

NEW YORK STATE
ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

INTERNAL CONTROL MANUAL

Revised October 2024

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SECTION 1: PURPOSE AND OVERALL CONTROLS ENVIRONMENT

The purpose of this Internal Control Manual is to set forth NYSERDA's system of internal controls that is designed to effectively manage risk while also promoting 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", or "ICA") requires NYSERDA to establish and maintain a system of internal controls. The ICA 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 ICA 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 ("PAAA"), which amended 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.

Supporting these objectives, NYSERDA has instituted a layered internal control system that leverages:

- Board Member oversight
- Employee responsibilities for controls and compliance
- Regular education, validation, and acknowledgements
- Risk assessments conducted on a regular, recurring schedule
- Additional monitoring via internal and external auditors

OVERALL CONTROLS ENVIRONMENT

NYSERDA's controls environment is defined and documented primarily in the following artifacts.



Foundational principles of NYSERDA's overall controls environment that underpin this ICM and the policies, guidelines, and manuals/handbooks that flow from it can be defined as follows:



We Set a Clear Tone from the Top



Integrated Strategic Planning & Performance Management Aligns Us with Mission and Vision



We Control to State Budget, Commission Orders, Grants, and other Funding Requirements



We Maintain Transparency and Effective Checks and Balances



We Aim to Ensure Value through Competitive Selection Processes and Outcome Verification



We Keep New Policy, Program, and Product Development Data-Based and Risk-Adjusted



We Proactively Secure and Steward State Assets and Reputation



We Ensure Compliance with Federal, State, and Local Laws and Regulations



We Continuously Monitor and Improve our Internal Controls

SECTION 2: BOARD MEMBER RESPONSIBILITIES

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.

In this section:

- Board Member Internal Control Responsibilities
- Board Member Accountability Responsibilities
- Board Committees

Board Member Internal Control Responsibilities. The ICA requires that NYSERDA's governing Board:

- Establish and maintain 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 they are expected to comply. Such statement shall emphasize the importance of effective internal control to NYSERDA and the responsibility of each Board Member, Officer, and employee for effective internal control.
- Designate an Internal Control Officer (ICO), 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.
- Periodically evaluate the need for an internal audit function.

Board Member Accountability Responsibilities. The PAAA 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, and establish rules for the time and attendance of the President and CEO and senior management.
- Adopt a code of ethics applicable to each Board Member, Officer, 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, as well as 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 all prospective Board Members.

- 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 and underlying manuals (specifically the Operations and Procedures Manual, Personnel Handbook, and Accounting Policies 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.

Board Committees. NYSERDA's Board has established the following standing committees which, among other duties, play an instrumental role in setting, maintaining, and improving NYSERDA's internal control framework and adherence thereto. Details regarding each committee's exact scope, responsibilities, composition, and member selection can be found in their charters, found on NYSERDA's website under [Board Governance/Board Structure](#). A brief summary of each follows:

- Audit and Finance Committee – Oversees selection of a certified independent accounting firm and performance of the audit; reviews NYSERDA's annual financial statements prior to submission for approval to the Board Members; reviews proposals for NYSERDA's issuance of debt and makes recommendations; and may examine and consider such other matters in relation to internal and external audit of NYSERDA's accounts, NYSERDA's financings, and the financial affairs of NYSERDA and its accounts as the Audit and Finance Committee may determine to be desirable.
- Program Planning Committee - Reviews the annual updating of NYSERDA's Strategic Outlook; reviews NYSERDA's annual budget except for portions overseen by other board committees as noted herein; reviews NYSERDA's activities relative to the State's progress towards advancing the goals of the Climate Leadership and Community Protection act of 2019; and provides guidance to NYSERDA's Officers in the preparation of those plans and budget; and considers such other matters related to NYSERDA's programs as NYSERDA's Officers may refer to the Committee.
- Waste and Facilities Management Committee - Reviews NYSERDA'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 NYSERDA's annual West Valley site management program and radioactive waste policy and nuclear coordination budgets; reviews NYSERDA's plans and provides guidance for facilities owned by or under the control of NYSERDA; provides guidance to NYSERDA's Officers and employees in the preparation of those plans and budgets; and considers such other matters related to West Valley site management and radioactive waste policy and nuclear coordination programs as the Officers of NYSERDA may refer to such Committee.
- Governance Committee - Keeps the Board Members informed of current best practices; reviews corporate governance trends; updates NYSERDA's corporate governance principles as necessary; recommends updates to the corporate governance principles; advises appointing authorities on the skills and experience required of Board Members; examines ethical and conflict of interest issues; performs Board self-evaluation; makes recommendations with respect to and monitors progress with respect to diversity,

equity, and inclusion goals; and recommends By-laws which include rules and procedures for conduct of Board business.

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

SECTION 3: LOBBYING LAWS, DISCLOSURE REQUIREMENTS, DISCRETIONARY FUNDS

NYSERDA is committed to transparency, fiscal responsibility, and avoidance of actual or potential conflicts of interest. The guidance in this section pertains to both Board members and employees.

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 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, 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, 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(s). It begins again at any time a modification to a contract is proposed and extends until the modification is executed.

The decision to initiate procurement occurs at the earliest of: (1) the formal internal 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. From this time 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 their name, organization, address, telephone number, place of principal employment, and occupation, and whether the contacting person or organization is a "potential contractor" or is retained, employed, or designated by the potential contractor to appear before or to contact NYSERDA regarding the procurement.

Failure to comply with the requirements may result in a contractor being barred from governmental procurements. Board Members and employees should contact the 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.

Disclosure: 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 reporting in an online database 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. 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, rulemaking, judicial or quasi-judicial proceedings, and rate making.

Reportable appearances must be recorded in the database within five business days after they occur, sending NYSERDA’s Project Sunlight reporting form to projectsunlight@nyserda.ny.gov. NYSERDA’s Project Sunlight Liaison, designated by the General Counsel, coordinates and oversees this reporting. Board Members should contact the Project Sunlight Liaison or General Counsel if they have any questions concerning these requirements.

Discretionary Funds: The expenditure of NYSERDA’s discretionary funds must relate directly to an enumerated power, duty, or purpose of NYSERDA. 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. NYSERDA may not use discretionary funds for purchases that are not necessary to advance its mission. NYSERDA’s handbooks and manuals provide further guidance regarding appropriate uses of discretionary funds for expenses directly related to an enumerated power, duty, or purpose of NYSERDA. The additional guidance sets forth a process for approving discretionary expenditures and notes the individual authorized to approve.

SECTION 4: EMPLOYEE RESPONSIBILITIES

In this section:

- Internal Control Policy
- Internal Control System
- Training and Awareness
- Review Process
- Controls Testing
- Decision Framework
- Annual Reporting

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. All employees sign an annual acknowledgement of conflict of interest policy and code of conduct policy to foster awareness of, and commitment to adherence with, basic standards and State and Federal laws which NYSERDA employees are required to follow. These policies set forth NYSERDA's expectations that its employees conduct themselves in an honest and ethical manner. If an employee identifies a potential weakness in, or deviation from, NYSERDA's internal control systems or generally accepted systems of internal controls, they shall report such potential weakness or deviation immediately in accordance with NYSERDA's Whistleblower Policy, linked hereto as Appendix B.

Internal Control System

The Internal Control System establishes checks and balances over NYSERDA's functions. NYSERDA regularly reviews the adequacy of the controls, especially in areas of highest vulnerability, revising them 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 every employee 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 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;
- Personnel Handbook – details NYSERDA's personnel practices and policies which apply to all employees; and
- Accounting Policies and Procedures Manual – details the financing and accounting practices.

Internal Control Training and Awareness

The Internal Control Officer (ICO) 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. The ICO and executive management shall at least once a year communicate to NYSERDA staff regarding internal control principles and responsibilities.

Internal Control Review Process

The ICO shall coordinate a process of organization-wide risk assessment at least 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 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 intervening years, the ICO shall coordinate a review of NYSERDA's internal control policies and procedures, organizational structure, and inventory of functions in consultation with the Executive team and the Director of Internal Audit and consider and recommend changes to improve internal controls. Employees are encouraged to regularly review and pursue opportunities to improve internal controls ongoing, and to coordinate with all stakeholders to ensure agreement and coordination on any such improvements.

The ICO 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 ICO shall provide a report to the President and CEO at least 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 compliance testing at least annually to determine the extent to which staff follow prescribed policies and procedures.

Decision Framework

NYSERDA has established a documented decision-making framework that serves as a key control to ensure that major decisions - particularly those affecting state policy and significant budget allocations – are well-informed and elevated to appropriate levels of the organization. This framework instills a rigor in the data-gathering and analysis used to guide decisions, fosters assignment of project management resources to make major initiatives successful, builds in cross-coordination to ensure functional areas that need to support those initiatives are consulted prior to launch, and through the use of standard templates drives the identification of initiative success metrics to allow for objective assessment of progress and, as needed, timely course correction. It also provides a standard matrix to clarify which decisions need to be approved by various levels of management, to help ensure that Officers and/or the Board are consulted for major precedential and cross-cutting matters while supporting efficient, prudent delegation of more localized decisions. This decision framework is detailed in the Operations & Procedures Manual.

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 CFO/Treasurer that based on their 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 statements 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 5: CORE FUNCTIONAL CONTROLS

Grounded by the scope of its enabling legislation, NYSERDA develops policies and strategies and executes programs geared to help NYS attain goals with regard to energy security, reliability, affordability, and climate change mitigation, while being a good steward of ratepayer and taxpayer funds and serving as a reliable source of information for New Yorkers. In this context, NYSERDA operates with a mission to “Advance clean energy innovation and investments to combat climate change, improving the health, resiliency, and prosperity of New Yorkers and delivering benefits equitably to all.” While NYSERDA functions are likely to evolve over time, there are five foundational functions that are likely to remain stable for the foreseeable future and encompass the majority of NYSERDA activities in some way, as outlined below.

Set Vision and Strategy



NYSERDA serves as New York’s State Energy Office, Chair of the State Energy Planning Board and Co-Chair of the Climate Action Council, established by the Climate Leadership and Community Protection Act (CLCPA). Through these roles, NYSERDA assesses, designs and implements actions that accelerate clean energy transition and climate mitigation, as well as drive an equitable transition to a clean energy economy. Complementing this work, NYSERDA also plays a key role in ensuring energy security for New York State, and by providing the State’s energy policy decision makers with a wide range of data and analyses to support policy making and leading statewide energy planning.

Governing Legislation and Regulatory Requirements

NYSERDA monitors legislative and regulatory developments that establish specific goals and timelines for achievement thereof, which NYSERDA may also then play a key role in attaining.

Mission and Vision

In this context, NYSERDA's work is guided first and foremost by its [mission and vision](#) as published on our website. These, combined with core mandates and targets articulated in the CLPCA, serve as guideposts for strategy setting, planning, resource allocations, and goals determination ongoing. Mission and Vision are discussed with new employees as part of their onboarding, and reinforced in annual goal-setting sessions to help ensure that work efforts stay aligned with these overarching precepts and are periodically reviewed and updated to ensure NYSERDA is synchronized with current policy directions and energy market dynamics.



Core Mandates and Targets

NYSERDA is charged with coordinating and delivering clean energy outcomes, which may be the result of legislative directions, such as the CLCPA, regulatory actions, such as Public Service Commission initiatives and programs, as well as administrative directions, such as through the State Energy Plan. These actions, whether individually or in the collective, provide the foundation from which specific programs will organize program outcomes and implementation outputs as targets to advance overall state policy. These in turn provide an inherent “tone from the top” in articulating results NYSERDA is charged with delivering and related budgets and timeframes.

Strategic Outlook

Annually, NYSERDA develops a Strategic Plan (the “Strategic Outlook”), which describes how NYSERDA will pursue its mission, goals, and objectives over the ensuing three years. NYSERDA ensures that the Plan maps to and supports attainment of longer-term goals. The President’s office assigns a leader to develop the Plan, who then meets with executive management and program staff to discuss and evaluate goals and strategy options, then creates the draft planning documents. The final draft of the Plan is reviewed by the Officers before presenting to the Program Planning Committee and the Board for approval.

Financial Plan and Annual Budget

In parallel with the preparation of the Strategic Outlook, a proposed Budget and Financial Plan are prepared by NYSERDA staff in accordance with governing accounting principles and NYS Comptroller standards. The Budget reflects a view of projected sources and uses of funds for the upcoming fiscal year. The Financial Plan appends to these higher-level projections of the same for the three fiscal years thereafter. Data are presented in a manner consistent with NYSERDA’s programs and functions and include estimates of revenues and expenditures for each combination of major funding source and major program or function.

The proposed Budget and Financial Plan are made available for public inspection on NYSERDA’s website no less than 60 days before the start of the fiscal year and 30 days before approval by the Board Members. The materials published include a description of the budget process, the principal underlying assumptions and risks, a breakdown of the major sources of revenues, expenses by both functional category and major program, information on proposed capital investments, and a certification by the CFO and the President and CEO that, to the best of their knowledge and belief after reasonable inquiry, the proposed Budget and Financial Plan are based on reasonable assumptions and methods of estimation.

The proposed Budget and Financial Plan are then submitted to NYSERDA’s Board Members for approval as per Section 2801 of the Public Authorities Law, and upon approval then to the persons designated in such Section 2801 to receive such Budget and Financial Plan. This includes submitting copies 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 and making the approved Budget and Financial Plan available for public inspection on NYSERDA’s website at least 7 days before the start of the fiscal year.

The annual Budget and accompanying Financial Plan serve as a guide for ongoing spending plans. Performance against the annual Budget is tightly monitored. On an ongoing basis, NYSERDA prepares and publishes to its Board no less than quarterly financial statements that identify variances between actual revenues and expenses and those that were budgeted, the drivers thereof, and corrective measures as needed. NYSERDA posts on its website not less than 90 days after the close of each fiscal year actual financial results versus budget, as reported in NYSERDA’s audited financial statements. The CFO 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.

In addition, NYSERDA uses the three mechanisms below to provide additional direction-setting guardrails and to ensure timely performance monitoring:

- Assessments of Program Spending and Outcomes.* Large portions of NYSERDA's work are driven by orders issued by the Public Service Commission (PSC), that identify expectations for outcomes and the funds approved to support work to attain those in a given timeframe. Additional significant work efforts are supported by state/federal grants, by Regional Greenhouse Gas Initiative (RGGI) proceeds which are programmed according to its governing regulations, and for certain functions through funding approved in New York's state budget appropriations process. These four mechanisms all serve as restricted funding that require specific monitoring and reporting of progress, outcomes, and spending at fund level at least annually. In the case of certain larger and longer-term PSC orders, investment or operating plans that provide additional detail on specific programs, outcomes, and spending projections. In the case of grants, progress, outcomes, and spending are reported periodically to the funding organization per the terms of the grant. RGGI-funded programs are proposed and implemented by NYSERDA through an annual review of the Operating Plan, meeting yearly with a stakeholder advisory group to ensure alignment, and submission to the Board for approval. For direct state funding, NYSERDA reports annually to the Department of Budget on spending and outcomes.
- Resource Planning and Monitoring.* NYSERDA develops a human capital resource budget as part of regular budgeting process, working with each division to understand evolving needs for employee and contractor support and reflect those in budgets where need-justified and as funds allow. The process includes challenge sessions to ensure that headcount remains grounded in reality and to encourage work reprioritization and/or resource redeployment to optimize the use of existing resources. These sessions also proactively surface skill-building needs soon enough to be addressed to execute the work successfully. After budget approval, follow-up sessions are held at least twice each year to ensure staffing stays in line with budget and allow timely pivots as needed. Any out-of-budget requests must be submitted through an exception process with approval of all Officers to proceed.
- Capital Expenditures vs. Budget.* NYSERDA prepares a rolling four-year outlook of projected changes in capital assets. A more detailed one-year view is then created to feed into the annual budget process. The budget process includes Officer-level review of all requested investments to substantiate need, fit, and cashflow and depreciation impact.

Design and Deliver Policies

In the context of NYS overarching strategy and goals, and NYSERDA's mission and goals in support of those, NYSERDA develops macro-level policies to inform and enable attainment of key state energy goals.

Policy Design and Delivery Functions

- Support government affairs matters, serving as liaison between NYSERDA, other NYS Agencies and Authorities, and elected officials, and addressing inquiries from the Governor's office, Federal and State legislatures, and local government officials.
- Coordinate across NYSERDA on proposals, strategies, and approaches, for engagement in Public Service Commission proceedings, Federal Funding Opportunities, other agency proposed rulemakings, and through activities as initiated or identified by the State Energy Plan, the Scoping Plan, or other guidance.
- Research and analyze various public policy designs to determine optimal approaches to advance the combined goals of energy efficiency, emissions reduction, sustainability, and affordability.
- Engage in state and regional planning to foster a cohesive and timely approach to update and expand state energy infrastructure to enable reliable, resilient delivery of power.
- Coordinate environmental research to understand and mitigate potential cross-impacts and foster sustainable solutions.
- Advise staff to ensure Programs are designed specifically to support achievement of NYSERDA's core mandates and targets, with specific market interventions evaluated using intelligence from government affairs and policy, analysis, and research resources to ensure that program-specific approaches align with and support attainment of broader NYS public policy objectives.

Controls

While certain policy development work may have some unique controls, NYSERDA has established a fundamental suite of controls that it applies to all of its policy development.

- NYSERDA establishes a designated division to be accountable for tracking and communicating internally any potential Federal and State legislation that is likely to impact energy efficiency, emissions reduction, climate policies, and environmental justice, and also any which suggests potential implications for NYSERDA and its stakeholders.
- Staff monitors legislative hearings, assists with the preparation of testimony for hearings, and coordinates the management of NYSERDA's legislative agenda.
- NYSERDA maintains all records of oral and written contacts 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.
- Data is gathered regularly to stay abreast of emerging developments, including review of macro/external conditions and trends as well as regular outreach to internal program design teams.
- Credible, defensible methodologies are used in modeling assumptions, scientific research, and policy development.
- Consistent factors and assumptions are applied across the variety of policy development undertaken throughout the organization.

- Outside expert resources are utilized to provide reliable data inputs and objective review and validation of methodologies

Design and Administer Programs

Requirements of Commission Orders, Grants, and other Funding

Programs must operate in a manner that is consistent with any approved operating plan, funding agreement, Public Service Commission Order, law or regulation related to the program funding source. NYSERDA identifies a business owner for each program who 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 a division-head level employee.

Types of Programs

NYSERDA programs tend to fall in one of the following categories:

- Improving energy affordability, reliability, and public health at a local level through incentive programs where parties such as households, building owners, and businesses may apply for grants or rebates to install qualifying energy efficiency, renewable energy, or beneficial electrification improvements.
- Increasing the use of clean energy technologies through incentive programs and competitive solicitations for renewable energy development which NYSERDA monitors through completion through partnership with developers and community stakeholders and rigorous contract management.
- Providing technical expertise, reliable data, and advisory services to households, businesses, institutions, and communities seeking to improve energy efficiency, to deploy clean energy generation, and/or to electrify homes, buildings, and vehicles.
- Fostering climate and clean energy technology innovation, providing support for developing, commercializing, and demonstrating new technologies to help scale up solutions economically.
- Developing and offering financing mechanisms that lower the cost of capital for a clean energy transition, for instance through NYSERDA's NY Green Bank which helps demonstrate successful lending models for new technologies that in turn help attract and scale private capital.

Controls

While the programs above may have some unique controls, NYSERDA has established a fundamental suite of controls that it applies to all of its programs, as noted below.

- *Policy Alignment:* Programs are designed specifically to support achievement of NYSERDA's core mandates and targets, with specific market interventions evaluated using intelligence from Government and Regulatory Affairs and Policy, Analysis, and Research resources to ensure that program-specific approaches align with and support attainment of broader NYS public policy objectives.

- *Expert Design Input:* As programs are developed, they gather input from stakeholder groups and technical experts to ensure that program is designed to optimize outcomes based on market input. NYSERDA has developed internal resources to aid program teams with more specialized expertise, such as performance management, operations, community relations, energy and climate equity, siting, and workforce development to aid in program design.
- *Multidimensional Review and Readiness Checks:* Before launch, programs are reviewed through a cross-functional team of resources from across NYSERDA to refine program design, ensure organizational and operational readiness to deploy, ensure agreement on success metrics and potential stage gates, and verify compliance with governing law, approved funding, and other regulatory requirements as applicable.
- *Maximize Competitive Procurement:* Pursuant to the Board-approved Procurement and Program Contract Guidelines, Operative Policy and Instructions, NYSERDA uses its best efforts to maximize competitive selection of contractors, unless certain limited criteria for non-competitive selection are present. Before launch, solicitation materials are reviewed and approved internally through to ensure the designated funding amount is within the available budget, and that the intent of the solicitation is consistent with the Board approved Strategic Outlook. The solicitations are made public on, at a minimum, NYSERDA's website and other standard state opportunity notice publications. Solicitation results are reviewed by a Scoring Committee selected for their subject matter expertise and evaluated per evaluation criteria set forth in the Solicitation document.
- *Rigorous Contracting:* All contract actions require a clear and defined set of tasks and deliverables. For financing-type activities, a loan agreement or comparable document records the eligible use of funds and repayment terms. Contract statements of work and/or financing terms are defined by a qualified NYSERDA manager and carefully reviewed for accuracy, as well as procurement and legal compliance.
- *Closely Monitored Project Management and Oversight:* An assigned project manager is responsible for communicating with contractors, reviewing, and approving deliverables, reviewing and approving invoices, ensuring required data and reporting information is submitted and managing the lifecycle of the contract, including expiration date monitoring and project closeout.
- *Payment:* An integrated system with multi-tiered payment controls has built-in verification measures to ensure substantiation by NYSERDA's project manager that work has been completed as reflect on invoices submitted, as well as basic accuracy and counterparty identity checks.
- *Evaluation and Results Monitoring:* A designated performance management team assesses the outcomes of programs, maintaining sufficient separation from the program teams to ensure objectivity while providing relevant insights to keep improving program impact. *See Section E.*

Additional Controls for Financing Programs

While all programs are carefully controlled, lending programs have additional controls as noted below:

- Program design and major transactions approved at executive level.
- Pre-lending underwriting and fiscal due diligence using commercially accepted standards for comparable products and counterparties.
- Contractual requirements for regular borrower reporting to help assess status and financial health.
- Monthly review of individual loan status and portfolio level repayment outlook assessment, with material individual transaction risk overseen by a risk management committee.
- Regular accounting valuations vetted annually with financial auditors.
- Bonds structured by public financing experts, over-collateralized to minimize default risk, and issued only when approved by NYSERDA's Board and the Public Authorities Control Board.

Enable High-Value Outcomes

In this section:

- Provide Objective Information, External Messaging and Stakeholder Engagement
- Source, Deploy, and Develop Human Capital
- Facilities and Fleet Assets
- Technology and Data Assets
- Legal Services

Provide Objective Information, External Messaging and Stakeholder Engagement

Primary Functions

- Provide reliable, credible, accessible information to all audiences, both proactively (press releases, reports, and whitepapers) and responsively (government, media, and consumer inquiries).
- Design and drive public outreach and education campaigns to raise awareness of NYS' clean energy path and build confidence in NYS' ability to be successful in that regard.
- 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.

Controls

- Automated monitoring tools are employed to rapidly identify media reports or other public mention of NYSERDA's work scope and staff respond quickly to ensure that accounts are factual, unbiased, and up to date.
- Staff charged with any kind of direct external communications duties maintain up-to-date knowledge of NYS direction, relevant legislative and regulatory development, NYSERDA's role, goals, and priorities, and NYSERDA's initiatives and eligibility criteria, and they train and support any contracted resources supporting this function.

- Staff in this function receive legal alerts from in-house counsel that may pertain to communication modes and standards and promptly update practices and websites to stay current and compliant.
- Press Releases go through a cross-functional review prior to release. Prior to any public release, content is fact-checked, funding amounts verified to budget, and positioning aligned with broader NYS communications guidance.
- Reports and Whitepapers are developed using reliable, credible and consistent information, and go through a cross-functional review prior to release. Prior to any public release, content is fact-checked, potential and positioning aligned with broader NYS communications guidance.

Source, Deploy, and Develop Human Capital

Primary Functions

- Manage recruiting, compensation, and performance management to ensure human capital is sufficient to successfully execute work scope and deliver intended outcomes
- Assess skill needs and facilitate employee training
- Ensure legal compliance with human resources related matters
- Ensure NYSERDA practices foster an inclusive and equitable environment

Controls

- Human resources practitioners work closely with in-house counsel and DEI experts to design, update, communicate, and enforce practices that are compliant with governing laws and regulations and inclusive in nature.
- Annual resource planning discussions are used to establish total and division-level headcount budgets grounded in a realistic reflection of need. Requests for any positions not within this budget are elevated by HR to NYSERDA Officers for consideration with approval contingent on available funding.
- Compensation structures are founded on NYS standards, utilizing NY state employee health care and retirement plans and with published “Management/Confidential” grades as a guide for salary determination. Pay adjustments are determined using a consistent documented approach.
- All NYSERDA positions are filled based on merit, based upon defined job descriptions, and using a consistent recruitment process and standards. Recommended salaries are determined by HR and approved by the CEO prior to offer. Policy-maker positions are further vetted with the Comptroller’s Office for approval prior to offer.
- NYSERDA maintains a robust goal setting and performance review process whereby goals are cascaded from entity-level to division, department, and individual employee for alignment. Goals are reviewed by managers to ensure completeness and relevance. Annual performance evaluations are coordinated by human resources practitioners, including calibration sessions with Officer review to foster consistent application and policy adherence.
- Performance reviews, resource planning sessions, engagement surveys, and legal updates inform NYSERDA’s training plans to ensure skill development supports attainment of NYSERDA’s mission outcomes. Topics related to ethics, security, and other foundational matters are part of a suite of mandatory annual employee training logged in a system and carefully tracked to ensure completion.
- Annual personnel reporting is provided to the Comptroller’s office and the Department of Labor.

- In an effort to ensure consistent readiness to execute our mission, a comprehensive Continuity of Operations Plan has been developed to enhance NYSERDA's ability to operate in an emergency or disaster situation. It is reviewed and updated at least annually and approved at the Officer level, and is supplemented with periodic emergency and response testing or training to ensure it can be deployed promptly in practice.

Facilities and Fleet Assets

Primary Functions

- Secure cost-effective workspaces in appropriate locations and with the necessary infrastructure to foster an engaged, productive workforce.
- Ensure that all NYSERDA offices remain safe, secure and well-maintained while providing supplies, reception, mail and building services to allow the entire team to function effectively.
- Ensure NYSERDA facilities are aligned with NYS sustainability goals.

Controls

- NYSERDA updates facilities plans annually, and with a 4-year outlook.
- Physical security is maintained through a controlled electronic building access system, asset tracking, employee training, annual filing of emergency response plans, and staff notification systems. Insurance risk is reviewed and policies updated annually with an insurance broker.
- Energy efficiency and sustainability are regularly assessed and reported as per EO22 and similar statewide mandates.

Technology and Data Assets

NYSERDA has established a dedicated information technology team to provides access to secure networks, websites, applications, software, telecommunications and other core services for the organization, and has complemented that with an independent information security office. As a standard practice, NYSERDA aims to align with the relevant NYS Office of Information Technology Services (ITS) policies regarding system security, website standards, software development, and data governance.

Technology and Data Assets: Information Technology (IT)

Primary Functions

- Operate a service desk (help desk) to address staff questions/issues with hardware or software.
- Procure, operate, and maintain computer hardware and software.
- Review program solicitations that contain a software development component for compliance with NYS cybersecurity and ADA (Americans with Disabilities Act) requirements.
- Collaborate with staff to review potential system, software or data solutions needs, ensuring best practices, security, and alignment with the overall system strategy and ITS requirements are addressed in determining the best option to implement.
- Develop, enhance, maintain, and operate the core system and data platforms for NYSERDA.
- Maintain security of computer hardware and software.
- Provide training to staff on computer hardware and software usage.-
- Maintain NYSERDA's website.

Controls

- Technology needs identified by staff are assessed by IT to ensure business needs and ITS standards are met, whether through development on a NYSERDA platform or a 3rd party provider. The purchase of computer hardware or software must be approved by IT prior to procuring or installing.
- Governance committees are utilized to review, approval, and prioritize information technology projects. These committees include representatives of the business users, IT and operations staff on the primary systems and platforms used by NYSERDA.
- Provide a secure data storage structure for staff that provides for nightly back-up and disaster recovery capabilities, that meets the data governance requirements of the data being stored.
- Establish processes to ensure access to the network is restricted to valid users, and each user is given a password. Multi-factor authentication is employed for data accessed via the internet.
- 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).
- Illegal copying of NYSERDA software, or use of illegal copies of software packages on any of NYSERDA's computers, is not permitted.
- Non-NYSERDA software may not be copied or installed on NYSERDA computers without written authorization (generally in the form of an approved service desk ticket) from the Service Desk Supervisor.
- Every staff member of NYSERDA is assigned a computer (or virtual machine) and is given access to the network. It is the responsibility of each staff member to protect NYSERDA's investment in computer technology. Staff members shall report immediately any lost, damaged or missing items. Upon leaving NYSERDA all assigned IT equipment and software must be returned and validated by IT before the final paycheck is issued.
- The IT staff records the serial number of each piece of equipment above a designated value that is provided to each staff member; and updates these records as equipment and software are added or removed. Hardware inventories are validated annually.

Technology and Data Assets: Information Security

Primary Functions

- Protect and maintain the confidentiality, integrity and availability of information and related infrastructure assets
- Manage the risk of system or data 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 ("ITS Security Policies") for state entities. These policies apply to all NYSERDA information technology devices and data. All individuals who handle NYSERDA information must adhere to the provisions of these policies.

- The Information Security Officer (ISO) is the central point of contact for all information security matters and reports independently to the CFO & Treasurer, with duties segregated from the operation of the information technology systems.
- The ISO is responsible for the design, implementation and monitoring 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 using applicable federal and state standards as a guide.
- All data collected and stored by or on behalf of NYSERDA are classified and managed consistent with ITS standards. A cross-functional team is responsible for classifying data and coordinating external sharing requests. NYSERDA ensures that user authorization and permissions are established and regularly verified to protect confidential data. External parties granted limited data access where necessary to fulfill their NYSERDA-contracted responsibilities are bound by strict contract terms to enforce prudent data security measures.
- NYSERDA systems are equipped with Enterprise Detection and Response (EDR) software managed 24/7/365, configured for automatic checking and system shielding and scanning frequently for viruses, to protect against the introduction or spread of malicious intent.
- All NYSERDA employees are required to complete annual state cyber security training.

Legal Services

Primary Functions

- Provide legal advice and draft legal opinions and documents for NYSERDA, including proposed rules, regulations, and legislation as well as permits and applications
- Provide legal advice and oversight of NYSERDA strategy, programs, policies, and the contracting process
- Respond to Freedom of Information Law (FOIL) requests
- Oversee and provides guidance to staff and NYSERDA's Board on ethics matters
- Serve as Secretary for the Board and its standing committees and coordinate NYSERDA records management systems and compliance

Controls

- General Counsel represents NYSERDA's interests in legal actions or proceedings and consults with executive management and the Board as deemed necessary.
- Legal team resources monitor emerging legal developments and risks and ensure communication thereof to appropriate staff.
- Internal legal resources take regular ongoing training and are also supplemented with outside counsel expertise, to ensure access to highly knowledge practitioners on all the various topics with which NYSERDA may engage.
- Designation of a named Ethics Officer ensures staff have a knowledgeable resource to advise on ethics questions. The Ethics Officer will promptly investigate any potential improprieties and ensure satisfactory resolution, education, and as needed remediation.

- Designation of a named Records Access Officer ensures staff have a central point of contact to coordinate responses to FOIL requests.
- The Records Management Officer ensures a robust records management system and related policies in accordance with the General Retention and Disposition Schedule for New York State Government Records and provides staff with guidelines for maintaining records.

Monitor and Adjust

One key control NYSERDA has established is to assess the outcomes of its programs through an internal team that is intentionally separate from the program teams themselves and is charged with independent verification. Supplementing this, NYSERDA provides extensive public reporting of its programs, relative investment therein, and their respective outcomes, to ensure transparency of our work and reinforce accountability to attaining the target outcomes with which we are charged.

As a complement to these program-specific evaluations, NYSERDA also maintains a cross-cutting Internal Audit function. Internal Audit conducts rotating audits and advisory engagements defined in annual audit plans approved by the Audit and Finance Committee of the Board as a means to independently review and test compliance with internal policies and procedures. Finally, NYSERDA also conducts an annual external audit of its accounting and financial reporting processes and the resulting financial statements, and periodically engages outside cyber security, audit, and risk management firms to conduct objective audits of relative risk levels and to recommend prioritized improvements.

Program Performance Evaluation and Outcome Reporting

NYSERDA target outcomes are defined from underlying mandates articulated in a combination of governing legislation, Public Service Commission orders, the Regional Greenhouse Gas Initiative (RGGI) operating plan approved by the Board, and the terms of grants NYSERDA is selected to receive. NYSERDA carefully monitors both interim and final outcomes of its programs and provides various reports to transparently convey status and progress.

NYSERDA has instituted a performance evaluation function to assess the effectiveness of its major programs in achieving the NYS public policy goals under NYSERDA's purview. Competitively selected, expert evaluation contractors 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 executive staff, the Governor, the New York State Legislature, the Public Service Commission, other program sponsors, advisory groups, and stakeholders. Information gleaned from evaluation processes is used not only for maintaining accountability, but also an important input to continuously improve program and portfolio impact and cost effectiveness.

Financial Reporting and External Audits

NYSERDA prepares annual financial statements in accordance with generally accepted accounting principles (GAAP) applicable to state and local government entities. These are certified by NYSERDA's CFO & Treasurer, and also the President & CEO, as fairly presenting in all material respects the operations and financial condition of NYSERDA. As added control measures, the annual financial statements are independently audited by a Certified Public Accounting firm and then after review of said firm's Opinion Letter, approved by the NYSERDA Board. NYSERDA ensures that the Audit and Finance Committee of the Board has an opportunity to consult privately with the lead partner of the Certified Public Accounting to

ensure independence. To further ensure objectivity and compliance throughout the year, NYSERDA also prepares interim quarterly financial statements which are reviewed by NYSERDA's independent auditors and then distributed to the Board. NYSERDA's financial reports are posted to NYSERDA's website in accordance with NYS Comptroller standards.

Internal Audit Purpose and Mission

The purpose of NYSERDA's internal audit function is to provide independent and objective assurance and consulting services designed to add value and improve NYSERDA's operations, and, consistent with Public Authorities Law Section 2932, evaluate NYSERDA'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 and improving the effectiveness of risk management, control, and governance processes. Please see Appendix A for details.

SECTION 6: ENERGY SAFETY

Along with its program activities, NYSERDA plays a role ensuring energy supply safety and security.

Energy Emergency Preparedness

NYSERDA has developed, and updates annually a the preparation of New York's State Energy Security Plan Energy Emergency Plan outlining steps to detail how NYS, working with public and private sector energy partners, takes prudent steps to secure its energy infrastructure against physical and cybersecurity threats, mitigate the risk of energy supply disruptions, enhance the response to and recovery from energy disruptions, and ensure that the state has secure, reliable, and resilient energy infrastructure. This plan is reviewed and updated at least annually and approved at the Officer level.

NYSERDA is also responsible for the ongoing maintenance of the State's strategic fuel reserves to ensure an appropriate supply is available for first responders in the event of a fuel supply emergency. Inventories and prices are monitored regularly, and reserves are proactively restocked to ensure availability.

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

- NYSERDA owns the Western New York Nuclear Services Center ("West Valley"), which it operates pursuant to a series of licenses and permits, including a Nuclear Regulatory Commission production and utilization license at the federal level, and 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 radioactive materials management; radioactive waste generation, management and disposal; hazardous waste generation, management, and disposal; worker industrial and radiation safety; wetland protection; and environmental review.

- Certain actions at West Valley are also controlled by federal legislation that gave sole possession of certain acres of the site to the United States Department of Energy (DOE) and resulting affiliated agreements. The West Valley Demonstration Project Act directs DOE to carry out a demonstration project on high-level radioactive waste solidification and decommissioning at the WNYNSC, and directs DOE and NYSERDA to enter into a Cooperative Agreement to carry out these activities and to implement cost share between the agencies.
- The Cooperative Agreement lays out a framework between DOE and NYSERDA as to the roles, cost shares, and coordination between the agencies, provides for NYSERDA's participation in DOE's procurement process for selecting the management and operations contractor for the WVDP, and provides for NYSERDA 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. Cost share is also established through a federal Consent Decree that resolved the majority of claims brought by NYSERDA against DOE regarding cost allocation at the WVDP. The initial Cooperative Agreement was amended by the Supplemental Agreement to the Cooperative Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement to address the preparation of the Decommissioning EIS, the Phase 1 Studies, and the preparation of the probabilistic performance assessment and Supplemental EIS, respectively.
- In addition to the above, site-level written plans and procedures provide the mechanism for implementing the regulatory requirements identified above and for implementing additional best management practices for operations and maintenance, environmental monitoring, emergency response and administrative processes and controls. These plans and procedures are prepared by technical staff or contractors, and are reviewed and approved by a Program Manager/ Program Director or Team Lead and appropriate internal (radiation safety or safety and health) committees before they are incorporated into the program for implementation.

APPENDIX A: INTERNAL AUDIT

Purpose

The purpose of the internal audit function is to strengthen NYSERDA's (the Authority's) ability to create, protect, and sustain value by providing the Board of Directors (Board) through the Audit and Finance Committee (AFC), and senior management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the Authority's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility.
- Ability to serve the public interest.

The Authority's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit StandardsTM, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board's Audit and Finance Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The Authority's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Director of Internal Audit will report periodically¹ to the Audit and Finance Committee and senior management regarding the internal audit function's activities and conformance with the Standards, which will be assessed through a quality assurance and improvement program.

¹ Internal Audit Reports are emailed directly to the members when issued. Internal Audit is on the quarterly Audit and Finance Committee meeting agendas. Due to the activities presented at the June board meeting, Internal Audit is only included at the Director of Internal Audit's request.

Mandate

Authority

The Authority's internal audit function mandate is found in the New York Public Authorities Law § 2932, which states:

1. The governing board of each covered authority or its designee shall determine, and periodically review the determination of, whether an internal audit function within the covered authority is required. Establishment of such function shall be based upon an evaluation of exposure to risk, costs and benefits of implementation, and any other factors that are determined to be relevant. In the event it is determined that an internal audit function is required, the governing board of each covered authority shall establish an internal audit function which operates in accordance with generally accepted professional standards for internal auditing. Any such internal audit function shall be directed by an internal audit director who shall report directly to the governing board of the authority. Internal audit director appointments shall be based on appropriate internal auditing credentials of the proposed appointee, consistent with generally accepted standards for internal auditing, including internal auditing education and experience. The internal audit function shall evaluate the authority's internal controls and operations, identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses.
2. In the event the governing board does not establish an internal audit function pursuant to subdivision one of this section it shall nevertheless establish and maintain the program of internal control review required by section twenty-nine hundred thirty-one of this title.

Internal Audit's authority is created by its direct reporting relationship to the Authority's Board of Directors through the Audit and Finance Committee. Such authority allows for unrestricted access to the Authority.

The Board of Directors authorizes Internal Audit to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the Authority and other specialized services from within or outside NYSERDA to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The Director of Internal Audit will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby

establishing the independence of the internal audit function. (See “Mandate” section.) The Director of Internal Audit will report functionally to the Board’s Audit and Finance Committee, and administratively (for example, day-to-day operations) to the President and CEO of the Authority. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Board, when necessary, without interference and supports the internal auditors’ ability to maintain objectivity.

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 internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function’s effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Director of Internal Audit, the Audit and Finance Committee (or Board), and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the Authority.
- Significant changes in the Director of Internal Audit, Audit and Finance Committee, and/or senior management.
- Significant changes to the organization’s strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Board Oversight

To establish, maintain, and ensure that NYSERDA’s internal audit function has sufficient authority to fulfill its duties, the Board of Directors through the Audit and Finance Committee will:

- Approve the appointment or removal of the Director of Internal Audit, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Discuss with the Director of Internal Audit and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure that the internal audit function is organizationally independent from operations and that the Director of Internal Audit confirms, at least annually, the organizational independence of the internal audit activity.

- Ensure the Director of Internal Audit has unrestricted access to and communicates and interacts directly with the Chairman of the Audit and Finance Committee and to the Board of Directors as necessary, including in private meetings without senior management present. Make appropriate inquiries of senior management and the Director of Internal Audit to determine whether scope or resource limitations exist and to determine whether they are inappropriate.
- Participate in discussions with the Director of Internal Audit and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establishes the foundation that enables an effective internal audit function.
- Approve the internal audit function’s charter (attached as Appendix A to the Internal Control Manual), which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually (or as needed) with the Director of Internal Audit to consider changes affecting the organization, such as the employment of a new Director of Internal Audit or changes in the type, severity, and interdependencies of risks to the organization.
- Approve the risk-based internal audit plan on an annual basis, and any significant changes as they arise.
- Provide input to the internal audit function’s staffing, resources, and budget.
- Receive communications from the Director of Internal Audit about the internal audit function including its performance relative to its plan.
- Review the results of audit activities and approve procedures for implementing accepted recommendations of the internal auditor.
- Review and provide input to senior management on the Director of Internal Audit’s performance.
- Ensure a quality assurance and improvement program has been established and periodically reviewed. An independent formal review must occur every 5 years, following the requirements outlined in the Global Internal Audit Standards. This is further outlined below in the *Quality Assurance and Improvement Program* section.
- Make appropriate inquiries of senior management and the Director of Internal Audit to determine whether scope or resource limitations exist and to determine whether they are inappropriate.

Director of Internal Audit Roles and Responsibilities

Ethics and Professionalism

The Director of Internal Audit will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.

- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

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 engagement selection, scope, procedures, frequency, timing, and communication. If the Director of Internal Audit determines that 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 such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

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

- Assessing specific operations for which they had responsibility within the previous year.
- Performing 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 that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Director of Internal Audit, the Audit and Finance Committee, senior management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

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

Managing the Internal Audit Function

The Director of Internal Audit has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Board, Audit and Finance Committee, and senior management. Discuss the plan with the Audit and Finance Committee and senior management and submit the plan to the Board for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit and Finance Committee and senior management.
- 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 with the Audit and Finance Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit and Finance Committee and senior management periodically and for each engagement as appropriate.
- Manage and supervise the internal audit activity to develop and retain internal auditors, evaluating individual competencies and encouraging professional development.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Authority's and communicate to the Audit and Finance Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the Authority's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit and Finance Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Director of Internal Audit cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit and Finance Committee.

Communication with the Audit and Finance Committee and Senior Management

The Director of Internal Audit will report periodically¹ to the Audit and Finance Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit and Finance Committee that could interfere with the achievement of Authority's strategic objectives.
- Results of assurance, advisory, and consulting services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Authority's risk appetite, the parameters of which are generally governed by the Authority's internal control program.

Quality Assurance and Improvement Program

The Director of Internal Audit will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the Director of Internal Audit will communicate with the Audit and Finance Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the Authority; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential, public sector competencies, as well as knowledge of the Global Internal Audit Standards.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all NYSERDA's activities, assets, and personnel. The Director will maintain an audit universe as part of its risk assessment activities. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services (also known as consulting services) to the Board and management on the adequacy and effectiveness of governance, risk management, and control processes for the Authority.

Internal Audit provides both assurance and advisory services, defined herein according to the IIA's Global Internal Audit Standards.

Assurance Services – Services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational/performance, and technology engagements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed.

Advisory Services - Services through which internal auditors provide advice to an organization's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement by NYSERDA's President & CEO and in consultation with the Board's Audit & Finance Committee, which shall be apprised of advisory services during the Annual Audit Plan and/or periodic reports to the Committee. Examples include advising (as such term is defined in the Global Auditing Standards) on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training (in conjunction with the relevant business unit responsible for the subject process); and facilitating discussions about risks and controls. Advisory services are also known as consulting services.

The Director of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and advisory service providers as needed.

The nature and scope of advisory services may be agreed with the party requesting the service, 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 advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements relative to assurance services may include evaluating whether:

- Risks relating to the achievement of NYSERDA's strategic objectives are appropriately identified and managed.
- The actions of NYSERDA's officers, directors, management, employees, and contractors or other relevant parties comply with the Authority's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.

- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Authority.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by the Board at its meeting on [date].

Acknowledgments/Signatures

Director of Internal Audit

Date

The Board's approval is documented in the Authority's Board Meeting Minutes.

APPENDIX B: WHISTLEBLOWER POLICY

APPENDIX C: NYS COMPTROLLER STANDARDS FOR INTERNAL CONTROL IN NEW YORK STATE GOVERNMENT