



# Internal Audit Update

*Finance and Audit Committee Meeting*

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

November 12, 2025





# Discussion Topics

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 2025 / 2026 Audit Plan and Status of Activities

 Open Management Action Plans

 Appendix A: Proposed Audit Plan Scope




# 2025 / 2026 Audit Plan and Activities Status



2025 / 2026 LIPA Internal Audit Plan and Status of Activities

Entity	Audit / Review Name		2025					2026			Start Date	Report Date
			Q1	Q2	Q3	Q4		Q1	Q2	Q3		
2025 Audits												
LIPA and UDSA	Select Internal Control Review (2025)										1/2/2025	TBD
PSEG Long Island	Storm Invoicing Process										10/28/2024	TBD
PSEG Long Island	*Asset Management – Outside Plant Assets										12/6/2024	11/3/2025
PSEG Long Island	*Clean Energy Program										1/13/2025	11/4/2025
PSEG Long Island	*Customer Credit and Collections										9/15/2025	TBD
PSEG Long Island	*Fleet Asset Management										9/15/2025	TBD
PSEG Long Island	*Contract Compliance for Anti-Discrimination										9/8/2025	TBD
PSEG Long Island	*Employee Expenses										TBD	TBD
PSEG Long Island	*Specific Non-Product Billing Services: Third-Party Billing & Property Damage Claims										TBD	TBD
2026 Audits												
LIPA and UDSA	Select Internal Control Review (2026)										TBD	TBD
LIPA	Records Management Program										TBD	TBD
PSEG Long Island	Customer Data Protection										TBD	TBD
LIPA	Cybersecurity Practices										TBD	TBD
LIPA	Office Emergency Incident Response										TBD	TBD
PSEG Long Island	Rate Calculations										TBD	TBD
Audit Assist Projects 2025 & 2026												
PSEG Long Island	Rate Implementation and Customer Billing										9/8/2023	9/2025
PSEG Long Island	Major Equipment Condition and Reliability - Substation										TBD	TBD
LIPA and PSEG Long Island	Management & Operations Audit Implementation Plan Review and Validation (Northstar Audit)										N/A	N/A
*Status change since the September 2025 Finance and Audit Committee meeting												
			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
Locate and Markout	2	0	PSEG Long Island	On Target
Metric Performance Evaluation Standardization Review (IV&V)	2	1	LIPA	On Target
Internal Controls	3	0	LIPA	On Target
Clean Energy Program	8	0	PSEG Long Island	On Target
Asset Management – Outside Plant – Poles Audit	11	8	PSEG Long Island	On Target
Total Open Observations	26	9		

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

**A total three Management Action plans were closed since the September 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

## 2025/2026 Internal Audit Plan Scope



# Audit Plan Scope

Entity	Audit / Review Name	2025 Audit Scope (to be finalized during planning phase)
LIPA and UDSA	<b>Select Internal Control Review</b>	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	<b>Storm Invoicing</b>	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 <sup>nd</sup> 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	<b>Asset Management – Outside Plant Assets – Poles</b>	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	<b>Clean Energy Program</b>	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 NYSEERDA; and capabilities of PSEG Long Island's information systems for meeting clean energy policy objectives.
PSEG Long Island	<b>Customer Credit and Collections</b>	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	2025 Proposed Scope (to be finalized during planning phase)
PSEG Long Island	<b>Fleet Asset Management</b>	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	<b>Contract Compliance review for Anti-Discrimination</b>	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.
PSEG Long Island	<b>Employee Expenses</b>	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	<b>Select Non-Product Billing Services: Third Party Billing and Property Damage Claims</b>	<p>Evaluate the adequacy and operating effectiveness of processes and controls related to PSEG Long Island's Non-Product Billing, ensuring compliance with regulatory requirements and strategic goals. The focus of this audit will include an assessment of the following non-product billing categories:</p> <p><u><b>Third Party Attachments:</b></u> Fees for third-party attachments (e.g., Verizon, Cablevision, American Traffic System) occupying space on LIPA owned utility poles, including evaluating: 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; end-to-end processes for billing third-parties for non-electric commodity services, including accurate and completeness of invoice processing; adequacy and completeness of supporting documentation and evidence retained for billed services; the accuracy and completeness of revenues recorded from third-party billings, ensuring proper recording and reconciliation in the general ledger; and the adequacy of system controls related to access, segregation of duties, and audit trails within billing and financial reporting systems.</p> <p><u><b>Property Damage Claims:</b></u> Recovery of costs incurred to restore company property damaged by external parties, including evaluating: governance over the management of property damage claims, including assessing the process from initial claim intake through investigation, evaluation, negotiation, and settlement to ensure claims are handled accurately, timely, and consistently; end-to-end processes for claims arising from utility operations, including but not limited to damages caused by: buried infrastructure (e.g., water or gas main breaks), above-ground infrastructure (e.g., downed power lines, fallen poles, or trimming incidents), construction, maintenance, or repair activities, or other negligent acts or omissions by the company or its contractors; the accuracy and completeness of costs recovered from property damage claims, ensuring proper recording and reconciliation in the general ledger; and the adequacy of system controls related to access, segregation of duties, and audit trails within billing and financial reporting systems.</p>



## Audit Plan Scope (continued)

Entity	Audit / Review Name	2026 Proposed Scope (to be finalized during planning phase)
LIPA and UDSA	<b>Select Internal Control Review</b>	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.
LIPA	<b>Records Management Program</b>	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	<b>Customer Data Protection</b>	Evaluate the effectiveness of controls in place to protect customer data from unauthorized access, loss, or misuse and to ensure compliance with applicable data privacy laws and company policies. The audit will focus on the policies, procedures, and technical safeguards established to protect customer data across the organization. The review will cover the collection, storage, transmission, access and disposal of customer data, including personally identifiable information (PII).
LIPA	<b>Cybersecurity Practices</b>	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.
LIPA	<b>Office Emergency Incident Response</b>	Evaluate the adequacy, effectiveness and compliance of the organization's office emergency incident response protocols. The audit will assess whether response plans are documented, communicated, tested, and followed during actual and simulated emergency events. The audit will focus on the design and operational effectiveness of policies, procedures, controls, and staff readiness related to the organization's response to emergency incidents including: governance over preparedness and planning; roles and responsibilities; availability and accuracy of emergency contact lists; adequacy of evacuation, shelter in place, lockdown and medical response plans; training and awareness; coordination with building management, local authorities and first responders; and compliance with applicable laws, regulations and internal standards.
PSEG Long Island	<b>Rate Calculations</b>	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.
PSEG Long Island	<b><i>Internal Audit Assist Project in conjunction with LIPA T&amp;D</i></b> <b>Major Equipment Condition and Reliability</b>	Assess the effectiveness, efficiency, and compliance of the company's programs and processes related to the testing, preventative maintenance, repair, and replacement of major electrical and mechanical equipment. The audit will determine whether controls are adequate to ensure equipment reliability, regulatory compliance, safety, and asset life-cycle management and appropriate alignment of major equipment replacement activities with the capital budget. This audit will focus on major electrical and mechanical equipment critical to the utility's operations, including but not limited to transformers, circuit breakers, switchgear, relays, substations, transmission/distribution assets, and backup power systems. Additionally, this audit will assess the adequacy of capital planning and budget oversight related to equipment investments.