

New Hampshire Electric Cooperative, Inc.

Minutes of the Meeting of the

Audit Committee

Zoom Meeting

April 19, 2024 10:00 a.m.

Present: Committee members: Carolyn Kedersha (Chair); Ed French, and Tom Mongeon
Other Board Members: Sharon Davis, Alana Albee, Bill Darcy, and Leo Dwyer
NHEC Employees: Alyssa Clemens Roberts, Karen Hanks, Kristen Taylor, Michael Jennings, Kelley Achenbach, Josh Mazzei, Sonja Gonzalez, Brittany L’Heureux, and Edee Murphy (Recording)
Others Present: Paul Phillips-NHEC Counsel

Meeting Called to Order

Chair Kedersha called the meeting to order at 10:00 a.m.

Agenda Review/Approval of March 22, 2024, meeting minutes.

There were no changes made to the agenda.

Mr. Mongeon requested page 1, line 43, be reworded because it was out of context as compared to the recording of the meeting. Mr. French agreed and suggested the sentence be changed to, “Mr. Mongeon asked what type of testing is done related to internal controls.”

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

VOTED: That the committee approves the March 22, 2024, Audit Committee meeting minutes as amended.

Vote was unanimous.

Mr. Mongeon voiced concern over executive session minutes not including sufficient content. Chair Kedersha noted the topic, to be discussed in executive session.

Form 990

Ms. Achenbach drew attention to the Form 990 prepared by McNair, McLemore, Middlebrooks & Co., included in the meeting packet and reviewed internally by her, Ms. Taylor and Ms. Clemens Roberts. She reported there were no substantial changes to the Form this year and welcomed questions.

Discussion:

- ❖ In answer to a question regarding page 10 of Form 990 – Statement of Functional Expenses, Transmission Expense, staff confirmed the expense is part of NHEC power costs and not a part of the distribution budget.
- ❖ In answer to a question, Ms. Achenbach replied that ‘Other Deductions’ includes several categories such as miscellaneous energy efficiency costs and maintenance on non-operational items.
- ❖ Responding to a question, Ms. Achenbach explained that the “ASC 980” on page 22 is for over- under-reserves, including the energy efficiency and the regulatory reserve we have for depreciation.

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

VOTED: That the committee recommends the Board of Directors accept NHEC's 2023 IRS Form 990 as presented.

Vote was unanimous.

Financial and Non-Financial Internal Controls Audit Matrix Review

Ms. Hanks reviewed her presentation posted in the meeting packet including the following highlights:

Financial Audit Plan proposed changes:

- New control area: Asset – capital expenditures
- Change control area focus: Payroll – checks and direct deposits. Recommendation: Control evaluation; fraud detection and process efficiency; External service provider review.
- Change naming convention: "Transfers Executed Electronically" to "Electronic Transfer Processing."

She reviewed the new Financial Internal Audit Plan matrix with the proposed changes, highlighting the control areas in the 2024 audit cycle.

Non-Financial Audit Plan proposed change:

- Remove control area focus: External reporting – Remove PUC rules 900 as they are no longer applicable to NHEC.

She reviewed the new Non-Financial Internal Audit Plan with the proposed change, highlighting the control areas in the 2024 audit cycle.

Ms. Hanks then reviewed the MAPS completion timeline noting that, going forward, the Open MAPS will be presented annually in the month of April.

Discussion:

- ❖ Mr. Mongeon voiced appreciation for improvements on this program and asked if there is a benchmark and/or best practices used for the internal controls. Ms. Hanks replied there are best practices and agencies that recommend how internal controls are performed and she follows those guidelines.
- ❖ In answer to a question regarding the range of money that is charged on p-cards, Ms. Clemesen Roberts commented that amounts fluctuate depending on company travel and major storms, etc.; there are internal controls and limits set on the cards.
- ❖ Mr. Mongeon asked how risks are assigned. Ms. Clemesen Roberts replied staff uses both the probability as well as what the impact of the event would be. Ms. Hanks confirmed there is a matrix at the beginning of the audit report presented last month that outlines how the risks are categorized and provides a descriptor.

Charter and Policies Review

Chair Kedersha explained the removal of "Managed Security Service Provider" verbiage in the Charter and some of the policies, as shown in the redlined versions in the meeting packet.

Discussion:

- ❖ Mr. Mongeon commented there is no paper trail in minutes with regards to the decision-making process that led to the board removing the MSSP item. He said he is uncomfortable with the Audit Committee reducing its level of oversight into cyber security and third-party activities; he does not support the change and believes it needs further discussion. Ms. Clemesen Roberts commented the change is simply removing a vendor who was not performing that duty essentially and moving it to staff who can perform the duty. She suggested having further discussion in executive session.
- ❖ Ms. Albee asked if NHEC's insurance company has been made aware of the policy change removing

third-party oversight and does it impact cost or coverage in any way? Ms. Gonzalez confirmed NHEC is still receiving SOC (Security Operations Center) services from a third party. Ms. Clemens Roberts commented NHEC still meets its insurance requirements. Chair Kedersha pointed out NHEC still has external independent assessment/audit.

- ❖ There was discussion related to Board Policy B-28, specifically paragraph E.A.3. Ms. Albee suggested adding language regarding board review of the external independent audit at least every five years. Ms. Clemens Roberts commented she believes the board should review the annual external cyber security audit every year. Ms. Albee commented that her confusion then is the function of the Advizex report, which historically was referred to as the independent external cyber security audit as it performed a complete review of NHEC's cyber posture. Ms. Gonzalez mentioned that, unlike the financial side of NHEC, IT does not use the same auditor year after year for cyber security audits; the current status is that each year staff will look for different auditors because we want them to specialize in different areas of evaluation and audit; we have had one audit from Advizex and have not had a repeat audit from them. Ms. Gonzalez added NHEC has been using different auditors and rotates to different components in order to assess different parts of our IT environment. Ms. Albee requested language be added to that effect, and that the report is reviewed by the board annually. She acknowledged the usefulness of targeted audits but reiterated her request that we should periodically conduct a complete review of NHEC's cyber posture. In response to a question of a paper trail around how gaps identified in previous audits have been addressed, Ms. Gonzalez commented Ms. L'Heureux reported out on our current risk register at the March 2024 Audit Committee meeting; she offered to report that information by individual audits/auditor. Ms. Albee requested that a status summary be uploaded to OnBoard.

Mr. French motioned to go into executive session to discuss confidential cyber security, Enterprise Risk Management, and personnel matters. Mr. Mongeon seconded the motion and the committee entered executive session at 10:40 a.m.

The committee came out of executive session at 11:05 a.m.

Mr. Mongeon asked for a recap of next steps on the Audit Charter and Board policies. Chair Kedersha summarized as follows:

- **Audit Charter and Board Policies B-2, Attachment G; B-28, and B-29** are tabled, to be discussed further at the May 2024 Audit Committee meeting (date TBD) and/or the May board meeting.
- **Board Policy B-42 – Whistleblower:** Members of the Audit Committee and any other board member can submit their edits and suggestions by April 30, 2024. An Audit Committee meeting will be scheduled between May 15th – 30th for discussion.

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

VOTED: That the committee recommends the Board of Directors reaffirm Board Policy B-34 – Record Retention and Destruction Policy.

Vote was unanimous.

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

VOTED: That the committee recommends the Board of Directors reaffirm Board Policy B-37 – Safeguarding Member Information.

Vote was unanimous.

Chair Kedersha asked if there was anything else to bring before the Board of Directors. Mr. French commented that Ms. Davis indicated she had a change to Policy B-29. Ms. Davis suggested a change to Board Policy B-29, page 3, paragraph VIII. Reporting of Violations. The sentence should read, "Reports of suspected violations may be made in person or in writing, confidentially or anonymously, to a Supervisor, VP of People and Culture, the President/CEO, the Chair of the Board, the Audit Committee Chair, or by use of the Employee Reporting System as approved."

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

VOTED: That the committee approves the change by Ms. Davis to Board Policy B-29 – Statement on Ethics, paragraph VIII. – Reporting of Violations – to read, "Reports of suspected violations may be made in person or in writing, confidentially or anonymously, to a Supervisor, VP of People and Culture, the President/CEO, the Chair of the Board, the Audit Committee Chair, or by use of the Employee Reporting System as approved."

Vote was unanimous.

Mr. Mongeon clarified that though he approves of Ms. Davis' change, he has significant issue with the rest of the policy and does not support recommending this policy to the board. He believes there are differences of opinion that need to be discussed and ensure that other policies referencing conflicts of interest are aligned.

Mr. Mongeon motioned to go into executive session to discuss confidential Enterprise Risk Management matters. Mr. French seconded the motion and the committee entered executive session at 11:16 a.m.

The committee came out of executive session at 11:27 a.m.

Adjournment

Upon motion by Mr. Mongeon, seconded by Mr. French, Chair Kedersha adjourned the meeting at 11:28 a.m.