

FOR CONSIDERATION

November 16, 2022

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Consideration of the Approval of Firms to Provide Co-Sourcing of Internal Audit Services

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to approve a resolution authorizing the Chief Executive Officer, or his designee, to engage the following firms to provide Co-Sourcing of Internal Audit Services: Ernst & Young, LLP, Clifton Larson Allen, LLP, PricewaterhouseCoopers LLP, and Baker Tilly US LLP, for a period not to exceed five years.

Background

LIPA has a need for internal audit co-sourcing services in addition to auditing services related to the examination of LIPA’s annual financial statements, which are provided under a separate contract. LIPA has chosen 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.

LIPA has an Internal Audit department under the management of the Director of Audit. The Department 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.

LIPA Staff anticipates using up to 3,000 hours of co-sourced internal audit services each year. The scope of these services will cover LIPA, as well as PSEG Long Island’s operations supporting LIPA on Long Island and in Newark, NJ.

Discussion

On September 6, 2022, LIPA 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 68 firms. By October 6, 2022, eight firms responded to the RFP. A selection committee of LIPA Staff evaluated the technical aspects of the proposals, while the Procurement staff evaluated MWBE, SDVOB, and Cost aspects. The proposals were then scored in relevant categories. Based upon the submissions, Ernst & Young, LLP, Clifton Larson Allen, LLP, PricewaterhouseCoopers LLP, and Baker Tilly US LLP received the highest overall scores and were determined to provide the best value for the Authority’s customers.

These four firms are nationally recognized audit firms and have extensive power and utility experience and offices in New York. The fees charged by the firm were determined to be reasonable to the scope of services requested.

Recommendation

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

Attachment

Exhibit “A” Resolution

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, the Long Island Lighting Company d/b/a LIPA and the Utility Debt Securitization Authority, on an as-needed basis, with the contract for a period of five years each: Ernst & Young, LLP, Clifton Larson Allen, LLP, PricewaterhouseCoopers LLP, and Baker Tilly US LLP.

Dated: November 16, 2022