

## **FOR CONSIDERATION**

January 28, 2026

**TO:** The Board of Trustees

**FROM:** Carrie Meek Gallagher

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments to the Board Policy on Audit Relationships

---

### **Requested Action**

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Audit Relationships (the "Policy"); (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as "**Exhibit A**".

### **Board Policy on Audit Relationships**

F&A Committee, in its Charter, was delegated the responsibility for reviewing LIPA's audit-related policies and practices.

The Policy defines the expectations of the Board regarding the existing authority granted to the F&A Committee for, among other matters, (i) selecting an independent certified public accounting firm to conduct annual audits of LIPA; (ii) the annual review of the audit plan as well as the Charter, activities, staffing, budget, and organizational structure of Internal Audit, and confirming the independence of the internal auditors; (iii) monitoring, in consultation with the Chief Audit Executive ("CAE"), the significant findings of internal audit reports and the status of the implementation of management's action plans in response to such audit findings; (iv) setting forth the procedures for the Board's receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service ("DPS").

Since the last review of the Policy, the following activities have been performed consistent with the Policy:

#### *Independent External Auditor*

- The Board previously selected KPMG as the independent certified public accounting firm to conduct annual audits of LIPA. On March 26, 2025, the F&A Committee met with KPMG to complete its annual audit for 2024. KPMG reported no significant findings as a result of its audit.

### *Internal Auditors*

- Internal Audit conducted audits as identified in the annual audit plan and special projects requested by the F&A Committee or management. Internal audit activities were performed in accordance with the Institute of Internal Auditors' Global Standards (“the Standards”).
- On January 23, 2025, the F&A Committee reviewed and approved the audit plan, activities, staffing, budget, and organizational structure of the internal audit department.
- The CAE, or delegate, met with the F&A Committee at each Board meeting to discuss internal audit activities and progress toward remediation of Management Action Plans in response to internal audit findings.
- The CAE met with the F&A Committee at least twice per year in executive sessions independent of other LIPA staff and reported significant internal audit findings to the Board in a timely manner.

### *DPS Management and Operations Audits*

- As required by the LIPA Reform Act, DPS procured NorthStar Consulting Group to conduct the Management and Operations 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. On April 17, 2024, DPS briefed the Board on this final audit report and key recommendations.
- At the April 17, 2024, Board meeting, the Board directed LIPA and PSEG Long Island staff to implement the recommendations from the audit report in accordance with the timeframe specified in the audit.
- At the December 18, 2024, Board meeting, the Board adopted the implementation plans for each recommendation and directed LIPA and PSEG Long Island to submit an annual report to both the Board and DPS on the status of their implementation.
- LIPA’s CAE provided an annual update to the F&A Committee on the status of the 2022 recommendations at the Board's September 25, 2025, meeting.

### **Annual Review of the Policy**

The proposed changes to the Board Policy include updates that reflect LIPA Internal Audit’s assumed control of the Management and Operations Audit administrative process, as well as minor stylistic changes. The proposed changes to the Policy are more specifically set forth in **Exhibit "B"**.

### **Recommendation**

Based upon the foregoing, I recommend the approval of the adoption of the resolution in the form attached hereto as **Exhibit "A"**.

**Attachments**

**Exhibit "A"** Resolution

**Exhibit "B"** Board Policy on Audit Relationships (redline)

**Exhibit "C"** Board Policy on Audit Relationships (clean)

**Exhibit "A"**

**RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS TO THE LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS**

**WHEREAS**, the Board of Trustees (the "Board") of Long Island Power Authority ("LIPA") is responsible for setting LIPA's audit relationship policy and overseeing its fulfillment; and

**WHEREAS**, the Finance & Audit Committee (the "F&A Committee"), in its Charter, was delegated the responsibility of reviewing LIPA's policies regarding audit relationships; and

**WHEREAS**, in LIPA's By-Laws, LIPA's Board delegated certain responsibilities to the Chief Executive Officer for managing and directing LIPA Staff.

**WHEREAS**, the F&A Committee has recommended approval of the annual report and amendments to the Audit Relationships Policy.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

**BE IT FURTHER RESOLVED**, that consistent with the accompanying memorandum, the Board hereby approves the changes to the Policy that are reflected in **Exhibit "B"**.

Dated: January 28, 2026



**Board Policy:** Audit Relationships

**Policy Type:** Governance Process

**Monitored by:** Finance and Audit Committee

**Board Resolution:** #1355, approved March 29, 2017  
 #1410, amended March 29, 2018  
 #1420, amended July 25, 2018  
 #1462, amended January 23, 2019  
 #1528, amended, May 20, 2020  
 #1632, amended, May 19, 2021  
 #1725, amended, May 18, 2022  
 #1800, amended, June 28, 2023  
~~##1885xxxx]~~, amended, January 23, 2025  
 #xxxx, amended, January 28, 2026

~~LIPA's LIPA's~~ vision for audit relationships is to use audits to provide independent, objective assurance to the Board of Trustees (the ~~"Board"~~), ~~"),~~ management, and stakeholders designed to improve ~~LIPA's LIPA's~~ operations, risk management, controls, and governance processes, including those managed on ~~LIPA's LIPA's~~ behalf by service providers.

To achieve our vision for audit relationships, LIPA will do the following:

#### **Independent External Auditor**

- The Board, on the recommendation of the Finance and Audit Committee (the ~~"F&A Committee")~~), ~~"),~~ will select an independent certified public accounting firm to conduct annual audits of LIPA. The Board will ~~make the choice of~~select the external auditor based on advice from staff and others as it deems necessary to exercise prudent, ~~and~~ independent judgment.
- The F&A Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees, and terms thereof and all relationships between the auditor and LIPA.
- The F&A Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The F&A Committee members will report any significant findings to the Board in a timely manner.

#### **Internal Auditors**

- ~~LIPA's LIPA's~~ internal auditors will adhere to the Institute of Internal Auditors' Mandatory Guidance, which includes ~~the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Global Internal Audit Standards ("the Standards"), International Standards for the Professional Practice of Internal Auditing,~~ and ~~the Definition of Internal Auditing~~ Topical Requirements.

- Internal auditors shall conduct audits as identified in the annual audit plan as well as special projects requested by the F&A Committee, or management.
- The annual audit plan will include audits of LIPA and its service providers, and the internal auditors shall have unlimited access to all activities, records, property, and personnel of LIPA and its service providers in the performance of their duties.
- The F&A Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit department, and will confirm the independence of the internal auditors. The ~~chief~~ Chief Audit Executive shall administratively report to the Chief Executive Officer.
- The F&A Committee will review and approve the appointment or removal of the ~~chief~~ Chief Audit Executive. The Chief Executive Officer may appoint an individual to serve as ~~chief~~ Chief Audit Executive on an interim basis.
- The F&A Committee will monitor, in consultation with the ~~chief audit executive~~ Chief Audit Executive, the significant findings of internal audit reports and the status of the implementation of ~~management's~~ management action plans in response to such audit findings.
- The F&A Committee will meet at least twice per year with the ~~chief audit executive~~ Chief Audit Executive, independent of other LIPA staff, and will report any significant audit findings to the Board in a timely manner.

### **Department of Public Service Management and Operations Audits**

The LIPA Reform Act (the "Act") directs the Department of Public Service ("DPS") to conduct a comprehensive management and operations audits of LIPA and PSEG Long Island at least once every five years.

- Upon completion of an audit, the DPS must deliver to the Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report's recommendations become final 30 days after receipt by the Board.
- ~~Ninety days a~~After the audit ~~report's~~ report's finalization, ~~LIPA's~~ LIPA ~~Chief Executive Officer~~, in coordination with PSEG Long Island, shall submit an implementation plan to the ~~Oversight and Clean Energy~~ Finance and Audit Committee of the Board to effectuate the ~~audit's~~ audit's recommendations.
- ~~LIPA's~~ LIPA's ~~Chief Audit Executive~~ Chief Executive Officer, ~~together with PSEG Long Island,~~ will submit an annual report to the ~~Oversight and Clean Energy~~ Finance and Audit F&A Committee of the Board and the DPS on the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. ~~The annual report will be reviewed by Internal Audit for completeness prior to submission.~~ The ~~Oversight and Clean Energy~~ Finance and Audit F&A Committee will report significant matters to the Board.
- LIPA and PSEG Long Island's ~~internal~~ audit departments will review the

effectiveness of the implementation plan in addressing each \_\_\_—audit recommendation after the ~~completion of the plan~~plan is completed for that recommendation.

The F&A Committee will annually review the provisions of the Board Policy on Audit Relationships.



<b>Board Policy:</b>	<b>Audit Relationships</b>
<b>Policy Type:</b>	<b>Governance Process</b>
<b>Monitored by:</b>	<b>Finance and Audit Committee</b>
<b>Board Resolution:</b>	<b>#1355, approved March 29, 2017</b> <b>#1410, amended March 29, 2018</b> <b>#1420, amended July 25, 2018</b> <b>#1462, amended January 23, 2019</b> <b>#1528, amended, May 20, 2020</b> <b>#1632, amended, May 19, 2021</b> <b>#1725, amended, May 18, 2022</b> <b>#1800, amended, June 28, 2023</b> <b>#1885, amended, January 23, 2025</b> <b>[xxxx], amended, January 28, 2026</b>

---

LIPA's vision for audit relationships is to use audits to provide independent, objective assurance to the Board of Trustees (the "Board"), management, and stakeholders designed to improve LIPA's operations, risk management, controls, and governance processes, including those managed on LIPA's behalf by service providers.

To achieve our vision for audit relationships, LIPA will do the following:

#### **Independent External Auditor**

- The Board, on the recommendation of the Finance and Audit Committee (the "F&A Committee"), will select an independent certified public accounting firm to conduct annual audits of LIPA. The Board will select the external auditor based on advice from staff and others as it deems necessary to exercise prudent, and independent judgment.
- The F&A Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees, and terms thereof and all relationships between the auditor and LIPA.
- The F&A Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The F&A Committee members will report any significant findings to the Board in a timely manner.

#### **Internal Auditors**

- LIPA's internal auditors will adhere to the Institute of Internal Auditors' Mandatory Guidance, which includes the Global Internal Audit Standards ("the Standards") and Topical Requirements.
- Internal auditors shall conduct audits as identified in the annual audit plan as well as special projects requested by the F&A Committee or management.

- The annual audit plan will include audits of LIPA and its service provider. The internal auditors shall have unlimited access to all activities, records, property, and personnel of LIPA and its service provider in the performance of their duties.
- The F&A Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit department, and confirm the independence of the internal auditors. The Chief Audit Executive shall administratively report to the Chief Executive Officer.
- The F&A Committee will review and approve the appointment or removal of the Chief Audit Executive. The Chief Executive Officer may appoint an individual to serve as Chief Audit Executive on an interim basis.
- The F&A Committee will monitor, in consultation with the Chief Audit Executive, the significant findings of internal audit reports and the status of the implementation of management action plans in response to such audit findings.
- The F&A Committee will meet at least twice per year with the Chief Audit Executive, independent of other LIPA staff, and will report any significant audit findings to the Board in a timely manner.

### **Department of Public Service Management and Operations Audits**

The LIPA Reform Act (the "Act") directs the Department of Public Service ("DPS") to conduct a comprehensive management and operations audit of LIPA and PSEG Long Island at least once every five years.

- Upon completion of an audit, the DPS must deliver to the Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report's recommendations become final 30 days after receipt by the Board.
- After the audit report's finalization, LIPA, in coordination with PSEG Long Island, shall submit an implementation plan to the Finance and Audit Committee of the Board to effectuate the audit's recommendations.
- LIPA and PSEG Long Island's internal audit departments will review the effectiveness of the implementation plan in addressing each audit recommendation after the plan is completed for that recommendation.
- LIPA's Chief Audit Executive will submit an annual report to the F&A Committee of the Board and the DPS on the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. The F&A Committee will report significant matters to the Board.

The F&A Committee will annually review the provisions of the Board Policy on Audit Relationships.