

**2012 INTERNAL AUDIT PLAN
ACTIVITY REPORT
12/31/12
REPORT RECAP**

Report Name	High-Level Audit Objectives	Observations/Findings/ Recommendations
ReCharge NY Program Management	Evaluate the adequacy and effectiveness of controls designed to administer the ReCharge NY program. Confirm program implementation is consistent with legislative mandate. Confirm applications are handled and contracts are issued in accordance with NYPA's governing documents; confirm the accuracy and completeness of program reporting; confirm EDPAB and NYPA Trustees' approval.	<ul style="list-style-type: none"> -We confirmed that the ReCharge NY program is being administered in accordance with legislative requirements and internal controls are effective. -Program policies and procedures should be updated and include key processes. -A reporting system should be put in place to track allocations in pending status. -Additional quality control procedures should be implemented to reduce customer changes pertaining to reported jobs, kilowatts and capital investments. -Scoring models and associated weights used to evaluate ReCharge NY applications should be formally communicated to EDPAB.
Energy Efficiency Programs	Evaluate key operational and financial controls over NYPA's Energy Efficiency Programs and selected SENY Governmental Services Projects. Review project management, project authorization, cost estimation, risk management, project management, project cost controls and reporting processes.	<ul style="list-style-type: none"> -The organizational structure and goals and objectives of the Financial Controls function should be re-evaluated. -Formalize policies and procedures relating to project standardization, cost estimation and risk management. -A Charter for the Contract Assignment Committee covering the authority roles/responsibilities and voting should be created. -Ensure that Implementation Contractors follow bid solicitation requirements for subcontractor awards.

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Public Authorities Law (PAL) Compliance Audit	Evaluate the overall processes/controls implemented by NYPA to ensure compliance with PAL requirements. Confirm that NYPA is complying with the reporting, governance and administrative requirements of PAL.	<ul style="list-style-type: none"> -NYPA has a well established compliance program for the related PAL requirements. -Revisions to the Anti-Retaliation (Whistleblower) Policy should be presented to NYPA's Board of Trustees for their adoption. -The Corporate Accounting Policy should be updated to reflect new compliance obligations of NYPA associated with internal controls.
Astoria Energy II – Long Term Supply Agreement	Review procedures, processes and controls over NYPA's Tolling Agreement with Astoria Energy II. Verify compliance with terms and conditions of the Tolling Agreement.	<ul style="list-style-type: none"> -Controls over the administration of the Operating Agreement with Astoria Energy II are working effectively. -Vendor is complying with the terms and conditions of the Tolling Agreement. -Supervisory review of the Astoria Energy II incentive/penalty calculations should be documented.
Counterparty Credit	Confirm the resolution of prior audit issues. Evaluate the effectiveness of management's process for monitoring, assessing, and managing counterparty risk in relation to energy and treasury activities.	<ul style="list-style-type: none"> -Internal controls remain adequate to manage credit exposure of counterparty default. -Systematic differences still exist in the management of credit default risk for commodity versus treasury counterparties. -A report showing NYPA-wide and counterparty specific exposure should be created and disseminated to executive management.

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SAP – General Ledger	Review, test and evaluate SAP General Ledger application controls, documentation and procedures.	<ul style="list-style-type: none"> -Controls over the SAP General Ledger System are adequate and effective. -The ability to lock and unlock an accounting period should be further restricted.
NYISO Transmission Settlements	Review processes and controls associated with Transmission Revenues collected from the NYISO and congestion costs billed to Con Edison by NYPA.	<ul style="list-style-type: none"> -Controls over NYISO Transmission Revenues and congestion costs reimbursed by Con Edison are working effectively. -There were no significant issues raised in this audit.
Public & Governmental Affairs Expenditures	Review procedures, processes and controls over Public and Governmental Affairs Expenditures. Review Budget Monitoring procedures, contributions and sponsorships, and Department expenditures. Verify compliance with established policies and procedures.	<ul style="list-style-type: none"> -Controls over Public Affairs expenditures are generally adequate. -Require that all contributions and sponsorships be processed by the WPO Office Manager. -Implement the proposed general budget, approval and payment procedures for contributions/sponsorships, membership dues and event participation. -Monthly budget variance report should be distributed to the Vice President of Public Affairs.

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Licensing Operations	Evaluate processes and controls associated with ensuring compliance with existing licenses. Review Licensing expenditures and related controls. Verify compliance with established NYPA policies and procedures. Review management reporting processes for timeliness.	<ul style="list-style-type: none"> -Controls over the planning and monitoring of Project Development and Licensing activities are adequate. -Licensing should update and finalize the project review procedures for Transmission Projects. -Procedures for Relicensing and Implementation activities should be established.
Clark Energy Center Purchasing and Warehousing	Review processes and controls associated with purchasing and warehousing activities at the Clark Energy Center. Verify compliance with established NYPA policies and procedures.	<ul style="list-style-type: none"> -Controls over purchasing and warehousing activities are adequate. -Controls over inventory adjustments should be strengthened.
Small Clean Power Plants O&M	Evaluate NYPA's vendor management controls in place to oversee contractor performance. Confirm that key operational and maintenance procedures are being consistently followed. Evaluate controls over budget monitoring and expenditures and inventory management.	<ul style="list-style-type: none"> -Controls are satisfactory to ensure day-to-day monitoring and maintenance of the Small Clean Power Plants. -High priority maintenance and regulatory work orders should be reviewed and closed in a timely manner.
Energy Management System	Test and evaluate controls over changes, maintenance and upgrades to the Energy Management System. Review user access controls, program change controls and IT operation controls.	Internal controls over the Energy Management System were found to be adequate and working effectively.

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Niagara SCADA System	Test and evaluate the procedures, access security, physical security, program change controls, backup and recovery and environmental controls over the Niagara Power Project SCADA System.	<ul style="list-style-type: none"> -Internal controls over the Niagara Power Project SCADA System are effective. -A Fire Suppression System should be put in the Control Room to protect the critical cyber assets.
NYISO Installed Capacity	Review procedures, processes and controls associated with the determination of NYPA's Installed Capacity (ICAP) requirements in NYC, Long Island and the rest of New York State. Review NYPA's monthly ICAP certification to the NYISO. Review sales of surplus capacity and purchases for deficient capacity.	Controls over the processes and procedures associated with NYPA's ICAP requirements, reporting of monthly ICAP certification to NYISO, and NYISO auction purchases and sales are in place and working effectively.
Configuration Management	Determine the adequacy and effectiveness over NYPA's Configuration Management program. Review NYPA-wide compliance with NYPA policies and procedures.	<ul style="list-style-type: none"> -Configuration Management Program's goals and objectives and governance documents should be reviewed and updated. -The flow of information between stakeholders needs to be improved . -A process for identifying critical equipment and components should be developed.
SAP Billing (ReCharge NY)	Review procedures, processes and controls related to billings of ReCharge NY customers. Ensure that customers are billed accurately and at the proper rates. Verify compliance with the terms of customer contracts.	<ul style="list-style-type: none"> -Controls over the SAP Billing process for ReCharge NY customers are effective. -NYPA should begin billing ReCharge NY customers for Energy Charge Adjustment to cover over-or-under recovery of energy costs.