

BOARD AGENDA SUMMARY SHEET

Committee or Board: Board	Date: July 12, 2019	Board Meeting Date: July 24, 2019
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For All Board Voting Items:

Title of Agenda Item: Approval of Amendments to the Finance and Audit Committee Charter

Consent Agenda: Yes No

Accompanying Presentation: Yes No

Recommendation from Committee: N/A F&A; GP&P; Oversight & REV

LIPA Presenter: N/A

PSEG Long Island Presenter: N/A

Requested Action:	The Board of Trustees is requested to adopt a resolution approving certain amendments to the Finance and Audit Committee Charter.
Summary: (include proposed amendments to Board Policies, if applicable)	The Charter was most recently revised by the Board of Trustees in March 2018. It establishes the purpose, membership, meeting requirements and responsibilities of the Finance and Audit Committee and serves as the governing document for the Committee. Consistent with the Charter, the Committee has undertaken a thorough review of the Charter’s adequacy and compliance with applicable law and has noted certain changes that clarify the Committee’s responsibilities and remove redundancies between the responsibilities listed in the Charter and the applicable Board policies.

FOR CONSIDERATION

July 24, 2019

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of Amendments to the Finance and Audit Committee Charter

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a resolution approving certain amendments to the Finance and Audit Committee Charter (the “Charter”), which resolution is attached hereto as **Exhibit “A”**.

Background

The Charter was most recently revised by the Board of Trustees in March 2018. It establishes the purpose, membership, meeting requirements and responsibilities of the Finance and Audit Committee (the “Committee”) and serves as the governing document for the Committee. Consistent with the Charter, the Committee has undertaken a thorough review of the Charter’s adequacy and compliance with applicable law and has noted certain changes that clarify the Committee’s responsibilities and remove redundancies between the responsibilities listed in the Charter and the applicable Board policies.

The Finance and Audit Committee has adopted a resolution recommending approval of the proposed revisions by the Board.

Recommendation

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

Attachments

- Exhibit “A”** Resolution
- Exhibit “B”** Finance and Audit Committee Charter (redline)
- Exhibit “C”** Finance and Audit Committee Charter (clean)

EXHIBIT "A"

APPROVAL OF AMENDMENTS TO THE FINANCE AND AUDIT COMMITTEE CHARTER

WHEREAS, on June 26, 2014, the Board of Trustees adopted the Finance and Audit Committee Charter ("Charter") which establishes, among other things, the purpose, powers, composition and key responsibilities of the Finance and Audit Committee (the "Committee"); and

WHEREAS, the Committee has reviewed the proposed revised Charter and has recommended to the Board the adoption of the revised Charter consistent with the accompanying memorandum.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of the Long Island Power Authority hereby adopt the Long Island Power Authority's "Finance and Audit Committee Charter (July 24, 2019)" in the form presented at this meeting.

Dated: July 24, 2019

FINANCE AND AUDIT COMMITTEE CHARTER

Long Island Power Authority

~~March 29, 2018~~ July 24, 2019

PURPOSE

The Finance and Audit Committee's (the "Committee") primary function is to assist the Board of Trustees of the Long Island Power Authority (the "Board") with its responsibilities by: (i) overseeing, monitoring and making recommendations with respect to the Long Island Power Authority's (the "Authority") investment and debt management policies and procedures, internal and external audit process, the financial reporting process and the system of risk assessment and internal controls; and (ii) provide an avenue of communication between management, the independent auditors, internal audit, and the Board. The Board will ensure that the Committee has sufficient resources to carry out its duties.

MEMBERSHIP

The Committee shall consist of three or more Trustees, who shall be appointed by, and serve at the discretion of, the Chair of the Board of Trustees, including the member designated as its chair ("Committee Chair"). The members shall serve until their resignation, retirement, or removal by the Chair of the Board of Trustees. The Chair of the Board shall serve as an ex-officio, voting member of the Committee.

Each Committee member shall meet the independence requirements set forth in the Public Authorities Accountability Act of 2005¹. The members of the Committee should be, to the extent practicable, familiar with corporate financial and accounting practices and possess the necessary skills to understand the duties of the Committee. ~~Ideally, all M~~ Members on the Committee ~~shall should~~ possess or obtain a basic understanding of governmental financial accounting and reporting.

MEETINGS

Meetings of the Committee shall be convened by the Committee Chair and are authorized as often as the Committee Chair deems necessary, but not less than four times a year. A majority of the members of the Committee then sitting shall constitute a quorum for the

¹An "independent" member is defined in the Act as one who: 1. is not, and in the past two years has not been a) employed by the public authority or an affiliate in an executive capacity; b) employed by an entity that has received remuneration valued at more than fifteen thousand dollars for goods and services provided to the public authority or received any other form of financial assistance valued at more than fifteen thousand dollars from the public authority; c) a lobbyist registered under a state or local law and paid by a client to influence the management decisions, contract awards, rate determinations or any other similar actions of the public authority or an affiliate; and 2. is not a relative of an executive officer or employee in an executive position of the public authority or an affiliate.

transaction of any business or the exercise of any power or function of the Committee. Meeting agendas will be prepared for every meeting and provided to the Committee members at least two (2) days in advance of the scheduled meeting, along with the appropriate materials needed to make informed decisions.

Meetings of the Committee shall be open to the public and governed by the rules regarding public meetings set forth in the applicable provisions of the Public Authorities Law and Article 7 of the Public Officers Law that relate to public notice, public speaking and the conduct of executive session, and minutes will be taken and maintained.

The Committee may request any officer or employee of the Authority, PSEG Long Island or the Authority's outside counsel, financial or swap advisor or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee will meet with the Authority's independent auditor at least annually to discuss the annual audit plan and the results of the annual audit of the financial statements of the Authority.

RESPONSIBILITIES

The Authority's executive management bears primary responsibility for the Authority's financial and other reporting, establishing the system of internal controls, identifying and mitigating financial and other risks, and ensuring compliance with laws, regulations and Authority financial and risk policies. The Committee's responsibilities and related key processes are described below. In order to facilitate such responsibilities and processes, the Committee Chair and members of the Committee designated by the Committee Chair shall have access to all books, records, facilities and staff of the Authority. Committee members may also obtain any information and training needed to enhance the Committee members' understanding of the role of internal audit and the independent auditor, the risk management process, internal controls and familiarity with applicable financial standards and processes. From time to time, the Committee may take on additional responsibilities, at the request of the Trustees or Chair of the Board. The Committee's responsibilities include:

General Responsibilities

1. Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with this Charter, review and reassess the adequacy of this Charter from time to time and propose to the Board any changes for approval, and report annually to the Authority's Board on how it has discharged its duties and met its responsibilities as outlined in this Charter.
- ~~1.~~ 2. Annually review the requirements and matters set forth in the following Board policies: (i) Debt and Access to the Credit Markets; (ii) Enterprise Risk

Management; (iii) Power Supply Hedging Program¹; (iv) Taxes and PILOTs; (v) Economic Development; (vi) Investment; (vii) Audit Relationships; (viii) Prompt Payment; and (ix) Interest Rate Exchange Agreements.

2.3. Investigate any matter brought to its attention.

Specific Responsibilities

Financial Policy

~~1. Monitor and advise the Board regarding the financial policies of the Authority related to the Authority's fixed obligation coverage by cash flow, borrowing relative to capital expenditures, credit ratings, and cash on hand as provided for in the Board's Policy on Access to Debt and Capital Markets. The recommended financial policies will take into consideration the long-term benefits of these policies for the Authority's customer owners, the levels of risk inherent in these policies, and the fiduciary responsibilities of the Board.~~

~~2.1. Review and consider the financial policies of other large public power utilities to ensure that the Authority's policies are comparable to, and consistent with best practices among the entities that are similarly situated and participate in the same financial markets.~~

3.1. Monitor and advise the Board related to the Authority's fixed obligation coverage by cash flow, borrowing relative to capital expenditures, credit ratings, and cash on hand as provided for in the Board's Policy on Access to Debt and Capital Markets.

2. Review and consider the financial policies of other large public power utilities to ensure that the Authority's policies are comparable to, and consistent with best practices among the entities that are similarly situated and participate in the same financial markets.

Annually monitor the Authority's compliance with its stated financial policies and advise the Board in the event of non-compliance.

Annual Budget

1. Review and advise the Board related to the Authority's proposed operating and capital budgets as presented by Authority and PSEG Long Island management.
2. Monitor the Authority's compliance with its adopted operating and capital budgets during the fiscal year (actual verses budget) on at least a quarterly basis and report to the Board as appropriate.
3. Review and advise the Board regarding proposals to modify the Authority's electric rates as defined and contained in the Tariff for Electric Service to promote the more

¹ PSEG ER&T will report to the F&A Committee biannually on the Power Supply Hedging Program. Additionally, the Chief Executive Officer, or his or her designee, will provide an annual compliance report on the Power Supply Hedging Program to the Finance and Audit Committee.

the effective recovery of the Authority's costs in a fair and equitable manner from customers and other users of the system in a manner consistent with the Authority's fiduciary responsibility to its customer-owners.

Borrowing, Debt Management, and Interest Rate Exchange Agreements

1. Monitor and advise the Board concerning the amount and nature of debt issued by the Authority, and the strategies initiated by the Authority to manage the level and cost of the debt, consistent with the ~~Authority's mission and financial policy goals~~ Board Policy on Access to Debt and Credit Markets.

2.

~~2. Review and advise the Board regarding proposals for the issuance of new debt and debt and the repayment of debt or other long-term financing arrangements by the Authority.~~

~~Review and advise the Board regarding the Authority's debt management and interest rate hedging policies, including its Guidelines for the Use of Interest Rate Exchange Agreements, from time to time, as needed, but no less frequently than bi-annually.~~

3. Review and advise the Board concerning the engagement of financial advisors and underwriting firms used by the Authority.

~~4. Review proposals and advise the Board relating to the repayment of debt or other long term financing arrangements by the Authority.~~

~~5.4. Review and advise the Board regarding credit ratings, credit facilities and external financing.~~

~~6.5. Monitor management reporting with respect to Interest Rate Exchange Agreements, in accordance with the Board Policy on Interest Rate Exchange Agreements.~~

Power Supply Hedging

- ~~1. Review and advise the Board regarding the Authority's governing policy for power supply hedging from time to time, as needed, but no less frequently than bi-annually.~~

~~Monitor management reporting with respect to the power supply hedging program.~~

Investments

- ~~1. Annually review the Authority's investment policy and the investment of assets.~~
- ~~2. Review the Authority's annual investment report.~~

3.1. Annually ~~review~~ the Authority's audit of investments as provided by an independent auditor.

4.2. Review and advise the Board regarding the selection of investment managers and advisors.

Financial Statements and Disclosure Matters

1. ~~In connection with the Board Policy on Audit Relationships, r~~Review, in consultation with management of the Authority and the Authority's independent auditor, the audit ~~approach, plan, scope, fee and terms thereof and staffing~~ of the annual audit of the Authority's financial statements, ~~including a review of staffing to perform the audit and coordination of audit efforts between the independent auditor, the internal auditors, and the Controller.~~
2. Review and advise the Board, in consultation with management of the Authority and the Authority's independent auditor, on matters regarding the annual audited financial statements, including disclosures made in the Management Discussion and Analysis and representations regarding internal control and compliance with laws, regulations, contracts and grant agreements.
3. Discuss with management of the Authority and the Authority's independent auditor, significant financial reporting issues and judgments made in connection with the preparation of the Authority's financial statements, including any significant changes in the Authority's selection or application of accounting principles, any major issues as to the adequacy of the Authority's internal controls and special steps adopted in light of identified, significant control deficiencies and material weaknesses.
4. Review with the management of the Authority and the Authority's independent auditor and recommend where necessary to the Board for adoption:
 - a. All critical accounting policies and practices to be used.
 - b. All alternative disclosures and treatments of financial information within generally accepted accounting principles that have been discussed with management of the Authority, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Authority's independent auditor.
 - c. Other written communications between the Authority's independent auditor and management, such as any Management Letter or Schedule of Unadjusted Differences.
5. Review in consultation with management of the Authority, the Authority's unaudited quarterly financial results.

6. Discuss with the Chief Financial Officer, if deemed appropriate or necessary, financial information provided to rating agencies and financial institutions with whom the Authority has business dealings.

Selection and Oversight of the Independent Auditor

1. Recommend to the Board the selection of an independent certified public accounting firm to conduct independent annual audits of the Authority, and review all audit services to be performed ~~by such independent auditor, including the scope, fees and terms thereof~~ as provided for in the Board Policy on Audit Relationships.
2. The Authority's independent auditor shall report directly to the Committee. The Committee shall assume responsibility for resolution of disagreements between the management of the Authority and such independent auditor regarding financial reporting or related work.
3. Obtain and review a report from the Authority's independent auditor at least annually regarding (i) the Authority's independent auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditor or by any inquiry or investigation by governmental or professional authorities within the preceding five years with respect to one or more independent audits carried out by the firm, (iii) any steps taken to deal with any such issues, and (iv) all relationships between the Authority's independent auditor and the Authority.
4. Evaluate the qualifications, performance and independence of the Authority's independent auditor, including the lead engagement partner and whether the auditor's quality controls are adequate to maintain the auditor's independence, while taking into account the opinion of management of the Authority.
 - a. Require the rotation of the lead audit partner having primary responsibility for the audit at least every five years.
 - b. On an annual basis, review and discuss with the independent auditors all significant relationships they have with the Authority that could impair the auditors' independence.
 - c. The Authority's independent auditors may not perform the following services for the Authority:
 - accounting and bookkeeping services;
 - internal -audit services related to accounting controls, financial systems or financial statements;
 - financial information systems design implementation;
 - broker, dealer, investment banking, financial, swap or investment advisor services;
 - appraisal or valuation services;

- actuarial services;
 - management services or human resources; and
 - legal or other expert services unrelated to the audit that the Public Accounting Oversight Board prohibits through regulation.
- d. Review in advance all other requests for services (including the scope, fees and terms thereof) to be performed for the Authority by the Authority's independent auditor.
5. Approve the Authority's hiring of employees, or former employees, of the Authority's independent auditor who participated in any capacity in the audit of the Authority. In no event shall the Authority's Chief Executive Officer, Chief Financial Officer or Vice President, Controller have been employed by the Authority's independent auditor during the one year preceding the date of the initiation of the audit.

Internal Audit

~~1. Consult with the Authority's internal auditors in accordance with tThe Board Policy on Audit Relationships defines the expectations of the Board regarding the existing authority granted to the Finance & Audit Committee for the internal auditors of the Authority.~~

~~1. Review with the Director of Audit the charter, activities, staffing and organizational structure of the internal audit function. To ensure the independence of the internal audit function, the Director of Audit shall report functionally on all substantive matters related to the internal audit function to the Committee and administratively to the Chief Executive Officer.~~

~~2. Review and approve the annual internal audit plan, which shall include at least one aspect of power supply management each year, and monitor, in consultation with the Director of Audit, the findings of the reports of the internal audit function.~~

~~3.—~~

~~4. Monitor with management and the Director of Audit the status of implementation of management's action plans in response to audit findings.~~

~~5.—~~

~~Meet at least twice a year with the Director of Audit in an executive session outside the presence of other Authority management or staff.~~

Enterprise Risk Management

~~1.—Review the Authority's enterprise risk management program policies and processes deployed at the Authority and its external service provider PSEG Long Island consistent with the Board Policy on Enterprise Risk Management.~~

~~2.—Review the key risks identified and assessed during the enterprise risk management process and review the Authority's and PSEG Long Island's mitigation plans and~~

~~steps taken to control and mitigate the key risks.~~

2. Monitor the scope and terms of the Authority's insurance policies placed by its insurance broker and other policies placed by PSEG Long Island, as required under the Amended and Restated Operations Services Agreement ("A&R OSA"). ~~Review liability coverages, including the level of self insurance (retention) and loss coverages within the policies.~~

Internal Control

1. Monitor management's implementation of an effective system of internal control, including overseeing the results of any audits of those controls as necessary.
2. Review and present the results of any third-party audit findings to the Board, including those conducted by the federal or state government, and recommend any policy changes related thereto.

Compliance Oversight

1. Establish procedures for the confidential receipt, retention and investigation of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding such matters, including referral of such matters to the New York State Inspector General. These procedures shall be periodically reviewed and updated as appropriate. The Committee shall review all reports and draft reports delivered by the New York State Inspector General to the Authority related to such matters and shall serve as a point of contact therewith.
2. Discuss with management of the Authority and the Authority's independent auditor any correspondence with financial regulators or governmental agencies and any published reports which raise material issues regarding the Authority's financial statements, accounting policies, or internal controls.
3. Discuss with the Authority's General Counsel any legal matters that may have a material impact on the financial condition of the Authority, which may affect the financial statements or the Authority's compliance policies.

LIMITATIONS OF RESPONSIBILITIES

In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not employees or consultants of the Authority and do not have any duty or responsibility to conduct "field work" or other types of auditing or accounting reviews or procedures. Each member of the Committee shall be entitled to rely on (a) the integrity of those persons and organizations within and outside the Authority that it receives information from and (b) the completeness and accuracy of the financial and other

information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board). In carrying out its oversight responsibilities, no member of the Committee shall be deemed to provide (i) any expert or special assurance as to the financial statements of the Authority or (ii) any professional certification as to the work of any outside auditor.

FINANCE AND AUDIT COMMITTEE CHARTER
Long Island Power Authority
July 24, 2019

PURPOSE

The Finance and Audit Committee's (the "Committee") primary function is to assist the Board of Trustees of the Long Island Power Authority (the "Board") with its responsibilities by: (i) overseeing, monitoring and making recommendations with respect to the Long Island Power Authority's (the "Authority") investment and debt management policies and procedures, internal and external audit process, the financial reporting process and the system of risk assessment and internal controls; and (ii) provide an avenue of communication between management, the independent auditors, internal audit, and the Board. The Board will ensure that the Committee has sufficient resources to carry out its duties.

MEMBERSHIP

The Committee shall consist of three or more Trustees, who shall be appointed by, and serve at the discretion of, the Chair of the Board of Trustees, including the member designated as its chair ("Committee Chair"). The members shall serve until their resignation, retirement, or removal by the Chair of the Board of Trustees. The Chair of the Board shall serve as an ex-officio, voting member of the Committee.

Each Committee member shall meet the independence requirements set forth in the Public Authorities Accountability Act of 2005¹. The members of the Committee should be, to the extent practicable, familiar with corporate financial and accounting practices and possess the necessary skills to understand the duties of the Committee. Members on the Committee shall possess or obtain a basic understanding of governmental financial accounting and reporting.

MEETINGS

Meetings of the Committee shall be convened by the Committee Chair and are authorized as often as the Committee Chair deems necessary, but not less than four times a year. A majority of the members of the Committee then sitting shall constitute a quorum for the

¹An "independent" member is defined in the Act as one who: 1. is not, and in the past two years has not been a) employed by the public authority or an affiliate in an executive capacity; b) employed by an entity that has received remuneration valued at more than fifteen thousand dollars for goods and services provided to the public authority or received any other form of financial assistance valued at more than fifteen thousand dollars from the public authority; c) a lobbyist registered under a state or local law and paid by a client to influence the management decisions, contract awards, rate determinations or any other similar actions of the public authority or an affiliate; and 2. is not a relative of an executive officer or employee in an executive position of the public authority or an affiliate.

transaction of any business or the exercise of any power or function of the Committee. Meeting agendas will be prepared for every meeting and provided to the Committee members at least two (2) days in advance of the scheduled meeting, along with the appropriate materials needed to make informed decisions.

Meetings of the Committee shall be open to the public and governed by the rules regarding public meetings set forth in the applicable provisions of the Public Authorities Law and Article 7 of the Public Officers Law that relate to public notice, public speaking and the conduct of executive session, and minutes will be taken and maintained.

The Committee may request any officer or employee of the Authority, PSEG Long Island or the Authority's outside counsel, financial or swap advisor or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee will meet with the Authority's independent auditor at least annually to discuss the annual audit plan and the results of the annual audit of the financial statements of the Authority.

RESPONSIBILITIES

The Authority's executive management bears primary responsibility for the Authority's financial and other reporting, establishing the system of internal controls, identifying and mitigating financial and other risks, and ensuring compliance with laws, regulations and Authority financial and risk policies. The Committee's responsibilities and related key processes are described below. In order to facilitate such responsibilities and processes, the Committee Chair and members of the Committee designated by the Committee Chair shall have access to all books, records, facilities and staff of the Authority. Committee members may also obtain any information and training needed to enhance the Committee members' understanding of the role of internal audit and the independent auditor, the risk management process, internal controls and familiarity with applicable financial standards and processes. From time to time, the Committee may take on additional responsibilities, at the request of the Trustees or Chair of the Board. The Committee's responsibilities include:

General Responsibilities

1. Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with this Charter, review and reassess the adequacy of this Charter from time to time and propose to the Board any changes for approval, and report annually to the Authority's Board on how it has discharged its duties and met its responsibilities as outlined in this Charter.
2. Annually review the requirements and matters set forth in the following Board policies: (i) Debt and Access to the Credit Markets; (ii) Enterprise Risk Management; (iii) Power Supply Hedging Program¹; (iv) Taxes and PILOTs; (v)

¹ PSEG ER&T will report to the F&A Committee biannually on the Power Supply Hedging Program. Additionally, the Chief Executive Officer, or his or her designee, will provide an annual compliance report on the Power Supply Hedging Program to the Finance and Audit Committee.

Economic Development; (vi) Investment; (vii) Audit Relationships; (viii) Prompt Payment; and (ix) Interest Rate Exchange Agreements.

3. Investigate any matter brought to its attention.

Specific Responsibilities

Financial Policy

1. Monitor and advise the Board related to the Authority's fixed obligation coverage by cash flow, borrowing relative to capital expenditures, credit ratings, and cash on hand as provided for in the Board's Policy on Access to Debt and Capital Markets.
2. Review and consider the financial policies of other large public power utilities to ensure that the Authority's policies are comparable to, and consistent with best practices among the entities that are similarly situated and participate in the same financial markets.

Annual Budget

1. Review and advise the Board related to the Authority's proposed operating and capital budgets as presented by Authority and PSEG Long Island management.
2. Monitor the Authority's compliance with its adopted operating and capital budgets during the fiscal year (actual verses budget) on at least a quarterly basis and report to the Board as appropriate.
3. Review and advise the Board regarding proposals to modify the Authority's electric rates as defined and contained in the Tariff for Electric Service to promote the effective recovery of the Authority's costs in a fair and equitable manner from customers and other users of the system in a manner consistent with the Authority's fiduciary responsibility to its customer-owners.

Borrowing, Debt Management, and Interest Rate Exchange Agreements

1. Monitor and advise the Board concerning the amount and nature of debt issued by the Authority, and the strategies initiated by the Authority to manage the level and cost of the debt, consistent with the Board Policy on Access to Debt and Credit Markets.
2. Review and advise the Board regarding proposals for the issuance of new debt and the repayment of debt or other long-term financing arrangements by the Authority.
3. Review and advise the Board concerning the engagement of financial advisors and underwriting firms used by the Authority.

4. Review and advise the Board regarding credit ratings, credit facilities and external financing.
5. Monitor management reporting with respect to Interest Rate Exchange Agreements, in accordance with the Board Policy on Interest Rate Exchange Agreements.

Investments

1. Annually review the Authority's audit of investments as provided by an independent auditor.
2. Review and advise the Board regarding the selection of investment managers and advisors.

Financial Statements and Disclosure Matters

1. In connection with the Board Policy on Audit Relationships, review, in consultation with management of the Authority and the Authority's independent auditor, the audit scope, fee and terms thereof of the annual audit of the Authority's financial statements.
2. Review and advise the Board, in consultation with management of the Authority and the Authority's independent auditor, on matters regarding the annual audited financial statements, including disclosures made in the Management Discussion and Analysis and representations regarding internal control and compliance with laws, regulations, contracts and grant agreements.
3. Discuss with management of the Authority and the Authority's independent auditor, significant financial reporting issues and judgments made in connection with the preparation of the Authority's financial statements, including any significant changes in the Authority's selection or application of accounting principles, any major issues as to the adequacy of the Authority's internal controls and special steps adopted in light of identified, significant control deficiencies and material weaknesses.
4. Review with the management of the Authority and the Authority's independent auditor and recommend where necessary to the Board for adoption:
 - a. All critical accounting policies and practices to be used.
 - b. All alternative disclosures and treatments of financial information within generally accepted accounting principles that have been discussed with management of the Authority, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Authority's independent auditor.

- c. Other written communications between the Authority's independent auditor and management, such as any Management Letter or Schedule of Unadjusted Differences.
5. Review in consultation with management of the Authority, the Authority's unaudited quarterly financial results.
6. Discuss with the Chief Financial Officer, if deemed appropriate or necessary, financial information provided to rating agencies and financial institutions with whom the Authority has business dealings.

Selection and Oversight of the Independent Auditor

1. Recommend to the Board the selection of an independent certified public accounting firm to conduct independent annual audits of the Authority and review all audit services to be performed as provided for in the Board Policy on Audit Relationships.
2. The Authority's independent auditor shall report directly to the Committee. The Committee shall assume responsibility for resolution of disagreements between the management of the Authority and such independent auditor regarding financial reporting or related work.
3. Obtain and review a report from the Authority's independent auditor at least annually regarding (i) the Authority's independent auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditor or by any inquiry or investigation by governmental or professional authorities within the preceding five years with respect to one or more independent audits carried out by the firm, (iii) any steps taken to deal with any such issues, and (iv) all relationships between the Authority's independent auditor and the Authority.
4. Evaluate the qualifications, performance and independence of the Authority's independent auditor, including the lead engagement partner and whether the auditor's quality controls are adequate to maintain the auditor's independence, while taking into account the opinion of management of the Authority.
 - a. Require the rotation of the lead audit partner having primary responsibility for the audit at least every five years.
 - b. On an annual basis, review and discuss with the independent auditors all significant relationships they have with the Authority that could impair the auditors' independence.
 - c. The Authority's independent auditors may not perform the following services for the Authority:
 - accounting and bookkeeping services;

- internal audit services related to accounting controls, financial systems or financial statements;
 - financial information systems design implementation;
 - broker, dealer, investment banking, financial, swap or investment advisor services;
 - appraisal or valuation services;
 - actuarial services;
 - management services or human resources; and
 - legal or other expert services unrelated to the audit that the Public Accounting Oversight Board prohibits through regulation.
- d. Review in advance all other requests for services (including the scope, fees and terms thereof) to be performed for the Authority by the Authority's independent auditor.
5. Approve the Authority's hiring of employees, or former employees, of the Authority's independent auditor who participated in any capacity in the audit of the Authority. In no event shall the Authority's Chief Executive Officer, Chief Financial Officer or Vice President, Controller have been employed by the Authority's independent auditor during the one year preceding the date of the initiation of the audit.

Internal Audit

1. Consult with the Authority's internal auditors in accordance with the Board Policy on Audit Relationships.

Enterprise Risk Management

1. Review the Authority's enterprise risk management program policies and processes deployed at the Authority and its external service provider PSEG Long Island consistent with the Board Policy on Enterprise Risk Management
2. Monitor the scope and terms of the Authority's insurance policies placed by its insurance broker and other policies placed by PSEG Long Island, as required under the Amended and Restated Operations Services Agreement ("A&R OSA").

Internal Control

1. Monitor management's implementation of an effective system of internal control, including overseeing the results of any audits of those controls as necessary.
2. Review and present the results of any third-party audit findings to the Board, including those conducted by the federal or state government, and recommend any policy changes related thereto.

Compliance Oversight

1. Establish procedures for the confidential receipt, retention and investigation of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding such matters, including referral of such matters to the New York State Inspector General. These procedures shall be periodically reviewed and updated as appropriate. The Committee shall review all reports and draft reports delivered by the New York State Inspector General to the Authority related to such matters and shall serve as a point of contact therewith.
2. Discuss with management of the Authority and the Authority's independent auditor any correspondence with financial regulators or governmental agencies and any published reports which raise material issues regarding the Authority's financial statements, accounting policies, or internal controls.
3. Discuss with the Authority's General Counsel any legal matters that may have a material impact on the financial condition of the Authority, which may affect the financial statements or the Authority's compliance policies.

LIMITATIONS OF RESPONSIBILITIES

In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not employees or consultants of the Authority and do not have any duty or responsibility to conduct "field work" or other types of auditing or accounting reviews or procedures. Each member of the Committee shall be entitled to rely on (a) the integrity of those persons and organizations within and outside the Authority that it receives information from and (b) the completeness and accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board). In carrying out its oversight responsibilities, no member of the Committee shall be deemed to provide (i) any expert or special assurance as to the financial statements of the Authority or (ii) any professional certification as to the work of any outside auditor.