



**NY Power  
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# ***Audit Committee Meeting Internal Audit Update***

*7/26/2016*

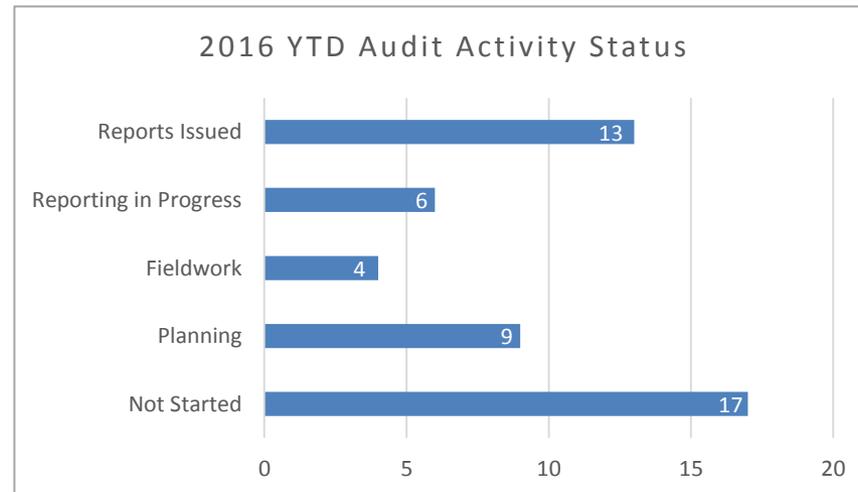
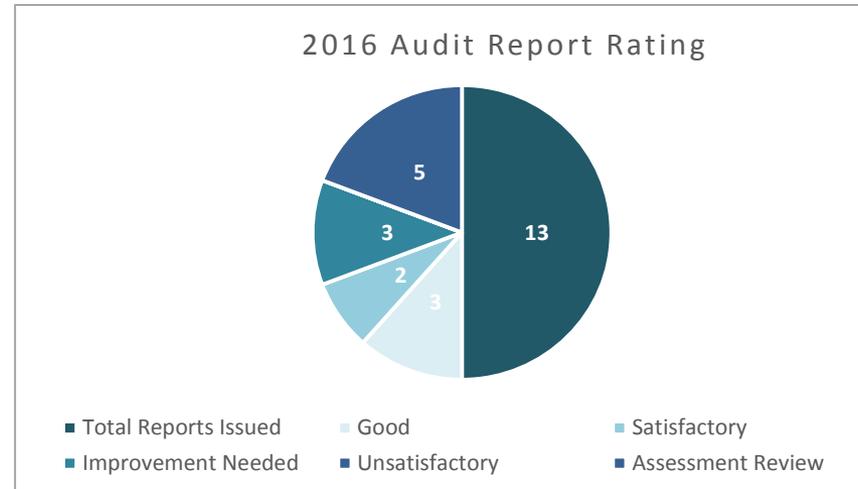
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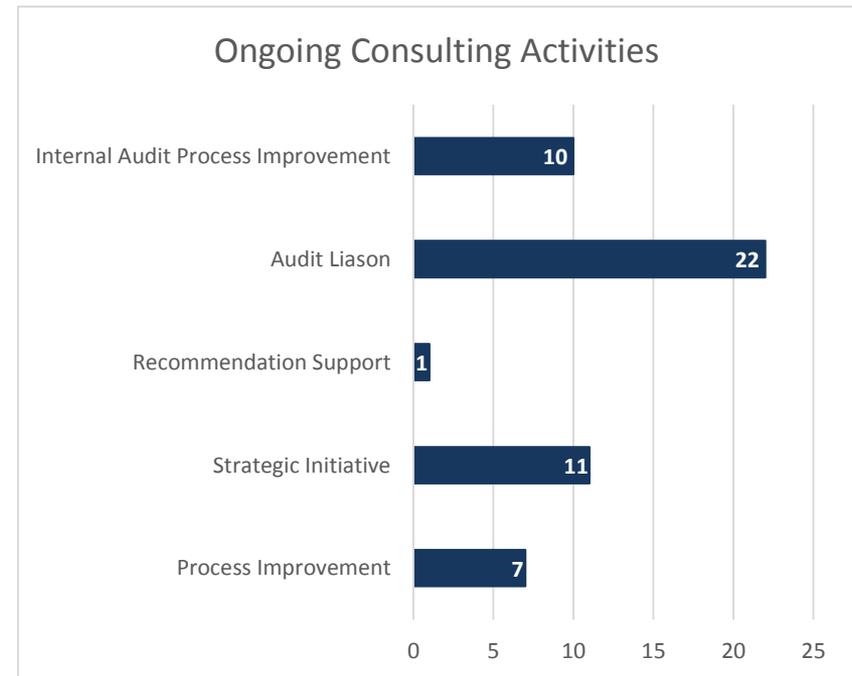
# Executive Summary

- 2016 Plan Status:
  - Thirteen (13) of 49 audits have been issued as of 7/8/16.
  - Eight (8) reports are expected to be issued by the end of July.
  - Fieldwork for one (1) audit will be completed by the end of July.
  - No significant risks have been identified on unissued reports at this time.
  
- 2015 Plan Status:
  - One remaining 2015 audit (Resource Planning) by the end of July.
  - Delays are the result of communications with business stakeholders and changes being made in the Corporate Policy. It is expected to be issued by the end of July.

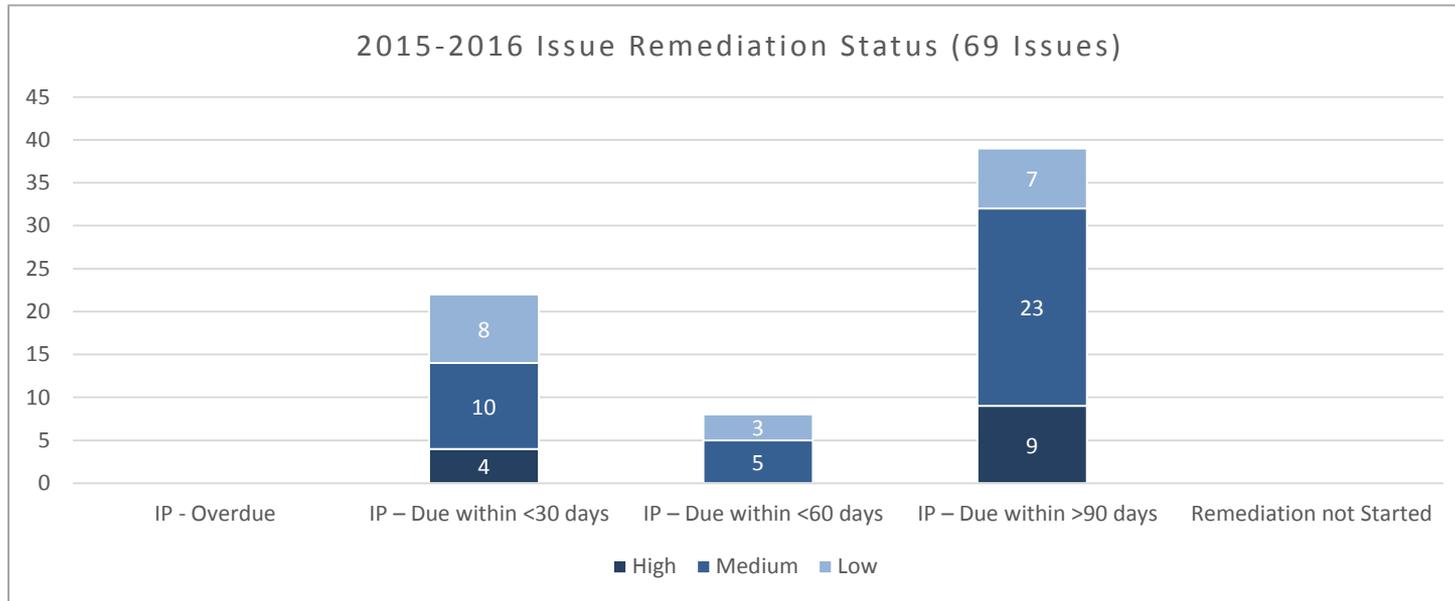


# Status of 2016 IA Consulting Activities

- IA staff has been engaged in approximately 19 consulting and partnering arrangements that will result in documented or real time verbal feedback.
- Consulting Project requests exceed staff availability. Projects are prioritized based on risk and impact to organization.
- The audit liaison program matches IA Leadership Team members and TeamLeads with Sr. Leaders across the organization allowing them to partner with the business and drive value through increased understanding of the business and real time adjustments to the audit plan. Activities include:
  - Participating in management staff meetings and off sites
  - Review of policies and procedures
  - Real time consultation on questions



# Status of 2016 Remediation



- Open recommendations prior to 2015 are continuously monitored for close-out. As of 7/8/16, 26 recommendations were still in progress.
- Internal Audit is comfortable with the progress timelines set forth by process owners for completion of identified issues and is monitoring remediation efforts with a focus on High risk issues.

# Changes to 2016 IA Plan

- Operational, Strategic, Compliance, Finance and IT audits are continuously evaluated for emerging risks through participation in work streams and discussions with leadership. As a result, the following changes have been made to the 2016 IA Plan:

2016 Audit Status	7/8/16
Open 2016 Audit Committee Meeting 3/29/16	49
<b>Audit Added to 2016 IA Plan</b> HTP First Energy, Review of the Annual Procurement Report, System Development Lifecycle, Cyber Security Assessments Remediation Validation, Fuel Hedging (split Fuel Purchasing & Hedging), SAP General Ledger, Customer Job Audits – Western NY	+7
<b>Audits Removed from 2016 IA Plan</b> Targeted Network Review, Patch Management, De-Provisioning Review (combined with User Access Recertification), Vendor Management Governance Assessment, Succession Planning, CES Technology Solution Support, Transmission O&M	-7
<b>Total 2016 Reports</b>	49

- Details explaining rationale for changes can be found in Appendix B.

# Department Activities

## Talent Development

- Several training activities have occurred to improve business acumen and soft skills for the IA team, such as:
  - MIS Institute Auditing for Electric Utilities
  - IIA Communications Skills for Auditors
  - AWE Personal Branding
- Additional trainings are planned throughout the remainder of the year.
- One Team Lead has been selected to participate in NYPA's formal mentoring program as a mentee and the CAE will be serving as a mentor in the program.
- Under the CPA license of the CAE, the IA department has been approved by NASBA to issue CPE credits for internal trainings. A schedule of CPE eligible training courses has been developed and others from the organization will be invited to participate in training as appropriate.

## Guest Auditor Program

- Five Guest Auditors have been selected to participate in the Guest Auditor program during Q3 & Q4 2016. Participants are from the following departments:
  - Law Department
  - Operations
  - Economic Development & Energy Efficiency
  - Wholesale Commercial Operations
- Three applicants were not able to be accommodated but have been offered other developmental opportunities working with Internal Audit.

## Deloitte

- Deloitte has been on boarded and has the following status:
  - Two audits have been completed
  - Three technology related audits are in progress and two are in planning
  - Two operational subject matter expertise (SME) audits are in progress
- Hosted one day GreenHouse Transition lab with NYPA IA and Deloitte team to help ensure successful onboarding to NYPA.
- Two invoices have been received to date. Going forward, actual to budget consulting run rates will be presented.
- Lunch and Learn sessions being held for all Deloitte SME led audits to transfer knowledge to our IA team. Topics include areas like capital construction project auditing and meter to cash auditing.

# Appendix A – 2016 IA Plan

Ref.	Audit #	Audit	Business Unit	Audit Type	Date Issued
<b>Deliverable Issued: 13</b>					
1	2016-50	Review of Annual Procurement Report	Strategic	Consulting	03-29-16
2	2016-32	Generation Bidding	Wholesale Commercial Operations	Audit	04-07-16
3	2016-04	Payroll Cycle	Business Services	Audit	04-19-16
4	2016-23	Product and Service Marketing Assessment	Economic Development & Energy Efficiency	Assessment	4-28-16
5	2016-36	Technology Reports Observations Assessment	Entity-Wide	Assessment	5-17-16
6	2016-44	R&D Spend	Technology & Innovation	Audit	5-31-16
7	2016-45	Vegetation Management Vendor Audit	Operations	Audit	5-31-16
8	2016-27	Fuel Purchasing	Wholesale Commercial Operations	Audit	6-21-16
9	2016-03	Past Due Receivables	Business Services	Audit	6-30-16
10	2016-13	NERC CIPv5 Implementation Support	Operations	Consulting	7-1-16
11	2016-41	Western Region O&M	Operations	Audit	7-1-16
12	2016-48	Customer Job Audits – Recharge NY	Economic Development & Energy Efficiency	Audit	7-7-16
13	2016-11	User Access Recertification and User De-Provisioning	Technology & Innovation	Audit	7-8-16
<b>Fieldwork Complete – Report Pending Issuance: 6</b>					
14	2016-02	Energy Efficiency Finance & Accounting	Economic Development & Energy Efficiency	Assessment	
15	2016-16	Occupational Health & Safety Training Assessment	Operations	Assessment	
16	2016-39	Contract Governance and Control	Entity-Wide	Assessment	
17	2016-54	Fuel Hedging	Wholesale Commercial Operations	Audit	
18	2016-55	Customer Job Audits – Western NY	Economic Development & Energy Efficiency	Audit	
19	2016-05	St. Lawrence – Finance & Administration	Operations	Audit	
<b>Fieldwork In Progress: 4</b>					
20	2016-14	Ariba Pre/Post Implementation Review	Business Services	Audit	
21	2016-28	Strategic Asset Management Plan Support	Operations	Consulting	
22	2016-33	Cloud Governance	Entity-Wide	Consulting	
23	2016-52	System Development Lifecycle	Operations	Audit	
<b>Audit Planning In Progress: 9</b>					
24	2016-19	Strategic Plan Governance – Follow-up	Business Services	Audit	
25	2016-29	Sustainability Assessment	Entity-Wide	Assessment	
26	2016-37	Data Analytics Initiatives Support	Entity-Wide	Consulting	
27	2016-46	Energy Commodity Risk Management GAP Analysis Support	Risk Management	Consulting	
28	2016-49	Third Party Contract Audits	Entity-Wide	Audit	
29	2016-51	HTP FirstEnergy	Operations	Audit	
30	2016-31	Lock-out/Tag-Out Compliance	Operations	Audit	
31	2016-15	End User Computing – Spreadsheets	Entity-Wide	Assessment	

# Appendix A – 2016 IA Plan

32	2016-26	Project Management Cycle	Operations	Audit	
<b>Planning Not Started: 17</b>					
33	2016-01	Customer Meter to Cash	Economic Development & Energy Efficiency	Audit	
34	2016-17	BG SCADA – Pre/Post Implementation Review	Operations	Audit	
35	2016-08	Technology Change & Release Management	Technology & Innovation	Audit	
36	2016-21	Workforce Planning Strategic Initiative Support	Human Resources & Enterprise Shared Services	Consulting	
37	2016-22	Technical Training	Operations	Audit	
38	2016-24	NERC Reliability Compliance – Audit Prep Support	Operations	Assessment	
39	2016-34	Performance Management Audit	Business Services	Audit	
40	2016-35	Northern NY Power Proceeds	Economic Development & Energy Efficiency	Audit	
41	2016-38	Transmission LEM Project	Operations	Audit	
42	2016-40	Affordable Care Act Compliance Assessment	Human Resources & Enterprise Shared Services	Consulting	
43	2016-42	Contract Tenure	Entity-Wide	Audit	
44	2016-43	Muni/Coop Regulation	Economic Development & Energy Efficiency	Audit	
45	2016-06	Clark Energy Center – Finance & Administration	Operations	Audit	
46	2016-07	SENY Purchasing & Warehousing	Operations	Audit	
47	2016-47	Concur (travel & entertainment expense) Pre/Post Implementation Review	Business Services	Audit	
48	2016-53	Cyber Security Assessments Remediation Validation		Audit	
49	2016-56	SAP General Ledger	Business Services	Audit	

# Appendix B - Changes to 2016 IA Plan

➤ The following reflects changes to the 2016 IA Plan:

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Operations	HTP First Energy	New	Third party contract audit	Q2	+1
Business Services	Review of the Annual Procurement Report	New	Management request	Q1	+1
Technology & Innovation	System Development Lifecycle	New	Review the methodology used for system implementations to ensure proper controls are followed for successful project delivery for NYPA system implementations	Q2	+1
Technology & Innovation	Cyber Security Assessments Remediation Validation	New	Validate remediation of Cyber Security Assessment recommendations	Q4	+1
Wholesale Commercial Operations	Fuel Hedging	New	Split Fuel Purchasing & Hedging audit	Q2	+1
Operations	Targeted Network Review	Removed from Plan	Added Cyber Security Assessment Remediation Validation above to cover these areas	N/A	-1
Operations	Patch Management	Removed from Plan		N/A	-1
Operations	Vendor Management Governance Assessment	Removed from Plan	Ariba Implementation and Procurement Transformation Plan	N/A	-1
Technology & Innovation	User Access Recertification and User De-Provisioning	Combined	Combined for audit efficiencies	Q3	-1
Technology & Innovation	Cloud Governance	Changed to Consulting Arrangement	NYPA does not have a Cloud Governance framework in place to audit	Q3	0
Technology & Innovation	Program Change Management Review	Name	Name changed to Technology Change & Release Management to correctly reflect scope area	Q4	0
Operations	Ariba Pre/Post Implementation	Scope	Review business controls, project management and controls prior to go live instead of after implementation	Q2	0
Operations	Occupational Health and Safety Program Audit	Scope	Limit scope to assessment of health and safety training to focus on risk in changing business processes	Q2	0
Business Services	Contract Governance & Controls Audit	Scope	Scope to emphasize design of controls as no enterprise level governance framework exists at NYPA today	Q2	0

# Appendix B - Changes to 2016 IA Plan

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
<b>Business Services</b>	SAP General Ledger Audit	New	Assess both the design and effectiveness of controls following 6/30 midyear close process and significant senior level turnover	Q3	+1
<b>Economic Development &amp; Energy Efficiency</b>	Customer Job Audits – Western NY	New	Split Customer Job Audits based on power allocation program	Q2	+1
<b>Economic Development &amp; Energy Efficiency</b>	Customer Job Audits – ReCharge NY	Name Change	Split Customer Job Audits based on power allocation program	Q2	0
<b>Operations</b>	NERC Reliability Compliance Control Audit(s)	Scope	Changed to NERC Reliability Compliance – Audit Prep Support to better align the use of IA resources towards most critical risks to NYPA	Q3	0
<b>Entity-Wide</b>	Succession Planning	Removed from Plan	Defer to 2017 – due to upcoming implementation of formal process	2017	-1
<b>Economic Development &amp; Energy Efficiency</b>	CES Technology Solution Support	Removed from Plan	Continue to monitor the status of technology needs/changes and can bring back a formal project to provide dedicated support as necessary in the future	N/A	-1
<b>Operations</b>	Transmission O&M Audit	Removed from Plan	Defer to 2017 – due to upcoming development and implementation of process and control improvements postpone until improvements have been implemented and time has elapsed to determine the effectiveness of process enhancements	N/A	-1
<b>Economic Development &amp; Energy Efficiency</b>	Energy Efficiency Finance & Accounting	Changed to Assessment	Requested by client. Internal Audit will not have a reasonable period to perform an audit of the activities and to evaluate the effectiveness of controls	Q2	0

## Appendix C – 2016 IA Reports Issued/Ratings

2016 Internal Audit Report	Report Rating	
Generation Bidding (2016-32)	Good	
Vegetation Vendor Management Audit (2016-45)	Good	
Fuel Purchasing (2016-27)	Good	
Payroll Cycle Audit (2016-04)	Satisfactory	
Western Region Operations & Maintenance (2016-41)	Satisfactory	
Research & Development Spend (2016-44)	Needs Improvement	
Past Due Receivables (2016-03)	Needs Improvement	
User Access Recertification & De-Provisioning Audit (2016-11)	Needs Improvement	
Review of Annual Procurement Report (2016-50)	N/A	
Customer Energy Solutions (CES): Product and Services Marketing Assessment (2016-23)	N/A	
Technology Reports Observations Assessment (2016-36)	N/A	
NERC CIP v5/6 Readiness Assessment (2016-13)	N/A	
Customer Job Audits – Recharge NY (2016-48)	N/A	