



NY Power Authority

ANDREW M. CUOMO
Governor

JOHN R. KOELMEL
Chairman

GIL C. QUINIONES
President and Chief Executive Officer

October 31, 2016

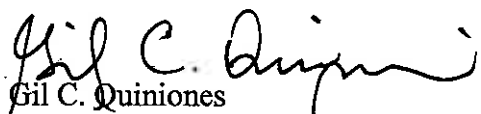
Honorable Thomas P. DiNapoli
State Comptroller
Office of the State Comptroller
110 State Street, 15th Floor
Albany, New York 12236

Re: Implementation Status of 2015 Selected Management and Operations Practices
Audit Recommendations

Dear Mr. DiNapoli:

On behalf of the New York Power Authority, I am submitting the enclosed report on the implementation status of the recommendations in the report by the New York State Office of the State Comptroller entitled, "Selected Management and Operations Practices, report 2015-S-20."

Yours truly,


Gil C. Quiniones
President and Chief Operating Officer

Encl.



NY Power Authority

ANDREW M. CUOMO
Governor

JOHN R. KOELMEL
Chairman

GIL C. QUINIONES
President and Chief Executive Officer

New York Power Authority Selected Management and Operations Practices Report 2015-S-20

Implementation of the Office of the State Comptroller's Recommendations 90-Day Response October 31, 2016

The following details New York Power Authority's (NYPA) implementation of the New York State Office of the State Comptroller's (OSC) audit recommendations.

Audit Recommendations – ReCharge New York

OSC Recommendation 1: Identify resources available within NYPA that can conduct an independent and objective review of the models used to score applications for accuracy and completeness before the results are recommended to EDPAB for approval.

NYPA Response: NYPA corrected the single coding error that arose during the audit, which had no impact on allocations. NYPA added an internal control consisting of a second review of all the formulas used in the model following each application round prior to allocation recommendation.

OSC Recommendation 2: Exclude job commitments for businesses that have received an allocation but have not signed a contract from any reporting of RNY program results, or footnote/disclose that the "results" include pending allocations.

NYPA Response: NYPA plans to continue to include job commitments from the date of the allocation award. NYPA provides disclosure in its annual "Report to the Governor and Legislative Leaders on Power Programs for Economic Development" and the "Report on Effectiveness of ReCharge New York Power Program" that the job commitments include those pending contract execution.

OSC Recommendation 3: Improve transparency of the RNY program by disclosing information about: the reserve established by NYPA; the decisions to not award power to customers above the cutoff score; and when businesses are carried over from one model to the next.

NYPA Response: NYPA continues to be transparent in its management of and reporting on the RNY program, which is in accordance with the law and in a manner that is appropriate for a competitively awarded program.



**NY Power
Authority**

ANDREW M. CUOMO
Governor

JOHN R. KOELMEL
Chairman

GIL C. QUINIONES
President and Chief Executive Officer

OSC Recommendation 4: Establish a schedule for contacting pending businesses on a regular basis during the year (e.g., quarterly) to determine their readiness to draw down power. For those not ready, establish a formal process whereby the business submits a deferral request with an estimated date when it will draw down the power.

NYPA Response: OSC's recommendation fails to consider NYPA's account management practices for pending customers. NYPA account executives have processes and a schedule for follow-up with pending customers. NYPA's Business Power Allocation and Compliance group (BPAC) continues to monitor and rescind pending allocations that have exceeded the allotted time frame as dictated in our procedures. BPAC has conducted a review of the pending allocation follow-up process to survey for potential improvements. As a result, BPAC will transition the tracking function for all internal and external communications from an excel SharePoint file to using the Customer Relationship Management (CRM) system with a CRM workflow process. These improvements will initiate automated reminders for the Account Executives to engage the customers regarding their pending allocations.

OSC Recommendation 5: Take action to reduce contract demand when customers do not meet power utilization or minimum employment levels or hinder verification of compliance commitments provided in the contract terms. In such instances, when NYPA chooses not to reduce power allocations, document the reasons for the decisions.

NYPA Response: NYPA has been taking action in accordance with the customer contracts. Proper business controls are in place and communication to the Economic Development Power Allocation Board and NYPA's Board of Trustees regarding decision-making is well documented.

OSC Recommendation 6: Assess the level of resources assigned to verify the employment, power utilization, and capital investment numbers being reported in customer Compliance Reports.

NYPA Response: NYPA already performs continuous compliance assessments for the RNY program to ensure adequacy of its allocation of resources.

OSC Recommendation 7: Revise the terms of the firm's contract to specify the number of audits to be performed each year and to specify when the reports are due. In the interim, require the firm to perform according to the agreed upon contract terms of verifying job commitments for approximately 100 customer contracts each year.

NYPA Response: NYPA disagrees with OSC's recommendation. NYPA continues to work with its independent auditor using the sample selection methodology to determine the sample size.



NY Power Authority

ANDREW M. CUOMO
Governor

JOHN R. KOELMEL
Chairman

GIL C. QUINIONES
President and Chief Executive Officer

Audit Recommendations – Disposition of Personal Property

OSC Recommendation 8: Establish controls over the valuation and sales of scrap metal, including but not limited to:

- developing formal procedures for the sale of scrap metal, which should include NYPA officials weighing metals locally;
- observing the disposal activity;
- developing agreed-upon weight difference limits;
- minimizing the time between weighing and issuing Requests For Quotes and maintaining control over the transaction from initial removal from NYPA's property to final pricing; and
- ensuring that all vendors removing scrap metals from NYPA property either have a valid contract or have the proper authorization, and that the correct price is used.

NYPA Response: NYPA is in the process of revising its existing Guidelines for Disposal of Personal Property that will provide additional guidance for the disposal of scrap metals across all NYPA sites. In addition, for valuable non-ferrous metals, NYPA plans to implement additional controls commensurate with the estimated value of the scrap metals to provide assurances of metal weight.

OSC Recommendation 9: Require the DFO to conduct site visits and maintain records that document the activity of evaluating the condition of all fleet assets and meetings with site management to develop recommendations for replacement or reassignment of vehicles. Require the DFO to annually assess and document the value of fleet vehicles.

NYPA Response: NYPA's Director of Fleet Operations (DFO) already performs site visits to evaluate fleet assets and meets with site staff to determine vehicle needs, and will work on developing a tool (such as a site visit log spreadsheet) to improve documentation of activities required in NYPA's policies and procedures. With regard to the part of OSC's recommendation addressing an annual valuation of fleet vehicles, such valuation is not needed for management and operational purposes. As previously pointed out to OSC, NYPA's corporate policy does not require an annual valuation of fleet assets. NYPA considers the value of the fleet asset at the time it is reviewed for replacement or retirement.

OSC Recommendation 10: Improve controls over fleet asset sales by:

- advertising and maintaining adequate documentation of newspaper and Contract Reporter ads; and
- requiring the DFO to prepare in advance a written value for each asset to be auctioned.

NYPA Response: NYPA is working on enhancements to its controls to achieve improved retention and submission of advertisements and supporting documentation by vendors, such as a form to document auction advertisements. NYPA is also working on providing a link from its site to online auction listings of its personal property for sale. NYPA is also evaluating its processes for valuation of fleet assets to be sold at auction. Presently, NYPA's DFO evaluates



**NY Power
Authority**

ANDREW M. CUOMO
Governor

JOHN R. KOELMEL
Chairman

GIL C. QUINIONES
President and Chief Executive Officer

auction estimates using his expertise, past auction results and other resources, such as the NADA guide book. NYPA is considering development of guidelines for the DFO regarding acceptance of bids where the fair market value is less than the pre-auction estimate.

OSC Recommendation 11: Require Disposal of Personal Property forms to be:

- used in a uniform manner throughout all NYPA facilities, and include policies regarding the forms in NYPA's Guidelines and Procedures for the Disposal of New York Power Authority Personal Property; and
- supported by documentation of the original asset value stated, the fair market value of the asset, and how the asset was disposed of.

NYPA Response: As previously advised, NYPA has addressed this recommendation, recognizing the opportunity to enhance its internal controls for the disposal of personal property. NYPA has been implementing a new disposal procedure and an electronic tool to document disposal of personal property (except for Fleet assets, which are addressed separately), which includes original asset value (where known), fair market value, and method of disposition. This procedure and form are required to be followed at all NYPA facilities, which will provide a more complete view of the asset life cycle history and method of disposition.

Audit Recommendations – Energy Efficiency Programs

OSC Recommendation 12: Require project managers to prepare and maintain records to properly support the amounts of energy savings reported.

NYPA Response: Throughout the history of NYPA's Energy Efficiency Programs, project managers have prepared and maintained records to support reported energy savings. As part of NYPA's continuous internal improvement processes, enhanced timely record-keeping of project information includes: regular reminders to project managers to update the project database pursuant to our project data maintenance protocol.