



AGENDA

Audit, Compliance and Governance Committee of the
Clean Energy Finance and Investment Authority
865 Brook Street
Rocky Hill, CT 06067

Friday, March 16, 2012 – Regular Meeting
8:00 to 9:00 a.m.

Staff Invited: George Bellas, Bryan Garcia, Mackey Dykes and Suzanne Kaswan

1. Call to order
2. Public Comments – 5 minutes
3. Approve meeting minutes for November 21, 2011 Special Meeting – 5 minutes
4. Present audit findings and remedial actions – 10 minutes
5. Present resolution on Ethics Compliance Officer* – 10 minutes
6. Present Board Ethics Policy and resolution* – 10 minutes
7. Present Ethics Statement and Staff Ethics Policy and resolution* – 10 minutes
8. Discuss Ethics, Sexual Harassment, & Diversity training – 10 minutes
9. Adjourn

*Denotes item requiring Board action

***Next Meeting: Monday, September 17, 2012 from 12:00-1:00 p.m.
Clean Energy Finance and Investment Authority, 865 Brook Street, Rocky Hill, CT***

Subject to changes and deletions

**AUDIT, COMPLIANCE AND GOVERNANCE COMMITTEE OF THE
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Draft Minutes – Special Meeting
Monday, November 21, 2011**

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 November 21, 2011, 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 8:35 a.m. Audit Committee members participating: John Olsen, Matthew Ranelli, and Patricia Wrice (by phone).

Staff Attending: George Bellas, Bryan Garcia, David Goldberg, and Shelly Mondo.

Others Attending: Scott Murphy, Shipman & Goodwin; John Schuyler, Marcum, LLP; and Bill Sawicki, Marcum, LLP.

2. **Review of Auditors of Public Accounts Audit Report for CCEF:**

Mr. Bellas discussed the fiscal year 2010 audit that was performed by the State Auditors of Public Accounts (“APA”) for the Connecticut Clean Energy Fund (“CCEF”). He stated that there were two audit findings, which he summarized. The first audit point pertained to loan covenants within CCEF loan agreements.. The APA recommended that loan agreement covenants be enforced, including all required financial reports. Mr. Bellas indicated that CEFIA has developed an electronic system to monitor and enforce financial reporting obligations of borrowers.. In response to a question, Mr. Bellas stated that this system has been implemented for all these sorts of loans with reporting requirements going forward. A suggestion was made to go back and look at old loans to ensure compliance with all contractual obligations. Mr. Garcia mentioned that the new General Counsel will be looking at historical contracts to ensure there is a mechanism in place to track contractual obligations. The second finding was with respect to employee performance appraisals. Mr. Bellas explained that the finding was for not having additional performance evaluations for employees that were promoted. In an effort to correct the audit finding, Mr. Bellas explained that CEFIA’s Manager of Human Resources has developed and will maintain a log of performance appraisal due dates for all employees for all appraisal types.

3. **Review and Recommendation to the Board of CEFIA for Approval of the FY2011 Draft CCEF Audited Financial Statements:**

Mr. Bellas mentioned that the 2011 fiscal year Draft CCEF Audited Financial Statements were reviewed by CI and forwarded to the CEFIA Board. The CEFIA Board requested that the Audit Committee review the FY2011 Audited Financial Statements.

Mr. Sawicki provided an overview of the audit of the financial statements for the CCEF for fiscal year 2011. He noted that Marcum performed an audit of the 2011 financial statements for CCEF and issued an unqualified opinion. The audit was conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Mr. Sawicki stated that Marcum has issued a report on internal control and compliance and other matters required under *Governmental Auditing Standards*. He indicated that an OMB A-133 compliance supplement federal single audit was performed because CCEF received over \$500,000 in federal funding in fiscal year 2011. Mr. Sawicki reviewed management's responsibilities as well as Marcum's responsibilities.

Mr. Schuyler discussed the basis of presentation of CCEF's financial statements. Since CCEF is considered a special revenue fund of the State of Connecticut, it is a governmental fund and its financial activities are accounted for using fund accounting which focuses on current as opposed to long term financial resources. CCEF's financial statements were also presented on a government-wide basis which reflects both current and long term financial resources in a manner similar to private-sector business. A reconciliation between the two methods of accounting is also presented in the financial statements.

Mr. Sawicki stated that there were no significant audit adjustments and no disagreements with management about auditing, accounting or disclosure matters. He summarized that there were no difficulties relating to the performance of the audit; there were no material errors or fraud or possible illegal acts, and no material weaknesses or significant deficiencies in internal controls.

It was noted that the Federal single audit will be performed again for 2012 because of the federal funding CEFIA has received in fiscal year 2012. Mr. Garcia stated that it is his intention to continue to compete for and obtain as much federal funding for Connecticut as possible. Therefore it is likely that continued Federal single audits will be required.

Upon a motion made by Mr. Ranelli, seconded by Ms. Wrice the Audit Committee members voted unanimously in favor of recommending to the Board of Directors of CEFIA the acceptance of the Audited Financial Statements and Federal Single Audit Report of the Connecticut Clean Energy Fund for fiscal year ending June 30, 2011.

4. **Adjournment**: Upon a motion made by Mr. Ranelli, seconded by Ms. Wrice, the Audit Committee members voted unanimously in favor of adjourning the November 21, 2011, meeting at 9:00 a.m.

Respectfully submitted,

John Olsen, Chairperson of Audit
Committee

WHEREAS, Section 1-101rr(a) State of Connecticut Code of Ethics for Public Officials requires the Clean Energy Finance and Investment Authority (“the Authority”) to designate an ethic compliance officer to be responsible for the development of the ethics policies, to coordinate ethics training programs and to monitor ethics policy compliance;

WHEREAS, pursuant to Section 5.3.1 (vi) of the CEFIA Bylaws, the Audit, Compliance and Governance Committee (“the Committee”) shall give its recommendation to the Board as to the selection of the Authority’s ethics compliance officer;

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends approval of Brian Farnen, General Counsel of the Authority as the Authority’s ethics compliance officer.

.....

WHEREAS, Section 1-101rr(a) State of Connecticut Code of Ethics for Public Officials requires the ethic compliance officer of the Clean Energy Finance and Investment Authority (“the Authority”) to develop the ethics policies of the Authority;

WHEREAS, pursuant to Section 5.3.1 (viii) of the CEFIA Bylaws, the Audit, Compliance and Governance Committee (“the Committee”) shall review and approve, and in its discretion recommend to the Authority Board of Directors (“the Board”) all governing and administrative matters affecting the Authority, including corporate governance policies;

NOW, therefore be it:

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends approval of the Authority’s Board of Directors Ethical Conduct Policy.

.....

WHEREAS, Section 1-101rr(a) State of Connecticut Code of Ethics for Public Officials requires the ethic compliance officer of the Clean Energy Finance and Investment Authority (“the Authority”) to develop the ethics policies of the Authority;

WHEREAS, pursuant to Section 5.3.1 (viii) of the CEFIA Bylaws, the Audit, Compliance and Governance Committee (“the Committee”) shall review and approve, and in its discretion recommend to the Authority’s Board of Directors (“the Board”) all governing and administrative matters affecting the Authority, including corporate governance policies;

NOW, therefore be it:

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends approval of the Authority’s Ethical Conduct Policy and Ethics Statement.



CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

BOARD OF DIRECTORS ETHICAL CONDUCT POLICY

Section 1. Purpose

Ethical conduct and transparency in the conduct of its business are core values of the Clean Energy Finance and Investment Authority (“CEFIA”). The directors of CEFIA are expected to maintain the highest standards in the conduct of their duties in order to maintain public trust and confidence in CEFIA. It is the purpose of this Ethics Policy to establish the highest standards of honesty, integrity and quality of performance for all CEFIA directors, recognizing the need for compliance with all relevant statutes, executive orders, rules and regulations to avoid even the appearance of impropriety in the performance of CEFIA’s statutory mandate.

In particular, each director is responsible for his or her conduct, and should become familiar with, the Code of Ethics for Public Officials. A copy of the 2011 *Guide to the Code of Ethics for Public Officials and State Employees* may be found by clicking [here](#).

This Ethics Policy is intended to be a general guide for CEFIA directors in determining what conduct is prohibited so that it may be avoided.

Section 2. Values

- Commitment to ethical standards beyond strict compliance with relevant statutes and regulations
- Commitment to the statutory mandate of CEFIA in fostering the growth, development and commercialization of clean energy sources and related enterprises and in stimulating demand for clean energy and in the deployment of clean energy resources which serve end use customers in the State of Connecticut
- All decisions by the directors of CEFIA will be made strictly on a public purpose and financial basis, without regard to political affiliation or personal interest
- Accountability to applicants, the public, ratepayers, the Executive Branch of the State of Connecticut, the Connecticut General Assembly and all other stakeholders in CEFIA

- Transparency and honesty in all operations of CEFIA
- Responsible stewardship of all CEFIA assets
- Timely distribution of all public information to any interested party
- Maintenance of the public trust by strict adherence to the public purpose for which CEFIA was created

Section 3. Applicability

This Ethics Policy is applicable to all directors of CEFIA and, to the extent required by law, all non-director members of any advisory committees formed by CEFIA.

Section 4. Enforcement

Any questions or concerns regarding violations or suspected violations of either the Code of Ethics for Public Officials or this Ethics Policy shall be brought to the attention of the Chairperson or Vice-Chairperson of the Board of Directors in writing who shall then transmit such questions or concerns to the Board of Directors. Persons subject to this Ethics Policy may also seek advice from the Office of State Ethics at 860-566-4472 regarding known or suspected violations of the Code of Ethics. Further, persons subject to this Ethics Policy may seek advice from the Office of State Ethics should any questions arise concerning his or her conduct.

Intentional violations of either the Code of Ethics for Public Officials or this Ethics Policy will not be tolerated and will be reported to the Board and the Office of State Ethics and, if applicable, to the appropriate federal and state agencies.

Section 5. Code of Ethics Compliance

As public officials of the State of Connecticut, CEFIA directors are subject to all relevant ethics statutes, regulations, and the like of the State of Connecticut. Key provisions of the Code of Ethics for Public Officials include:

- **GIFTS** – In general, public officials are prohibited from accepting gifts from anyone doing business with, seeking to do business with, or directly regulated by the official's agency or department or from persons known to be a registered lobbyist or lobbyist's representative. There are also restrictions on gifts between public officials in certain circumstances. (See the *Guide to the Code of Ethics for Public Officials and State Employees*, and Selected Statutory References, Sections 1-79(e) and 1-84(m) found by clicking [here](#).)
- **FINANCIAL BENEFIT** – A public official is prohibited from using his/her office or non-public information obtained in state service for the financial benefit of the individual, certain family members, or that of an associated business. (See Selected Statutory References, Section 1-84(c))

- **FINANCIAL DISCLOSURE** – All CEFIA directors are required to file a financial disclosure statement with the Office of State Ethics. Some or all of the information contained in the financial disclosure statement may be considered public information. (See the *Guide to the Code of Ethics for Public Officials and State Employees* and Selected Statutory References, Sections 1-79(e) and 1-84(m))
- **RECUSAL OR REPORTING IN CASE OF POTENTIAL CONFLICTS** – The Code of Ethics requires that public officials avoid potential conflicts of interest. If a director would be required to take official action that would affect a financial interest of such director, certain family members or a business with which they are associated, they must excuse themselves from participating in deliberations, voting or otherwise taking affirmative action on the matter. (See Selected Statutory References, Section 1-86(a) and CEFIA's Bylaws, Article VII, found by clicking [here](#)). Additionally CEFIA has prepared a written Ethics Statement (as noted in sec. 1-86 (a) of the statutes and Article VII of the Bylaws) which can be found on the CEFIA web site [here](#).

The foregoing items are not an exhaustive list of prohibited activities, and each director should familiarize himself or herself with the Code of Ethics for Public Officials.

Section 6. Outside Business Interests

Because of the statutory qualifications for membership on the CEFIA Board of Directors, it is expected that some directors will have outside business or professional interests related to energy resources or policy. Such outside interests are not considered to create a conflict of interest, provided that a director shall not participate in any deliberation or vote, and shall not take any other affirmative action as a director, with respect to a matter in which the director has an interest which is in substantial conflict with the proper discharge of the director's duties and responsibilities as a director of CEFIA. Determination of whether a "substantial conflict" exists is made in the manner provided in Section 1-85 of the Connecticut General Statutes. (See Selected Statutory References, Section 1-85 and CEFIA Bylaws, Article VII)

Section 7. Additional CEFIA Policies

Given that CEFIA is partially funded through a surcharge on consumers of electric services in the State of Connecticut and CEFIA's statutory mandate is to foster the growth, development, and commercialization of clean energy resources, and to stimulate demand for clean energy, among other things, CEFIA expects that, in addition to complying with the Code of Ethics for Public Officials and State Employees, that its directors will:

- Protect the confidential information to which CEFIA directors have access

- Avoid actual or potential conflicts of interest
- Neither interfere with nor solicit contracts on behalf of any person
- Submit the Statement of Financial Interests disclosure documents to the Office of State Ethics in a timely manner.

Section 8. Post-State Employment Restrictions

CEFIA directors are required to comply with the Code of Ethics provisions pertaining to post-state employment, which are commonly known as the "revolving door" provisions. For example, there are restrictions on accepting employment with a party to certain contracts (which would include contracts relating to investments or other financial assistance) if the director was involved in the negotiation or award of the contract, restrictions on representing other parties before CEFIA during a one-year period following departure from state service, and restrictions on accepting employment as a lobbyist or acting as a registrant if the director were convicted of any felony involving corrupt practices, abuse of office or breach of the public trust.

Directors should familiarize themselves with the statutes pertaining to post-state employment generally, which can be found at Connecticut General Statutes Sections 1-84a and 1-84b. (See Selected Statutory References). You may access these statutes [here](#). A summary of these requirements is included in the *Guide to the Code of Ethics for Public Officials and State Employees*.

Section 9. CEFIA Staff

Directors understand that CEFIA employees are subject to the CEFIA Ethical Conduct Policy. Known or suspected breaches of the CEFIA Ethical Conduct Policy by such employees may require reporting to CEFIA's General Counsel acting as CEFIA's Ethics Compliance Officer and may require disciplinary action as provided by CEFIA's employment policies, in addition to sanctions provided by state law.

It is the responsibility of each CEFIA employee to inquire of the CEFIA Ethics Compliance Officer or the Office of State Ethics at 860-566-4472 should any question arise concerning his or her conduct.

Approved by the Clean Energy Finance and Investment Authority Board:
_____, 2012.



CLEAN ENERGY

FINANCE AND INVESTMENT AUTHORITY

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

ETHICAL CONDUCT POLICY

Ethical conduct is a core value of the Clean Energy Finance and Investment Authority (“CEFIA”) and all employees and officials of CEFIA are expected to maintain the highest professional standards in the conduct of their duties. In particular, each person is responsible for, and should become familiar with, the Code of Ethics for Public Officials. A copy of the “Guide to the Code of Ethics for Public Officials” is found [here](#). You may access the Code on the Office of State Ethics website by clicking [here](#).

Principal provisions of the Code of Ethics for Public Officials include:

- **GIFTS** - In general, state employees are prohibited from accepting gifts from anyone doing business with, seeking to do business with, or directly regulated by the state employee’s agency or department or from persons known to be a registered lobbyist or lobbyist’s representative. (See statutory references below)
- **FINANCIAL BENEFIT** - A state employee is prohibited from using his/her office for the financial benefit of the individual, certain family members, or that of an associated business.
- **OUTSIDE EMPLOYMENT** - A state employee may not accept outside employment which will impair his/her independence of judgment as to official state duties or which would induce the disclosure of confidential information. Generally, outside employment is barred if the private employer can benefit from the state employee’s official actions.
- **FINANCIAL DISCLOSURE** - Certain state employees are required to file a financial disclosure statement with the Office of State Ethics. This statement will be considered public information.
- **POST-STATE EMPLOYMENT** - There may be post-employment restrictions, known as “revolving door” prohibitions. For example, there are restrictions on accepting employment with a party to certain contracts if you were involved in the negotiation or award of the contract; for one year after leaving state service, you may not represent anyone for compensation before your former agency; certain designated individuals in the State’s regulatory agencies may not, for one year after leaving state service, accept employment with any business subject to regulation by their former agency.

Employees leaving CEFIA are required to comply with the Code of Ethics provisions pertaining to post-employment. Employees should familiarize themselves with the statutes pertaining to post-employment. They can be found at C.G.S. Section 1-84a and 1-84b. You may access these statutes [here](#). A summary of these requirements is included in the “Guide to the Code of Ethics for Public Officials and State Employees” found above.

Before an employee leaves the employment of CEFIA, an exit interview will be conducted by our Ethics Compliance Officer. The purpose of this exit interview will be to individually review potential issues relating to post-CEFIA employment.

Given the nature of CEFIA’s role as a public body investing and promoting the investment in clean energy companies, CEFIA expects that, in addition to complying with all provisions of the Code of Ethics for Public officials, employees and officials will:

- Maintain the confidential information to which CEFIA has access;
- Avoid actual or potential conflicts of interest;
- Neither interfere with nor solicit contracts on behalf of any person;
- Avoid, in the case of employees, outside employment which may compromise or interfere with the ability to perform duties for CEFIA; and
- For those employees subject to the requirements of C.G.S. 1-83(a), submit the Statement of Financial Interests disclosure documents to the Office of State Ethics in a timely manner.

The rules of conduct in these matters may be covered in more detail in the CEFIA Employee Handbook.

The board of CEFIA continues to have well justified faith in the integrity of and ethical conduct of employees and officials of CEFIA. It is understood however, that breaches of this ethics policy may require disciplinary action, including but not limited to dismissal from CEFIA, in addition to sanctions provided by state law. Such sanctions are to be applied as appropriate with the approval of the CEFIA Board of Directors.

It is the responsibility of each employee and official to inquire of the CEFIA Ethics Compliance Officer or the Office of State Ethics at 860.566.4472 should any question arise concerning his or her conduct.

Statutory References

Sec. 1-79. Definitions. The following terms, when used in this part, shall have the following meanings unless the context otherwise requires:

(e) "Gift" means anything of value, which is directly and personally received, unless consideration of equal or greater value is given in return. "Gift" **shall not include:**

1) A political contribution otherwise reported as required by law or a donation or payment as described in section 9-601a;

(2) Services provided by persons volunteering their time, if provided to aid or promote the success or defeat of any political party, any candidate or candidates for public office or the position of convention delegate or town committee member or any referendum question;

(3) A commercially reasonable loan made on terms not more favorable than loans made in the ordinary course of business;

(4) A gift received from (A) an individual's spouse, fiancé or fiancée, (B) the parent, brother or sister of such spouse or such individual, or (C) the child of such individual or the spouse of such child;

(5) Goods or services (A) which are provided to the state (i) for use on state property, or (ii) to support an event or the participation by a public official or state employee at an event, and (B) which facilitate state action or functions. As used in this subdivision, "state property" means (i) property owned by the state, or (ii) property leased to an agency in the Executive or Judicial Department of the state;

(6) A certificate, plaque or other ceremonial award costing less than one hundred dollars;

(7) A rebate, discount or promotional item available to the general public;

(8) Printed or recorded informational material germane to state action or functions;

(9) Food or beverage or both, costing less than fifty dollars in the aggregate per recipient in a calendar year, and consumed on an occasion or occasions at which the person paying, directly or indirectly, for the food or beverage, or his representative, is in attendance;

(10) Food or beverage or both, costing less than fifty dollars per person and consumed at a publicly noticed legislative reception to which all members of the General Assembly are invited and which is hosted not more than once in any calendar year by a lobbyist or business organization. For the purposes of such limit, (A) a reception hosted by a lobbyist who is an individual shall be deemed to have also been hosted by the business organization which he owns or is employed by, and (B) a reception hosted by a business organization shall be deemed to have also been hosted by all owners and employees of the business organization who are lobbyists. In making the calculation for the purposes of such fifty-dollar limit, the donor shall divide the amount spent on food and beverage by the number of persons whom the donor reasonably expects to attend the reception;

(11) Food or beverage or both, costing less than fifty dollars per person and consumed at a publicly noticed reception to which all members of the General Assembly from a region of the

state are invited and which is hosted not more than once in any calendar year by a lobbyist or business organization. For the purposes of such limit, (A) a reception hosted by a lobbyist who is an individual shall be deemed to have also been hosted by the business organization which he owns or is employed by, and (B) a reception hosted by a business organization shall be deemed to have also been hosted by all owners and employees of the business organization who are lobbyists. In making the calculation for the purposes of such fifty-dollar limit, the donor shall divide the amount spent on food and beverage by the number of persons whom the donor reasonably expects to attend the reception. As used in this subdivision, "region of the state" means the established geographic service area of the organization hosting the reception;

(12) A gift, including but not limited to, food or beverage or both, provided by an individual for the celebration of a major life event;

(13) Gifts costing less than one hundred dollars in the aggregate or food or beverage provided at a hospitality suite at a meeting or conference of an interstate legislative association, by a person who is not a registrant or is not doing business with the state of Connecticut;

(14) Admission to a charitable or civic event, including food and beverage provided at such event, but excluding lodging or travel expenses, at which a public official or state employee participates in his official capacity, provided such admission is provided by the primary sponsoring entity;

(15) Anything of value provided by an employer of (A) a public official, (B) a state employee, or (C) a spouse of a public official or state employee, to such official, employee or spouse, provided such benefits are customarily and ordinarily provided to others in similar circumstances; or

(16) Anything having a value of not more than ten dollars, provided the aggregate value of all things provided by a donor to a recipient under this subdivision in any calendar year shall not exceed fifty dollars.

(17) Training that is provided by a vendor for a product purchased by a state or quasi-public agency which is offered to all customers of such vendor; or

(18) Travel expenses, lodging, food, beverage and other benefits customarily provided by a prospective employer, when provided to a student at a public institution of higher education whose employment is derived from such student's status as a student at such institution, in connection with bona fide employment discussions.

Section 1-84 Prohibited Activities

(m) No public official or state employee shall knowingly accept, directly or indirectly, any gift, as defined in subsection (e) of section 1-79, from any person the official or employee knows or has reason to know: (1) Is doing business with or seeking to do business with the department or agency in which the official or employee is employed; (2) is engaged in activities which are directly regulated by such department or agency; or (3) is prequalified under section 4a-100. No person shall knowingly give, directly or indirectly, any gift or gifts in violation of this provision.

For the purposes of this subsection, the exclusion to the term "gift" in subdivision (12) of subsection (e) of section 1-79 for a gift for the celebration of a major life event shall not apply. Any person prohibited from making a gift under this subsection shall report to the Office of State Ethics any solicitation of a gift from such person by a state employee or public official.

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY ETHICS STATEMENT

The Clean Energy Finance and Investment Authority (“CEFIA”) was created in 2011 by the State legislature as a quasi-public agency of the State of Connecticut. Its purpose is to ensure Connecticut’s security and prosperity by realizing its energy, environmental and economic opportunities through clean energy finance and investments.

Ethical conduct is a core value of CEFIA and all employees and officials of CEFIA are expected to maintain the highest professional standards in the conduct of their duties as prescribed by the Code of Ethics for Public Officials and State Employees (see CGS §§ 1-79 through 1-89) found [here](#). CEFIA maintains both a Board of Directors Ethical Conduct Policy and a staff Ethical Conduct Policy. Both policies may be found on the CEFIA web site found [here](#).

CEFIA is committed to maintaining the highest standards in the conduct of their duties in order to maintain public trust and confidence, and to establishing the highest standards of honesty, integrity and quality of performance by recognizing the need for compliance with all relevant statutes, executive orders, rules and regulations.