

MINUTES OF THE  
JOINT AUTHORITY AND CANAL AUDIT COMMITTEE MEETING

March 25, 2025

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Minutes of the Joint Authority and Canal Audit Committee Meeting held on March 25, 2025, at approximately 8:30 a.m.

**Members present were:**

Dennis Trainor – Chair  
John R. Koelmel  
Michael Cusick  
Lewis M. Warren Jr. - videoconference  
Laurie Wheelock

**Non-Members' present were:**

Bethaida Gonzalez  
Cecily Morris

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**Also, in attendance were:**

Justin E. Driscoll	President and Chief Executive Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Adam Barsky	Executive Vice President and Chief Financial Officer
Lori Alesio	Executive Vice President and General Counsel
Karina Saslow	Senior Vice President - Human Resources
Daniella Piper	Executive Vice President and Chief Innovation Officer
Robert Piascik	Senior Vice President and Chief Information and Technology Officer
Alexis Harley	Senior Vice President and Chief Risk and Resiliency Officer
Charles Imohiosen	Senior Vice President - Communications and External Affairs
Salman Ali	Senior Vice President - Internal Audit
John Canale	Senior Vice President Strategic Supply Management
Maribel Cruz Brown	Senior Vice President - Internal Affairs
Patricia Lombardi	Senior Vice President - Project Delivery
Christopher Hutson	Senior Vice President NYPA Development
Karen Delince	Vice President and Corporate Secretary
Kaela Mainsah	Vice President Environmental Justice
Lindsay Kryzak	Vice President Corporate Communications
Mario Roefaro	Vice President Community and Government Relations
Victor Costanza	Vice President Chief Information Security Officer
Steven Damsky	Senior Director - Supplier Relationship Management
Kandapa Jinvit	Senior Director Internal Business Controls
Rebecca Hughes	Deputy Executive Director Canals - Canals Public Engagement
Brian Stratton	Director, New York State Canal Corporation
Christopher Vitale	Director - Projects
Ignacio Bullrich	Director Internal Audit
Joseph Flick	Director Crisis Management
Nishita Mody	Director Internal Audit
Sandra Bleckman	Workforce Development Project Director
David Mellen	Regional Manager and Senior Vice President, Site Administration - Canals

Sundeeep Thakur	Controller
Chris L. D'Angelo	KPMG - Partner
Ryan Gibbons	KPMG – Senior Manager
Sheila Quatrocci	Senior Associate Corporate Secretary
Michele Stockwell	Senior Assistant Corporate Secretary
Fiona Khan	Senior Assistant Corporate Secretary

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Chair Trainor presided over the meeting. Vice President and Corporate Secretary Delince kept the Minutes.

## **Introduction**

Chair Trainor welcomed the Committee members and NYPA and Canal staff members who were present at the meeting. He advised that 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 March 25, 2025 Proposed Meeting Agenda**

*On motion by member Koelmel and seconded by member Wheelock, the agenda for the meeting was adopted.*

### **2. DISCUSSION AGENDA:**

Chair Trainor introduced Salman Ali, Senior Vice President of Internal Audit, to present the Internal Audit Plan Update for the Authority and Canal Corporation.

#### **a. New York Power Authority and Canal Corporation Internal Audit Update**

##### **i. 2024 Internal Audit Update**

Salman Ali, Senior Vice President of Internal presented the 2024 Audit Update results: The audit is on target and 98 percent complete as of the slide publication date March 13<sup>th</sup>; full completion is expected by March 31<sup>st</sup>.

- **Key Highlights**

- Utilization stands well above target at 79 percent with continued efficiency in executing the plan in terms of operational excellence and meeting targets. There were three high-rated observations issued this year, and only 5 percent of opinions indicated the need for considerable improvement; this percentage decreased 10 percent from 2023, indicating a strong risk management culture.
- The team is making strong progress in risk management and our Quality Assurance Improvement Program (“QAIP”). The external assessment shared at the December meeting highlighted a few items that required execution. NYPA is making progress and anticipates wrapping up the action from that assessment by June 2025.
- There has been a downward trend in terms of the overall number of observations. The Authority has been able to close a number of the issues by demonstrating good management processes and discussions. There are no past dues issues, which is a testament to the collaboration with management to have these close on time.

- **2024 Thematic Observations Update**

Nishita Mody, Director of Internal Audit, presented common threads and highlighted two key themes.

- *Environmental Health and Safety (“EH&S”)*: Since assuming the responsibility of the EH&S Compliance Audit Program in 2021, the team’s main objective has been to evaluate compliance across all departments, recommend improvements, promote environmental stewardship and strengthen the organization’s health and safety culture.
  - In 2024, four EH&S audits were performed with generally positive results. No significant activities were found that potentially pose substantial EH&S risks to the organization. However, two areas of improvement were highlighted: operational management and EH&S training.

- Emphasis was placed on the importance of safety in compliance with environmental standards through strengthening inspection protocols, enforcing those inspection protocols and improving materials management activity, resulting in improved and enhanced asset maintenance and regulatory compliance.
- Bolstering training program to include increasing awareness of regulatory requirements and compliance best practices.
- *Third-party Service Providers:* Ignacio Bullrich, Director of Internal Audit, highlighted the key improvements planned for strengthening the Authority's oversight of Third Parties. Third Party risk represents a key enterprise risk for NYPA, and a substantial portion of the audit plan evaluation of risk management. The majority of the below actions are expected to be completed by end of this year, with full formalization by Q1 of 2026. The key improvements include:
  - Enhancing the organization's oversight of third-party service providers by having the Authority strengthen and redefine any undefined and unclear roles and responsibilities while reinforcing the agreed-upon contract terms.
  - Developing a robust onboarding process, thorough evaluation of the cyber risk of our bulk electric system suppliers, and a diverse supplier base.
  - Streamlining some of the processes related to the Service Organization Control Review Program, which will help in understanding the control environment at NYPA's third parties.
  - Enhancing the use of advanced data tools and software to improve transparency and monitoring capabilities, which includes ensuring that current data is managed at the appropriate levels to better assess supplier performance in operating stability, standardizing documentation and improving review requirements to ensure that the reporting received remains relevant and useful.

Ali noted that because of the assessment recommendation, the charter was updated to align with new standards.

## ii. 2025 Internal Audit Plan and Strategy

Ali presented the 2025 Internal Audit Plan and Strategy and advised that the team went through a rigorous process that began in October, speaking with individuals in the organization, 90 plus stakeholders, senior members of staff and Executive Management Committee ("EMC"). The "Proposed" 2025 Audit Plan delivers risk-based, comprehensive coverage, aligned with strategic priorities while remaining flexibility to address emerging risks and evolving business needs. The Audit Universe includes 56 entities, including NYPA, Canals, and EH&S, with 41 audits prioritized based on risk, prior coverage, and strategic initiatives. The plan, which was developed in collaboration with executives and stakeholders for alignment with enterprise priorities, supports NYPA and the Canal Corporation's Strategic Priorities and Top Enterprise Risks, focuses on continuous improvement through data-driven insights, automation, and innovation and is designed for ongoing adaptability, ensuring timely updates to address emerging risks and dynamic business needs.

### ▪ Risk Assessment and Audit Plan Approach

The risk assessment process entails looking at various risk factors, including financial risk, legal, compliance, operational and cyber. Elements of the approach include:

- A risk adjustment for new entities, organization changes and strategic priorities, and current utility industry landscape.

- Audit projects included in each year's plan will continue to focus on the high-rated and medium-rated audit entities with the Audit Universe.
- The audit coverage period follows a five-year cycle for NYPA and Canals as six-year cycle for EH & S and considers the last year audited business needs, strategic initiatives, emerging risks, and degree of change.
- 100% of high and medium-rated audit entities are within cycle; low-rated entities are audited selectively based on changing risks and Gartner Audit Leadership Council benchmarks.

Ali highlighted that the plan is adaptable to change in risk allowing us to re-prioritize in real time. Over the course of the year the organization goes through a continuous process to perform risk assessment. In the event a high-risk item is identified it is brought into the plan. There is flexibility now to assign resources such as emerging risks or a new project coming on board and looking continuously to utilize automation analytics to augment our plan.

The team employs a thematic approach to the audits. The thematic structure ensures the plan remains responsive to NYPA's mission and making sure we're anchored in our key core risk areas. As the Authority moves into the clean energy transition, audits will align with the work that our team is doing in terms of operating model and sustainability goals. Part of the audit plan is to examine enterprise transformation efforts and Project Luminate. The team's comprehensive cyber audit will focus on governance, risk management, and safeguarding NYPA against evolving threats. The team will also review workforce development initiative geared toward disadvantaged communities.

Ali shared the statistics of the audit plan from prior years and mentioned that full audits are 70 percent of the plan and a benchmark to ensure that audits are above the 65 percent benchmark. The Authority is increasing the number of quick impact reviews and advisory work due to the Strategic VISION2030. An abundance of work will be done stemming from projects of VISION2030. There is continued consistency from 2024 with the number of audits, higher on advisory and quick impact reviews.

Ali emphasized that the organization is fully aligned with top enterprise risk – in terms of risk appetite scores and continuously monitoring the metrics coming from enterprise risk management. A critical area of focus for enterprise risk is critical infrastructure third-party workforce safety, adapting as the enterprises' risk changes and ensuring the organization is completely aligned with top risk.

Ali explained the resources needed for the audit plan and the Authority. We asked for about 34,000 and added about 36,500 for co-source hours that enables us to meet the plan. In 2024, estimated co-source hours were about 4,500 which was reduced due to hires. Ali reflected that back in December there were three open positions of which two have been filled, leaving one open position. The Authority will partner with Human Resources to fill gaps and identify needs from a training perspective.

The team is focused on enhancing our ability to deliver timely, data-driven insight. During the thematic analysis, the team encountered challenges due to limited access to the data within our repository. This highlighted the need for better tools and systems that allow us to perform real-time, click-of-a button thematic analysis. Ali concluded that the initiative is aligned with VISION2030's strategic priorities to embrace technology, modernize and be digitally enhanced with a unified view of risk across the organization.

*On motion made by member Koelmel and seconded by member Warren, the 2025 Internal Audit Plan and Strategy was unanimously approved. As a note: Member Wheelock temporarily stepped out of the meeting and was not included in this vote.*

**RESOLUTION**

RESOLVED, that the Audit Committee recommends that the New York Power Authority Board of Trustees and New York State Canal Corporation Board of Directors approve the 2025 Internal Audit Plan.

RESOLVED, That the Chair, the President and Chief Executive Officer, and all other officers of the Authority be, and each of them hereby is, authorized on behalf of the Authority and Canal Corporation to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

**b. 2024 Financial reports Pursuant to Section 2800 of the Public Authorities Law and Regulations of the Office of the State Comptroller**

Adam Barsky, Executive Vice President and Chief Financial Officer, presented the following highlights of the 2024 financial report with a comparison of 2023 to 2024:

- The Authority's net income of \$29 million is ahead of target compared to the prior year.
- There has been significant improvement in the quality of earnings, which stemmed from an increase in operating income rather than non-operating income; a positive impact from our business generating this income.
- The numbers presented in the financials have been audited and have not changed since presented at the end of 2024.
- The debt-equity ratios remain strong, even when rating agencies exclude the Separately Financed Projects ("SFP") bonds on NYPA general obligation bonds
- Equity has increased to \$5.234 billion. The weighted average cost of capital cannot exceed our net position by debt when viewing the amount of debt that the Authority can issue to maintain our Federal Energy Regulatory Commission ("FERC"). It helps the Authority's capital capacity if we have the ability to issue more debt than net position; when net position goes up that allows us more room if we need to issue more debt.
- There is nothing new to report on net position. NYPA continues to add to our capital assets same as we do with transmission work.
- Net Income of \$159M in 2024 versus \$130M in 2023. The following has increased:
  - Operating Revenue \$402M due to higher prices on market-based sales of energy and capacity.
  - Purchased Power/Fuel/Transportation and Delivery expense \$178M due to higher prices.
  - Operations & Maintenance ("O&M") expenses \$48M primarily driven by higher comp absences due to new accounting standard Governmental Accounting Standards Board Statement ("GASB 101").
  - Depreciation & Amortization expense \$46M due to increase in assets placed into service.
  - Non-operating expense \$92M due to interest expense 2023A bonds \$32M, St. Regis Litigation \$26M and workforce development \$21M.
- Total Asset Increased \$667M:
  - Capital assets increased \$390M due to increased spending on transmission capital projects.

- Current assets increased \$154M due to increase in cash on issuance of bonds and increase in customer receivables.
- Other noncurrent assets increased \$123M primarily due to increase in Other Post Employment benefits (“OPEB”) assets and Allowance for Funds Used During Construction (“AFUDC”).
- Total Liabilities Increased \$508M:
  - Noncurrent liabilities increased \$298M primarily due to issuance of 2024A bonds partially offset by the defeasance of bonds.
  - Current liabilities increased \$210M due to issuance of commercial paper.
- Net cash flow in line with previous year. This performance reflects NYPA issued debt in the prior year after defeasing taxable debt then issuing tax-exempt debt.
- There are no major changes.
- The business is earning well and ahead of target.
- The balance sheet remains strong.
- Good liquidity to undertake all of our strategic priorities.
- NYPA continues to move in the right direction to execute our plan.

Barsky concluded that the Public Authority Accountability Act requires approval of the financial statements and 2800 reports containing detailed information that NYPA provides to the Public Authorities Budget Office in Albany. A listing is collected of detailed statutorily required information from all of New York State Authorities. NYPA will file once approved by the board.

*On motion made by member Cusick and seconded by member Koelmel the following resolution was unanimously approved.*

#### **RESOLUTION**

WHEREAS, pursuant to Section 2800(1) of the Public Authorities Law, the Authority is required to annually submit to the Governor, the Chairman and Ranking Minority Member of the Senate Finance Committee, the Chairman and Ranking Minority Member of the Assembly Ways and Means Committee, the State Comptroller and the Authorities Budget Office, within 90 days after the end of its fiscal year, a complete and detailed report or reports setting forth information regarding, among other things, certain financial information; and

WHEREAS, pursuant to Section 2800(3), financial information submitted under Section 2800 shall be approved by the Authority's Board of Trustees and shall be certified in writing by the Chief Executive Officer and the Chief Financial Officer of the Authority that based on the officer's knowledge the information provided therein (a) is accurate, correct and does not contain any untrue statement of material fact; (b) does not omit any material fact which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which such statements are made and (c) fairly presents in all material respects the financial condition and results of operations of the Authority as of, and for, the periods presented in the financial statements; and

WHEREAS, on the date hereof, the Chief Executive Officer and Chief Financial Officer have so certified as to the financial information contained within the attached reports for the fiscal year ending December 31, 2024



NOW THEREFORE BE IT RESOLVED, That the Audit Committee hereby recommends the approval of Authority's Financial Statements Pursuant to Section 2800 of the Public Authorities Law, as amended by the Public Authorities Accountability Act of 2005 ("PAAA"); and be it further

RESOLVED, That pursuant to Section 2800 of the Public Authorities Law, the Audit Committee hereby recommends that the Authority's financial reports are adopted and the Corporate Secretary be, and hereby is, authorized to submit to the Governor, the Chairman and Ranking Minority Member of the Senate Finance Committee, the Chairman and Ranking Minority Member of the Assembly Ways and Means Committee, the State Comptroller, and the Authorities Budget Office the attached financial report for the year ending 2024 in accordance with the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, that pursuant to 2 NYCRR Part 203, the Audit Committee hereby recommends that the Authority's report of actual vs. budgeted results for the year 2024 is approved in accordance with the foregoing report of the President and Chief Executive Officer, and the Corporate Secretary is authorized to post the report on the Authority's website; and be it further

RESOLVED, that the Chair, the President and Chief Executive Officer, and all other officers of the Authority be, and each of them hereby is, authorized on behalf of the Authority and Canal Corporation to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

### **c. New York Power Authority Discussion with Those Charged with Governance**

Chris L. D'Angelo, KPMG – Partner and Ryan Gibbons, KPMG - Senior Manager, presented on the Financial Statement Audit of NYPA .

D'Angelo advised that the audit report is on track and noted that an unqualified report will be issued as done in the past. These are the required communications that KPMG provides upon issuance of the audit report.

Gibbons said that there have been no findings to date and highlighted the following:

- Audit results: Overview
  - On track to complete the remaining audit procedures. Reports in connection with the Authority's consolidated financial statements expected on or near March 28, 2025
  - Outstanding matters as of March 14, 2025
    - Completion of our audit procedures, including manager and partner level reviews.
    - Final audit misstatements and our evaluation thereof, if necessary.
    - Final tie-out and review of the Authority's financial statements.
    - Receipt of the management representation letter, external legal confirmations and in-house legal letter.
  - There were no significant unusual transactions, uncorrected or corrected audit misstatements identified, new non-U.S. Generally Accepted Accounting Practices ("U.S.GAAP") policies to disclose, new related parties to disclose, ongoing concerns or significant subsequent events and no disagreements with management or other significant matters.
  - There were no consultations, illegal acts or fraud identified through the audit.
  - Written communications, including the engagement letter, management representation letter including summary of uncorrected misstatements and internal control deficiencies.

- In accordance with government auditing standards, we do not issue a separate opinion on internal control over financial reporting. However, as part of our audit of the financial statements no material weaknesses or significant deficiencies were identified to note.
- As discussed during the planning meeting, most entities if not all have a significant risk management override of controls. The risk is mitigated through some of our journal entry testing and procedures examining and applying high-risk criteria to the entire journal entry population throughout the year. We look to identify outliers, certain descriptions and routines. As a result of journal entry testing no matters were identified.
- The valuation of the Authority's investment portfolio involves sending confirmations to investment managers to obtain year-end values. Following this, we get our own national pricing desk to value as of December 31<sup>st</sup>. There is 100 percent testing over all investment portfolio.
- The Authority's debt roll forward activities such as issuance, defeasances and repayments are tested to ensure that the organization complies with all debt covenants throughout the year. Currently and through this audit there are no matters to report over the debt process.
- Testing was performed over the capital assets roll forward, including additions and disposals. A sample of additions were selected to the construction work in progress, received invoices and payment support to determine whether there were any errors or instances of illegal activity. No instances were reported or found during testing.
- The associated depreciation expense is an additional procedure that the team with capital assets. Developing an analytical expectation in comparison to total assets year-over-year. No significant findings were identified.
- Revenue undergoes heavy testing to confirm account receivable balances with the South Eastern New York ("SENY") and wholesale customers. The amounts are then confirming the gross and net settlement with customers. Testing is performed on various management reconciliations throughout the year. Thereafter detailed testing over the transmission and Unforced Capacity ("UCAP") revenue is performed.
- There is constant communication with New York Independent System Operator ("NYISO") and management to obtain invoices and perform reconciliation testing. No matters to report related to revenue.
- Inquiries with the NYPA management revealed no new information beyond what had already been disclosed.

### 3. CONSENT AGENDA

*On motion made by member Cusick and seconded by member Koelmel the Consent Agenda was unanimously approved*

#### **a. Approval of the New York Power Authority and Canal Corporation Audit Committee Charter**

RESOLVED, That the Committee recommends that the attached Authority's and Canal Corporation Audit Committee Charter be approved by the NYPA Board of Trustees and New York State Canal Corporation Board of Directors; and be it further

RESOLVED, That the Chair, the President and Chief Executive Officer, and all other officers of the Authority be, and each of them hereby is, authorized on behalf of the Authority and Canal Corporation to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

**b. Approval of the New York Power Authority Internal Audit Charter (Corporate Policy 5-1)**

RESOLVED, That the Committee recommends that the attached Internal Audit Charter be approved by the Trustees; and be it further

RESOLVED, That the Chair, the President and Chief Executive Officer, and all other officers of the Authority be, and each of them hereby is, authorized on behalf of the Authority and Canal Corporation to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

**c. Approval of the Joint Minutes of the Regular Meeting held on December 10, 2024**

*On motion made and seconded, the Minutes of the Regular Meeting held on December 10, 2025, were unanimously adopted.*

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

"I move that the Committee conduct an executive session to discuss the financial and credit history of a particular corporation (pursuant to §105f of the Public Officers Law)." On motion made by member John Koelmel and seconded by member Lewis Warren, Jr., the members conducted an executive session.

*On motion made by member Koelmel and seconded by member Cusick, the members conducted an Executive Session.*

**5. Motion to Resume Open Session**

*On motion made by member Cusick and seconded by member Morris, the meeting resumed in Open Session.*

**6. Next Meeting**

Chair Trainor advised that the next regular meeting of the Audit Committee will be held on Tuesday, July 15, 2025.

**Adjournment**

*On motion made by member Morris and seconded by member Cusick, the meeting was adjourned at approximately 9:55 a.m.*



Karen Delince  
Vice President and Corporate Secretary

