



# Internal Audit Update

*Finance and Audit Committee Meeting*

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



# Discussion Topics

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 2024 / 2025 Audit Plan and Activities Status

 Open Management Action Plans

 Appendix A: Audit and Action Plan Status Descriptions

# 2024 / 2025 Audit Plan and Activities Status

Entity	Audit / Review Name	2024				2025			Start Date	Report Date
		Q1	Q2	Q3	Q4	Q1	Q2	Q3		
LIPA and UDSA	Select Internal Control Review	In Process	In Process	In Process	In Process	In Process	In Process	In Process	1/2/2024	N/A
PSEG Long Island	Marketing and Advertising	Complete							7/19/2023	2/26/2024
PSEG Long Island	*Locate and Mark-Out	Complete	Complete	Complete					1/2/2024	11/4/2024
LIPA	*Procure to Pay	Complete	Complete	Complete					3/26/2024	11/5/2024
LIPA	Power Supply Settlement Process Review	Complete	Complete	Complete					9/14/2023	6/4/2024
LIPA	*Insurance Process Review		Reporting	Reporting	Reporting				4/1/2024	TBD
LIPA	Treasury Process Review		In Process	In Process	In Process				4/1/2024	TBD
LIPA	*Treasury Management System Implementation (Kyriba)		Complete	Complete	Complete				4/1/2024	10/28/2024
PSEG Long Island	Recruitment and Hiring Practices		In Process	In Process	In Process	In Process			5/7/2024	TBD
LIPA	*Metric Performance Evaluation Standardization Review (IV&V)			Reporting	Reporting	Reporting			8/29/2024	TBD
PSEG Long Island	*Storm Invoicing				In Process	In Process	In Process		10/28/2024	TBD
PSEG Long Island	*Asset Management – Outside Plant Assets				Planning	Planning	Planning		TBD	TBD
PSEG Long Island	*Clean Energy Program				Planning	Planning	Planning		TBD	TBD
PSEG Long Island	Ethics, Compliance, and Policy Governance Programs				Not Started	Not Started	Not Started		TBD	TBD
PSEG Long Island	Customer Credit and Collections				Not Started	Not Started	Not Started		TBD	TBD
PSEG Long Island	Capital Project Outreach to External Stakeholders				Not Started	Not Started	Not Started		TBD	TBD
PSEG Long Island	Household Assistance Program				Not Started	Not Started	Not Started		TBD	TBD
PSEG Long Island	IT System Separations				Not Started	Not Started	Not Started		TBD	TBD
<b>Audit Assist Projects</b>										
PSEG Long Island	Rate Implementation and Customer Billing	In Process	In Process	In Process	In Process				9/8/2023	TBD
PSEG Long Island	*Safety Assessment Project	Complete	Complete	Complete					1/2/2024	10/16/2024
PSEG Long Island	Workforce Management Productivity			In Process	In Process	In Process			8/7/2024	N/A

**\*Notes:** Status change since the September 2024 Finance and Audit Committee Meeting. See the Appendix for all scope descriptions.

Status Legend					
Complete	Reporting	In Process	Planning	Not Started	Delayed



# Open Management Action Plans

Audit / Review Name	Total # of Open Observations	Total # of Open High-Risk Observations	Entity	Action Plan Status
Treasury Management System Implementation (Kyriba) Review	2	2	LIPA	On Target
Locate and Markout	5	0	PSEG Long Island	On Target
Procure to Pay	11	2	LIPA	On Target

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

**Two observations were closed since the September 2024 Finance and Audit 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: Proposed Audit Plan Scope

# Proposed Audit Plan and Scope

Entity	Proposed Audit / Review Name	Proposed Objectives (subject to revisions upon commencement of planning activities)
LIPA & UDSA	Select Internal Control review	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	Marketing and Advertising	Evaluate the adequacy and effectiveness of internal controls to ensure the accuracy of the Marketing and Advertising processes including monitoring, approvals, budget to forecast processes, disclosures and appropriateness of market segmentation.
PSEG Long Island	Locate and Mark-Out	Ensure the adequacy and effectiveness of internal controls surrounding the locate and mark-out processes including monitoring of activities, timeliness of responses, accuracy of markings, assignment of activities, cost allocations among other utilities, and compliance with New York State regulations.
LIPA	Procure to Pay	Evaluate the adequacy and effectiveness of internal controls within the procure-to-pay process to mitigate risks of fraud, errors, and non-compliance. Ensure compliance with procurement policies, procedures and regulations throughout the procure-to-pay process. Assess the effectiveness of vendor management, including vendor selection, including competitive bidding, conflicts of interest, and award processes. Evaluate cost control initiatives, vendor performance evaluation and contract management, purchasing, change order approval, receipt of goods or services, purchase order and invoice review and approvals, adherence to budgets, and payment.
LIPA	Power Supply Settlement Process Review	Evaluate the adequacy and effectiveness of internal controls within the power supply settlement processes including monitoring and/or approvals for invoicing, payments, and reconciliation processes and procedures.
LIPA	Treasury and Insurance Process Review	Evaluate the adequacy and effectiveness of internal controls within the LIPA Management's treasury and insurance processes to ensure that treasury and insurance operations are conducted efficiently, securely and in compliance with applicable regulations and best practices. This review will include identifying, assessing and documenting risks and processes associated with activities such as liquidity risk, credit risk, market risk as well as insurance risks like underwriting risks and claims management.
PSEG Long Island	Recruitment and Hiring Practices	Evaluate the adequacy and effectiveness of the internal controls including: compliance with applicable laws, regulations, and company policies throughout the recruiting and hiring process, including equal employment opportunity (EEO), anti-discrimination, and data privacy laws; efficiency and effectiveness of the recruitment process from job requisition to candidate selection; consistency and fairness of candidate screening and selection procedures to ensure alignment with job requirements, competency frameworks, and diversity initiatives; process for conducting background checks, employment verifications, and reference checks; the effectiveness of the offer management and onboarding processes to ensure timely and accurate communication, compliance with employment contracts, and smooth transition for new hires; monitoring and effectiveness of recruitment metrics and KPIs (i.e. time to fill, cost per hire, quality to hire, etc.); and relationships with external recruitment vendors and agencies to ensure compliance with contractual agreements, ethical standards and fair business practices.

# Proposed Audit Plan and Scope (continued)

Entity	Proposed Audit / Review Name	Proposed Objectives (subject to revisions upon commencement of planning activities)
LIPA	*Treasury Management System Implementation (Kyriba)	Performance of an information technology general control review of the Treasury Management System implementation (Kyriba). This will include a review of, but not limited to, segregation of duties, access, change management, physical security, development lifecycle, and back-up and recovery controls.
PSEG Long Island	*Asset Management – Outside Plant Assets	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.
PSEG Long Island	*Storm Invoice	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	Ethics, Compliance and Policy Governance Programs	Evaluate the comprehensiveness, clarity, and accessibility of ethics and compliance policies and procedures to ensure alignment with industry standards, regulatory requirements, and organizational values; effectiveness of training programs and communication initiatives aimed at educating employees about ethical standards, compliance requirements, and reporting mechanisms; efficiency and responsiveness of the whistleblower hotline or reporting mechanisms for employees to report unethical behavior or compliance violations confidentially and without fear of retaliation; effectiveness of processes and controls in place to investigate and close out reports of unethical or non-compliant behavior; effectiveness of processes and controls in place to identify, disclose, and manage conflicts of interest among employees, contractors, and stakeholders; procedures for vetting and monitoring vendors to ensure compliance with ethical standards and applicable laws and regulations; commitment of senior leadership to ethical behavior and compliance, as well as the effectiveness of mechanisms for promoting a culture of integrity and accountability throughout the organization. Ensure the adequacy and effectiveness of the internal controls related to Policies. This review will include an evaluation to ensure Policies are uniformly developed, maintained, and periodically reviewed to ensure compliance with relevant laws, regulations, and industry standards; clarity of roles and responsibilities to ensure accountability for ethics and compliance at all levels; and communication and dissemination to relevant stakeholders, ensuring understanding and compliance.
PSEG Long Island	*Clean Energy and Energy Efficiency Programs	Evaluate the adequacy and effectiveness of internal controls related to the Clean Energy and Energy Efficiency Programs including, but not limited to the following: assess the effectiveness of vendor management, including vendor selection and performance evaluation; adequacy of assumed allocations relative to the statewide Climate Leadership and Community Protection Act (CLCPA) goals and whether plans support achievement of the goals and targets; evaluate the role and scope of PSEG Long Island’s Oversight and Clean Energy Committee on clean and renewable energy programs such as its activities, the content of meetings, how stakeholders are selected, and how stakeholder feedback is incorporated/responded to; review and evaluate recommendations made by the committee on demand reduction goals, beneficial electrification program goals, and renewable program goals; evaluate PSEG Long Island’s efforts in achieving program engagement directed towards low and moderate-income (LMI) customers.
PSEG Long Island	Capital Project Outreach to External Stakeholders	Evaluate the adequacy and effectiveness of project management processes used for Capital Projects ensuring appropriate initiation, planning, and execution of outreach to external stakeholders and performance of stated goals and objectives. This review will also include a review of the External Affairs Handbook to ensure that it is updated and in compliance with industry standards.



# Proposed Audit Plan and Scope (continued)

Entity	Proposed Audit / Review Name	Proposed Objectives (subject to revisions upon commencement of planning activities)
PSEG Long Island	Customer Credit and Collections	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, including 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.
PSEG Long Island	Household Assistance Program	Evaluate the adequacy and effectiveness of the internal controls related to the Household Assistance Program including, but not limited to the following: adequacy of end-to-end program management including document control, application approval and denial review; customer communication and records management; compliance with organizational policies, Tariff requirements, regulatory requirements, and industry standards; adequacy and completeness of advocacy, education and outreach training; evaluate the effectiveness and efficiency of the budgeting process and analyze budget variances to identify discrepancies between planned and actual performance; and evaluate the use of KPIs and performance against program goals.
PSEG Long Island	IT System Separations	Perform an independent audit of PSEG-LI's IT System Separation Program for Bundle One (1). Evaluate and assess the adequacy and effectiveness of the internal controls related to the following: project management, especially as it relates to schedule and cost-effectiveness; project management practices, including management of scope changes, communication, risk mitigation, and stakeholder engagement; the accuracy and completeness of separated Bundle 1 components; the accuracy and completeness of data migration; the adequacy of change management; the effectiveness of IT System Separation Organizational Change Management and post-separation support readiness; and review of the RFP process for Bundle 1 System Integrator, particularly regarding transparency and vendor selection.
Entity	Proposed Audit Assist Projects	Proposed Objectives (subject to revisions upon commencement of planning activities)
PSEG Long Island	Rate Implementation and Customer Billing	The project's overall objective is to review and develop a standardized and systematic framework for customer rate implementation and the related customer billing processes (including new rates, changes to existing rates, terms and conditions changes, or changes to the tariff). The scope of the project will include assessment of existing rate implementation practices; development of a formal process for implementing rates and charges used to compute customer bills; and development and deployment of training materials related to the desired future state of the bill calculation process.
PSEG Long Island	Safety Assessment Project	Evaluate remediation efforts implemented as a result of the K&A 2022 Safety Assessment review. This review will also include, at a minimum, an evaluation to ensure effective controls are in place to properly monitor, mitigate and minimize incidents effecting the OSHA days away rate, OSHA Recordable Incidence Rate, and Serious Injury rate.
PSEG Long Island	Workforce Management Productivity	The review will assess PSEG Long Island's Overhead/Underground (OH/UG) work crews to measure productivity standards against established guidelines and to utility industry standards (i.e., IPSEC-A framework). The focus of this audit will include the management and oversight of work crew productivity, as well as standardization and centralization of planning, scheduling, execution, and material management as they relate to productivity. The audit will require onsite fieldwork across select yards.