LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
Tuesday, September 15, 2026 – 5:30 P.M.
REO Town Depot – Board of Water & Light Headquarters
1203 S. Washington Ave., Lansing, MI 48910

Finance Committee: Tony Mullen, Committee Chairperson; Beth Graham, Chris Harkins, Semone James;
Alternates: David Price, Dale Schrader

BWL full meeting packets and public notices/agendas are located on the official web site at https://www.lbwl.com/about-bwl/governance.

AGENDA

Call to Order

Roll Call

Public Comments on Agenda Items

1. Approval of the Finance Committee Meeting Minutes of July 21, 2026 .... **TAB 1**

2. June YTD Financial Highlight.. **TAB 2**

3. FY2026 Environmental Compliance Audit Results .... **TAB 3**

4. Internal Audit Strategy Update………………………………………………………………………………**TAB 4**

5. Quality Assurance and Improvement Program (QAIP) Update……………………………………….**TAB 5**

6. Internal Audit Status Report…………………………………………………………………………………**TAB 6**

7. Board Approval of July/August 2026 Business Meal Expense Forms………………….Discussion Only

Other

Adjourn

FINANCE COMMITTEE
Meeting Minutes
July 21, 2026

Finance Committee: Dale Schrader, Committee Chairperson; Beth Graham, Chris Harkins, David Price; Alternates: Semone James, Tony Mullen.

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1203 S. Washington Ave., Lansing, MI, on Tuesday, July 21, 2026.

Finance Committee Chairperson Dale Schrader called the meeting to order at 5:30 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Beth Graham, David Price and Dale Schrader; Alternates: Commissioners Semone James and Tony Mullen. Also Present: Commissioner Sandra Zerkle.
Absent: Commissioner Chris Harkins.

Corporate Secretary LaVella Todd declared a quorum.

Public Comments
There were no public comments.

Approval of Minutes
Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham, to approve the Finance Committee Meeting minutes of May 7, 2026 as presented.
Action: Motion Carried. The minutes were approved.

YTD Financial Summary
Chief Financial Officer (CFO) Taylor presented the year-to-date financial summary, reporting that days cash on hand are in a good position at 208 days and that revenue performance for retail and wholesale operations is favorable. He stated a plan to forego a small bond issuance due to a strong cash position. The decision to defer the bond issue for at least one year is attributed to the cash position. CFO Taylor stated that revenues are 1% over retail and 13% over wholesale due to higher energy prices, while operating and non-operating are under budget. He also stated that net income through May is about $40 Million.

CFO Taylor explained that the capital budget is running over budget due to two overhauls, but the new energy project is under budget due to delays in the battery project and solar projects. Metrics such as operating ratio, earned ratio, debt to total assets, sales, bad debt, employee count, payroll data, and benefit casts are consistent with previous reports.

CFO Taylor also provided an update on the upcoming proposed rate changes. There will be two Public Hearings on proposed rate changes held at the REO Depot in August. The first Public Hearing is scheduled to take place on Saturday, August 1, 2026 at 10:00 A.M. The second Public

Hearing is scheduled to take place on Tuesday, August 4, 2026 at 5:30 P.M. A Special Board Meeting is scheduled to take place on Tuesday, August 11, 2026 at 5:30 P.M. for to vote on the proposed rate changes, with effective date of October 1, 2026.

Commissioner Price reiterated to the Board that a quorum is required at both Public Hearings, as well as the Special Board Meeting.

CFO Taylor also stated that the Lansing City Council has invited the BWL to speak at their August 10, 2026, Committee of the Whole Meeting to discuss the proposed rate change filing. The rate change presentation for the Public Hearings will focus on the proposed rate change development, how it supports items such as environmental initiatives, specific changes to the rates, and the involvement of a third-party strategy consultant.

VEBA Investment Policy Statement Revision and Resolution

CFO Taylor discusses the VEBA Investment Policy Statement revision, which included a recommendation from the consultant at ACG to adjust asset allocations. The recommendation is to reduce the real asset investment from 15% to 12% and increase fixed income from 25% to 28%.

CFO Taylor presented the VEBA Investment Policy Statement Resolution for approval as recommended by our ACG consultant.

Commissioner James questioned the second to last paragraph of the Resolution and how it referenced the Defined Benefit Plan and Trust for Employee Pensions, instead of stating the VEBA Investment Policy.

CFO Taylor confirmed that the Resolution will be amended to read “RESOLVED, that, after its review, and based on the recommendation from the Retirement Plan Committee, the Sponsor adopts and approves the attached Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light Statement of Investment Policies, Procedures and Objectives.” and requested Committee approval to forward the Resolution amended as stated to the full Board for approval at the July 28, 2026 Regular Board Meeting. Commissioner Price recommended approval of the Resolution as presented, and then approval of the Resolution as amended at the July 28, 2026 Regular Board Meeting. The Committee agreed with Commissioner Price’s recommendation.

Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham to forward the VEBA Plan Investment Policy Statement Resolution as presented at the July 21, 2026 Finance Committee Meeting.
Action: Motion not carried, pending follow-up motion on amended resolution.

Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham to forward the VEBA Plan Investment Policy Statement Resolution as amended at the July 21, 2026 Finance Committee Meeting and presented at the July 28, 2026 Regular Board Meeting for full board for consideration.
Action: Motion Carried.

Bi-Annual Internal Audit Open Management Response Update
Internal Controls Analyst (ICA) Cody Rochefort provided a biannual update on the status of management's implementation of internal audit recommendations. ICA Rochefort presented the open findings including disaster recovery, payroll audit, and billing audit, with extensions granted for some recommendations due to organizational changes and system complexities with the new HRIS system. ICA Rochefort confirmed any extensions are reviewed and approved by the office of internal auditor.

(Inaudible)

Commissioner James asked how the completion of internal audit recommendations are verified.

Director of Internal Audit (DIA) Elisha Franco confirmed that any corrective actions are reviewed by her department and that she works alongside ICA Rochefort to help monitor the process. DIA Franco also stated that the status of the open audit findings can be tracked in the audit software program Optro, as well as the Commissioner's internal tracker provided on the commissioner dashboard.

ICA Rochefort also presented the closed recommendations, and stated in order for a recommendation to be completed, it must be approved by the Director of Internal Audit after being verified by himself.

Commissioner James asked if the closed recommendations are tested after they are considered resolved. ICA Rochefort confirmed that each closed recommendation is checked for completion as well as reviewed by the Director of Internal Audit. DIA Franco stated she keeps detailed notes, data, and documentation of completion of recommendations for reference within our audit software program Optro.

(Inaudible)

CFO Scott Taylor stated that open and closed audit recommendations come directly from the Department of Internal Audit and that DIA Franco works closely with ICA Rochefort to ensure recommendations are implemented, tested, and followed through appropriately.

Commissioner James asked who is checking the Department of Internal Audit. DIA Franco answered that her department will be reviewed and audited by an external assessment and that will be completed next year.

FY 2027 Internal Audit Risk Assessment and Audit Work Plan

Director of Internal Audit (DIA) Elisha Franco then presented the FY2027 Internal Audit Risk Assessment results and internal work plan for fiscal year 2027. The risk assessment aims to identify and evaluate risks across all departments and functions, including inherent risk, existing controls, and residual exposures. DIA Franco stated this process results in a ranked list of risk areas, categorized by likelihood of impact, to help the internal audit focus on critical and high risk areas.

DIA Franco said that risk assessment followed a structured four-phase approach, including reviewing and updated existing risk assessments, designing and distributing surveys, and analyzing collected data. The survey recipients ranked each of 30 risk areas by likelihood of impact, providing a less time intensive method compared to previous years.

The risk assessment input included collaboration with the strategic planning department, selecting individuals in different areas around the company, as well as prior audits conducted over the last three years.

Commissioner James inquired about the prioritization of risks. DIA Franco stated that the survey was used to rank risks by likelihood of impact. Commissioner James also asked about major capital projects and DIA informed her that those were under the operation risk area.

(Inaudible)

DIA Franco stated that the risk ranking was based on likelihood of impact and that each risk area was ranked from 1 to 5 and an overall risk score was calculated. The risk scores were then put in order of prioritization, with a heat map, and risk rating provided in the report.

Commissioner James inquired about procurement and contract management. DIA Franco stated they were under vendor management. Commissioner James also inquired why the Board of Commissioners were not included in the survey. DIA Franco stated she used the results from the Risk Assessment completed by the strategic planning department last year which included comments from the commissioners. DIA Franco stated she would survey commissioners in the future.

DIA Franco also presented the fiscal year 2027 internal audit work plan. This was developed using a risk-based approach, considering risk assessment results, prior audit coverage, and stakeholder feedback. The work plan includes six audits, with four co-sourced with Plante Moran and two done in-house.

The audits include accounts payable, enterprise risk management, key accounts and miscellaneous billing, safety and governance, vendor selection and management, and fixed assets.

DIA Franco then presented a resolution to approve the FY2027 work plan.

Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham to forward the FY2027 Audit Work Plan Resolution to the full board for consideration.
Action: Motion Carried.

<u>Internal Audit Status Report</u>
DIA Franco provided an update on the department, including audit updates, and budget updates. The internal audit status update newsletter was sent out in June and then next one will follow in August, providing updates to the board on the months there is no board meeting. DIA Franco mentioned the Institute of Internal Auditors new topical requirement on organization resilience, which will be aligned and implemented with future audits.

DIA Franco stated that the September finance committee presentation will include the FY2026 Environmental compliance audit results, QAIP update, and internal audit strategy update. DIA Franco also stated that she is now studying for her CFE certification and the new staff internal auditor is pursuing his CPA license.

Commissioner James stated the May 7, 2026 Finance Committee Meeting Minutes that were approved had the incorrect date on the footer.

Corporate Secretary LaVella J Todd confirmed the date on the footer of the May 7, 2026 Finance Committee Meeting Minutes will be corrected.

<u>Other</u>
Commissioner Schrader presented some leadership training for the Director of Audit through Lansing Chamber of Commerce.

Commissioner Price stated that this training was put on all throughout communities in the United States. It’s a year long leadership training course and Commissioner Price thinks it makes sense for DIA Elisha Franco to participate and that it will be beneficial to the BWL.

Motion by Commissioner David Price, **Seconded** by Commissioner Dale Schrader to provide a recommendation to the full board for Director of Internal Audit Elisha Franco to attend Lansing Leadership Training provided by Lansing Chamber of Commerce.
Action: Motion Carried.

Motion by Commissioner Beth Graham, **Seconded** by Commissioner David Price, for excused absences for Commissioner Chris Harkins.
Action: Motion Carried.

<u>Adjourn</u>
Chairperson Dale Schrader adjourned the meeting at 6:29 P.M.

Respectfully submitted,
Dale Schrader, Chairperson
Finance Committee

Preliminary Financial Summary - June 2026 - FY26

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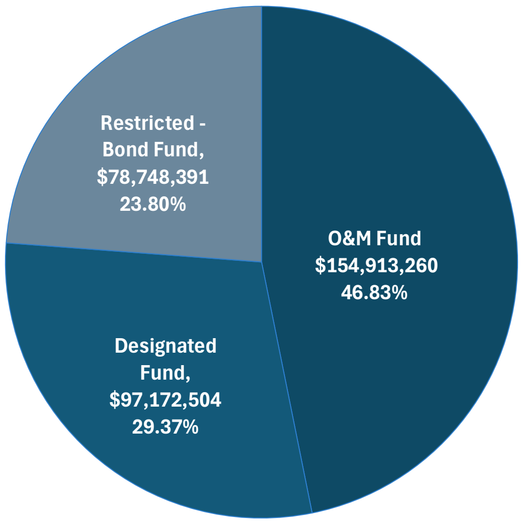
Cash



Total Cash: $330,834,156

	Year End	Target
Days Cash on Hand	218	> 170
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.93	> 2.00

Days Cash on Hand:

$$\frac{\text{O\&M Fund - Portion Restricted By Bond Covenants + Designated Funds}}{\text{(Budgeted Operating Expenses - Depreciation + RoE to City) / 365}}$$

Debt Service Coverage:

$$\frac{\text{Projected Net Income + Depreciation Expense + Interest Expense}}{\text{Debt Principal + Debt Interest}}$$

Income Statement YTD

	Actual FY26	Budget FY26	Difference	%
Retail	$ 453,789,299	$ 448,645,903	$ 5,143,397	1%
Wholesale	$ 48,251,194	$ 42,293,590	$ 5,957,604	14%
Total Revenue	$ 502,040,493	$ 490,939,493	$ 11,101,000	2%
Operating Expenses	$ 399,163,888	$ 399,441,258	$ (277,370)	0%
Non Operating Income/(Exp)	$ (65,921,774)	$ (66,715,065)	$ 793,290	-1%
Net Income	$ 36,954,830	$ 24,783,169	$ 12,171,661	49%

FY 2026 Budgeted Net Income	$ 24,783,169

Budget Status YTD

O&M Budget YTD (excluding fuel)

FY26 Approved Budget		Actual FY26	Budget FY26	Difference	%
$ 190,590,137		$ 191,859,634	$ 190,590,137	$ 1,269,497	1%
% of Approved Budget		*101%*	*100%*		

Capital Budget YTD

FY26 Approved CIP Budget		Actual FY26	Budget FY26	Difference	%
$ 74,479,242		$ 109,503,869	$ 74,479,242	$ 35,024,627	47%
% of Approved Budget		*147%*	*100%*		

FY26 New Energy Budget		Actual FY26	Budget FY26	Difference	%
$ 132,470,182		$ 68,929,116	$ 132,470,182	$ (63,541,066)	-48%
% of Approved Budget		*52%*	*100%*		

FY26 Steam to HW Budget		Actual FY26	Budget FY26	Difference	%
$ 7,986,167		$ 5,293,911	$ 7,986,167	$ (2,692,256)	-34%
% of Approved Budget		*66%*	*100%*		

Return on Assets

FY26 ROA Budget		Actual FY26	Budget FY26	Target ROA*
4.02%		4.39%	4.02%	4.57%

*BWL forecast to reach target in FY2028

$$\text{Return on Assets} = \frac{\text{YTD Net Income + YTD Interest Expense - YTD Interest Income}}{\text{Net Fixed Assets + Inventory}}$$

Preliminary Financial Summary - June 2026 - FY26

Ratios

Operating Ratio

				APPA Median
O&M Expense	$ 332,193,206	=	0.66	0.76
Total Revenue	$ 502,040,493			

Measures the proportion of revenues to cover the operations and maintenance costs

Current Ratio

				APPA Median
Current Assets	$ 330,051,183	=	2.47	1.89
Current Liabilities	$ 133,601,535			

Measures whether current assets are sufficient to pay current liabilities within one year

Debt to Total Assets

				APPA Median
LT Debt + Accrued Liabilities	$ 1,320,698,930	=	0.63	0.50
Total Assets	$ 2,108,110,862			

Measures the ability to meet current and long-term liabilities based on the availability of assets

Days Sales Outstanding

				Prior Year
Average Accounts Receivable x Days	$ 30,842,120	x 30 =	25	25
Base Retail Revenue	$ 36,481,060			

Measures the average number of days it takes to collect payment after a sale is made

Bad Debt

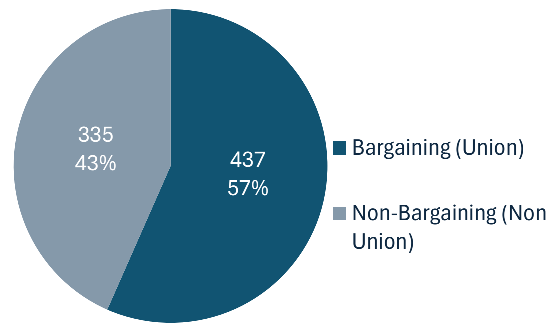
				Prior Year
12 Month Bad Debt Exp	$ 1,813,094	=	0.40%	0.43%
12 Month Retail Revenue	$ 453,789,299			

Measures the portion of each retail revenue dollar that will not be collected

Employee Data

Employee Count

Employee Count YTD	772
Budget YTD	829
Over/(Under) #	(57)
Full Time Equivalent Temporary Employees	26



Payroll Data

	Actual FY26	Budget FY26	Difference	%	Prior Year
Regular	$ 88,361,166	$ 87,124,153	$ 1,237,013	1.4%	$ 60.82
Overtime	$ 8,479,517	$ 7,277,740	$ 1,201,776	16.5%	
Total	$ 96,840,682	$ 94,401,893	$ 2,438,789	2.6%	
Total Hours Worked	1,470,890				
Labor $/Hours Worked	$ 65.84				

Benefits Cost

(Including Retirees)	Actual FY26	Budget FY26	Difference
Health & Rx	$ 25,389,888	$ 24,535,000	$ 854,888
Dental	$ 1,463,959	$ 1,424,000	$ 39,959
Life	$ 556,194	$ 698,000	$ (141,806)
FICA	$ 7,099,781	$ 7,272,000	$ (172,219)
Other	$ 1,162,549	$ 1,388,000	$ (225,451)
Total	$ 35,672,371	$ 35,317,000	$ 355,371

* All APPA Median Numbers Are For Utilities With Greater Than 100,000 Customers As Obtained From The Most Recent "APPA Financial And Operating Ratios Of Public Power Utilities Report" Published In 2026.

FY 2026 Environmental Compliance Audit Results

Presented by:

Elisha Franco, CIA, Director of Internal Audit

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Audit Scope & Methodology

- The ***audit scope*** was to evaluate whether BWL has an effective process for maintaining compliance with applicable environmental regulations and internal sustainability policies.
- Audit procedures, documents, and data were reviewed from January 1, 2025, through February 28, 2026.
- The audit was carried out in compliance with the ***Global Internal Audit Standards.***

Scope Exclusions

The audit scope did not include the following activities or areas:

- Review of Reliability Compliance functions.
- Detailed testing of Environmental Laboratory activities, unless supporting environmental compliance procedures
- Detailed testing of Soil Erosion and Sedimentation Control (“SESC”) permits.
- Exhaustive assessment of all environmental regulations, permits, plans, or compliance obligations applicable to BWL.
- Performance of a regulatory inspection, compliance certification, or independent verification of BWL’s compliance status.
- Physical site inspections, environmental sampling or testing, or independent verification of environmental conditions.

Audit Objectives

- Evaluate whether the organization has clear environmental governance roles, responsibilities, and oversight processes to support sustainability goals and prepare for new regulations.
- Assess compliance with key, higher-risk environmental laws, regulations, and permits, including applicable Michigan EGLE and U.S. EPA requirements.
- Review whether internal controls, monitoring, reporting, and training are effective in managing environmental risks, maintaining compliance, and supporting continuous improvement.

**The above are summarized objectives for presentation purposes.*

Audit Themes

Number	Area	Theme
1	Established Compliance Oversight	BWL’s Environmental Compliance function has clear ownership, regular management discussions, and executive reporting that provide visibility into key compliance matters.
2	Sustainability and Compliance Alignment	BWL has mechanisms connecting environmental compliance, sustainability goals, strategic planning, and organizational reporting.
3	Decentralized Compliance Management	Environmental compliance activities span multiple regulatory areas, tools, and SME-owned processes, creating an opportunity for greater consistency and centralized visibility.
4	Documentation and Knowledge Transfer	Certain environmental compliance processes rely heavily on SME knowledge and informal practices, creating opportunities to strengthen documentation, succession planning, and repeatability.

Audit Process Improvement Recommendations

One medium risk process improvement recommendation was identified during the audit:

Process Improvement #1: Environmental Compliance Issue Tracking	
Risk Rating	**Medium**
Recommendation	Establish a consistent process to document environmental compliance issues and their resolution. In addition, define which issues require formal dashboard tracking versus summary-level documentation.

Audit Process Improvement Recommendations

Four low risk process improvement recommendations were identified during the audit:

Process Improvement #2: Environmental Governance Documentation	
Risk Rating	**Low**
Recommendation	Consistently update environmental documentation and formalize key activities where reliance on SME knowledge is highest.
Process Improvement #3: Regulatory Compliance Inventory	
Risk Rating	**Low**
Recommendation	Consider a centralized compliance inventory to track key requirements, owners, due dates, and supporting documentation.

Audit Process Improvement Recommendations

Process Improvement #4: Regulatory Change Management	
Risk Rating	**Low**
Recommendation	Consider a centralized regulatory change log to track regulatory updates, deposition decisions, and resulting actions.
Process Improvement #5: Permit Additions & Modifications	
Risk Rating	**Low**
Recommendation	Implement a formal checklist or decision tree to consistently assess whether operational changes require permit modifications or new permits.

General Opinion

Overall opinion rating of **Sufficient**:

- No critical or high-level risk areas were identified. Controls are generally effective, with minor improvements needed and limited risk exposure.
- Some management effort is required to correct the findings.

FY2026 Internal Audit Strategy Update

Presented by:
Elisha Franco, CIA, Director of Internal Audit

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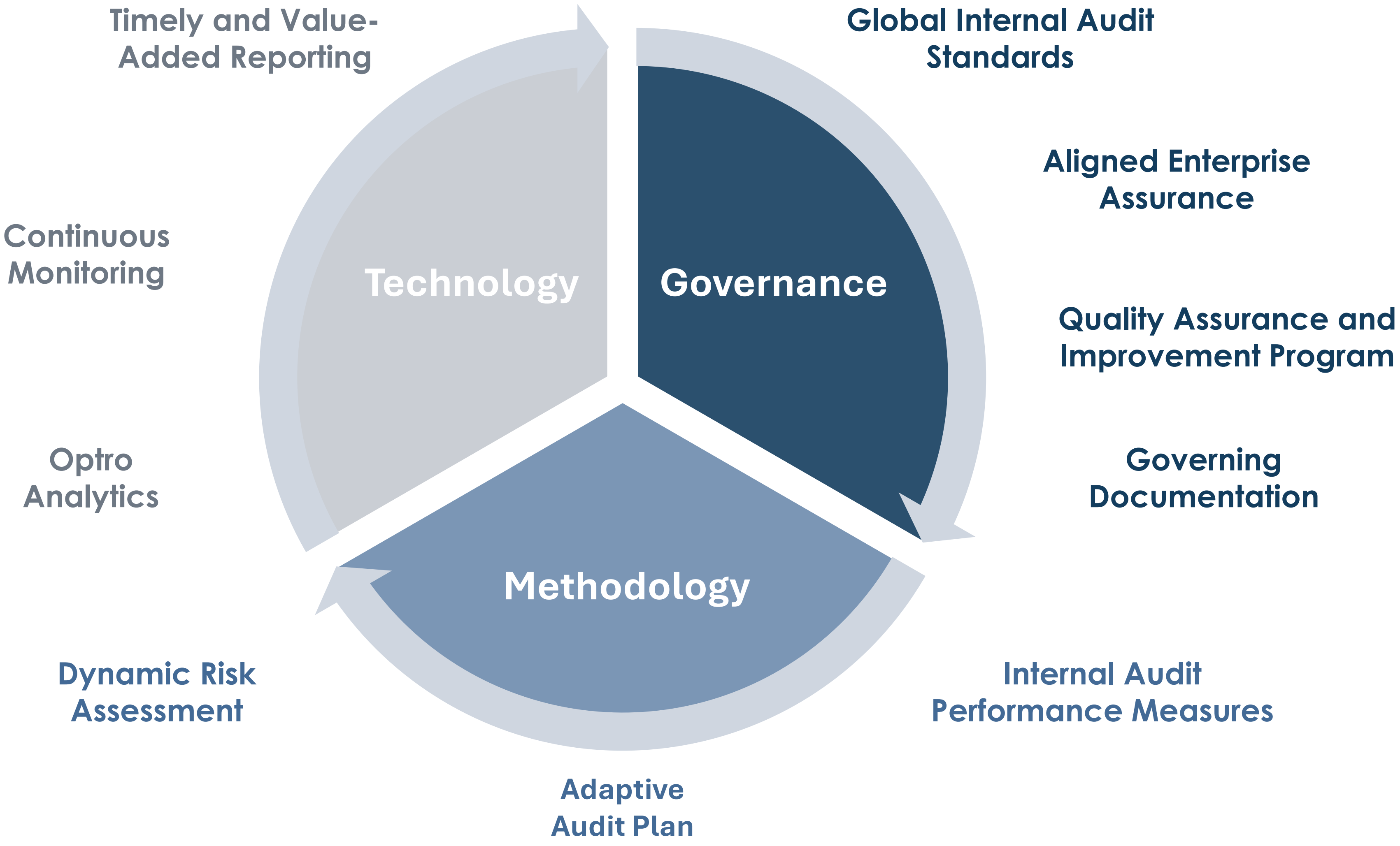
The Internal Audit Cycle

Internal Audit Department Strategy

What is the Internal Audit Strategy?

- A multi-year, forward-looking roadmap that outlines the **key strategic initiatives** Internal Audit will pursue.
- **Reviewed and updated annually** to reflect progress, changing risks, and strategic priorities.
- Supports **Standard 9.2** of the **Global Internal Audit Standards**, which require the development and maintenance of an internal audit strategy.

Internal Audit Vision and Strategy



Internal Audit Strategy: Governance Update

Completed (FY2026)

- Risk Catalog
- Remediation Action Tracking
- Internal Audit Manual
- Defined Quality Assurance Improvement Program Performance Measures

In Progress (FY2027)

- Internal Audit and Enterprise Risk Management Coordination
- Internal Audit Charter Review
- Internal Audit Self-Assessment Against the IIA Standards
- Implement Self-Assessment Recommendations
- Governance Document Review and Updates (Manual, QAIP, and Strategy)
- Assurance Coverage Map to Align Enterprise Assurance Activities
- Develop and Finalize Internal Audit Standard Operating Procedures

Internal Audit Strategy: Methodology Update

Completed (FY2026)

- Reporting
- Dynamic Risk Assessment
- Adaptive Audit Plan
- Internship Program
- Internal Audit Templates
- Risk Assessment Templates
- Certified Internal Auditor Certification

In Progress (FY2027)

- Training and Development Plan
- Framework to Assess Applicability of the IIA's Topical Requirements
- Organization-Wide Internal Audit Education (BWL Audit Roadshow)
- Continued Execution of Approved Audits
- Refinement of Audit Methodology
- Continued Tracking of Remediation Actions
- Complete FY2028 Risk Assessment
- Develop FY2028 Internal Audit Work Plan

Internal Audit Strategy: Technology Update

Completed (FY2026)

- Utilized Optro Analytics During Risk Assessment
- Internal Audit Plan Management
- Optro Analytics Implementation
- Dashboard Reporting

In Progress (FY2027)

- Document Retention Within Optro
- Expanded Optro Analytics Usage in FY2027 Audits
- Internal Audit AI Bootcamp Planning and Participation
- Optro Training and Certificate Program

Internal Audit Strategy: FY2028-FY2029 Plan

Planned (FY2028-FY2029)

- External Quality Assurance Assessment
- Standardized Governance Document Review Process
- Internal Audit Issue Evaluation Methodology
- Streamlined Audit Reporting, Risk Assessments, and Templates
- Additional Professional Certifications
- Artificial Intelligence Framework
- Expanded Optro Analytics Usage Across BWL Departments
- Continued Improvement of Internal Audit Technology

Internal Audit FY27 Roadmap

30 days

- Expand Optro Analytics usage
- Continue execution of approved audits
- Update QAIP performance measures for FY2027
- Participate in the BWL Audit Roadshow
- Centralize document retention within Optro
- Complete the Optro Training and Certificate Program

60 days

- Continue to refine audit methodology
- Track audit remediation actions
- Implement the Assurance Coverage Map to align BWL assurance activities
- Finalize the Internal Audit Training and Development Plan

120 days

- Review the Internal Audit Charter
- Complete the Internal Audit Self-Assessment
- Assess applicability of IIA Topical Requirements
- Finalize Internal Audit Standard Operating Procedures

Remainder of FY27

- Complete the annual risk assessment
- Develop the risk-based Internal Audit Work Plan
- Continue risk assessment coordination with Enterprise Risk Management
- Update the Internal Audit Manual, QAIP, and Strategy
- Implement Internal Audit Self-Assessment recommendations
- Plan and participate in the Internal Audit “AI Bootcamp”

FY2026 Quality Assurance and Improvement Program Evaluation

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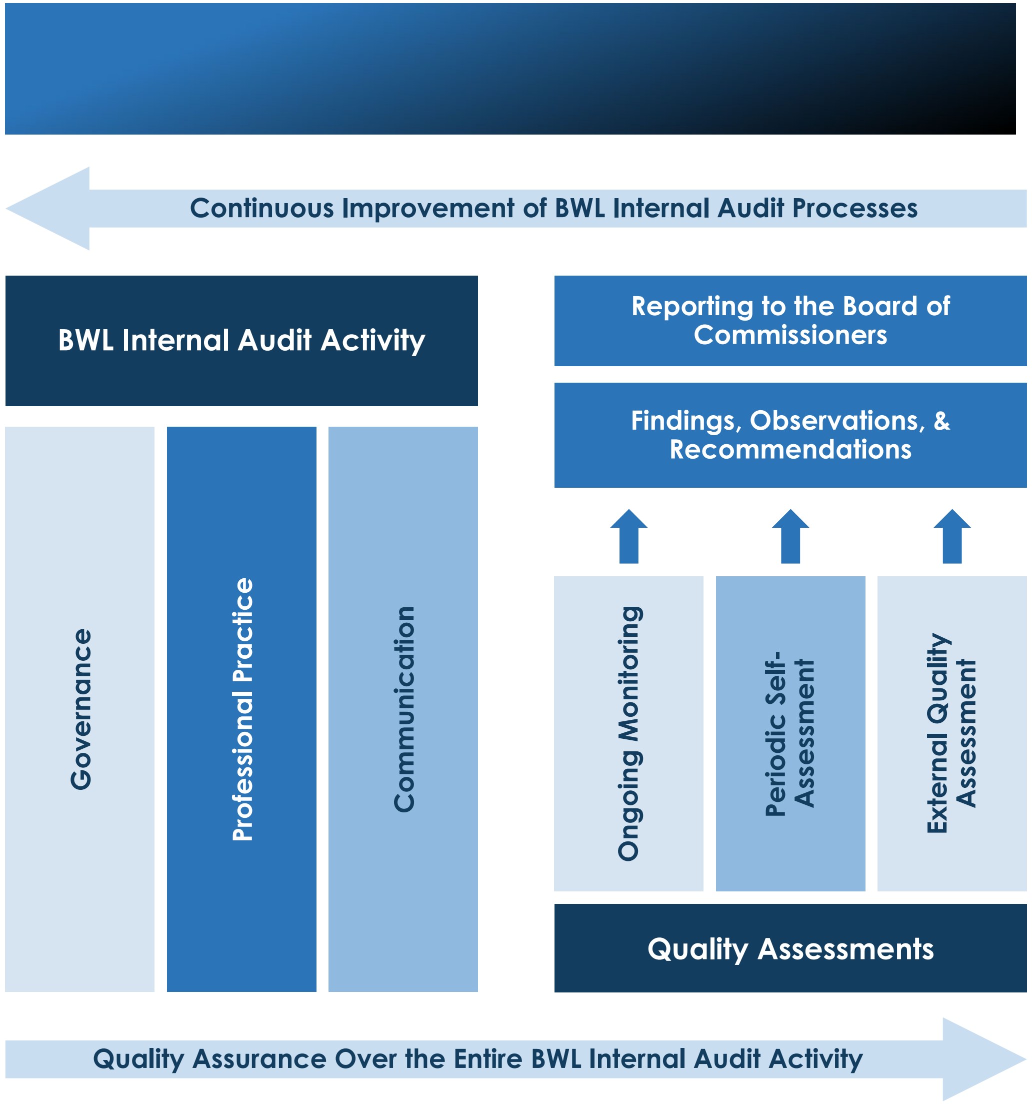
Quality Assurance and Improvement Program



What is the Internal Audit QAIP?

- A continuous program designed to **evaluate and improve Internal Audit's effectiveness** and value to the organization.
- Includes **3 key components**: Ongoing Monitoring, Periodic Self-Assessment, and External Quality Assessment.
- Supports conformance with Standard 8.3 of the Global Internal Audit Standards through **ongoing quality and continuous improvement** efforts.

FY2026 QAIP Progress and Plan

Internal Quality Assurance Assessment

Ongoing Monitoring

Evaluates Internal Audit's effectiveness and value through annual performance measurement evaluations.

FY2026

Periodic Self-Assessment

Evaluates Internal Audit's conformance with the Global Internal Audit Standards through a comprehensive self-assessment.

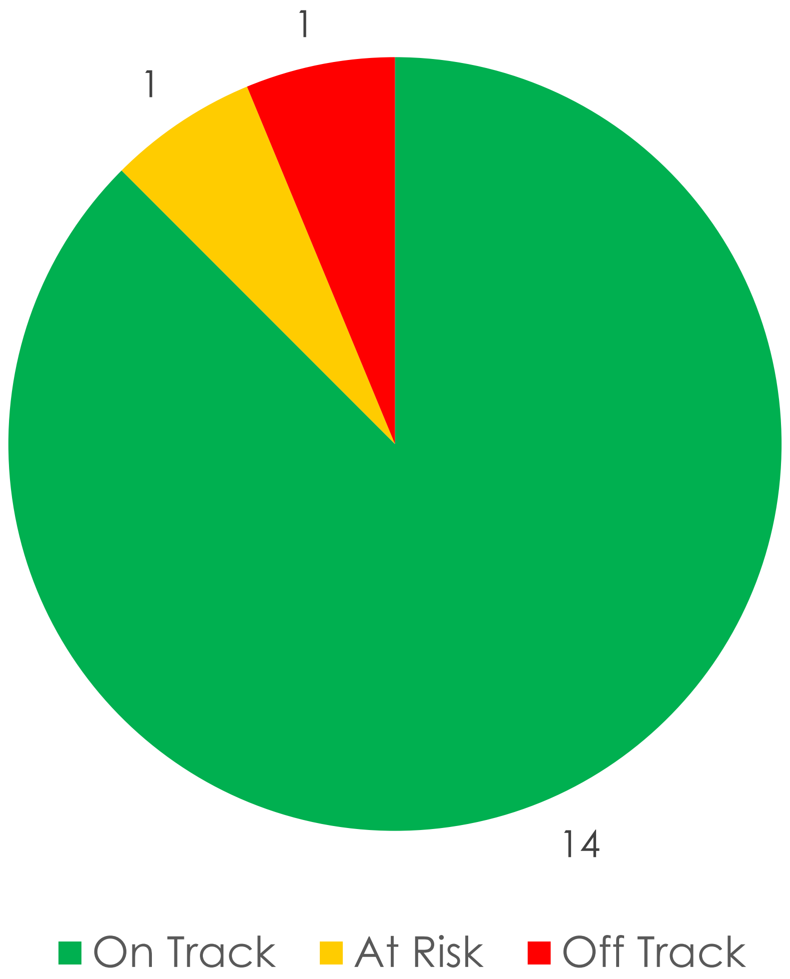
FY2027

External Quality Assurance Assessment

Evaluates Internal Audit's conformance with the Global Internal Audit Standards through an independent assessment conducted at least once every five years.

FY2028

FY2026 Performance Measurement Evaluation



14 **On Track**
88% of measures

1 **At Risk**
Post-Audit Feedback

1 **Off Track**
Data Analytics Usage

QAIP Performance Measures

No.	Performance Measure*	Objective / Target*	FY2026
1	Existence of Internal Audit Charter, policies, and procedures, and team awareness of governing documents	Documentation supports governance over the Internal Audit function	On Track
2	Average post-audit feedback survey score and related themes for improvement	At least 80% satisfaction from auditees	At Risk
3	Percentage of audit findings and process improvement recommendations accepted by management	At least 90% accepted before report issuance	On Track
4	Adherence to the hours budget established for each audit	Within 5% of initial budgeted hours	On Track
5	Percentage of Internal Audit training and development requirements completed	At least 90% of training requirements completed	On Track
6	Percentage of FY2026 audits that utilized data analytics tools	At least 70% of audits utilize data analytics tools	Off Track
7	Percentage of high-risk auditable units covered through the Internal Audit Work Plan	At least 80% coverage of high-risk auditable units	On Track
8	Percentage of planned audits completed, with final reports issued	At least 90% of audits completed by fiscal year-end	On Track

**Summarized from Internal Audit's QAIP*

At Risk and Off Track Performance Measures

At Risk: Post-Audit Feedback (Measure 2)

- Average post-audit feedback was 77.76%, compared to the 80% target
- Payroll and IT audits drove scores below the 80% target
- Internal Audit reviews and tracks feedback trends after each audit and considers opportunities to update its approach, where appropriate

Off Track: Data Analytics Usage (Measure 6)

- None of the six FY2026 audits utilized data analytics tools
- FY2026 activities focused on Optro Analytics implementation, training, and evaluating the tool's capabilities
- Opportunities to use Optro Analytics were considered during development of the FY2027 Internal Audit Work Plan

QAIP Performance Measures

No.	Performance Measure*	Objective / Target*	FY2026
9	Annual completion of the Statement of Ethics and Professionalism by each internal auditor	100% completion by each internal auditor	On Track
10	Internal Audit Charter alignment with required elements of the Global Internal Audit Standards	Internal Audit Charter includes all required elements	On Track
11	Annual assessment of Internal Audit maturity and reporting of results to the Board of Commissioners	Annual maturity assessment completed and reported to the Board of Commissioners	On Track
12	Completion of an annual risk assessment to inform the Internal Audit Work Plan	Annual risk assessment completed and Internal Audit Work Plan updated accordingly	On Track
13	Percentage of audits demonstrating due professional care protocols	100% of audits demonstrate due professional care	On Track
14	Multi-year Internal Audit Strategy and annual progress reporting to the Board of Commissioners	Strategy exists, aligns with organizational goals, and progress is reported annually	On Track
15	Periodic meetings with management regarding strategic initiatives and emerging risks	Director of Internal Audit meets with management at least semi-annually	On Track
16	Documentation and monitoring of audit results through dynamic dashboards	100% of completed audits are documented, monitored, and reflected in dashboards	On Track

**Summarized from Internal Audit's QAIP*

Internal Audit Department Maturity

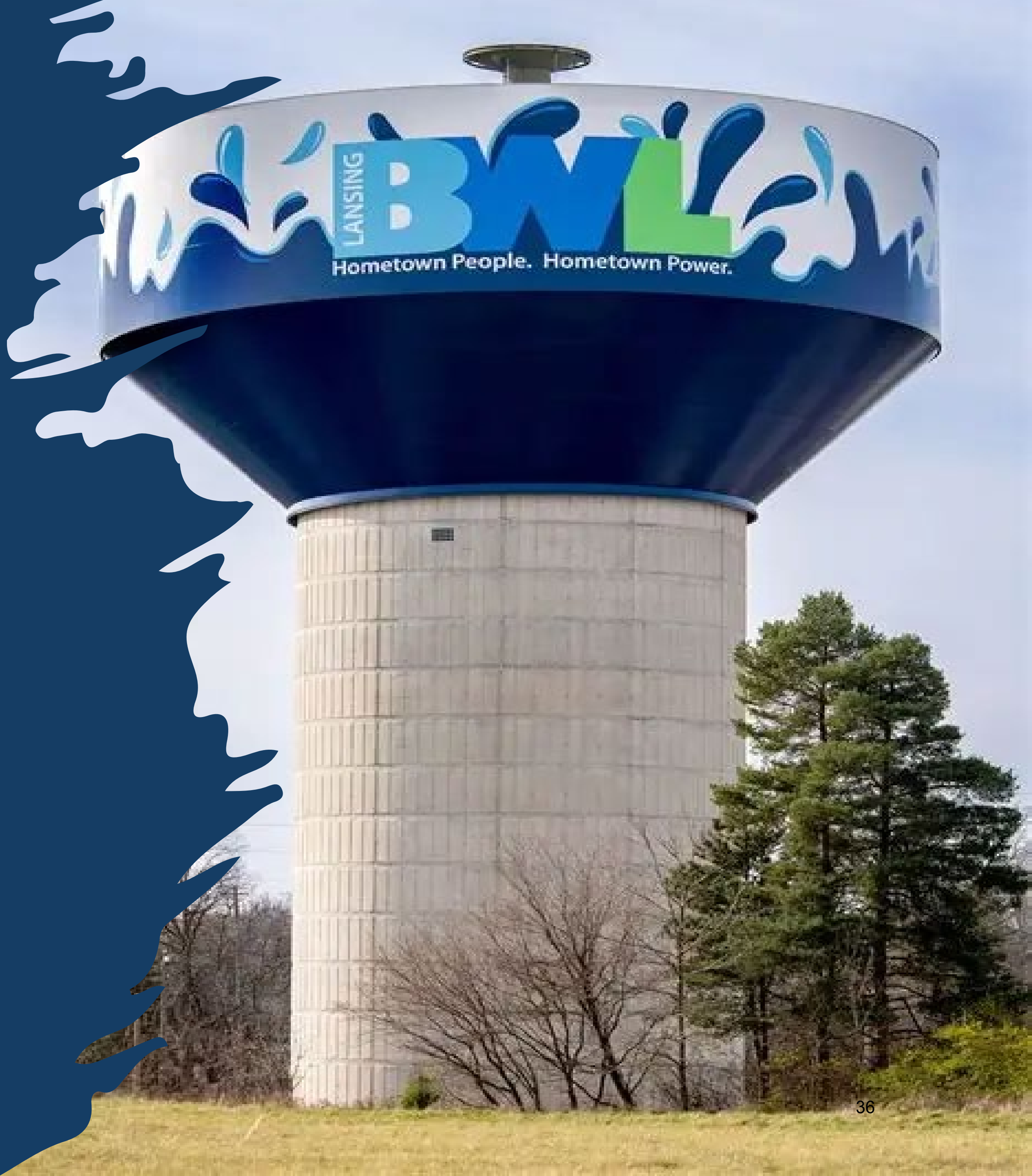
Rating	Definition
Optimized	The Office of Internal Audit is proactive, embracing new ideas and driving change. It acts as a strategic advisor on technology and data strategies, balancing assurance and advisory engagements to add value.
Sustainable	The Office of Internal Audit uses technology and data analytics to enhance efficiency. It includes both assurance and advisory engagements, focusing on key performance indicators and standardized processes.
Effective	The Office of Internal Audit is practical, with a well-managed audit process focused on risk-based assurance and planning. Quality assurance includes supervision, coaching, and training.
Partially Effective	The Office of Internal Audit adheres to traditional audit practices with basic approaches. Some inefficiencies may occur due to a lack of standardization, but there are no inconsistencies.
Ineffective	Internal Audit processes are not formally defined or consistently performed. Activities do not fully comply with risk-based auditing or stakeholder value, focusing primarily on compliance.

FY2026
Partially Effective
Year 1 Rating

FY2027
Effective
Year 2 Rating

FY2028
Sustainable
Year 3 Target

Q&A



Internal Audit Status Report

HOMETOWN PEOPLE. HOMETOWN POWER.

Finance Committee Meeting

September 2026

Overview

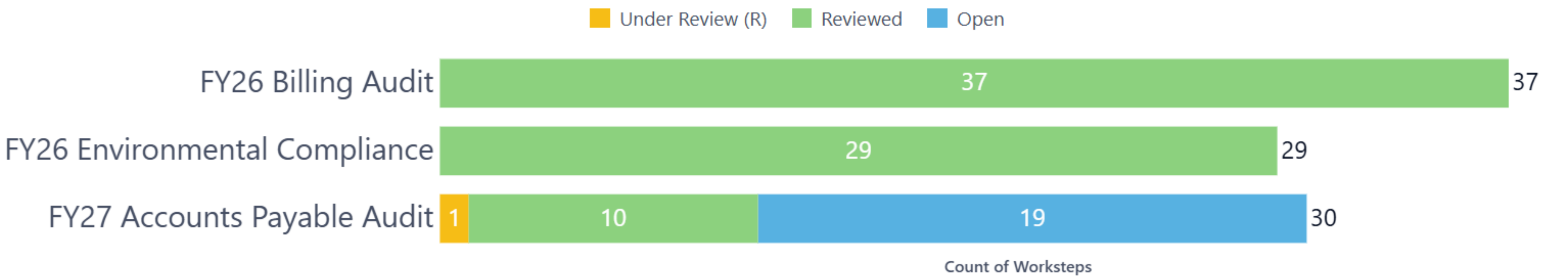
- Audit Update
- Audit Budget Update
- Issue Status Update
- FY2027 Audit Work Plan
- Other Items

Audit Update

Internal Audit Executive Overview

96	19.79%	80.21%
Total Worksteps	Percent (%) In Progress	Percent (%) Complete

Audit Status

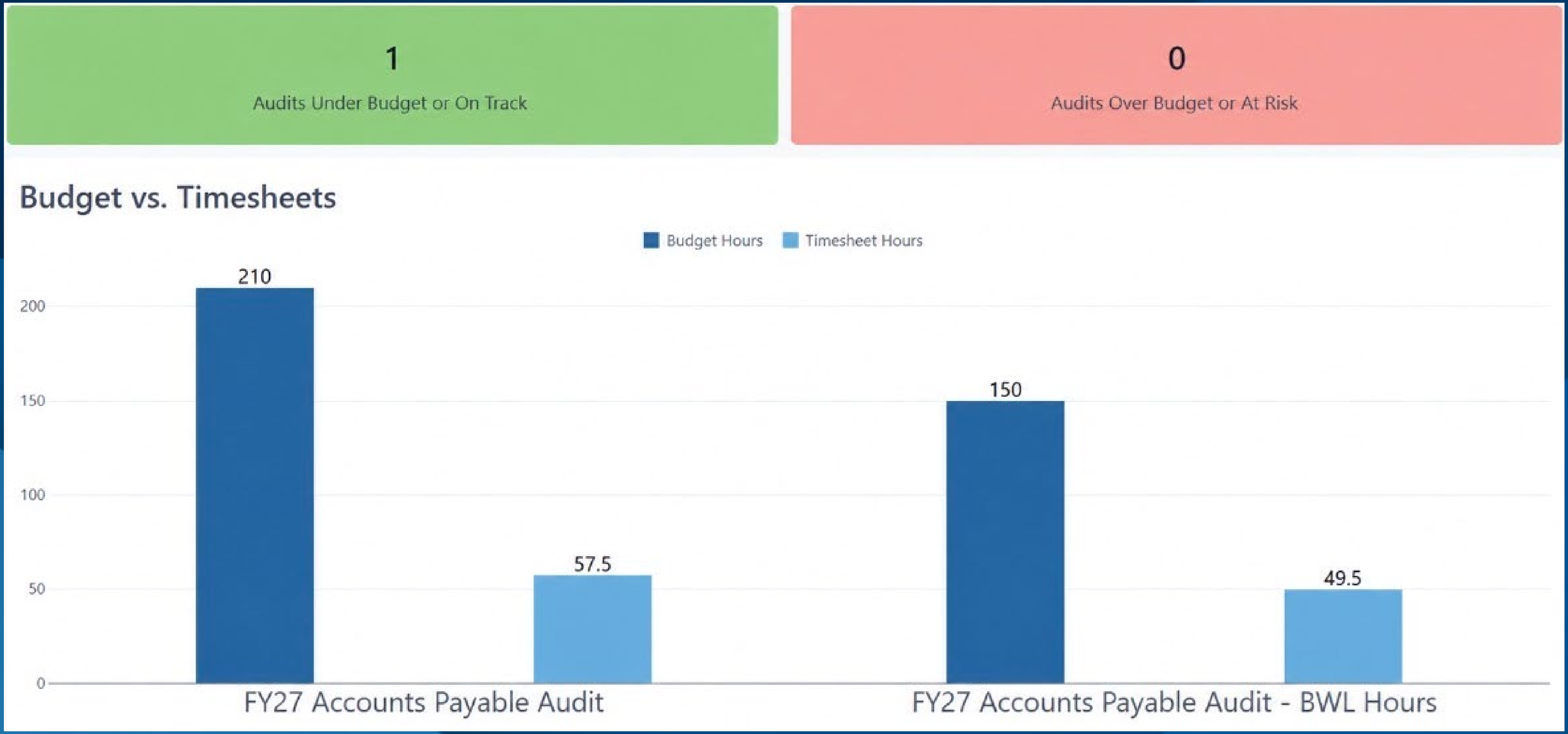


Open: *Pending Completion*

Under Review (R): *Workstep is being reviewed*

Reviewed: *Fully reviewed*

Budget Update

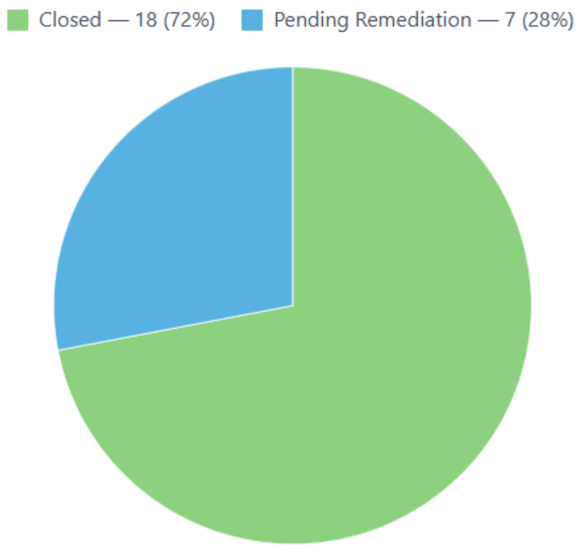


Office of the INTERNAL AUDITOR

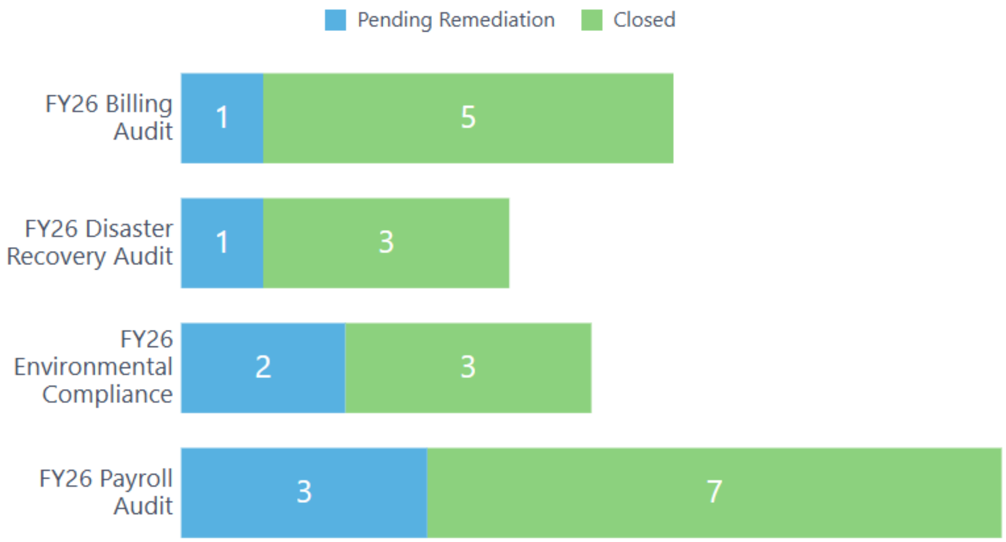
Issue Status Update

3	1	3
Due in < 30 Days	Due in 30-90 Days	Due in > 90 Days

Issue Status



Issue Status by Audit



Pending Remediation: *Pending Management's remediation*

Closed: *Fully remediated and reviewed by Internal Audit*

Office of the INTERNAL AUDITOR

FY 2027 Audit Plan

Accounts Payable
- Audit Kick-Off Meeting held on July 29, 2026
- Fieldwork tentatively scheduled for completion by October 2, 2026

Enterprise Risk Management
- October 2026 – January 2027

Key Accounts/ Miscellaneous Billing
- October 2026 – January 2027
- BWL led

Safety Program Governance/ Corrective Action Tracking
- January 2027 – April 2027
- BWL led

Vendor Selection & Vendor Management
- January 2027 – April 2027

Fixed Assets
- March 2027 – May 2027

Other Items

The Institute of Internal Auditors

Statement of Position – Three Lines Model:

- Last month's newsletter introduced the IIA's updated Three Lines Model and how management, oversight functions, and Internal Audit work together to support governance.
- The updated model emphasizes collaboration and reinforces Internal Audit's role as the integrator of assurance.

Internal Audit Upskilling – AI Boot Camp:

- The IIA recently highlighted the importance of building AI skills through hands-on training.
- Internal Audit will launch an AI Boot Camp to develop practical AI knowledge and capabilities within the department.

Other Items

Internal Audit Charter Updates – November:

- The IIA Global Internal Audit Standards recommend periodic review and, when appropriate, updates to the Internal Audit Charter.
- The Internal Audit Charter was approved in 2024 and has not been reviewed or revised since its adoption.
- Internal Audit will present the Charter to the Board during the November Finance Committee meeting for review and approval, whether updates are recommended or no changes are required.