

AUDIT AND ETHICS COMMITTEE MEETING MINUTES MAY 28, 2025

The Audit and Ethics Committee meeting was held on Wednesday, May 28, 2025.

Committee Members Present: Committee Chair Rob McCabe, Casey Santos, Clifton Harris, and Michael Vandenberg (virtually)

Officers Present: Teresa Broyles-Aplin, Laura Smith, Dr. Trish Holliday, Brent Baker and Recording Secretary David Frankenberg

Committee Chair Rob McCabe called the meeting to order at 7:59 a.m.

LINEMAN'S RODEO RECOGNITION

Brad Heck recognized the NES Journeyman and Apprentice teams that participated in the 2025 APPA Lineworkers Rodeo in Roseville, CA on May 28-29. NES' journeyman teams placed 6th and 8th overall out of 61 journeyman teams from across the United States. To achieve this ranking, both NES' Journeyman teams received perfect scores meaning they ran all five events with no technical mistakes or safety deductions. NES had three Apprentice Linemen compete as well. One of the NES Apprentices finished with a perfect score among 115 entrants in the Apprentice category.

Mr. Heck noted that the teams will be competing on May 30-31, at the Tennessee Valley Lineman Rodeo in Murfreesboro, TN and invited all to attend and show their support.

SAFETY TIP

Michael Shannon presented a safety tip on motorcycle safety.

MINUTES

Upon motion by Member Santos and seconded by Member Harris, the Committee approved the minutes from the Audit and Ethics Committee meeting held April 23, 2025, with four ayes and zero nays.

KRAFT INTERNAL AUDIT REPORTS

Scott Nalley provided the Committee with an update on the Audit and Ethics Committee Calendar and the Internal Audit Status Report. He confirmed that, for FY25, only one audit remains to begin, with all other activities progressing as planned.

Mr. Nalley presented the findings of an Internal Audit related to Accounting processes. The audit identified no reportable issues, and the controls in place were deemed adequate and reasonable. One recommendation was made to management concerning system access.

Mr. Nally reviewed the 2nd and 3rd Quarters Fiscal Year 2025 Follow-up and Remediation reports and stated that there were fourteen items that were tested for resolution with eleven items resolved. Three remain partially resolved, two are categorized as low risk and one initially medium risk, which has been downgraded to low risk following remediation efforts.

Mr. Nalley informed the Committee that in January, the Institute of Internal Auditors (IIA) introduced new standards that the Internal Audit function is required to comply with annually. Chair McCabe asked for an explanation of the Global Standards Group and the Institute of Internal Audit's relationship with them. Mr. Nalley clarified that the IIA sets widely accepted professional standards, recently rebranded as the Global Internal Audit Standards, and while not required, NES voluntarily aligns with both these and government auditing standards to adhere to best practices.

Member Santos asked, as Internal Audit reviewed the revisions, if any issues were observed. Mr. Nalley replied that Internal Audit is well positioned to meet the updated standards. He indicated that updates have been made to the team's protocol documents and Charters which will require Board approval.

He shared the results of the 2025 Audit Risk Assessment, explaining that this annual process helps align audit priorities with the organization's most significant risks from both management and Board perspectives. No major changes were made to the risk profile, although a minor adjustment was noted in the risk score for work order capitalization.

Chair McCabe asked if Internal Audit has a good calibration of risk categories and the audit frequency necessary to satisfy those risk categories. Mr. Nalley replied yes and noted positive feedback from management. Chair McCabe asked if David Frankenberg concurred with Mr. Nalley's response and Mr. Frankenberg affirmed his agreement.

Mr. Nalley presented the proposed Internal Audit Plan for FY26, confirming that it includes 7,000 audit hours – comparable to the approximately 7,040 hours incurred the previous fiscal year.

Chair McCabe asked in what areas does Internal Audit require third party assistance. Mr. Nalley responded that there are no plans at this time for third party assistance but the most common area where it has been used previously is in system operations.

Member Santos asked if the cybersecurity audit will be completed internally. Mr. Nalley responded yes stating that dedicated Information Technology auditors will conduct the audit.

Chair McCabe asked if there is confidence that internal resources are sufficient to carry out the FY26 Internal Audit Plan and whether external expertise would be brought in if necessary. Mr. Nalley responded yes, and recommended approval of the FY26 Internal Audit Plan.

Upon motion by Member Santos and seconded by Member Harris the FY26 Internal Audit Plan was approved with four ayes and zero nays.

Mr. Nalley reviewed updates to the Audit and Ethics Committee Charter and asked for approval of these revisions.

Upon motion by Chair McCabe and seconded by Member Santos the revisions to the Audit and Ethics Committee Charter were approved with four ayes and zero nays.

Mr. Nalley reviewed updates to the Internal Audit Charter and asked for approval of these revisions.

Upon motion by Member Santos and seconded by Member Vandenberg the revisions to the Internal Audit Charter were approved with four ayes and zero nays.

EXECUTIVE SESSION


The Committee did not go into Executive Session.

MISCELLANEOUS

There were no miscellaneous items to present.

ADJOURNMENT

The meeting adjourned at 8:27 a.m.

APPROVED:  Signed by:
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Committee Chair Rob McCabe