



**AUDIT, COMPLIANCE AND GOVERNANCE OF THE
CONNECTICUT GREEN BANK**
Regular Meeting Minutes

Tuesday, October 12, 2021
8:30 a.m. – 9:30 a.m.

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on October 12, 2021.

Due to COVID-19, all participants joined via the conference call.

Committee Members Present: Thomas Flynn, Matt Ranelli, Lonnie Reed

Committee Members Absent: None

Staff Attending: Shawne Cartelli, Brian Farnen, Bryan Garcia, Bert Hunter, Cheryl Lumpkin,
Jane Murphy, Ariel Schneider, Eric Shrago, Dan Smith

Others present: Jessica Aniskoff, Ronald Nossek

1. Call to Order

- Lonnie Reed called the meeting to order at 8:31 am.

2. Public Comments

- No public comments.

3. Approve Meeting Minutes for June 14, 2021

Resolution #1

Motion to approve the minutes of the Audit, Compliance, and Governance Committee meeting for June 14, 2021.

Upon a motion made by Matt Ranelli and seconded by Thomas Flynn, the ACG Committee voted to approve Resolution 1. None opposed or abstained. Motion approved unanimously.

4. Governance Documents Review
a. Revised Governance Documents

- Brian Farnen summarized the governance changes that were to be included this year, which was a bit more than previous years due to the scope expansion to include Environmental Infrastructure. There was also one statutory change to certain project funding percentage limits which was removed from the bylaws as a result of the last legislative session last year. He then reviewed the comment and approval process to proposed revisions.
 - Thomas Flynn asked if there were any changes that could be considered controversial and Brian Farnen responded no. Matt Ranelli then asked about the publishing and commenting period before the changes are fully implemented, and Brian clarified the process. If comments of substance are made on changes, then it would be brought back to the Board, but there haven't been many comments of that nature in the past. Tom suggested adjusting the process to be that if the revisions are good by the Board, that they are then presented to the public for comment, and then are brought back to the Board for final approval. Brian Farnen agreed, utilizing the Consent Agenda if no public comments are made, and if so to allow the Board the time to discuss any comments. Thomas Flynn and Matt Ranelli agreed with that revision.

Resolution #2

RESOLVED, that the Audit, Compliance, and Governance Committee hereby recommends to the Board of Directors of the Connecticut Green Bank approval of the revisions to the Green Bank Resolution of Purpose; Bylaws; Operating Procedures, which shall be contingent upon no revisions pursuant to the public notice and comment period under CT Gen Stat § 1-121; Ethics Statement; Ethical Conduct Policy of the Board of Directors; and Ethical Conduct Policy of the Staff.

Upon a motion made by Thomas Flynn including the approval process revision and seconded by Matt Ranelli, the ACG Committee voted to approve Resolution 2. None opposed or abstained. Motion approved unanimously.

b. Reporting Requirements

- Brian Farnen noted that the reporting requirements are all up to date.

5. Update to Handbook Policy

- Eric Shrago reviewed the handbook policy updates, most of which are changes due to COVID-19 and modernization, though the two bigger updates are in regard to the Data Privacy language and the IT Vendor Management policy requiring that the vendors have certain certifications and a high caliber of security controls.
 - Thomas Flynn asked if a cyber security audit has been completed and Eric Shrago said yes, it is done every year. The Green Bank is in relatively good shape and the few items that are at medium risk are being addressed. Thomas Flynn asked if the Green Bank deems itself at high risk for attacks, and Eric Shrago responded that he does not believe so, though it is hard to gauge,

especially because the company has “bank” in its name. He explained the policies in place to lower risks and prevent attacks.

- Thomas Flynn asked if the Green Bank has “hack” tests using outside companies, and Eric Shrago said yes and that there are actually two vendors: one who performs the attack attempt and a second who reviews the information of what they tried, how it went, etc. Thomas Flynn seemed reassured that this was being done.
- Thomas Flynn expressed concern with the Green Bank’s HR and compensation policies regarding employee retention and attracting strong, talented people compared to the private sector. Bryan Garcia responded that the succession plan is updated regularly and that he checks in with Senior Management to gauge where their professional fulfillment is, and that the process is also being applied below them to see who the “rising star” employees are to get them more professional development and make sure their career goals are being satisfied. As well, every few years a compensation assessment is made and that is coming up soon. Eric Shrago noted that an RFP has been met which is set to begin this week. Thomas Flynn asked what the result of the assessment is, and Eric Shrago gave details about what information is compared, reviewed, and compiled, which is then presented to the Budget, Operations, and Compensation Committee. Thomas Flynn emphasized that he would like the comparison to include more private sector competitors, as it is a broader pool than just governmental entities.

Resolution #3

WHEREAS, pursuant to Section 5.2.1 of the Connecticut Green Bank (Green Bank) Bylaws, the Audit, Compliance, & Governance Committee is charged with the review and approval of, and in its discretion recommendations to the Board of Directors (Board) regarding all governance and administrative matters affecting the Green Bank, including but not limited to the Green Bank Employee Handbook;

NOW, therefore be it:

RESOLVED, that the Audit, Compliance & Governance Committee hereby recommends that the Board of the Green Bank approve of the revisions to the Green Bank Employee Handbook presented on October 12, 2021.

Upon a motion made by Matt Ranelli and seconded by Thomas Flynn, the ACG Committee voted to approve Resolution 3. None opposed or abstained. Motion approved unanimously.

6. Proposed Draft Comprehensive Annual Financial Report (CAFR)

- Ronald Nossek summarized the audit scope, which was performed under Generally Accepted Auditing Standards (GAAS) and Generally Accepted Governmental Auditing Standards (GAGAS). The audit results were clean with an unmodified opinion on the financial statements under GAAS, and under GAGAS there were no internal control findings noted and there were no instances of noncompliance or other matters that were required to be reported.
- Ronald Nossek reviewed the financial highlights for FY2021.

- Regarding required communications, there were no instances that indicate bias to the financial statements by management and there were no reportable issues.
- Thomas Flynn asked if there has any been any change to the methodology in determining estimates in the financial statements, and Ronald Nossek said there has not been any material change. He did note the change in 2020 due to the anticipated decline, though the methodology was not different.
- Thomas Flynn asked how the Green Bank appears from the beginning of that period compared to now in relation to “doubtful accounts.” Jane Murphy stated that at the end of the year, the loan loss reserve estimates were maintained because of the uncertainty from COVID-19, but there were no additional write-offs. Instead, there were payment deferrals in-line with various municipality actions, which ended, and the payments were received as expected. She noted that the Loan Loss Reserves in the financial statements may prove to be conservative given the continuing uncertainty with the pandemic, and that CGB has not seen any significant losses due to COVID-19.
 - Thomas Flynn asked if the reserve methodology will be changed at year-end, and Jane Murphy answered that the methodology would not change but it will be reviewed for the additional reserves from FY 2020 due to COVID-19.
- Thomas Flynn asked about the process to hire a new audit firm, and Jane Murphy explained the process.
- Thomas Flynn asked if there were any areas of accounting and finance that could be reassured and made more efficient. Jane Murphy answered that her primary concern is related to staffing, and that the recent hiring of Dan Smith should hopefully alleviate the workloads. Ronald Nossek responded that smaller staff sizes can result in internal control weaknesses because of segregation of duties, which should be under the Committee’s consideration.
- Thomas Flynn asked about the systems which are in place and if they could be improved at all. Ronald Nossek stated that although every system could be improved, he could not think of any that came to mind in this cycle. He noted that some high-level calculations are being done in-house which other companies use third-party companies to do, so offloading those may be worth considering in the future regardless of whether someone can perform it internally.
- Thomas Flynn asked Bryan Garcia if he has been receiving financial statements in a timely manner and Bryan Garcia responded that he has been satisfied with the dashboards and systems that Jane Murphy has built.
- Matt Ranelli commented that perhaps the ACG Committee should meet more often to just have constructive conversations to dive more into the state the of the staff and Green Bank. Thomas Flynn agreed.

Resolution #4

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval the proposed draft Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2021.

Upon a motion made by Matt Ranelli and seconded by Thomas Flynn, the ACG Committee voted to approve Resolution 4. None opposed or abstained. Motion approved unanimously.

7. Creation Ad Hoc Advisory Committee

- Brian Farnen summarized the need for and purpose of the proposed Ad Hoc Committee. It would consist of prior members of the Board of Directors and emeritus, industry, policy, energy, and/or environmental finance experts. Members would be nominated by the Chairperson in consultation with the President and CEO and approved by the Board.
 - Matt Ranelli and Thomas Flynn agreed that it seems like a great idea.

Resolution #5

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval creation the proposed Ad Hoc Advisory Committee.

Upon a motion made by Thomas Flynn and seconded by Matt Ranelli, the ACG Committee voted to approve Resolution 5. None opposed or abstained. Motion approved unanimously.

8. BOD Membership Term Updates and Attendance Review

- Brian Farnen stated that though there was quite a bit of turnover and changes to the Board, there were no members out of compliance during FY2021.

9. Adjourn

Upon a motion made by Thomas Flynn and seconded by Matt Ranelli, the Audit, Compliance and Governance Committee Meeting adjourned at 9:35 am.

Respectfully submitted,

Matt Ranelli, Chairperson