

**FOR CONSIDERATION**

September 27, 2017

**TO:** The Trustees

**FROM:** Thomas Falcone

**REQUEST:** Authorization to Engage Firms to Provide Co-Sourcing of Internal Audit Services

---

**Requested Action**

The Trustees are requested to approve a resolution authorizing the Chief Executive Officer, or his designee, to engage the following firms to provide Internal Audit Services to the Long Island Power Authority and its wholly-owned subsidiary, Long Island Lighting Company d/b/a LIPA (together, the “Authority”):

Ernst & Young LLP, Protiviti Inc., KPMG LLP and Deloitte & Touche LLP

**Background**

The Authority needs internal audit co-sourcing services in addition to auditing services related to the examination of the Authority’s annual financial statements, which are provided under a separate contract.

The Authority chose the co-sourced model for the internal audit function, which builds on the accomplishments of the existing internal audit function by providing additional subject matter expertise or resources, when necessary.

The Authority has an internal audit department under the management of the Director of Audit. The department has a small audit staff and from time to time requires outside assistance to complete unusually large, time-sensitive or specialized projects. Specifically, the firms engaged under the proposed contracts will be requested to assist with internal audit staffing and services for a variety of projects including operational, financial, information technology, and compliance audits, risk assessments, fraud investigations, advisory and consulting, data analytics, and professional training.

The staff anticipates using up to 3,000 hours of outside internal audit services each year under the proposed contracts.

The scope of these services will cover the Authority’s headquarters in Uniondale, NY, as well as PSEG Long Island’s operations supporting the Authority on Long Island and in Newark, NJ.

**Discussion**

On July 24, 2017, the Authority issued a Request for Proposals (“RFP”) seeking qualified firms to provide internal audit services for a term of five years. The RFP was noticed in the NYS Contract Reporter, posted to LIPA’s webpage and distributed to 8 firms that are known to have the resources and expertise to provide services in all areas that were requested.

By August 23, 2017, twelve firms responded to the RFP. A selection committee of staff evaluated the technical aspects of the proposals, while the Procurement staff evaluated Minority and/or Woman-Owned Business Enterprise (MWBE), Service-Disabled Veteran-Owned Business (SDVOB) and Cost aspects. Three proposers were deemed non-responsive due to failure to meet the threshold criteria stated in the RFP.

The remaining (9) nine proposals were then scored in relevant categories and firms with the top five overall scores were interviewed. Based upon the written submissions, hourly rates and the interviews conducted, EY, Protiviti, KPMG and Deloitte received the highest overall scores and were determined to provide the best value for the Authority’s customers.

I note that EY, Protiviti, KPMG and Deloitte are all nationally recognized audit firms, with extensive power and utility experience and offices in New York.

#### Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by adoption of the resolution in the form of the attached hereto.

#### Attachment Resolution

## **EXHIBIT A**

### **ENGAGEMENT OF FIRMS TO PROVIDE INTERNAL AUDIT SERVICES**

RESOLVED, that consistent with the attached memorandum, the Chief Executive Officer or his designee be, and hereby is, authorized to engage the following audit firms to provide internal audit services to the Long Island Power Authority and the Long Island Lighting Company d/b/a, on an as-needed basis, with the contract for a period of five years each: 1) Ernst & Young LLP, 2) Protiviti Inc., 3) KPMG LLP and 4) Deloitte & Touche LLP.