

LONG ISLAND POWER AUTHORITY

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING

HELD ON JUNE 28, 2023

The Finance and Audit Committee of the Long Island Power Authority (“LIPA”) was convened at 8:34 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on June 23, 2023, and electronic notice posted on the LIPA’s website.

The following LIPA Trustees were present, in person:

**Sheldon Cohen, Committee Chair
Elkan Abramowitz, Committee Member
Mark Fischl, Committee Member
Laureen Harris, Committee Member
Valerie Anderson Campbell
Nancy Goroff**

Representing LIPA, in person, were Thomas Falcone, Chief Executive Officer; Bobbi O’Connor, General Counsel & Board Secretary; Billy Raley, Senior Vice President of Transmission and Distribution; Donna Mongiardo, Vice President-Controller; Cathy Widmark, Director of Audit Services; Jessica Dehnert, Senior Manager of Enterprise Risk Management; Jen Hayen, Director of Communications; and Andrew Berger, Senior Communications Specialist. Participating via video conferencing was Jason Horowitz, Assistant General Counsel and Assistant Secretary to the Board.

Representing PSEG Long Island, in person, was David Lyons, Interim President and Chief Operating Officer.

Chair Cohen welcomed everyone to the Finance and Audit Committee meeting of the Long Island Power Authority Board of Trustees.

Chair Cohen stated that the first item on the agenda is the adoption of the minutes from the May 10, 2023 Committee meeting.

Upon motion duly made and seconded, the minutes of the May 10, 2023 meeting were approved unanimously.

Chair Cohen stated that next item on the agenda is the Overview of Financial Results to be presented by Donna Mongiardo and David Lyons of PSEGLI.

Ms. Mongiardo and Mr. Lyons presented the Overview of Financial Results and then took questions from the Trustees.

Chair Cohen stated that next item on the agenda is the Plan of Finance Update to be presented by Thomas Falcone.

Mr. Falcone presented the Plan of Finance Update and then took questions from the Trustees.

Chair Cohen stated that next item on the agenda is the Quarterly Enterprise Risk Management Discussion to be presented by Jessica Dehnert.

Ms. Dehnert presented the Quarterly Enterprise Risk Management Discussion and then took questions from the Trustees.

Chair Cohen stated that next item on the agenda is the Consideration of Recommendation to Approve the Annual Report and Amendments to the Board Policy on Audit Relationships to be presented by Cathy Widmark.

Ms. Widmark presented the following action items and took questions from the Trustees:

Requested Action

The Finance and Audit Committee (“F&A Committee”) of the Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution recommending that the Board: (i) approve the annual report on the Board Policy on Audit Relationships (the “Policy”); (ii) find that LIPA has complied with the Policy; and (iii) approve certain amendments to the Policy, which resolution is attached hereto as “Exhibit A”.

Board Policy on Audit Relationships

F&A Committee, in its Charter, was delegated the responsibility for reviewing LIPA’s audit-related policies and practices.

The Policy defines the expectations of the Board regarding the existing authority granted to the F&A Committee for, among other matters (i) selecting an independent certified public accounting firm to conduct annual audits of LIPA; (ii) the annual review of the audit plan as well as the Charter, activities, staffing, budget, and organizational structure of Internal Audit, and confirming the independence of the internal auditors; (iii) monitoring, in consultation with the Chief Audit Executive (“CAE”), the significant findings of internal audit reports and the status of the implementation of management’s action plans in response to such audit findings; (iv) setting forth the procedures for the Board of Trustee’s receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service (“DPS”).

Since the last review of the Policy, the following activities have been performed consistent with the Policy:

Independent External Auditor

- The Board previously selected KPMG as the independent certified public accounting firm to conduct annual audits of LIPA. In March 2023, the F&A Committee met with KMPG to complete its annual 2022 annual audit. KPMG reported no significant findings as a result of its audit.

Internal Auditors

- In November 2022, the F&A Committee approved the appointment of the current CAE.
- Internal Audit conducted audits as identified in the annual audit plan and special projects requested by the F&A Committee or management. Internal audit activities were performed in accordance with the Institute of Internal Auditors' Mandatory Guidance.
- In February 2023, the F&A Committee reviewed and approved the audit plan, charter, activities, staffing, budget, and organizational structure of the internal audit department, and confirmed the independence of the internal auditors.

- The CAE met with the F&A Committee at each Board meeting to discuss internal audit activities and progress toward remediation of Management Action Plans in response to internal audit findings.
- The CAE met with the F&A Committee at least twice per year in executive sessions independent of other LIPA staff and reported significant internal audit findings to the Board in a timely manner.

DPS Management and Operations Audits

- In November 2022, LIPA staff briefed the Board on the implementation plan resulting from the 2018 DPS Management and Operations Audit. The materials related to that Board item are located at this [link](#). LIPA staff will provide the annual update on the status of the 2018 recommendations at the Board's November 2023 meeting.
- As required by the LIPA Reform Act, DPS selected NorthStar Consultant Group to conduct the current Management and Operations Audit. Upon recommendation from DPS, the Board authorized LIPA to enter into a contract with NorthStar to conduct the required operations and management audit. NorthStar kicked off the current audit in October 2022.

To date, NorthStar has issued over 1,000 document requests and over 110 interview requests. LIPA Staff continues to work with PSEG Long Island, NorthStar, and DPS in furtherance of the audit.

Annual Review of the Policy

The proposed changes to the Board Policy include conforming the policy to the Board's other policies by stating a vision for audit relationships, a change in the reporting relationship of the CAE, and minor stylistic changes. The CAE will now report administratively to LIPA's Chief Executive Officer. The proposed changes to the Policy are more specifically set forth in Exhibit "B".

Recommendation

Based upon the foregoing, I recommend the approval of the adoption of the resolution in the form attached hereto as Exhibit "A".

A motion was made and seconded, and the Trustees adopted the following resolution:

RESOLUTION RECOMMENDING APPROVAL OF THE ANNUAL REPORT AND AMENDMENTS TO THE LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS

WHEREAS, the Board of Trustees (the "Board") of Long Island Power Authority ("LIPA") is responsible for setting LIPA's audit relationship policy and overseeing its fulfillment; and

WHEREAS, the Finance & Audit Committee (the "F&A Committee"), in its Charter, was delegated the responsibility of reviewing LIPA's policies regarding audit relationships; and

WHEREAS, in LIPA's By-Laws, LIPA's Board delegated certain responsibilities to the Chief Executive Officer for managing and directing LIPA Staff.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the F&A Committee hereby recommends that the Board find that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the F&A Committee hereby recommends the changes to the Policy that are reflected in Exhibit "B" are hereby approved.

Chair Cohen stated that last item on the agenda is the Discussion of Internal Audit Activities to be presented by Cathy Widmark.

Ms. Widmark presented the Discussion of Internal Audit Activities and then took questions from the Trustees.

At approximately 9:14 a.m. Chair Cohen stated that the Committee would adjourn to Executive Session to discuss personnel matters. Chair Cohen stated that no votes would be taken, and that the Committee would not be returning to public session.
