



**MINUTES OF THE REGULAR MEETING  
OF THE  
CANAL CORPORATION AUDIT COMMITTEE**

**July 25, 2017**

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**March 21, 2017**

Minutes of the regular meeting of the New York State Canal Corporation's Audit Committee held via video conference at the New York Energy Manager, Albany, at approximately 8:36 a.m.

**The following Members of the Audit Committee were present:**

Trustee Eugene Nicandri, Chairman  
Trustee John R. Koelmel  
Trustee Anthony Picente, Jr.  
Trustee Anne M. Kress  
Trustee Tracy McKibben

**Also in attendance were:**

Michael Balboni	Trustee
Dennis Trainor	Trustee
Gill Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Joseph Kessler	Executive Vice President and Chief Operating Officer
Jill Anderson	Executive Vice President and Chief Commercial Officer
Jennifer Sutton	Senior Vice President - Internal Audit
Soubhagya Parija	Senior Vice President and Chief Risk Officer
Kristine Pizzo	Senior Vice President - HR and Enterprise Shared Services
Karen Delince	Vice President and Corporate Secretary
Joseph Gryzlo	Vice President and Chief Ethics and Compliance Officer
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Baughman	Senior Assistant Corporate Secretary
Gottor, Jaiah	Manager - Network Services
Joseph Rivera	Network Architect
Glen Martinez	Senior Network Analyst

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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 Trustee Koelmel and seconded by Trustee McKibben, the agenda for the meeting was adopted as amended.

2. Motion to Conduct an Executive Session

**WITHDRAWN**

3. **CONSENT AGENDA**

Upon motion made by Trustee Koelmel and seconded by Trustee McKibben, the Consent Agenda was approved.

a. **Approval of the Minutes of the Regular Meeting held on March 21, 2017**

Upon motion made and seconded, the Minutes of the Committee's Regular Meeting held on March 21, 2017 were approved.

**4. DISCUSSION AGENDA:**

**a. Internal Audit Update**

Ms. Jennifer Sutton, Senior Vice President of Internal Audit, provided an update of the Internal Audit (“IA”) activities to the Committee. (Exhibit “4a-A”). She said that approximately 20 audits from the Audit Plan have been completed. This represents 44 percent completion of the NYPA and Canal Corporation joint Audit Plan. Internal Audit is making progress with the Plan and the team is tracking to complete the Audit Plan by the middle of December. In addition, Internal Audit is currently engaged in 31 consulting engagements across the organization in different Business Units working on process improvements and strategic initiatives.

**Canal Corporation**

IA continues to monitor and manage all of the Canals recommendations manually. At this time, IA is comfortable that Canals is working through the recommendation status and working to close out all of the recommendations that have been identified to date.



5. **Next Meeting**

Chairman Nicandri said that the next regular meeting of the Audit Committee would be held on September 26, 2017 at the Clarence D. Rapley 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 Chairman Nicandri at approximately 9:04 a.m.

*Karen Delince*

Karen Delince  
Corporate Secretary



**MINUTES OF THE REGULAR MEETING  
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March 21, 2017

Minutes of the regular meeting of the Canal Corporation's Audit Committee held at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York, at approximately 8:45 a.m.

**The following Members of the Audit Committee were present:**

Trustee Eugene Nicandri, Chairman  
Trustee Anthony Picente, Jr.  
Trustee Anne M. Kress  
Trustee Tracy McKibben

Trustee John R. Koelmel - Excused

**Also in attendance were:**

Gill Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Joseph Kessler	Executive Vice President and Chief Operating Officer
Jill Anderson	Executive Vice President and Chief Commercial Officer
Kimberly Harriman	Senior Vice President - Public and Regulatory Affairs
Jennifer Sutton	Senior Vice President - Internal Audit
Soubhagya Parija	Senior Vice President and Chief Risk Officer
Ken Lee	Senior Vice President and Chief Information Officer
Kristine Pizzo	Senior Vice President and Enterprise Shared Services
Thomas Concadoro	Vice President and Controller
Karen Delince	Vice President and Corporate Secretary
Joseph Gryzlo	Vice President and Chief Ethics and Compliance Officer
Ethan Riegelhaupt	Vice President - Corporate Communications
Mary Cahill	Manager - Executive Office
Frank Deaton	Senior Director - Internal Audit
Angela Gonzalez	Director - Internal Audit
Tara Major	Manager - Internal Audit
Elaine Matthews	Audit Team Lead - Internal Audit
James Reynolds	Audit Team Lead - Internal Audit
Viviana Manzanares	Auditor - Internal Audit
Syed Raza	Auditor - Internal Audit
Cristina Bermudez	Junior Auditor - Internal Audit
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Baughman	Senior Assistant Corporate Secretary
Gottor, Jaiah	Manager - Network Services
Joseph Rivera	Network Architect
Glen Martinez	Senior Network Analyst
Todd Fowler	Lead Engagement Audit Partner – KPMG
Grace Kachigian	Manager – KPMG

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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 Trustee McKibben and seconded by Trustee Kress, the agenda for the meeting was adopted.

2. **Motion to Conduct an Executive Session**

***Mr. Chairman, I move that the Authority conduct an executive session to discuss the financial history of a particular corporation (pursuant to section 105f of New York Public Officers Law).*** Upon motion made by Trustee Kress and seconded by Trustee 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 Trustee Kress and seconded by Trustee McKibben, the meeting resumed in Open Session.



**4. DISCUSSION AGENDA:**

**a. Canal Corporation Internal Audit Update**

Ms. Jennifer Sutton, Senior Vice President of Internal Audit, provided an update of the Internal Audit ("IA") activities to the Committee.

Canal Corporation Remediation

IA is considering the best way to track Canal Corporation's ("Canal") remediation items. At the present time, only the IT-related portion of Canal's Audit Plan are being tracked and managed by IA staff. The SharePoint site IA is using for NYPA's Plan will not work for Canals; therefore, as IA build-out the Canal Audit Plan it will need to figure out what is the best way to track and report on those items.

**CANAL CORPORATION ACTIVITIES**

Risk Assessment

- IA has completed the independent risk assessment and has validated the 2017 Internal Audit Plan for Canal.
- No significant risks were identified by the independent third-party that IA had not already identified either through IA staff or NYPA management.
- One recommendation was made to add Crisis Management to the Audit Plan.

Methodology and Staffing

- The majority of NYPA's methodology will be directly transferable to Canal and IA will be able to use the same manual and methodology that it has in place with a few minor modifications because of the management structure of Canal.
- Canal's Audit Plan will be executed by Deloitte, the Authority's third-party co-source partner, until IA gets a better understanding of Canal's internal audit needs and build that baseline for 2017.
- The Deloitte team assigned to Canal will be managed by the Senior Director of Business and Operations for Internal Audit so that NYPA's personnel are involved in the scoping and management of all of the audits being executed this year. This will ensure knowledge retention by NYPA staff as they become familiar with Canal's business models.

Canal Integration

IA staff met with Canal's leadership team for "lunch and learn" activities to introduce the Canal staff to NYPA's Internal Audit's methodology and how it will impact the Canal Corporation. Canal staff was very open and engaged during the meetings.

**b. Canal Corporation Acquisition - Impact on Independent Audit**

Mr. Todd Fowler, KPMG's Lead Engagement Audit Partner, presented the following report regarding the impact of the Canal Corporation's Acquisition by NYPA on its independent audit.

A KPMG advisory team assisted the Authority with the separation and integration of the Canal Corporation.

- KPMG's Audit team monitored the Advisory team to ensure that they remained independent
- KPMG had discussions with its independence and risk management groups to make sure that at all times KPMG remained independent as it performed those advisory services.
- KPMG monitored the Day 1 integration, January 1st, to become aware of any issues that could, potentially, impact its audit either for 2016 or 2017 going forward.
- KPMG discussed potential accounting impacts of the Authority's integration with the Canal Corporation in 2016 and 2017 going forward.
- KPMG met with Internal Audit to discuss the 2017 Audit Plan for Canal.

5. **Motion for Executive Session**

Upon motion made by Trustee Kress and seconded by Trustee McKibben, an executive session was held to discuss the financial condition of a particular corporation (pursuant to section 105f of New York Public Officers Law).

6. **Motion to Resume Meeting in Open Session**

Upon motion made by Trustee Kress and seconded by Trustee McKibben, the meeting resumed in Open Session.

7. **Next Meeting**

Chairman Nicandri said that the next regular meeting of the Audit Committee would be held on July 25, 2017 at the Clarence D. Rappleyea Building in White Plains, New York at a time to be determined.

**Closing**

Upon motion made by Trustee Kress and seconded by Trustee McKibben, the meeting was adjourned by the Chairman at approximately 9:32 a.m.

*Karen Delince*

Karen Delince  
Corporate Secretary



**NY Power  
Authority**

# ***Audit Committee Internal Audit Update***

***7/25/2017***

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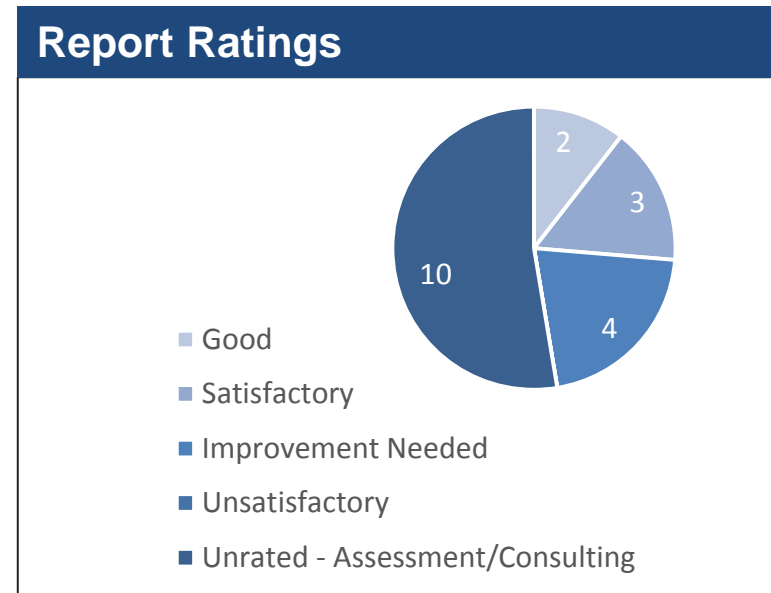
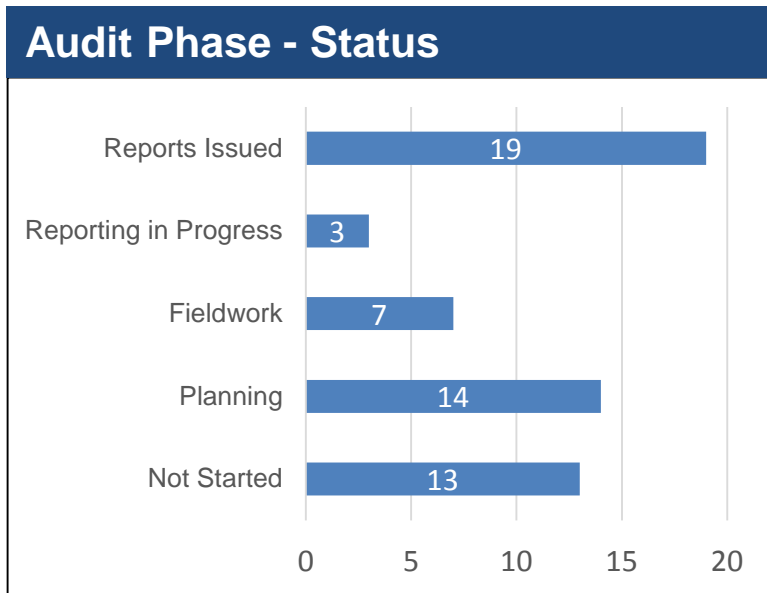
- Appendix A – 2017 IA Audit Plan
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# Executive Summary

## Executive Summary

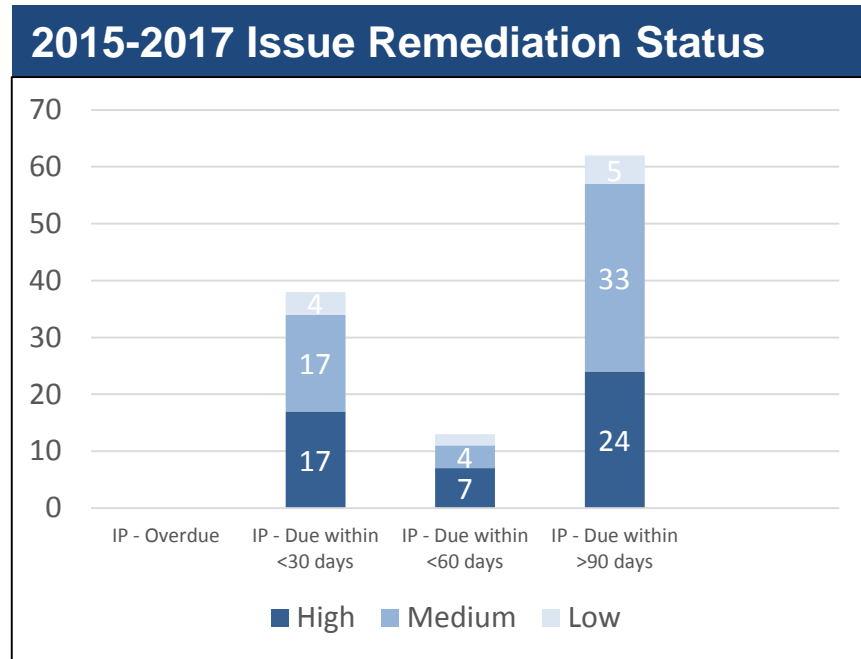
- 2017 Plan Status:
  - Nineteen audits have been issued. Three additional reports are in reporting.
  - Twenty-one audits are in the fieldwork or planning stage.
  - No significant risks have been identified on unissued reports at this time.
  
- IA staff is engaged in 31 consulting and partnering arrangements that will result in documented or real time verbal feedback. Engagements are categorized as Process Improvement or Strategic Initiative.



\*NOTE: Information includes both NYPA and Canal related IA activities

## Status of Open Remediation

- Internal Audit is now using SharePoint to track open remediation and as of June has implemented formal periodic reporting to Sr. Leadership.
- Open recommendations prior to 2015 are continuously monitored for close-out. As of 7/6/17, five recommendations were still in progress.
- IA is evaluating the best method to track Canal remediation status.
- IA 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.



\*NOTE: Information includes both NYPA and Canal related IA activities

## Changes to 2017 IA Plan

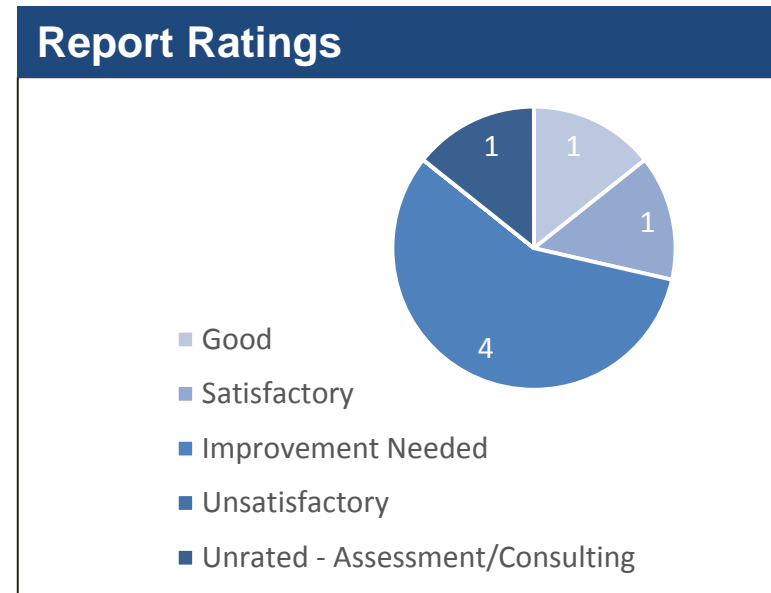
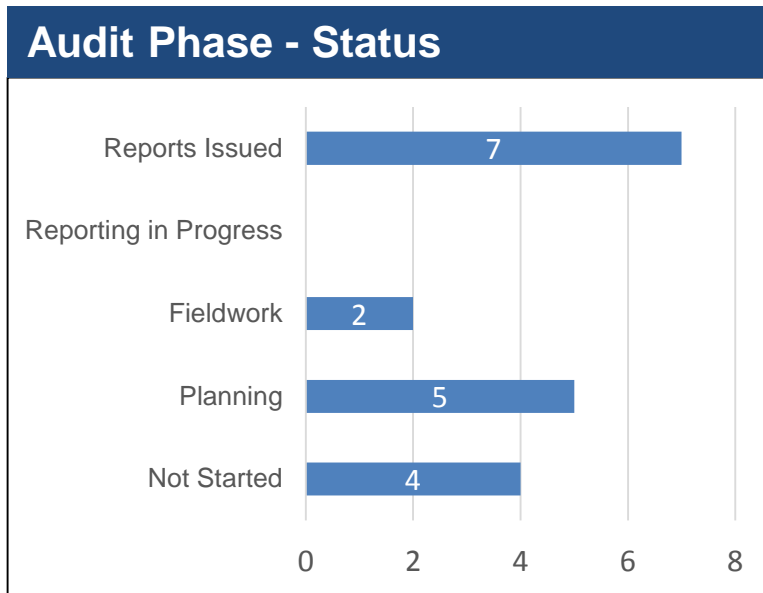
- Operational, Strategic, Compliance, Finance and IT audits are continuously evaluated for emerging risks through participation in work streams and discussions with leadership. As a result, the following changes have been made to the 2017 IA Plan (details explaining rationale for changes can be found in Appendix B)

2017 Audit Status	7/6/17
Open 2017 IA Plan	64
<b>Audit Added to 2017 IA Plan</b> <b>NYPA:</b> WNY-Customer Compliance Audits (D&M), ABB –Third Party Contract Audits, New York Energy Manager – Program Support <b>Canals:</b> Canals – Permit Management, PCI Compliance – Website Assessment	+5
<b>Audits Removed from 2017 IA Plan</b> <b>NYPA:</b> Financial Performance Metrics, System Testing Management, Marketing/Sales Culture Survey, Customer Contract Design Review Support, Project Management Methodology Assessment, Business Development Governance, AGILE Strategic Initiative, Niagara SCADA Upgrade, Resource Loaded Scheduling, IT KPI and Metric Development, Office 365, Cyber Security Services Function Design Support, SAP Basis Administration and Success Factors <b>Canals:</b> None	-14
<b>Total 2017 Audits</b>	55

# Canal Corp.

## 2017 Audit Plan Status – Canals

- 2017 Plan Status:
  - Seven audits have been issued..
  - Seven audits are in the fieldwork or planning stage.
  - No significant risks have been identified on unissued reports at this time.
  
- IA staff is engaged in 31 consulting and partnering arrangements that will result in documented or real time verbal feedback. Engagements are categorized as Process Improvement or Strategic Initiative.



## Changes to 2017 IA Plan - Canals

- 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 2017 IA Plan (details explaining rationale for changes can be found in Appendix B):

2017 Audit Status	7/6/17
Open 2017 IA Plan	17
<b>Audit Added to 2017 IA Plan:</b> Canals – Permit Management, PCI Compliance – Website Assessment	+2
<b>Audits Removed from 2017 IA Plan</b>	0
<b>Total 2017 Audits</b>	19

# Appendix



# Appendix A – 2017 IA Plan

Ref.	Entity	Audit	Business Unit	Audit Type	Date Issued
<b>Deliverable Issued: 19</b>					
1	NYPA	HTP First Energy Additional Follow-up	Utility Operations	Consulting	3-17-17
2	NYPA	Customer Compliance Audits	Commercial Operations	Audit	3-21-17
3	NYPA	Contributions, Sponsorships and Events	Entity-Wide	Audit	3-29-17
4	NYPA	BG SCADA Pre/Post Implementation	Technology	Audit	3-30-17
5	NYPA	Business Resiliency Governance Assessment	Entity-Wide	Assessment	4-3-17
6	NYPA	Enterprise Risk – Top Risk Action Plan Follow-up	Entity-Wide	Assessment	4-12-17
7	NYPA	Transitional Position Utilization Assessment	HR & Enterprise Shared Services	Assessment	4-26-17
8	NYPA	NERC CIP Audit Prep Support 1	Utility Operations	Consulting	5-12-17
9	NYPA	Customer Credit	Entity-Wide	Assessment	6-5-17
10	NYPA	Muni/Coop Regulation Audit	Commercial Operations	Audit	6-9-17
11	NYPA	Transmission Cost of Service	Entity-Wide	Audit	6-14-17
12	NYPA	Western NY – Customer Compliance Audits (D&M)	Commercial Operations	Audit	6-30-17
13	Canals	Canals Non-SAP Applications and Infrastructure	Technology	Audit	4-5-17
14	Canals	Canals Invoice Review	Business Services	Audit	4-12-17
15	Canals	PCI Compliance	Technology	Audit	6-14-17
16	Canals	Pre/Post Day 1 Balance Review	Business Services	Audit	6-20-17
17	Canals	P-Cards	Entity-Wide	Assessment	6-27-17
18	Canals	SAP Migration Phase 2	Technology	Audit	6-29-17
19	Canals	Physical Asset Verification	Entity-Wide	Audit	6-30-17
<b>Reporting - Fieldwork Complete: 3</b>					
20	NYPA	HTP Operations	Commercial Operations	Audit	
21	NYPA	Ariba System Implementation – Contract Lifecycle Mgmt Module	Technology	Audit	
22	NYPA	Deferred Asset Accounting	Business Services	Audit	
<b>Fieldwork In Progress: 7</b>					
23	NYPA	Cyber Security Roadmap Consulting Support	Technology	Consulting	
24	NYPA	Operating System Security	Technology	Audit	
25	NYPA	SDLC Improvement Support	Technology	Consulting	
26	NYPA	NERC CIP Audit Prep Support 2	Utility Operations	Consulting	
27	NYPA	Siemens - Third Party Contract Audit	Entity-Wide	Audit	
28	Canals	Canals TSA Management	Technology	Audit	
29	Canals	User Access Management	Technology	Audit	
<b>Audit Planning In Progress: 14</b>					
30	NYPA	Direct Expenses	Entity-Wide	Assessment	

# Appendix A – 2017 IA Plan




	Entity	Audit	Business Unit	Audit Type	Date Issued
31	NYPA	New York Energy Manager – Technology Security Review	Commercial Operations	Assessment	
32	NYPA	ISO 55000 Framework Design Support	Utility Operations	Consulting	
33	NYPA	Customer Energy Solutions Redesign Support	Commercial Operations	Consulting	
34	NYPA	Generator Meter to Cash	Entity-Wide	Audit	
35	NYPA	Physical Security Investments Assessment	Utility Operations	Assessment	
36	NYPA	Telecom Cost Recovery Project	Technology	Audit	
37	NYPA	Post-Retirement Benefits Assessment	Business Services	Assessment	
38	NYPA	ABB – Third Party Contract Audit	Entity-Wide	Audit	
39	Canals	Rizzo Study Follow-up	Utility Operations	Assessment	
40	Canals	Pension/Other Post Retirement Benefits	Business Services	Audit	
41	Canals	Expenditure Authorization Procedure (EAP) Compliance	Entity-Wide	Audit	
42	Canals	Canals Governance	Entity-Wide	Assessment	
43	Canals	Canals – Permit Management	Entity-Wide	Audit	
<b>Planning Not Started: 13</b>					
44	NYPA	Enterprise Portfolio Management Design Assessment	Entity-Wide	Assessment	
45	NYPA	Hydro Forecast Process	Utility Operations	Audit	
46	NYPA	Employee Data Protection	HR & Enterprise Shared Services	Audit	
47	NYPA	IT Disaster Recovery (DR)	Technology	Audit	
48	NYPA	LPGP LEM	Utility Operations	Audit	
49	NYPA	Indirect Expenses – Cost Allocations	Entity-Wide	Audit	
50	NYPA	2016 OSC Audit – Remediation Follow-up	Entity-Wide	Audit	
51	NYPA	New York Energy Manager – Program Support	Commercial Operations	Consulting	
52	Canals	EH&S Study Follow-up	Utility Operations	Assessment	
53	Canals	IT Incident Management	Technology	Audit	
54	Canals	OSC Audit Follow-up	Entity-Wide	Audit	
55	Canals	Canals Crisis Management	Entity-Wide	Audit	
56	Canals	PCI Compliance – Website Assessment	Technology	Assessment	

## Appendix B - Changes to 2017 IA Plan – Canals







Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Entity-Wide	Canals – Permit Management	Added to Plan	Evaluate the permit management process at Canals.	Q3	+1
Technology	PCI Compliance – Website Assessment	Added to Plan	Look at the PCI iFrame website.	Q4	+1
Entity-Wide	Physical Inventory/Asset Verification Audit	Name Change	Changed name to Physical Asset Verification Audit.	Q2	0
Entity-Wide	Canal's Governance	Project Type	Changed from an Audit to an Assessment.	Q3	0

## Appendix C – 2017 IA Reports Issued/Ratings

### NYPA:

2017 Internal Audit Report	Report Rating	
BG SCADA Pre/Post Implementation	Good	
Contributions, Sponsorships and Events	Satisfactory	
Muni/Coop Regulation	Satisfactory	
HTP First Energy Additional Follow-up	N/A	
Customer Compliance Audits	N/A	
Business Resiliency Governance Assessment	N/A	
Enterprise Risk – Top Risk Action Plan Follow-up	N/A	
Transitional Position Utilization Assessment	N/A	
NERC CIP Audit Prep. Support	N/A	
Customer Credit Assessment	N/A	
Transmission Cost of Service Assessment	N/A	
Western NY – Customer Compliance Audits (D&M)	N/A	

### Canals:

2017 Internal Audit Report	Report Rating	
PCI Compliance	Good	
Canals Non-SAP Applications and Infrastructure	Satisfactory	
Pre/Post Day 1 Balance Review	Improvement Needed	
P-Cards	Improvement Needed	
SAP Migration Phase 2	Improvement Needed	
Physical Asset Verification	Improvement Needed	
Canals Invoice Review	N/A	