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Vice President, Controller

## **Long Island Power Authority (LIPA) 2023 Internal Control Assessment**

LIPA maintains a system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with U.S. generally accepted accounting principles, and that LIPA assets are properly safeguarded. The system of internal controls is documented, evaluated, and reviewed on a continuous basis.

To communicate the importance of the internal control program, LIPA's Chief Executive Officer (CEO) distributes a letter to staff detailing the purpose and importance of LIPA's internal control program; the expectation for each employee's understanding, participation and compliance with the program; and the expectation that employees remain alert for possible violations of law, policy or public trust within LIPA and to promptly report such violations to appropriate internal management personnel.

LIPA also maintains a written statement, posted on its website, that clearly defines LIPA's purpose. Annually, LIPA updates its efforts to align with the strategic direction established by LIPA's Board of Trustees in its policies with annual work plans which ensure each departmental area has clearly identified responsibilities and objectives to meet the Board's objectives.

To ensure controls are properly defined, all departmental policies and procedures are made continuously available to all staff on its networked computer system and through an internally accessible intranet site. LIPA regularly reviews its internal control system through an ongoing process of updating existing policies and procedures ensuring that LIPA's programs and support functions operate as efficiently as possible, while still maintaining appropriate safeguards.

Managerial policies and procedures for the performance of specific functions are articulated in administrative manuals, employee handbooks, job descriptions, and applicable policy and procedure manuals also made available through LIPA's intranet site. New employees are also provided with an employee handbook during the onboarding process.

To ensure all employees collaborate on goals to improve performance and help achieve LIPA's objectives, LIPA employees receive employee evaluations annually. Throughout the year to ensure employees are aligned, managers complete thirty-minute check-ins with their teams. The LIPA employee evaluation platform provides employees online access to their performance evaluations and check-ins. Managers are required to review job descriptions annually and update them, if necessary, and LIPA employees receive performance evaluations with clear and concise goals that align with LIPA's overall purpose and objectives. All employees are required to sign these evaluations to ensure expectations are understood.

Annually, LIPA also provides employees training through the New York State on-line internal control training program. To stay abreast of changes in the industry, LIPA's finance team attends webinars and conferences. LIPA's licensed professionals complete annual continuing education requirements.

Donna Mongiardo, Vice President-Controller, was appointed Internal Control Officer in March

2016 and this position provides sufficient authority to appropriately implement internal control responsibilities within the organization. The Internal Controls process includes a risk analysis of control objectives for each of the LIPA departments.

Assisting with reviewing risk and controls is LIPA's Internal Audit team, comprised of a Director and 4 additional positions. The Director reports directly to the Finance and Audit (F&A) Committee of the Board of Trustees and for administrative matters reports to the CEO as demonstrated in LIPA's organizational chart. LIPA's Internal Audit team supports LIPA's control objectives to ensure compliance and best practices are followed. The internal audit department independently assesses the effectiveness of internal controls based on risk assessments, reports findings, and recommends possible improvements to management, if any are noted.

The executive in charge of the internal audit program works with executive management and the F&A Committee to establish an annual audit plan. Audit plans and subsequent results are reported to the F&A Committee after observations are communicated to senior management. The annual audit plan includes audits of LIPA, UDSA (LIPA's component unit), and its Service Provider, PSEG Long Island. Internal Audit annually reviews and reports on whether internal controls are adequate and being adhered to. When an exception to, or deficiency in, the system of internal controls is identified, the exception is provided to the Internal Control Officer. For 2023, all control documents have been updated as required and no findings were noted.

LIPA's F&A Committee meets with LIPA's Internal Audit Director and the external independent auditors periodically, throughout the year, to discuss matters, LIPA's financial statements, the scope, and results of the audit, and the audit programs of the LIPA's internal auditing department. The independent auditors, and LIPA's Internal Audit Director have direct access to the F&A Committee. The F&A Committee annually reviews and provides guidance on the audit plan as well as the charter, activities, budget, and organizational structure of the Internal Audit Department and confirms the independence of the internal auditors. The Committee monitors, in consultation with management, the significant findings of internal audit reports, if any are noted, and the status of the implementation of management's action plans in response to such audit findings.

Furthermore, LIPA has a dedicated Enterprise Risk Management group to identify operating and other risks within each business unit and assist such business units in developing an ongoing risk identification, monitoring, and mitigation program.

No internal control system can provide absolute assurance that errors and irregularities will not occur due to the inherent limitations of the effectiveness of internal controls; however, management strives to maintain a balance, recognizing that the cost of such system should not exceed the benefits derived. Based on its structure and related processes, management believes that, as of December 31, 2023, LIPA's system of internal controls provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting.