



**FINANCE COMMITTEE MEETING**

**AGENDA**

**March 14, 2017**

**4:30 P.M. -1201 S. Washington Ave.  
Lansing, MI – REO Town Depot  
Board of Water & Light Headquarters**

Call to Order

Roll Call

Public Comments on Agenda Items

1. Finance Committee Meeting Minutes of January 10, 2017.....**TAB 1**
2. January YTD Financial Summary.....**TAB 2**
3. Quarterly Internal Audit Management Responses Report.....**TAB 3**
4. Travel & Reimbursement Policy & Resolution.....**TAB 4**
5. Internal Audit Status Report.....**TAB 5**

Other

Adjourn

**FINANCE COMMITTEE**  
**Meeting Minutes**  
**January 10, 2017**

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, at 5:32 p.m. on Tuesday, January 10, 2017.

Finance Committee Chair Ken Ross called the meeting to order and requested a roll call.

Present: Commissioners Ken Ross, David Price and Sandra Zerkle (Alternate Member). Also present: Commissioners Tony Mullen, Anthony McCloud and Non-Voting Commissioner William Long (Departed at 6:10 p.m.).

Absent: Commissioner Dennis M. Louney

The Corporate Secretary declared a quorum.

**Public Comments**

None

**Approval of Minutes**

**Motion** by Commissioner Price, Seconded by Commissioner Ross, to approve the Finance Committee meeting minutes of November 8, 2016.

**Action:** Motion Carried.

**November YTD Financial Summary**

Chief Financial Officer, Heather Shawa-DeCook presented the following:



Chief Financial Officer (CFO) Shawa-DeCook announced that the BWL went through an evaluation in December from both Moody’s and S&P Credit Rating Agencies and the results are an affirmed AA- rating with stable outlook.

Ms. Shawa-DeCook mentioned that the Bad Debt process is currently being reviewed and special attention is being focused on large commercial customers, as there seems to be an upward trend of their debt.

Ms. Shawa-DeCook also informed the Committee that the BWL will be going out for a Bond reissuance which was approved by the Board last November. She stated that there is a Net Present Value estimated savings of \$3.7 million or 10.7%.

## Update on Management Responses to Internal Audits

Chief Financial Officer Heather Shawa-DeCook presented management's responses to audits as follows:

### STATUS OF MANAGEMENT RESPONSES TO AUDITS DECEMBER 2016



In Accordance with Board Resolution #2014-07-05

#### Updates in red

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
---------	------------	-------------------	------	------------------	--------

#### Open Issues:

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
17	Close the Books	The Internal Auditor recommended that consideration be given to the use of a general accounting manual.	August 2014	General Accounting	A General Accounting Procedure Manual has been drafted and is under review by the CFO.
27	Management of Mobile Devices	The Internal Auditor recommended encrypting data on all remaining laptops and smart phones.	Sept 2015	Information Technology	IT has migrated the laptops used by field personnel and established use guidelines. Guidelines instruct BWL users to encrypt sensitive data on their own mobile devices. Currently underway are efforts for data classification. Software with remote management capabilities has been procured and will be installed by 1/31/17.
29	Management of Mobile Devices	Internal Auditor recommended further consideration of procuring software with remote cleanup capabilities.	Sept 2015	Information Technology	Software with remote management capabilities for mobile devices has been procured and will be installed by 1/31/17.
33	Outage Management System	The audit recommended more specific test criteria, testing performed by the call processing vendor, development of test scripts, and a narrative of test results.	Oct 2015	Information Technology	Stress test with new vendors occurred on 11/3/16 and resulting recommendations are being tested and tracked, with the priority of each recommendation to be determined by 1/31/17.
37	Hiring Process	Internal Audit has requested that an all-encompassing hiring policy be documented.	May 2016	Human Resources	Human Resources has drafted an additional Board policy, one which addresses BWL hiring standards in their entirety, and will seek Board approval of it by 1/31/17.
44	Billing Audit AEP	To address safety concerns associated with high consumption residential customers, management is discussing possible revisions to existing Rules and Regulations and coordination of public safety initiatives with other public agencies.	Nov 2016	Planning & Development	The appropriate course of action will be determined by 1/30/17, in coordination with city ordinances and state law.
E-1	IT Assessment (by External Auditors)	Baker-Tilly's management letter officially noted that all users of financial applications should have a unique ID and generic, shared, temporary and system accounts should be removed. If a system account cannot be removed, it should be disabled.	Sept 2016	Information Technology	Generic user IDs for 4 of 5 financial applications were disabled on November 2016. The generic user IDs for the fifth and final application will be disabled by 1/31/17.
E-2	IT Assessment (by External Auditors)	It was noted that network and financial application passwords settings need strengthening, including establishing requirements that passwords be changed every 90 days, for a minimum length of 8 characters, and include special characters. In addition, if user passwords should be remembered and user accounts should be locked after 3-5 failed login attempts.	Sept 2016	Information Technology	Enhancement of network and mainframe password settings has been completed. Enhancements to password settings for the remaining two financial applications will be complete by 6/30/17.
E-3	IT Assessment (by External Auditors)	Management letter indicated that user account access should be reviewed annually by management for appropriateness, following the least privilege principle, with documentation of reviews retained.	Sept 2016	Information Technology	An annual review, which will be documented, has been added to IT's schedule, to occur each January.
E-4	IT Assessment (by External Auditors)	Baker-Tilly recommended a cybersecurity awareness program with varying penetration testing.	Sept 2016	Emergency Management/ Information Technology	Employees have been scheduled to undergo annual online cybersecurity awareness training. In addition, a new monthly live training program has been developed which will include a phishing component. IT employees began the training in November 2016 and the remainder of employees began it in December 2016. The first round of varying penetration testing will be completed by 3/31/17.
E-5	IT Assessment (by External Auditors)	Baker-Tilly noted that the Windows 2009 operating system on which the DP259 database runs needs updating.	Sept 2016	Information Technology	Project completion for the Mainframe Upgrade is expected by 3/31/17.

#### Closed Issues (since October 2016 reports)

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
12	Record Retention	Internal Audit found that records on hand did not always correspond with the Record Retention Schedule, namely, a portion of 19 forms and some asbestos bills of lading.	March 2014	Human Resources	19 forms are on file for all active employees. An appropriate retention schedule for the asbestos bills of lading was determined and updated as part of the overall review of the Record Retention Schedule. An updated schedule was approved by the BWL Committee of the Whole on 3/8/16. BWL filed for State of Michigan approval on 4/14/16. Approved by State Administrative Board on 12/7/16.
13	Record Retention	The Internal Auditor determined that records on hand in departments did not always correspond with the Record Retention Schedule.	March 2014	Enterprise Content Management	Enterprise Content Management has reviewed the existing Record Retention Schedule with the appropriate departments and cataloged all proposed revisions. An updated schedule was approved by the BWL Committee of the Whole on 3/8/16. BWL filed for State of Michigan approval on 4/14/16. Approved by State Administrative Board on 12/7/16.
34	Training & Development	Internal Audit supports plans for a new database for tracking training and use of standardized criteria for periodic training course review and training of trainers, on an organization-wide basis.	Dec 2015	Organizational Training & Development	LMS was implemented in February 2016 and organization wide training in its use is considered complete as of December 2016.
38	Hiring Process	Internal Audit recommended updating a hiring checklist, documenting rationale for selected hires, and storing job files in electronic form.	May 2016	Human Resources	Human Resources is using an updated hiring checklist, documenting rationale for selected hires, and storing job files electronically.
41	Selected CRC: MPCSC-BWL Recommendations	The Internal Auditor recommended annual updates to the Emergency Operations Plan.	May 2016	Emergency Management	There are 45 separate Emergency Operations Plans, all of which were updated during 2016. The intention is to continue to keep them updated, on an annual basis.
43	Selected CRC: MPCSC-BWL Recommendations	The Internal Auditor recommended formally tracking the corrective actions resulting from restoration exercises.	May 2016	Emergency Management	Emergency Management is formally tracking corrective actions resulting from restoration exercises.

## Internal Audit Status Report

Internal Auditor Phil Perkins presented the following status report:

### Revised FY 2017 Audit Plan- Proposed

Planned Audits:	Estimated Hours	Status
Performance Evaluation/Compensation	300	About complete
Collections	400	In progress
Post-Cyber Incident Review	300	In progress
<b>IT - Help/Service Desk Management Identity and Access Management*</b>	400	Start Apr 2017
<b>New Service Order Management - Water</b>	300	Start Feb 2017
<b>Payroll Management</b>	400	Start Feb 2017
<b>Follow-up – Hiring Process</b>	100	Start Apr 2017
<b>Follow-up – Training &amp; Development</b>	100	In progress
<b>Other Engagements:</b>		
Cash Counts, Time Reporting Reviews, etc.	300	In progress
<b>Total Estimated Hours</b>	<b>2,600</b>	



\* Help ticket software is currently being replaced, making a FY 17 audit impractical. The proposed replacement audit of Identity and Access Management has been agreed upon with management.

Internal Auditor Perkins proposed a change to the Fiscal Year (FY) 17 Audit Plan due to the fact that the planned audit for Help/Service Desk Management was not practical this FY because of a new software system coming on-line within the next couple of months. Mr. Perkins advised that it would be impractical to audit the old system based on the addition of the new software system. He suggested that the Help/Service Desk Management audit be replaced with an audit of Identity and Access Management.

**Motion** by Commissioner Price, Seconded by Commissioner Ross to approve the revision of the Internal Auditor's Audit Plan as presented in today's report.

**Action:** Motion Carried

### **Travel Policy Reviews**

The Finance Committee, BWL Management and Appointees reviewed the Travel Policies for the Board of Commissioners, Board Appointees and BWL Employees as well as the Resolution for the Retirement System Education and Travel Policy. After a very detailed work session several suggested clarifications and amendments were recommended. In conclusion, a draft policy was requested by Finance Chair Ross to be presented which would result in a combined policy with specific sections addressing each BWL representative group.

### **Other**

None

### **Excused Absence**

**Motion** by Commissioner Price, Seconded by Commissioner Ross, to excuse Commissioner Louney from today's meeting.

**Action:** Motion Carried

### **Adjourn**

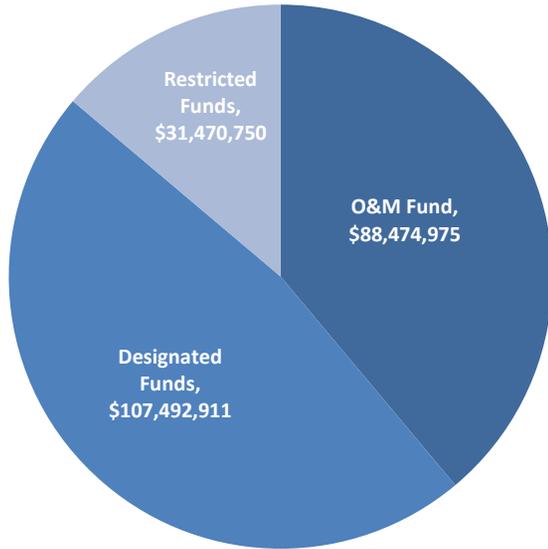
**On Motion** by Commissioner Price, Seconded by Commissioner Louney, the meeting adjourned at 6:51 p.m.

Respectfully submitted  
Ken Ross, Chair  
Finance Committee

# Financial Summary - January 2017



## Cash



**Total Cash: \$227,438,636**

	Month End	Target
Days Cash on Hand	205	150-249
Credit Rating	AA-	AA-
Debt Service Coverage - Rating Agencies	2.18	2.00-2.49
Debt Service Coverage - Bond Covenants	3.01	1.25

The Days Cash on Hand and Debt Service Coverage - Rating Agencies target ranges are provided by Moody's as expected performance for a AA- rated electric utility with generation.

Debt Service Coverage - Rating Agencies -  $\frac{\text{Projected Net Income} + \text{Depreciation Expense} + \text{Interest Expense} + \text{Fixed Obligations}^*}{\text{Debt Service} + \text{Fixed Obligations}}$

\*Fixed obligations represent Belle River Debt Service

## Income Statement YTD

	Actual YTD	YTD Budget	Difference	%	Actual Prior YTD	Difference	%
Retail	\$ 207,142,247	\$ 197,715,465	9,426,782	5%	\$ 198,196,368	\$ 8,945,879	5%
Wholesale	\$ 20,994,158	\$ 17,453,003	3,541,156	20%	\$ 19,576,952	\$ 1,417,206	7%
<b>Total Revenue</b>	<b>\$ 228,136,405</b>	<b>\$ 215,168,468</b>	<b>12,967,937</b>	<b>6%</b>	<b>\$ 217,773,319</b>	<b>\$ 10,363,085</b>	<b>5%</b>
Operating Expenses	\$ 187,233,140	\$ 186,143,670	1,089,471	1%	\$ 180,118,808	\$ 7,114,332	4%
Non Operating	\$ (21,093,785)	\$ (19,941,824)	(1,151,961)	6%	\$ (18,915,545)	\$ (2,178,240)	12%
<b>Net Income</b>	<b>\$ 19,809,481</b>	<b>\$ 9,082,975</b>	<b>10,726,506</b>	<b>118%</b>	<b>\$ 18,738,967</b>	<b>\$ 1,070,514</b>	<b>6%</b>

**Projected FY 2017 Net Income \$ 14,535,029**

## Budget Status YTD

### O&M Budget YTD (excluding fuel)

Approved Budget	Actual YTD	YTD Budget	Difference	%
\$ 139,241,533	\$ 84,905,199	\$ 85,006,869	(101,670)	0%
% of Approved Budget	61%	61%		

### Capital Budget YTD

Approved Budget	Actual YTD	YTD Budget	Difference	%
\$ 60,817,651	\$ 24,118,286	\$ 36,195,240	(12,076,954)	-33%
% of Approved Budget	40%	60%		

## Adjusted Net Income Return

Actual YTD	YTD Budget	Target
3.67%	2.37%	4.81%

*Adjusted Net Income Return -  $\frac{\text{Actual YTD Net Income increased for interest expense}}{\text{Net Fixed Assets} + \text{Inventory}}$*

# Financial Summary - January 2017



## Ratios

### Operating Ratio

$$\frac{\text{O\&M Expense } \$ 162,705,044}{\text{Revenue } \$ 228,136,405} = 0.71$$

APPA Median  
0.71

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

### Current Ratio

$$\frac{\text{Current Assets } \$ 229,584,530}{\text{Current Liabilities } \$ 43,641,683} = 5.26$$

APPA Median  
1.98

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

### Debt to Total Assets

$$\frac{\text{LT Debt + Accrued Liabilities } \$ 402,683,316}{\text{Total Assets } \$ 1,018,583,270} = 0.40$$

APPA Median  
0.53

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

### Days' Sales Outstanding

$$\frac{\text{Accounts Receivable } \$ 30,848,646}{\text{Average Sales } \$ 31,768,793} = 0.97$$

Prior Year  
25

X 31  
30 Days

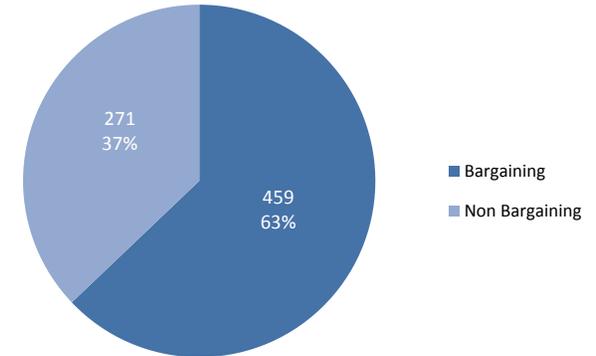
### Bad Debt

Actual YTD	YTD Budget	Over/(Under)	% of Revenue
\$811,237	\$702,784	\$108,453	0.36%

APPA Median  
0.27%

## Employee Data

Employee Count YTD	730
Budget YTD	767
Over (Under) #	(37)
Over (Under) %	-4.8%
Prior YTD	748
Difference	-18
Temporary Employee YTD	34



### Payroll Data

	Actual YTD	YTD Budget	Difference	%	Actual Prior YTD	Difference	%
Regular	\$ 31,685,170	\$ 32,641,861	\$ (956,691)	-2.9%	\$ 31,209,963	\$ 475,207	1.5%
Overtime	\$ 4,994,381	\$ 3,486,354	\$ 1,508,027	43.3%	\$ 4,337,794	\$ 656,587	15.1%
<b>Total</b>	<b>\$ 36,679,551</b>	<b>\$ 36,128,215</b>	<b>\$ 551,336</b>	<b>1.5%</b>	<b>\$ 35,547,757</b>	<b>\$ 1,131,794</b>	<b>3.2%</b>
Total Hours Worked	764,253				776,279		
Labor/Hours Worked	\$ 47.99				\$ 45.79		

APPA Median \$ 40.73

APPA Median data is based on 2015 numbers and does not reflect subsequent labor inflation.

### Benefits Cost

(Including Retirees)

	Actual YTD	YTD Budget	Difference
Health	\$ 8,161,653	\$ 7,083,050	\$ 1,078,603
RX	\$ 1,896,013	\$ 2,381,088	\$ (485,074)
Dental	\$ 615,337	\$ 688,794	\$ (73,457)
Life	\$ 186,812	\$ 213,384	\$ (26,572)
FICA	\$ 2,703,999	\$ 2,635,594	\$ 68,405
Other	\$ 745,217	\$ (244,165)	\$ 989,382
<b>Total</b>	<b>\$ 14,309,032</b>	<b>\$ 12,757,745</b>	<b>\$ 1,551,286</b>

**STATUS OF MANAGEMENT RESPONSES TO AUDITS  
MARCH 2017**



In Accordance with Board Resolution #2014-07-05

*Updates in red*

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
---------	------------	-------------------	------	------------------	--------

**Open Issues:**

17	Close the Books	The Internal Auditor recommended that consideration be given to the use of a general accounting manual.	Aug 2014	General Accounting	A General Accounting Procedure Manual is expected to be finalized by <b>3/31/17.</b>
27	Management of Mobile Devices	The Internal Auditor recommended encrypting data on all remaining laptops and smart phones.	Sept 2015	Information Technology	IT has encrypted the laptops used by field personnel and established user guidelines. Guidelines instruct BWL users to encrypt sensitive data on their own mobile devices. <b>Software with remote management capabilities has been procured and installed and will be fully deployed by 3/31/17.</b>
29	Management of Mobile Devices	Internal Audit recommended further consideration of procuring software with remote cleaning capabilities.	Sept 2015	Information Technology	<b>Software with remote management capabilities for mobile devices has been procured and installed and will be fully deployed by 3/31/17.</b>
33	Outage Management System	The audit recommended more specific test criteria, testing performed by the call processing vendor, development of test scripts, and a narrative of test results.	Oct 2015	Information Technology	<b>Modifications recommended as a result of a November 2016 stress test will be implemented by 3/31/17.</b>
37	Hiring Process	Internal Audit has requested that an all-encompassing hiring policy be documented.	May 2016	Human Resources	Human Resources has drafted an additional Board policy, one which addresses BWL hiring standards in their entirety, and will seek Board approval of it by <b>3/31/17.</b>
44	Billing	To address safety concerns associated with high consumption residential customers, management is discussing possible revisions to existing Rules and Regulations and coordination of public safety initiatives with other public agencies.	Nov 2016	Planning & Development	The appropriate course of action will be determined by 11/30/17, in coordination with city ordinances and state law.
45	Performance Evaluation & Compensation <i>NEW</i>	Internal Audit recommended additional standardization of performance evaluation procedures.	Jan 2017	Human Resources	Further development of the BWL performance management process for non-bargaining employees is underway, including additional participation throughout the year and goals and objectives in line with the new BWL Strategic Plan. The SMART concept already in use will be expanded upon (i.e., employee performance goals are SMART, which stands for Specific, Measurable, Action-oriented, Realistic and Time bound). Estimated completion date is 7/1/18.

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
46	Performance Evaluation & Compensation <i>NEW</i>	Internal Audit recommended job descriptions be updated.	Jan 2017	Human Resources	Human Resources will coordinate the updating of job descriptions, in collaboration with each area throughout the organization. This project will incorporate multiple phases, beginning with planning and identifying needed resources. Estimated project completion is 6/30/19.
47	Performance Evaluation & Compensation <i>NEW</i>	Internal Audit recommended increasing flexibility with awarding merit increases.	Jan 2017	Human Resources	Decoupling of cost-of-living and merit increases is already underway, including budgeting of the two separate categories of increases for fiscal 2018 and development of corresponding instructional information. Project completion is expected by 7/1/18.
E-2	IT Assessment (by External Auditors)	It was noted that network and financial application password settings need strengthening, including establishing requirements that passwords be changed every 90 days, be a minimum length of 8 characters, and include special characters. In addition, 8 prior passwords should be remembered and user accounts should be locked after 3-5 failed login attempts.	Sept 2016	Information Technology	<b>Enhancement of network, mainframe, and application password settings has been completed, with the exception of one application which will instead be replaced, at a date yet to be finalized.</b>
E-3	IT Assessment (by External Auditors)	Management letter indicated that user account access should be reviewed annually by management for appropriateness, following the least privilege principle, with documentation of reviews retained.	Sept 2016	Information Technology	<b>IT is currently reviewing user access to CIS and SAP with management, with completion expected by 3/31/17.</b>
E-5	IT Assessment (by External Auditors)	Baker-Tilly noted that the Windows 2003 operating system on which the DP250 database runs needs upgrading.	Sept 2016	Information Technology	<b>Needed funding to address this issue during the coming fiscal year is expected to be secured by 3/31/17.</b>

**Closed Issues (since December 2016 report):**

E-1	IT Assessment (by External Auditors)	Baker-Tilly's management letter officially noted that all users of financial applications should have a unique ID and generic, shared, temporary and system accounts should be removed. If a system account cannot be removed, it should be disabled.	Sept 2016	Information Technology	Generic user IDs for financial applications have been disabled.
E-4	IT Assessment (by External Auditors)	Baker-Tilly recommended a cyberattack awareness program with surprise penetration testing.	Sept 2016	Emergency Management / Information Technology	Employees are participating in annual online cybersecurity awareness training and a new monthly live training program which includes a phishing component. In addition, DHS will conduct a phishing campaign as part of their annual assessment. A first round of surprise penetration testing took place on 2/15/17.



# Travel & Reimbursement Policy

---

**Commissioners, Board Appointees, Employees, Investment Fiduciaries**

**March XX, 2017**

## INDEX

<b>Topics</b>	<b>Page</b>
<b>General Guidelines</b>	<b>2</b>
<b>Purpose</b>	<b>2</b>
<b>Scope</b>	<b>3</b>
<b>Approval</b>	<b>3</b>
<b>Registration</b>	<b>3</b>
<b>Lodging</b>	<b>4</b>
<b>Transportation</b>	<b>4</b>
<b>Meals</b>	<b>5</b>
<b>Substantiation Requirements</b>	<b>6</b>
<b>Non-Reimbursed Expenses</b>	<b>7</b>
<b>Waiver</b>	<b>7</b>
<b>Investment Fiduciary - Retirement System Education</b>	<b>8</b>
<b>Revision History</b>	<b>9</b>

## **General Guidelines**

---

This Travel and Reimbursement Policy (“Policy”) is designed to act as a guideline for business travel and related expense reimbursements. They are based on practices employed by many organizations of our size and take into consideration what is considered reasonable and customary. While this Policy does contain suggested expense limits, we challenge all employees to use professional judgment when incurring expenses on behalf of the Board of Water & Light (“BWL”).

Abuse of this Policy, including falsifying expense reports to reflect costs not incurred, can be grounds for disciplinary action, including, but not limited to, termination of employment; for BWL Board of Commissioners (“Board”) removal from service as an officer and or disqualification from service as an officer for the duration of their service on the Board.

Conference registration fees, lodging, airfare or other items which may be scheduled in advance can be prepaid with a BWL P-Card or via a check through the Request for Payment option included in BWL’s Travel Form and with the appropriate advance approval.

Travelers should review reimbursement guidelines outlined in this Policy before spending personal funds for business travel to determine if such expenses are reimbursable. The BWL reserves the right to deny reimbursement of travel-related expenses for failure to comply with policies and procedures.

Travelers who use personal funds to facilitate travel arrangements will be reimbursed after the trip occurs and when proper documentation is submitted. Should reimbursement be requested prior to traveling, the request must be submitted via BWL’s Travel Form with proper approval.

**ALL APPROVED EXPENSES INCURRED MUST BE IN ACCORDANCE WITH YOUR DEPARTMENT’S BUDGET. IF YOU ARE UNSURE OF YOUR AVAILABLE DEPARTMENT BUDGET, PLEASE CONTACT YOUR DEPARTMENT MANAGER PRIOR TO INCURRING ANY EXPENSES.**

### **This Policy is designed to accomplish the following key points:**

- Ensure all travelers have a clear and consistent understanding of policies and procedures for business travel and related expenses.
- Ensure travelers have a clear understanding of what a legitimate business travel expense is.
- Ensure travelers are reimbursed for legitimate business travel expenses when spending personal funds.
- Provide the appropriate level of accounting & business controls to ensure that expenses are reviewed & approved by the appropriate person.

## **Purpose**

---

Due to the complex and changing environment, it is essential for Commissioners, Board Appointees, Employees and Investment Fiduciaries to be well informed on issues of importance to the utility industry. Commissioners, Board Appointees, Employees and Investment Fiduciaries are encouraged and occasionally required to attend seminars, meetings, or other programs that provide information impacting the operations of the BWL.

## Scope

---

This Policy shall apply to the following:

- **Commissioners:** All 4 Year Term Commissioners
- **Board Appointees:** General Manager, Internal Auditor, and Corporate Secretary
- **Employees:** Active Employees
- **Investment Fiduciaries**

## Approval

---

Commissioner	Board Appointee	Employee	Investment Fiduciary
Advance approval for all business travel is required by the Board Chair.	Advance approval for all business travel is required by the Board Chair.	Advance approval for all business travel is required by the next level of management above supervisor level.	Advance approval for all business travel is required by the Board Chair.

## Registration

---

Commissioner	Board Appointee	Employee	Investment Fiduciary
<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p> <p>Registration fees for <i>guest programs</i> will be reimbursed with substantiation.</p>	<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p> <p>Registration fees for <i>guest programs</i> will be reimbursed with substantiation.</p>	<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p>	<p>Registration fees or similar expenses for training, meetings, conferences or seminars will be reimbursed with substantiation.</p>

## Lodging

Actual expenses for lodging will be reimbursed. In the event a Commissioner, Board Appointee, Employee or Investment Fiduciary is accompanied by a guest or family member(s), the BWL will only reimburse at the single room rate.

Many hotels offer discounts to non-profit and/or governmental agencies. When making lodging arrangements, this discount should be requested.

Accommodations such as different room types, extra rooms, and other special amenities for personal guests should be arranged by the Commissioner, Board Appointee, Employee or Investment Fiduciary, and paid directly to the hotel via a personal credit card or other means of personal payment.

Allowance for lodging will be at the lowest rate charged at the hotel facility housing the conference or seminar. If the conference facility upgrades the room rate, based on availability at the time of registration, the upgrade shall be allowed.

## Transportation

Commissioner	Board Appointee	Employee	Investment Fiduciary
Commercial airline* or rail travel will be reimbursed for Main Cabin seating. **	Commercial airline* or rail travel will be reimbursed for Main Cabin seating. **	Commercial airline* or rail travel will be reimbursed for Main Cabin seating. **	Commercial airline* or rail travel will be reimbursed for Main Cabin seating. **
Rental car will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car should be included on BWL's Travel Form.	Rental car will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car should be included on BWL's Travel Form.	Rental car will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car should be included on BWL's Travel Form.	Rental car will be reimbursed up to the cost of a mid-size automobile or smaller only if taxis or other means of transportation are less economical or otherwise impractical. Justification for a rental car should be included on BWL's Travel form.
Taxi, bus, subway, shuttle, garage and airport parking costs will be reimbursed.	Taxi, bus, subway, shuttle, garage and airport parking costs will be reimbursed.	Taxi, bus, subway, shuttle, garage and airport parking costs will be reimbursed.	Taxi, bus, subway, shuttle, garage and airport parking costs will be reimbursed.

(Transportation continued on next page)

## Transportation (Continued)

Commissioner	Board Appointee	Employee	Investment Fiduciary
<p>Flat rate mileage will be paid for use of a private vehicle as per current Internal Revenue Service regulations.</p> <p>All mileage must be documented on BWL's Travel Form.</p>	<p>Flat rate mileage will be paid for use of a private vehicle as per current Internal Revenue Service regulations.</p> <p>Mileage should be submitted through BWL's time entry system and documented on BWL's Travel Form.</p>	<p>Flat rate mileage will be paid for use of a private vehicle as per current Internal Revenue Service regulations.</p> <p>Mileage should be submitted through BWL's time entry system and documented on BWL's Travel Form.</p>	<p>Flat rate mileage will be paid for use of a private vehicle as per current Internal Revenue Service regulations.</p> <p>All mileage must be documented on BWL's Travel Form.</p>
<p><b>*Reservations:</b> In order to optimize cost savings for the company, individuals should make every attempt to make travel arrangements 30 or more days in advance of in advance of travel.</p> <p><b>**Air Travel:</b> Non-Refundable Main Cabin is the allowable booking class for all domestic flights. If a medical condition necessitates upgraded travel, you must obtain a physician's order and discuss with a BWL Human Resources Representative for approval <b>prior</b> to booking.</p>			
<p>A Commissioner, Board Appointee, Employee or Investment Fiduciary may elect for a more expensive travel option, such as first class airfare or driving a rental car rather than flying, but reimbursement will be limited to the amounts specified in this section. When more expensive transportation is selected, documentation of the comparative transportation cost, such as coach class airfare, must be provided and any difference must be covered by the traveler. Additional costs, such as lodging and meals, incurred due to an individual's decision to use a less time-efficient mode of transportation, will not be reimbursed.</p>			

## Meals

Commissioner	Board Appointee	Employee	Investment Fiduciary
<p>Reimbursement will be based on a per diem rate of \$100 per day.</p>	<p>Reimbursement will be based on actual cost incurred with receipt substantiation. Meal gratuity exceeding 20% will not be reimbursed.</p>	<p>Reimbursement will be based on actual cost not to exceed \$70 per day with receipt substantiation. Meal gratuity exceeding 20% will not be reimbursed.</p>	<p>Reimbursement will be based on a per diem rate of \$100 per day.</p>

## Substantiation Requirements

Commissioner	Board Appointee	Employee	Investment Fiduciary
Original receipts should be obtained and retained to substantiate the expense with the exception of meal receipts.	Original receipts should be obtained and retained to substantiate the expense.	Original receipts should be obtained and retained to substantiate the expense.	Original receipts should be obtained and retained to substantiate the expense.
Miscellaneous expenses (gratuities, parking, tolls, baggage fees, etc.) considered to be reasonable will be reimbursed with receipt. If a receipt cannot be reasonably obtained, the expenditures will be reimbursed up to \$50 per day, but must be documented including location, date and a description of the expenditure.	Miscellaneous expenses (gratuities, parking, tolls, baggage fees, etc.) considered to be reasonable will be reimbursed with receipt. If a receipt cannot be reasonably obtained, the expenditures will be reimbursed up to \$50 per day, but must be documented including location, date and a description of the expenditure.	Miscellaneous expenses (gratuities, parking, tolls, baggage fees, etc.) considered to be reasonable will be reimbursed with receipt. If a receipt cannot be reasonably obtained, the expenditures will be reimbursed up to \$50 per day, but must be documented including location, date and a description of the expenditure.	Miscellaneous expenses (gratuities, parking, tolls, baggage fees, etc.) considered to be reasonable will be reimbursed with receipt. If a receipt cannot be reasonably obtained, the expenditures will be reimbursed up to \$50 per day, but must be documented including location, date and a description of the expenditure.
All expenses must be summarized on BWL's Travel Form with receipts and submitted for review and approval by the Board Chair. If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of incurred date.	All expenses must be summarized on BWL's Travel Form with receipts and submitted for review and approval by the Board Chair. If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of incurred date.	All expenses must be summarized on BWL's Travel Form with receipts and submitted for review and approval by next level of management above a supervisor. If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of incurred date.	All expenses must be summarized on BWL's Travel Form with receipts and submitted for review and approval by the Board Chair. If reimbursement is requested, substantiation must be sent to Accounts Payable within 60 days of incurred date.
Retention = Creation Date +7 Years	Retention = Creation Date +7 Years	Retention = Creation Date +7 Years	Retention = Creation Date +7 Years.

**Cancellation Policy:** If an individual cancels travel for personal reasons and the BWL is unable to obtain a refund, the individual may be held responsible for the expenses incurred for travel.

**Missed Flights and No-Show Charges:** If an individual misses or fails to show for a flight for personal reasons they may be responsible for the nonrefundable costs.

**Personal Upgrades:** Personal miles or coupons can be used to upgrade to first class, or an individual may opt to pay personally for the price difference between coach and first class. Individuals are responsible for paying the difference in price.

## Non-Reimbursed Expenses

The BWL is a public entity and individuals representing the company are expected to act in the best interest of the BWL and its ratepayers. Examples of expenses which **WILL NOT** be reimbursed include, but are not limited to, the following:

Commissioner	Board Appointee	Employee	Investment Fiduciary
Personal expenses not associated with Board of Water and Light business.	Personal expenses not associated with Board of Water and Light business.	Personal expenses not associated with Board of Water and Light business.	Personal expenses not associated with Board of Water and Light business.
Alcoholic beverages.	Alcoholic beverages.	Alcoholic beverages.	Alcoholic beverages.
Guest travel expenses. BWL will only reimburse guest program registration fees.	Guest travel expenses. BWL will only reimburse guest program registration fees.	Guest Travel Expenses.	Guest Travel Expenses.
Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.	Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.	Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.	Golf course or tennis court fees, golf clubs, or any other sporting equipment, entertainment events or activities.
Traffic and parking violations.			
Travel Insurance.	Travel Insurance.	Travel Insurance.	Travel Insurance.

## Waiver

Commissioner	Board Appointee	Employee	Investment Fiduciary
This Policy may not be waived or overridden, except by the Board Chair when an emergency or special circumstance arises.	This Policy may not be waived or overridden, except by the Board Chair when an emergency or special circumstance arises.	This Policy may not be waived or overridden, except by the General Manager when an emergency or special circumstance arises.	This Policy may not be waived or overridden, except by the Board Chair when an emergency or special circumstance arises.

## **Travel for Investment Fiduciary - Retirement System Education**

---

The Board recognizes that it is subject to the provisions of the Public Employee Retirement System Investment Act, Michigan Public Act 314 of 1965, as amended. The Board is required to act as a prudent investor in all transactions related to Retirement System funds and assets by discharging its duties solely in the interests of the participants and beneficiaries and shall act with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims; and with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered.

The Board is vested with the general administration, management, and operation of BWL's Retirement System ("Retirement System"), which consist of the Defined Benefit Plan, Defined Contribution Plan and the Retiree Benefit Plan (also known as VEBA) and has fiduciary responsibility to make decisions solely in the interest of plan members and beneficiaries.

An Investment Fiduciary means a person other than a participant that exercises any discretionary authority or control in the investment of a system's assets which would include Trustees and the Retirement Planning Committee.

The Board recognizes that, consistent with its fiduciary duty and liability, it is necessary and appropriate for Investment Fiduciaries to attend Board meetings and educational seminars/conferences so that the Board and its appointed Trustees may be made aware of developments regarding Retirement System administration, and so that the Board may further become aware of how persons acting in a like capacity administer their respective retirement systems.

The BWL recognizes that in order for the participants and beneficiaries of the Retirement System to have the best representation, it is imperative for the Investment Fiduciaries to participate in Board business, including Board meetings, continuing education programs, and due diligence evaluations of current and potential investments. Investment Fiduciaries are encouraged to attend all meetings of the Board, and attend one conference per year. Individuals wishing to attend additional conferences in a year must request prior Board approval and provide a post conference report to the Board on topics covered.

All persons who attend a seminar or conference must earn an attendance or participatory certificate if the seminar or conference sponsor offers such a certificate. The failure to earn such a certificate may result in the particular attendee becoming ineligible to attend any further educational seminars and/or conferences. In the event that a certificate is not offered, the Investment Fiduciary must provide seminar or conference materials to the Corporate Secretary on behalf of the Board.

## Revision History

---

Date	Reason	Action
March XX, 2017	New Policy	Board Approved – #XXXXXX

## *Proposed Resolution*

### **TRAVEL & REIMBURSEMENT POLICY – BOARD OF COMMISSIONERS, BOARD APPOINTEES, EMPLOYEES and INVESTMENT FIDUCIARIES**

**RESOLVED**, That the Travel & Reimbursement Policy for the Board of Commissioners, Board Appointees, Employees and Investment Fiduciaries (formerly known as Retirement System Representatives) will replace the existing Policies and Resolutions listed below:

- 1) Policy 0004 – Travel Expense - Board Appointees
- 2) Policy 0007 – Travel Expense – Board of Commissioners
- 3) Policy 0056 – Travel & Reimbursement – Employees
- 4) Resolution #2007-05-14 – Amendment to Travel Policy for the Board of Commissioners
- 5) Resolution #2014-11-02 – Retirement System Education & Travel Policy

Staff Comments: The purpose of this Resolution is to consolidate the existing policies and resolutions listed above into 1 policy and apply uniform requirements throughout. The following significant changes were made:

#### Board of Commissioners

- Policy covers 4 Year Term Commissioners
- Advance Approval by the Board Chair
- Reimbursement Approval by the Board Chair
- Policy may be overridden by Board Chair when emergency or special circumstance arises

#### Board Appointees

- Advance Approval by the Board Chair
- Reimbursement Approval by the Board Chair
- Eliminated the \$50/day per diem rate
- Meal Reimbursement will be at actual cost with a 20% gratuity cap
- Policy may be overridden by Board Chair when emergency or special circumstance arises

#### Employees

- Meal reimbursement increased (from \$50) to \$70 per day with a 20% gratuity cap
- Miscellaneous Expense increased (from \$25) to \$50 per day

#### Investment Fiduciaries

- Advance Approval by the Board Chair
- Reimbursement Approval by the Board Chair
- Eliminate \$500 per day cash travel advance
- Policy may be overridden by Board Chair when emergency or special circumstance arises

**NOW THEREFORE BE IT RESOLVED:** that the Finance Committee recommends that the Board of Commissioners adopt the combined and updated travel policy as presented.



# Internal Audit Status Report

Presented by:  
Phil Perkins, Director of Internal Audit  
Finance Committee Meeting  
March 2017

# Overview

- Current Audit Progress Report
- Remaining FY 2017 Audit Plan
- Other Items

# Current Audit Progress Report

## Engagements Completed in FY 17:

1. Surprise Cash Count #1.
2. Time Reporting Review #1 & 2.
3. Performance Evaluation/Compensation/Merit Pay Audit
4. Collections Audit

## Engagements in Progress:

1. Follow-up Audit Training & Development—draft audit report stage.
2. IT - COBIT Compliance – in progress, about 75% complete. Anticipate completion in March 2017.
3. New Service Order Management – Water. Fieldwork in progress; anticipate completion in April 2017.
4. Payroll Management – just underway; anticipate completion in May 2017.

# Remaining FY 2017 Audit Plan

## Audits:

1. IT – Identity and Access Management
2. Follow-up – Hiring Process Audit

## Other Engagements:

1. Vehicle Time Reporting Review
2. Surprise Cash Count #2

# Other Items

## Internal Auditor Professional Development:

- On target to meet professional education requirements for certifications:
  - CPA
  - CIA
  - CISA
- Passed examination in November 2016 to attain Fundamentals of Cybersecurity certification.

## Quality Assurance Improvement Program:

- An Internal Quality Review has been completed with good results, in preparation for the required 5-year External Peer Review.
- Anticipate the External Peer Review to occur in May 2017.

# Other Items, continued

## Annual Planning & Risk Assessment for FY 2018 Audit Plan

- Meetings to be held with executive management and staffs to discuss current risk areas and potential audit topics for FY 2018.
- Draft audit plan for FY 2018 to be presented for Board approval not later than July 2017.