



**MINUTES OF THE REGULAR MEETING
OF THE
NYPA AND CANAL AUDIT COMMITTEE
July 15, 2021**

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
Introduction	2	
1. Adoption of the July 15, 2021 Proposed Meeting Agenda	3	
2. Motion to Conduct an Executive Session	4	
3. Motion to Resume Meeting in Open Session	5	
4. DISCUSSION AGENDA:	6	
a. New York Power Authority and Canal Corporation Internal Audit Update	6	4a-A
5. CONSENT AGENDA:	8	
a. Approval of the Joint Minutes of the Regular Meeting held on March 18, 2021	9	
b. Approval of the New York Power Authority and Canal Corporation Audit Committee Charters	10	5b-A
c. Approval of the New York Power Authority Internal Audit Committee Charter (Corporate Policy 5-1)	11	5c-A
6. Next Meeting	12	
Closing	13	

July 15, 2021

Minutes of the regular meeting of the New York Power Authority and Canal Corporation's Audit Committee held at the Clarence D. Rappleyea Building, 123 Main Street White Plains, NY, at approximately 8:30 a.m.

The following Members of the Audit Committee were present:

Eugene Nicandri, Chairman
John R. Koelmel
Anthony Picente, Jr.
Tracy McKibben
Michael Balboni
Dennis Trainor

Also in attendance were:

Gill Quiniones	President and Chief Executive Officer
Philip Toia	President – NYPA Development
Justin Driscoll	Executive Vice President and General Counsel
Joseph Kessler	Executive Vice President and Chief Operations Officer
Adam Barsky	Executive Vice President and Chief Financial Officer
Kristine Pizzo	Executive Vice President and Chief HR & Administrative Officer
Sarah Salati	Executive Vice President and Chief Commercial Officer
Daniella Piper	Regional Manager and CTO – Niagara Project
Saul Rojas	Regional Manager
Lee Garza	Senior Vice President – Financial Operations
Yves Noel	Senior Vice President and Chief Strategy Officer
Robert Piascik	Senior Vice President and Chief Information & Technology Officer
Patricia Lombardi	Senior Vice President – Product Delivery
Scott Tetenman	Senior Vice President – Finance
Angela Gonzalez	Senior Vice President – Internal Audit
Karen Delince	Vice President and Corporate Secretary
Joseph Gryzlo	Vice President and Chief Ethics & Compliance Office
Lisa Beaty	Vice President – Technology Business Management Office
John Canale	Vice President – Strategic Supply Management
Eric Meyers	Vice President – Chief Information Security Officer
Ethan Riegelhaupt	Vice President – Corporate Communications
James Levine	Assistant General Counsel – Finance & Bonds
Earl Faunlagui	Senior Director – Market and Commodities Risk
Joseph Rende	Senior Director – Key Account Management
Susan Craig	Director – Media Relations
Sundeep Thakur	Controller
Carley Hume	Deputy Chief of Staff – President's Office
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Associate Corporate Secretary
Andrea Kelli Higgs	Associate 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 Proposed Meeting Agenda**

On motion made by member Dennis Trainor and seconded by member Tracy McKibben, the agenda for the meeting was unanimously adopted.

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

“Mr. Chairman, I move that the Audit Committee conduct an executive session to discuss the financial and credit history of a particular corporation pursuant to §105f of New York Public Officers Law.”

On motion made by member Dennis Trainor 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.” On motion made by member Dennis Trainor and seconded by member Tracy McKibben, 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, Internal Audit, provided an update on the 2021 Internal Audit Plan for NYPA and Canal Corporation (Exhibit "4a-A").

Internal Audit ("IA") Scorecard as of June 30, 2021

2021 Audit Plan

IA 2021 Audit Plan is 41% complete. IA also on track to complete the Plan by the end of the year.

2021 IA Operational Excellence

Most of the audits on the Plan this year are Opinion Reports.

- **Deliverables with Opinions** – target is 50%; to date it is at 72%.
- **Fieldwork to Report Issuance** – This target is below the benchmark, averaging approximately two weeks to issue a Report.
- **Average Project Cycle** – the average time it takes IA to complete an audit from the beginning to the end is approximately 9.2 weeks.

Audit Department Utilization for all Available Hours

Audit Hours Internal Target is 70%; Audit work time is at 78%. The rest of those hours are allocated to Strategy, Training, and Administrative functions.

Observations Identified and Implemented

- **High-Risk Observations Identified:**
21 High-Risk Observations were identified in 2020. To date, seven have been identified for 2021.
- **High-Risk Observations Implemented by the Due Date:**
17 out of 21 for 2020 have been closed; with 4 remaining.
Five out of the 7 for 2021 have been closed; with two remaining.
- **Observations that have been closed:**
85 out of 93 have been closed for 2020, and 21 out of 45 were closed out for 2021.

2021 AUDIT PLAN STATUS

- 44 audits projects are on the Audit Plan.
- 18 deliverables have been issued related to those projects, i.e., 41% of the Audit Plan is completed.

- IA is anticipating a total of 49 deliverables for NYPA and Canals by the end of the year as 5 of the projects will have more than one deliverable, since they are either system implementations or ongoing advisory engagement.
- Two audits are in the reporting stage and are expected to be issued soon.
- Six audits have moved from the planning stage to fieldwork; two audits are in the planning stage.

Changes to 2021 Internal Audit Plan

IA reviews the Audit Plan every quarter and engages with management through its Audit Liaison program. Based on this, IA added two and removed two projects from the Internal Audit Plan; therefore, the total audits for 2021 remains the same, 44 projects.

Open Observation Status – NYPA and Canals

To date, 32 observations remain open for both NYPA and Canals.

Approximately 91% of the observations for 2020, and about 47% for 2021 have been closed.

Internal Audit Strategy Highlights

Agile Optimization

- The Agile maturity assessment is underway, focusing on developing Agile KPIs specific to core elements for Agile adoption, team efficiency and quality.
- Agile Coaches are helping each of the audit teams and will be responsible for reporting those KPIs to the audit leadership team.

GRC Optimization

- IA's GRC team is reconciling observation data from SharePoint to observation data in the GRC Observation Management module.
- IA is targeting to start managing observations in the GRC by the end Q3.
- IA is planning training for the EMC members, stakeholders, and IA staff on how to use the module.

Data Analytics

- The Data Analytics team has completed six weeks of training provided by the third-party integrator for the selected data analytics tool, Alteryx.
- IA has identified five use cases to develop data analytic routines, the first of which is fixed assets. The team is expected to have a completed analysis by the end of July.
- The goal is for IA to move into a continuous auditing mode.

Talent Management

- IA has scheduled a series of training sessions for business acumen, data analytics and fraud.

5. CONSENT AGENDA

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

a. **Approval of the Joint Minutes of the Regular Meeting held on March 18, 2021**

On motion made and seconded, the Minutes of the Committee's Regular Meeting held on March 18, 2021, were unanimously approved.

b. Approval of the 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 set forth in Exhibits ‘5b-A’ and ‘5b-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 July 16, 2020 as a result of the Institute of Internal Auditors external quality assessment of Internal Audit in August 2019, where recommendations were made to enhance both the Authority’s and the Canal Corporation’s Audit Committee Charters to further align with the Institute of Internal Auditors Standards. There were no additional changes to the Audit Committee Charters, and approval was granted by the Audit Committee for compliance with the Institute of Internal Auditors Standards at the July 16, 2020 Audit Committee meeting.

As a result of updates to the Finance and Risk Committee Charter, changes were made to the Audit Committee Charter to remove responsibilities for Accounting, Financial Reporting, Controller, Risk Management, and Internal Controls under this charter for both the Authority’s and the Canal Corporation’s Audit Committee Charters.

In addition, Internal Audit has incorporated responsibility for the Environmental Health and Safety (‘EH&S’) Compliance Audit Program, and changes were made to the Audit Committee Charter to reflect this.

FISCAL INFORMATION

None.

RECOMMENDATION

The Executive Vice President and General Counsel recommends that the Audit Committee adopt the Authority’s and the Canal Corporation’s Audit Committee Charters and recommends 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 Charters be adopted in the form proposed in Exhibit “5b-A” and 5b-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. Approval of the 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 set presented and set forth in Exhibit '5c-A' of this report; and to recommend its adoption to the Trustees.

BACKGROUND

The Authority's Internal Audit Charter was last amended on June 9, 2020 as a result of the Institute of Internal Auditors external quality assessment of Internal Audit in August 2019, where recommendations were made to enhance the Authority's Internal Audit Charter to further align with the Institute of Internal Auditors Standards. There were no additional changes to the Internal Audit Charter, and approval was granted by the Audit Committee at the July 16, 2020 Audit Committee meeting.

As a result of Internal Audit incorporating responsibility for the Environmental Health and Safety ('EH&S') Compliance Audit Program, changes were made to Internal Audit Charter to reflect this.

FISCAL INFORMATION

None.

RECOMMENDATION

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

The following resolution was unanimously approved by the members.

RESOLVED, That the attached Authority Internal Audit Charter be adopted in the form proposed in Exhibit "5c-A"; 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**

The next regular meeting of the Audit Committee will be held on December 8, 2021, at a time to be determined.

Closing

On motion made and seconded the meeting was adjourned by the Chairman at approximately 10:30 a.m.

Karen Delince

Karen Delince
Corporate Secretary

July 15, 2021

EXHIBITS

For

Audit Committee

Minutes

July 15, 2021



**NY Power
Authority**

**Canal
Corporation**

Audit Committee

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

7/15/2021

Table of Contents

Executive Summary

- Internal Audit Scorecard
- 2021 Audit Plan Status
- Changes to 2021 Internal Audit Plan
- Open Observations Status – NYPA and Canals
- Internal Audit Strategy Highlights
- CAE Required Communications to the Audit Committee

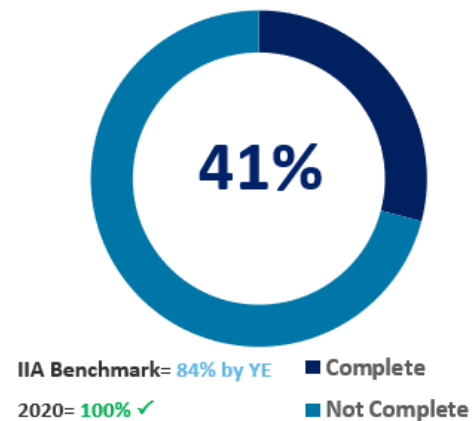
Appendix

- Appendix A – 2021 Internal Audit Plan
- Appendix B – Changes to 2021 Internal Audit Plan Details

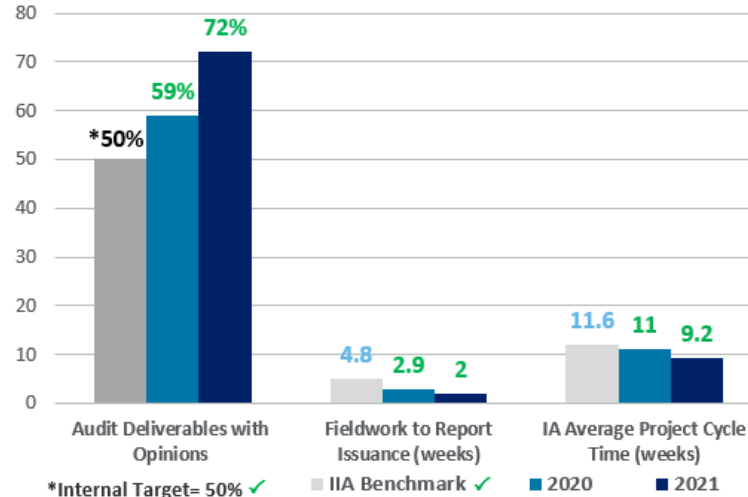
Executive Summary

Internal Audit Scorecard as of 6/30/2021

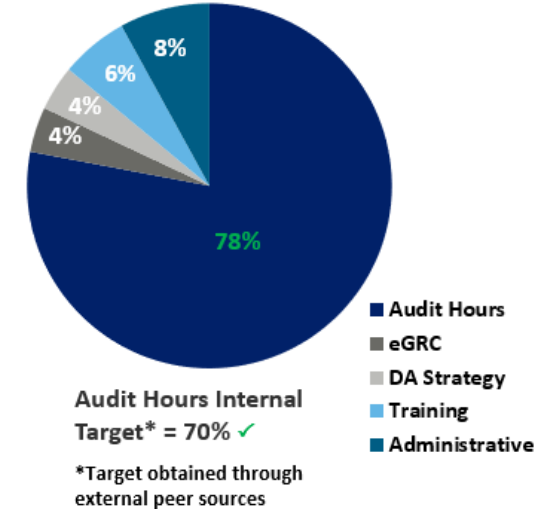
2021 Audit Plan Completion %



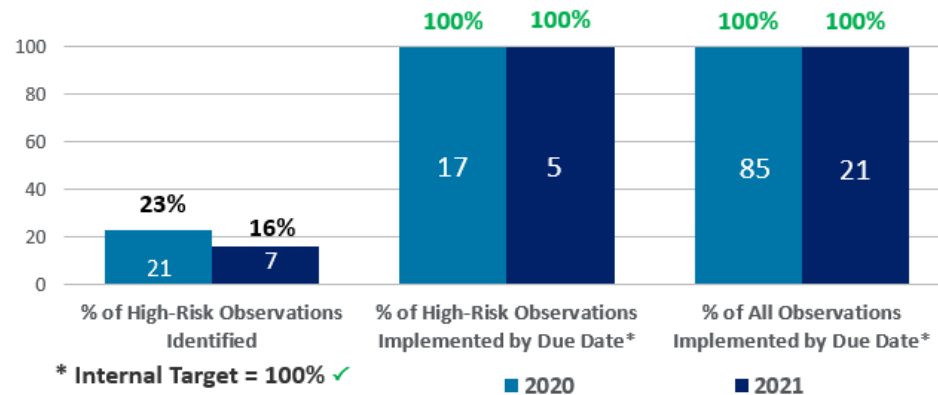
2021 IA Operational Excellence



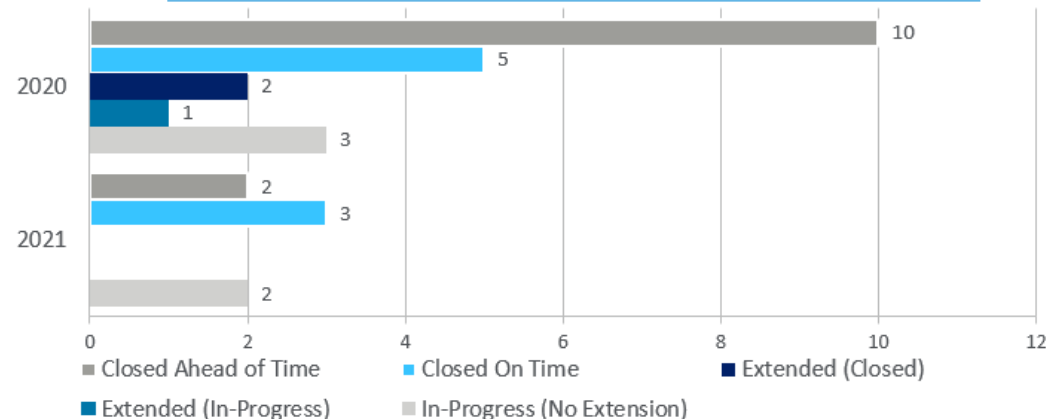
Department Utilization for All Available Hours



Observations Identified and Implemented as of 6/30/2021

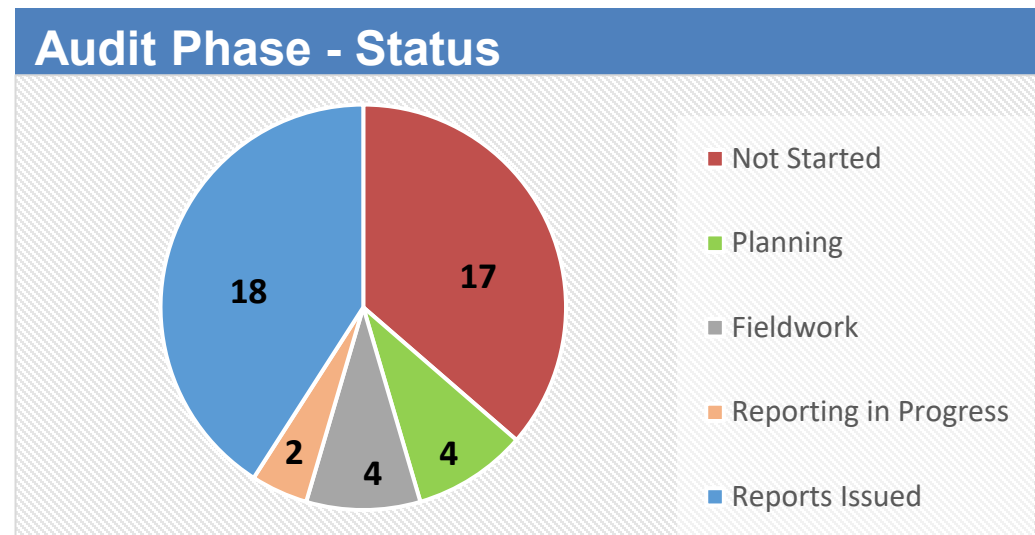


High Risk Observations Tracking as of 6/30/2021



2021 Audit Plan Status

- 2021 Plan Status*:
 - 44 audits are included in the NYPA and Canals Audit Plan.
 - 18 deliverables (13 reports and five memos) have been issued associated with 44 audit projects reaching 41% audit plan completion. We are anticipating 49 total deliverables for NYPA and the Canal Corporation by year end as five audit engagements will have more than one deliverable since these projects are system implementations or ongoing advisory work. The audit plan is on track.
 - Two audits are in the reporting stage and are expected to be issued mid-July. Four audits are in fieldwork, and three of these engagements are ongoing audit projects (i.e., system implementation, advisory support) and interim memos will be issued in Q3 and Q4, respectively. Planning for four audit projects has begun.



* Details of audit plan status can be found in Appendix A.

Changes to 2021 Internal Audit Plan

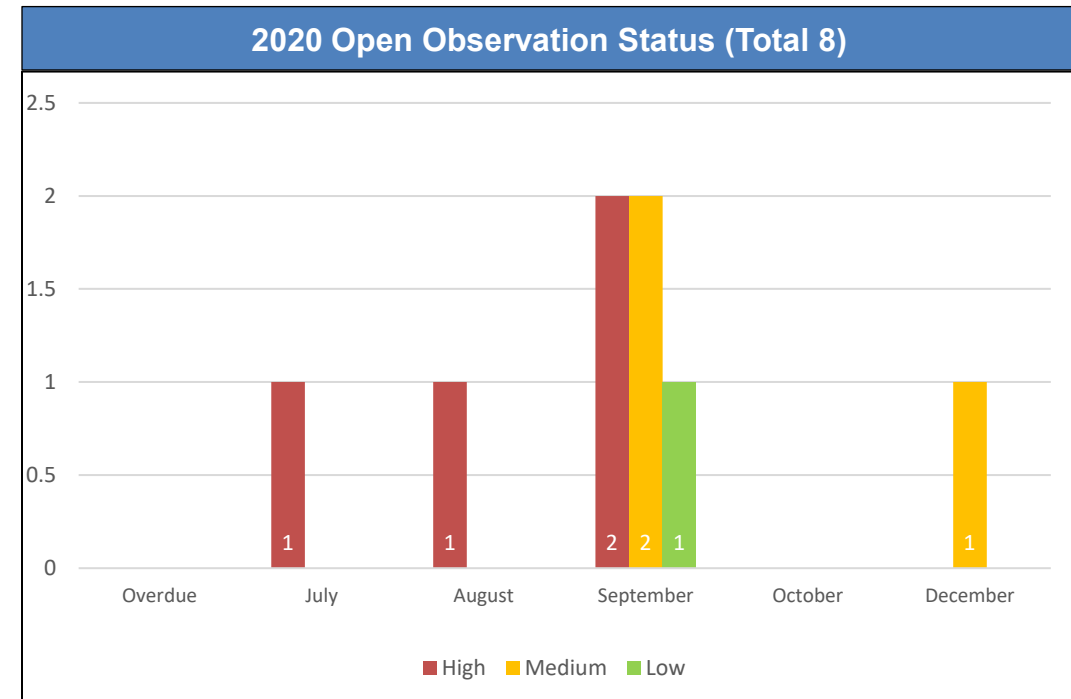
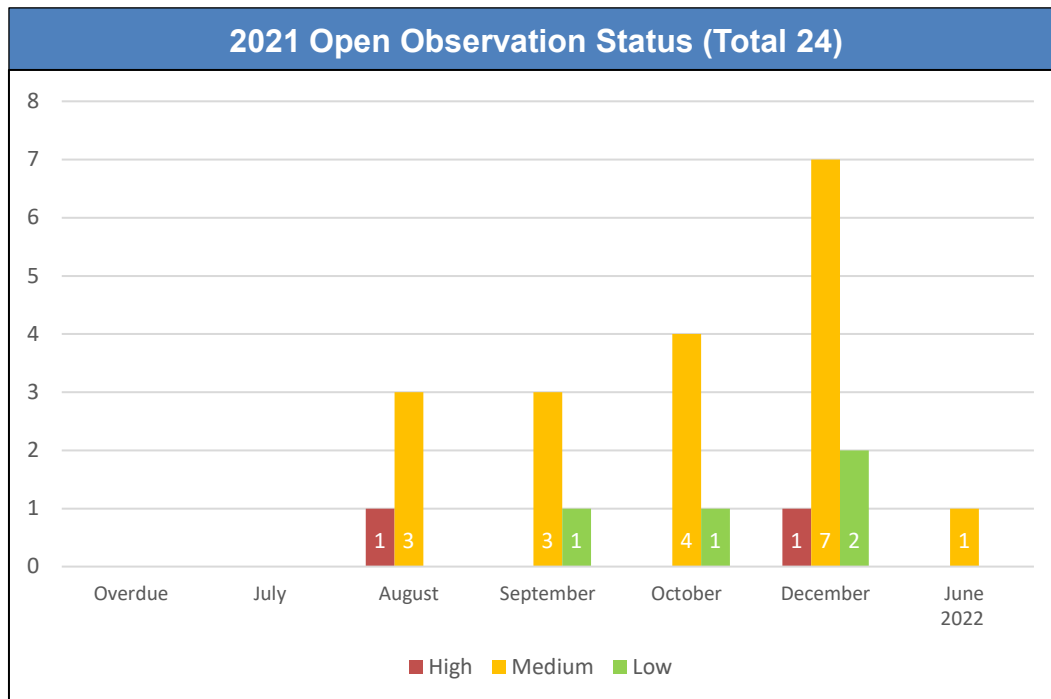
- Based on management requests and supplemental information provided by management, 44 audit projects are included in the 2021 Audit Plan. There were four changes since the last update as follows:

2021 Audit Status	7/6/21
2021 Internal Audit Plan	44
Audits Added to 2021 Internal Audit Plan NYPA: 2 (IT Disaster Recovery Test Advisory Project, Kronos Time and Attendance System Implementation)* Canals: 0	+2
Audits Removed from 2021 Internal Audit Plan NYPA: 2 (Western NY Customer Compliance, Energy Management System (EMS) Replacement) Canals: 0	-2
Total 2021 Audits	44

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

Open Observations Status – NYPA and Canals

- As of July 6, 2021, 32 observations remain open for both NYPA and Canals.
- The below bar charts show the 2020-2021 open observations and those high, medium, and low-rated observations that are due for closure over the next 12 months. Open observations and associated recommendations are on track to close within their due dates and no observations are overdue to date.
- For 2020 observations 91% (85/93) have been closed and 47% (21/45) of the 2021 observations identified to date have been closed.
- Internal Audit prioritizes the high-rated observations and has engaged with management and evaluated that remediation of observations and management is mitigating risks identified as observation remediation progresses towards closure.



Internal Audit Strategy Highlights

Agile Optimization

- Product Owner (Director level) training to enhance Agile skill sets was held in May and Agile Coach certification for all audit managers is scheduled for August.
- The Agile maturity assessment is underway, and the assessment is focusing on the next stages of maturity, Agile KPIs. Developing Agile KPIs specific to core elements for Agile adoption, team efficiency and quality are in progress.
- Agile Coaches will be responsible to report these KPIs to audit leadership. The Agile team is working with Deloitte to develop procedures for the Agile Coaches to lead project/portfolio level assessments that include these KPIs for continual improvement.

GRC Optimization

- The GRC Observation Management module is in production, however, is not in use to date. Internal Audit's GRC team is currently reconciling observation data from SharePoint to observation data in GRC.
- Training on how to manage observations in GRC will be provided to Internal Audit staff, EMC and business stakeholders in August. We are targeting to start managing observations in GRC by the end of Q3.
- The team is also working with the vendor RSA Archer on developing reporting from the Audit Management module for EMC and Internal Audit management reports.

Data Analytics

- The Data Analytics team has completed six weeks of training provided by the third-party integrator for the selected data analytics tool, Alteryx.
- Five use cases have been identified to develop data analytic routines and the team is working on the first use case (i.e., fixed assets) using Alteryx and is expected to have a completed analysis by the end of July. Data gathering for the remaining four use cases is in progress.
- Data analytics application for the 2021 audit plan identified 27 out of 44 (61%) audit projects. Out of the 22 audit projects either completed or in progress to date, data analytics was applied to 10 out of 22 or 45%.

Talent Management

- Training sessions for business acumen, data analytics and fraud have been scheduled. In July, staff will attend Public Utility Accounting from the APPA.
- Deloitte will provide two lunch and learn trainings to the Internal Audit team on fraud in July and August, and data analytics training for all staff in October.

CAE Required Communications to the Audit Committee

Internal Audit - NYPA and Canal Corporation

Standard	Communication Requirement	Form	Audit Communication
1000	The CAE must periodically review the Internal Audit Charter and present it to senior management and the Board for approval.	Internal Audit Charter	As the CAE, I hereby confirm the presentation of the revised Internal Audit charter and the required discussions with senior management and the Board took place on July 15, 2021.
1010	The CAE should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the Board.	Internal Audit Charter	The mission of Internal Audit and the mandatory elements of the International Professional Practices Framework were discussed with senior management and the Audit Committee in conjunction with the Internal Audit charter review at the July 15, 2021 Audit Committee meeting.
1111	The CAE must communicate and interact directly with the Audit Committee.	Audit Committee Meetings and Private Sessions	As the CAE, I confirm that an appropriate level of communication and interaction has taken place between myself and the Audit Committee.
1320	<p>The CAE must communicate the results of the quality assurance and improvement program to senior management and the Board. Disclosure should include:</p> <ul style="list-style-type: none"> Results of ongoing monitoring of the internal audit activity's performance. Scope and frequency of both the internal and external assessments. Qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest. Conclusions of assessors and corrective action plans. 	<p>Internal Quality Assessment Presentation</p> <p>Monthly Activity Report & IA Scorecard</p>	<p>Results of ongoing monitoring of performance was reported to the Audit Committee as a component of the monthly internal activity reports.</p> <p>All communications included the required disclosures.</p>
2020	The CAE must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the Board for review and approval. The CAE must also communicate the impact of resource limitations.	<p>Annual Audit Plan</p> <p>Monthly Activity Report</p>	Communication of status of Internal Audit plans and resource requirements was reported on a monthly basis to the Audit Committee. There have been no significant interim changes in internal audit activity's plans and resource requirements. Accordingly, there were no material impacts associated with resource limitations.
2060	The CAE must report periodically to senior management and the Board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the Board.	<p>Internal Audit Charter</p> <p>Monthly Activity Report & IA Scorecard</p> <p>Required Communications Checklist</p>	As the CAE, I confirm that all required communications have taken place within the established timeframes, including significant risk exposures and control issues, fraud risks, governance issues and other matters that require the attention of senior management and/or the Board.
2600	When the CAE concludes that management has accepted a level of risk that may be unacceptable to the organization, the CAE must discuss the matter with senior management. If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the Board.	Audit Committee Meetings & Private Sessions	As the CAE, I confirm that there were no situations where I concluded management had accepted an inappropriate level of risk.

Appendix

Appendix A – 2021 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued/ Comment
Deliverables Issued: 18							
1	NYPA	2021-AU-10	Economic Development Programs	Commercial Operations	Audit	Satisfactory	3/5/2021
2	NYPA	2021-AV-44	Contractors Out-of-State Travel Affirmation Review	Utility Operations	Advisory	N/A	3/8/2021
3	NYPA	2021-AU-07	Contingent Worker (NYPA & Canals)	Human Resources & Administration	Audit	Considerable Improvement Needed	3/23/2021
4	NYPA	2021-AU-06	Cloud Services	Information Technology	Audit	Considerable Improvement Needed	3/31/2021
5	NYPA	2021-AU-01	Customer Billing	Business Services	Audit	Considerable Improvement Needed	4/15/2021
6	NYPA	2021-AU-16	IT Governance	Information Technology	Audit	Satisfactory	4/22/2021
7	NYPA	2021-AV-45	IT Disaster Recovery Test Advisory Project (1)	Information Technology	Advisory	N/A	4/29/2021
8	NYPA	2021-AV-38	NERC Operations and Planning/Critical Infrastructure Protection Audit Prep (1)	Utility Operations	Advisory	N/A	4/30/2021
9	NYPA	2021-AU-30	User Access Management	Information Technology	Audit	Some Improvement Needed	5/6/2021
10	NYPA	2021-AU-32	Bid to Bill System Implementation (1)	Commercial Operations	Audit	N/A	5/12/2021
11	NYPA	2021-AU-14	Generation and Transmission Project Scope and Design Change Management	Utility Operations	Audit	Some Improvement Needed	5/19/2021
12	NYPA	2021-AU-22	Rapid Application Development	Information Technology	Audit	Some Improvement Needed	5/25/2021
13	NYPA	2021-AU-19	Financial Forecast Model System Implementation (1)	Business Services	Audit	N/A	6/4/2021
14	NYPA	2021-AU-29	Transitional Positions (NYPA & Canals)	Human Resources & Administration	Audit	Some Improvement Needed	6/9/2021
15	NYPA	2021-AU-17	Mobile Device Security	Information Technology	Audit	Satisfactory	6/25/2021
16	NYPA	2021-AU-28	Other Post-Employment Benefits	Business Services	Audit	Some Improvement Needed	6/29/2021
17	Canals	2021-AU-41	Canals Pension and Other Post-Employment Benefits Administration	Utility Operations	Audit	Satisfactory	6/24/2021
18	Canals	2021-AU-43	Canals Employee Health Benefits Administration	Utility Operations	Audit	Considerable Improvement Needed	6/24/2021
Reporting in Progress – Fieldwork Complete: 2							
19	NYPA	2021-AU-05	Asset Management Governance	Utility Operations	Audit		
20	NYPA	2021-AU-27	Third Party Services (NYPA & Canals)	Human Resources & Administration	Audit		

Appendix A – 2020 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued
Fieldwork in Progress: 4							
21	NYPA	2021-AU-18	Next Gen Niagara Implementation (1)	Utility Operations	Audit		
22	NYPA	2021-AU-26	IT Project Management Lifecycle	Information Technology	Audit		
23	NYPA	2021-AU-34	Communications Backbone Program	Utility Operations	Audit		
24	NYPA	2021-AV-38	NERC Operations and Planning/Critical Infrastructure Protection Audit Prep (2)	Utility Operations	Advisory		
Planning in Progress: 4							
25	NYPA	2021-AS-02	Reimagine Canals Program Implementation	Strategic Planning Corporate Strategy	Assessment		
26	NYPA	2021-AU-09	Customer Financing	Business Services	Assessment		
27	NYPA	2021-AU-04	Apprenticeship Program	Utility Operations	Audit		
28	Canals	2021-AU-42	Canals Post Integration Review	Utility Operations	Audit		
Planning Not Started: 17							
29	NYPA	2021-AS-03	Sustainability Plan Refresh	Legal Affairs	Assessment		
30	NYPA	2021-AU-08	Fixed Assets	Business Services	Audit		
31	NYPA	2021-AU-46	Kronos Time and Attendance System Implementation	Business Services	Audit		
32	NYPA	2021-AU-12	SAP General Ledger	Business Services	Audit		
33	NYPA	2021-AS-13	Enterprise Program Management	Business Services	Assessment		
34	NYPA	2021-AU-15	IT Asset Management System Implementation	Information Technology	Audit		
35	NYPA	2021-AV-20	Pandemic Plan After Action Review	Utility Operations	Advisory		
36	NYPA	2021-AU-21	Project and Business Case Development	Commercial Operations	Audit		
37	NYPA	2021-AU-24	Trading Process Controls	Business Services	Audit		
38	NYPA	2021-AU-25	Supply Chain Management	Human Resources & Administration	Audit		
39	NYPA	2021-AU-33	Succession Planning (NYPA & Canals)	Human Resources & Administration	Audit		
40	NYPA	2021-AU-35	Smart Path Transmission Line Upgrade	Utility Operations	Audit		
41	NYPA	2021-AV-36	Diversity, Equity, and Inclusion Program	Human Resources & Administration	Advisory		
42	NYPA	2021-AV-37	Emergency Energy Control Center (E2C2) Physical and Environmental Controls	Information Technology	Advisory		
43	NYPA	2021-AU-23	ReCharge NY Customer Compliance	Commercial Operations	Audit		
44	Canals	2021-AS-39	Canals Asset Management Lifecycle (Inventory and Maintenance)	Utility Operations	Assessment		

Appendix A – 2020 Internal Audit Plan

Ref	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Report Rating	Date Issued
45	Canals	2021-AU-40	Canals Flood Warning System Application Review	Utility Operations	Audit		
Audit Projects Canceled: 0							

Appendix B – Changes to 2021 Internal Audit Plan Details

NYPA:

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Information Technology	IT Disaster Recovery Test Advisory Project	Add to Plan	Management gained value when Internal Audit was included as an observer for the IT DR test in 2020. Management requested Internal Audit continue this work for the 2021 IT DR test.	Q2	+1
Business Services	Kronos Time and Attendance System Implementation	Add to Plan	Added to plan to assess the controls related to the implementation of a new time and attendance system (Kronos) to replace SAP CATS system.	Ongoing	+1
Information Technology	System Development Lifecycle	Audit Name Change	Changed Name to IT Project Management Lifecycle. IT does not follow a traditional Systems Development Lifecycle framework and adheres to an IT Project Management Lifecycle framework. The name was changed to reflect the current framework in place.	Q2	0
Utility Operations	Generation and Transmission Project Scope and Design Change Management Process	Audit Name Change	Changed Name to Generation and Transmission Project Scope and Design Change Management	Q1	0
Business Services	Customer Financing	Audit Type	Changed from an audit to an assessment due to the new processes being implemented by the business (the credit desk and the loan conduit) and the recent change in key leadership within Risk Management overseeing the credit risk.	Q3	0
Commercial Operations	Western NY Customer Compliance	Remove from Plan	Removed from plan since management only required reporting and did not enforce compliance by Western NY customers due to COVID-19 impacts. Management has also decided not to reduce power allocations in 2021 for those customers enrolled in this program and have not met their job and capital investment commitments. The audit for ReCharge NY will remain. Management will pilot using CDEx for customers to report and provide evidence of compliance.	N/A	-1

Appendix B – Changes to 2021 Internal Audit Plan Details

NYPA:

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Utility Operations	Energy Management System (EMS) Replacement	Remove from Plan	Due to longer than expected time to develop requirements for the EMS System Replacement, Internal Audit will not be able to perform audit activities for this system replacement in 2021. Internal Audit will keep abreast of project development and consider for inclusion in the 2022 Audit Plan.	N/A	-1

CANALS:

Business Unit	Audit Name	Change	Rationale	Est. Start	Impact to IA Plan
Utility Operations	Canals Medical and Dental Benefits Administration	Audit Name Change	Changed name to Canals Employee Health Benefits Administration. Health benefits other than medical and dental benefits are offered to Canals employees which will be included in this review.	Q2	0
Utility Operations	Canals Pension and Other Post Retirement Benefits	Audit Name Change	Changed name to Canals Pension and Other Post-Employment Benefits Administration to align with the terminology indicated in NYPA's financial statements.	Q2	0



**NY Power
Authority**

**Canal
Corporation**



July 15, 2021

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 re-elected 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 General Counsel ("GC"), 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 three times 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, GC 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.
- 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) Oversight of Independent Accountants

The Committee 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 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) matters 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 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) Oversight of the Internal Audit Department

The Internal Audit Department and CAE will report directly to the Committee. Accordingly, the Committee will:

- a. Have authority over appointment, dismissal, compensation, and performance reviews of the CAE.
- b. Review the charter, activities, staffing and organizational structure of the Internal Audit Department with the CEO 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. Provide oversight for the EH&S Compliance Audit Program as part of Internal Audit's audit activities to ensure an independent assessment is conducted for EH&S compliance at the Authority's facilities.
- f. 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.
- g. Require the CAE to attend any meeting of the Committee and to prepare and deliver such reports as the Committee requests.
- h. 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.
- i. Review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board.
- j. Conduct an annual self-evaluation of performance, including its effectiveness and compliance with the charter.

Standards Conformance

- k. Inquire of the CAE about steps taken to ensure that the internal audit activity conforms with the IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- l. Ensure the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the Audit Committee.

- m. Ensure that the internal audit activity has an external quality assurance review every five years.
- n. Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- o. Advise the Board about any recommendations for the continuous improvement of the internal audit activity.



Charter Title:
Internal Audit Charter

Charter Number:
CP 5-1

Page:
1 of 8

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
6/3/2021	3	Update to Charter to include Internal Audit responsibility for the Environmental Health and Safety (EH&S) Compliance Audit Program and added references to the Office of Ethics and Compliance	Various Sections	Angela Gonzalez SVP Internal Audit
7/16/2020	2	Update to Charter to align with the Institute of Internal Auditors International Professional Practices Framework (IPPF) e-Scribe	Various Sections	Angela Gonzalez SVP Internal Audit
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

PURPOSE

Purpose

The mission of the Internal Audit (IA) function is to provide independent, objective audit and advisory services designed to add value, manage risks, and improve NYPA and Canal Corporation (NYPA and 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.

Standards for the Professional Practice of Internal Auditing

IA will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Chief Audit Executive (CAE) will report periodically to senior management and the Audit Committee of the Board of Trustees (Audit Committee) regarding the IA department's conformance to the Code of Ethics and the Standards.

Authority

The CAE will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the Executive Vice President & General Counsel. To establish, maintain, and assure that NYPA and Canals' IA department has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the IA department's charter.
- Approve the risk-based Internal Audit plan and EH&S Compliance Audit plan.
- Approve the IA department's budget and resource plan.
- Receive communications from the CAE on the IA department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the CAE.
- Approve the remuneration of the CAE.
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.

The CAE will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including private meetings without management present. The CAE will also have access to the Executive Management Committee (EMC).

The Audit Committee authorizes the IA department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary NYPA and Canals personnel, as well as other specialized services from within or outside NYPA and Canals, to complete the engagement.

Responsibilities

The CAE has the responsibility to:

- Submit, at least annually, to executive management and the Audit Committee a risk based Internal Audit plan and EH&S Compliance Audit plan for review and approval.
- Communicate to executive management and the Audit Committee the impact of resource limitations on the Internal Audit plan and EH&S Compliance Audit plan.
- Review and adjust the Internal Audit plan and EH&S Compliance Audit plan, as necessary, in response to changes in NYPA and Canals' business, risks, operations, programs, systems, and controls.
- Communicate to executive management and the Audit Committee any significant interim changes to the Internal Audit plan and EH&S Compliance Audit plan.
- Ensure each engagement of the Internal Audit plan and EH&S Compliance Audit plan is fully executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement observations and corrective actions, and report periodically to executive management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the IA department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the IA charter.
- Ensure trends and emerging issues that could impact NYPA and Canals are considered and communicated to executive management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the IA department.
- Ensure adherence to NYPA and Canals' Code of Conduct and relevant policies and procedures, unless such policies and procedures conflict with the IA charter. Any such conflicts will be resolved or otherwise communicated to executive management, the Office of Ethics and Compliance and the Audit Committee.
- Ensure conformance of the IA department with the IIA Standards (Standards), with the following qualifications:
 - If the IA department is prohibited by law or regulation from conformance with certain parts of the Standards, the CAE will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.

- If the Standards are used in conjunction with requirements issued by other authoritative bodies, the CAE will ensure that the IA department conforms with the Standards, even if the IA department also conforms with the more restrictive requirements of other authoritative bodies.

INDEPENDENCE AND OBJECTIVITY

Independence and Objectivity

The CAE will ensure that the IA department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties, including the Chief Ethics and Compliance Officer.

Internal auditors will maintain an unbiased approach that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any financial or operational duties for NYPA and Canals or their affiliates.
- Initiating or approving transactions external to the IA department.
- Directing the activities of any NYPA and Canals employee not employed by the IA department, except to the extent that such employees have been appropriately assigned to audit teams or to otherwise assist internal auditors.

Where the CAE has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to the CAE and other appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process under examination.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest or undue influence with their own interests or by others in forming judgments.

The CAE will confirm to the Audit Committee, at least annually, the organizational independence of the IA department.

The CAE will disclose to the Audit Committee any interference or undue influence and their related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for NYPA and Canals. Internal Audit is also responsible for conducting annual Environmental, Health and Safety (EH&S) Compliance audits. Internal audit assessments include evaluating whether:

- Risks related to the achievement of NYPA and Canals' strategic objectives are appropriately identified and managed.
- The actions of NYPA and Canals' officers, directors, employees, contingent workers, and consultants are compliant with NYPA and Canals' policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact NYPA and Canals operations.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.
- Collaboration occurs among IA, Enterprise Risk Management and the Ethics and Compliance Office to report significant risk exposures and control issues, including fraud risks and governance issues.

The CAE also coordinates activities, where possible, and considers relying upon the work of other internal and approved external assurance and consulting service providers as needed. The IA department may perform advisory and related client service activities, the nature and scope of which will be agreed upon with the client, provided the IA department does not assume management responsibility.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

IA will maintain a Quality Assurance and Improvement Program that covers all aspects of the IA function. The program will include an evaluation of the IA department's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the IA department and identify opportunities for improvement.

The CAE will communicate to executive management and the Audit Committee on the IA department's Quality Assurance and Improvement Program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside NYPA and Canals.

MANAGING THE INTERNAL AUDIT FUNCTION

The CAE is delegated the authority and discretion to perform audit and advisory 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 and EH&S Compliance audit 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 and any competency gaps.
- Developing staff with skills that can be transferred to other areas of the business.
- Aligning to professional standards and serving as a training and talent development organization within NYPA and Canals.
- Effectively onboarding IA new hires and providing core training materials and 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.

NATURE OF WORK

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 Audit Committee. The established audit universe defines the auditable entities and risks that IA will monitor and mitigate. These elements will include operational, financial, compliance, strategic and information technology risk. 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, compliance and control processes and EH&S compliance.
- **Assessments** – IA will provide independent assessment activities focused on process improvement opportunities, risk identification and mitigation within new processes and initiatives.
- **Advisory** – 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.

ENGAGEMENT PLANNING AND AUDIT PERFORMANCE

IA will perform an annual risk assessment to create an Internal Audit plan and the EH&S Compliance Audit plan. As part of the risk assessment, IA will consider feedback from management at various levels, existing risk profile, emerging risks, strategic objectives, prior years' internal audit results, and significant upcoming industry, regulatory 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 and EH&S Compliance 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 and the EH&S Compliance Audit plan, including as appropriate, any special projects requested by the Audit Committee, 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.
- Using 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.

COMMUNICATING RESULTS

The CAE will report periodically to executive management and the Audit Committee regarding:

- The IA department's purpose, authority, and responsibility.
- The IA department's plan and performance relative to its plan.
- The IA department's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to NYPA and Canals.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

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 Satisfactory, Some Improvement Needed, Considerable Improvement Needed 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.

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 the Audit Committee in the event a high rated observation is not timely or satisfactorily resolved. Management of the audited organization shall be notified of the intent to escalate a particular issue and will be encouraged to participate in its resolution.

Approval/Signatures

Angela Gonzalez

6/3/2021

Chief Audit Executive

Date

Board/Audit Committee Chair

Date

Chief Executive Officer

Date