to answer any questions. Thank you.

Chair Kauffman:

I'm afraid I have questions.

Mary Peck:

I expect nothing less.

Chair Kauffman:

So goes to the first part we're talking about, I think we said that there were 15, the procurement five on travel.

Mary Peck:

Correct.

Chair Kauffman:

So how do we think about that in terms of sampling when it comes to travel would you say is a high risk situation?

Mary Peck:

The travel, we consider travel high risk not because we have had known exposures or problems with travel, but simply because we're still coming out of the covid period where people weren't traveling so they were less familiar with travel procedures than perhaps they were in the past. Also, our highest risk area would be like our Officers because it's so important to us. Doreen has asked us in the past, we audit all of her travel because she wants to make sure that there are no exposures for that. So usually the travel is an employee who is considered visible as opposed to people doing high risk things. So I don't mean to imply that our travel is high risk because we have had known problems. It's more a question of we want to make sure we're covered if it ever comes up.

Chair Kauffman:

So the nature of the five wasn't self-sampling?

Mary Peck:

No, we sample, it's definitely a subjective sample. It's not based on a particular risk for flag. I look for somebody who perhaps was traveling out of state or was non-oral travel or again, we always audit Doreen's by her request so that we can ensure that any travel that would really cause us a problem. For example, my travel is a hundred percent audited, so if I travel every voucher I get looked at, if an officer were to travel, we make sure they're in our sample for everybody else, we just randomly pick them based on a high dollar amount or the location of where they travel.

Chair Kauffman:

Thank you Mary. This was an informational item only.

Mary Peck:

Thank you.

Chair Kauffman:

Next item of the agenda is consideration of the proposed amendments to the Authority's Internal Control Manual. The Authority's Chief Financial Officer Pam Poisson will present this item.

Pam Poisson:

Thank you. Good morning Chair and Members. The Members will be requested to adopt an amendment to the Internal Control Manual. Just to briefly orient you by Public Authority law NYSERDA is required to establish a system of internal controls, serves multiple purposes. That is ultimately to provide reasonable insurance assurance that we will achieve our objectives. The Internal Control Manual sets that forth that system of internal, it's approved by the Board and serves as required reading for all nine serve staff and as posted to our website for transparency, some of you may recall that our Internal Control Manual was substantively revamped last, last year to reflect updates and improvements and our control system and also to be more cross cutting and user friendly. We will continue to review it on a regular basis and suggest amendments is going to be appropriate for new developments. At this meeting we have two such amendments for consideration.

I'll speak to the first one quickly and then fact we'll speak to the second other one. I'll speak to the very minor update with regard to the technology asset tracking language. As stated manual, we identify specific assignments of computer equipment to an employees for material items, but certain immaterial items such as computer keyboards or mice are logged in aggregate but not assigned specific employees. So the manual is simply being updated to ensure that that distinction is clear between material and immaterial items. The second update pertains to the Internal Audit Charter. I'm actually going to turn it over to our Director of Internal Audit.

Mary Peck:

Thank you Pam. So included in your meeting materials is a proposed revision to the Internal Audit Charter. The Board's approval needs to be documented as part of our quality assurance program and also as part of any revision to the Internal Control Manual, which as Pam stated, is Appendix A. So the format and content is based on the model Internal Audit Charter as recommended for the public sector and has been drafted to conform with the 2024 revisions to

the global internal auditing standards. A draft of the document has been reviewed by the President and CEO of the Authority as well as the General Counsel and Internal Control Officer. Unless there are any proposed changes, I would ask the Committee for their approval to proceed with the revisions. If I can answer any questions with regard to this,

Chair Kauffman:

I remember that in one of the past conversations there was an issue about some of the challenges people were having. The manual concern that to bureaucratic. So I just want to, it's not really with respect to this specific amendment, but rather just sort of a general check-in on how you think things are going with the control manual processes.

Pam Poisson:

Appreciate that question. Certainly everybody is as well. I would say it's very well received. We included things such as simplifying tables and icons in the last rounds of our updates and we actually cut the manual in half lengthwise and we've since conducted between me and our VP of Operations, Cheryl Glanton, conducted mandatory employee training to answer questions that folks know the background manual. We continue to work through all of our internal procedures update this, but the ICM has been the

Mary Peck:

Yeah, there's definitely been a concerted effort to bring it into everything, every training that we're doing, every topic that comes up. We're doing a very good job, in my opinion, of pointing back to the Internal Control Manual. It has been simplified from the way it was before, but we're very, I can't think of the correct word, it's slipping me, but we've made it part of our everyday discussions. So when we talk about other policies and procedures, we're pointing back to that Internal Control Manual and I think it's been very well received.

Chair Kauffman:

At some point. Is there going to be an audit of compliance, the Internal Control Manual?

Mary Peck:

It's certainly something that should be considered. So this is where I have my kind of line. So Pam is the Internal Control Officer's responsible for ownership of the manual. We as internal audit are responsible for ensuring that we are doing everything we're supposed to be doing. We do that and every audit that we do, we look at where is it in the Internal Control Manual. The internal control program as a whole would definitely be something that we should consider as a future audit. It is there. It's just we've never considered it a high risk audit item because we're looking at its components in everything that we're doing because it is very much part of everyday NYSERDA.

Pam Poisson:

I might. To that a risk control self-assessment if we conduct on a bowing every three third basis is due up for next year. So we already have plans in place so that

Lindsay Greene:

Capture some of

Pam Poisson:

Exactly, yes.

Sherburne Abbott:

Just to help you out here as a friend of bureaucracy. Right. I think it would be really useful to have the control manual as a part of the onboarding of new Board Members, the reading of the control manual, because we do it in this Committee but not on Board. It really gives you a sense of the full perspective that we talk about end to end and how you measure works. I think it would be useful actually after 10 years I finally decided to go back and read through it. But it, it's an interesting read from that perspective of understanding how the bureaucracy works.

Lindsay Greene:

I second that. I don't know that I've read all of our manuals at the Navy Yard, but we've revamped a lot of them for more user friendliness and I think the biggest thing we did was try to focus on real world everyday decision making that isn't reflected in the manual but needs to also be influenced or guided by it. And that's a tricky balance, particularly when you're also trying not to make it like 80 pages. So if you figured out a way to streamline it but make it feel everyday relatable, that is a big deal.

Pam Poisson:

So noted and I'll coordinate, make sure that we get the links out to folks and certainly welcome feedback on how we improve.

Chair Kauffman:

So there being no questions or further comments. We have a motion commending approval on the amendments, the to control manual.

Lindsay Greene:

So moved.

Sherburne Abbott:

Second.

Chair Kauffman:

All in favor?

Members of the Committee:

Aye.

Chair Kauffman:

The amendments to the Internal Control Manual have been recommended for approval. It's going to be recommended for approval from the whole. Okay. The next item on the agenda is to review and approval of the Audit and Finance Committee Charter pursuant to the Public Authorities Accountability Act of 2005. Each of the Authority's Committees adopted charters setting forth each Committee's responsibility. One of those responsibilities is to periodically review its

Charters, determine what if any amendments need to be made. These recommendations are been presented to the full Board for consideration approval. Copy of the current Committee Charters included in your meeting package Council's Office continually monitoring the relevant guidance from the Authority's Budget Office. The Comptroller's Office legislation, other Authority practice determine whether to recommend any modifications. Other Authority's reviewed include New York Power Authority, the Long Island Power Authority, Dormitory Authority, and the Environmental Facilities Corporation. Post amendments to the Committee's Charter incorporates changes to Committee's oversight of internal audit. Relevant language adopted from the 2024 Global Internal Auditing Standards correspond to the changes Mary discussed as part of the amendments to the Internal Control Manual. So are there any questions on the proposed changes? Which objections related to the charter?

Chair Kauffman:

<inaudible> Okay. In that case we have a motion recommending approval of the Audit and Finance Committee Charter. Now again, this is again recommended for approval by the Board later.

Lindsay Greene:

So moved.

Sherburne Abbott:

Second.

Chair Kauffman:

Thank you. All in favor?

Members of the Committee:

Aye. Aye.

Chair Kauffman:

Opposed? Committee Charter has been recommended for approval. The next item on the agenda is a resolution recommending the appointment of three firms serve as Bond Counsel for the Authority. Senior Counsel Sara LeCain will present this item.

Sara LeCain:

The Members are requested to approve the appointment of Hawkins Delafield & Wood LLP ("Hawkins"), Nixon Peabody LLP ("Nixon"), and Hodgson Russ LLP ("Hodgson") as bond Counsel to the Authority under the Authority's financial services guidelines. The Authority is required to issue an RFP for bond Counsel services every five years. In accordance with those guidelines, the Authority issued a solicitation for engaging bond Counsel services in July, 2024. The scoring Committee comprised of staff from the Office of General Counsel, the Financing Solutions team and the Finance team met to review seven proposals that were received in response to the RFP and they recommended the three firms of Hawkins Delafield & Wood LLP ("Hawkins"), Nixon Peabody LLP ("Nixon"), and Hodgson Russ LLP ("Hodgson") be appointed as the Authority's Bond council. Bond Counsel is responsible for advising and assisting in the implementation of the Authority's financing program. In addition, the Bond Counsel provides

guidance and support with respect to general financial matters facing the Authority in accordance with past practice. The Authority does not pay for Bond Counsel services performed in connection with any conduit issuances. Instead, the utility or other entity on whose behalf the bonds are issued will be responsible for the costs of issue. The bonds should the Authority decide to issue bonds itself, the Authority would be responsible for those costs incurred for such transaction. If approved staff will enter into engagement letters with Hawkins Delafield & Wood LLP ("Hawkins"), Nixon Peabody LLP ("Nixon"), and Hodgson Russ LLP ("Hodgson") for the period beginning January 1, 2025 through December 31, 2029 includes my

Lindsay Greene:

Is three firms typically The amount that we keep available to us?

Sara LeCain:

Yeah, we do about two to three so that we have a backup.

Lindsay Greene:

Are any of them repeat or did they participate last round?

Sara LeCain:

Yes. Hawkins and Nixon Peabody, they both been on our slate of firms action and Hodgson Russ is a new one for us to add.

Chair Kauffman:

Read the securitization bonds that we do. Is that considered a conduit?

Sara LeCain:

The Green Jobs-Green New York ones? No, those are on behalf of the Authority.

Chair Kauffman:

What target issues do we have?

Sara LeCain:

So we have various utilities that have issued. So we have had bonds for ConEd, we've had bonds for NYSEG and RG&E, Orange & Rock one. We have some bonds that have been issued. They've been issued, some of them are older and about to meet their maturity and some have been newer issuances.

Lindsay Greene:

Is that typically where we're using the firm? So it doesn't sound like we're doing new issuances?

Pam Poisson:

We are doing new issuances of NYSERDA <inaudible> bonds for Green Jobs-Green New York We have not had conduit new issuances seven, eight years.

Lindsay Greene:

Okay, got it.

Chair Kauffman:

Sorry, just repeat.

Pam Poisson:

We have not had new conduit bond issuances through NYSEDA for almost a decade at this point.

Chair Kauffman:

Okay. That's what I wanted. Would those go to the Board for approval?

Sara LeCain:

Yes, we have brought them because we've done good marketing and re issuances, although new transactions.

Chair Kauffman:

Okay. Other questions counsel,

Jen Hensley:

Maybe note for the record any conflict of interest that I might have in this due to my role at Con Edison would be incorporated into the minutes.

Chair Kauffman:

Alright. May I have a Recommendation Recommending the appointment of Hawkins Delafield & Wood LLP ("Hawkins"), Nixon Peabody LLP ("Nixon"), and Hodgson Russ LLP ("Hodgson") as Bond Counsel to the Authority.

Lindsay Greene:

So moved.

Chair Kauffman:

All in favor?

Members of the Committee:

Aye. Aye.

Chair Kauffman:

The opposed motion is carried. Are there any additional items Committee Members wish to discuss and not? So in that case may I have a motion to adjourn?

Sherburne Abbott:

So moved.

Lindsay Greene:

Second

Chair Kauffman:

All in favor?

Members of the Committee:

Aye.

Chair Kauffman:

Opposed? The meeting is adjourned.