



**MINUTES OF THE SPECIAL MEETING  
OF THE  
CANAL CORPORATION AUDIT COMMITTEE**

**May 22, 2018**

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**May 22, 2018**

Minutes of the special meeting of the New York State Canal Corporation's Audit Committee held at the Clarence D. Rappleyea Building, White Plains, New York, at approximately 8:07 a.m.

**The following Members of the Audit Committee were present:**

Eugene Nicandri, Chairman  
John R. Koelmel  
Anthony Picente, Jr.  
Tracy McKibben

Anne M. Kress – Excused

**Also in attendance were:**

Dennis Trainor	Trustee
Gill Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Angela Gonzalez	Senior Vice President - Internal Audit
Kimberly Harriman	Senior Vice President - Public and Regulatory Affairs
Karen Delince	Vice President and Corporate Secretary
Joseph Gryzlo	Vice President and Chief Ethics and Compliance Officer
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Senior Assistant Corporate Secretary

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Chairman Eugene Nicandri presided over the meeting. Corporate Secretary Delince kept the Minutes.

**Introduction**

***Chairman Nicandri welcomed committee members and senior staff to the meeting. He said the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to section B(4) of the Audit Committee Charter.***

1. **Adoption of the Proposed Meeting Agenda**

Upon motion made by member Tracy McKibben and seconded by member John Koelmel, the agenda for the meeting was adopted.

2. **Motion to Conduct an Executive Session**

*I move that the Committee conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 to discuss matters involving the employment history of a particular person.* Upon motion made by member John Koelmel and seconded by member Tracy McKibben an Executive Session was held.

3. **Motion to Resume Meeting in Open Session**

*Mr. Chairman, I move to resume the meeting in Open Session.* Upon motion made by member Tracy McKibben and seconded by member John Koelmel, the meeting resumed in Open Session.

Chairman Nicandri said no votes were taken during the Executive Session.

4. **DISCUSSION AGENDA:**

a. **2018 Internal Audit Update**

- 11 audits are included in the Canals Audit Plan.
- Two audits are in fieldwork and there are no audits in the planning stage at this time.
- One audit is in the reporting stage.
- No additional audits are expected to be issued by the end of May.

2018 Internal Audit Reports Issued/Ratings

Summary of Audit Areas with Improvement Needed

- The Payroll audit identified control gaps within the payroll process related to identifying roles and responsibilities that need to be defined in the rules, policies and procedures.
- Management is actively working to remediate these issues starting with a consolidated list of known payroll issues and associated process owners.
- Internal Audit has agreed to perform additional procedures to facilitate this process and validate that management has made positive progress on the remediation.

Changes to 2018 Internal Audit Plan

No changes have made to the 2018 Internal Audit Plan.

Status of Audit Recommendations

- 12 open audit recommendations in 2018 and nine in 2017.

Status of High Audit Recommendations - 2017

Canals OC audit follow-up:

- Formalized plans to prioritize remediation efforts for the remaining OSC open recommendations have not been established.

Canals Permit Management:

- Canals land and waterways are being used by individuals and businesses without an approved permit and lack of permit holder signage.
- Current insurance documentation is not maintained for use and occupancy permits indicating permittees have valid and active liability insurance.

IA has been working closely with management to ensure that remediation is on track for Canals OSC audit follow-up as well as Canals permit management.

Internal Audit 100-Day Plan Status

People

- Five positions remain open as a result of the recent promotions of backfilling two Director positions, one Management position and hiring one Auditor. In addition, one Auditor was promoted to Senior Auditor.
- Four candidates for the Director position have been scheduled for in-person interviews over the next few weeks. These candidates will meet with the IA leadership team and staff from NYPA business operations. IA will continue to work with HR to fill the other open positions.
- Additional reliance on Deloitte co-source will continue until the staff gaps are resolved.
- Site visit to Niagara is scheduled for May 31, 2018 for the half IA's team that has not been to this site. In addition, IA is scheduling a visit to SENY in the fall.

Process

- Review of the Internal Audit Charter has been completed. The Charter will be sent to the Audit Committee for review.
- The Agile audit team attended an Agile IA lab at Deloitte's facility. The Travel & Expense audit project has been selected for Agile methodology and the team has mapped Agile processes to Internal Audit's current process and created a timeline for applying these techniques for better client engagement and more efficiency within IA's audit projects.
- Data analytics staff skills assessment is completed. It was determined that, although some of the staff is at the intermediate level, the majority is at the basic level. To that end, beginning in June, staff training will be held at IA's quarterly staff meetings on actual visualization tools IA use for data analytics.

Technology

- Contract finalization is in progress for the GRC tool. Enterprise Risk Management and Internal Audit are working with Procurement on the implementation vendor contract. ERM and Internal Audit are reviewing the best vendor options for successful implementation.
- Enhancements to the SharePoint Recommendation Tracking tool were have been implemented.



5. **Next Meeting**

Chairman Nicandri said that the next regular meeting of the Audit Committee would be held on September 27, 2018 at the Clarence D. Rapleyea Building in White Plains, New York at a time to be determined.

**Closing**

Upon motion made by Trustee McKibben and seconded by Trustee Koelmel, the meeting was adjourned by the Chairman at approximately 9:34 a.m.

*Karen Delince*

Karen Delince  
Corporate Secretary

May 22, 2018

# **EXHIBITS**

**For**

**Audit Committee**

**Minutes**

**May 22, 2018**



**NY Power  
Authority**

**Canal  
Corporation**

# ***Audit Committee***

## ***Internal Audit Update – Canals Corporation***

***5/22/2018***

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## Executive Summary

### Canal Corp

- 2018 Audit Plan Status
- 2018 Internal Audit Reports Issued/Ratings
- Changes to 2018 Internal Audit Plan
- Status of Audit Recommendations

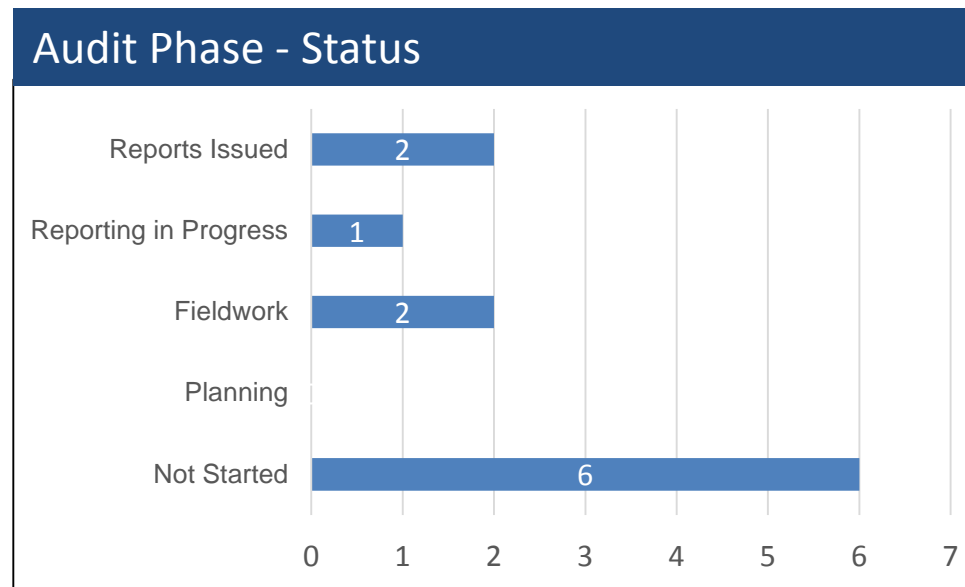
## Appendix

- Appendix A – 2018 Internal Audit Plan
- Appendix B – Changes to 2018 Internal Audit Plan

# Executive Summary

## 2018 Audit Plan Status

- 2018 Plan Status\*:
  - 11 audits are included in the Canals Audit Plan.
  - Two audits are in fieldwork and there are no audits in the planning stage at this time.
  - One audit is in the reporting stage. No additional audits are expected to be issued by the end of May.



NOTE: \* See Appendix A for details.

## 2018 Internal Audit Reports Issued/Ratings

Reports Issued	Rating	
Canals Payroll	Improvement Needed	
Canals Crisis Management	N/A	N/A

### Summary of Audit Areas with Improvement Needed

#### Payroll

- The Payroll audit identified control gaps within the payroll process as a result of undefined and communicated roles and responsibilities and documented policies and procedures. Management has committed to remediation of these issues which has started with a consolidated list of known payroll issues and associated process owners. Internal Audit has agreed to perform additional procedures to facilitate this process and validate that management has made positive progress on remediation.



## Changes to 2018 Internal Audit Plan

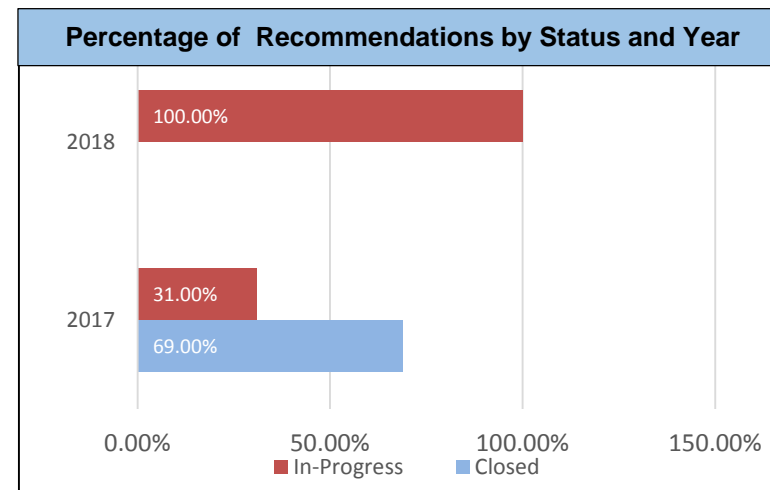
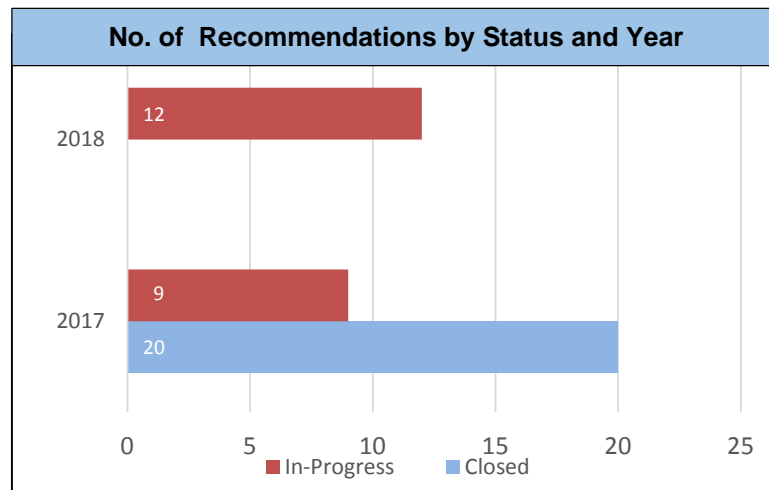
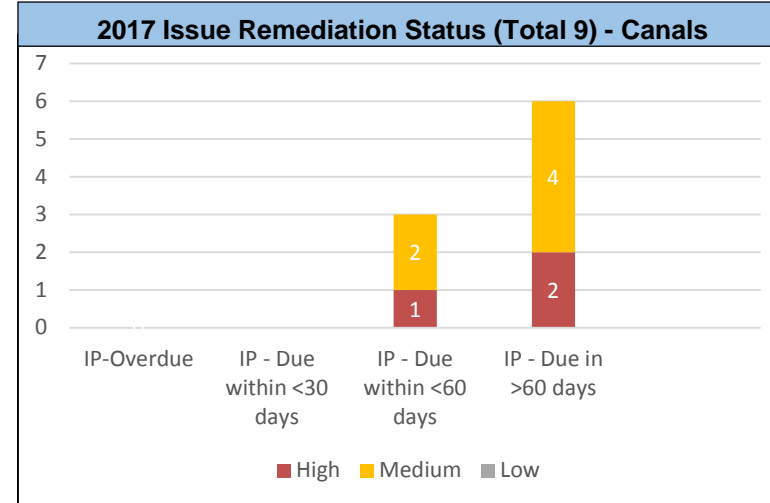
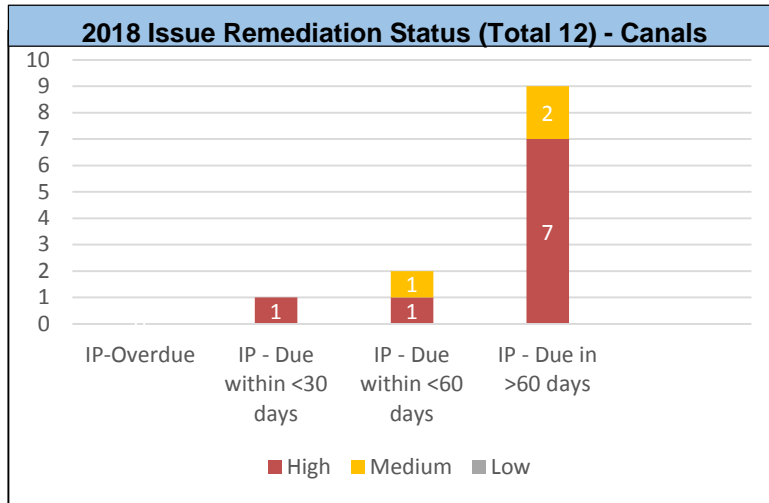
- Operational, Strategic, Compliance, Finance and IT audits are continuously evaluated for emerging and changing risks through participation in work streams, committees and discussions with leadership. As a result, the following changes have been made to the 2018 Internal Audit Plan:

2018 Audit Status	5/11/18
<b>Open 2018 Internal Audit Plan</b>	11
<b>Audit Added to 2018 Internal Audit Plan</b> Canals: None	0
<b>Audits Removed from 2018 Internal Audit Plan</b> Canals: None	0
<b>Total 2018 Audits</b>	11

- Details explaining rationale for changes since the last Audit Committee update can be found in Appendix B.

# Status of Audit Recommendations

➤ Below is the status of open recommendations by year:



➤ Internal Audit supports management with monthly open recommendations reporting and is monitoring remediation efforts for High and Medium issues, with priority on High Risk issues. See slide 8 for 2017 high open recommendations status.

## Status of High Audit Recommendations - 2017

2017 High Audit Recommendations	Remediation Status
<p><b>Canals OSC Audit Follow-up (one recommendation)</b></p> <p>Formalized plans to prioritize remediation efforts for the remaining OSC open recommendations have not been established.</p>	<p><b>Remediation efforts on track.</b></p>
<p><b>Canals Permit Management - (two recommendations)</b></p> <ol style="list-style-type: none"> <li>1. Use of Canals land and waterways by individuals and businesses without an approved permit and lack of permit holder signage.</li> <li>2. Current insurance documentation is not maintained for use and occupancy permits indicating permittees have valid and active liability insurance.</li> </ol>	<p><b>Remediation efforts on track.</b></p>

# Appendix

## Appendix A – 2018 Internal Audit Plan

Ref.	Entity	Audit Project Number	Audit	Business Unit	Audit Type	Date Issued
<b>Deliverable Issued: 2</b>						
1	Canals	2018-AS-51-C	Canals Crisis Management	Utility Operations	Assessment	4-20-18
2	Canals	2018-AU-57-C	Payroll	Business Services	Audit	4-27-18
<b>Reporting – Fieldwork Complete: 1</b>						
3	Canals	2018-AU-61-C	Vendor Payment Accruals	Business Services	Audit	
<b>Fieldwork in Progress: 2</b>						
4	Canals	2018-AU-54-C	Grants and Sponsorships	Corporate Affairs	Audit	
5	Canals	2018-AS-58-C	Dam Safety	Utility Operations	Audit	
<b>Audit Planning In Progress: 0</b>						
<b>Planning Not Started: 6</b>						
6	Canals	2018-AS-53-C	EH&S Study Follow-up	Utility Operations	Assessment	
7	Canals	2018-AS-52-C	Canals Governance	Entity-Wide	Assessment	
8	Canals	2018-AU-55-C	P-Cards Follow-up	Entity-Wide	Audit	
9	Canals	2018-AU-56-C	Real Estate	Human Resources & Enterprise Shared Svcs.	Audit	
10	Canals	2018-AS-59-C	Maximo Lite Post Implementation	Information Technology	Assessment	
11	Canals	2018-AS-60-C	Vegetation Management	Utility Operations	Assessment	

## Appendix B - Changes to 2018 Internal Audit Plan

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No changes have been made as of 5/11/18.