



Internal Audit Update

Finance and Audit Committee Meeting

Presented by: Cathy Widmark, *Director of Audit Services*

June 25, 2025



Discussion Topics

 2025 / 2026 Audit Plan and Activities Status

 Open Management Action Plans

 Appendix A: Proposed Audit Plan Detailed Scope

2025 / 2026 Audit Plan and Activities Status

2025 / 2026 LIPA Internal Audit Plan and Activities Status

Entity	Audit / Review Name		2025					2026		Start Date	Report Date		
			Q1	Q2	Q3	Q4		Q1	Q2				
2025 Audits													
LIPA and UDSA	Select Internal Control Review (2025)									1/2/2025	TBD		
PSEG Long Island	*Storm Invoicing									10/28/2024	TBD		
PSEG Long Island	*Asset Management – Outside Plant Assets									12/6/2024	TBD		
PSEG Long Island	Clean Energy Program									1/13/2025	TBD		
PSEG Long Island	*Customer Credit and Collections									TBD	TBD		
PSEG Long Island	*Fleet Asset Management									TBD	TBD		
PSEG Long Island	Contract Compliance for Anti-Discrimination									TBD	TBD		
PSEG Long Island	*Employee Expenses									TBD	TBD		
PSEG Long Island	*Third-Party Billing									TBD	TBD		
PSEG Long Island	Rate Calculations									TBD	TBD		
2026 Audits													
LIPA	Records Management Program											TBD	TBD
PSEG Long Island	Line Reconductor Project Management									TBD	TBD		
PSEG Long Island	Distribution Control Centers									TBD	TBD		
LIPA	*Cybersecurity Practices									TBD	TBD		
Audit Assist Projects 2025 & 2026													
PSEG Long Island	Rate Implementation and Customer Billing									9/8/2023	TBD		
LIPA and PSEG Long Island	M&O Audit Implementation Plan Review and Validation									TBD	N/A		

Status Legend

Complete	Reporting	In Process	Planning	Not Started	Delayed
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Open Management Action Plans

Audit / Review Name	Total # of Open Observations	Total # of Open High-Risk Observations	Entity	Action Plan Status
Treasury Management System Implementation (Kyriba) Review	2	2	LIPA	On Target
Locate and Markout	3	0	PSEG Long Island	On Target
Procure to Pay	2	0	LIPA	On Target
Insurance Process Review	3	0	LIPA	On Target
Metric Performance Evaluation Standardization Review (IV&V)	4	2	LIPA	On Target
Internal Controls	6	0	LIPA	On Target
Total Open Observations	20	4		

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

**A total of sixteen (16) Management Action plans were closed since the March 2025 F&A Committee meeting.
All Management Action plan items are independently verified and validated by LIPA Internal Audit prior to closure.**

Questions?

Cathy Widmark
Director of Audit Services

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Appendix A

2025 Internal Audit Plan Scope

Audit Plan Scope

Entity	Audit / Review Name	Audit Scope (to be finalized during planning phase)
LIPA and UDSA	Select Internal Control Review	Evaluate the adequacy and effectiveness of select key internal controls for LIPA and UDSA's Business Processes. Review of LIPA and UDSA Internal Control processes to be completed over 3-year planning cycle.
PSEG Long Island	Storm Invoicing	Evaluate the adequacy and effectiveness of the internal controls related to the Storm Invoicing process. This will include a review of select invoices to determine whether PSEG Long Island invoiced storm costs are accurate and in compliance with the terms of the 2 nd A&R OSA, LIPA's Guidelines for Storm Invoice Review, FEMA requirements, applicable PSEG Long Island Emergency Response Implementation Procedures (ERIPs), and other prudent utility standards and best practices. This review will include, but may not be limited to, a review of direct labor charges (including overtime) inclusive of crew availability, schedules, direct material costs, outside services costs, storm card costs as applicable, and PSEG Long Island's management of storm resources inclusive of vendor oversight.
PSEG Long Island	Asset Management – Outside Plant Assets and IT Transfer and Completeness	Evaluate the adequacy and effectiveness of the internal controls related to the PSEG Long Island's Asset Management Program affiliated with Outside Plant (OSP) assets. The audit will include evaluating the effectiveness, efficiency and accuracy of the OSP asset Quality Assurance verification process, examination of the policies and procedures governing OSP asset validations, tagging processes and inventory records accuracy. During fieldwork, we will perform an independent review of OSP assets on a sample basis to validate the accuracy and completeness of inventory records on field surveys and EGIS and ensure that assets are correctly tagged in the field. This review will incorporate validation of the PSEG Long Island assets in the field against the field survey and to the EGIS system to ensure data accuracy. Validate that third-party equipment is accurately captured and recorded. This review will also include a review of PSEG Long Island's data governance processes, including the transfer of data from asset management software, Cartegraph to EGIS, ensuring completeness and accuracy.
PSEG Long Island	Clean Energy Program	Evaluate the adequacy and effectiveness of internal controls related to the Clean Energy and Energy Efficiency Programs including, but not limited to the following assessments: clean energy program alignment to achieve the New York State Climate Leadership and Community Protection Act (CLCPA) goals and how PSEG Long Island communicates its progress and plans for achieving goals to stakeholders and the public; process to develop and prioritize proposals made as part of the Utility 2.0 and evaluate receptivity to suggestions made in the public comment period of the Utility 2.0 review; vendor management, including vendor selection and performance; oversight of program initiatives and allocated budgets to ensure program plans and initiatives are aligned with program expectations, including a review of budget changes against program initiatives to ensure program goals remain achievable and align with expectations; role and scope Oversight and Clean Energy Committee on clean and renewable energy programs; evaluate initiatives to achieve climate justice and assess how they ensure that the transition to a low-carbon economy results in beneficial outcomes for traditionally underserved communities; coordination with NYSERDA; and capabilities of PSEG Long Island's information systems for meeting clean energy policy objectives.
PSEG Long Island	Customer Credit and Collections	Evaluate the adequacy and effectiveness of the internal controls related to customer credit and collection activities including compliance with applicable laws, regulations, and company policies, 16 NYCRR Part 11 (also known as Home Energy Fair Practices Act (HEFPA)) and the LIPA Tariff for Electric Service. The audit will also include, but not be limited to outbound collections, Deferred Payment Agreements (DPA), bankruptcy, Debt Next, collection agencies, write-offs and recoveries.

Audit Plan Scope (continued)

Entity	Audit / Review Name	Proposed Scope (to be finalized during planning phase)
PSEG Long Island	Fleet Asset Management	Evaluate the adequacy and operating effectiveness of processes and controls related to fleet management, ensuring compliance with regulatory requirements and strategic goals. This will include an evaluation of fleet inventory accuracy and completeness, fleet condition assessments, including maintenance and vehicle replacements/retirements, procurement processes, PSEG Long Island's analysis and studies of fleet electrification including potential funding and progress towards state mandates and requirements, registration and tax implication of vehicle sales including asset recovery, safety management systems for reporting vehicle-related incidents, motor vehicle accident claims administration; and environmental inspection and safety processes related to fleet facilities.
PSEG Long Island	Employee Expenses	Evaluate the adequacy and operating effectiveness of processes and controls related to employee expenses, ensuring compliance with company policies, procedures, and applicable regulatory requirements. This evaluation will include reviewing employee expenses, use of P-Cards, and expense reimbursements to determine whether employee expenses are valid, accurate, and properly supported; expenses comply with internal policies and relevant tax and legal guidelines; approval workflows are appropriately followed and adequately segregated; timeliness of the reimbursement process; reimbursement trends and potential anomalies or high-risk patterns; assessment of current practices against industry standards and internal control best practices; and controls over expense submissions and payments are functioning effectively to prevent fraud, errors, or abuse.
PSEG Long Island	Third Party Billing	Evaluate the adequacy, accuracy, and operating effectiveness of processes and controls associated with billing for non-product services to third-party entities (e.g., other utilities, municipalities, and external partners). This review will evaluate the governance over third-party agreements, including maintenance of contracts, renewals, and pricing updates, assessing compliance with relevant accounting policies, inter-utility agreements, and industry best practices. This audit will also include assessing: end-to-end processes for billing third parties for non-electric commodity services, including tracking, documenting, and invoicing; accuracy, completeness, and timeliness of billed amounts; consistency of billing practices with contractual terms, compliance with applicable regulatory requirements, and policies and procedures; internal controls over invoice generation, approvals, delivery, collections, and dispute resolution; adequacy and completeness of supporting documentation and evidence retained for billed services; accuracy and completeness of revenues recorded from third-party billings, ensuring proper recording and reconciliation in the general ledger; and adequacy of system controls related to access, segregation of duties, and audit trails within billing and financial reporting systems.
PSEG Long Island	T&D Operations – Line Reconductor Project Management	Evaluate the adequacy and effectiveness of the internal controls, processes and compliance mechanisms related to the reconductoring of electrical power transmission and distribution lines, specifically related to records management, field validation performance and alignment with industry standards and expectations. The review will also include an examination of project management, cost saving initiatives, and budget compliance.
PSEG Long Island	Rate Calculations	Evaluate the adequacy and effectiveness of the internal controls and processes related to select rate calculations to ensure the following: revisions to the Tariff are compliant with CM-F1-006 (Tariff Statement Revisions to LIPA Tariff for Electric Service). Assess the adequacy of internal controls surrounding sources of data and calculation methods utilized for Tariff Statements. Determine if processes are in place to ensure recommendations regarding Tariff updates from DPS are implemented and evaluate if technology is utilized efficiently and adequately documented to reference how rates are calculated. Perform testing to recalculate select rates to ensure accuracy.

Audit Plan Scope (continued)

Entity	Audit / Review Name	Proposed Scope (to be finalized during planning phase)
PSEG Long Island	Contract Compliance review for Anti-Discrimination	Evaluate the adequacy and effectiveness of internal controls implemented within the procurement process to mitigate risks of fraud, errors, and non-compliance with applicable laws, regulations and the OSA as it relates to Section 10.8 for vendors. Ensure compliance with procurement policies, procedures and regulations.
LIPA	Records Management Program	Evaluate the design and operating effectiveness of the LIPA records management program, including property records, to ascertain records required for business and compliance purposes are retained in accordance with laws, regulations, and business requirements.
PSEG Long Island	Distribution Control Center Upgrades	Evaluate the adequacy of the internal controls related to PSEG Long Island's existing distribution control centers to aid in the evaluation and planning for future distribution control center upgrades. The focus will be on evaluating existing controls to assist with planning, implementation, management, and required employee training associated with future upgrades to ensure they align with operational, security, and regulatory requirements and achieve the desired improvements in functionality and efficiency.
LIPA	Cybersecurity Practices	Through the use of a third-party co-sourced IT audit partner, Internal Audit will evaluate the adequacy and effectiveness of the internal controls related to cybersecurity practices, including, but not limited to the following assessments: system and network security, data security and protection, operational security, physical security and access control review, vulnerability assessment, and incident detection and response.