



Management Audit Discussion

LIPA Board of Trustees Meeting

April 17, 2024

Presented by: Bobbi O'Connor, General Counsel and Secretary to the Board



Standard Audit Process

NorthStar Consulting Group & DPS followed a standard auditing process applicable to all utilities in New York State, including:



Discovery



Final Report



Draft by NorthStar & Revision by NorthStar & DPS



Implementation Plans



Factual Accuracy Review by LIPA & PSEG Long Island

Comprehensive **Audit**



More than **1,600** Information Requests



147 Interviews



Over **15,000** Supporting Documents



15 Areas of Management Operations Examined

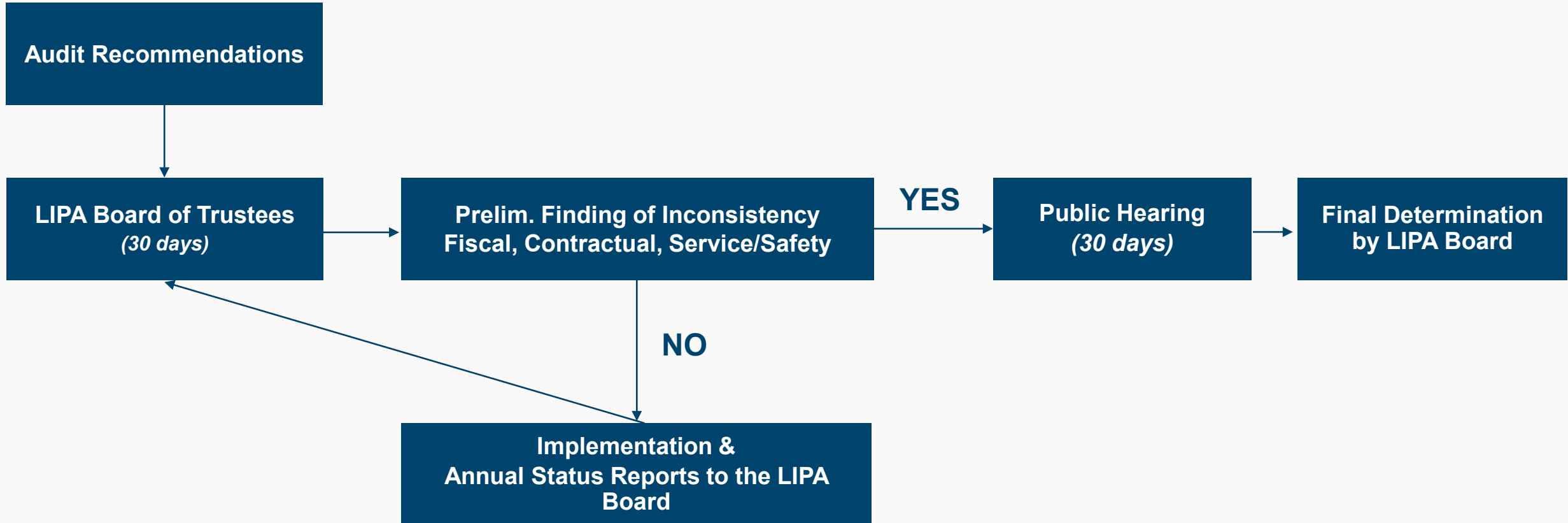


18 Months

Recommendations

Recommendation Area	Number of Recommendations
III. Governance	12
IV. Budget and Financial Reporting	2
V. Debt Management	1
VI. Load Forecasting	0
VII. Power Supply	2
VIII. System Planning, DSP Development, and the Climate Act	9
IX. Transmission and Distribution	3
X. Program and Project Management	10
XI. Work Management	4
XII. Outside Services	3
XIII. Customer Operations and Communication	12
XIV. Advanced Metering Infrastructure (AMI)	9
XV. Information Technology and Cyber Security	8
XVI. Performance Management	4
XVII. Previous Audit Recommendations and Implementation	1
Total	80

Audit Implementation Process



Next Steps

- LIPA and PSEG Long Island staff will create implementation plans for all 80 recommendations
- Draft implementation plans will be provided to the Board this summer
- Annual reporting to the Board on the status of the audit implementation plans

Questions?

Bobbi O'Connor
General Counsel and
Secretary to the Board

lipower.org





Department
of Public Service

2021 LIPA and PSEG LI MOA

LIPA Board Presentation

April 17, 2024



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Audit Implementation

Audit Implementation Overview

Implementation Overview:

- DPS provided the Final Audit Report to LIPA & PSEG LI on March 22nd.
- DPS provided an initial Board briefing on March 27th.
- PAL §1020-f(bb) requires implementation of Audit recommendations.
- Collaborative implementation process between LIPA, PSEG LI, & DPS.

Key Recommendations

Key Recommendations for LIPA

- Prioritize implementation of LIPA's ERDMS. (III-5)
- Conduct an organizational structure & skills analysis of LIPA. (III-6)
- Implement LIPA DE&I program with metrics to report progress to Board. (III-8)
- Continue development of LIPA ERM Program. (III-12)
- Formalize the Environmental Advisory Committee & report finding back to Board. (VIII-9)
- Document the successful implementation of each of the EAMS functional requirements by a utility using software before proceeding with implementation. (IX-3)
- Improve competitive procurements. (XII-1)
- Improve oversight of EE programs/implement LIPA approval process for fund shifting between programs. (XIII-12)
- Implement the 14 recommendations in LIPA's June 2023 IV&V Final report. (XV-1)
- Track cost savings & productivity gains from capital and O&M programs and projects. (XVI-2)

Key Recommendations for PSEG LI

- Consistently track/report PSEG LI's performance indicators for diversity. (III-9)
- Conduct audit of PSEG LI compliance with OSA. (III-10)
- Continue development of PSEG LI ERM Program. (III-12)
- Implement standards to reduce large variance between estimated CapEx budget/actuals. (IV-1)
- Utilize a WBS in the initial phases of project justification & continue to refine. (X-5)
- Incorporate Risk & Contingency management in capital project cost estimating & cost management. (X-6)
- Develop an integrated work management system covering all PSEG LI operations. (XI-1)
- Improve Call Center resource planning, budgeting & training. (XIII-4)
- Engage third party to conduct vulnerability assessment & penetration tests of PSEG LI systems. (XV-3)
- Perform independent audit of IT areas & projects. (XV-5)

Next Steps



- LIPA/PSEG LI Develop Implementation Plans for each recommendation.
- Periodic Progress Reports to the Board.
- Prepare for the next audit.

APPENDIX

Number Of Recommendations Per Chapter

Recommendations	No.
III. Governance	12
IV. Budget and Financial Reporting	2
V. Debt Management	1
VII. Power Supply	2
VIII. System Planning, DSP Development and CLCPA	9
IX. Transmission and Distribution Operations	3
X. Program and Project Management	10
XI. Work Management	4
XII. Outside Services	3
XIII. Customer Operations and Communication	12
XIV. Advanced Metering Infrastructure (AMI)	9
XV. Information Technology and Cyber Security	8
XVI. Performance Management	4
XVII. Previous Audit Recommendations and Implementation	1
Grand Total	80

FOR CONSIDERATION

April 17, 2024

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Consideration of the Acceptance of the Recommendations Set Forth in the NorthStar Comprehensive Management and Operations Audit Final Report, dated March 22, 2024

Requested Action

The Board of Trustees (the “Board”) is requested to direct LIPA and PSEG Long Island to commence development of implementation plans for the 80 recommendations in the NorthStar Management and Operations Audit of LIPA and PSEG Long Island Final Report, dated March 22, 2024 and to file such plans with the Board and Department of Public Service (“DPS”) within 90 days of this meeting, consistent with the Board’s Policy on Audit Relationships.

Background

The LIPA Reform Act of 2013 (the “Reform Act”) directed DPS to conduct or cause to be conducted every five years comprehensive management and operations audits to review the overall management of LIPA and PSEG Long Island. DPS procured NorthStar Consulting Group to conduct the audit, which concluded on March 22, 2024 with the filing of a final report containing 80 individual recommendations in 15 areas of management, oversight, and operations. NorthStar had been commissioned to conduct similar audits in 2012-13 and 2017-18.

The Reform Act provides that, unless the Board “makes a preliminary determination that any particular finding or recommendation contained in such audit is inconsistent with the authority’s sound fiscal and operating practices, any existing contractual or operating obligation, or the provision for safe and adequate service,” the Board shall cause LIPA and PSEG Long Island staff to implement the audit report’s “recommendations in accordance with the timeframe specified under such audit.”

Discussion

LIPA and PSEG Long Island have reviewed the audit final report and recommendations. LIPA staff does not believe any of the audit recommendations meet the statutory standard for a preliminary determination (i.e., a finding or recommendation that is inconsistent with the Authority’s sound fiscal and operating practices, contractual or operating obligations, or with the provision for safe and adequate service).

The audit report recognizes the improvements made by the LIPA and PSEG Long Island including in the areas of reliability, budget development, and financial performance. Many audit

recommendations continue and build on management and process improvements already underway. In other areas, the audit report identified opportunities for new and better improvements.

Unless the Board makes a preliminary finding of inconsistency, LIPA staff and PSEG Long Island will now work together to produce plans to implement each of the 80 individual audit recommendations. Each project plan will articulate specific project objectives, identify personnel responsible for implementation, and set forth milestones for completion. LIPA staff will file the initial implementation plans with the Board and DPS within 90 days of today's meeting with annual progress reports filed pursuant to the reporting requirements in the Board's Policy on Audit Relationships.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by adoption of the resolution in the form attached as **Exhibit "A"**.

Attachment

Exhibit "A" Resolution

RESOLUTION DIRECTING LIPA AND PSEG LONG ISLAND STAFF TO PREPARE AND FILE IMPLEMENTATION PLANS FOR 80 MANAGEMENT AUDIT RECOMMENDATIONS

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board of Trustees hereby directs LIPA and PSEG Long Island staff to prepare and file, within 90 days of this meeting, an implementation plan for each recommendation in the Management and Operations Audit of LIPA and PSEG Long Island Final Report, dated March 22, 2024.

Dated: April 17, 2024