



Internal Audit Update

Finance and Audit Committee Meeting




March 27, 2024

Presented by: Cathy Widmark, Director of Audit Services

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Discussion Topics

-  2024 Quarterly Rolling Audit Plan and Activities Status
-  Open Management Action Plans
-  Appendix A: Audit and Action Plan Status Descriptions

2024 Quarterly Rolling Audit Plan and Activities Status

Entity	Audit / Review Name	2024				2025	Risk Rating	Start Date	Report Date
		Q1	Q2	Q3	Q4	Q1			
LIPA & UDSA	Select Internal Control review (LIPA)							1/2/2024	N/A
PSEG Long Island	*Marketing and Advertising						High	7/19/2023	2/26/2024
PSEG Long Island	Locate and Mark							1/2/2024	TBD
LIPA	*Procure to Pay							TBD	
PSEG Long Island	Non-Product Billing							TBD	
PSEG Long Island	*Recruitment and Hiring Practices							TBD	
PSEG Long Island	Asset Inspections							TBD	
PSEG Long Island	*Ethics and Compliance Program								
PSEG Long Island	*Policy and Procedure Documentation Review								
PSEG Long Island	Capital Project Outreach to External Stakeholders							TBD	
PSEG Long Island	*Clean Energy and Energy Efficiency Program Operations							TBD	
PSEG Long Island	*Procure to Pay							TBD	
PSEG Long Island	*Household Assistance Program							TBD	
PSEG Long Island	Workforce Management - T&D							TBD	
Proposed Audit Advisory and Assist Projects									
PSEG Long Island	Rate Implementation and Customer Billing							9/8/2023	TBD
LIPA	Power Supply Settlement Process Review							9/14/2023	N/A
LIPA	*Treasury and Insurance Process Review							3/4/2024	N/A
PSEG Long Island	Safety Assessment Project							1/2/2024	TBD
PSEG Long Island	IT System Separations Cost Analysis / Control Assist							1/2/2024	TBD
LIPA	Treasury Management System Implementation (Kyriba) - IT General Controls							3/4/2024	N/A

***Note:** Status changed or Audit added since the January 2024 Board of Trustees Meeting. See Appendix for scope descriptions.

Status Legend					
Complete	Reporting	In Process	Planning	Not Started	Delayed



Open Management Action Plan

Audit Name	Total # of Open Observations	# of Open High-Risk Observations	Business Unit	Action Plan Status
PSEG Long Island Third Party Risk Management (Audit Issued 2023)	10	*3	PSEG Long Island	On Target
Marketing and Advertising	6	*4	PSEG Long Island	On Target

*Note – High-Risk observations require immediate management attention.

**Three audit observations were closed since the January 2024 Board of Trustees meeting.
 All Management Action plan items are independently verified and validated by LIPA Internal Audit prior to closure.**





Appendix A:
Proposed Audit Plan Scope
Audit & Action Plan Status Descriptions

Proposed Audit Plan and Scope

Entity	Proposed Audit Name	Proposed Objectives (subject to revisions upon commencement of planning activities)
LIPA	*Procure to Pay	Evaluate the adequacy and effectiveness of internal controls within the procure-to-pay process to mitigate risks of fraud, errors, and non-compliance. Ensure compliance with procurement policies, procedures and regulations throughout the procure-to-pay process. Assess the effectiveness of vendor management, including vendor selection, including competitive bidding, conflicts of interest, and award processes. Evaluate cost control initiatives, vendor performance evaluation and contract management, purchasing, change order approval, receipt of goods or services, purchase order and invoice review and approvals, adherence to budgets, and payment.
PSEG Long Island	*Procure to Pay	Evaluate the adequacy and effectiveness of internal controls within the procure-to-pay process to mitigate risks of fraud, errors, and non-compliance. Ensure compliance with procurement policies, procedures and regulations throughout the procure-to-pay process. Assess the effectiveness of vendor management, including vendor selection, including competitive bidding, conflicts of interest, and award processes. Evaluate cost control initiatives, vendor performance evaluation and contract management, purchasing, change order approval, receipt of goods or services, purchase order and invoice review and approvals, adherence to budgets, and payment.
PSEG Long Island	*Recruitment and Hiring Practices (incl. Compliance with 2nd Amended OSA)	Evaluate the adequacy and effectiveness of the internal controls including: compliance with applicable laws, regulations, and company policies throughout the recruiting and hiring process, including equal employment opportunity (EEO), anti-discrimination, and data privacy laws; efficiency and effectiveness of the recruitment process from job requisition to candidate selection; consistency and fairness of candidate screening and selection procedures to ensure alignment with job requirements, competency frameworks, and diversity initiatives; process for conducting background checks, employment verifications, and reference checks; the effectiveness of the offer management and onboarding processes to ensure timely and accurate communication, compliance with employment contracts, and smooth transition for new hires; monitoring and effectiveness of recruitment metrics and KPIs (i.e. time to fill, cost per hire, quality to hire, etc.); training and development programs for recruiting and hiring managers; and relationships with external recruitment vendors and agencies to ensure compliance with contractual agreements, ethical standards and fair business practices.
PSEG Long Island	*Ethics and Compliance Program	Evaluate the comprehensiveness, clarity, and accessibility of ethics and compliance policies and procedures to ensure alignment with industry standards, regulatory requirements, and organizational values; effectiveness of training programs and communication initiatives aimed at educating employees about ethical standards, compliance requirements, and reporting mechanisms; efficiency and responsiveness of the whistleblower hotline or reporting mechanisms for employees to report unethical behavior or compliance violations confidentially and without fear of retaliation; effectiveness of processes and controls in place to identify, disclose, and manage conflicts of interest among employees, contractors, and stakeholders; procedures for vetting and monitoring vendors to ensure compliance with ethical standards and applicable laws and regulations; commitment of senior leadership to ethical behavior and compliance, as well as the effectiveness of mechanisms for promoting a culture of integrity and accountability throughout the organization.
PSEG Long Island	*Clean Energy and Energy Efficiency Program Operations	Evaluate the adequacy and effectiveness of internal controls related to the Clean Energy and Energy Efficiency (EE) Operations Program including, but not limited to the following: adequacy of assumed allocations relative to the statewide Climate Leadership and Community Protection Act (CLCPA) goals and whether plans support achievement of the goals and targets; evaluate the role and scope of PSEG Long Island's Oversight and Clean Energy Committee on clean and renewable energy programs such as its activities, the content of meetings, how stakeholders are selected, and how stakeholder feedback is incorporated/responded to; review and evaluate recommendations made by the committee on demand reduction goals, beneficial electrification program goals, and renewable program goals, evaluate PSEG Long Island's efforts in achieving program engagement directed towards low and moderate-income (LMI) customers, including energy efficiency related programs; evaluate the effectiveness of PSEG Long Island's process to develop and prioritize proposals made as part of the Utility 2.0 and EE plans.
PSEG Long Island	*Household Assistance Program	Evaluate the adequacy and effectiveness of the internal controls related to the Household Assistance Program including, but not limited to the following: adequacy of end-to-end program management including document control, application approval and denial review; customer communication and records management; compliance with organizational policies, Tariff requirements, regulatory requirements, and industry standards; adequacy and completeness of advocacy, education and outreach training; evaluate the effectiveness and efficiency of the budgeting process and analyze budget variances to identify discrepancies between planned and actual performance; and evaluate the use of KPIs and performance against program goals.
PSEG Long Island	*Policy and Procedure Documentation Review	Ensure the adequacy and effectiveness of the internal controls to ensure: procedures are in place in PSEG Long Island's core business functions to uniformly develop, maintain and periodically review policies and procedures to ensure compliance with relevant laws, regulations and industry standards; achievement of objectives and organizational goals; clarity of roles and responsibilities to ensure accountability at all levels; and communication and dissemination to relevant stakeholders, ensuring understanding and compliance.
Entity	Proposed Audit Assist and Advisory Project	Proposed Objectives (subject to revisions upon commencement of planning activities)
LIPA	*Treasury and Insurance Process Review	Document LIPA Management's treasury and insurance processes to ensure that treasury and insurance operations are conducted efficiently, securely and in compliance with applicable regulations and best practices. This review will include identifying, assessing and documenting risks and processes associated with activities such as liquidity risk, credit risk, market risk as well as insurance risks like underwriting risks and claims management.



Audit & Action Plan Status Descriptions

Audit Observation Ranking	Description
<p style="text-align: center;">Low Risk</p>	<p>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. Route Management attention is warranted.</p>
<p style="text-align: center;">Moderate Risk</p>	<p>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.</p>
<p style="text-align: center;">High Risk</p>	<p>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 are deemed to be less damaging than observations rated as high risk. Immediate Management attention is required.</p>

Questions?

Cathy Widmark
Director of Audit Services

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