



**MINUTES OF THE REGULAR MEETING  
OF THE  
NYPA AND CANAL AUDIT COMMITTEE  
March 26, 2024**

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Minutes of the meeting of the New York Power Authority and Canal Corporation's Audit Committee, held at NYPA's administrative office building, White Plains, New York, at approximately 8:30 a.m.

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

Dennis G. Trainor – Chair  
John R. Koelmel  
Michael J. Cusick  
Lewis M. Warren, Jr.  
Laurie Wheelock

Also in attendance were:

Justin E. Driscoll	President and Chief Executive Officer
Adam Barsky	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Lori Alesio	Executive Vice President and General Counsel
Daniella Piper	Executive Vice President and Chief Innovation Officer
Yves Noel	Senior Vice President and Chief Strategy Officer
Robert Piascik	Senior Vice President and Chief Information & Technology Officer
Angela Gonzalez	Senior Vice President – Internal Audit
Karina Saslow	Senior Vice President – Human Resources
Karen Delince	Vice President, Corporate Secretary
Joseph Gryzlo	Vice President and Chief Ethics & Compliance Officer
Sundeep Thakur	Controller
Carley Hume	Chief of Staff and Vice President of Policy
Christopher Vitale	Director of Projects – Business Services
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Senior Associate Corporate Secretary
Michele Stockwell	Assistant - Corporate Secretary
Scott Heiser	KPMG
Ryan Gibbons	KPMG

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

## **Introduction**

Chairman Dennis Trainor welcomed committee members and senior staff to the meeting. He said that the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to section B(4) of the Audit Committee Charter.

### **1. Adoption of the March 26, 2024 Proposed Meeting Agenda**

On motion made by Member John Koelmel and seconded by Member Lewis Warren, Jr., the agenda for the meeting was unanimously adopted, as amended.

## **Conflicts of Interest**

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

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

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

### **3. Motion to Resume Meeting in Open Session**

Chair, I move to resume the meeting in Open Session. On motion made by Member Dennis Trainor and seconded by member Lewis Warren, Jr., the meeting resumed in open session. Chair Dennis Trainor stated that no votes were taken during the Executive Session.

### **4. DISCUSSION AGENDA:**

Ms. Angela Gonzalez, Senior Vice President of Internal Audit, provided an update on the 2023 Internal Audit Plan for the Authority and Canal Corporation. In addition, the 2024 Internal Audit Plan, and the EH&S Compliance Audit Plan was presented to the members for their approval.

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

Ms. Angela Gonzalez, Senior Vice President of Internal Audit, provided highlights of the report to the members.

## **Internal Audit Scorecard**

### **2023 Audit Plan Completion**

IA's 2023 Audit Plan is 100% complete.

## **2023 Audit Plan Status:**

### **Department Utilization for all Available Hours**

- Audit Hours Internal Target is 75%; to date it is 78% complete. This excludes time for eGRC, Data Analytics Strategy, Training and Administrative support.

### **2023 IA Operational Excellence**

- Audit Deliverables with Opinions (Internal Target is 65%; to date it is 68%)
- Fieldwork to Report Issuance (benchmark is 7 weeks; IA is at 2.5 weeks)
- IA Average Project Cycle Time (benchmark is 10; IA is at 10.1)

### **2023 IA Staff Excellence**

- Professional Certification - 75% of staff has at least 1 certification
- Average Years of IA Experience is 17 years

## **Observation Status as of 3/15/2024**

### **2022 observations complete**

Total observations - 78

### **2023 Observations**

High observations – 70% closure; 3 open  
Medium observations – 31% closure  
Low observations – 55% closure

### **High Risk Observations Tracking as of 3/15/24**

6 observations closed ahead of time  
1 closed on time; and  
3 open to date

## **2023 NYPA & Canals Audit Plan Status**

### **2023 Plan Status**

- 41 audit projects are included in the NYPA and Canals 2023 Audit Plan. 42 deliverables will be issued since one engagement had more than one deliverable for ongoing advisory work.
- Report Opinions were at 20% Satisfactory; 38% Some Improvement Needed; 10% Considerable Improvement Needed and 32% not rated since they were assessments or advisory work.
- 10 high-rated observations have been identified, to date. 3 high-rated observations were associated with the 4 Considerable Improvement Needed opinion reports; and the remaining 7 high-rated observations are from assessment reports and system implementation memos.

Management continues to elevate the control environment through various internal control mechanisms and promotes its importance by executing planned actions to ensure remediation for observations identified to mitigate risk.

**b. New York Power Authority and Canal Corporation 2024 Internal Audit Plan**

Ms. Angela Gonzalez, Senior Vice President of Internal Audit, provided highlights of the report to the members.

**Executive Summary – Annual Audit Plan**

The proposed 2024 Audit Plan reflects the following key components:

- A defined and risk-scored Audit Universe aligned by Business Unit
- 49 audit entities in the Audit Universe. Audit Project selection is based on an audit entity risk ranking, last audit year, key initiatives, Internal Audit resources.
- Key stakeholder input from Executive Management, Risk and Resilience and various Business Units to get their take on where they see risk in the organization.
- 90% of the Audit Plan is aligned to NYPA and the Canal Corporation's Strategic Priorities and Top Enterprise Risks.
- Evaluation of emerging risks and changing business needs will be considered quarterly and the Audit Plan adjusted, accordingly.

**Risk Assessment Process for the Audit Plan – NYPA and Canal Corporation**

**Internal Inputs**

- 2023 Audit Plan Results
- Deferred Audits
- Last Audit Year
- Open/Closed Observations
- Strategic Priorities/Pillars
- Top Enterprise Risks

**Key Stakeholders**

- Interviews with NYPA and Canal Corporation's Management

**External Inputs**

- Benchmark against Gartner
- NYPA Internal Audit Benchmarks to Peers
- Industry Benchmarks

**Audit Universe**

- 49 Auditable Entities
- Risk Scored all Auditable Entities in eGRC Audit system

**2024 Audit Plan Coverage**

- The Plan has 41 projects  
38 NYPA and 3 Canal Corporation Audit projects

NYPA/Canals Executive Management reviews the Audit Plan. The Plan is then presented to the Audit Committee for approval.

**Audit Universe**

The Audit Universe contains 49 audit entities for NYPA and Canal Corporation rated High, Medium, and Low risk entities, with a focus on high- and medium-rated risks entities, using a five-year cycle with high-rated entities, 1-2 years; medium rated entities, 2-4 years; and low-rated entities, 4-5 years.

### **Proposed NYPA and Canal Corporation 2024 Audit Plan Coverage**

There are 41 projects in the proposed NYPA and Canal Corporation 2024 Audit Plan with a breakdown as follows:

- 81% Audits
- 12% Assessments; and
- 7% Advisory work

The 2024 Audit Plan continues its focus on Audits, Assessments and Advisory audit projects. The Plan is based on:

- **Internal Audit's staff hours and third-party co-source hours**  
Co-source hours supplement IA's Technology and Business Audits.
  - **The average budgeted hours for audit projects**  
2024 audit project hours were increased to 580 hours. This reflects a deeper audit scope and IA's continued use of data analytics during the audit process.
- The total Audit plan hours are 23,780 hours. (Internal Audit staff hours available for the audit plan 19,195 hours and third-party co-source resources 4,585 hours).
  - Approximately 1,050 contingency hours have been allotted for special projects. IA is requested to execute at least two special projects during the year.

### **Proposed NYPA and Canal Corporation 2024 Audit Plan Resource and Audit Type Allocation**

#### **Resource Allocation**

- Internal staff hours available for the Audit Plan include filling 6 open positions to reach a staff level of 20 Auditors and 2 Data Analysts.
- Third-Party co-source technology hours to support business technology audit projects (IT and OT) and some integrated audits.
- Business co-source hours support the business audits and subject matter expertise, as needed.
- Business hours have been reduced to reflect filling open positions.

#### **Audit Type Allocation**

- Business audits decreased slightly due to recent audit coverage for certain audit entities. Audit coverage continues to include specific audits to meet ISO 55001 Standards.
- Technology audits increased slightly with areas within IT that have not been audited recently, and continued coverage for cyber security, IT operations and governance.
- Integrated audits coverage is relatively comparable from year to year. The team continues to work on organization-wide digitalization projects some of which have been carried over from the 2023 Audit Plan.

### **NYPA and Canal Corporation 2024 Audit Plan Risk Allocation**

Audit risk coverage is categorized between Financial, Legal, Regulatory, Operational, Strategic and Technology risks.

#### **NYPA**

- There was a decrease in coverage for operational risk. This is in alignment with Internal Audit's benchmark for the public sector.
- Financial risk increased slightly due to coverage of areas that have not been done before.
- Strategic risk has decreased slightly due to coverage from 2022 to 2023.
- Technology risk multi-year digital transformation projects are continuing with new audit areas included.
- Legal and Regulatory risks have increased due to audit coverage in the prior year.

**Canal Corporation**

- Financial, legal, and regulatory and operational risks will be audited.
- Strategic and technology risks have been covered from NYPA shared service audits.

**IA Strategy – Digital Internal Audit Through the Years**

2019 – Navigation and Strategy

- IA defined a roadmap for digital transformation
- IA's Digital Audit team was created (Phase 1)

2020

- A Roadmap was created followed by methodology and potential digital tools.
- Operating model for data analytics was developed.

2021 – Scale & Deliver

- Staff were trained to use the Alteryx tool for data analytics.
- Aligned people, process, technology to this.
- IA set the foundation for continuous auditing, which is done today.

2022

- IA was able to scale and deliver more advanced analytics.

2023

- IA partnered with IT and the business units on building its data repository where the team was able to get data quicker and the continuous auditing routines were put in that repository.

2024

- This year is the evolution of Gen AI and advising the organization on Gen AI.
- IT is currently working on a model for IA whereby they can get its first draft report using the Gen AI model.

Ms. Gonzalez ended that the team is reviewing other use cases as well as advising the organization on Gen AI, what frameworks they could use, what the controls should be, so NYPA can have responsible Gen AI through the organization.

Ms. Gonzalez ended that the Audit Committee is requested to approve the 2024 Internal Audit NYPA and Canal Corporation Plan.

On motion made by member John Koelmel and seconded by member Lewis Warren, Jr., the following resolution was unanimously adopted.

RESOLVED, That the Audit Committee recommends that the New York Power Authority Board of Trustees and New York State Canal Corporation Board of Directors approve the 2024 Audit Plan; and be further

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



**c. New York Power Authority and Canal Corporation 2024 Environmental, Health & Safety Compliance Audit Update**

Ms. Angela Gonzalez, Senior Vice President of Internal Audit, provided highlights of the report to the members as follows:

**2023 Environmental, Health & Safety (EH&S) Compliance Audit Plan Status**

- 4 audits are included in the EH&S Compliance Audit Plan.
- Of the 4 EH&S compliance audits, some were issued as “Some Improvement Needed” opinions. The facilities and construction projects audited had notable EH&S practices that are managed effectively.
- Observations identified did not include any violations of external laws and regulations that result in substantial risk to the environment, health and safety to employees, customers, or the public.

**2023 Observation Summary Status – NYPA & Canals**

- To date, 78 observations have been identified. 35 observations have been closed; and 43 observations are open.
- 44% of observations have been closed ahead of time or on time; and
- No observations are overdue.

**2023 Observation Summary Status – Environmental, Health and Safety (EH&S) Compliance**

- 54 observations have been identified. 36 observations (10 high, 18 medium, and 8 low) have been closed. 18 observations are open for EH&S compliance audits.
- 67% (36 of 54) of the observations have been closed ahead of time or on time.
- Open observations and associated recommendations are on track to close within their due dates.
- No observations extensions requested.

**Chief Audit Executive(“CAE”) Required Communications to the Audit Committee**

Internal Audit is due for an external assessment this year. The last assessment was conducted in 2019. Internal Audit has contracted with an external assessor from the Institute of Internal Auditors who will be coming in June to assess NYPA's processes and if the Internal Audit is in conformance with IIA standards. The assessor contracted, conducted the Internal Audit's assessment in 2019 and has more than 20 years of experience in this field. He is independent and there is no conflict of interest in hiring him for the assessment.

**Environmental, Health & Safety (EH&S) Compliance Audit Plan for 2024**

Ms. Gonzalez provided highlights of the 2024 EH&S Compliance Audit Plan for the members. She said that the proposed 2024 EH&S Compliance Audit Plan is fully developed and reflects the following key components.

- There are 8 audit entities in the Audit Universe. Audit Project selection is based on audit entity risk ranking, last audit year, emerging risks, Internal Audit resources; and
- The Plan is aligned with NYPA Canal Corporation's ESG Strategic Pillar, the Workforce Health and Safety Top Enterprise Risk and Canals Public Health and Safety Top Enterprise Risk.

**2024 Risk Assessment and Annual EH&S Compliance Audit Plan.**

Following a risk assessment process, January – March, the EH&S subcommittee which includes staff from EH&S, Law Department, Ethics & Compliance and stakeholders review the Plan and Internal Audit is now recommending that the Audit Committee approve the EH&S Compliance Audit Plan.

On motion made by Dennis Trainor and seconded by Lewis Warren, Jr., the 2024 Environmental, Health and Safety (EH&S) Compliance Audit Plan was unanimously approved.

**d. Procurement (Services) Contract – Audit and Accounting Services – Contract Award**

Mr. Adam Barsky, Executive Vice President and Chief Financial Officer, provided highlights of staff's recommendation to the members.

On motion made by member John Koelmel and seconded by member Laurie Wheelock, the following resolution, as recommended by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization Procedures (EAPs) adopted by the Authority and provisions of the Public Authority Accountability Act of 2005, the award and funding of a multi-year procurement contract to KPMG LLP is hereby approved for the period of time indicated, as recommended in the foregoing report from the EVP and CFO in the amount and for the purpose listed below:

<b>Audit and Accounting Services</b>	<b>Projected Closing Date</b>	<b>Contract Approval</b>
KPMG	9/14/24	Not to exceed \$9.1M

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

**e. 2023 Financial Reports Pursuant to Section 2800 of the Public Authorities Law and Regulations of the Office of the State Comptroller**

Mr. Adam Barsky, Executive Vice President and Chief Financial Officer, provided highlights of staff's recommendation to the members.

On motion made by member Lewis Warren, Jr., and seconded by member Michael Cusick, the following resolution, as recommended by the President and Chief Executive Officer, was unanimously adopted.

WHEREAS, pursuant to Section 2800(1) of the Public Authorities Law, the Authority is required to annually submit to the Governor, the Chairman and Ranking Minority Member of the Senate Finance Committee, the Chairman and Ranking Minority Member of the Assembly Ways and Means Committee, the State Comptroller and the Authorities Budget Office, within 90 days after the end of its fiscal year, a complete and detailed

report or reports setting forth information regarding, among other things, certain financial information; and

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

WHEREAS, on the date hereof, the Chief Executive Officer and Chief Financial Officer have so certified as to the financial information contained within the attached reports for the fiscal year ending December 31, 2023;

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

RESOLVED, That pursuant to Section 2800 of the Public Authorities Law, the Audit Committee hereby recommends that the Authority's financial reports are adopted and the Corporate Secretary be, and hereby is, authorized to submit to the Governor, the Chairman and Ranking Minority Member of the Senate Finance Committee, the Chairman and Ranking Minority Member of the Assembly Ways and Means Committee, the State Comptroller, and the Authorities Budget Office the attached financial report for the year ending 2023 in accordance with the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, that pursuant to 2 NYCRR Part 203, the Audit Committee hereby recommends that the Authority's report of actual vs. budgeted results for the year 2023 is approved in accordance with the foregoing report of the President and Chief Executive Officer, and the Corporate Secretary is authorized to post the report on the Authority's website; and be it further

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

**f. New York Power Authority Discussion with Those Charged with Governance**

Mr. Scott Heiser, Managing Partner, introduced the KPMG team members, Mr. Ryan Gibbons and Mr. Christopher DiVanzo, and provided highlights of the report to the members. He said that the Authority is in a good financial position. KPMG will provide an update on the new GASB new leasing standard and changes to the OPEB Plan, is on track to complete the audit and expects to issue its report in connection with the Authority's consolidated financial statements shortly.

### **Audit Results**

Required Communications to those charged with Governance:

- KPMG has no audit differences to report or significant changes to the Audit Plan
- No significant deficiencies, controls, or audit adjustments
- No indications of fraud in testing Journal entries
- No conflicts with independence as it relates to the Audit

Mr. Ryan Gibbons provided highlights of the report as follows:

### **Significant Risks and Other Significant Audit Matters:**

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

In order to address this risk, KPMG performed high-risk criteria over the Journal entries for the year and all General Ledger manual and automated entries.

KPMG addressed the significant accounting estimates for any management bias in any of the judgments involved.

The engagement team did not identify any instances of fraud or any matters to report in regard to this significant risk in management, overall.

### **Significant Accounting Estimates:**

#### **Other Post-retirement Benefits (OPEB):**

- KPMG uses a third-party Actuary, Buck Consultants, to determine the OPEB obligation.
- KPMG received the Actuarial report from Buck Consultants, ensuring the accuracy of the entries recorded for the year. Concurrently with Buck Consultants, KPMG leveraged one of its Actuaries to review the assumptions involved in the evaluation.
- KPMG also subject the fiduciary plan assets to its National Pricing and Investment confirmation procedures to test the fair value as of the measurement date.
- KPMG also ensures that the financial statement disclosures related to the valuation are complete and accurate for the year.

#### **Pensions (GASB 68)**

- KPMG received the external valuation from the New York State Local Retirement System and ensured the accuracy and appropriateness of all the inputs and the entries recorded based on the Authority's allocation rate.
- KPMG leveraged its Actuary consultant to review the inputs and the assumptions included in the evaluation.
- KPMG tested the relevant data elements, including the census listing of all participants in the Plan, making sure they were complete and accurate when utilized for evaluation; and
- KPMG reviewed the financial statement disclosures and made sure that they were complete, accurate and in line with the reporting standards.

### **Marketable Securities**

- KPMG confirmed investment balances with the banks as of December 31st.

- KPMG utilized its National Pricing team to ensure accuracy and re-price the fair value as of the year-end and what was recorded.

Additionally, as part of the investment compliance, KPMG reviewed a sample of investment purchases and sales activity to ensure that the Authority's portfolio is in compliance with the approved policies and guidelines.

### **Significant Audit Areas**

- For the debt procedures, KPMG confirms 100 percent of the debt outstanding as of year-end with the third-party institutions.
- Additionally, KPMG received the debt activity roll-forward, and tested the current year activities such as issuances and the bond defeasance this year. The team also tested the Authority's debt-service calculation to ensure that they are compliant with any existing debt covenants and reviewed such agreements for anything new in the current year.
- KPMG also recalculated the interest expense related to this debt outstanding as of December 31st.
- There are no findings reported for the long-term debt audit area.

### **Capital Assets**

KPMG obtained management's roll-forward for both construction work in-progress and the plant in-service. The team then reviewed the roll-forwards for accuracy and to see whether the activity is material and significant in the current year.

KPMG subjected the population of additions for both NYPA and SFP, tracing back to respective project invoices, purchase orders, and other such supporting documentation.

Depreciation Expense – KPMG performed analytics comparing the percentage of average capital assets throughout the year and determined whether it is within a threshold considered appropriate.

### **Revenue**

Mr. Scott Heiser provided the following report:

Historically, KPMG performs a full recalculation of a sample bill back to the contracts. KPMG validates, confirms information with the NYISO, and validates the gross amounts. In addition, KPMG successfully implemented another procedure and were able to directly confirm data with some of the customers and counterparties which provided another layer of evidence and improve the quality of the audit.

### **Newly effective Accounting Standards**

The Authority adopted three new GASB accounting standards, namely, GASB 96, GASB 94, and GASB 99.

This adoption recognized a right to use subscription assets and an associated subscription liability which, overall, did not have a material impact on the financial statements. However, as part of the adoption and implementation, KPMG performed its own analysis over the risk assessment of the adoption. The team tested a sample of arrangements that management identified as applicable for Civita, which is a description-based IT arrangement, and traced some of the inputs into the present value calculation back to the associated agreements.

GASB 96 is for subscription-based IT arrangements and is similar to the accounting for GASB 87 for leases.

GASB 94 is considered to have “low” to “no” impact on the financial statements.

GASB 99 is considered to have low-or-no impact on the financial statements.

KPMG has no major concerns to report over the GASB adoptions.

**Shared Responsibility - Independence**

With regard to Independence, KPMG, as the Authority’s auditors, remain compliant with the independence guidelines and monitors close personal and business relationships that may be prohibited with management or the Authority.

**Inquiries**

KPMG performed its required inquiry meetings with key executive senior members of management, as well as the General Counsel and Internal Audit. No matters were identified as a result of these meetings.

There was no fraud or any instances of suspected fraudulent activity throughout the year.

**5. CONSENT AGENDA**

On motion made by member Lewis Warren, Jr., and seconded by member Michael Cusick, the Consent Agenda was unanimously adopted.

**a. Approval of the Joint Minutes of the Regular Meeting held on December 12, 2023**

On motion made by member Lewis Warren, Jr., and seconded by member Michael Cusick, the minutes of the meeting held on December 12, 2023 were unanimously adopted.

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

Chair Dennis Trainor said that the committee will conduct an executive session to discuss the financial and credit history of a particular corporation pursuant to §105f of the Public Officers Law. He continued that no votes will be taken, and the Committee will close the meeting at the conclusion of the Executive Session.

On motion made by member John Koelmel and seconded by member Lewis Warren, Jr., the members conducted an executive session.

**7. Next Meeting**

Chairman Dennis Trainor said that the next regular meeting of the Audit Committee will be held on July 16, 2024 unless otherwise designated by the Chair with the concurrence of the members.

**Closing**

On motion made by member John Koelmel and seconded by member Michael Cusick, the meeting was adjourned at approximately 10:05 a.m.



Karen Delince  
Corporate Secretary