



# INTERNAL AUDIT UPDATE

Finance & Audit Committee

September 27, 2023

# AGENDA

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# AUDIT PLAN AND ACTIVITIES STATUS

|                       |   |      |    |    |    | Completion Status  |           |            |          |         |             |
|-----------------------|---|------|----|----|----|--|-----------|------------|----------|---------|-------------|
|                       |   |      |    |    |    | Complete   | Reporting | In Process | Planning | Delayed | Not Started |
| Entity                | Audit / Review Name                           | 2023 |    |    |    | Comments   |           |            |          |         |             |
|                       |   | Q1   | Q2 | Q3 | Q4 |  |           |            |          |         |             |
| PSEG Long Island      | Vendor Contracts Review                       |      |    |    |    |  |           |            |          |         |             |
| PSEG Long Island      | Third Party Risk Management                   |      |    |    |    |  |           |            |          |         |             |
| PSEG Long Island      | Vegetation Management                         |      |    |    |    |  |           |            |          |         |             |
| PSEG Long Island      | SAP Property Records: Follow-Up Audit         |      |    | *  |    | Previously named SAP Invoice Payments Cost Element Tagging           |           |            |          |         |             |
| LIPA and UDSA         | Select Internal Control review                |      |    | *  |    |  |           |            |          |         |             |
| PSEG Long Island      | Marketing and Advertising                     |      |    | *  |    |  |           |            |          |         |             |
| PSEG Long Island      | Locate and Mark                               |      |    | *  |    |  |           |            |          |         |             |
| PSEG Long Island      | IT Vendor Selection and Management            |      |    | *  |    |  |           |            |          |         |             |
| PSEG Long Island      | Asset Inspection                              |      |    |    |    | Previously named Fixed Asset Inventory                               |           |            |          |         |             |
| PSEG Long Island      | Non-Product Billing                           |      |    |    |    |  |           |            |          |         |             |
| PSEG Long Island      | Customer Service Call Center Review           |      |    |    |    |  |           |            |          |         |             |
| PSEG Long Island      | Storm Compliance / OMS                        |      |    |    |    | Deferred to future period due to coverage by DoIT and T&D Management |           |            |          |         |             |
| PSEG Long Island      | Nine Mile Point 2 Monthly Invoicing Oversight |      |    |    |    | Deferred to future plan year due to staffing changes                 |           |            |          |         |             |
| Audit Assist Projects |   |      |    |    |    |  |           |            |          |         |             |
| PSEG Long Island      | Rate Change and Implementation Process Review |      |    | *  |    |  |           |            |          |         |             |
| PSEG Long Island      | Standardization of Metric Responses           |      |    | *  |    |  |           |            |          |         |             |
| PSEG Long Island      | Deferred Payment Agreements                   |      |    | *  |    |  |           |            |          |         |             |

**\*Note – Audit Status Changed since the June 28, 2023 F&A Committee Meeting.**

# OPEN MANAGEMENT ACTION PLANS

| Audit Name  | Total # of Open Observations | # of Open High-Risk Observations | Business Unit    | Action Plan Status |
|---|------------------------------|----------------------------------|------------------|--------------------|
| PSEG Long Island Storm Compliance – Crew Guides Audit (Audit Issued 2021) | **1                          | 0                                | PSEG Long Island | Past Due           |
| PSEG Long Island Vegetation Management (Audit Issued 2023)                | 9                            | *1                               | PSEG Long Island | On Target          |
| PSEG Long Island Third Party Risk Management (Audit Issued 2023)          | 10                           | *3                               | PSEG Long Island | On Target          |

**\*Note** – High-Risk observations require immediate Management attention.

**A total of 6 audit observations (2 of which were high risk), were closed since the June 28, 2023, F&A Committee meeting.**

**All Management Action plan items are independently verified and validated by Internal Audit prior to closure.**

**\*\*Note** – This past due issue relates to the inefficient use of paper-based Crew Guide Manuals and the use of one-way communication via a Field Mobility (FM) Application. The one-way communication allows for only outgoing instruction to the Field Crew but does not allow input related to work performed or completed in the field, creating inefficiencies and increased risk of errors. This item was reported as a low-risk issue.

**The remediation effort was due to be completed by June 30, 2023.**



## APPENDIX A: AUDIT & ACTION PLAN STATUS DESCRIPTIONS

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| Audit Observation Ranking | Description   |
|---------------------------|---|
| <b>Low risk</b>           | Generally, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives will be met. The observations primarily represent opportunities for improvement or issues with low impact on business activities or the ability to effectively provide our customers with clean, reliable, and affordable energy. Routine Management attention is warranted. |
| <b>Moderate risk</b>      | Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives will be met; however, the overall effects on business activities or the ability to effectively provide our customers with clean, reliable, and affordable energy are deemed to be less damaging than observations rated as high risk. Timely Management attention is warranted.                                     |
| <b>High risk</b>          | Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives will be met. These observations may have a significant adverse impact on business activities or the ability to effectively provide our customers with clean, reliable, and affordable energy. Immediate Management attention is required.  |

**Note: Previous Audit Report Opinions have been Eliminated starting January 1, 2023**