



**MINUTES OF THE REGULAR MEETING  
OF THE  
NYP&A AND CANAL AUDIT COMMITTEE  
December 13, 2022**

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**December 13, 2022**

Minutes of the meeting of the New York Power Authority and Canal Corporation's Audit Committee, held via videoconference, at approximately 8:03 a.m.

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

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

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
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
Karina Saslow	Interim Vice President Human Resources
Karen Delince	Vice President, Corporate Secretary
Joseph Gryzlo	Vice President and Chief Ethics & Compliance Officer
Sundeeep Thakur	Controller
Carley Hume	Chief of Staff
Christopher Vitale	Financial Performance and Reporting Manager
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Senior Associate Corporate Secretary
Michele Stockwell	Project Coordinator - Corporate Secretary
Scott Heiser	KPMG
Christopher Davanzo	KPMG

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Chairman Dennis Trainor presided over the meeting. Corporate Secretary Delince kept the Minutes.

**Introduction**

Chairman Dennis Trainor 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 December 13, 2022 Proposed Meeting Agenda**

On motion made by Member John Koelmel and seconded by Member Anthony Picente., Jr., the agenda for the meeting was unanimously adopted.

**Conflicts of Interest**

Chairman Trainor 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 Anthony Picente, 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 John Koelmel and seconded by Member Anthony Picente., Jr., the meeting resumed in open session.

Chairman Trainor said no votes were taken during the executive session.

**4. DISCUSSION AGENDA:**

**a. New York Power Authority and Canal Corporation**

**i. 2022 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 Plan. She also said that Internal Audit (“IA”) is executing its 2022 Audit Plan and Environmental, Health & Safety (“EH&S”) Compliance Audit Plan.

**2022-2023 Workplan**

IA started its Risk Assessment process in mid-October, interviewing key stakeholders across the organization to develop the Audit Plan for 2023. The EH&S compliance risk assessment will begin in January. This process will continue until February and the finalized Plan will be presented to the Committee for approval on March 22, 2023. In April 2023, IA will start the new Audit Year for the 2023 Audit Plan and EH&S Compliance Audit Plan.

## Internal Audit Scorecard – November 2022

### 2022 Audit Plan

The 2022 Audit Plan is 79% complete. IA is on track to complete the Plan by the end of the audit year.

### 2022 IA Operational Excellence

- **Deliverables with Opinions** – the Internal Target is 50%; to date, IA is at 67% and is exceeding this target.
- **Fieldwork to Report Issuance** – this target is below the benchmark, averaging 6.6 weeks to issue a report.
- **Average Project Cycle** – this target is below the benchmark, averaging 11.4 weeks to complete an audit.

### Department Utilization for all Available Hours

Department utilization of audit hours is at 80%; the target is 70%. The other 20% is for eGRC support; Data Analytics Strategy; Training; and Administrative time.

### Quality Assurance Improvement Program

Every year, IA conducts a Quality Assurance Assessment. The Quality Assurance Assessment team identified six key standards where IA demonstrated successful practices. Also, no gaps were identified in IA's conformance with the IIA Standards.

### Opportunities for Continuous Improvements

- Professional Development training certifications hours for IA staff should be documented consistently.
- Integrating IA's data analytics methodology within IA's practices.

The members will be provided further updates on improvement opportunities.

### IIA Standards and Code of Ethics

IA received a "Generally Conforms" rating for this standard, the highest rating for this type of assessment. This means that IA is generally in compliance with all IIA Standards and Code of Ethics.

### 2022 Audit Plan Status

Ms. Gonzalez provided an update on the status of the 2022 Audit Plan as follows:

- 42 projects are on the NYPA/Canals Audit Plan.
- 33 deliverables have been issued to date, i.e., 79% Audit Plan completion.
- IA is anticipating 46 deliverables for NYPA and Canals by the end of March 2023, where 3 audit engagements that will have more than one deliverable due to system implementations or ongoing advisory work.
- 6 audits are in fieldwork and are expected to be issued by the end of December and mid-January. Two audits are in the planning phase and five not started.

The Audit Plan is tracking to be completed by the end of February or early March 2023.

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

- Four (4) compliance audits are included in the EH&S Compliance Audit Plan.
- One EH&S compliance audit report has been issued, to date. Two audits are in reporting, one is in fieldwork and none in the planning stage.

The EH&S Compliance Audit Plan is tracking to be completed in March 2023.

**2022 Observations Summary Status – NYPA and Canals**

- 63 observations have been identified - 23 have been closed and 40 are open. - All observations are on track to close by their due dates.

**2021 Observations Summary Status – NYPA and Canals**

- 98 observations were identified for 2021. 92 observations have been closed (2 high; 2 medium; and 2 low remain open for NYPA and Canals).
- Approximately 78% of these observations have been closed either ahead of time or on time.

**2021 NYPA and Canals Open Observation Summary Status:**

**- 2021 Open Observation - NYPA**

**Enterprise Portfolio Management Assessment**

This observation is the result of an assessment IA did for Enterprise Portfolio Management (“EPMO”) related to the governance for the EPMO including revising the EPMO project plan, policies and procedures, creating a charter, governance framework and training program for the new Project Hub technology.

EPMO is currently working on the new technology with IT and Operations, piloting business case procedures and processes for three projects. Approximately 15 policies and procedures are currently being developed. The due date for this comprehensive program has been extended to March 31, 2023.

**- 2021 Open Observation - Canals**

**Canals Asset Management program**

Canals’ management is progressing with the development of its Asset Management Program to manage asset risks. The program includes developing a program charter, roles and responsibilities, policies and procedures to identify, monitor and mitigate asset risks including KPI development and reporting. The plan will be reviewed with the Canals Asset Management Steering Committee.

**Canals Post Integration Review**

Over the last year, Canals’ managers have been working with a consultant to classify support services to establish a shared-services framework and develop policies, procedures, metrics, and communication protocols to support the framework. The first phase of this remediation will close by December 31, and Phase 2 in Q1 of 2023. This undertaking is to make sure the shared services between NYPA and Canals are consistent.

**Environmental, Health & Safety (EH&S) Compliance - 2021 Open Observations**

4 Audits were on the 2021 Compliance Audit Plan. From the 4 audits, 106 (48 high; 52 medium; 6 low) observations were identified and Site Management closed 104 (46 high; 52 medium; and 6 low).

**Canals Waterford**

EH&S management is working on a plan to improve and train staff on “hot” work (e.g., welding and flame cutting). This is tracking to close by the end of the year.

**Combined Cycle Power Generating Station – Eugene W. Zeltmann Power Project**

The plan and schedule were to decommission the existing diesel fire pumps for the foam fire suppression system by December 2022. However, due to recent legislation, Site Management will be commissioning a new “Green” foam fire suppression by June 2023.

**Internal Audit Strategy Highlights:**

**Data Analytics**

The IA team continues to work on developing data analytics routines to add business value to stakeholders, three of which are currently at the continuous auditing stage. The team also received positive feedback from stakeholders on the data analytics routines.

**ii. 2023 Internal Audit Budget**

Ms. Gonzalez provided an update the New York Power Authority and Canal Corporation's 2023 Internal Audit Budget as provided to the members, including the following highlights:

**Payroll and Benefits**

Payroll and benefits include estimates through November and December 2022 and is close to the budget. For 2023, payroll and benefits reflect seven positions that are open and will change as open positions are filled.

**Software Maintenance**

The software maintenance costs are associated with GRC software maintenance and also contingency costs for the new audit management system.

Ms. Gonzalez ended that, pursuant to the Institute of Internal Auditors (IIA) Standard, the Audit Committee is required to approve Internal Audit's budget and requested that the Audit Committee approve the 2023 budget for Internal Audit.

On motion made by member John Koelmel and seconded by member Anthony Picente, the members approved the 2023 Internal Audit Budget.

**b. New York Power Authority**

**i. Audit Plan and Strategy Update – Year-end December 31, 2022**

Mr. Scott Heiser, KPMG's Lead Audit Partner, and Mr. Christopher DaVanzo, Lead Senior Audit Manager, presented KPMG's Audit Plan and Strategy for the year ending December 31, 2022.

Mr. Heiser outlined the Client Service team for the engagement adding that there were no significant changes in the engagement team for the audit.

**Updates to Audit Plan**

The team has started in-depth planning sessions with NYPA's management and have made improvements on the audit process with the rollout of its new audit platform to modernize the audit experience to improve the efficiency and quality of the audits. In addition, it will facilitate the automation and technology that the firm is promoting.

**Changes to the Audit Plan**

- Transmission Revenue Project – KPMG will be required to conduct an audit of the Transmission Project and will issue a standalone audit report.
- Adoption of GASB 87, Leases – KPMG will be performing audit procedures over the adoption of GASB 87.
- Captive Audit – the formation of a pure captive insurance company will be subjected to a standalone audit by KPMG.

- Potential Single Audit under Uniform Guidance – The ConnectALL project may result in a requirement for KPMG to conduct and issue a single audit opinion of the funding and expenditures over the project which is due 9 months after the end of the audit period.

### **Deliverables**

KPMG's engagement team will issue the following deliverables:

- Auditor report on NYPA's consolidated financial statements and the fiduciary fund statements of the Authority's OPEB Trust.
- A report on internal control over financial reporting and on compliance with other matters in accordance with governmental auditing standards.
- A report on the Authority's investment compliance.
- Auditor report on the standalone financial statements of the Green Transmission Project Revenue Bonds; and pending applicability.
- A report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance, which is the single audit report in connection with expenditures of federal funds.

### **Expanding the use of Technology**

KPMG is working on implementing Analytics, Automation, Collaboration and Workflow tools to increase the quality and efficiencies of its audits.

### **Requirement Communications**

The audit of the consolidated financial statements of the New York Power Authority as of and for the year ended December 31, 2022 is in accordance with generally accepted auditing standards.

KPMG's audit of financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures and not for expressing an opinion on the effectiveness of the entity's ICFR.

### **Materiality**

KPMG applies materiality thresholds in the performance of its audit. Three separate materiality considerations will be applied to NYPA's consolidated financial statements, the fiduciary financial statements, and the green bond transmission project revenue standalone financial statements.

### **Timeline**

KPMG's timeline remains consistent with prior years. KPMG continues to meet with NYPA's management to discuss any key issues and get updates on any significant changes that would have an impact on the Audit Plan.

At year's end, KPMG will perform the remaining substantive audit procedures and evaluate the results. KPMG will then communicate those results to the Audit Committee and issue its opinion on or before March 31, 2023, which is consistent with the timeline in prior years.

## **RISK ASSESSMENT**

### **Significant Risks:**

#### **Management Override of Controls**

KPMG identified one significant risk, management override of controls. This is a risk of fraud that is present at all entities and is addressed through the performance of multiple procedures such as

identifying and testing high-risk journal entries and testing the completeness of Journal entries throughout the period.

**Significant Audit Areas**

Significant audit areas include revenue recognition, with the focus on testing pricing and quantities of customer invoices and confirmation procedures of sales into the New York ISO market; capital assets, with a focus on the capitalized cost to ensure they meet capitalization criteria; and operating expenses with significant actions recorded throughout the period.

**Accounting Estimates identified for:**

- The fair market value recording of investments
- The evaluation of pension and OPED obligations
- An estimate related to the adoption of GASB 87 leases with a focus on the discount rate utilized in calculating the lease balances; and
- Valuation of commodity derivatives

**Involvement of Others in the Audit**

- KPMG's National Pricing Desk for investment testing
- KPMG's Actuaries and Specialists in the valuation of NYPA and Canals' OPEB and pension liabilities.
- Internal Audit during planning and year-end procedures to understand the highlights of the work performed throughout the year in conjunction with risk assessment
- KPMG's Risk Analytics Valuation Specialists as it relates to derivatives, which activity has increased.

**New Effective Accounting Standards**

The new accounting standards effective over the next two years are not expected to have material impact on the financial statements, aside from the adoption of GASB 87, which is being adopted in the current year. The new standards will continue to be assessed by management and KPMG as the adoption becomes effective.

**Responsibilities of KPMG and Management**

Independence responsibilities for preparation of financial statements and internal controls are shared between KPMG and NYPA management and are continuously evaluated. As of today's date, KPMG remains independent of NYPA.

**5. CONSENT AGENDA:**

On motion made by member John Koelmel and seconded by member Anthony Picente, Jr., the Consent Agenda was unanimously approved.

**a. Approval of the Joint Minutes of the Regular Meeting held on July 14, 2022**

On motion made by Member John Koelmel and seconded by Member Anthony Picente, Jr., the Minutes of the Regular Meeting of the Audit Committee held on July 14, 2022 were unanimously approved.

**6. Next Meeting**

Chairman Dennis Trainor said that the next regular meeting of the Audit Committee will be held on March 28, 2023.



**Closing**

On motion made by Member John Koelmel and seconded by Member Anthony Picente, Jr., the meeting was adjourned at approximately 9:14 a.m.

*Karen Delince*  
Karen Delince  
Corporate Secretary