

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
Minutes of the 151st Audit and Finance Committee Meeting
Held on January 25, 2023

Pursuant to a notice and agenda dated January 13, 2023, a copy of which is annexed hereto, the one hundred fifty-first (151st) meeting of the Audit and Finance Committee (the “Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the “Authority”) was convened at 10:00 a.m. on Wednesday, January 25, 2023 at the NY Green Bank (“NYGB”) Office located at 1333 Broadway, Suite 300, New York, New York and at the Authority’s Albany Office located at 17 Columbia Circle, Albany, New York. The two locations were connected by videoconference.

The following Members of the Committee were present:

Jay Koh, *Committee Chair* attended from NYGB

Richard Kauffman, *Chair of the Authority* attended from NYGB

Sherburne Abbott attended from NYGB

Sadie McKeown attended from NYGB

Frances Resheske attended from NYGB

Also present were Doreen Harris, President and CEO; John Williams, Executive Vice President for Policy and Regulatory Affairs; Peter Costello, General Counsel and Secretary to the Authority; Pam Poisson, Chief Financial Officer; Sara LeCain, Senior Counsel and Secretary to the Committee; Mary Peck, Director of Internal Audit, and various other staff of the Authority.

Committee Chair Koh called the meeting to order and noted the presence of a quorum. Notice of this meeting was provided to the Committee Members on January 13, 2023 and to the Press on January 17, 2023.

Committee Chair Koh indicated that the first item on the agenda concerned the approval of the minutes of the one hundred fiftieth (150th) meeting held on June 28, 2022.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee Members, the minutes of the one hundred fiftieth (150th) meeting of the Committee held on June 28, 2022, were approved.

Committee Chair Koh indicated that the next item on the agenda was to receive a report on the Authority's most recent risk assessment. Chief Financial Officer ("CFO") Pam Poisson provided the Committee with an informational update on the Authority's recent risk/controls review and the Authority's cyber security practices.

CFO Poisson explained that consistent with the Authority's Internal Controls Manual and New York State Comptroller Standards for Internal Controls, the Authority regularly reviews risks and controls to help ensure that risks are understood and that appropriately matched controls are in place to mitigate those risks. The most recent Risk and Controls Self-Assessment ("RCSA") was designed to help protect the Authority from potential threats and vulnerabilities that may threaten achievement of the Authority's mission; integrate activities; plans; attitudes; policies; systems and efforts; and keep internal controls well-matched to risk. This effort was guided by an advisory panel and a small team of employees that were educated on risk assessment and process methodologies. Data was gathered through reviews of past risk assessments; audit issues; and process documentation. The risks were then assessed based on probability and severity, then assigned a relative risk rating. By gathering data on the risks; controls; and process efficiencies the Authority was able to uncover not only traditional risks, but also bottlenecks and drivers of re-work that may also pose as a risk.

CFO Poisson noted that overall, the Authority remains well-controlled, with process documentation for critical functions that are updated regularly and highly accessible to staff; universal and recently expanded employee controls training in place; relevant topic expertise secured through a combination of employee and outside resource expertise; and objective assessments and controls testing reinforced through an audit plan. Now, the Authority is pursuing opportunities identified through this analysis to better leverage technology advances; keep improving ratepayer value through efficiency and scale; and help employees focus on activities that add the most value while ensuring a robust control environment.

Next, CFO Poisson provided the Committee with some key items regarding cyber security that the Authority completed or are on track to complete around fiscal year end such as upgrading the Authority's layered security; migrating from traditional antivirus to endpoint detection and response; deploying a content delivery network ("CDN") for improved website security; migrating local data and applications to government clouds; instituting contractor risk assessments and attestations; and conduction of a technology-focused disaster-recovery exercise.

Lastly, CFO Poisson indicated that to help ensure that the recent RCSA translates into realized efficiencies and controls improvements, employees tasked with implementation will have corresponding goals; the review team will conduct periodic progress reviews; and Internal Audit will provide an important ongoing validation step. In addition, the Authority proposes to conduct this analysis on a rolling basis every four years.

In response to an inquiry from Chair Kauffman, CFO Poisson indicated that an example of a cross-cutting item would be the design of a program, and explained that rather than looking at it based on the organizational unit, it is tracked through the entire process and may be proposing updates to the Authority's Internal Controls Manual.

In response to an inquiry from Chair Kauffman, CFO Poisson stated that best practice would suggest controls be as front-loaded and proactive as possible. CFO Poisson also indicated that there is a tradeoff between controls and efficiency, explaining that one of the opportunities the RCSA has identified is that some of these controls might be shifted to being more front-loaded and in doing so less time is spent on execution.

In response to an inquiry from Committee Chair Koh, Internal Audit Director Mary Peck stated that the Authority, as a government agency, tends to err on the side of strong controls and with respect to that it is a constantly changing process. In addition, CFO Poisson stated that for the specific changes surfaced or proposed out of the RCSA, the Authority is having multiple levels of review to ensure that the changes implemented do not diminish the overall control environment.

In response to an inquiry from Committee Chair Koh, CFO Poisson indicated that cyber security is ongoing with a complete review through the internal control certification done as an Authority per State standards. The Authority continually looks across all its processes at a high level, reviewing the overall risk environment. Lastly, interviews are conducted with each of the teams every three to four years.

Committee Chair Koh indicated that the next item on the agenda was to receive a report from the Director of Internal Audit, Mary Peck.

Director Peck provided the Committee with an update on recent activities including the completion of a NY Green Bank compliance review and the ongoing review of the Authority's NYSERDA Enterprise Information System ("NEIS") system access.

Director Peck also discussed the Risk Portfolio and Rotational Audit Plan that was provided to the Committee. Regarding the Risk Portfolio, Director Peck noted that the RCSA will direct future audit activities. With respect to the Rotational Audit Plan, Director Peck explained that it is structured to align with the functional units and primary business processes contained within the Authority's current Internal Control Manual and indicated that the Rotational Audit Plan proposes a minimum cycle over which business practices with higher inherent risks will be audited.

In response to an inquiry from Chair Kauffman, Director Peck explained that the Authority used statistical sampling to find the 15 payments. Furthermore, Director Peck clarified that if there was an area the Authority had an issue with on a previous invoice, it was looked at a second time so that if there were any issues they've been corrected on an ongoing basis. Regarding the opportunities for improvement, Director Peck indicated that none of them were significant.

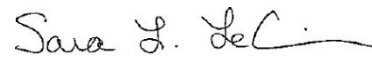
In response to an inquiry from Committee Chair Koh, Director Peck clarified that NEIS is the Authority's in-house financial accounting system that serves as a complement to the statewide financial system.

In response to an inquiry from Committee Chair Koh, Director Peck indicated that there is a project updating the Authority's Internal Control Manual that is not yet complete.

Committee Chair Koh indicated that the last item on the agenda was other business. There being no other business, Committee Chair Koh called for a motion to adjourn.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee Members, the meeting was adjourned.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sara L. LeCain".

Sara L. LeCain
Secretary to the Committee