



**LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
Tuesday, September 9, 2025 – 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; Non-Voting: J. R. Beauboeuf, Brian Ross, Robert Worthy

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 8, 2025 **TAB 1**
2. June YTD Financial Highlights **TAB 2**
3. Bond Issuance Update **INFORMATION ONLY**
4. Approval of Corporate Secretary and Board of Commissioners 2025 Quarterly Budget
& Expense Reports **INFORMATION ONLY**
5. Internal Audit Risk Assessment Results..... **TAB 3**
6. Internal Audit Strategy **TAB 4**
7. Post-Audit Feedback Survey Results **TAB 5**
8. Internal Audit Status Report..... **TAB 6**

Other

Adjourn

FINANCE COMMITTEE
Meeting Minutes
July 8, 2025

Finance Committee: Tony Mullen, Committee Chairperson; Semone James; David Price; and Dale Schrader; Alternates: Beth Graham, Sandra Zerkle; Non-Voting: Commissioners J. R. Beauboeuf, Stuart Goodrich, 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 Tuesday, July 8, 2025.

Finance Committee Chairperson Tony Mullen called the meeting to order at 6:31 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Semone James, Tony Mullen, David Price, and Dale Schrader; Also Present: Commissioners Beth Graham, Chris Harkins and Sandra Zerkle; and Non-Voting Commissioners Brian Ross (DeWitt Township) and Bob Worthy (Delta Township)
Absent: Non-Voting Commissioner J. R. Beauboeuf (East Lansing)

Corporate Secretary LaVella Todd declared a quorum.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Dale Schrader, **Seconded** by Commissioner David Price, to approve the Finance Committee Meeting minutes of May 13, 2025.

Action: Motion Carried. The minutes were approved.

Financial Summary YTD

Chief Financial Officer Scott Taylor presented the YTD Financial Summary. Cash position is strong with 200 days cash on hand. About \$206 million in restricted funds, \$162 million is associated with 2024A bond issuance to fund capital projects. Wholesale sales are continuing to run under, but adjustments have been made to FY2026-2031 Budget and Forecast assumptions to reflect wholesale market trend. Operating Expenses are running under due to fuel savings from less generation than planned. Non-Operating Income is running over due to higher than budgeted investment income driven by slightly higher balances in cash and investment portfolios. YTD Net Income is running higher, full year Net Income is projected at \$17.7 million primarily due to conservative assumptions on retirement plan investment returns. YTD capital expenditure is running 16% under due to timing, June is a construction heavy month, and we expect the spending to reach the target by fiscal year end. YTD Return on Assets exceeded budget due to over performance in Net Income. Debt to Total Assets ratio is in red due to the issuance of debt to expand the generation portfolio, ratio will reduce back to industry

benchmark over time as the bonds are paid back. In Payroll Data, overtime is 14.8% due to May storm restoration.

Capital Exceedance Request for Electric Annual

Chief Financial Officer Scott Taylor presented the May Capital Report EA Exceedance Estimate. The main reason for the exceedance is the unexpected \$3.5 million capital expenditure for storm restoration. In May, the Board has approved an exceedance of \$5.8 million in the Electric Annual due to T&D system emergent work, pole replacement and transformer purchases, the exceedance we are requesting this time is in addition to that.

Commissioner James asked whether any assistance would be received from the state for the storm. GM Peffley responded that the storm was declared as a disaster by the Governor and a request for financial assistance will be submitted. The City of Lansing files the request and BWL will get our share if any financial assistance is received.

Commissioner James asked if the assistance is based on the amount spent. GM Peffley responded that there is a \$1 million state cap. CFO Taylor added that for federal assistance through FEMA there needed to be \$17 million in restoration costs and there was only \$14 million for the previous storm in August 2023.

Commissioner Leek asked what project work was done at Walter French in 2023. General Counsel Matus responded that energy efficiency work was done on the solar parking project's new equipment. GM Peffley responded that financing for the project took a while to complete.

Commissioner Schrader asked what the Capital Exceedance for Electric Annuals was for. GM Peffley responded that it was for the unexpected expenses that were incurred from the storm response.

Commissioner Price asked what percentage the exceedance had to reach per policy for there to be a request. GM Peffley responded that exceedance is over 15% and \$200,000 is board reportable.

Commissioner Worthy asked what the 15% applied to as there was already an approval for \$20 million. CFO Taylor responded that the calculations are based on the original budget.

Motion by Commissioner David Price, **Seconded** by Commissioner Semone James, to approve the Resolution for the Capital Exceedance Request - Electric Annual Budget Line and forward it to the Full Board for consideration.

Action: Motion Carried.

Appointee Expense Policy

General Counsel Mark Matus presented the Appointee Expense Policy. The request was to create a policy from Resolutions 2015-07-04 and 2023-07-06 and add Other Expenses that are neither P-

Card expenses nor travel-related expenses. Approval of the Other Expenses will be by the Finance Committee Chairperson and a Finance Committee Member.

Chairperson Mullen stated that the policy was discussed at a previous meeting and was postponed so that the policy would be complete and accurate.

Commissioner Zerkle asked if the other expenses would be reported in the same format as the P-Card. Chairperson Mullen responded that it would be a separate report but reported in the same format as the P-Card report.

Commissioner Leek asked what would be considered an Other expense. GC Matus responded that hiring an outside consultant or outside service would be considered an example Other expense.

Commissioner Worthy asked if it would be cheaper to use the purchase order system than the P-Card system and what is better for control and cost. GC Matus responded that P-Card system works well for incidental expenses or simple transactions with a credit card and the purchase order system works for purchases for more money. GM Peffley added that P-Cards for field employees works for speed and flexibility if something needs to be quickly purchased at a store. Purchase orders weren't readily available at some stores.

Commissioner Schrader asked if an example of an Other expense would be educational expenses. GC Matus affirmed, and it would be a budgeted item that the appointee would put in the report.

Commissioner James asked if there were certain expenditures such as certifications with continuous testing that would fall under this policy or would it fall under another policy. GC Matus responded that payment for educational expenses have been placed on P-Cards, and check requests also have been made which would be an Other expense. Commissioner James asked if the appointed employees follow the same educational policies as the BWL employees. GM Peffley responded that the appointed employees would fall under the same educational policies as non-bargaining employees.

Motion by Commissioner David Price, **Seconded** by Commissioner Semone James, to approve the Resolution for the Appointee Expense Policy and forward it to the Full Board for consideration.

Action: Motion Carried.

Travel & Expense Policy

General Counsel Mark Matus presented the Travel & Expense Policy. Approval of travel and expenses would be by the Board Chairperson and Vice-Chairperson.

Commissioner James asked for clarification on the approval process. GC Matus responded that it is on page two of the policy that all expenses must be summarized on the Form and submitted for review and approval by the Board Chair and Vice-Chair.

Commissioner Schrader asked what happens if the Board Chair and Vice-Chair don't agree on the expense. Chairperson Mullen responded that the expense wouldn't be approved.

A discussion followed regarding having an appeal process for all expense requests and that all appeals would go to the Finance Committee for review and approval if there is a dispute in which the two approving Board Members don't agree. GC Matus stated that he will add to the Other Expenses in the Appointee Expense Policy the provision that if there is a dispute between the Finance Committee Chairperson and the Finance Committee Member, the appeal process will be to send it to the whole Committee.

Motion by Commissioner David Price, **Seconded** by Commissioner Semone James to approve the amendment to the Resolution for the Travel & Expense Policy.

Action: Motion Carried.

Motion by Commissioner Semone James, **Seconded** by Commissioner David Price to approve the amended Resolution for the Travel & Expense Policy and forward it to the full Board for approval.

Action: Motion Carried.

GC Matus stated that he will amend the Appointee Expense Policy for P-Card Expenses and Other Expenses with the provision that if there is a dispute between the Finance Committee Chairperson and the Finance Committee Member, the appeal process will be to send it to the whole Committee. GC Matus stated that he will also amend the Travel & Expense Policy to make reference to the appeal process.

Motion by Commissioner David Price, **Seconded** by Commissioner Dale Schrader to approve the amendment to the Resolution for the Appointee Expense Policy.

Action: Motion Carried.

Motion by Commissioner Semone James, **Seconded** by Commissioner David Price to approve the amended Resolution for the Appointee Expense Policy and forward it to the full Board for approval.

Action: Motion Carried.

FY2026 Internal Audit Work Plan

Director of Internal Audit Elisha Franco presented the FY2026 Internal Audit Work Plan. The audits consist of payroll, disaster recovery, data security assessment IT audit, penetration testing, billing, and environmental compliance.

Chairperson Mullen asked if the billing audit would include when the change was made from analog to AMI and why bills increased for some customers. Ms. Franco responded that the accuracy of the Smart-meters will be included.

Motion by Commissioner David Price, **Seconded** by Commissioner Semone James to forward the Resolution for the FY2026 Internal Audit Work Plan to the full Board for approval.

Action: Motion Carried.

PA 95 Audit Results

Director of Internal Audit Elisha Franco presented the PA 95 Audit Results. The audit was conducted to assess the effect of opting into PA 95 on BWL and BWL customers from October 1, 2024 through April 30, 2025 and whether opting into PA 95 affected BWL's bad debt position, whether the Community Resource Fairs were effective, whether the Community Agency Payment Assistance Portal is adequately designed and functional, and whether customer shut-off rates were adversely affected due to the implementation of PA 95. BWL customers experienced a positive financial impact from PA 95 participation, Community Resource Fairs were successful and effective, the portal was functional, bad debt decreased, and the total dollar value of customer accounts sent to bad debt decreased. Shut-offs reduction could not be attributed to PA 95.

Commissioner Zerkle asked if PA95 was successful. GM Peffley responded that bad debt and frequency of shut-offs are dropping and believes opting into PA 95 was the right way to go.

GM Peffley commented that the shut-off numbers don't inform whose service was turned back on. Prior to PA 95, thousands were in the queue to be shut off in April which overloaded the State of Michigan's assistance programs. Debt also increased during winter non shut offs and assistance would only be provided at a certain limit. PA 95 also helped by leveling when shut offs occurred.

Commissioner Worthy stated that in the annual audit report it was reported that the amount submitted was about \$600,000 and the amount returned to BWL was \$1.24 million and asked why the time period audited was 7 months and not a year. Ms. Franco responded that there wasn't enough data for an adequate comparison for a year, but she can provide the data from the year to the Commissioners. Commissioner Worthy also asked how an increase in awareness of the resource fairs is validated. Ms. Franco responded that the number of customers attending the fairs and receiving help is the method reviewed. GM Peffley responded that the number of customers that leave the fairs smiling is a validation also.

Commissioner Worthy asked how payment of funds was received from the state through the PA 95 program. GM Peffley responded that BWL is paid directly, and Ms. Franco added that the payment is entered through the portals. Ms. Franco also commented that BWL is no longer able to opt out and has to opt in.

P-Card Audit Results

Director of Internal Audit Elisha Franco presented the P-Card Audit Results. The audit was conducted to examine the processes, procedures, and documentation from July 1, 2024, to January 31, 2025, and to determine whether transactions comply with policies, whether controls for transactions are effective, and whether cardholders comply with the P-Card and Travel and Expense policies. Two low-risk findings were identified as transactions not being reconciled by the required deadline and activation of newly issued P-Cards before the required training

agreement was signed. Four process improvement recommendations were identified during the audit.

GM Peffley commented that there has been improvement with four recommendations as previously there were 30 recommendations.

Commissioner James asked at what point the training agreement was signed for the issued P-Card and was the training completed before using the P-Card. Ms. Franco responded that the audit only looked at the training and not the use of the P-Card. Commissioner James asked how the finding is remedied. Ms. Franco responded that ensuring that training is completed, the agreement is signed, the P-Card has not been used, and that the card is not put into the system until the agreement is signed.

Internal Audit Status Report

Director of Internal Audit Elisha Franco presented the internal audit status report. The report included an audit update, issue status update, FY 2025 audit work plan and department items. All four audits have been completed for the year. The internal audit department has welcomed two new employees, an intern supporting department activities and a temporary administrative assistant. The intern will be making a final presentation with the other interns in August, and the Commissioners are invited to attend. Of the departmental updates on procedures and governance documents with which BWL assisted Plante Moran, the internal audit strategic plan is in progress, the quality assurance and improvement program plan draft are complete, and the internal audit organizational risk assessment is 80% complete. An internal audit manual draft is also complete. Updates will be given in September.

Commissioner James asked if Plante Moran assisted with all the audits. Ms. Franco responded in the affirmative.

Commissioner Price asked how artificial intelligence will affect the internal audit function. Ms. Franco responded that right now it won't affect the internal audit department but will need to look into it down the road.

Follow-up to Internal Audit Findings Recommendations

Senior Internal Control Analyst Cody Rochefort presented the follow up to Internal Audit findings. The open findings and recommendations included additions to the Rules and Regulations, updates to the P-Card procedure, and a review of the PA 95 platform. The Closed findings and recommendations included Cash Receipts audit and P-Card Audit.

Commissioner Graham asked what the cost was to manage the PA 95 system and is it nice to have. AGM Heather Shawa stated that there were initially some configuration costs but with the net benefit to customers the PA 95 program is worth it.

Commissioner Harkins asked whether the audit findings could be provided in spreadsheets on the Commissioner Dashboard. CFO Scott Taylor stated that currently the information is internal

for management. Chairperson Mullen stated a meeting could be held further down the road to determine what could be provided. Commissioner Price and Commissioner Zerkle commented that previously a status document was provided to the Commissioners. AGM Shawa stated that it can be provided again. GM Peffley stated that information can be provided if needed.

Commissioner James added that she would also like to receive the reporting that Commissioner Harkins requested and have it placed on the Commissioner Dashboard. Ms. Franco responded that she and Mr. Rochefort would put a spreadsheet together and provide it for the Commissioners.

Other

There was no other business.

Adjourn

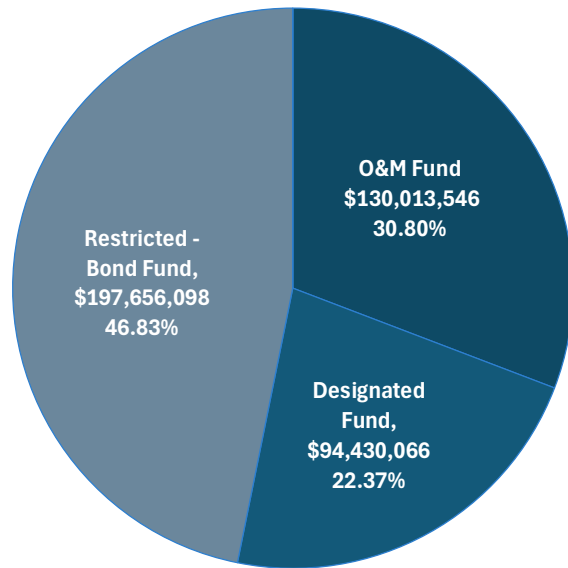
Chairperson Tony Mullen adjourned the meeting at 8:01 p.m.

Respectfully submitted,
Tony Mullen, Chairperson
Finance Committee

Preliminary Financial Summary - June 2025 - FY25



Cash



Total Cash: \$422,099,709

| | Year End | Target |
|-----------------------------|----------|---------|
| Days Cash on Hand | 189 | > 149 |
| Credit Rating (S&P/Moody's) | AA-/Aa3 | AA-/Aa3 |
| Debt Service Coverage | 2.36 | > 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 FY25 | Budget YTD | Difference | % |
|----------------------------|-----------------|-----------------|-----------------|------|
| Retail | \$ 417,284,577 | \$ 402,335,442 | \$ 14,949,134 | 4% |
| Wholesale | \$ 51,163,312 | \$ 72,783,563 | \$ (21,620,251) | -30% |
| Total Revenue | \$ 468,447,889 | \$ 475,119,006 | \$ (6,671,117) | -1% |
| Operating Expenses | \$ 385,874,606 | \$ 403,751,627 | \$ (17,877,021) | -4% |
| Non Operating Income/(Exp) | \$ (54,962,179) | \$ (58,807,700) | \$ 3,845,521 | -7% |
| Net Income | \$ 27,611,103 | \$ 12,559,678 | \$ 15,051,425 | 120% |

FY 2025 Net Income \$ 27,611,103

Budget Status YTD

O&M Budget YTD (excluding fuel)

| FY 2025 Approved Budget | Actual FY25 | Budget YTD | Difference | % |
|-------------------------|----------------|----------------|----------------|-----|
| \$ 194,854,057 | \$ 192,299,949 | \$ 194,854,057 | \$ (2,554,107) | -1% |
| % of Approved Budget | 99% | 100% | | |

Capital Budget YTD

| FY25 Approved CIP Budget | Actual FY25 | Budget YTD | Difference | % |
|--------------------------|---------------|---------------|------------|----|
| \$ 87,791,518 | \$ 87,995,580 | \$ 87,791,518 | \$ 204,062 | 0% |
| % of Approved Budget | 100% | 100% | | |

FY25 New Energy Budget

| | Actual FY25 | Budget YTD | Difference | % |
|----------------------|----------------|---------------|--------------|----|
| \$ 99,764,537 | \$ 107,744,205 | \$ 99,764,537 | \$ 7,979,668 | 8% |
| % of Approved Budget | 108% | 100% | | |

Return on Assets

| FY25 ROA Budget | Actual FY25 | Budget YTD | Target ROA* |
|--|-------------|------------|-------------|
| 2.90% | 3.58% | 2.90% | 3.97% |
| Return on Assets = YTD Net Income + YTD Interest Expense - YTD Interest Income Net Fixed Assets + Inventory | | | |

*BWL forecast to reach target in FY2028

Preliminary Financial Summary - June 2025 - FY25



Ratios

Operating Ratio

| | | | | | |
|-------------|----|-------------|---|------|---------------------|
| O&M Expense | \$ | 322,819,440 | = | 0.69 | APPA Median 0.78 |
| Revenue | \$ | 468,447,889 | | | |

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

Current Ratio

| | | | | | |
|---------------------|----|-------------|---|------|---------------------|
| Current Assets | \$ | 312,075,886 | = | 2.10 | APPA Median 1.71 |
| Current Liabilities | \$ | 148,538,398 | | | |

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

Debt to Total Assets

| | | | | | |
|-------------------------------|----|---------------|---|------|---------------------|
| LT Debt + Accrued Liabilities | \$ | 1,325,204,261 | = | 0.64 | APPA Median 0.54 |
| Total Assets | \$ | 2,075,661,363 | | | |

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

Days Sales Outstanding

| | | | | | | |
|-----------------------------|--------|----|------------|--------|----|------------------|
| Average Accounts Receivable | x Days | \$ | 28,373,073 | x 30 = | 25 | Prior Year 23 |
| Retail Revenue | | \$ | 34,309,926 | | | |

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

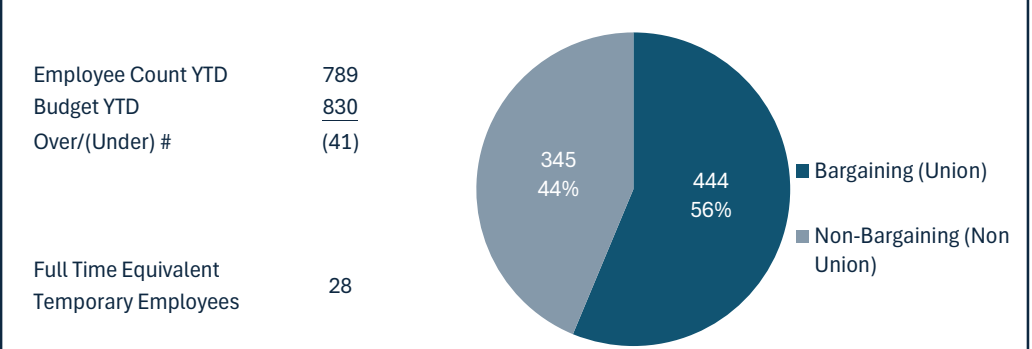
Bad Debt

| | | | | | |
|-------------------------|----|-------------|---|-------|---------------------|
| 12 Month Bad Debt Exp | \$ | 1,781,062 | = | 0.43% | Prior Year 0.58% |
| 12 Month Retail Revenue | \$ | 417,284,577 | | | |

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

Employee Data

Employee Count



Payroll Data

| | Actual YTD | Budget YTD | Difference | % | Prior Year |
|-----------------------|---------------|---------------|--------------|-------|------------|
| Regular | \$ 85,286,088 | \$ 83,655,343 | \$ 1,630,744 | 1.9% | \$ 58.39 |
| Overtime | \$ 9,081,825 | \$ 8,086,325 | \$ 995,500 | 12.3% | |
| Total | \$ 94,367,913 | \$ 91,741,669 | \$ 2,626,244 | 2.9% | |
| Total Hours Worked | 1,551,572 | | | | |
| Labor \$/Hours Worked | \$ 60.82 | | | | |

Benefits Cost

| (Including Retirees) | Actual YTD | Budget YTD | Difference |
|----------------------|---------------|---------------|----------------|
| Health | \$ 16,599,010 | \$ 18,613,861 | \$ (2,014,851) |
| Rx | \$ 5,370,669 | \$ 5,017,139 | \$ 353,530 |
| Dental | \$ 1,400,102 | \$ 1,399,000 | \$ 1,102 |
| Life | \$ 542,254 | \$ 651,000 | \$ (108,746) |
| FICA | \$ 6,961,034 | \$ 6,827,000 | \$ 134,034 |
| Other | \$ 973,453 | \$ 1,391,000 | \$ (417,547) |
| Total | \$ 31,846,521 | \$ 33,899,000 | \$ (2,052,479) |

BWL Internal Audit Risk Assessment

Risk Assessment Results



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Agenda

| | |
|--|-----|
| Risk Assessment Overview | 3 |
| Risk Assessment Objectives | 4 |
| Risk Assessment Approach and Methodology | 5-8 |
| Risk Assessment Results | 9 |
| Q&A | 10 |

Internal Audit Department Risk Assessment



Why is Internal Audit conducting its own risk assessment?

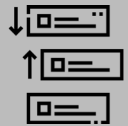
- To have an **entity-wide risk assessment** independent of management.
- Now a **requirement** as a part of the Global Internal Audit Standards.

***Standard 9.4** of the Institute of Internal Auditors' Global Internal Audit Standards outlines the need for an "organizationwide risk assessment to be completed at least annually..."*

Risk Assessment Objectives



Holistic Risk Identification



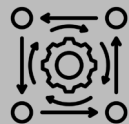
Prioritization & Risk Rating



Audit Planning & Resource Allocation



Compliance with Global Standards



Support BWL Governance & Strategic Alignment

Risk Assessment Approach

Review

Collect and **review all existing risk assessment reports** to identify gaps and areas requiring updates.

Interview

Interview key BWL team members to **identify root-cause drivers for risk events**, existing risk reduction practices, and areas to strengthen risk mitigation.

Survey

Design and distribute surveys via AuditBoard to **capture detailed information from management** based on their experience within their process area.

Analyze

Review and **analyze all collected data and feedback**, mapping the risk ratings to reflect the current risk landscape.

Risk Assessment Methodology

Collaborated with BWL's Strategy team to understand their risk assessment approach and further inform our process

Leveraged **American Public Power Association (APPA)** risk assessment guidance

Risk Assessment Methodology

Each survey recipient was asked to assess the **likelihood** and **impact** of each risk:

| Likelihood Rating Scale | |
|-------------------------|----------------|
| 1 | Rare |
| 2 | Unlikely |
| 3 | Possible |
| 4 | Likely |
| 5 | Almost Certain |

| Impact Rating Scale | |
|---------------------|---------------|
| 1 | Insignificant |
| 2 | Minor |
| 3 | Moderate |
| 4 | Major |
| 5 | Catastrophic |

*Each survey recipient was provided with a full set of detailed criteria, including but not limited to financial, strategic, and reputational impact measures, to support **consistent and well-informed assessments**.*

Risk Assessment Methodology

43 surveys distributed

111 unique questions

36 surveys completed

30 risk areas assessed

Each participant received only the survey most relevant to their expertise (e.g., IT), **reducing survey length** and **improving response quality**

Risk Summary – Top 10 Inherent Risks

| | | |
|--------------------------|-------------------|----------------------|
| <input type="checkbox"/> | Staff Acquisition | <input type="text"/> |
| <input type="checkbox"/> | Economy | <input type="text"/> |
| <input type="checkbox"/> | Reputational | <input type="text"/> |
| <input type="checkbox"/> | Legislation | <input type="text"/> |
| <input type="checkbox"/> | Leadership | <input type="text"/> |
| <input type="checkbox"/> | Customer Billing | <input type="text"/> |
| <input type="checkbox"/> | Operational | <input type="text"/> |
| <input type="checkbox"/> | Strategic | <input type="text"/> |
| <input type="checkbox"/> | Budget Management | <input type="text"/> |
| <input type="checkbox"/> | Cybersecurity | <input type="text"/> |

Q&A

Internal Audit Strategy FY26



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Internal Audit Department Strategy Overview



What is Internal Audit Strategy?

- A forward-looking roadmap that outlines key strategic initiatives that Internal Audit will be working towards in the upcoming 5 years.
- Now a requirement as a part of the Global Internal Audit Standards.
- “Principle 9 Plan Strategically” outlines the need to develop and maintain an internal audit strategy

Internal Audit Vision and Strategy



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. |

Internal Audit Strategy: Governance

BWL Risk Management Alignment

Enterprise Risk Management Program
Communication/Awareness
Risk Catalog

Governing Documents

Internal Audit Standards/Manual
Internal Audit Charter
Standard Review Process for Internal Audit Governing Documents

Quality Assurance Program

External Quality Assurance Assessment
Internal Quality Assurance Assessment Process
Remdiation Action Tracking

Internal Audit Strategy: Methodology

Process

Reporting
Internal Audit Dynamic Risk Assessment
Adaptive Audit Plan
Internship Program
General Internal Audit Templates
Risk Assessment Report Template

Performance

Internal Audit Certifications
Create Training and Development Plans

Internal Audit Strategy: Technology

Streamline Processes

Risk Assessment
Internal Audit Plan Management

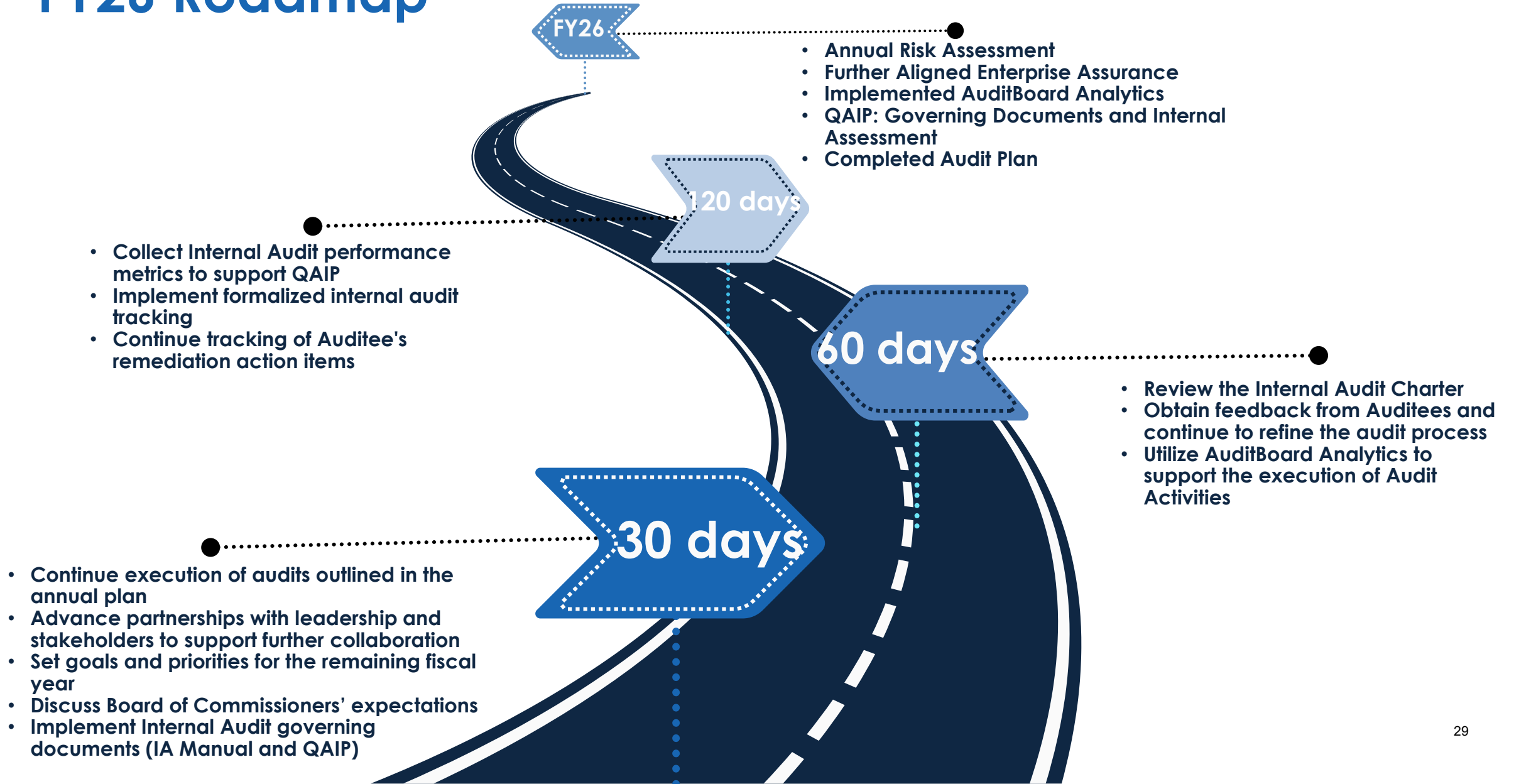
Data Management

Data Analytics Program
Document Retention
Dashboard Reporting

FY26 Internal Audit Strategy Objectives



Internal Audit FY26 Roadmap





Thank You!

- Contact Information:
elisha.franco@lbwl.com

Post-Audit Feedback



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Post-Audit Survey Results

| Question | FY25 Cash Receipts | FY25 P-Card | FY25 PA 95 | Trending |
|--|--------------------|-------------|------------|----------|
| The audit objectives, purpose and scope were clearly communicated. | 3.50 | 4.67 | 4.17 | +19% |
| The Audit team considered Auditee resources and time constraints when scheduling and managing audit activities. | 4.00 | 4.67 | 4.33 | +8% |
| The Audit team considered your input throughout the audit process and was open and responsive to requests and comments expressed by Auditee. | 4.00 | 5.00 | 4.67 | +17% |
| Communication of audit results and status during the audit was timely and adequate. | 3.33 | 4.67 | 5.00 | +50% |

**Scale of 1-5 (Strongly Disagree – Strongly Agree)*

**PA 95 vs. Cash Receipts; rounded up*

Post-Audit Survey Results, cont.

| Question | FY25 Cash Receipts | FY25 P-Card | FY25 PA 95 | Trending |
|--|--------------------|-------------|------------|----------|
| The Audit team clearly explained any identified audit findings, observations and transformation opportunities. | 3.33 | 4.67 | 4.80 | +44% |
| The Audit Report was clear and accurate, and findings were fairly and factually represented. | 4.25 | 4.33 | 4.60 | +8% |
| The Audit team demonstrated courtesy, professionalism, objectivity, and integrity throughout the audit. | 4.67 | 4.67 | 4.83 | +3% |
| The Audit team demonstrated an adequate understanding of the organization or process by the end of the audit. | 4.00 | 4.67 | 4.50 | +13% |

**Scale of 1-5 (Strongly Disagree – Strongly Agree)*

**PA 95 vs. Cash Receipts; rounded up*

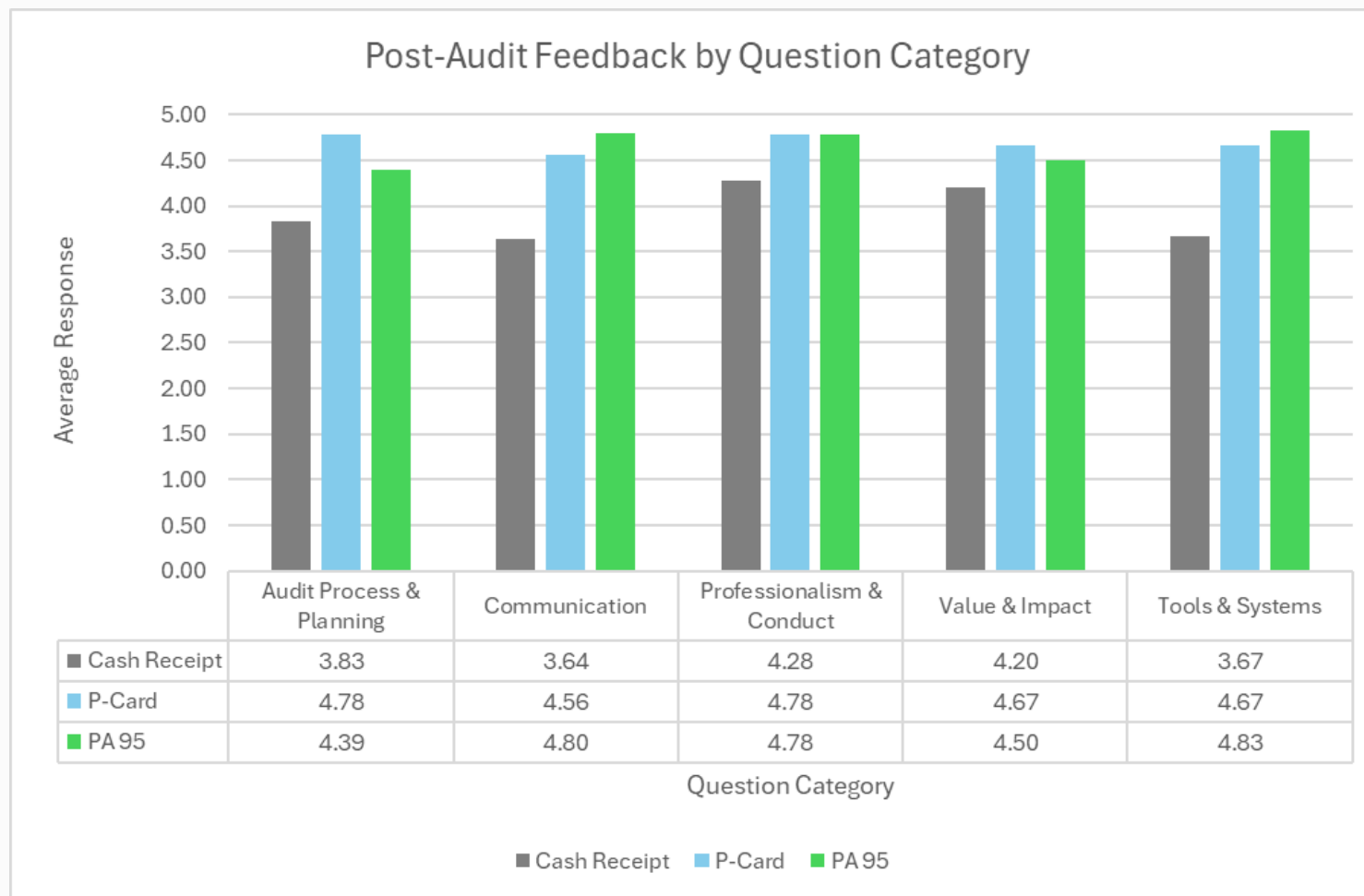
Post-Audit Survey Results, cont.

| Question | FY25 Cash Receipts | FY25 P-Card | FY25 PA 95 | Trending |
|---|--------------------|-------------|------------|----------|
| The audit added value in improving your operations or controls. | 4.20 | 4.67 | 4.50 | +7% |
| AuditBoard was clear and easy to use. | 3.67 | 4.67 | 4.50 | +23% |

**Scale of 1-5 (Strongly Disagree – Strongly Agree)*

**PA 95 vs. Cash Receipts; rounded up*

Post-Audit Survey Results - Summary



*Scale questions were rated 1-5 (Strongly Disagree – Strongly Agree)

*Yes/No questions were scored for 5 for yes, 0 for no

Post-Audit Survey Results - Highlights

How might Internal Audit better add value to your organization?

- "I think they are already bringing great value - no notes."
- "I appreciate the audits and BWL is a stronger organization because of these."
- "The Internal Auditing Team was instrumental in setting a good foundation for P-Card Procedures and Administrative Duties and I am confident that we will continue to work together to improve our processes."

General Highlights

- "They focused on getting to the point in our meetings so we could get them done as quickly and efficiently as possible."
- "I think the whole process was quite easy. Thanks for your hard work!"

Thank you!



HOMETOWN PEOPLE. HOMETOWN POWER.

Internal Audit Status Report



HOMETOWN PEOPLE. HOMETOWN POWER.

Finance Committee Meeting

September 2025

Overview

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

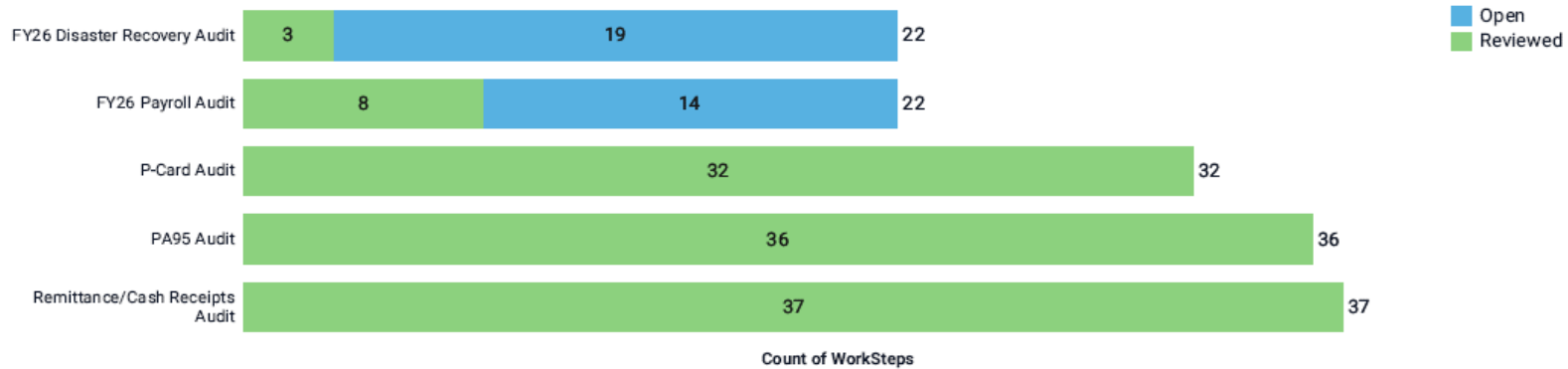
Audit Update

Total Worksteps
149

Percent (%) In Progress / Not Begun
22.15%

Percent (%) Complete
77.85%

Audit Status

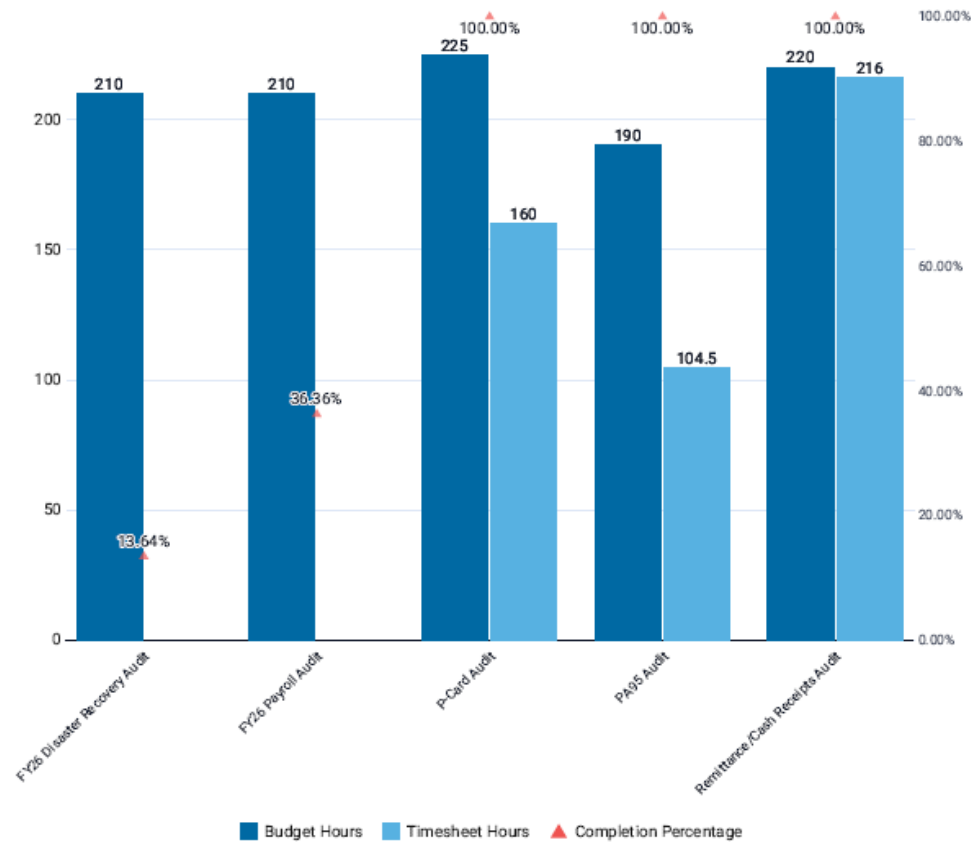


Open: WorkStep is pending completion

Reviewed: WorkStep has been completed and fully reviewed

Audit Update

Budget vs. Timesheets



5

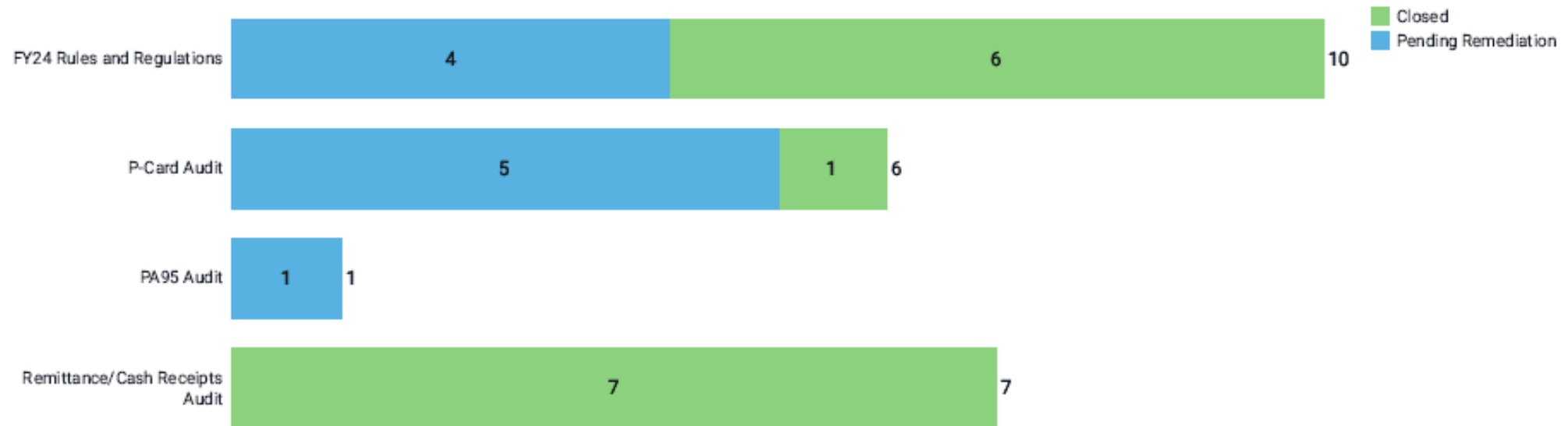
Audits Under Budget or On Track

0

Audits Over Budget or At Risk

Issue Status Update

Issue Status by Audit



Closed: 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
- Audit kick off meeting held on July 29, 2025

Disaster Recovery

- August 2025- September 2025
- Audit kick off meeting held on August 14, 2025

IT Audit (Data Security Assessment)

- October 2025- November 2025

Penetration Testing

- November 2025- December 2025

Billing Audit

- January 2026-April 2026

Environmental Compliance

- April 2026- June 2026

Other Items

Department Items

Update on Internal Audit Department employees:

Internal Audit Co-op:

- Jake Rober will be continuing to work on the Internal Audit team as a Co-op
- Supporting department activities while developing a foundation of how an internal audit department operates

Temporary Administrative Assistant

- Josie has moved on to a new opportunity, and Gillian Croteau is now in this role
- Supporting in various capacities, including preparing and distributing communications, scheduling, and general coordination related to corporate governance

Other Items

Department Items

Department Updates on Procedure and Governance Documents:

- Internal Audit Strategic Plan – **Complete**
- Internal Audit Quality Assurance and Improvement Plan (QAIP)- **Complete**
- Internal Audit Organizational Risk Assessment – **Complete**
- Internal Audit Manual – **Complete**

Findings & Issue Tracker

- The Findings and Issue Tracker has been finalized and is available under the Internal Audit section on the Commissioner Dashboard

Other Items

Department Items

AuditBoard Data Analytics:

- Module within AuditBoard that allows for more automated testing within audits and other processes
- Implementation phase began in July and is currently underway

Professional Development:

- Actively working toward completion of required examinations for CIA certification