



**NY Power  
Authority**

**Canal  
Corporation**

**MINUTES OF THE REGULAR JOINT MEETING  
OF THE  
NYPA AND CANAL AUDIT COMMITTEE**

**July 9, 2019**

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**July 9, 2019**

Minutes of the regular meeting of the New York Power Authority's Audit Committee held at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York, at approximately 9:00 a.m.

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

Eugene Nicandri, Chairman  
John R. Koelmel  
Tracy McKibben  
Dennis Trainor

Anthony Picente, Jr. – Excused

**Also in attendance were:**

Gill Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Lee Garza	Senior Vice President – Financial Operations & Acting Controller
Angela Gonzalez	Senior Vice President - Internal Audit
Soubhagya Parija	Senior Vice President and Chief Risk Officer
Daniella Piper	Vice President – Digital Transformation/Chief of Staff
Karen Delince	Vice President and Corporate Secretary
Joseph Gryzlo	Vice President and Chief Ethics and Compliance Officer
Sundeep Thakur	Controller
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Associate Corporate Secretary
Lori DeMichele	Board Travel Specialist

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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 member John Koelmel and seconded by member Tracy McKibben, 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 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 John Koelmel and seconded by Member Tracy McKibben, the meeting resumed in Open Session.

Chairman Nicandri said no votes were taken during the Executive Session.

4. **CONSENT AGENDA**

Upon motion made by Member John Koelmel and seconded by Member Tracy McKibben, the Consent Agenda was approved.

a. **Approval of the Minutes of the Regular Meeting held on March 26, 2019**

Upon motion made and seconded, the Minutes of the Committee's Regular Meeting held on March 26, 2019 were approved.



**b. New York Power Authority and Canal Corporation Audit Committee Charters**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The members of the Audit Committee are requested to adopt the Authority’s and the Canal Corporation’s Audit Committee Charters as presented and set forth in Exhibits ‘4b-A’ and ‘4b-B’ of this item and to recommend its adoption to the Authority’s Trustees and the Canal Corporation Board of Directors.

**BACKGROUND**

The Authority’s Audit Committee Charter was last amended on December 12, 2017 to reflect best practices and to conform to the Canal Corporation’s Audit Committee Charter, which was adopted on January 31, 2017. There have been no additional changes to the Audit Committee Charters, and approval is requested by the Audit Committee for compliance with the Institute of Internal Auditors Standards.

**FISCAL INFORMATION**

None.

**RECOMMENDATION**

The Executive Vice President and General Counsel recommend that the Audit Committee adopt the Authority’s and the Canal Corporation’s Audit Committee Charters and recommend its adoption to the Trustees and the Canal Corporation Board of Directors.”

The following resolution was unanimously approved by the members.

**RESOLVED, That the attached Authority and Canal Corporation Audit Committee Charter be adopted in the form proposed in Exhibit “4b-A” and “4b-B”; and be it further**

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

c. **New York Power Authority Internal Audit Committee Charter**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

The Audit Committee is requested to adopt the Authority's Internal Audit Charter as presented and set forth in Exhibit '4c-A' of this item and to recommend its adoption to the Trustees.

**BACKGROUND**

The Authority's Internal Audit Charter was last amended on October 5, 2018 to reflect reporting line changes and updates to audit processes. There have been no additional changes to the Internal Audit Charter, and approval is requested by the Audit Committee for compliance with the Institute of Internal Auditors Standards.

**FISCAL INFORMATION**

None.

**RECOMMENDATION**

The Executive Vice President and General Counsel recommend that the Audit Committee adopt the Authority's Internal Audit Committee Charter and recommend its adoption to the Trustees."

The following resolution was unanimously approved by the members.

**RESOLVED, That the Authority's Internal Audit Committee Charter be adopted in the form proposed in Exhibit "4c-A;" and be it further**

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

**5. DISCUSSION AGENDA:**

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

Ms. Angela Gonzalez, Senior Vice President, Internal Audit, provided an update on the 2019 Internal Audit Plan for NYPA and the Canal Corporation (Canals) as well as an update on IA's open recommendations and an update on IA's transformation activities. (Exhibit "5a-A")

**2019 Audit Plan Status**

- 2019 Plan Status:
  - 53 audits are included in the NYPA and Canals Audit Plan.
    - IA has reached 40% completion of its Audit Plan.  
The plan is on track for completion by the end of the year.
    - 3 audits are in reporting and expected to be within the next week.
    - 7 audits are in fieldwork or planning stage.
  - No high rated observations have been identified for issued reports to date.

Report Ratings:

- 4 good
- 7 satisfactory
- 7 unrated because they are either assessments or advisory engagements.

No unsatisfactory reports have been issued, to date.

**Changes to 2019 Internal Audit Plan**

Operational, Strategic, Compliance, Financial and IT audits within the audit plan are continuously evaluated for emerging risks or changing needs of the business through participation in work streams, committees and discussions with NYPA and Canal Corporation leadership. As a result, 8 audits have been added to, and 4 removed from, the 2019 Internal Audit Plan.

**Internal Audit Remediation Status – NYPA**

- As of June 30, 2019, thirty 2019 and eight 2018 recommendations remain open. All 2017 recommendations have been closed.

**Internal Audit Remediation Status – Canals**

- As of June 30, 2019, three 2019 and two 2018 open recommendations remain open. All 2017 recommendations have been closed.

Internal Audit continues to assist management by providing monthly reporting to the EMC on open recommendation status and is monitoring remediation efforts for 2018 - 2019 issues. Priority is on any high-risk issues that arise.

In terms of 2018 closures, IA is at 90% with 10 items to be completed. Most those audits are scheduled to be closed at the end of Q4 and is on track to close on time.

## Internal Audit Transformation Highlights

### BRANDING

- In April, IA conducted a workshop to formulate a collective brand identity.
- In May, IA reviewed the data from the workshop and developed a new brand.
- The new brand is a shift from “advisor” to “trusted partner,” and is tied to Internal Audit's mission to provide independent audit and advisory services, mitigate risk and improve NYPA's control environment and operations while adding value. Internal audit will accomplish this through an emphasis on being more customer-focused, its internal customers, and staff excellence.
- The next step will be to socialize the brand first, within the department and then, within the organization. To that end, IA is developing communication mechanisms, such as a pitch book outlining what Internal Audit is, what it does and why; how it helps and can be of assistance to management. This is targeted to rollout at the end of August.

### DELIVERY

#### Agile Methodology

- There are now 22 Agile projects on the Audit plan. As of March 2019, there were 17 Projects.
- Adjustments have been made to the procedures based on quarterly retrospectives with the audit teams and ongoing input to gain further efficiencies.
- Deloitte's coach has been supporting implementation of the departmental operating model, training new teams and two Senior Audit Managers to take on the role as Agile coaches for ongoing support and sustainability.
- The goal is to be fully using the Agile methodology for audit project execution in 2020 from the original plan of 2021.

#### GRC Automation

- Internal Audit is currently working with an RSA Archer resource on site, confirming business requirements prior to configuration for certain audit projects' functionality of the audit management system. Completion is targeted for end of June. Testing of this functionality is scheduled for early July. The remaining functionality will be configured and tested in Q3. In Q4, IA will be piloting one audit project. In January, IA will have a full rollout for the whole team to be able to use the Governance Risk & Compliance (GRC) tool.
- IA held working sessions with Risk Management to ensure that the dependencies between the Internal Audit and Risk Management modules are built-in properly.

#### Data Analytics

- For the 2019 Audit Plan, 21 of the 42 NYPA projects have been identified as projects where data analytics can be applied. Nine audit projects out of the 21 or 43% have applied these techniques, to date.
- The Data Analytics team has obtained data for ProCard and, working with IT, used a Data Quality Analyzer tool to analyze data applying specific business rules. Analysis of this data should be completed by early July. The next data set for analysis using this tool is Travel and Expenses. The Goal is to use this tool for continuous auditing monitoring.
- The Data Analytics team is continuing its Tableau training and some of the team have already applied Tableau skills for data analytics visualization on audits. Advanced Excel training has been completed for the department to enhance data analytics skills.

#### Quality Assurance Improvement Program

- Internal Audit's Self-Assessment Improvement Validation (SAIV) documentation has been submitted to the Institute of Internal Auditor's external assessor for review.
- Surveys were submitted to the Audit Committee, EMC, their select direct reports, and Internal Audit staff. The external assessor will evaluate this feedback as part of the assessment and conduct interviews both onsite and via conference calls.
- The external assessor will be onsite at NYPA the end of July and a report will be completed and submitted to Internal Audit for comments in August. The final assessment should be completed and submitted to the Audit Committee in September.

#### INNOVATION

- Aggregation of timesheet data through 5/31/19 to analyze budget hours to actual hours for audit projects has been completed. Internal Audit's leadership is currently analyzing this data for those audits completed through 5/31/19 and reviewing any audits that were under or over budget to determine root causes. Visibility into this data allows Internal Audit's leadership to evaluate methods to solve budget fluctuations, where feasible. This data will also be useful for the 2020 audit plan development to determine budget hours for projects based on actuals.
- Robotics Process Automation (RPA) use case for Internal Audit was submitted to the Intelligent Automation team responsible for RPA projects within NYPA and this use case has been included in the portfolio of RPA use cases. Use case is to extract invoices from SAP in less time.
- Innovation Portal has been created on Internal Audit's SharePoint page for staff to submit innovative ideas or suggestions for RPA.

#### TALENT

##### Training and Development Program

- Internal Audit has launched its Training and Development program. IA's staff use the Training and Development program as a guide to determine training they need to excel their skill set – Intermediate or Advanced Skill levels – and incorporate these trainings to enhance their individual development plans and career aspirations.
- Several staff are currently pursuing professional certifications for CIA, CPA, CISA and CFE. This will increase the professionalism of the team.

**b. Procurement (Services) Contract –  
Independent Accounting Services – Contract Award**

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Audit Committee is requested to recommend that the Authority's Trustees approve an award for \$3.0 million to KPMG LLP ('KPMG') to provide independent accounting services, including the annual audits of the Authority's financial records for the years 2019 through 2023 and other services, as may be required, through September 15, 2024.

BACKGROUND

Section 2879 of the Public Authorities Law and the Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year. The Public Authority Accountability Act of 2005 provides that the Audit Committee shall recommend to the Board of Trustees the hiring of a certified independent accounting firm. At their meeting of July 29, 2014, the Trustees approved the award of a contract to KPMG, for auditing and other services, for five years (2014 through 2018). That contract will expire on September 15, 2019.

DISCUSSION

In accordance with the Authority's Procurement Guidelines, a request for competitive bids was posted on the Authority's website and published in the New York State Contract Reporter on May 20, 2019 for independent accounting services. The audit services are to include preparation of the following for the years 2019 through 2023: (1) an opinion on the Authority's financial statements, (2) an opinion on the Authority's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, (3) a review of the Authority's internal control over financial reporting, compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards, and (4) an audit of the Authority's financial records relating to grants received under Federal Programs in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards ('The Uniform Guidance'). In addition, the independent accountant may be requested to perform other audit services (for example, reviews of debt offering statements) and non-audit services (for example, reviews of internal process and procedural matters). In response to this request, the Authority received a bid from KPMG, our current independent accountant.

During the term of its current contract, KPMG has developed an in-depth understanding of the Authority's operations and finances and has committed to assigning senior personnel with extensive utility experience to the Authority's audit team. The proposed engagement partner has a deep understanding of the Authority's local regulatory and operating environment, having served as lead partner for several large regional utility clients. In addition, KPMG plans to assign technical resources who have demonstrated their ability to address emerging complex technical issues. The firm has a large national auditing practice with significant experience in both the utility and government sectors.

Based on KPMG's proposal, historical experience and projected services, staff estimates total expenditures over the five-year contract will approximate \$3.0 million compared to \$2.5 million in the prior contract. The proposal includes \$2.0 million for annual audit services, \$400,000 for other audit services and \$600,000 for non-audit services.

REQUESTED ACTION

Based on KPMG's qualifications to perform the services, reasonable price and hourly rates, and satisfaction of the bid requirements, the Senior Vice President - Financial Operations and Acting EVP

and CFO request that the Audit Committee recommend that the Authority's Trustees approve the award for a five-year contract to KPMG LLP to perform the annual audits of the Authority's financial records for the years 2019 through 2023 and perform other services, as may be required, through September 15, 2024 in an amount for \$3.0 million."

*Mr. Lee Garza provided an overview of the competitive process associated with the Authority's external audit services and staff's recommendation to the committee. He said that the Authority undertook this process because NYPA's current contract for these services expires in September of this year. KPMG is serving as the Authority's current auditor. NYPA requires rotation of its audit partners every five years; as such, KPMG has rotated its current Audit Partner. Also, as a matter of practice, the Authority placed the entire audit services contract for bid, the primary logic for this competitive process. Last month, staff concluded this competitive process for audit services that would commence in September and extend for the audit years 2019 through 2023.*

*Through this competitive process, the Authority received multiple responses from several highly ranked national and professional services firms. After thorough evaluation of these proposals, which included interviews with the firms, Authority staff identified KPMG as having submitted the strongest proposal based on the totality of qualifications, some of which included sector experience with companies similar to NYPA, management experience, audit approach, and value for cost. Based on the results of the RFP process, it is recommended that KPMG be awarded a five-year contract for external audit services. In addition, staff is requesting that the Audit Committee recommend that the Boards approve the award of a contract to KPMG to provide independent audit services to the Authority.*

On motion made by member Dennis Trainor and seconded by member Tracy McKibben, the Audit Committee recommends that the Authority's Trustees approve the award of a five-year contract in the amount of \$3.0 million to KPMG LLP to provide independent accounting services for the years 2019 through 2023, and other services, as may be required, through September 15, 2024.

**6. Next Meeting**

Chairman Nicandri said that the next regular meeting of the Audit Committee would be held on December 11, 2019 at the Clarence D. Rappleyea Building in White Plains, New York at a time to be determined.



**Closing**

Upon motion made by member Tracy McKibben and seconded by member John Koelmel, the meeting was adjourned by the Chairman at approximately 10:10 a.m.

*Karen Delince*

Karen Delince  
Corporate Secretary

July 9, 2019

# **EXHIBITS**

## **For**

# **Audit Committee**

## **Minutes**

**July 9, 2019**



**Exhibit 4b-A**

**December 12, 2017**

## **AUDIT COMMITTEE CHARTER**

### **A. PURPOSE**

The Audit Committee ("Committee") oversees the work of the Internal Audit Department and monitors all internal audits and external audits performed by the Independent Auditor and other external agencies as well as management's corrective action and implementation plans to all audit findings.

The responsibilities of the Committee are to: recommend to the Board of Trustees the hiring of a certified independent accounting firm for the New York Power Authority ("Authority"), establish the compensation to be paid to the accounting firm and provide direct oversight of the performance of the independent audit conducted by the accounting firm hired for such purposes, provide direct oversight of the Internal Audit Department, and perform such other responsibilities as the Trustees may assign it.

### **B. MEMBERSHIP AND ORGANIZATION**

#### **(1) Committee Composition**

The Committee will be comprised of at least three independent members of the Board of Trustees, who possess the necessary skills to understand the duties and functions of the Committee and be familiar with corporate finance and accounting. Committee members and the Committee Chair will be selected by a vote of the Board of Trustees.

Committee members are prohibited from being an employee of the Authority or an immediate family member of an employee of the Authority. In addition, Committee members shall not engage in any private business transactions with the Authority or receive compensation from any private entity that has material business relationships with the Authority, or be an immediate family member of an individual that engages in private business transactions with the Authority or receives compensation from an entity that has material business relationships with the Authority.

#### **(2) Term**

Committee members will serve for a period of five years subject to their term of office under Public Authorities Law § 1003. Committee members may be reelected to serve for additional periods of five years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a Trustee. In the event of a vacancy on the Committee due to death, resignation or otherwise, a successor will be selected to serve in the manner and for the term described above.

### **(3) Removal**

A Committee member may be removed if he or she is removed as Trustee for cause, subject to Public Authorities Law § 2827, or is no longer eligible to serve as a Committee member.

### **(4) Meetings and Quorum**

The quorum of the Committee is a majority of the number of regular Committee members selected by the Board of Trustees.

A majority vote of all Committee members present is required to take action on a matter.

The Committee shall hold regularly scheduled meetings at least three times per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the Authority's President and Chief Executive Officer ("CEO"), Executive Vice President and Chief Operating Officer ("COO"), Executive Vice President and General Counsel ("GC"), Executive Vice President and Chief Financial Officer ("CFO"), Chief Risk Officer ("CRO"), Controller, or Chief Audit Executive of the Internal Audit Department ("CAE"). The notice of meeting need not state the purpose for which the meeting has been called. In order to transact business, a quorum must be present.

In addition, the Committee: (1) will meet at least twice a year with the CAE for the purpose of reviewing audit activities, audit findings, management's response, remediation action plans, and providing the CAE with an opportunity to discuss items and topics of relevance with the Committee; (2) will meet at least twice a year with the Authority's independent auditors to discuss the audit work plans, objectives, results and recommendations; and (3) may meet independently with the Authority's CEO, COO, GC, CFO, CRO, Controller, or CAE on matters or issues and items within the Committee's purview as it deems necessary. These meetings may be held as part of a regular or special meeting at the Committee's discretion.

An agenda will be prepared and distributed to each Committee member prior to each meeting and minutes of each meeting will be prepared in accordance with the New York Open Meetings Law. Minutes of the meeting should include, at a minimum:

- a. Date; location; time meeting was called to order and adjourned; and if other Board committee (e.g., Finance Committee) is meeting simultaneously.
- b. Title and name of attendees; public comments period; title and name of public speakers.
- c. Approval of the official proceedings of the previous month's Committee meeting.
- d. Pre-Approval of audit and non-auditing services as appropriate, all auditing services and non-audit services to be performed by independent auditors will be presented to and pre-approved by the Committee:
  1. External Audit Approach Plans: Independent auditor presents approach/service plan, which is to be submitted to the Committee electronically;
  2. Internal Audit Activity Report: CAE provides overview of Internal Audit activities; and
  3. Risk Management: CRO provides an overview of Risk Management activities.
- e. Follow-up items including communications to the Committee of the current status of selected open issues, concerns, or matters previously brought to the Committee's attention or requested by the Committee.
- f. Status of audit activities, as appropriate; representatives of the certified independent accounting firm or agency management will discuss with the Committee significant audit findings/issues, the status of on-going audits, and the actions taken by agency management to implement audit recommendations.
- g. Copies of handouts or materials presented to the Committee.

Any meeting of the Committee may be conducted by video conferencing. To the extent permitted by law, the Committee may hold meetings or portions of meetings in executive session.

## **C. FUNCTIONS AND POWERS**

The Committee has the following responsibilities:

### **(1) General Powers**

The Committee may call upon the resources of the Authority to assist the Committee in the discharge of its oversight functions. Such assistance may include the assignment of Authority staff and the retention of external advisors subject to the requirements of the Public Authorities Law and the Authority's Expenditure Authorization Procedures. The Committee may communicate directly with the CEO.

The Committee may direct any Authority employee to make oral or written reports to the Committee on issues and items within the Committee's purview.

The Committee may direct the Authority's internal auditors to conduct special audits of items and issues of concern to the Committee.

### **(2) Accounting, Financial Reporting, and Oversight of Independent Accountants and Controller**

The Committee will seek to enhance the integrity, quality, reliability and accuracy of the Authority's financial statements and accompanying notes, and will oversee the relationship with the Authority's independent accountants. To accomplish these objectives, the Committee will:

- a. Provide advice to the Trustees on the selection, engagement, compensation, evaluation and discharge of the independent accountants.
- b. Review and discuss as necessary the Authority's financial statements including any material changes in accounting principles and practices with the independent accountants, the Controller, or members of Authority management.
- c. Review and approve the Authority's annual audited financial statements (including the independent accountants' associated management letter).
- d. Oversee the establishment of procedures for the effective receipt and treatment of (i) complaints regarding auditing, internal auditing and accounting matters, and (ii) the confidential submission of concerns raised by whistleblowers and other persons regarding accounting or auditing practices.
- e. Review at least annually the scope, objectives and results of the independent auditors' examination of the annual financial statements and accompanying notes, and report to the Trustees on the Committee's findings.
- f. Assure the independence of the independent accountants by approving any non-audit work by them for the Authority and examining the independent auditor's relationship with the Authority.

- g. Report to the Trustees on any matters relevant to the audit process or independent accountant communications, and make such recommendations as the Committee deems appropriate.

### **(3) Risk Management, Internal Controls and Oversight of the Internal Audit Department**

The Committee will seek to enhance the Authority's risk management infrastructure, and ensure timely and effective identification and mitigation of critical business risks. To accomplish these objectives, the Committee will:

- a. Have authority over appointment, dismissal, compensation and performance reviews of the CAE. The CAE will report directly to the Committee.
- b. Review the charter, activities, staffing and organizational structure of the Internal Audit Department with management and the CAE.
- c. Ensure that the Internal Audit Department is organizationally independent from Authority operations.
- d. Provide oversight of the Internal Audit Department and its resources and activities to facilitate the Internal Audit Department's improvement of internal controls.
- e. Review Internal Audit reports and recommendations of the CAE. This review will include a discussion of significant risks reported in the Internal Audit reports, and an assessment of the responsiveness and timeliness of management's follow-up activities pertaining to the same.
- f. Require the CAE to attend any meeting of the Committee and to prepare and deliver such reports as the Committee requests.
- g. Provide guidance to the Authority's CRO and enterprise risk management program on critical business objectives, risks and philosophy and tolerance for risk mitigation, and establish requirements for the CRO to report to the Committee.
- h. Report at least annually to the Board of Trustees on matters relating to the internal audit function and the enterprise risk management program, and make such recommendations as the Committee deems appropriate.
- i. Present periodic reporting to the Board on how the Committee has discharged its duties and met its responsibilities, and regularly report activities, issues and recommendations.
- j. Review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board.
- k. Conduct an annual self-evaluation of performance, including its effectiveness and compliance with the charter.



**Exhibit 4b-B**

**NEW YORK STATE CANAL CORPORATION**  
**AUDIT COMMITTEE CHARTER**

**A. PURPOSE**

The Audit Committee ("Committee") oversees the work of the Internal Audit Department and monitors all internal audits and external audits performed by the Independent Auditor and other external agencies as well as management's corrective action and implementation plans to all audit findings.

The responsibilities of the Committee are to: recommend to the Board the hiring of a certified independent accounting firm for the New York State Canal Corporation ("Corporation"), establish the compensation to be paid to the accounting firm and provide direct oversight of the performance of the independent audit conducted by the accounting firm hired for such purposes, provide direct oversight of the Internal Audit Department, and perform such other responsibilities as the Board may assign it.

**B. MEMBERSHIP AND ORGANIZATION**

**(1) Committee Composition**

The Committee will be comprised of at least three independent members of the Board, who possess the necessary skills to understand the duties and functions of the Committee and be familiar with corporate finance and accounting. Committee members and the Committee Chair will be selected by a vote of the Board.

Committee members are prohibited from being an employee of the Corporation or an immediate family member of an employee of the Corporation. In addition, Committee members shall not engage in any private business transactions with the Corporation or receive compensation from any private entity that has material business relationships with the Corporation, or be an immediate family member of an individual that engages in private business transactions with the Corporation or receives compensation from an entity that has material business relationships with the Corporation.

**(2) Term**

Committee members will serve for a period of five years subject to their term of office under Public Authorities Law § 1003. Committee members may be reelected to serve for additional periods of five years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a member of the

Board. In the event of a vacancy on the Committee due to death, resignation or otherwise, a successor will be selected to serve in the manner and for the term described above.

### **(3) Removal**

A Committee member may be removed if he or she is removed as a member of the Board for cause, subject to Public Authorities Law § 2827, or is no longer eligible to serve as a Committee member.

### **(4) Meetings and Quorum**

The quorum of the Committee is a majority of the number of Committee members selected by the Board.

A majority vote of all Committee members present is required to take action on a matter.

The Committee shall hold regularly scheduled meetings at least twice per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the Corporation's President and Chief Executive Officer ("CEO"), Executive Vice President and Chief Operating Officer ("COO"), Executive Vice President and General Counsel ("GC"), Executive Vice President and Chief Financial Officer ("CFO"), Chief Risk Officer ("CRO"), Controller, or Chief Audit Executive of the Internal Audit Department ("CAE"). The notice of meeting need not state the purpose for which the meeting has been called. In order to transact business, a quorum must be present.

In addition, the Committee: (1) will meet at least twice a year with the CAE for the purpose of reviewing audit activities, audit findings, management's response, remediation action plans, and providing the CAE with an opportunity to discuss items and topics of relevance with the Committee; (2) will meet at least twice a year with the Corporation's independent auditors to discuss the audit work plans, objectives, results and recommendations; and (3) may meet independently with the Corporation's CEO, COO, GC, CFO, CRO, Controller, or CAE on matters or issues and items within the Committee's purview as it deems necessary. These meetings may be held as part of a regular or special meeting at the Committee's discretion.

An agenda will be prepared and distributed to each Committee member prior to each meeting and minutes of each meeting will be prepared in accordance with the New York Open Meetings Law. Minutes of the meeting should include, at a minimum:

- a. Date; location; time meeting was called to order and adjourned; and if other Board committee (e.g., Finance Committee) is meeting simultaneously.
- b. Title and name of attendees; public comments period; title and name of public speakers.
- c. Approval of the official proceedings of the previous month's Committee meeting.
- d. Pre-Approval of audit and non-auditing services as appropriate, all auditing services and non-audit services to be performed by independent auditors will be presented to and pre-approved by the Committee:



1. External Audit Approach Plans: Independent auditor presents approach/service plan, which is to be submitted to the Committee electronically;
  2. Internal Audit Activity Report: CAE provides overview of Internal Audit activities; and
  3. Risk Management: CRO provides an overview of Risk Management activities.
- e. Follow-up items including communications to the Committee of the current status of selected open issues, concerns, or matters previously brought to the Committee's attention or requested by the Committee.
  - f. Status of audit activities, as appropriate; representatives of the certified independent accounting firm or Corporation management will discuss with the Committee significant audit findings/issues, the status of on-going audits, and the actions taken by Corporation management to implement audit recommendations.
  - g. Copies of handouts or materials presented to the Committee.

Any meeting of the Committee may be conducted by video conferencing. To the extent permitted by law, the Committee may hold meetings or portions of meetings in executive session.

## **C. FUNCTIONS AND POWERS**

The Committee has the following responsibilities:

### **(1) General Powers**

The Committee may call upon the resources of the Corporation to assist the Committee in the discharge of its oversight functions. Such assistance may include the assignment of Corporation staff and the retention of external advisors subject to the requirements of the Public Authorities Law and the Corporation's Expenditure Authorization Procedures. The Committee may communicate directly with the CEO.

The Committee may direct any Corporation employee to make oral or written reports to the Committee on issues and items within the Committee's purview.

The Committee may direct the Corporation's internal auditors to conduct special audits of items and issues of concern to the Committee.

### **(2) Accounting, Financial Reporting, and Oversight of Independent Accountants and Controller**

The Committee will seek to enhance the integrity, quality, reliability and accuracy of the Corporation's financial statements and accompanying notes, and will oversee the relationship with the Corporation's independent accountants. To accomplish these objectives, the Committee will:

- a. Provide advice to the Board on the selection, engagement, compensation, evaluation and discharge of the independent accountants.

- b. Review and discuss as necessary the Corporation's financial statements including any material changes in accounting principles and practices with the independent accountants, the Controller, or members of Corporation management.
- c. Review and approve the Corporation's annual audited financial statements (including the independent accountants' associated management letter).
- d. Oversee the establishment of procedures for the effective receipt and treatment of (i) complaints regarding auditing, internal auditing and accounting matters, and (ii) the confidential submission of concerns raised by whistleblowers and other persons regarding accounting or auditing practices.
- e. Review at least annually the scope, objectives and results of the independent auditors' examination of the annual financial statements and accompanying notes, and report to the Board on the Committee's findings.
- f. Assure the independence of the independent accountants by approving any non-audit work by them for the Corporation and examining the independent auditor's relationship with the Corporation.
- g. Report to the Board on any matters relevant to the audit process or independent accountant communications, and make such recommendations as the Committee deems appropriate.

### **(3) Risk Management, Internal Controls and Oversight of the Internal Audit Department**

The Committee will seek to enhance the Corporation's risk management infrastructure, and ensure timely and effective identification and mitigation of critical business risks. To accomplish these objectives, the Committee will:

- a. Have authority over appointment, dismissal, compensation and performance reviews of the CAE. The CAE will report directly to the Committee.
- b. Review the charter, activities, staffing and organizational structure of the Internal Audit Department with Corporation management and the CAE.
- c. Ensure that the Internal Audit Department is organizationally independent from Corporation operations.
- d. Provide oversight of the Internal Audit Department and its resources and activities to facilitate the Internal Audit Department's improvement of internal controls.
- e. Review Internal Audit reports and recommendations of the CAE. This review will include a discussion of significant risks reported in the Internal Audit reports, and an assessment of the responsiveness and timeliness of management's follow-up activities pertaining to the same.

- f. Require the CAE to attend any meeting of the Committee and to prepare and deliver such reports as the Committee requests.
- g. Provide guidance to the Corporation's CRO and enterprise risk management program on critical business objectives, risks and philosophy and tolerance for risk mitigation, and establish requirements for the CRO to report to the Committee.
- h. Report at least annually to the Board on matters relating to the internal audit function and the enterprise risk management program, and make such recommendations as the Committee deems appropriate.
- i. Present periodic reporting to the Board on how the Committee has discharged its duties and met its responsibilities, and regularly report activities, issues and recommendations.
- j. Review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board.
- k. Conduct an annual self-evaluation of performance, including its effectiveness and compliance with the charter.



Charter Title:  
Internal Audit Charter

Charter Number:  
CP 5-1

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Internal Audit Charter

Note: Revision # should be listed in descending order starting with most recent version at the top.

Revision Date(For BCG Use Only)	Revision #	Description/Modification	Revision Section (s)	Author
10/5/2018	1	Update to Charter	Various Sections	Angela Gonzalez SVP Internal Audit
12/17/2015	0	Creation of Charter This Charter replaces the Internal Audit Program Company Policy 5-1. There were 5 prior versions of the previous policy	N/A	Jennifer Faulkner SVP of Internal Audit

## 1 PURPOSE

**Purpose:**

The mission of the Internal Audit (IA) function is to provide independent, objective audit and consulting services designed to add value, manage risks and improve NYPA and Canal Corporation (Canals) operations. IA helps the organization accomplish its objectives by bringing a systemic and disciplined approach to evaluating and improving the effectiveness of NYPA and Canals governance, risk management, and internal controls. This includes processes designed to evaluate the effectiveness and efficiency of operations, ability to execute on strategic initiatives, reliability of financial reporting, and compliance with applicable laws and regulations. IA will align to professional standards and serve as a training and talent development organization within NYPA.

**Authority:**

IA, with accountability for strict confidentiality and safeguarding of records and information, is authorized full and unrestricted access to any and all of NYPA and Canals records, physical properties, and personnel pertinent to carrying out any IA engagement in accordance with applicable governance requirements. All employees are requested to assist IA in fulfilling its roles and responsibilities. IA, through the SVP of Internal Audit/Chief Audit Executive (CAE), will also have full and unrestricted access to the Board of Trustees (the Board) and/or Audit Committee (AC) of the Board, which is governed by the Audit Committee Charter. The CAE will also have access to the Executive Management Committee (EMC).

**Responsibilities:**

IA will develop an annual audit plan based on the prioritization of the audit universe, an appropriate risk-based methodology, and input from management and the Board and/or AC with the following responsibilities:

- Evaluating risk exposure relating to achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to validate compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Perform consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Report periodically on IA's purpose, authority, responsibility, and performance relative to its plan.
- Collaborate with Enterprise Risk Management and the Ethics and Compliance Office and report significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by
- Evaluate specific operations at the request of the Board and/or AC or management, as appropriate.
- Track open recommendations to ensure proper closure and remediation to improve the organization's internal control environment.

## 2 INDEPENDENCE AND OBJECTIVITY

The IA function will carry out its responsibilities free from interference by any element (e.g. person, group, business unit, policy, procedure, technology) within the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of necessary independence and objectivity.

IA will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, provide approvals or engage in any other activity that may impair IA's judgment.

IA must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process under examination. Internal auditors must make a balanced assessment of the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

IA will confirm to the AC of the Board, the CEO and applicable members of management, at least annually, the organizational independence of the IA function.

## 3 PROFICIENCY AND DUE PROFESSIONAL CARE

IA will govern itself in accordance with the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of IA's performance.

## 4 QUALITY ASSURANCE

IA will maintain a Quality Assurance and Improvement Program that covers all aspects of the Internal Audit function. As part of this program, it will include conducting a quality review for select internal audit projects periodically throughout the year, to verify quality standards of IA's work products.

## 5 MANAGING THE INTERNAL AUDIT FUNCTION

The CAE is delegated the authority and discretion to perform audit and consulting services and to oversee the IA function. The CAE will promote a strong control environment and emulate appropriate "tone at the top." The CAE will also be responsible for maintaining a professional IA department which possess sufficient knowledge, skills, experience, and professional qualifications to meet the requirements of the IA charter.

In addition, the CAE will be responsible for overseeing the following aspects of the IA function:

- Developing and overseeing the execution of IA work programs which should address the appropriate scope and techniques required to achieve the audit objectives.
- Overseeing the development of work papers that meet the quality standards required by management and are consistent with audit professional standards.
- Coordinating alignment with other risk management and compliance functions.
- Serving as a business partner to proactively identify risks and support execution of NYPA and Canals strategies
- Maintaining updated job descriptions, roles, and competencies for each staff

- level and updating the organizational chart as necessary.
- Periodically reviewing critical hiring and recruiting needs as well as competency gaps.
- Developing staff with skills that can be transferred to other areas of the business.
- Effectively onboarding IA new hires and providing core training materials as well as ongoing training and development that correlates to competency and career planning.
- Developing and deploying effective methodologies to execute the function's mandate.
- Assessing and identifying appropriate technologies required to support the function and add value to NYPA and Canals.

## 6 NATURE OF WORK

IA will establish an audit universe to define the auditable entities and risks that IA will monitor and mitigate. These elements will include operational, financial, compliance and strategic risk, as well as information technology. IA will generally perform three categories of IA activities:

- **Audits** – IA will provide independent assurance activities of the performance of NYPA and Canals governance, risk management and control processes.
- **Assessments** – IA will provide independent advisory activities focused on process improvement opportunities, risk identification and mitigation within new processes and initiatives.
- **Consulting** – IA will provide various consulting activities in either documented form or real-time feedback applied to new processes, initiatives or other identified management requests. IA is considered a partner and trusted advisor in these efforts.

## 7 ENGAGEMENT PLANNING & AUDIT PERFORMANCE

IA will perform an annual risk assessment to create an Internal Audit plan. As part of the risk assessment, IA will consider feedback from management at various levels, emerging risks, strategic objectives, prior years' internal audit results, and significant upcoming industry and organizational changes, among others, to understand risks faced by NYPA and Canals. In addition to the development and execution of the Internal Audit plan, IA will be responsible for budget and resource allocation, managing personnel assigned to projects, scope determination, and communication protocols with management for each of its projects.

IA will execute the annual audit plan, including as appropriate, any special projects requested by the AC of the Board, the CEO and/or applicable members of management. As part of audit execution, IA will be responsible for:

- Establishing end-to-end audit timelines including ongoing risk monitoring activities, planning, and fieldwork, required status meetings and reporting.
- Establishing an understanding with the business regarding audit objectives, scope, timelines, and reporting of observations and recommendations.
- Utilizing all records, personnel and physical properties within NYPA and Canals in an ethical manner, and in accordance with NYPA and Canals policies and procedures, to avoid undue interruption of normal operations.
- Taking responsibility for employee privacy and confidentiality of information obtained during audit projects.

## 8 COMMUNICATING RESULTS

IA will review IA reports and communicate all observations with appropriate management in a manner that will allow management to assess the adequacy of internal controls and understand remediation factors that should take place. All observations will be agreed upon with management prior to report issuance. In addition, IA will execute a report rating process whereby observations and reports will be rated against a scale of pre-defined criteria. Observations will be rated on a scale of High, Medium and Low, and reports will be evaluated as Good, Satisfactory, Needs Improvement and Unsatisfactory. Ratings will be relative to the individual observation, risk categories, or risks to NYPA and Canals and may consider materiality or potential impact.

IA will provide reasonable and appropriate recommendations for corrective action plans (i.e., management action plans and/or management recommendations) which management will agree to, and provide IA with an action owner and timeline by which remediation is expected.

## 9 MONITORING PROCESS

Management action plans will be monitored on a monthly basis. Any recommended action that, in the judgment of IA, does not receive adequate attention will be escalated to an appropriate level of management for resolution. The escalation process may involve successive levels of management and may include the EMC, the CEO, and/or AC of the Board in the event a high rated observation is not timely or satisfactorily resolved. Management of the audited organization shall be notified of intent to escalate a particular issue and will be encouraged to participate.

IA will regularly report observations to management and the AC and/or Board through regular reporting and meetings. Regular reporting to management creates visibility into key processes and activities and enables management to address observations timely.





# ***Audit Committee***

## ***Internal Audit Update – NYPA and Canal Corporation***

***7/9/2019***

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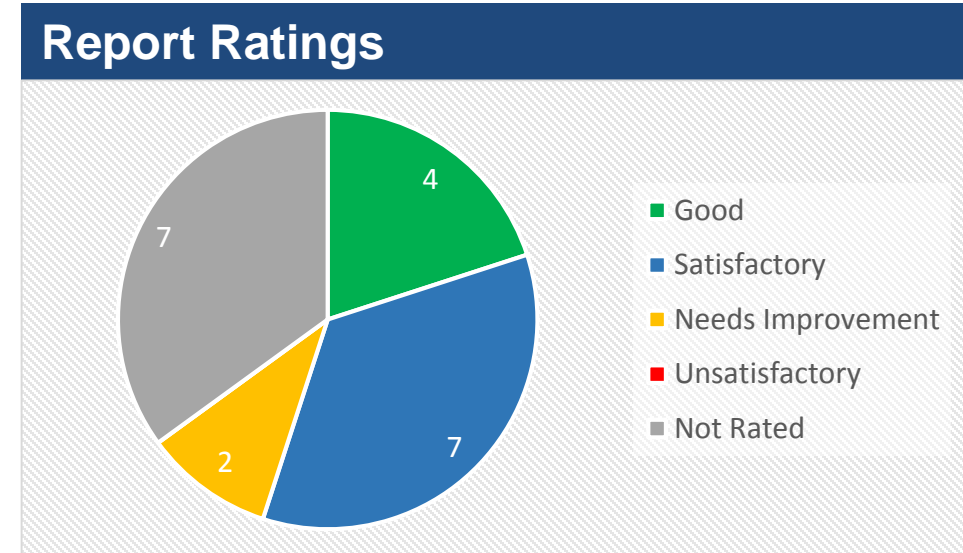
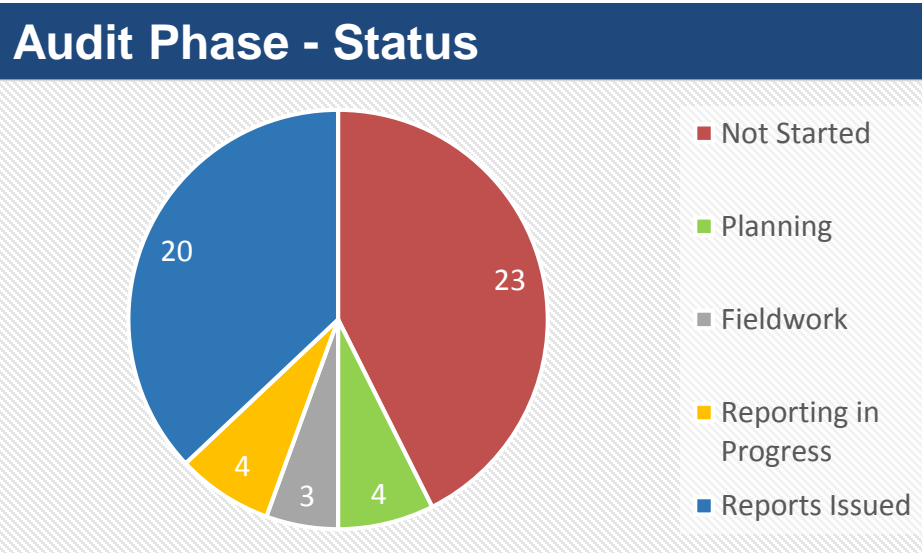
## Appendix

- Appendix A – 2019 Internal Audit Plan
- Appendix B – Changes to 2019 Internal Audit Plan

# Executive Summary

# 2019 Audit Plan Status

- 2019 Plan Status\*:
  - 54 audits are included in the NYPA and Canals Audit Plan.
    - 20 deliverables have been issued reaching 37% audit plan completion. The plan is on track for completion by year-end.
    - Four audits are in reporting and seven audits are in the fieldwork or planning stage.
    - Four audits are expected to be issued within the next week.
  - No high rated observations have been identified for issued reports to date.



NOTE: \* See Appendix A for details

# Changes to 2019 Internal Audit Plan

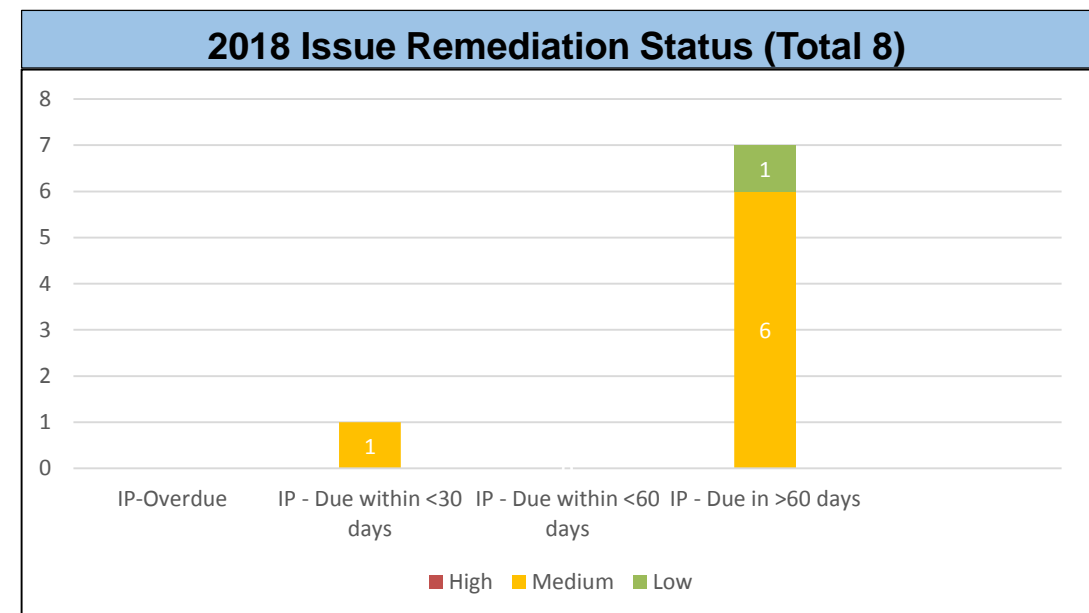
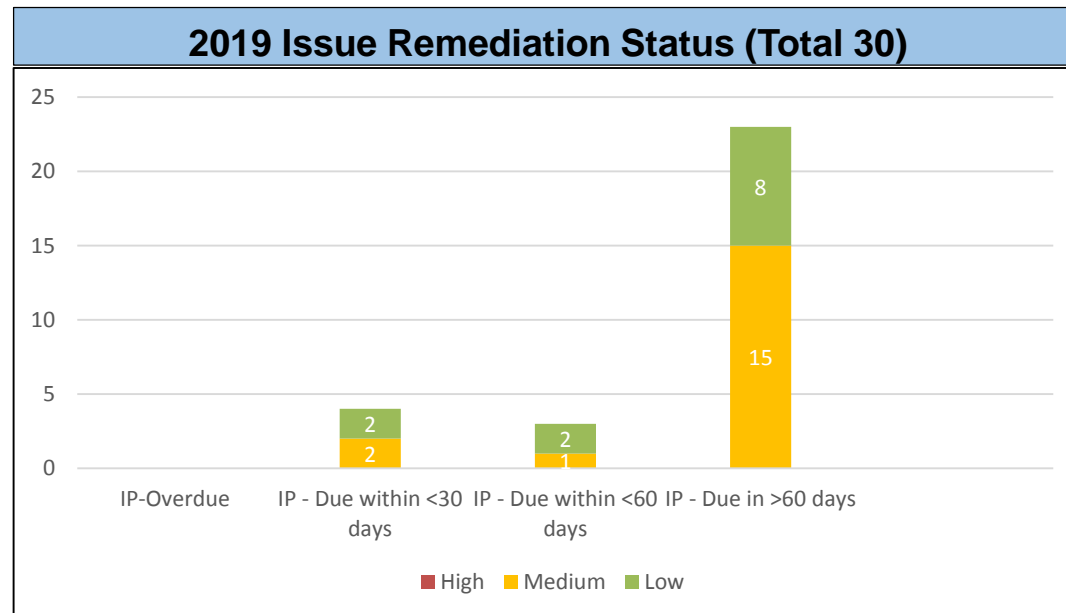
- Operational, Strategic, Compliance, Financial and IT audits within the audit plan are continuously evaluated for emerging risks or changing needs of the business through participation in work streams, committees and discussions with NYPA and Canal Corporation leadership. As a result, the following changes have been made to the 2019 Internal Audit Plan:

2019 Audit Status	6/30/19
Open 2019 Internal Audit Plan	50
<b>Audits Added to 2019 Internal Audit Plan</b> <b>NYPA:</b> Customer Digital Experience (CDEx) – Account Center, QIRs - Drones Use Program (NYPA and Canals), Generation Bidding, Project and Business Development, Intellectual Property, LPGP LEM, Transmission LEM, Fuel Operations Hedging and Purchasing <b>Canals:</b> None	+8
<b>Audits Removed or Combined with Audit Entities from 2019 Internal Audit Plan</b> <b>NYPA:</b> Energy Commodity Risk Management System Implementation, Fuel Operations Hedging and Purchasing (QIR), Generation Bidding (QIR), Financial Planning and Forecasting <b>Canals:</b> None	-4
<b>Total 2019 Audits</b>	54

- Details explaining rationale for changes can be found in Appendix B.

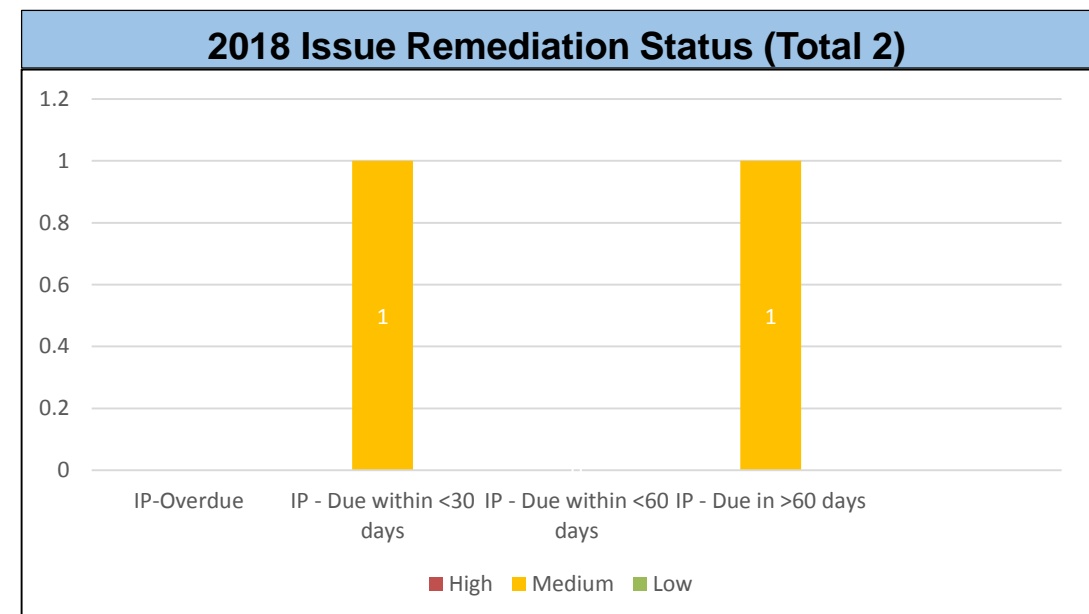
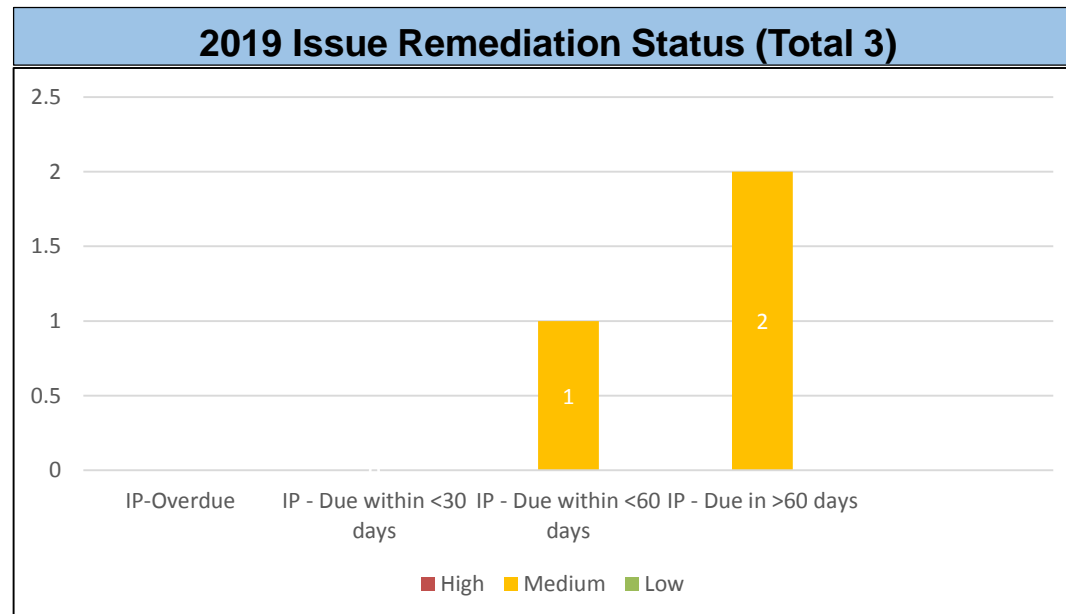
# Internal Audit Remediation Status - NYPA

- As of June 30, 2019, 30 2019 and eight 2018 recommendations remain open. All 2017 recommendations have been closed.
- Internal Audit continues to assist management by providing monthly reporting to the EMC on open recommendation status and is monitoring remediation efforts for 2018 - 2019 issues. Priority is on any high risk issues that arise.



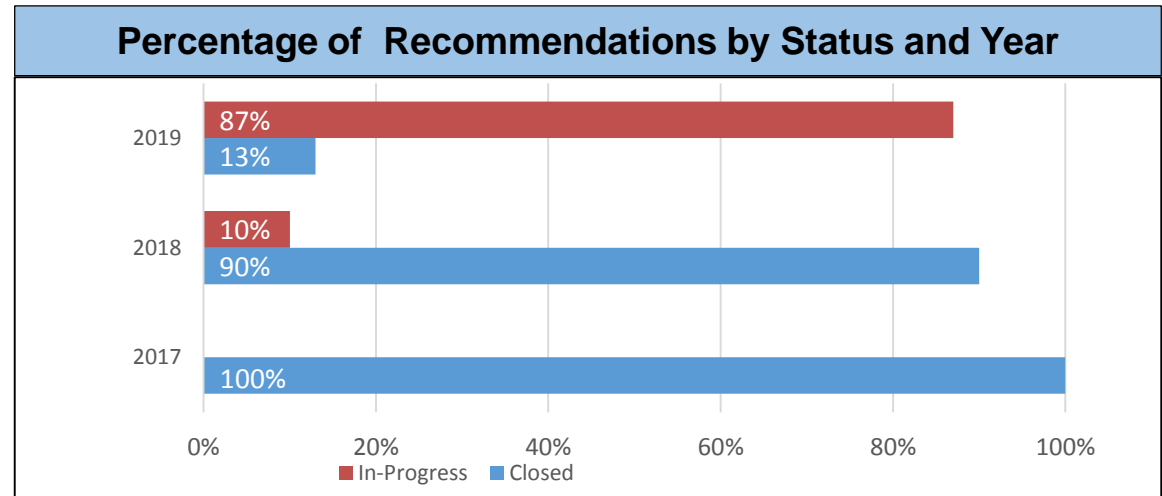
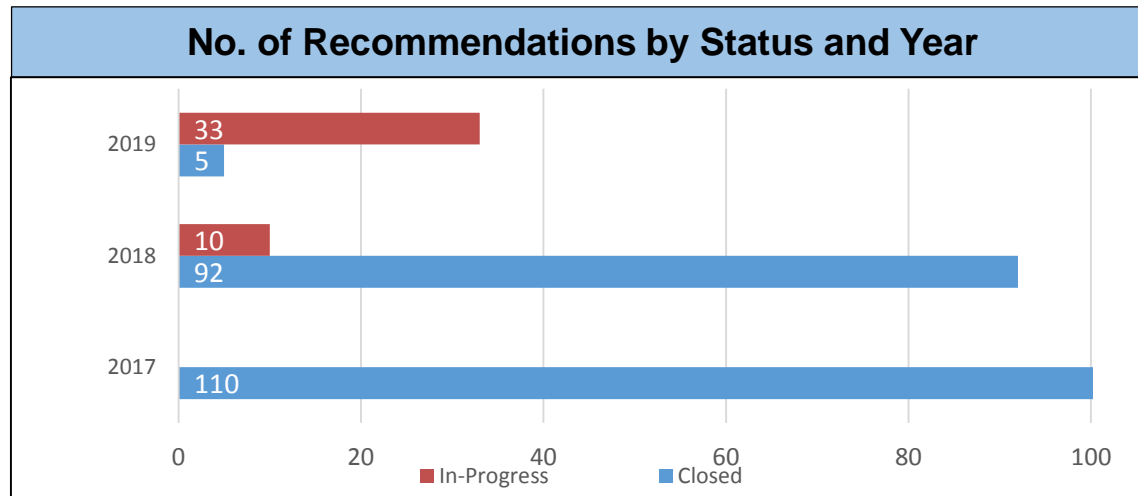
# Internal Audit Remediation Status - Canals

- As of June 30, 2019, there are three 2019 and two 2018 open recommendations. All 2017 recommendations have been closed.
- Internal Audit continues to assist management by providing monthly reporting to the EMC on open recommendation status and is monitoring remediation efforts for 2018 - 2019 issues. Priority is on any high risk issues that arise.



# Internal Audit Remediation Status

- Below is the number and percentage of NYPA and Canals open and closed recommendations by year 2017-2019:





# Internal Audit Transformation Highlights

## BRANDING

- Workshop to formulate collective brand identity was conducted with Internal Audit staff in April, reviewed workshop results in May and developed a new brand.
- The new brand is tied to Internal Audit's mission to provide independent audit and advisory services to mitigate risk, improve NYPA's control environment and operations while adding value to management. Internal Audit accomplishes this through an emphasis on customer-focus and staff excellence.
- Next steps are to socialize brand with the department, and develop communication mechanisms such as "pitchbooks", update Internal Audit's SharePoint site, and use other organizational communications.
- Target for rollout is the end of August 2019.

## DELIVERY

### Agile Methodology

- Agile projects on the audit plan are now at 22, from 17 as of March 2019.
- Adjustments have been made to procedures based on quarterly retrospectives with the audit teams and ongoing input to gain further efficiencies.
- Deloitte coach has been supporting implementation of the departmental operating model, training new teams as they come on using Agile and training two Senior Audit Managers to take on the role as Agile coach for ongoing support and sustainability.
- The goal is to be fully using the Agile methodology for audit project execution in 2020 from the original plan of 2021.

# Internal Audit Transformation Highlights

## GRC Automation

- Internal Audit is currently working with an RSA Archer resource onsite confirming business requirements prior to configuration for certain audit project functionality of the audit management system. Completion is targeted for end of June. Testing of this functionality is scheduled for early July. The remaining functionality will be configured and tested in Q3.
- Held working sessions with Risk Management to ensure dependencies between both the Internal Audit and Risk Management modules are included in the build.
- Targeting pilot of audit project execution beginning of Q4, go live is targeted for 12/31/19.

## Data Analytics

- For the 2019 Audit Plan, 21 of the 42 NYPA projects have been identified where data analytics can be applied. Nine audit projects out of the 21 or 43% have applied these techniques to date.
- The Data Analytics team has obtained data for ProCard and working with IT, used a Data Quality Analyzer tool where specific business rules were applied. Analysis of this data should be completed by early July. The next data set for analysis is Travel and Expenses data using this tool. Goal is to use this tool for continuous auditing purposes.
- The Data Analytics team is continuing its Tableau training and some of the team have already applied Tableau skills for data analytics visualization on audits. Advanced Excel training has been completed for the department to enhance data analytics skills.

# Internal Audit Transformation Highlights

## Quality Assurance Improvement Program

- Internal Audit's Self Assessment Improvement Validation (SAIV) documentation has been submitted to the IIA's external assessor for review.
- Surveys were submitted to the Audit Committee, EMC, their select direct reports, and Internal Audit staff. The external assessor will evaluate this feedback as part of the assessment and conduct interviews both onsite and via conference calls.
- The external assessor will be onsite at NYPA the end of July and a report will be completed and submitted to Internal Audit for comment in August and finalization in September.

## INNOVATION

- Aggregation of timesheet data through 5/31/19 to analyze budget hours to actual hours for audit projects has been completed. Internal Audit leadership is currently analyzing this data for those audits completed through 5/31/19 and reviewing any audits that were under or over budget to determine root causes. Visibility to this data allows Internal Audit leadership to evaluate methods to solve for budget fluctuations where feasible. This data will also be useful for the 2020 audit plan development to determine budget hours based on actuals.
- Robotics Process Automation (RPA) use case for Internal Audit submitted to the Intelligent Automation team responsible for RPA projects within NYPA and this use case has been included in the portfolio of RPA use cases. Use case is to extract invoices from SAP in less time.
- Innovation Portal has been created on Internal Audit's SharePoint page for staff to submit innovative ideas or suggestions for RPA.

# Internal Audit Transformation Highlights

## TALENT

### Training and Development Program

- Training and Development Program contents and procedures were communicated to the Internal Audit team in May.
- Staff have been instructed to use the Training and Development program as a guide to determine training they need at the Core, Intermediate or Advanced Skill levels and incorporate these trainings to enhance their individual development plans and career aspirations.
- Several staff are currently pursuing certifications for the CIA, CPA, CISA and CFE.

# Appendix

# Appendix A – 2019 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued
<b>Deliverable Issued: 20</b>							
1	NYPA	2019-AS-22	ES-C2M2 Maturity Assessment	Information Technology	Assessment	N/A	3-12-19
2	NYPA	2019-AU-15	Build Smart – EO88 Program	Commercial Operations	Audit	Good	3-22-19
3	NYPA	2019-AS-06	ISO 55001 Framework Compliance	Utility Operations	Assessment	N/A	3-22-19
4	NYPA	2019-AU-01	Recharge NY Customer Compliance (D&M)	Commercial Operations	Audit	N/A	3-26-19
5	NYPA	2019-AU-35	Employee Data Protection	Human Resources and Shared Services	Audit	Needs Improvement	3-28-19
6	NYPA	2019-AU-08	Market Forecasting Services	Commercial Operations	Audit	Good	3-29-19
7	NYPA	2019-AU-02	Commercial Operations Construction Projects	Commercial Operations	Audit	Satisfactory	4-1-19
8	NYPA	2019-AU-26	Lockout/Tagout Compliance	Utility Operations	Audit	Satisfactory	4-18-19
9	NYPA	2019-AV-13	IT Vendor Management	Information Technology	*Advisory	N/A	4-30-19
10	NYPA	2019-AU-07	Site Operations and Maintenance	Utility Operations	Audit	Satisfactory	5-7-19
11	NYPA	2019-AU-21	Third Party Contract Audit – O'Brien & Gere/ Dewberry Energy	Human Resources and Administration	Audit	Good	5-16-19
12	NYPA	2019-QIR-51	Drones Use Program (NYPA and Canals)	Utility Operations	QIR	N/A	5-23-19
13	NYPA	2019-AU-39	Background Checks	Human Resources and Administration	Audit	Satisfactory	5-24-19
14	NYPA	2019-AU-50	Third Party Contract Audit – Wendel Energy Services	Human Resources and Administration	Audit	Good	6-6-19
15	NYPA	2019-AU-16	Customer Revenues – NIA, Flynn, BG, SENY, STL, RNY, Canals	Business Services	Audit	Satisfactory	6-7-19
16	NYPA	2019-AU-23	Crisis Management (NYPA and Canals)	Utility Operations	Audit	Satisfactory	6-21-19
17	NYPA	2019-AV-28	Budgeting	Business Services	Advisory*	N/A	6-26-19
18	NYPA	2019-AU-32	Western NY Customer Compliance Audit (D&M)	Commercial Operations	Audit	N/A	6-28-19
19	Canals	2019-AU-42-C	Asset Maintenance	Engineering & Maintenance	Audit	Needs Improvement	4-17-19
20	Canals	2019-AU-49-C	Inventory & Warehousing	Engineering & Maintenance	Audit	Satisfactory	4-17-19
<b>Reporting – Fieldwork Complete: 4</b>							
21	NYPA	2019-AU-24	Identity Access Management	Information Technology	Audit		
22	NYPA	2019-AS-05	Sensor Deployment Roadmap	Utility Operations	Assessment		
23	NYPA	2019-AS-19	Vendor Management Governance	Human Resources and Administration	Assessment		
24	Canals	2019-AS-43-C	Public Safety	Engineering & Maintenance	Assessment		
<b>Fieldwork in Progress: 3</b>							
25	NYPA	2019-AU-30	Bid to Bill System Implementation	Commercial Operations	Audit		
26	NYPA	2019-AU-03	Energy Trading and Hedging	Commercial Operations	Audit		
27	NYPA	2019-AU-04	Utility Operations Construction Projects	Utility Operations	Audit		

\*Note: The Consulting audit type has been revised to Advisory

# Appendix A – 2019 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued
<b>Audit Planning in Progress: 4</b>							
28	NYPA	2019-AU-58	Customer Digital Experience(CDEx)–Account Center	Commercial Operations	Audit		
29	NYPA	2019-AU-29	Cloud Governance	Information Technology	Audit		
30	NYPA	2019-AS-18	Physical Security (NYPA and Canals)	Utility Operations	Assessment		
31	NYPA	2019-QIR-55	LPGP LEM	Utility Operations	QIR		
<b>Planning Not Started: 23</b>							
32	NYPA	2019-AS-09	Supply Chain Management (NYPA and Canals)	Human Resources and Administration	Assessment		
33	NYPA	2019-AU-10	OSI PI Expansion Implementation	Utility Operations	Audit		
34	NYPA	2019-AS-11	Business Resiliency	Utility Operations	Assessment		
35	NYPA	2019-AU-12	Generation Bid Pricing	Commercial Operations	Audit		
36	NYPA	2019-AU-14	Power Systems Operations and Energy Control Center	Utility Operations	Audit		
37	NYPA	2019-AU-17	Energy Settlements	Commercial Operations	Audit		
38	NYPA	2019-AU-20	Human Resources Operations: Recruiting, Hiring and Onboarding	Human Resources and Administration	Audit		
39	NYPA	2019-AU-31	Ethics & Compliance Program (NYPA and Canals)	Legal Affairs	Audit		
40	NYPA	2019-AU-33	IT Project Management Office (PMO)	Information Technology	Audit		
41	NYPA	2019-AS-34	IT Service Management (ITSM) Implementation	Information Technology	Assessment		
42	NYPA	2019-AU-36	Knowledge Management	Human Resources and Administration	Audit		
43	NYPA	2019-AU-37	Wireless Networks	Information Technology	Audit		
44	NYPA	2019-AU-38	External Compliance Reporting (NYPA and Canals)	Legal Affairs	Audit		
45	NYPA	2019-AU-40	Technology Change Release Management	Information Technology	Audit		
46	NYPA	2019-AV-41	Sustainability Program	Legal Affairs	*Advisory		
47	NYPA	2019-QIR-53	Project and Business Development	Commercial Operations	QIR		
48	NYPA	2019-QIR-54	Intellectual Property	Legal Affairs	QIR		
49	NYPA	2019-QIR-56	Transmission LEM	Utility Operations	QIR		
50	Canals	2019-AS-44-C	Vegetation Management	Engineering & Maintenance	Assessment		
51	Canals	2019-AU-45-C	Third Party Contracts	Administrative Services	Audit		
52	Canals	2019-AU-46-C	Recruiting, Hiring and Onboarding	Administrative Services	Audit		
53	Canals	2019-AU-47-C	Canals Permit Management	Administrative Services	Audit		
54	Canals	2019-AS-48-C	Maximo System Implementation	Technical Services	Audit		

\*Note: The Consulting audit type has been revised to Advisory

# Appendix B – Changes to 2019 Internal Audit Plan

## NYPA:

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Commercial Operations	Customer Digital Experience (CDEx) – Account Center	Added to the Plan	CDEx implementation of the Account Center will replace the Energy Commodity Risk Management System Implementation. The Account Center will provide online billing to customers and Internal Audit will cover this implementation to ensure proper controls and security are implemented, project milestones are met.	Ongoing	+1
Utility Operations	Drones Use Program (NYPA and Canals) – Quick Impact Review (QIR)	Added to the Plan	Audit coverage for additional high rated entities not in 2019 Audit Plan.	Q2	+1
Commercial Operations	Generation Bidding (QIR)	Added to the Plan	Audit coverage for additional high rated entities not in 2019 Audit Plan.	Q3	+1
Commercial Operations	Project and Business Development (QIR)	Added to the Plan	Audit coverage for additional high rated entities not in 2019 Audit Plan.	Q4	+1
HR and Shared Services	Intellectual Property (QIR)	Added to the Plan	Audit coverage for additional high rated entities not in 2019 Audit Plan.	Q2	+1
Utility Operations	LPGP LEM (QIR)	Added to the Plan	Audit coverage for additional high rated entities not in 2019 Audit Plan.	Q2	+1
Utility Operations	Transmission LEM (QIR)	Added to the Plan	Audit coverage for additional high rated entities not in 2019 Audit Plan.	Q4	+1
Commercial Operations	Fuel Operations Hedging and Purchasing (QIR)	Added to the Plan	Audit coverage for additional high rated entities not in 2019 Audit Plan.	Q3	+1
Business Services	Financial Planning and Forecasting	Audit Type	Changed from audit to advisory.	Q2	0
Utility Operations	Business Resiliency	Audit Type	Changed from audit to assessment.	Q3	0
Business Services	Budgeting	Audit Type	Changed from Audit to Advisory.	Q2	0



# Appendix B – Changes to 2019 Internal Audit Plan

## NYPA:

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Utility Operations	Site Operations and Maintenance (Central, Northern, Western, 500 MW, SENY, SCPP)	Name Change	Name changed to Site Operations and Maintenance (Central, Northern, Western, SENY).	Q1	0
Commercial Operations	Generator Variable Costs	Name Change	Changed name to Generation Bid Pricing.	Q3	0
Utility Operations	Emergency Management (NYPA and Canals)	Name Change	Changed name to Crisis Management.	Q3	0
Commercial Operations	Fuel Operations Hedging and Purchasing	Remove from Plan	Combined with Energy Trading and Hedging.	N/A	-1
Risk Management	Energy Commodity Risk Management System Implementation	Removed from Plan	Project delayed while a new vendor has been acquired to complete Phase 2 of the implementation. Timeline for the project implementation is targeted for late 2019 or early 2020.	N/A	-1
Commercial Operations	Generation Bidding (QIR)	Remove from Plan	Combined with Generator Variable Costs.	N/A	-1
Business Services	Financial Planning and Forecasting	Remove from Plan	Function is going through multiple changes in the upcoming months that will significantly impact their current processes, risks and related controls. Will consider for 2020 audit plan.	N/A	-1

## CANALS:

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Technical Services	Maximo Lite Post Implementation	Audit Type and Name Change	Changed from Assessment to Audit. Name changed to Maximo System Pre-Implementation. Management has decided to implement full functionality for Maximo at Canals.	Q3	0



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