

**2012 INTERNAL AUDIT PLAN
ACTIVITY REPORT
8/31/12
AUDIT PLAN UPDATE**

Exhibit A

FINANCIAL

- SENY Government Services Program
- Salary Administration
- Generation Resource Management (CI)
- Hydro Revenues (CI)
- ReCharge NY Customer Revenues
- SENY Long-Term Agreement (CI)
- NYISO Energy Settlements – Load Serving Entities (CI)
- Public & Governmental Affairs Expenditures
- Astoria Energy II Project Agreement (CR)
- Fleet Operations (CI)
- Headquarters ProCard (CI)
- Purchasing/Warehousing CEC (CR)
- B-G Finance & Administration (CI)
- NYISO Installed Capacity
- NYISO Transmission Settlement

INFORMATION TECHNOLOGY

- Mobile Device Security and Controls (CI)
- SAP – General Ledger (IP)
- (1) • Electronic Record Management System
- Energy Management System
- Information Security – SAP (CI)
- SCADA System (IP)
- SAP Business Intelligence (CI)

(1) = Audit Postponed.

(2) = Audit Added.

INFORMATION TECHNOLOGY (Continued)

- IT Disaster Recovery Plan (CI)
- WPO Data Center (CI)
- SAP Business Planning Consolidation
- (2) • SAP Billing System (ReCharge NY)

OPERATIONAL/COMPLIANCE

- ReCharge NY Program Management
- Energy Services Operations
- Power Supply Operational Planning (CI)
- Public Authorities Law (PAL) Compliance
- Counterparty Credit (IP)
- St. Lawrence Life Extension (CI)
- Enterprise Risk Management (CI)
- Licensing Operations & Compliance (IP)
- SENY Outage Management (CI)
- Central Region O&M (CI)
- Safety Program (CI)
- Small Clean Power Plants O&M
- Configuration Management Program

OTHERS

- Transmission Consulting Project (CI)
- Vendor Contract Audits (IP)
- Assistance to KPMG
- Hydro Customer Job Commitment Audits

CI = Completed and Report Issued.

CR = Completed and Report under Review with Management.

IP = In-Progress.

**2012 INTERNAL AUDIT PLAN
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REPORT RECAP**

Report Name	High-Level Audit Objectives	Observations/Findings/ Recommendations
Enterprise Risk Management	<p>The objectives of the audit were to confirm:</p> <ul style="list-style-type: none"> -Existence and appropriateness of program governance documents. -Adequacy of communication to key stakeholders of program objectives, activities and results. -Utilization of technology to track and monitor specific risks. -Existence of mitigation plans for critical risks. 	<ul style="list-style-type: none"> -Program has not yet been fully established as outlined in the Trustee authorization. -Draft policy and procedures should be finalized to reflect the current direction of the Program. -The organizational structure for the Enterprise Risk function should be re-evaluated. -The purpose and authority of the Enterprise Risk Management Committee and the Executive Risk Management Committee should be clarified. -Establish ongoing reporting protocol that includes communicating critical risks and associated mitigation plans.
Navigant Consulting, Inc.	<p>Determine that vendor charges were supported and in agreement with the terms of the contracts and adequate administrative controls are in place.</p>	<ul style="list-style-type: none"> -Hours and hourly rates were billed in accordance with the contracts. -Contractor travel and entertainment expenses were not consistently billed in accordance with the terms of the contract. -We estimated potential contract overbilling for travel and entertainment expenses at \$24,600.
Information Security – SAP	<p>Test and evaluate the SAP Security to determine if it is adequately protected from unauthorized access, use, disclosure or modification, damage or loss using best security practices.</p>	<ul style="list-style-type: none"> -Overall SAP information security, access controls and standards provide adequate protection for the SAP Information, programs and system. -Remove all SAP user accounts that do not belong to current NYPA employees or NYPA contractors. -Remove generic/shared SAP user accounts.

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White Plains Office Data Center	Test and evaluate procedures and controls over the White Plains Office Data Center. Review physical security, environmental controls and fire protection.	<ul style="list-style-type: none"> -Controls over the White Plains Office Data Center provide adequate protection for the data center and the servers, routers and switches. -Consider a more efficient and effective way of performing backup procedures by moving the virtual tape library (disk backup) to an off-site location and discontinue the use of physical tape library.
Flynn Outage Management	Evaluate the adequacy and effectiveness of internal controls over Flynn's Outage Management including cost control and quality assurance.	<ul style="list-style-type: none"> -Controls over the planning and monitoring of the 2011 Flynn Outage were adequate and effective. -Changes to the Operating Plant Service Agreement between NYPA and Siemens Westinghouse should be documented in the contract.
Fleet Operations	Review processes and controls associated with the management of NYPA's fleet vehicles. Review fleet acquisitions, disposals, usage controls, and operating and maintenance expenses.	<ul style="list-style-type: none"> -Controls over Fleet Operations are working effectively. -A reconciliation of fleet assets in the Fleet System to the Authority's SAP System should be performed. -Procurement Credit Card statements should be reviewed and approved timely. -Fleet purchasing activities should be monitored.

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NYISO Energy Settlements – Load Serving Transactions	Review processes and controls associated with Energy Scheduling, Energy Settlements, NYISO Rebills and Reconciliation.	<ul style="list-style-type: none"> -Controls over Energy Settlements with the NYISO are adequate and effective. -Controls over the scheduling of energy deliveries to Brookhaven National Lab need improvement.
IT Disaster Recovery Plan	Evaluate the IT Disaster Recovery Plan (ITDRP) to determine if it is adequate to ensure the recovery of critical systems, applications, data and operations in the White Plains Office. Review the training and testing plans, results and the updating of the ITDRP.	<ul style="list-style-type: none"> -The ITDRP provides adequate protection to provide recovery of critical applications and network resources during major disaster events. -The ITDRP should be updated and tested.

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AUDITS SCHEDULED SEPTEMBER - DECEMBER

Exhibit C

Financial/Operational Title of Audit	Description	Scheduled Start
ReCharge NY Program Management	Review NYPA's governance documents to ensure program is set up in accordance with the legislation. Review customer files and verify compliance with policies and procedures. Review rate setting process to ensure adequacy and effectiveness of controls.	November
Energy Services Operations	Review implementation of prior audit recommendations. Evaluate operating procedures and controls over vendor selection, vendor management, project management, cost estimation, contingencies, and risk mitigation/ management. Review performance metric for applicability and ensure metrics are accurately monitored and reported.	October
SENY Government Services Program	Review controls and procedures over (1) Project Selection and Facility Audits, (2) Construction Authorization, (3) Procurement of Material and Installation Labor, (4) Accounting for Project Costs, (5) Program Recovery and Overhead Costs, and (6) Project Closeout.	October
Salary Administration	Review NYPA's policies, procedures and controls over Salary Administration. Verify compliance with Salary Administration Policy. Confirm that documentation exists to support approval and justification for promotions and upgrades.	November
ReCharge NY Customer Revenues	Review procedures, processes and controls related to billings of ReCharge NY customers and cash receipts. Ensure that customers are billed accurately based upon meter data received and at the proper rates. Verify compliance with the terms of customer contracts.	November
Public & Governmental Affairs Expenditures	Review procedures, processes and controls over Public & Governmental Affairs Expenditures. Review Budget Monitoring procedures, Contributions and Sponsorships, and Department expenditures. Verify compliance with established policies and procedures.	September
NYISO Installed Capacity	Review procedures, processes and controls associated with the determination of NYPA's Installed Capacity (ICAP) requirements in NYC, Long Island and the rest of New York State. Review NYPA's monthly ICAP certification to the NYISO. Review sales of surplus capacity and purchases for deficient capacity.	October

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Small Clean Power Plants O&M	Review implementation of prior audit recommendations. Evaluate NYPA's vendor management controls in place to oversee contractor performance. Review for compliance with contract terms and conditions.	September
Configuration Management Program	Review NYPA-wide compliance with the Configuration Management Policy. Ensure governance documents clarify program scope, roles and responsibilities. Confirm that controls exist for ensuring compliance when third party engineering firms are a party to configuration changes. Review procedures and processes for Headquarters and sites.	December
NYISO Transmission Settlements	Review processes and controls associated with Transmission revenues and charges billed by the NYISO. Review NYISO Transmission User Charges for congestion and losses. Review NYPA Transmission Adjustment Charge. Review congestion charges billed to Con Edison.	September
Public Authorities Law (PAL) Compliance	Evaluate the overall processes/controls implemented by NYPA to ensure compliance with PAL requirements. Confirm that NYPA is complying with the reporting, governance and administrative requirements of the PAL. Verify compliance with selected NYPA policies and procedures.	September
Assistance to KPMG	Assist KPMG in their annual audit of NYPA's financial statements.	November

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Information Technology Title of Audit	Description	Scheduled Start
SAP Billing System (ReCharge NY)	Review, test and evaluate SAP Billing application controls, documentation and procedures.	November
Energy Management System	Test and evaluate the Energy Management System (EMS) application controls, documentation and procedures. Also, review and test the interfaces with NYISO and NYPA network to determine if EMS is adequately protected from unauthorized access, use, disclosure or modification, damage or loss using best security practices.	October
SAP Business Planning Consolidation	Review, test and evaluate SAP Business Planning Consolidation application controls, documentation and procedures.	December