



**LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
Tuesday, January 13, 2026 – 6:00 P.M.
Board of Water & Light Headquarters – REO Town Depot
1201 S. Washington Ave., Lansing, MI 48910**

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

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 November 6, 2025 **TAB 1**
2. YTD Financial Summary **TAB 2**
3. Bi-Annual Internal Audit Open Management Response Update **TAB 3**
4. External Auditor RFP Bid Award
a. LBWL External Auditor Recommendation Resolution..... **TAB 4**
5. Internal Audit Status Report..... **TAB 5**

Other

Adjourn

FINANCE COMMITTEE
Meeting Minutes
November 6, 2025

Finance Committee: Dale Schrader, Committee Chairperson; Beth Graham, Chris Harkins, David Price; Alternates: Tony Mullen, Semone James; Non-Voting: Commissioners J. R. Beauboeuf, Brian Ross, Robert Worthy.

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI on Thursday, November 6, 2025.

Finance Committee Chairperson Dale Schrader called the meeting to order at 6:45 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Beth Graham, Dale Schrader, Chris Harkins, and David Price; Also Present: Commissioners Semone James (Alternate) and Sandra Zerkle; and Non-Voting Commissioners J. R. Beauboeuf (East Lansing) Non-Voting, and Commissioner Brian Ross (DeWitt Township)
Absent: None

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 September 9, 2025.

Action: Motion Carried. The minutes were approved.

Baker Tilly Audit Report

Chief Financial Officer (CFO) Scott Taylor introduced Aaron Worthman, Principal at Baker Tilly, who presented the Baker Tilly Audit Report. Mr. Worthman presented and highlighted the external audit report which included an audit overview, observations and recommendations, and required communications to governing body. The financial statements include the auditors' report, management and discussion analysis, Enterprise fund statements, pension and OPEB (Other Post-Employment Benefits) trust statements. Mr. Worthman reported that there were no deficiencies in internal controls and that the BWL and all three pension plans received unmodified audit opinions, which is a clean opinion and the highest level of assurance. Controls were reviewed in disbursements, payroll, utility billings, cash and investments, capital assets, information technology and financial reporting areas. Mr. Worthman requested that the Commissioners read the management representation letter that is attached to the governance letter which provides information on other representation responsibilities along with the audit.

Commissioner Schrader asked if the \$27 million net income included or deducted out the 6% paid to the City of Lansing. Mr. Worthman responded that the 6% was already deducted out.

Commissioner Harkins commented that it is tremendous that there are no findings of any magnitude and the staff should be applauded. Commissioner Harkins asked the reason for the \$110 million difference in the restricted cash and investments balance year over year. Accounting, Finance & Planning Manager, Ying Yan, responded that it is related to drawdown of the 2024A bond proceeds, when eligible spending is incurred and paid, BWL reimburses itself using these funds.

Motion by Commissioner Chris Harkins, **Seconded** by Commissioner David Price, to approve the FY2025 Audited Financial Statement of the Enterprise Fund & Pension Fiduciary Funds Resolution and forward it to the Full Board for consideration.

Action: Motion Carried.

CFO Taylor thanked the finance team for their work on the audit. CFO Taylor stated that it is time to renew the audit contract and BWL is starting the RFP process to obtain the new contract. The City Charter states the City Council needs to approve or designate the external auditor. When BWL has made its selection from its procurement process, it is brought to the Board to be approved to take to City Council, then the City Council will review and approve, and the contract can be executed. This will be brought to the Board in January 2026.

Commissioner James asked if a new company needs to be selected or if the best can be chosen. CFO Taylor responded that the best is selected and if Baker Tilly wins the bid, a new lead auditor for the firm would be required.

YTD Financial Summary

CFO Scott Taylor presented the YTD Financial Summary. The Restricted Bond Fund is expected to decrease as there is spending on infrastructure. Days Cash on Hand is strong. Weather was favorable for sales and retail revenue outperformed. Volume was under for wholesale revenue due to the Belle River Plant slightly underproducing and renewables being lower, but prices in the market were good. Operating expenses are under due to items budgeted that have not occurred yet. Non-Operating Income is outperforming. The New Energy Budget is under due to the moratorium slowing the project in Watertown, solar projects that are in design which will move into construction, and being careful with new technologies to implement the best ones at the best times. The Steam to Hot Water budget is just starting and supplies are being ordered. Debt to Total Assets Ratio is over the benchmark due to producing our own generation. Under Payroll Data, overtime is under 11%. Benefits are close to budget.

Commissioner Graham asked whether Bad Debt is better because of the funding program. CFO Taylor stated that there are a lot of factors affecting it but the funding appears to have a direct correlation to Bad Debt reduction.

Commissioner Harkins asked whether Days Cash on Hand was related to capital projects that haven't started yet and whether there were any concerns. CFO Taylor responded that as projects are done that are eligible for bond reimbursement, the cash stays high. Normal capital improvements will bring the cash back to target and a forecast is done and monitoring is done for a solid plan so there are no concerns.

Capital Report

CFO Scott Taylor presented the capital report. Variances in projects are due to timing within the projects.

Bond Issuance Summary

CFO Scott Taylor presented the Bond Issuance Summary. Bond issuances are an important area of funding for generation projects. This bond resolution authorizes refinancing of existing funds only for the Series 2017A, 2019A, 2019B, and 2021B.

Commissioner Harkins asked whether the expectation of the issuance was early 2026. CFO Taylor stated that the preliminary statement is being constructed and a meeting will be held with the rating agencies in December for a planned issuance in January. If the prices are not favorable at that time, BWL will have until June to execute the issuance.

Commissioner James asked for the amount in bonds outstanding and confirmation of the amount to refinance of \$340 million. CFO Taylor responded that the outstanding amount is about \$1 billion, and \$70 million must be refinanced and up to \$340 million is being requested to be refinanced in case market conditions are very good. Commissioner James also asked whether the \$1 billion had a schedule. CFO Taylor responded that all outstanding debts are listed in the audit.

Commissioner Harkins asked if the percentage changes BWL is hopeful to get are not obtained will it be factored into the strategy. CFO Taylor affirmed.

Commissioner James asked that since there is \$1 billion outstanding debt, what determines the limit. CFO Taylor responded that the limit is determined by calculating how revenue compares to debt service. Commissioner James asked if favorable terms were not received, would that cause financial concern for BWL. CFO Taylor responded that reasonable terms for the \$70 million were attainable, and lower rates are being sought for the remainder of the bonds within the \$340 million.

Commissioner Schrader asked for confirmation that the \$70 million bond refinancing is required and the remainder of the \$340 million is optional, and whether bonds in the remainder of the \$340 million would be brought to the Board individually. CFO Taylor responded that the authorization in the resolution will give authority for refinancing of bonds for up to \$340 million without further Board action.

AGM Heather Shawa added that updates will be provided to the Board.

Commissioner Harkins also asked whether any of the bonds are constructed with penalties for paying off early. CFO Taylor responded that the bonds typically have a ten year call which allows paying off early or by purchasing in the market if it is granted or agreed to and no provisions will be built into the bonds which will hinder that.

Motion by Commissioner David Price, **Seconded** by Commissioner Chris Harkins, to approve the Bond Issuance Resolution and forward it to the Full Board for consideration.

Action: Motion Carried.

Approved Corporate Secretary and Board of Commissioners FY2026 Quarter One Budget & Expense Reports

Corporate Secretary LaVella Todd acknowledged that the approved Corporate Secretary and Board of Commissioners FY2026 Quarter One Budget & Expense Reports were provided to the full Board of Commissioners via email.

Disaster Recovery Audit Results

Director of Internal Audit Elisha Franco presented the Disaster Recovery Audit Results and thanked the Emergency Management and Information Technology Department, Ryan Cressman, Jessica Harbitz, Brad Taylor, Mike Spuhler, and Vern Myers for their help with this audit. The disaster recovery and business continuity plans are exceptional but have some room for improvement. Four medium risk findings were identified: disaster recovery and business continuity activities lack shared documentation between departments updated plans, or centralized coordination; no formal BIA has been conducted to define recovery priorities or objectives; recovery targets are scattered and inconsistent, limiting enterprise-wide visibility and risking misaligned and inefficient recovery processes; critical vendor roles and contact information are not centrally managed, leading to inefficiencies and potential delays in communication and recovery during disruptions; critical vendor roles and contact information are not centrally managed, leading to inefficiencies and potential delays in communication and recovery during disruptions. The overall opinion rating is Sufficient as there were no critical or high-level risk areas identified.

Commissioner Zerkle asked whether the audit was coordinated with Chief Operating Officer Rob Hodges' list of requests to work on in September. Ms. Franco responded that the audit was conducted on the overall disaster recovery and business continuity plan and COO Hodges' request were specific to after storm recovery.

Commissioner James asked whether there was a timetable and corrective action plan. Ms. Franco responded that management responses and when corrections will be made are in the audit report for each of the findings, and will be monitored. Commissioner James asked how the sufficient rating was determined with the four findings and added she had confidence in the BWL team. Ms. Franco responded that disaster recovery and business continuity findings are automatically considered a higher risk, the findings are readily fixable by management, and the

plans have been put into action and worked. Commissioner James said she had thought a medium risk would garner a needs improvement rating.

Commissioner Price commented that if there were notable weaknesses it would be high risk and a strong rating would mean that everything was perfect.

Payroll Audit Results

Director of Internal Audit Elisha Franco presented the Payroll Audit Results and thanked the HR Department, Executive Director of Human Resources Michael Flowers, Human Resources Manager Dan Barnes, and OS - HRIS Data Integrity Compliance Admin Mark Dykema. Ms. Franco presented the audit objectives, themes, findings, and recommendations. Four medium risk findings were identified and six recommendations were made. The overall opinion rating is Needs Improvement as the payroll process presents several areas requiring improvement; controls are generally adequate, but there are notable weaknesses that pose high risk, requiring significant management action; this rating reflects that while some foundational controls exist, enhancements are necessary to strengthen the control environment and support consistent, reliable payroll execution.

Commissioner Harkins asked whether the Workday system is not capable of doing some of these things or is it not being used to its full extent. Ms. Franco responded that the Workday product has the capabilities.

Internal Audit Status Report

Director of Internal Audit Elisha Franco presented the internal audit status report which included the audit update, issue status update, the FY 2026 audit work plan, and other items. Plante Moran provided support throughout the audit process and further advisory services. The Institute of Internal Auditors recently released the Global Audit Committee Center and this new resource will provide guidance on governance and oversight over internal audit functions. More details and information will be provided by Internal Audit. Recruitment has started for a Summer 2026 internal audit intern.

Commissioner Graham asked when was the last time a payroll audit was completed. Ms. Franco responded that a payroll audit was completed last year and the audit this year was done on the Workday system.

Commissioner James asked what the timing should be on the delivery of the audit reports to the Commissioners when the audits are listed on the agenda. Ms. Franco responded that the earlier scheduling of the meeting and the audits being due at the end of October, followed by management's responses, resulted in the reports being provided to the Commissioners on the day of the meeting. Ms. Franco added that reports usually are provided to the Commissioners a week prior to the meeting.

Commissioner James asked what type of training would be provided by the Global Audit Committee Center and Ms. Franco responded she will follow up with the information.

Chairperson Schrader stated that he was getting some questions about Plante Moran's rates and that it was discussed that if BWL did the work internally it would cost the same amount or more. Ms. Franco responded that there is a statement of work that includes the costs for each audit.

Other

There was no other business.

Adjourn

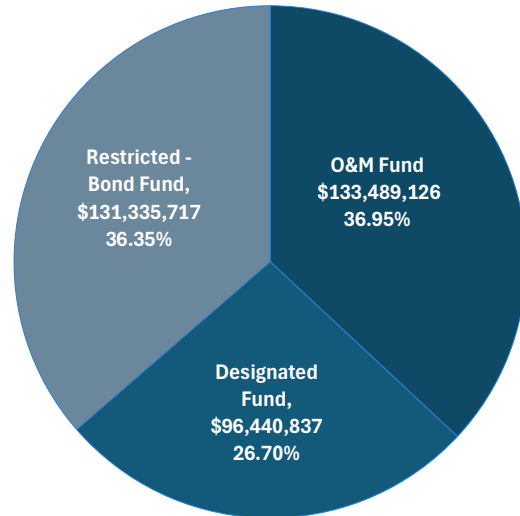
Chairperson Dale Schrader adjourned the meeting at 8:11 p.m.

Respectfully submitted,
Dale Schrader, Chairperson
Finance Committee

Financial Summary - November 2025 - FY26



Cash



Total Cash: \$361,265,679

	Month End	Target
Days Cash on Hand	196	> 170
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.21	> 2.00

Days Cash on Hand:

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

Debt Service Coverage:

Projected Net Income + Depreciation Expense + Interest Expense
Debt Principal + Debt Interest

Income Statement YTD

	Actual YTD	Budget YTD	Difference	%
Retail	\$ 184,330,240	\$ 180,611,419	\$ 3,718,821	2%
Wholesale	\$ 18,554,829	\$ 16,300,109	\$ 2,254,721	14%
Total Revenue	\$ 202,885,069	\$ 196,911,528	\$ 5,973,541	3%
Operating Expenses	\$ 153,229,083	\$ 160,268,015	\$ (7,038,933)	-4%
Non Operating Income/(Exp)	\$ (21,283,126)	\$ (27,151,522)	\$ 5,868,396	-22%
Net Income	\$ 28,372,860	\$ 9,491,990	\$ 18,880,870	199%

FY 2026 Budgeted Net Income \$ 24,783,169

Budget Status YTD

O&M Budget YTD (excluding fuel)

FY26 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 190,590,137	\$ 73,170,245	\$ 78,539,007	\$ (5,368,762)	-7%
% of Approved Budget	38%	41%		

Capital Budget YTD

FY26 Approved CIP Budget	Actual YTD	Budget YTD	Difference	%
\$ 74,479,242	\$ 38,757,030	\$ 24,450,882	\$ 14,306,147	59%
% of Approved Budget	52%	33%		

FY26 New Energy Budget	Actual YTD	Budget YTD	Difference	%
\$ 132,470,182	\$ 16,415,104	\$ 47,135,620	\$ (30,720,516)	-65%
% of Approved Budget	12%	36%		

FY26 Steam to HW Budget	Actual YTD	Budget YTD	Difference	%
\$ 7,986,167	\$ 744,491	\$ 3,414,087	\$ (2,669,596)	-78%
% of Approved Budget	9%	43%		

Return on Assets

FY26 ROA Budget	Actual YTD	Budget YTD	Target ROA*
4.02%	2.72%	1.68%	4.57%

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

*BWL forecast to reach target in FY2028

Financial Summary - November 2025 - FY26



Ratios

Operating Ratio

O&M Expense	\$	125,943,759	=	0.62	APPA Median 0.78
Total Revenue	\$	202,885,069			

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

Current Ratio

Current Assets	\$	299,478,064	=	2.85	APPA Median 1.71
Current Liabilities	\$	105,074,455			

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

Debt to Total Assets

LT Debt + Accrued Liabilities	\$	1,299,882,142	=	0.63	APPA Median 0.54
Total Assets	\$	2,063,493,961			

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

Days Sales Outstanding

Average Accounts Receivable	x Days	\$	28,905,460	x 30 =	25	Prior Year 29
Base Retail Revenue	\$	34,961,485				

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

Bad Debt

12 Month Bad Debt Exp	\$	1,227,256	=	0.29%	Prior Year 0.54%
12 Month Retail Revenue	\$	427,215,675			

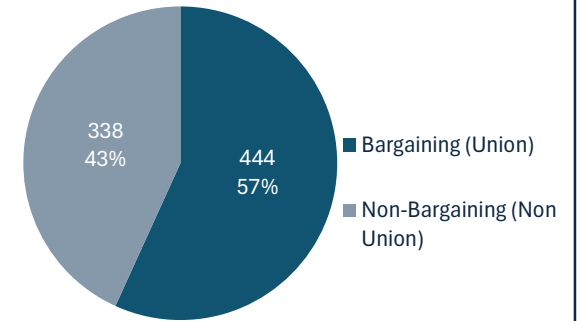
Measures the portion of each retail revenue dollar that will not be collected

Employee Data

Employee Count

Employee Count YTD	782
Budget YTD	822
Over/(Under) #	(40)

Full Time Equivalent Temporary Employees	28
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Payroll Data

	Actual YTD	Budget YTD	Difference	%	Prior Year
Regular	\$ 36,061,275	\$ 36,730,505	\$ (669,230)	-1.8%	\$ 62.11
Overtime	\$ 3,306,896	\$ 3,033,250	\$ 273,646	9.0%	
Total	\$ 39,368,172	\$ 39,763,755	\$ (395,584)	-1.0%	
Total Hours Worked	615,519				
Labor \$/Hours Worked	\$ 63.96				

Benefits Cost

(Including Retirees)	Actual YTD	Budget YTD	Difference
Health	\$ 7,707,850	\$ 7,248,750	\$ 459,100
Rx	\$ 2,394,828	\$ 2,704,865	\$ (310,037)
Dental	\$ 550,524	\$ 585,195	\$ (34,671)
Life	\$ 169,481	\$ 290,835	\$ (121,354)
FICA	\$ 2,771,523	\$ 2,933,583	\$ (162,060)
Other	\$ 400,975	\$ 539,790	\$ (138,815)
Total	\$ 13,995,181	\$ 14,303,018	\$ (307,837)

Follow-up to Internal Audit Findings & Recommendations

Finance Committee 1/13/2026



Hometown People. Hometown Power.

Resolution #2018-07-05

Board Policy on Follow-up to Internal Audit Findings & Recommendations

Internal Audit	Management	Follow-up of Open Management Responses to Audit Findings
<ul style="list-style-type: none">• Perform audits, report findings, provide recommendations, records management responses, verify completion of corrective actions	<ul style="list-style-type: none">• Responds to findings and recommendations, identify and execute appropriate and timely corrective actions	<ul style="list-style-type: none">• An open action item list is maintained for progress tracking by Internal Control.• Management reports progress to the Finance Committee semi-annually (Jan. & July)

Open Findings & Recommendations

Disaster Recovery

- Require departments to review, exercise, and update disaster recovery and business continuity plans on a defined schedule to confirm that roles, responsibilities, and procedures accurately reflect BWL's processes.
 - A procedure will be developed, and the procedure will be stored in a centralized repository, along with the disaster recovery and business continuity plans by January 31st, 2026
- Conduct an enterprise-wide BIA to define and consolidate recovery time objectives (RTOs), recovery point objectives (RPOs), and critical service priorities. Establish a centralized repository to promote accessibility and consistency.
 - Management will add RTOs and RPOs to our IT Application Portfolio and establish a steering committee to review and update enterprise-wide BIA by February 28th, 2026.

Open Findings & Recommendations

FY25 Payroll

- Implement a formalized process to document the execution of control activities related to 401 (a) and 457(b) contributions.
 - A process for documenting periodic reviews providing 401 (a) and 457(b) contributions will be implemented by February 28.
- Establishing a mandatory approval workflow will strengthen segregation of duties, enhance accountability, and reduce the risk of errors or unauthorized payroll transactions.
 - Will develop a procedure that defines all roles, responsibilities, and procedures for executing payroll by February 28.

Open Findings & Recommendations

FY25 Payroll

- The Payroll team should develop and implement a formal payroll procedure that clearly defines roles, responsibilities, and procedures for executing payroll.
 - A procedure will be developed that defines all roles, responsibilities, and procedures for executing payroll by February 28.
- The organization implements a formalized intake and tracking process for pay code setup and communication.
 - Will establish a work instruction that outlines when new pay codes are created and the roles and responsibilities for all parties involved, completed by February 28.

Open Findings & Recommendations

FY25 Payroll

- Establish a formal process to document the completion of payroll reasonableness checks.
 - A procedure will be developed by February 28 that defines all roles, responsibilities, and procedures for executing payroll.
- Establish a centralized method for capturing and retaining all supporting documentation for pay change requests.
 - Management will work with internal and external resources as needed to explore the best ways to not execute payroll within Workday until appropriate approval is received. This will be completed by March 30, 2026.
- The Payroll team should consider implementing a recurring payroll analysis process using Workday's dashboarding and visualization features.
 - Will utilize Workday dashboarding to eliminate manually completing these reviews by July 31, 2026.

Open Findings & Recommendations

FY25 Payroll

- Implementing system-based approval workflows within Workday will reduce reliance on email-based approvals and manual documentation.
 - We will continue to explore opportunities to streamline the process, including utilizing Workday as we become more adept within the system and find ways to repeat our consistently accurate payroll results. Review will be completed by July 31, 2026.
- Develop and maintain formal documentation of the payroll process, including detailed procedures, roles, and system interactions.
 - Formal documentation will be developed that outlines the payroll process. During this time, we will cross-train other members for key payroll tasks by July 31, 2026.

Closed Findings & Recommendations

FY24 Rules and Regulations

- Management should include the electric residential security deposit calculation in the Rules and Regulations schedule/chart of fees and charges.
- Management should revise the timing of the Rules and Regulations updates to be included within the BWL's rate strategy. The rate strategy should include a review of all Rules and Regulations fees and charges.

Closed Findings & Recommendations

FY24 Rules and Regulations

- Legal Affairs leads the Rules and Regulations review process, with the Finance Department responsible for calculating, overseeing, and approving all fees and charges.
- Management should revise the security deposit interest rate to be updated on October 1st each year to align with the rate strategy.
 - All recommendations were added to the updated Rules and Regulations document.

Closed Findings & Recommendations

P-Card Audit

- Update the P-Card Procedure to include clear expectations for travel and expense pre-approval supporting documentation.
- Implement a process to verify that temporary credit limit increases are revoked promptly.
- Transactions during the testing period were either not reconciled or not approved by the required deadline.

Closed Findings & Recommendations

P-Card Audit

- Develop clearly defined escalation procedures detailing thresholds and corrective actions for instances of non-compliance with the P-card Procedure.
- Establish a process for periodic review of Cardholder spending to identify unusual activity or patterns that may indicate non-compliance.
 - Management completed an update to the P-Card procedure that satisfied audit recommendations above.

Closed Findings & Recommendations

PA95 Audit

- The BWL platform administrator's access is not independently reviewed and validated.
 - Management will implement a review and approval of the administrator's access by the administrator's direct supervisor as part of the biannual review process starting by September 30, 2025.

Closed Findings & Recommendations

Disaster Recovery

- Establish a centralized repository for vendor contacts and escalation protocols to support disaster recovery and business continuity efforts.
 - SAP serves as the central source. IT will ensure IT-related hard copies (2 copies in the office, CIO, and Cybersecurity Supervisor) are stored with an online copy stored on the Leadership Teams channel. Supply Chain will ensure all critical vendor Contact information is stored in hard copy within the Supply Chain Office.
- Establish a recurring tabletop exercise program, led by key department members, to validate disaster recovery procedures and simulate response to cyber incidents and extended outages.
 - Develop a standardized template for formalized documentation, which will be completed within 30 days of each exercise.

Closed Findings & Recommendations

FY25 Payroll

- The team should proceed with executing the user access review (UAR) before calendar year-end, in accordance with the organization's established UAR process.
 - The UAR was completed and will continue every year.



Thank you!

RESOLUTION 2026-XX-XX
Lansing Board of Water & Light External Auditor Recommendation

WHEREAS, Lansing City Charter Section 7-604.1 requires an independent audit of all accounts of the City government, including the Board of Water and Light (BWL), at the close of each fiscal year, and all such audits shall be made by a Certified Public Accountant designated by the City Council; and

WHEREAS, BWL staff engaged in its normal public procurement process for the purpose of soliciting and evaluating proposals from a variety of independent public accounting firms that have municipal utility audit experience to perform an audit of the BWL as required by Lansing City Charter Section 7-604.1 for fiscal years ending June 30 on the following respective years: 2026, 2027, 2028, 2029, and 2030; and

WHEREAS, based on the public procurement evaluation of the proposals received, the BWL staff recommends the firm of Baker Tilly to perform these BWL audits; and

RESOLVED, that the Board of Commissioners support BWL staff's recommendation; and

FURTHER RESOLVED, the Board of Commissioners recommends that Lansing City Council approve and designate Baker Tilly to perform the annual financial audit for each of the fiscal years ending June 30 on the following respective years: 2026, 2027, 2028, 2029, and 2030 in accordance with Lansing City Charter 7-601; and

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to submit this resolution on behalf of the Board of Commissioners to City Council requesting their approval of Baker Tilly as recommended by the Board of Commissioners.

Motion by Commissioner _____, Seconded by Commissioner _____, to approve the Resolution for Lansing Board of Water & Light External Auditor Recommendation.

Roll Call Vote:

Yeas:

Nays:

Action:

Internal Audit Status Report



HOMETOWN PEOPLE. HOMETOWN POWER.

Finance Committee Meeting

January 2026

Overview

- Audit Update
- Issue Status Update
- FY 2026 Audit Work Plan
- Other Items

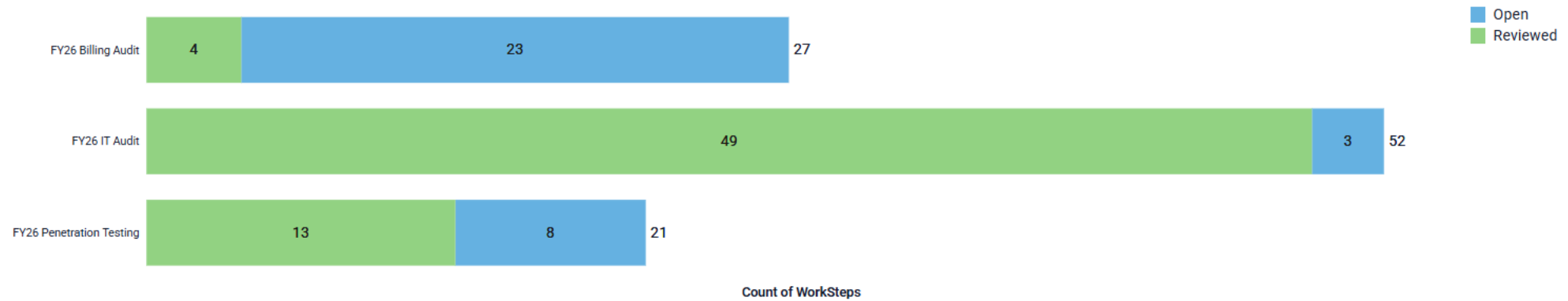
Audit Update

Total Worksteps
101

Percent (%) In Progress / Not Begun
34.00%

Percent (%) Complete
66.00%

Audit Status

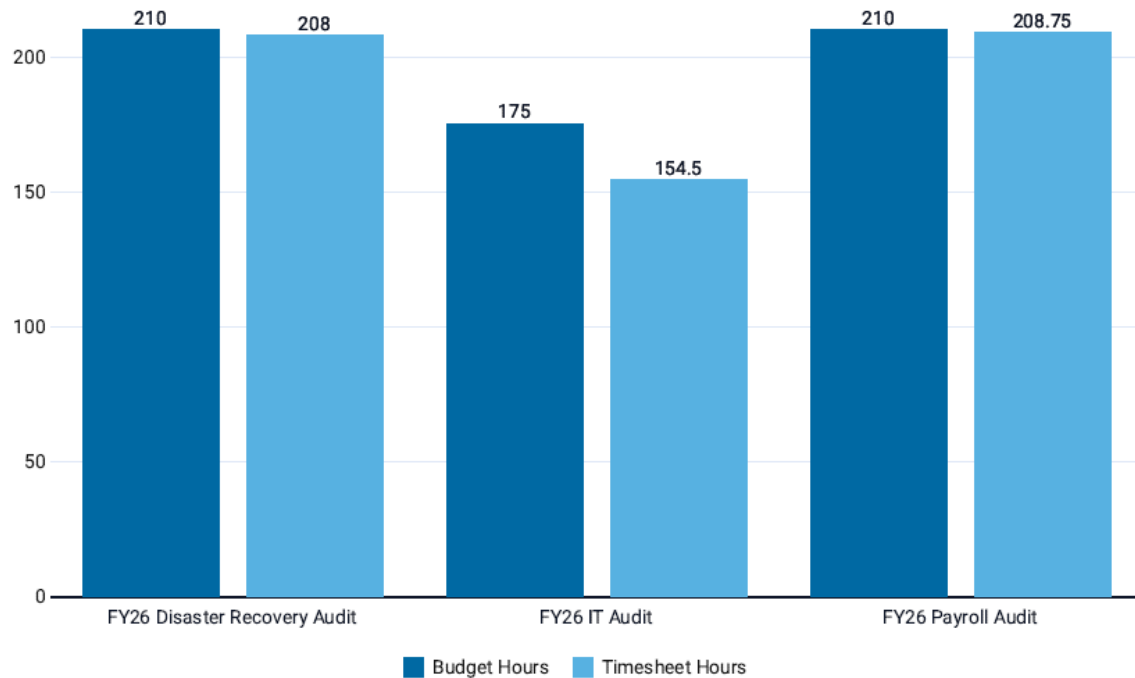


Open: WorkStep is pending completion

Reviewed: WorkStep has been completed and fully reviewed

Audit Update

Budget vs. Timesheets



3

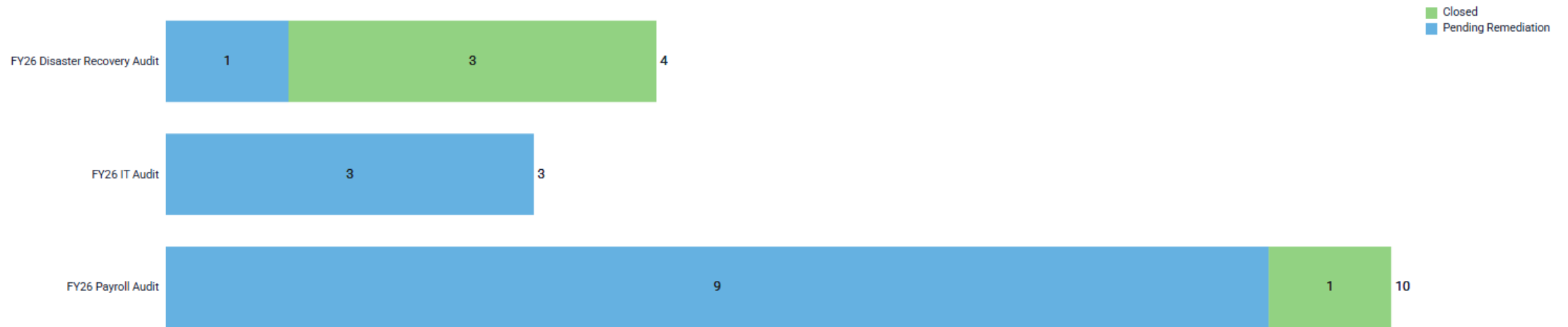
Audits Under Budget or On Track

0

Audits Over Budget or At Risk

Issue Status Update

Issue Status by Audit



Complete: Issue has been fully remediated and remediation evidence has been reviewed by Internal Audit

Pending Remediation: Issue is pending Management's remediation

FY 2026 Audit Plan



Payroll

- July 2025- October 2025
- Report Final

Disaster Recovery

- August 2025- September 2025
- Report Final

IT Audit (Data Security Assessment)

- October 2025- November 2025
- Fieldwork completed
- Audit Report reviewed with management on December 15, 2025

Penetration Testing

- November 2025- January 2026
- Kick-off meeting held on November 14, 2025

Billing Audit

- January 2026-April 2026
- Kick-off meeting held on January 7, 2026

Environmental Compliance

- April 2026- June 2026

Other Items

Department Items

Internal Audit Department Governance and Oversight:

- In October, the IIA launched the Global Audit Committee Center dedicated to offering thought leadership, strategic insights, and resources to help board members strengthen and advance governance excellence.
- Various resources are offered, including newsletter alerts, governance insights, research reports, webinars, and in-person events.
- This centralized location of resources provides the board with simple and easy access to understanding the internal audit's responsibilities and how to support the internal audit function.
- In the coming months, Internal Audit will curate and centralize these resources for board use.

Other Items

Audit Report Format Change:

- Internal Audit Report format has been adjusted to present an easier read.
- Includes:
 - A new table of contents for easier navigation.
 - An aggregated summary of findings, providing a consolidated view of key issues and process improvement recommendations.
 - An appendix detailing the activities performed for each audit.
 - A procedural objectives table outlining the background and what procedures were reviewed during the audit.

Other Items

Business Case – Internal Audit Staffing:

- A business case researching the structure of the Internal Audit Department's staffing has been developed.
- Preliminary results indicate that the Office of Internal Audit should expand its in-house team while supplementing specialized needs with contracted advisory services, as necessary.
- Implementing an in-house audit structure will help ensure the function can evolve alongside organizational growth, provide risk coverage, and continue to deliver timely, high-quality assurance and advisory services.

Other Items

Department Items

Summer 2026 Intern Recruitment:

- Internal Audit will have an intern starting in May 2026
- Interviews were conducted during late November
- Offer accepted by student from Michigan Tech University
 - Accounting Major, Data Analytics Minor

Professional Development:

- Actively working toward completion of required examinations for CIA certification.