

**AUDIT, COMPLIANCE AND GOVERNANCE COMMITTEE OF THE
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Minutes – Special Meeting
Thursday, September 20, 2012**

A special meeting of the Audit, Compliance and Governance Committee (“Audit Committee”) of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “Authority”)** was held on September 20, 2012, at the office of CEFIA, 865 Brook Street, Rocky Hill, CT.

1. **Call to Order:** John Olsen, Chairperson of the Audit Committee, called the meeting to order at 9:15 a.m. Audit Committee members participating: John Olsen (by phone), Matthew Ranelli (by phone) and Patricia Wrice (by phone).

Staff Attending: George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, and Shelly Mondo.

Others Present: Bill Sawicki (by phone), Marcum; John Schuyler (by phone), Marcum; and Gary Smith (by phone), Marcum.

2. **Public Comments:** There were no public comments.

3. **Approval of Minutes:**

Mr. Olsen asked the Audit Committee members to consider the minutes from the June 4, 2012 meeting.

Upon a motion made by Mr. Ranelli, seconded by Ms. Wrice, the Audit Committee members voted unanimously in favor of adopting the minutes from the June 4, 2012 meeting as presented.

4. **Presentation of Draft Audited Financial Statements and Federal Single Audit Report for CEFIA for the Fiscal Year Ending June 30, 2012:**

Mr. Bellas introduced the members of the audit team from Marcum assigned to CEFIA. He noted that the audit is substantially completed, and staff is in the process of making some minor adjustments. Mr. Schuyler summarized some of the pending items before the audit is completed, including an adjustment for Renewable Energy Credits, the subsequent events closeout, the closeout of the single federal audit and the finalization of the management representation letter. He provided some highlights of major events that occurred with respect to the audit. Mr. Schuyler explained that on July 1, 2011, CEFIA became the successor to the Connecticut Clean Energy Fund and is associated with CI for administrative purposes only. CEFIA is now a component unit of the State of Connecticut and no longer fits the definition of a special revenue fund under Government Accounting Standards Board (“GASB”) and therefore must use the

business-type accounting rather than governmental-type accounting. Mr. Schuyler discussed some of the major differences between the two bases of accounting. He noted that the assets and liabilities of CCEF had to be transferred to CEFIA. Mr. Schuyler stated that Marcum issued an unqualified opinion on CEFIA's financial statements, noting that the financial statements fairly present the operations and financial position of the organization. Ms. Schuyler mentioned that the audit was conducted under auditing standards generally accepted in the United States of American and Government Auditing Standards issued by the Comptroller General of the United States. He stated that Marcum reported on the internal controls, compliance and other matters required under Government Auditing Standards. A federal single audit (OMB A-133) was performed to ensure compliance and appropriate internal controls specific to major federal programs.

Mr. Sawicki discussed management's responsibilities, including the following: the establishment and maintenance of effective internal controls, including those over compliance; the selection and application of accounting principles; ensuring that all financing records and related information was available for the audit; the design and implementation of programs and controls to prevent and detect fraud; and compliance with laws, regulations, contracts, agreements and grants as required by Government Auditing Standards and OMB A-133. Mr. Sawicki discussed Marcum's responsibilities to report on conducting the engagement. He noted that there were no significant audit adjustments, and no disagreements with management about auditing, accounting or disclosure and proposed by significant sensitive accounting estimates. Mr. Sawicki stated that Marcum is not aware of management consulting with any other auditors. No difficulties were encountered relating to the performance of the audits. There were no material errors or fraud or possible illegal acts, no material weaknesses or significant deficiencies in internal control, there are no relationships between any of Marcum's representatives and CEFIA that may reasonably be thought to bear on independence and no major issues were discussed with management prior to retention. In summary, Mr. Sawicki noted that the audit went very well.

Mr. Schuyler talked about management's discussion and analysis. He stated that since this is the first year CEFIA is a stand-alone entity, the management letter uses financial information from CCEF for comparison purposes. He spoke about some of the differences with the formatting of the management letter between the CEFIA and CCEF. In response to a question, Mr. Bellas mentioned that the general and administrative expenses for fiscal year 2012 are approximately \$1,400,000 which is very similar to fiscal year 2011. He explained how salaries, wages and benefits are allocated and reclassified to grant programs.

Mr. Garcia noted that staff reduced outstanding commitments in fiscal year 2012 from approximately \$34,000,000 to approximately \$26,000,000. He mentioned that approximately \$7,500,000 out of the \$26,000,000 is related to Project 150, and the Board has indicated the desire to repurpose the funds for projects not likely to move forward. It was noted that staff has a plan to try to free up some of those funds for other purposes. Mr. Olsen noted the importance of trying to move forward with the large fuel

cell project proposed in Bridgeport under Project 150. Staff emphasized that steps will be taken to repurpose only those funds for the projects that will not move forward. Mr. Olsen stressed that the staff should proceed carefully to ensure that projects that are likely to continue aren't adversely impacted by CEFIA's efforts to repurpose funds.

The Audit Committee members acknowledged the efforts of Mr. Bellas with respect to the clean audit. Mr. Bellas indicated that he will finalize the financial statements, noting that there will be no material adjustments or significant changes.

Upon a motion made by Mr. Ranelli, seconded by Ms. Wrice, the Audit Committee members voted unanimously in favor of adopting the following resolution:

WHEREAS, Article V, Section 5.3.1(ii) of the Clean Energy Finance and Investment Authority ("CEFIA") Operating Procedures requires the Audit, Compliance and Governance Committee (the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board with respect to the approval of the audit report;

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board of Directors of CEFIA for approval the Draft Audited Financial Statements and the Federal Single Audit Report of the Clean Energy Finance and Investment Authority for the Fiscal Year Ending June 30, 2012 (Attachment A), subject to minor revisions of the CEFIA staff to finalize the audit report.

5. Discussion of CEFIA Board of Directors Ethics Presentation:

Attorney Farnen asked the Audit Committee members for input on having ethics training for the Board. There was general consensus that ethics training is valuable and should be scheduled for a future Board meeting at the beginning of a meeting.

6. Adjournment: Upon a motion made by Ms. Wrice, seconded by Mr. Ranelli, the Audit Committee members voted unanimously in favor of adjourning the September 20, 2012, meeting at 9:53 a.m.

Respectfully submitted,

John Olsen, Chairperson of Audit
Committee