



KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

June 17, 2013

Members of the Authority  
New York State Energy Research and Development Authority

Ladies and Gentlemen:

We have audited the financial statements of New York State Energy Research and Development Authority (the Authority) as of and for the year ended March 31, 2013, and expect to issue our report thereon under date of June 17, 2013. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

### **Our Responsibility under Professional Standards**

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of Members of the Authority are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or Members of the Authority of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control. We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of Members of the Authority in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Accounting Practices and Alternative Treatments**

#### *Significant Accounting Policies*

The significant accounting policies used by the Authority are described in note 2 to the financial statements.



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New York State Energy Research and Development Authority  
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#### *Unusual Transactions*

We noted no transactions entered into by the Authority during the year that were both significant and unusual, and that, under professional standards, we are required to communicate to you, or transactions for which there is a lack of authoritative guidance or consensus.

#### **Management Judgments and Accounting Estimates**

The preparation of the financial statements requires management of the Authority to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

We evaluated the management's estimates, including possible management bias in developing the estimates, in determining that they were reasonable in relation to the financial statements taken as a whole.

#### **Uncorrected and Corrected Misstatements**

There were no corrected or uncorrected financial statement misstatements identified during the audit of the Authority's March 31, 2013 financial statements.

#### **Disagreements with Management**

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' reports on the Authority's financial statements.

#### **Management's Consultation with Other Accountants**

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended March 31, 2013.

#### **Significant Issues Discussed, or Subject to Correspondence, with Management**

##### *Major Issues Discussed with Management prior to Retention*

We generally discuss a variety of matters with management and those charged with governance each year prior to our retention as the Authority's auditors.

The result of these discussions was not a condition to our retention.



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New York State Energy Research and Development Authority  
June 17, 2013  
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*Material Written Communications*

Attached to this letter please find copies of the following material written communications between management and us:

1. Engagement letter
2. Management representation letter

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

**Independence**

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all relationships between our firm and the Authority and persons in a financial reporting oversight role at the Authority and provide confirmation that we are independent accountants with respect to the Authority.

*Confirmation of Audit Independence*

We hereby confirm that as of June 17, 2013 we are independent accountants with respect to the Authority under all relevant professional and regulatory standards.

\* \* \* \* \*

This letter to the Members of the Authority is intended solely for the information and use of the Members of the Authority and management, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**



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515 Broadway  
Albany, NY 12207-2974

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Members of the Authority  
New York State Energy Research and Development Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the New York State Energy Research and Development Authority (the Authority), and have issued our report thereon dated June 17, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Albany, New York

June 17, 2013



KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

**Report on Investment Compliance with Section 201.3 of  
Title Two of the Official Compilation of Codes, Rules,  
and Regulations of the State of New York**

Members of the Authority  
New York State Energy Research and Development Authority:

We have examined the New York State Energy Research and Development Authority's (the Authority) compliance with Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York* for the year ended March 31, 2013. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Authority complied, in all material respects, with Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York* for the year ended March 31, 2013.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Authority's compliance with Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York* and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Authority complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of the Members of the Authority and management of the Authority, the New York State Office of the State Comptroller, the New York State Division of the Budget, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

KPMG LLP

Albany, New York  
June 17, 2013



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515 Broadway  
Albany, NY 12207-2974

June 17, 2013

Members of the Authority  
New York State Energy Research and Development Authority  
Albany, New York

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New York State Energy Research and Development Authority (the Authority), which collectively comprise the basic financial statements of the Authority, as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Members of the Authority, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**