

New Hampshire Electric Cooperative, Inc.

**Minutes of the Meeting of the
Audit Committee**

**Virtual Meeting
October 21, 2024 1:00 p.m.**

Present: Committee members: Alana Albee (Chair), Bill Darcy, Pat Barbour, Peter Laufenberg, Tom Mongeon, and Harry Viens
Other Board Members: Leo Dwyer, John Goodrich, and Jerry Stringham
NHEC Employees: Alyssa Clemsen Roberts, Karen Hanks, Kristen Taylor, Michael Jennings, Josh Mazzei, Carla Munoz, Brittany L'Heureux, and Edee Murphy (Recording)

Meeting Called to Order

Chair Albee called the meeting to order at 1:00 p.m.

Agenda Review and Minutes Approval

There were no suggested changes made to the agenda and the agenda was unanimously approved. Mr. Darcy requested that going forward he be listed as a committee member on the Audit Committee meeting minutes.

Upon motion by Mr. Darcy, seconded by Mr. Mongeon, it was

VOTED: That the committee approves the September 9, 2024, Audit Committee meeting minutes.

Vote was unanimous.

External Financial Auditor Engagement Letter

Ms. Taylor explained that NHEC is expired through the current contractor engagement letter with our external auditor. They have sent an engagement letter for the next audit and upcoming years, included in today's meeting packet. It is standard from the last engagement letter that was submitted and approved by the Audit Committee Chair and NHEC CFO. Mr. Darcy stated he would like to make minor modifications to the engagement letter but not in this forum; he would like to have a conversation with the Audit Committee Chair and the external auditors.

In answer to a question, Ms. Clemsen Roberts confirmed that last year and this year's "not to exceed" estimates remain the same at \$67.5K. Last year's actual payment was \$55.7K.

Upon motion by Chair Albee, seconded by Mr. Viens, it was

VOTED: That the committee approves tabling the approval of the external auditor engagement letter until the October 29, 2024, NHEC board meeting once it is reviewed by the Chair and Vice Chair of the NHEC board.

Vote was unanimous.

Non-Financial Internal Controls Audit

Ms. Hanks reviewed the results of the Non-Financial Internal Audit Report for FY2023 including the following:

Executive Summary

Objectives

- Ensure compliance with procedures and reporting
- Evaluate key programs
- Identify gaps for improvement
- Support operational excellence and risk mitigation

Scope & Methodology

- Reviewed procedures and reporting
- Conducted document reviews and interviews
- Performed gap analysis and control testing
- Established baseline for compliance

Ms. Hanks summarized observations and corrective actions (the full report is included in today's meeting packet) for the following areas:

Procedures and Processes:

- Incident Reporting Consistency and Accuracy
- Spill Prevention Plan Update
- Compliance Testing Integration
- Record Retention Procedure Update
- Inspection & Patrol of Lines
- Easements

Discussion:

- ❖ In response to a question regarding how risks are prioritized, Ms. Clemesen Roberts read the Risk Factor Priority Designation from the Executive Summary included in the meeting packet.

External Reporting:

- ISO New England Reporting Assessment
- DOT Drug and Alcohol Testing Policy Review

Programs:

- Safety Management Platform
- Hazardous Communication Plan Update

Discussion:

- ❖ In response to a question, Ms. Hanks confirmed that the Safety Management Plan is complete; the Platform is to centralize the processes.

Conclusion and Next Steps:

Conclusions

- Gratitude to team & stakeholders
- Areas for improvement identified
- Strengthen controls and efficiency
- Ensure regulatory compliance

Next Steps

- Monitor recommendation implementation
- Communicate findings to stakeholders
- Reassess in future audits
- Review corrective action plans

Ms. Hanks summarized the 2025 Internal Audit Plans as follows:

- Assets: Capital Expenditures
- Payroll: Integrity and Compliance
- Accounts Receivable: Lockbox; FDC; and Electronic Bill Payments

Discussion:

- ❖ Chair Albee asked if the procedures for the above-listed 2025 audit areas are up to date. Ms. Clemesen Roberts mentioned these could be made a priority for the audit.

- ❖ In answer to a question, Ms. Hanks confirmed that the external auditors request and receive her internal audit reports.
- ❖ Mr. Mongeon mentioned an addendum to contracts for third-party vendors that could pose a cybersecurity risk and asked if vendors have executed the new addendum. Ms. Gonzalez responded those are being worked on; however, very few vendors will receive the addendum based on their access level of the NHEC network and their ingestion of NHEC data. Ms. Clemesen Roberts further clarified that any new vendors would have the required verbiage included in the terms and conditions of their contract and would not require the addendum. Chair Albee requested the Audit Committee get a copy of the blank addendum for reference, with the understanding new vendors will have it integrated into their contract.
- ❖ In response to a comment about a previous banking issue, Ms. Taylor clarified the banking issue was an internal process that was updated, documented, and is part of NHEC procedures now. The addendum is for the cyber risk and threat which is not what caused the banking issue. Ms. Clemesen Roberts provided a brief background of the banking incident and the procedures put in place to prevent it from happening in the future.
- ❖ Mr. Darcy commented there may be things we could ask the auditor's perspective on, for instance if our priorities are right on our internal audit – things such as we do not have an update procurement policy. Ms. Clemesen Roberts mentioned NHEC does have an updated procurement policy; it has been in place since July 2023. Mr. Darcy requested a copy of that procedure.
- ❖ Chair Albee agreed with Mr. Darcy that it may be helpful to the committee to know the auditor's perspective on risks as a result of procedures or compliance audit delays, and stated it is part of the Audit Policy.

Non-Financial Audit Plan – 2025

- Procedures: 914.00 – Acceptable Use of Confidential Information; 917.00 – Access Control; 101.00 – Licenses and Permitting (Pole Attachments); 915.00 – Incident Response.
- Vendor Management: Contracts/RFPs; NDAs; Certifications of Insurance; Vendor Training & Certifications; Vendor Setup/Authorization.
- External Reporting: PUC: 300 Rules, 1200 Rules, 2500 Rules; OSHA
- Programs: Vegetation Management

Chair Albee requested the Vegetation Management Plan be made available to the committee.

2024 MAP Updates

Accomplishments – Ms. Hanks reviewed open items and progress made. She then reviewed the 2024 MAP status which included details of all open items from past audits and stating all look to be on target by their due date.

Discussion:

- ❖ In answer to questions from Chair Albee, Ms. Hanks confirmed the following: Procedures 808.00 – Blanket Purchase Orders, 002.00 – Contracting, 800.00 – Requisitioning Goods and Services, 802.00 – The Bidding Process, and 803.00 – Awarding Orders were consolidated into 800.20 – Procurement; pricing review process for major vendors in complete; and Vendor Management is coming up for review next year.
- ❖ Chair Albee asked if the wire transfers procedure was complete; Ms. Hanks responded, yes, and it is now a departmental procedure and not a corporate policy.
- ❖ In response to a question about completion of a fleet card employee agreement, Ms. Hanks stated that after further research, it was decided that a fleet card employee agreement was not necessary.
- ❖ Chair Albee requested a complete chart be posted in OnBoard for all procedures and plans that shows when the last procedural review was done and when the next one is due.

- ❖ Ms. Taylor clarified there are two things – 1) Ms. Hanks’ audit test areas and the cycle that she audits those particular areas; and 2) the MAPs that are a result of those audits. She believes both of those are posted with each presentation that Ms. Hanks provides along with an update from the previous report out. Chair Albee commented it seems the part that is missing is the procedural updates, listing all procedures and when they have last been updated. We do not have a complete list of what they are. Ms. Taylor stated that all processes, procedures, and plans will be updated by the due date of June 2025; she asked if Chair Albee is looking for a list of those procedures and when those were updated? The Chair responded yes.
- ❖ Mr. Dwyer asked if there is some place someone maintains the processes, procedures, and plans. Ms. Taylor explained the process for companywide policies’ review and that those are posted on the NHEC internal intranet for employees. Mr. Dwyer commented it may make things easier if there was one place the documents were available for board members to view. Ms. Taylor mentioned that internal board-related procedures, such as for Board Treasurer responsibilities, are communicated to that particular board member. Mr. Dwyer commented he thinks ultimately all procedures, policies and plans relate to all the board and it would be nice if they could just view them. Ms. Clemesen Roberts commented staff could work on getting those uploaded but just know many of them are out of date and staff is in the process of updating and replacing them, and posting them will be a manual process.
- ❖ In answer to a question from Ms. Barbour, Ms. Clemesen Roberts replied that a policy will show the responsible party and when the policy was last reviewed.
- ❖ Mr. Mongeon asked how employees know they are working with the most up-to-date version. Ms. Clemesen Roberts explained the latest version is posted on the internal intranet for employees.
- ❖ In answer to a question of how many hours it would take employees to upload the documents to OnBoard, Ms. Clemesen Roberts said about 30-40 hours. Mr. Dwyer asked if the board could have access to the internal intranet so we would be looking at the same versions; Ms. Clemesen Roberts commented she would prefer the board not be on the intranet page, but if they would like our intranet, then sure. Mr. Mongeon suggested having a board discussion at a later time on that particular request. Considering staff time to post the information without the board without understanding how we would use that or how it would help our oversight, there should be board discussion about prioritizing time appropriately. Mr. Dwyer commented that if it would be separate maintenance issue, he would not do it because it would become out of sync with the version over time and have negative impact.
- ❖ Chair Albee suggested giving staff time to consider the request and come back to the board with what would be best/easiest way to accomplish the board having access to the documents.
- ❖ Chair Albee summarized follow-up actions as follows: Committee to receive a copy of the blank addendum to the contracts, staff to prioritize financial procedures, and committee will get a complete posting of processes, procedures, and plans. To be discussed at the board level is how the board has access to view all procedures and plans.
- ❖ Ms. Taylor said regarding the board’s conversation on whether the procedures should all be communicated and disclosed to the board, she just asks that the board look at why that level of detail is necessary; if there is any concern with our procedures that are in place Ms. Hanks’ does the internal audit, our external auditors do their piece, and areas of concern do get risen to the board level. So, while staff is capable of providing all the procedures (about 100) she is just questioning the line of board governance and staff being allowed to manage and follow through with those procedures. Ms. Albee commented that is a useful reminder; it would be useful to at least know what the 100 procedures are.
- ❖ Committee members thanked Ms. Hanks for her informative report outs.

Audit Committee Policies Review

Chair Albee drew attention to the two board policies in the meeting packet – B-2 Attachment D – Audit Committee, and B-12 – Audit Policy. She stated that recently the Executive Committee agreed to a comprehensive policy review including the consolidation and revision of audit policies. Previously, the Audit Committee had responsibility for annual review of six policies. Through the process of revising the policy list with the Board Chair, this was agreed to change and reduce to four policies: B-2 Attachment D – Audit Committee; B-12 –Audit Policy; B-16 – Record Retention and Destruction Policy; and B-18 – Safeguarding

Member Information. She explained that the changes to B-12 – Audit Policy took the Audit Committee Policy, Audit Charter, and bits of audit-related information in other policies and put them into one policy now called Audit Policy. The main adjustments were removal of repetitiveness, and it was created primarily by reducing separation of an Audit Charter. She stated that it is required by the Sarbanes-Oxley Act that audit committees establish procedures for receiving and handling complaints about accounting, internal accounting controls, or audit matters. She added that an outstanding item is the ERM frequency reporting which management is requesting be performed bi-annually.

Discussion:

- ❖ Mr. Darcy commented he will have additional changes, as mentioned in the Executive Committee meeting resolution would be forthcoming, that he feels will add synthesis to policies B-2 and B-12. He mentioned there needs to be verbiage added for coordination between the polices and the employee handbook. He added that, for consistency, language in B-2 regarding ERM review should match the language in B-12. Mr. Darcy mentioned he will distribute his proposed changes in time for the October 29th board meeting.
- ❖ In response to a question, Mr. Darcy clarified that the board’s role in the ERM Plan is collaboration and approving the Plan.
- ❖ Ms. Clemens Roberts requested discussion regarding staff’s recommendation to review the ERM Plan bi-annually. Chair Albee stated she would like to discuss the ERM Plan first (executive session).

Chair Albee made the following **motion**, seconded by Mr. Darcy:

That the committee recommends the Board of Directors adopt the consolidated and revised board policies B-2 and B-12 as presented with the exception of the adjustments requested by the Board Chair of moving one section and adjusting another and adopting ERM review language from B-12 into B-2 for consistency.

At 1:59 p.m. Chair Albee motioned to enter executive session for the purpose of discussing confidential cyber security and risk matters. The motion was seconded by Mr. Mongeon and passed unanimously.

At 2:32 p.m. the committee came out of executive session to take a vote on the above motion.

Vote was unanimous.

At 2:34 p.m. Chair Albee motioned to enter executive session for the purpose of discussing confidential information security matters. The motion was seconded by Mr. Mongeon and passed unanimously.

At 3:09 p.m. the committee came out of executive session.

Adjournment

Upon motion by Mr. Mongeon, seconded by Mr. Laufenberg, Chair Albee adjourned the meeting at 3:09 p.m.