



**MINUTES OF THE REGULAR MEETING
OF THE
NYPA AND CANAL AUDIT COMMITTEE
July 14, 2022**

Table of Contents

<u>Subject</u>	<u>Page No.</u>
Introduction	2
1. Adoption of the July 14, 2022 Proposed Meeting Agenda	2
2. Motion to Conduct an Executive Session	2
3. Motion to Resume Meeting in Open Session	2
4. DISCUSSION AGENDA:	2
a. New York Power Authority and Canal Corporation Internal Audit Update	2
b. KPMG LLP – Audit Services and Non-Audit Advisory Services Engagements	4
5. CONSENT AGENDA:	5
a. Approval of the Joint Minutes of the Regular Meeting held on March 18, 2022	5
b. New York Power Authority and Canal Corporation Audit Committee Charter	5
c. New York Power Authority Internal Audit Charter	6
6. Next Meeting	6
Closing	6

July 14, 2022

Minutes of the meeting of the New York Power Authority and Canal Corporation's Audit Committee, held via videoconference, at approximately 10:17 a.m.

The following Members of the Audit Committee were present:

Eugene Nicandri, Chairman
John R. Koelmel
Anthony J. Picente, Jr.
Bethaida González
Dennis Trainor

Also in attendance were:

Justin E. Driscoll	Interim President and Chief Executive Officer
Adam Barsky	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Kristine Pizzo	Executive Vice President and Chief Human Resources & Administrative Officer
Lori Alesio	Interim Executive Vice President and General Counsel
Sarah Salati	Executive Vice President Chief Commercial Officer
Yves Noel	Senior Vice President and Chief Strategy Officer
Robert Piascik	Senior Vice President and Chief Information & Technology Officer
Angela Gonzalez	Senior Vice President – Internal Audit
Karen Delince	Vice President – Corporate Secretary
Joseph Gryzlo	VP and Chief Ethics & Compliance Officer
Fabio Mantovani	Vice President – Head of e-Mobility
Victor Costanza	Senior Director – Cyber Security & Deputy CISO
Kandapa Jinvit	Senior Director Internal Business Controls
Sundeep Thakur	Controller
Carley Hume	Chief of Staff
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Associate Corporate Secretary
Michele Stockwell	Project Coordinator - 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 July 14, 2022 Proposed Meeting Agenda

On motion made by Member John Koelmel and seconded by Member Dennis Trainor, the agenda for the meeting was unanimously adopted.

Conflicts of Interest

Chairman Nicandri stated there were no conflicts of interest based on the list of entities previously provided to Committee Members for their review.

2. Motion to Conduct an Executive Session

On motion made by Member John Koelmel and seconded by Member Dennis Trainor, an executive session was held to discuss the financial and credit history of a particular corporation pursuant to Section 105(f) of the New York State Public Officers Law.

3. Motion to Resume Meeting in Open Session

On motion made by Member Dennis Trainor 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. New York Power Authority and Canal Corporation Internal Audit Update

Ms. Angela Gonzalez, Senior Vice President of Internal Audit, provided an update on the New York Power Authority and Canal Corporation Internal Audit.

Internal Audit (IA) Scorecard as of June 30, 2022

2022 Audit Plan

IA 2022 Audit Plan is 40% complete. IA is on track to complete the Plan by the end of the audit year, the first quarter of 2023.

2022 IA Operational Excellence

- ***Audit Deliverables with Opinions*** – target is 50%; to date it is at 71%
- ***Fieldwork to Report Issuance*** – this target is below the benchmark (6.6), averaging approximately 2.6 weeks to issue a report.

- **Average Project Cycle Time** – the average time it takes to complete an audit is approximately 9.6 weeks; the benchmark is 11.4 weeks.

Audit Department Utilization for all Available Hours

- Audit Hours Internal Target is 70%
- Audit work time is at 76%

The rest of those hours are allocated to eGRC, DA Strategy, Training, and Administrative functions.

Observations Identified and Implemented as of 6/30/22:

1) High-Risk Observations Identified

High-Risk Observations identified in 2021 was 19; for 2022, 4 have been identified.

2) High-Risk Observations Implemented by Due Date

- 13 out of 19 observations implemented on time
- 82 out of 98 observations implemented for 2021
- 8 out of 27 observations implemented on time for 2022

3) Percentage of All Observations Implemented by Due Date

10 observations have been closed ahead of time; 3 closed on time. Of the 6 remaining, 2 have been extended and 4 are in progress.

2022 Audit Plan Status

- 40 percent of the Audit Plan is completed
- 43 audit projects are on the Audit Plan for NYPA and Canals
- 17 deliverables have been issued related to the 43 audit projects (13 reports and 4 memos)
- IA is anticipating a total of 50 deliverables for the 43 projects; 5 of those projects are related to system implementations or ongoing advisory work
- 3 audits are in the reporting stage and are expected to be issued by mid-July
- 3 audits are in fieldwork and are expected to be issued the end of July or early August
- 2 projects are in the planning stage

2022 Environmental, Health and Safety Compliance (EH&S) Audit Plan

- 5 projects are included in the EH&S Audit Plan
- Fieldwork for one compliance audit has been completed. IA has reviewed the report working with a third-party consultant
- 4 remaining audits will take place in Q3 and Q4

Changes to 2022 Internal Audit Plan

One project has been added to the Audit Plan, the White Plains Data Center Relocation Project.

2022 Observations Summary Status – NYPA and Canals

- 27 observations have been identified, to date, for NYPA and Canals. Eight (8) observations have been closed, and 19 are open
- All observations identified are on track to close on their due dates

2021 Observations Summary Status – NYPA and Canals

- 98 observations were identified for 2021; 82 observations have been closed; and 16 observations remain open
- To date, 84% of 2021 open observations have been closed on time or ahead of time

2021 Open Observations Summary Status - Environmental Health and Safety Compliance

- 5 observations remain open from the 2021 EH&S Compliance audits
- 106 observations were identified and 101 (95%) have been closed
- Open observations are on track to close within their due dates

Internal Audit Strategy

Data Analytics

Last year, the Data Analytics team built three data analytics routines for Pro-Card entries, Fixed Assets and Journal Entries and shared the results with the stakeholders. The team also ran those analytics with 2022 data and received favorable results. The results were shared with the stakeholders who provided positive feedback that these routines are valuable to them. These routines are moving to continuous auditing for those areas, which is the goal of the team.

GRC Optimization

Internal Audit continues to work through implementation issues with the Observation Management module with Archer support staff; most of the issues have been corrected.

Internal Audit has tested the corrections in the QA environment. The corrections will be deployed to production in the Observation Management module by the end of July.

The 2022 observations were uploaded to SharePoint to continue sending notifications to action owners for updates to the observations as well as providing EMC a reporting on their open observations on a monthly basis.

b. KPMG LLP – Audit Services and Non-Audit Advisory Services Engagements

Mr. Adam Barsky, provided highlights of staff's recommendation to the members. He said that staff will be requesting the Board's approval of an additional amount of \$2 million, over two years, (\$1 million/year), to cover additional work that will be required by KPMG to complete its annual audit given the fact that the company will be asked to provide additional work for statements regarding the new Captive Insurance company that the Authority is creating, as well as the Separately Financed Project (SFP) which will also require standalone financials, and the implementation of GASB 87, the Lease Accounting requirements.

In addition, approval will be requested for the allowance of additional services related to review and advice on the Clean Path Project which has significant complicated accounting issues as well as all the certifications from KPMG that the work does not interfere with the company's ability to provide independence in its audit and opinion.

All these projects will require additional work on KPMG's part; therefore, staff is requesting that the members approve the recommendation to the Board for approval.

On motion made by member Dennis Trainor and seconded by member Bethaida Gonzalez, the following resolution, as recommended by the Interim President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Audit Committee recommends that the Trustees approve an increase of funds to the personal service contract of KPMG LLP (“KPMG”) in the amount of \$1 million/year for two years for audit services and \$1 million/year for three years for non-audit advisory services for a total contract amount of \$10,200,000; and be it further

RESOLVED, That the Audit Committee authorize the engagement of KPMG to provide audit associated with the Captive Insurance, Separately Financed Project (“SFP”), audit services related to Lease Accounting and Integrated Reporting and non-audit advisory services associated with process transformation and certain strategic transmission projects such as Clean Path New York and NY Transco, under the existing contract with KPMG for independent accounting services; and be it further

RESOLVED, That the Chairman, the Vice Chair, the Interim President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority 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 Interim Executive Vice President and General Counsel.

5. CONSENT AGENDA:

On motion made by member Dennis Trainor and seconded by member John Koelmel, the Consent Agenda was unanimously approved.

a. Approval of the Joint Minutes of the Regular Meeting held on March 18, 2022

On motion made and seconded, the Minutes of the Regular Meeting of the Audit Committee held on March 18, 2022 was unanimously approved.

b. New York Power Authority and Canal Corporation Audit Committee Charter

On motion made and seconded, the following resolution as recommended by the Interim President and Chief Executive Officer was unanimously adopted.

RESOLVED, That the Authority and Canal Corporation Audit Committee Charter be adopted in the form proposed, and be it further

RESOLVED, That the Audit Committee recommends the adoption of the Authority and Canal Corporation Audit Committee Charter to the Authority’s Trustees and the Canal Board of Directors.

c. New York Power Authority Internal Audit Charter

On motion made and seconded, the following resolution as recommended by the Interim President and Chief Executive Officer was unanimously adopted.

RESOLVED, That the Authority's Internal Audit Charter be adopted in the form proposed; and be it further

RESOLVED, That the Audit Committee recommend the adoption of the Authority's Internal Audit Charter to the Trustees.

6. Next Meeting

Chairperson Nicandri said that the next regular meeting of the Audit Committee will be held on December 15, 2022 at a time to be determined.

Closing

On motion made by Member Dennis Trainor and seconded by Member John Koelmel, the meeting was adjourned at approximately 10:49 a.m.

Karen Delince

Karen Delince
Corporate Secretary