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Minutes of the special meeting of the New York State Canal Corporation’s Audit Committee held at the Clarence D. Rappleyea Building, White Plains, New York, at approximately 8:07 a.m.

The following Members of the Audit Committee were present:

Eugene Nicandri, Chairman  
John R. Koelmel  
Anthony Picente, Jr.  
Tracy McKibben

Anne M. Kress — Excused

Also in attendance were:

Dennis Trainor  
Gill Quiniones  
Justin Driscoll  
Angela Gonzalez  
Kimberly Harriman  
Karen Delince  
Joseph Gryzlo  
Lorna Johnson  
Sheila Quatrocci  
Trustee  
President and Chief Executive Officer  
Executive Vice President and General Counsel  
Senior Vice President - Internal Audit  
Senior Vice President - Public and Regulatory Affairs  
Vice President and Corporate Secretary  
Vice President and Chief Ethics and Compliance Officer  
Senior Associate Corporate Secretary  
Senior Assistant Corporate Secretary

Chairman Eugene Nicandri presided over the meeting. Corporate Secretary Delince kept the Minutes.
**Introduction**

Chairman Nicandri welcomed committee members and senior staff to the meeting. He said the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to section B(4) of the Audit Committee Charter.
1. **Adoption of the Proposed Meeting Agenda**

   Upon motion made by member Tracy McKibben and seconded by member John Koelmel, the agenda for the meeting was adopted.
2. **Motion to Conduct an Executive Session**

   *I move that the Committee conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 to discuss matters involving the employment history of a particular person.* Upon motion made by member John Koelmel and seconded by member Tracy McKibben an Executive Session was held.
3. **Motion to Resume Meeting in Open Session**

*Mr. Chairman, I move to resume the meeting in Open Session.* Upon motion made by member Tracy McKibben and seconded by member John Koelmel, the meeting resumed in Open Session.

Chairman Nicandri said no votes were taken during the Executive Session.
4. DISCUSSION AGENDA:

a. 2018 Internal Audit Update

- 11 audits are included in the Canals Audit Plan.
- Two audits are in fieldwork and there are no audits in the planning stage at this time.
- One audit is in the reporting stage.
- No additional audits are expected to be issued by the end of May.

2018 Internal Audit Reports Issued/Ratings

Summary of Audit Areas with Improvement Needed

- The Payroll audit identified control gaps within the payroll process related to identifying roles and responsibilities that need to be defined in the rules, policies and procedures.
- Management is actively working to remediate these issues starting with a consolidated list of known payroll issues and associated process owners.
- Internal Audit has agreed to perform additional procedures to facilitate this process and validate that management has made positive progress on the remediation.

Changes to 2018 Internal Audit Plan

No changes have made to the 2018 Internal Audit Plan.

Status of Audit Recommendations

- 12 open audit recommendations in 2018 and nine in 2017.

Status of High Audit Recommendations - 2017

Canals OC audit follow-up:

- Formalized plans to prioritize remediation efforts for the remaining OSC open recommendations have not been established.

Canals Permit Management:

- Canals land and waterways are being used by individuals and businesses without an approved permit and lack of permit holder signage.
- Current insurance documentation is not maintained for use and occupancy permits indicating permittees have valid and active liability insurance.

IA has been working closely with management to ensure that remediation is on track for Canals OSC audit follow-up as well as Canals permit management.
Internal Audit 100-Day Plan Status

People

- Five positions remain open as a result of the recent promotions of backfilling two Director positions, one Management position and hiring one Auditor. In addition, one Auditor was promoted to Senior Auditor.

- Four candidates for the Director position have been scheduled for in-person interviews over the next few weeks. These candidates will meet with the IA leadership team and staff from NYPA business operations. IA will continue to work with HR to fill the other open positions.

- Additional reliance on Deloitte co-source will continue until the staff gaps are resolved.

- Site visit to Niagara is scheduled for May 31, 2018 for the half IA’s team that has not been to this site. In addition, IA is scheduling a visit to SENY in the fall.

Process

- Review of the Internal Audit Charter has been completed. The Charter will be sent to the Audit Committee for review.

- The Agile audit team attended an Agile IA lab at Deloitte’s facility. The Travel & Expense audit project has been selected for Agile methodology and the team has mapped Agile processes to Internal Audit’s current process and created a timeline for applying these techniques for better client engagement and more efficiency within IA’s audit projects.

- Data analytics staff skills assessment is completed. It was determined that, although some of the staff is at the intermediate level, the majority is at the basic level. To that end, beginning in June, staff training will be held at IA’s quarterly staff meetings on actual visualization tools IA use for data analytics.

Technology

- Contract finalization is in progress for the GRC tool. Enterprise Risk Management and Internal Audit are working with Procurement on the implementation vendor contract. ERM and Internal Audit are reviewing the best vendor options for successful implementation.

- Enhancements to the SharePoint Recommendation Tracking tool were have been implemented.
5. **Next Meeting**

Chairman Nicandri said that the next regular meeting of the Audit Committee would be held on September 27, 2018 at the Clarence D. Rappleyea Building in White Plains, New York at a time to be determined.
Closing

Upon motion made by Trustee McKibben and seconded by Trustee Koelmel, the meeting was adjourned by the Chairman at approximately 9:34 a.m.

Karen Delince
Karen Delince
Corporate Secretary
Audit Committee

Internal Audit Update – Canals Corporation

5/22/2018
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Executive Summary
Canal Corp
• 2018 Audit Plan Status
• 2018 Internal Audit Reports Issued/Ratings
• Changes to 2018 Internal Audit Plan
• Status of Audit Recommendations

Appendix
• Appendix A – 2018 Internal Audit Plan
• Appendix B – Changes to 2018 Internal Audit Plan
Executive Summary
2018 Audit Plan Status

- 2018 Plan Status*:
  - 11 audits are included in the Canals Audit Plan.
  - Two audits are in fieldwork and there are no audits in the planning stage at this time.
  - One audit is in the reporting stage. No additional audits are expected to be issued by the end of May.

NOTE: * See Appendix A for details.
2018 Internal Audit Reports Issued/Ratings

<table>
<thead>
<tr>
<th>Reports Issued</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canals Payroll</td>
<td>Improvement Needed</td>
</tr>
<tr>
<td>Canals Crisis Management</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Summary of Audit Areas with Improvement Needed**

**Payroll**

- The Payroll audit identified control gaps within the payroll process as a result of undefined and communicated roles and responsibilities and documented policies and procedures. Management has committed to remediation of these issues which has started with a consolidated list of known payroll issues and associated process owners. Internal Audit has agreed to perform additional procedures to facilitate this process and validate that management has made positive progress on remediation.
Changes to 2018 Internal Audit Plan

- Operational, Strategic, Compliance, Finance and IT audits are continuously evaluated for emerging and changing risks through participation in work streams, committees and discussions with leadership. As a result, the following changes have been made to the 2018 Internal Audit Plan:

<table>
<thead>
<tr>
<th>2018 Audit Status</th>
<th>5/11/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open 2018 Internal Audit Plan</td>
<td>11</td>
</tr>
<tr>
<td>Audit Added to 2018 Internal Audit Plan</td>
<td></td>
</tr>
<tr>
<td>Canals: None</td>
<td>0</td>
</tr>
<tr>
<td>Audits Removed from 2018 Internal Audit Plan</td>
<td></td>
</tr>
<tr>
<td>Canals: None</td>
<td>0</td>
</tr>
<tr>
<td>Total 2018 Audits</td>
<td>11</td>
</tr>
</tbody>
</table>

- Details explaining rationale for changes since the last Audit Committee update can be found in Appendix B.
Status of Audit Recommendations

Below is the status of open recommendations by year:

- Internal Audit supports management with monthly open recommendations reporting and is monitoring remediation efforts for High and Medium issues, with priority on High Risk issues. See slide 8 for 2017 high open recommendations status.
## Status of High Audit Recommendations - 2017

<table>
<thead>
<tr>
<th>2017 High Audit Recommendations</th>
<th>Remediation Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Canals OSC Audit Follow-up (one recommendation)</strong></td>
<td>Remediation efforts on track.</td>
</tr>
<tr>
<td>Formalized plans to prioritize remediation efforts for the remaining OSC open recommendations have not been established.</td>
<td></td>
</tr>
<tr>
<td><strong>Canals Permit Management - (two recommendations)</strong></td>
<td>Remediation efforts on track.</td>
</tr>
<tr>
<td>1. Use of Canals land and waterways by individuals and businesses without an approved permit and lack of permit holder signage.</td>
<td></td>
</tr>
<tr>
<td>2. Current insurance documentation is not maintained for use and occupancy permits indicating permittees have valid and active liability insurance.</td>
<td></td>
</tr>
</tbody>
</table>
Appendix
# Appendix A – 2018 Internal Audit Plan

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Entity</th>
<th>Audit Project Number</th>
<th>Audit Description</th>
<th>Business Unit</th>
<th>Audit Type</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Canals</td>
<td>2018-AS-51-C</td>
<td>Canals Crisis Management</td>
<td>Utility Operations</td>
<td>Assessment</td>
<td>4-20-18</td>
</tr>
<tr>
<td>2</td>
<td>Canals</td>
<td>2018-AU-57-C</td>
<td>Payroll</td>
<td>Business Services</td>
<td>Audit</td>
<td>4-27-18</td>
</tr>
<tr>
<td>3</td>
<td>Canals</td>
<td>2018-AU-61-C</td>
<td>Vendor Payment Accruals</td>
<td>Business Services</td>
<td>Audit</td>
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<tr>
<td>4</td>
<td>Canals</td>
<td>2018-AU-54-C</td>
<td>Grants and Sponsorships</td>
<td>Corporate Affairs</td>
<td>Audit</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Canals</td>
<td>2018-AS-53-C</td>
<td>EH&amp;S Study Follow-up</td>
<td>Utility Operations</td>
<td>Assessment</td>
<td></td>
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<tr>
<td>7</td>
<td>Canals</td>
<td>2018-AS-52-C</td>
<td>Canals Governance</td>
<td>Entity-Wide</td>
<td>Assessment</td>
<td></td>
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<tr>
<td>8</td>
<td>Canals</td>
<td>2018-AU-55-C</td>
<td>P-Cards Follow-up</td>
<td>Entity-Wide</td>
<td>Audit</td>
<td></td>
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<td>9</td>
<td>Canals</td>
<td>2018-AU-56-C</td>
<td>Real Estate</td>
<td>Human Resources &amp; Enterprise Shared Svcs.</td>
<td>Audit</td>
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<tr>
<td>10</td>
<td>Canals</td>
<td>2018-AS-59-C</td>
<td>Maximo Lite Post Implementation</td>
<td>Information Technology</td>
<td>Assessment</td>
<td></td>
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<tr>
<td>11</td>
<td>Canals</td>
<td>2018-AS-60-C</td>
<td>Vegetation Management</td>
<td>Utility Operations</td>
<td>Assessment</td>
<td></td>
</tr>
</tbody>
</table>
Appendix B - Changes to 2018 Internal Audit Plan

No changes have been made as of 5/11/18.