

NYSERDA 151st Audit and Finance Committee Meeting
January 25, 2023
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Jay Koh:

All right. If I call this meeting to order notice of the meeting and an agenda was forwarded to the Committee Members on January 13, 2023 and the Press on January 17, 2023. This meeting is being conducted by video conference. The Authority will post a video and a transcript of this meeting on the web. To confirm that we have a quorum, I would like you to ask the Committee Members to introduce themselves. I'm Jay Koh, Chair of the Committee.

Chair Kauffman:

Richard Kauffman, Chair of the Authority.

Sadie McKeown:

Sadie McKeown, Member of the Board.

Frances Resheske:

Frances Resheske, Member of the Board and the Committee.

Sherburne Abbott:

Shere Abbott, Member of the Board and the Committee.

Jay Koh:

Thank you. The first item on the agenda is the approval of the minutes of the 150th Committee meeting held on October 3, 2022. Are there any comments on the minutes which I think appear in your material? I have a motion approving the minutes?

Sadie McKeown:

So moved.

Jay Koh:

Second?

Chair Kauffman:

Second.

Jay Koh:

All in favor?

Members of the Committee:

Aye. Aye.

Jay Koh:

Opposed? The minutes have been approved. The next item on the agenda is report by on the Authority's most recent risk assessment. Pam Poisson, the Authority's Chief Financial Officer, will discuss this item. Pam,

Pam Poisson:

Thank you. Good morning. Your informational update on the Authority's' recent risk and controls assessment and the status of our cybersecurity. Consistent with State comptroller standards and our Internal Controls manual, we regularly review risks and controls to help ensure that risks are understood and that appropriately matched controls are in place. This process then informs Internal Audit plans as well as the Internal Controls officer annual certification and ongoing operating improvements in 2022. Given increased risk from external factors and in keeping with best practice, we conducted a more comprehensive full scope risk and control self-assessment. That broader effort was guided jointly by the VP of Operations, Cheryl Glanton our Senior Legal Counsel, Sarah LeCain, Director of Internal Audit, Mary Peck, and me in my Internal Controls officer capacity. It was conducted by a cross-cutting employee team using an approach grounded in the widely accepted COSO framework.

Over 30 teams were consulted in this process and more than 70 people were interviewed. Risks were ranked based on estimated likelihood and impact and the related controls were reviewed to determine if appropriate to the risk level. We also leveraged this initiative to identify process streamlining opportunities with a particular focus on cross-cutting items. By concurrently gathering data on the trio of risks, controls, and process streamlining, we were able to efficiently identify and address not just typical risks, but also proactively surface potential bottlenecks and rework drivers that unto themselves can increase risk. This approach ultimately aligned well with some recent New York State Department of Budget encouragement to all State entities to review program effectiveness and efficiency. In this analysis, we found that NYSERDA remains well controlled overall. We have processed documentation for critical functions that's updated regularly and very accessible to staff. we have universal and recently expanded employee controls training in place.

These are relevant topical expertise through a combination of employees and outside resources. And we conduct what we believe to be objective assessments and controls testing that are reinforced through an audit plan. You'll hear about more from Mary Pack in a few minutes. All that said, we aim to continue to keep getting better. We're pursuing opportunities identified through this analysis to better leverage technology advances, keep improving rate payer value through efficiency and scale, helping employees focus on the activities that add the most value to achieving our goals and all of that, while ensuring a robust control environment. Notably, as cyber threats continue to grow worldwide, we remain vigilant in this area as per plans previously shared with this Committee and further detailed in the memo and materials. and with the leadership from our information Security Officer, Tim Chase and Chief Information Officer Glenn Katz, we completed or are on track to complete around fiscal year end.

All of the items that were previously enumerated our plan, just a few highlights of those would be to install a content delivery network for improved website security, continuing to shift all of our data and application to government cloud office offerings, excuse me, for better continuity

and security and instituting contractor risk assessments and at adaptations. We also recently conducted a technology focused disaster recovery exercise to be well practiced in the event of an unforeseen occurrence. So looking ahead to help ensure that the recent risk and process assessment translates into realized efficiencies and controls improvements employees task with implementing these will actually have corresponding goals. The risk review team will conduct periodic progress reviews and Internal Audit will provide an important ongoing validation step. We propose to conduct such a deep dive analysis on a rolling basis, roughly every four years to keep current, obviously supplemented by vigilance checking each year. finally, I'd like to express a special thank you for those employees who served on the core assessment team. They carefully considered the feedback shared, synthesized, and mirroring the data points that went far above and beyond regular work duties. those were Laura Geel, Steve Lebel, Charlie Luke, Robin Nelligan, Ashley Porubcan, and Anna Zieba. And some of them may be listening in today. we very much appreciate this Committee's support and welcome your input on our approach and schedule. I'd be happy to answer any questions you might have.

Jay Koh:

Are there any questions for Pam? Go ahead,

Chair Kauffman:

Pam. Thank you. I have two questions. One, you use the word cross-cutting a couple of times in your report. So what do you mean by a cross-cutting item?

Pam Poisson:

Yes. An example of that would be looking at the design of a program. So it starts with you know, the, the initial request going in as a petition that then carries over to the program team who will spec out how they would like to structure it. there is then a legal review, a financial review, a contracts team review, and then ultimately at the end of that process we have quality assurance that goes Alan checks to ensure that that's delivered. so rather than just looking at it based on the organizational unit, we've actually tracked it through the entire process end to end. it may actually be proposing some updates to our Internal Controls manual to be further oriented to that.

Chair Kauffman:

So I guess this relates to the follow up question, which is there's a couple comments about efficiency and value. So I guess the implication is when you have so many different functions, there may be too many controls. I don't know what the right or conflicting controls or some issues with controls. So maybe you could talk a little bit more about is there a tradeoff between having very, is there a tradeoff between controls and efficiency or, or not?

Pam Poisson:

I would say it depends on how you structure the controls. And Mary May want to add to this what best practice that would suggest is that controls be as front-loaded and for a as possible. And many organizations as they evolve over time and see processes grow, will have a lot of steps at each point along the way to control each component. so one of the opportunities that we've identified here is that some of these controls might be shifted to being more front loaded and then so doing, you can actually spend less time on the execution of them, but still actually have a more secure process. so it, it is a trade off, but it is a tradeoff that can be managed and actually in

some cases the one that requires less ultimate effort by taking all the little pieces on back end and bringing them forward into the process.

Chair Kauffman:

Thank you.

Jay Koh:

So just to verify, is it appropriate to say that we have multiple layers for the review of this process, including the operational activities under the CFO kind of internal review, then our external auditors and our Internal Controls audit process?

Mary Peck:

And this is where Pam and I always have very spirited discussions about this cuz we both have a deep understanding of controls. if anything, I believe in enough controls. I don't believe in over control and I think that we, especially as government agencies have a tendency to over control things. So we're definitely looking for ways to make sure that if the external auditors are looking at it, maybe we're not front loading it, maybe we're just monitoring it to see if it's going wrong. So we're definitely trying to look at the pieces of who is looking at this to make sure that it's not being looked at in detail five times, you know, that whoever is the owner of it understands the looks so that we're not spending so much time reviewing things. It's a, it's a constantly changing process for us that we're definitely taking a look at.

Pam Poisson:

That's a great point. And Mary, if I might build on that, as we think about these specific changes that have been surfaced or proposed out of this Jay to your point, we are having multiple levels of review. So actually the, the process streamlining and risk recommendations have been shared with all of the officers embedded and we will be meeting with each of the, what we call business unit leads. It's really division, division heads to step through and make sure that they are comfortable with that. And then Mary has, has been very much involved in this, helping ensure that as we make these recommendations that we don't do anything that really diminishes the overall control environment.

Jay Koh:

It's great to hear the focus and the update on the cyber security and broader controls front. I mean, I think the three things that seem to be changing in the context of NYSERDA are one, the profile of the agency as we move into a substantially larger amount of procurement activity, the implementation of, you know, probably some of the follow on from the IRA but also are just own climate strategy. The, you know, focus on anything called a bank is going to be the subject of more both you know, criminal and then possibly State sponsored cyber attacks. We've seen that multiple times across multiple different jurisdictions. and then just broadly speaking, the fact that complex continues to increase in the context of an ongoing war in Europe. So, you know, I think it's great to continue to focus on how increasing controls versus just changing our security infrastructure and architecture yeah, don't interfere with our ability to actually execute the mission. but I also think it's great that we're, we're focusing on this and thinking through that balance as Mary said of controls and, and these other kinds of activities. My only other question here, unless there's other ones from the Committee is the plan to review this every four years, is

that on the control side or on the security IT infrastructure side? I would assume that the cycle on the IT side might be a little bit faster than a reviews of kind of defense and depth.

Pam Poisson:

Absolutely. Activity. In fact, I'd say the cybersecurity is going <laugh>, truly.

Mary Peck:

Tim Chase, like Tim Chase, if it's, it's probably less than manual, but Tim is Tim back continuously because that's the one thing we don't mess around with at.

Pam Poisson:

All. Yeah, yeah, agreed. So maybe I think of it as, as through tiers, so cyber security almost ongoing with a complete review through the internal control certification that we must do as an Authority per State standards. We are looking across all of our processes in a high level and looking at the overall risk environment and then this really deep dive with the Folsom interviews of all the teams every three to four years. So it's a three tier process. I think it's matched to the relevance.

Jay Koh:

That's great and mean. We have, you know, obviously the operations of the agency itself, but we also then in some cases may have exposure or access to our, and I think we've historically looked at personal identifying information. It's a, a particular concern, payer information or taxpayer information. And then as we move into more kind of procurement activities that are higher profile, there might be commercially sensitive or trade secret information that we also have a duty to protect. So it's great to see that. Are there other questions from the Committee on this? And we'll have an update later on the, on the Internal Audit side. Thank you Pam. That was an informational item only. Next on the agenda is the report on the recent activities the Internal Audit from its Director Mary Peck, Mary.

Mary Peck:

Thank you. Good morning everyone. so with regard to recent activities we've completed one recent audit of Internal Audit IA-2122-03 of the New York Green Bank compliance program. The draft report is currently undergoing review and comment and presented to the Committee at the next meeting. We also have our ongoing project. it's a consulting activity CA-2223-01 continuous monitoring project, total of 15 payments valuing a \$3.9 million we're selected for review for compliance with NYSERDA's invoice review and overall approval process from July through September of 2022. This review also included sampling seven employee expense reports, all of which were travel related, the August, 2022 and September, 2022, WEX corporate fuel Statements and City Bank corporate credit card Statements. While NYSERDA's Internal Controls over the payment process are generally working as intended. There are a few opportunities for improvement, which we've already communicated to management. The testing performed for this activity will also be used to help satisfy the requirements for the April, 2023 office of the State controller certification of Internal Controls over the payment process.

We also have an ongoing project Internal Audit 20 22 23 0 1 of the knee system access. Based on the results of our preliminary survey work, we identified several opportunities to strengthen the

controls for pertaining to knee access, including establishing documented procedures which will allow for specific criteria that could be used as a basis for our examination. We continue to work with the involved areas within the Authority to work through the identified themes as part of our go no-go approach. Additionally, we're exploring an external vendor to perform a more detailed testing of the system with regard to the risk portfolio and rotational audit plan. As Pam mentioned, in coordination with the project team and Pam as the Authority's Internal Control Officer, we've completed the first phase of a very extensive risk assessment process. The team submitted the final version for review and it was a very thoughtful document that will be directing my future audit activities.

In the interim, I've reviewed the existing rotational audit plan and I've included a copy for your review. This item does not require your approval, but my professional standards require that I keep you apprised of any changes. Historically, the rotational plan has been structured to align with the current functional units and primary business processes contained within the Authority's internal control manual for those business processes with higher inherent risk or where the controls are not functioning as designed and could have detrimental financial, or pardon me, reputational risks. The plan imposes a minimum cycle over which these audits will be processes will be audited, for example, payroll for other processes. There may be a schedule for an audit on a discretionary basis or upon the request of management or the Committee. While this document will be used in the development of the annual risk-based Internal Audit plan, I believe the ongoing risk assessment project will have a significant impact on that audit plan. And I'll provide a formal presentation of it at the April meeting. As always, the final plan is subject to any emerging risks that we have, existing staff resources and the direction of the Committee the Authority's, executive leadership and our external auditor KPMG. I'd be happy to answer any questions, but again, the detail of it, which is gonna take into account Pam's very lengthy project. We'll be at the April meeting.

Jay Koh:

Great. Are there questions for Mary?

Chair Kauffman:

Sorry. No, I like, I have my Wheaties this morning.

Jay Koh:

No, it's good. <laugh> haven't had my coffees. <laugh>.

Chair Kauffman:

So just on the 15 payments, so just these, how you found the 15, you know, the process for that and then you say that they're generally working as intended and a few opportunities for improvement. It would be helpful just to take a look, have a sure. Couple sentences more on all that.

Mary Peck:

We used statistical sampling, but then within the statistical sample we also handpick a couple of items. So if it's an area that we had an issue with on a previous invoice, we make sure to look at it a second time so that if there were any identified issues that they've been corrected on an

ongoing measure. with regard to the problems, none of them were anything of significant. It would be a question of the team had documented a review, but that review wasn't necessarily discussed in the payment process that was approved or there'd be a cover memo instead of the detailed information so that the question was raised. If someone were reviewing this invoice, say KPMG coming in, they wouldn't be able to review it or an approval wasn't documented within it, it was done offline somehow. So they were all very minor issues. I have to say this particular project as a reminder was something that was suggested by our previous Treasurer, Jeff Pitkin and Pete Castello, so that we had a more rigorous ongoing review of invoicing. And it's something that I think has been very helpful because it's also a good learning opportunity when we're speaking to the team leads and the people that are approving invoices, they're getting immediate feedback as to what we as the auditor saw as missing and they're incorporating that and they're going forward. It's been very helpful.

Jay Koh:

Any other questions for Mary? I have two. Can you tell me what NEIS stands for again?

Mary Peck:

I knew that was gonna come up. it's the NYSEDA something information system, Enterprise Enterprise Information System. I get quiz on that all the time and I don't know why the men block about it. It's our financial accounting system. Okay. So unlike a lot of the traditional State agencies, we have an in-house financial accounting system separate from the Statewide financial system.

Jay Koh:

That's great. And can you give us any kind of a coming attractions preview of what, what reorganization's gonna be on the Internal Audit strategy that you'll show up in April with, or you're happy to keep that trailer?

Mary Peck:

So one of the things that we've noticed, so Pam's, Pam's update talked about, you know, the breadth of that project. Yeah. And what we did at that point was we've literally spoken to everyone in the Authority with regard to how they see their risk from their job perspective. And some of the things that they've identified, they have said, Hey, I think this is high risk, but we haven't gotten into the, is that risk being controlled elsewhere? That's where we are right now. I see. So the goal is that between now and April we can say, okay, we've identified this as high risk. Is it really high risk? So the reason why I didn't put them on this one is because I feel like right now we've only looked at half the picture and we're gonna start to look at it more in depth. Cheryl, Pam and I have an ongoing project with regard to the Internal Control manual as a whole. And you know, I feel like I'd love to give you like the, you know, the secret hint, but to put the things on there right now that are high risk, I think would be inappropriate. Cause I don't know that they really are high risk.

Jay Koh:

Well, it's great to hear that there's a process for that and that we continue to look at our Internal Controls manual. And the one thing I might suggest is if it's possible to consult with our external auditors on best practices for periodicity of review of the Internal Controls process that might be

helpful or if anything else has emerged. Right. I mean, again, you know, it's, we've been quite, I think lucky as an agency I'm sure we're getting all kinds of different down, you know, cyber attacks and other sets of issues. I think the environment that we've had to shift into to remote work has changed access, has changed all kinds of risk factors moving back from that. but then also expanding pretty substantially in a very public way. The amount of engagement with market procurement activity, the scale and activity of the Green Bank, other programs that we're involved with just simply increases the complexity and the, you know, puts, pays a bigger target in the public sense on night service.

So it's great to have this kind of view process. If there's a way to get commentary that you can report back on for April or some other future Board meeting on just any suggestions or recommendations from our third-party auditor to make sure that we're, you know, just paying attention to best practices in the Internal Controls process. we'd love to get it. There's obviously shifts in from time to time in, you know, government accounting standards and requirements privacy issues, data issues. So it's just useful to get a, an understanding. I think in the past we've prioritized, again, cybersecurity issues from time to time and pushed up for controls analysis of that. And I think that's been helpful, but in case there's other things we should be thinking about.

Mary Peck:

Absolutely. I will say proactively that I think that State agencies are doing a better job on reviewing Internal Controls than the private sector only because we have a mandatory report that we have to do annually and what gets measured gets done. So I think that we're doing something in addition to whatever the external's looking at. But I do speak with KPMG several times a year. I'll make sure I get that for you for the monthly.

Jay Koh:

Perfect. Thank you. Any other questions for Mary? Thank you, Mary. This is an informational item only. Are there any other additional items that Committee Members wish to discuss looking at you? Richard <laugh>, may I have a motion to adjourn? Second. All in favor?

Members of the Committee:

Aye. Aye.

Jay Koh:

Opposed? This meeting is adjourned. Thank you for.