

New Hampshire Electric Cooperative, Inc.

Minutes of the Meeting of the

Audit Committee

October 20, 2025

Present: Committee Members: Pat Barbour (Chair), Alana Albee, Bob MacLeod, Peter Laufenberg, Harry Viens, Bill Darcy, Jeff Morrill, Kristen Taylor, Brittany L'Heureux

Other Board Members: Jerry Stringham, John Goodrich

NHEC Employees: Michael Jennings, Josh, Mazzei, Maria Stella, Christine Parent (Recording)

Meeting Called to Order

Chair Barbour called the meeting to order at 9:00a.m.

Agenda Review

There were no suggested changes to the agenda.

Internal Controls Audit Update

Mr. Jennings shared the Berry Dunn signed Statement of Work. He stated the document is not included in OnBoard, because it was just signed this morning. Their goal is to complete this work by the end of the year, and we are a little behind on their original anticipated timeline of starting October 3. They are about two weeks behind and will be starting as soon as possible.

Scope of Services

1. Identify Financial Reporting Risk Areas
2. Review Financial Reporting Process Documentation
3. Test Internal Controls Within Financial Reporting Functions
4. Report Findings and Recommendations
5. Prepare Final Report for the Audit Committee

Anticipated Timeline

- Initial request for information October 3
- Receive information from NHEC management and staff October 17
- Test information received October 20 – December 12

- Preliminary findings presented to management for comment December 31
- Draft report prepared for Audit Committee January 31

Discussion:

- Chair Barbour asked if we worked through the Berry Dunn changes to the engagement letter. Mr. Jennings replied they made the modification as he requested, and he was comfortable with it. He stated there was some concern about data ownership. He added in the current engagement letter, it wasn't clear that NHEC materials were still owned by NHEC, so they added that in.
- Chair Barbour asked if there will be any feedback on the risk management areas before they do the work to make sure that we're on the same page. Mr. Jennings replied, yes. Chair Barbour asked if there will be interim reporting so if our interests and theirs have diverged, we will be able to identify that. Mr. Jennings replied, yes.
- Ms. Albee asked Mr. Jennings to explain the thinking behind the big change in approach by doing a risk assessment and basing internal audit on the highest risks in a risk assessment versus how we used to do it looking across procedures and processes and internally auditing on compliance. She stated it's a big shift and asked if that's the way we want to do it. Mr. Jennings replied that we weren't comfortable with our own internal risk assessment, and how we prioritize things, and the cadence of auditing it, so we asked Berry Dunn for some input on what they thought the most critical items would be and how often they think we should be auditing those based on how critical they are. Ms. Albee asked if this is feeding into the enterprise risk management versus being the full internal audit system. Mr. Jennings replied, no, it's not feeding the ERM, this is just a review of what we're auditing and how we're auditing it based on what they determined the risk is to the organization.
- Chair Barbour stated this is a fairly traditional accounting approach to this kind of work as opposed to if we had the luxury of having our own internal auditor, which maybe someday we will. She stated she hopes the risk assessment approach is satisfactory. She agreed it is a radical change from the way it has been done and there may be some expectation gaps along the way that need to be identified.
- Mr. Darcy stated the approach makes sense to him. Rather than spinning our wheels on a comprehensive look at everything, try to prioritize what's most important and then evaluate that.
- Ms. Albee asked if their starting point is our internal procedures and processes or is their starting point a template that they have on risk in electric co-ops, or risk generally. Mr. Jennings replied he will check with them, but he was under the assumption, based on all of their discussion, that their starting point would be

reviewing our materials first and providing their recommendations on what's most critical and what should be audited first. Ms. Albee replied that if that was the case, she is comfortable.

- Ms. Taylor added the third part of the scope of services says that they will be selecting a sample of transactions and testing for compliance with documented procedures and application of relevant controls. She thinks in addition to evaluating the risk areas of our financial reporting functions, they are going to be testing for compliance.

Information Security Risk Review and Update on IT/Infosec Advisory Services

Mr. Jennings noted that it was not marked on the agenda, but he recommended going into executive session due to the contents of the presentation and subject matter.

Mr. Darcy motioned to go into executive session for the purpose of discussing confidential information security risk and IT/Infosec advisory services. The motion was seconded by Mr. Morrill, passed unanimously, and the committee entered executive session at 9:08 a.m.

At 9:32 a.m. the committee came out of executive session.

Review of Board Policies B-15, Record Retention and B-17, Safeguarding Member Information

Chair Barbour stated that she and Mr. Jennings have been working with Susan Lowry regarding her comments on updating the policies, but unfortunately, didn't receive her comments until 10 minutes before the meeting began. She and Mr. Jennings were discussing it, but this might be something that needs to be put off.

Mr. Jennings stated that Susan's updates aren't significant for the Record Retention Policy, but she is still finalizing the Safeguarding Member Information. He does not want to ask the Board to take action on the Record Retention policy since they did not see it before the meeting. Mr. Jennings recommended they share the changes at an upcoming Executive Committee meeting and take action on it at that time.

Discussion:

- Ms. Albee asked if they could add comments to Susan's comments that go to Executive Committee. Chair Barbour and Mr. Jennings agreed.
- Ms. Albee stated compliance reporting to the Audit Committee annually should be added to the Record Retention Policy. She suggested adding to the end of the last sentence "including for compliance reporting purposes." Chair Barbour asked who Ms. Albee saw as being responsible for compliance reporting. Ms. Albee responded

the staff should come forward with grids that tell us what's on hold and what they've done on any changes to record retention and any documents that are up to be destroyed in the next cycle. She added it doesn't seem like something that's going to come from Berry Dunn's compliance checking. Chair Barbour agreed and added she wasn't sure who that job would fall to. Mr. Jennings stated we would have to do that internally and he will have to have some discussions and think on this further, because it would be a significant amount of work if it is an internal staff policy. Mr. Jennings added he understands the importance of reporting that information to the Board, he just wants to wrap his head around what it would entail because it would almost be like a full audit that would have to be done to ensure compliance reporting annually. Ms. Albee referenced the need to hold a dismissed staff person's record for a certain period of time or the need to hold an investigation of directors and how long that would be held. Mr. Jennings replied holds would be relatively easy, but if we're talking 80 categories or so, it would be a lot bigger of an effort. Ms. Albee responded that she is talking about the high-level information, and she appreciates that Mr. Jennings will need time to think about it. Chair Barbour added if we're going to do that, it would have to be distinguished in the policy what we're referring to, because high level is different from the original suggested sentence to be added to the policy, which indicated it was for everything.

- Mr. Darcy stated we can include Susan's amendment and put it on the Executive Committee agenda for Wednesday, but he would like the thoughts of the Audit Committee on the rest of the policy that was included in the package. He asked if there are any other amendments or changes that the Executive Committee should consider.
- Mr. Goodrich stated his recommendations to the Record Retention and Destruction Policy as follows:
 - I.1. "Each transfer of data from one medium to another ~~should~~ be verified for accuracy and documentation."
 - I.2. "Internal control procedures shall ~~be developed that~~ assure reliability of..."

Adjournment

Upon motion by Mr. Darcy, seconded by Mr. Laufenberg, Chair Barbour adjourned the meeting at 9:41 a.m.