



LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
March 11, 2025 – 6:00 P.M.
Board of Water & Light Headquarters – REO Town Depot
1201 S. Washington Ave., Lansing, MI 48910

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

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 January 14, 2025..... **TAB 1**
- 2. Financial Summary YTD **TAB 2**
 - a. Capital Project Report..... **TAB 2a**
- 3. Regulatory Account Approval for Other Post Employment Benefit Plan..... **TAB 3**
 - a. Regulatory Account Approval for Other Post Employment Benefit Plan Resolution..... **TAB 3a**
- 4. Approval of Payments Requested by Board Appointed Employees Resolution **TAB 4**
- 5. Presentation of Appointed Employees’ Department Budgets to Finance Committee Resolution..... **TAB 5**
- 6. Internal Audit Status Report..... **TAB 6**
- 7. Internal Audit Department Assessment Results **TAB 7**

Other

Adjourn

FINANCE COMMITTEE
Meeting Minutes
January 14, 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, January 14, 2025.

Finance Committee Chairperson Tony Mullen called the meeting to order at 6:24 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, DeShon Leek, Tracy Thomas, Sandra Zerkle; and Non-Voting Commissioners J. R. Beauboeuf (East Lansing) and Commissioner Robert Worthy (Delta Township)
Absent: None

The Corporate Secretary declared a quorum.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner David Price, **Seconded** by Commissioner Semone James, to approve the Finance Committee Meeting minutes of November 7, 2024.

Action: Motion Carried. The minutes were approved.

YTD Financial Summary

Assistant General Manager Heather Shawa presented the YTD Financial Summary. Days Cash on Hand is above the year-end target due to timing of spending on new energy projects and bond proceeds still being held. Wholesale revenue is low due to lower market pricing and a planned outage at DEP that went over. The wholesale forecast will be reviewed and updated quarterly.

Commissioner Worthy asked if the return on assets target was on track and Ms. Shawa responded that it is what is needed to be reinvested into the BWL system.

Commissioner Mullen asked how many customers have been helped with keeping their power on with the PA95 opt in. Ms. Shawa responded she could obtain and provide the information to the Commissioners. GM Peffley responded that an extra \$1.2 million in revenue was brought in and it is no longer an option for BWL to opt out of PA95.

In response to Commissioner Schrader, GM Peffley and Director of Internal Audit Elisha Franco stated that they will gather the information of customers helped and provide it to the Commissioners.

Commissioner Schrader commented on the wholesale market being down 44%, a decline in the PPAs and the offset between the two. Ms. Shawa responded that the PPAs have a fixed cost and can offset the wholesale market, but the major offset is excess generation and the lower price. GM Peffley added if wholesale is down, there is a corresponding reduction in natural gas fuel cost.

Internal Audit Findings & Recommendations

Director of Accounting, Finance & Planning Scott Taylor introduced Internal Control Analyst Cody Rochefort, who presented the internal audit findings & recommendations. Recommended additions and updates to the FY2024 Rules and Regulations were reviewed. Internal Audit recommends that Legal Affairs lead the Rules and Regulations review process, with the Finance Department being responsible for calculating, overseeing, and approving all fees and charges. Closed findings and recommendations were also reviewed.

Commissioner Mullen congratulated the Internal Audit team on the quick implementation of the findings and recommendations.

Internal Audit Status Report

Director of Internal Audit Elisha Franco presented the Internal Audit Status Report. The remittance/cash receipts audit began in November 2024 and is currently underway. All findings and recommendations with due dates of December 31, 2024, as identified by management, have been resolved. There are four remaining open findings and recommendations from the rules and regulations audit, which are scheduled to be completed by October 2025. A follow-up PA 95 Audit will be conducted April-June 2025, and a P-Card Audit is tentatively scheduled for March-May 2025. AuditBoard has successfully launched and is being used for the remittance/cash receipt audit. Plante Moran has been consulted to assist with support of internal audit activities, internal audit assessment, gap analysis, and AuditBoard implementation support.

Other

There was no other business.

Adjourn

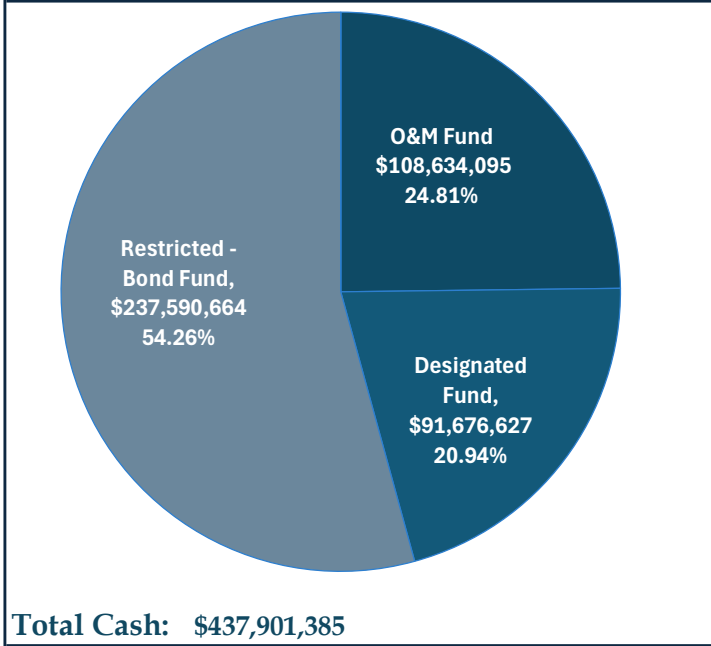
Chairperson Tony Mullen adjourned the meeting at 6:47 p.m.

Respectfully submitted,
Tony Mullen, Chairperson
Finance Committee

Financial Summary - January 2025 - FY25



Cash



Total Cash: \$437,901,385

	Month End	Target
Days Cash on Hand	165	149
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.16	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	\$ 242,855,828	\$ 236,590,889	\$ 6,264,940	3%
Wholesale	\$ 26,909,001	\$ 44,240,048	\$ (17,331,047)	-39%
Total Revenue	\$ 269,764,829	\$ 280,830,937	\$ (11,066,108)	-4%
Operating Expenses	\$ 222,791,990	\$ 236,668,752	\$ (13,876,762)	-6%
Non Operating Income/(Exp)	\$ (30,209,110)	\$ (32,734,887)	\$ 2,525,777	-8%
Net Income	\$ 16,763,729	\$ 11,427,298	\$ 5,336,431	47%
FY 2025 Budgeted Net Income		\$ 12,559,678		

Budget Status YTD

O&M Budget YTD (excluding fuel)

FY 2025 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 194,854,057	\$ 112,824,838	\$ 112,151,444	\$ 673,394	1%
<i>% of Approved Budget</i>	58%	58%		

Capital Budget YTD

FY25 Approved CIP Budget	Actual YTD	Budget YTD	Difference	%
\$ 87,791,518	\$ 30,010,380	\$ 41,378,509	\$ (11,368,128)	-27%
<i>% of Approved Budget</i>	34%	47%		

FY25 New Energy Budget

	Actual YTD	Budget YTD	Difference	%
\$ 99,764,537	\$ 36,338,543	\$ 54,445,011	\$ (18,106,469)	-33%
<i>% of Approved Budget</i>	36%	55%		

Return on Assets

Actual YTD	Budget YTD	Target
2.33%	2.04%	3.97%
Return on Assets = YTD Net Income + YTD Interest Expense - YTD Interest Income Net Fixed Assets + Inventory		

Financial Summary - January 2025 - FY25



Ratios

Operating Ratio

O&M Expense	\$ 186,507,209	=	0.69	APPA Median 0.78
Revenue	\$ 269,764,829			

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

Current Ratio

Current Assets	\$ 265,263,188	=	3.40	APPA Median 1.71
Current Liabilities	\$ 77,990,209			

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

Debt to Total Assets

LT Debt + Accrued Liabilities	\$ 1,265,030,403	=	0.63	APPA Median 0.54
Total Assets	\$ 2,004,640,131			

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

Days Sales Outstanding

Average Accounts Receivable	x 31 =	23	Prior Year 27
Retail Revenue			

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

Bad Debt

12 Month Bad Debt Exp	\$ 2,170,444	=	0.53%	Prior Year 0.64%
12 Month Retail Revenue	\$ 411,798,017			

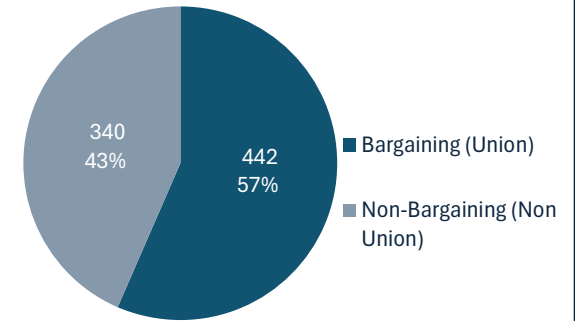
Measures the portion of each retail revenue dollar that will not be collected

Employee Data

Employee Count

Employee Count YTD	782
Budget YTD	830
Over/(Under) #	(48)

Full Time Equivalent Temporary Employees	29
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Payroll Data

	Actual YTD	Budget YTD	Difference	%	Prior Year \$ 61.64
Regular	\$ 48,081,814	\$ 48,029,287	\$ 52,526	0.1%	
Overtime	\$ 4,723,990	\$ 4,714,378	\$ 9,612	0.2%	
Total	\$ 52,805,803	\$ 52,743,665	\$ 62,139	0.1%	
Total Hours Worked	835,615				
Labor \$/Hours Worked	\$ 63.19				

Benefits Cost

(Including Retirees)	Actual YTD	Budget YTD	Difference
Health	\$ 9,492,360	\$ 10,545,295	\$ (1,052,935)
Rx	\$ 2,972,515	\$ 2,990,594	\$ (18,079)
Dental	\$ 783,841	\$ 805,553	\$ (21,712)
Life	\$ 321,815	\$ 379,750	\$ (57,935)
FICA	\$ 3,905,244	\$ 3,989,911	\$ (84,667)
Other	\$ 373,618	\$ 797,065	\$ (423,447)
Total	\$ 17,849,393	\$ 19,508,168	\$ (1,658,775)

* All APPA Median Numbers Are For Utilities With Greater Than 100,000 Customers As Obtained From The Most Recent "APPA Financial And Operating Ratios Of Public Power Utilities Report" Published In 2025.

Report as of January 31, 2025

Projects Sorted by the FY25 Projection (Highest to lowest costs)											
Project Name	Current Phase ¹	FY 25		Total Project				Project Period			
		Budget	Projection	Designed Budget Amount	Current Projection	\$ Variance ²	% Variance ²	Total Cost Incurred To-Date	% Total Cost Incurred To-Date	Start Date	Projected Completion Date ¹
Top Ten Planned Projects											
South Reinforcement - Transmission Line	Phase 4 - Construction	\$ 18,000,000	\$ 18,000,000	\$ 43,503,927	\$ 43,503,928	\$ 1	0.00%	\$ 9,975,296	22.93%	09/20/2017	10/01/2026
Wise Substation - Rebuild	Phase 4 - Construction	\$ 2,713,893	\$ 3,267,059	\$ 31,520,194	\$ 31,660,946	\$ 140,752	0.45%	\$ 29,793,953	94.10%	11/22/2022	08/08/2025
Rundle Substation	Phase 3 - Design	\$ 5,524,057	\$ 3,261,313	NA	\$ 29,365,505	\$ -	0.00%	\$ 4,623,545	15.74%	02/27/2024	03/05/2029
Chilled Water Control System Upgrade	Phase 3 - Design	\$ 2,225,609	\$ 2,752,132	NA	\$ 3,696,474	\$ -	0.00%	\$ 920,529	24.90%	10/02/2023	08/29/2025
Elevated Storage ³	Phase 4 - Construction	\$ 4,942,194	\$ 2,537,467	\$ 16,063,520	\$ 15,497,799	\$ (565,721)	-3.52%	\$ 12,174,206	78.55%	05/08/2023	04/06/2026
HRIS	Phase 4 - Construction	\$ 1,767,693	\$ 2,384,657	\$ 3,902,097	\$ 3,902,097	\$ -	0.00%	\$ 2,740,103	70.22%	07/15/2023	07/16/2025
LGR Substation	Phase 3 - Design	\$ 3,100,000	\$ 1,610,104	NA	\$ 21,969,086	\$ -	0.00%	\$ 4,220,614	19.21%	02/27/2024	08/30/2027
Dye Chemical Handling ³	Phase 4 - Construction	\$ 1,386,204	\$ 1,348,481	\$ 13,707,307	\$ 4,589,024	\$ (9,118,283)	-66.52%	\$ 3,691,504	80.44%	09/15/2023	08/26/2025
Walter French	Phase 4 - Construction	\$ 599,160	\$ 1,341,663	\$ 1,390,988	\$ 1,390,988	\$ -	0.00%	\$ 333,266	23.96%	10/03/2023	05/27/2025
Magnolia Ave Cutover	Phase 3 - Design	\$ 1,448,800	\$ 1,132,411	NA	\$ 5,287,726	\$ -	0.00%	\$ 2,751,726	52.04%	08/17/2020	06/30/2026
Total Top Ten Planned Projects		\$ 41,707,610	\$ 37,635,287		\$ 160,863,573			\$ 71,224,742			
Project Watch List - Projects \$150k and 10% over the Designed Budget Amount (Outside of Top Ten Planned Projects)											
REO STG Overhaul	Phase 4 - Construction	\$ 750,000	\$ 1,535,129	\$ 965,153	\$ 2,594,379	\$ 1,629,226	168.81%	\$ 232,805	8.97%	05/14/2024	09/03/2025
Dye Filter Controls Upgrade ⁴	Phase 4 - Construction	\$ 21,818	\$ 827,689	\$ 2,443,265	\$ 2,932,883	\$ 489,618	20.04%	\$ 2,636,376	89.89%	02/01/2021	06/26/2025
Total Project Watch List		\$ 771,818	\$ 2,362,818		\$ 5,527,262			\$ 2,869,181			
Remaining Planned											
Electric		\$ 2,518,590	\$ 2,084,613								
Water ³		\$ 44,421	\$ 151,570								
Steam		\$ -	\$ (16)								
Chilled Water		\$ -	\$ -								
Common		\$ -	\$ 173,500								
Total Remaining Planned		\$ 2,563,011	\$ 2,409,667								
Annual											
Electric		\$ 14,638,000	\$ 19,254,854			\$ 4,616,854	31.5%				
Water ³		\$ 14,661,519	\$ 16,154,718			\$ 1,493,199	10.2%				
Steam		\$ 4,123,722	\$ 3,883,475			\$ (240,247)	-5.8%				
Chilled Water		\$ -	\$ 481			\$ 481	0.0%				
Common		\$ 6,632,830	\$ 5,740,740			\$ (892,090)	-13.4%				
Total Annual		\$ 40,056,071	\$ 45,034,268			\$ 4,978,197	12.4%				
Management Reserve											
Management Reserve		\$ 2,693,007	\$ 1,244,841								
Grand Total		\$ 87,791,518	\$ 88,686,880								

Notes:

- ¹ For projects that are in Stage Gates 1-3, the Expected Total Project Cost are high level estimates that can have a significant margin of error.
- ¹ For projects that are in Stage Gates 1-3, the Expected Completion Date is subject to change as organizational priorities or project plans are reassessed.
- ² Variances highlighted in red are over the \$200k and 15% thresholds.
- ³ FY25 budget and projections are shown net of anticipated grant funding.
- ⁴ Resolution 2024-03-01 approved Dye Filter Controls Upgrade for a final total project cost of \$3,065,675

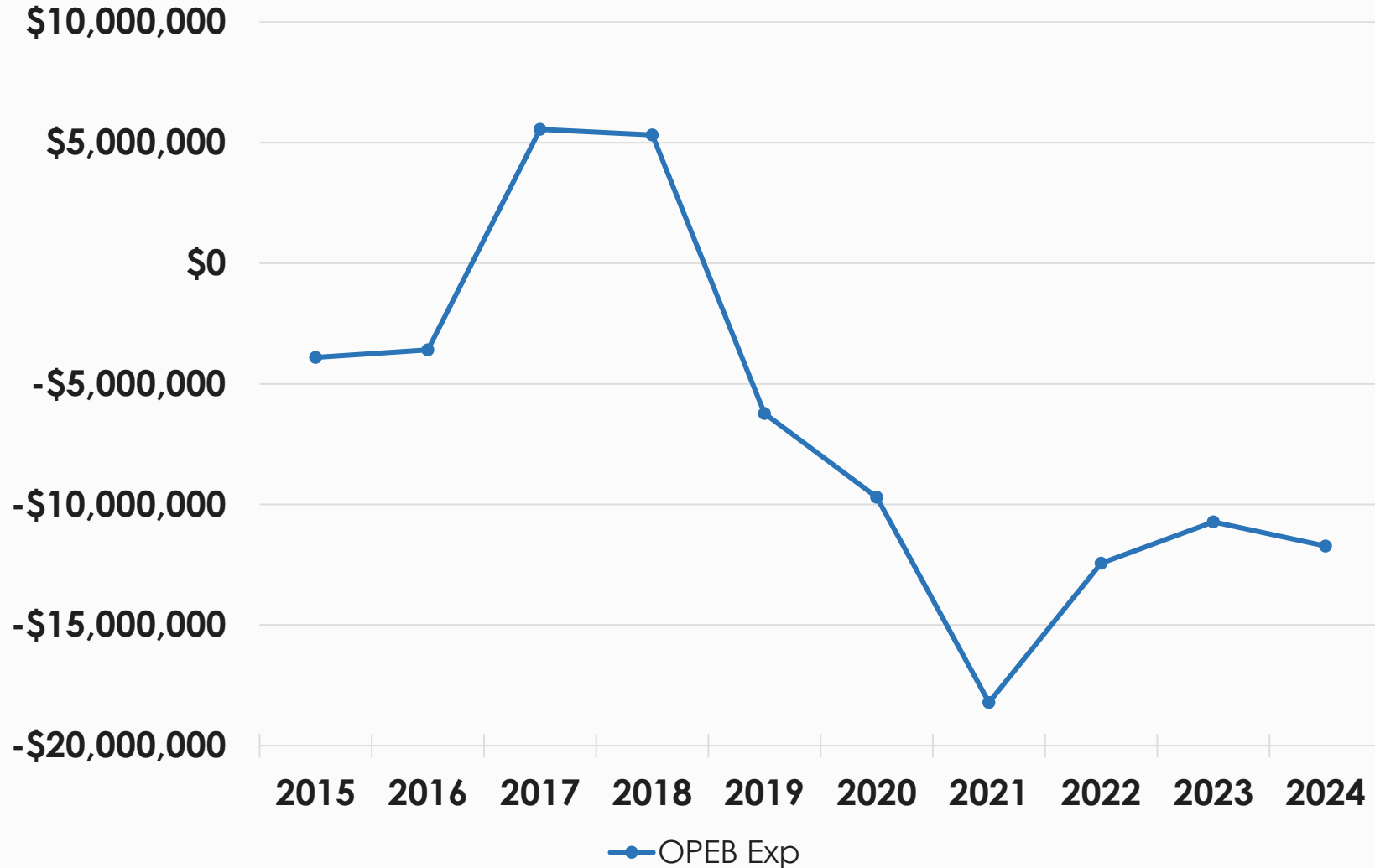
Regulatory Accounting

Application of GASB 62 to Other Post Employment
Benefits (OPEB) Expense



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Historic OPEB Expense



GASB 62 – Regulatory Accounting

- GASB 62 allows for deferred accounting treatment for certain regulated operations where cost recovery is provided for in rates
- BWL meets the eligibility requirements for application of this accounting treatment
- This allows BWL to adjust the timing of expense recognition to align with the timing of rate recovery satisfying the matching principle of accounting

Expense Recognition Comparison: Current Process

Current method is to recognize the entire OPEB expense in the current fiscal year

Current			2026	2027	2028	2029	2030
	Year	Expense	1	2	3	4	5
6-year B&F Projected	2026	\$6,170,986	\$ 6,170,986				
6-year B&F Projected	2027	\$341,658		\$ 341,658			
6-year B&F Projected	2028	\$1,717,027			\$ 1,717,027		
6-year B&F Projected	2029	\$3,408,189				\$ 3,408,189	
6-year B&F Projected	2030	\$3,836,665					\$ 3,836,665
		Current	\$ 6,170,986	\$ 341,658	\$ 1,717,027	\$ 3,408,189	\$ 3,836,665

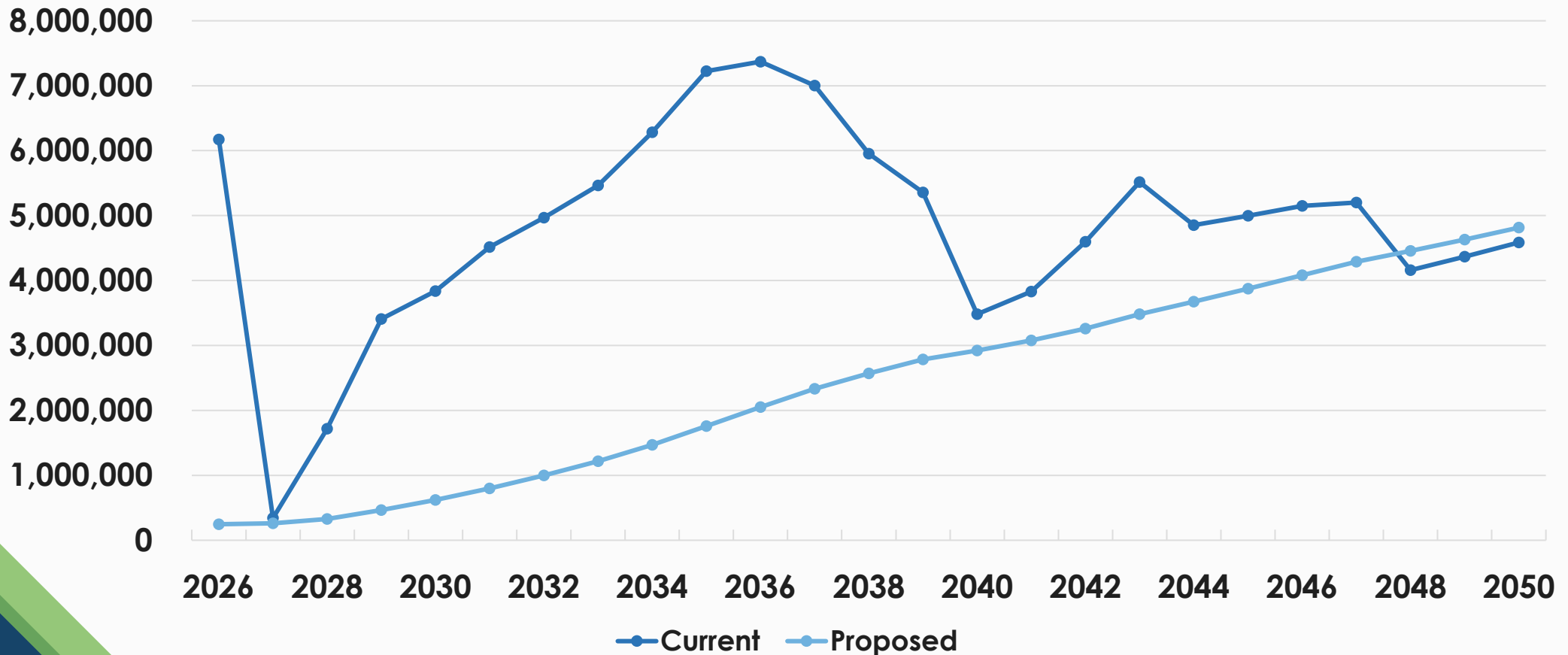
Expense Recognition Comparison: Proposed Process

- Proposed method is a 25-year amortization
- The annual expense and cost recovery would experience gradual changes rather than sharp adjustments
- Actual expense recognition would better align with the true cost of the plan

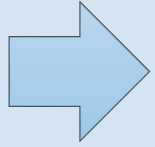
Proposed - 25-Year			2026	2027	2028	2029	2030
	Year	Expense	1	2	3	4	5
6-year B&F Projected	2026	\$6,170,986	\$ 246,839	\$ 246,839	\$ 246,839	\$ 246,839	\$ 246,839
6-year B&F Projected	2027	\$341,658		\$ 13,666	\$ 13,666	\$ 13,666	\$ 13,666
6-year B&F Projected	2028	\$1,717,027			\$ 68,681	\$ 68,681	\$ 68,681
6-year B&F Projected	2029	\$3,408,189				\$ 136,328	\$ 136,328
6-year B&F Projected	2030	\$3,836,665					\$ 153,467
		Current	\$ 6,170,986	\$ 341,658	\$ 1,717,027	\$ 3,408,189	\$ 3,836,665
		Proposed - 25-Year	\$ 246,839	\$ 260,506	\$ 329,187	\$ 465,514	\$ 618,981

Illustrative Forecast Comparison: Current vs. Proposed

Annual OPEB Expense

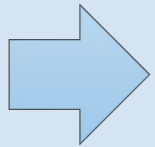


Next Steps



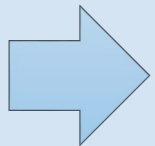
Finance Committee
Approval

Resolution at Committee
meeting 3/11/25



Board Approval

Resolution at Board meeting
3/25/25



Effective Date

Fiscal Year 2026

Questions?



RESOLUTION 2025-03-XX
Application of GASB Statement 62 to OPEB Plan Expense

WHEREAS, pursuant to Resolution #2003-8-3, the Board of Commissioners requires management to receive Board approval before any deferrals under Financial Accounting Standards Board Statement 71, now Governmental Accounting Standards Board Statement 62 (GASB Statement 62); and

WHEREAS, the Lansing Board of Water & Light (BWL) can experience large fluctuations in actual and forecast annual Other Post Employment Benefit (OPEB) expense which may have an adverse effect on the stability and predictability of rates; and

WHEREAS, the application of GASB Statement 62 allows the BWL to establish a regulatory asset account and amortize the OPEB expense over an extended period resulting in a more consistent annual expense that supports more stable and predictable rates.

THEREFORE, it is:

RESOLVED, that the Board of Commissioners, as the regulatory body of the BWL, approve, pursuant to GASB Statement 62, the establishment of a regulatory asset for the annual OPEB expense and an amortization period of twenty-five years, effective beginning in fiscal year 2026.

Staff Comments:

Although additional applications of GASB 62 occur infrequently, we have many existing applications of this accounting treatment that have been previously approved and are disclosed in our annual financial statements. These include such items as environmental remediation, fuel cost adjustments and contribution in aid of construction as well as others.

Motion by Commissioner _____, **Seconded** by Commissioner _____, to approve the Resolution for Application of GASB Statement 62 to OPEB Plan Expense at a Board meeting held on March 25, 2025.

Yeas:

Nays:

Action: Motion

RESOLUTION 2025-03-XX
Approval of Appointee Expenditures

WHEREAS, it is the practice of the Lansing Board of Water & Light (BWL) that business expenditures be approved by another person with sufficient dollar level authority, usually an immediate supervisor, and the practice is a widely adopted business protocol; and

WHEREAS, there is no reason to exempt expenditures by the Board of Commissioner's (Board) three Appointees (General Manager, Corporate Secretary and Internal Auditor) from this sound business protocol; and

WHEREAS, because the Appointees report directly to the Board, it is prudent and consistent with BWL business protocol for the Board to approve Appointee expenditures; and

WHEREAS, it would be impracticable, inefficient and unnecessary for the entire Board to approve each expenditure by an Appointee, but a two voting Member approval process should prove to be a practical and efficient approval process; and

WHEREAS, the BWL's current use of third-party payment program(s) for expenditures other than P-Card expenses, which expenses are administered by a separate process, can facilitate Board Member approval of Appointee expenditures;

THEREFORE, it is:

RESOLVED, that the review and approval of two voting Members of the Board will be necessary for expenditures requested by Board Appointees through the BWL's payment program and that the two approving Members of the Board will be the Finance Committee chair and one other voting Member appointed by the Board Chair and that both approving Members should take action within five (5) business days of notification for expense approval.

Motion by Commissioner _____, Seconded by Commissioner _____, to approve the Resolution for Approval of Appointee Expenditures at the Board meeting held on March 25, 2025.

Yeas:

Nays:

Action:

RESOLUTION 2025-03-XX
Appointee Budget Approval

WHEREAS, it is the practice of the Lansing Board of Water & Light (BWL) for each department to annually submit for approval its proposed budget (both Operation and Maintenance (O&M) as well as Capital) for the upcoming fiscal year to management, an approval process which is a widely adopted business protocol; and

WHEREAS, following management approval, the budget (O&M and Capital) is presented to the Board of Commissioners (Board) for final approval by June 1 as required by the Lansing City Charter; and

WHEREAS, the individual budgets for (1) the Board, (2) the Internal Auditor, and (3) the Corporate Secretary are part of the annual budget submitted to the Board for approval; and

WHEREAS, the General Manager's expenditures are, except for the three individual budgets previously noted, the overall annual budget of the BWL, which is approved by the Board and subject to periodic status reports to the Board; and

WHEREAS, because the Appointees report directly to the Board, it is prudent and consistent with BWL business protocols for Appointees to present their individual budgets and the proposed budget developed for the Board to the Finance Committee for review and comment prior to submittal to the full Board for final approval.

THEREFORE, it is:

RESOLVED, that each Board Appointee, or their designee, will present their department budgets during the appropriate Finance Committee meeting as follows: (a) the Internal Auditor will present the budget for Internal Audit expenses, (b) the Corporate Secretary will present the budgets for the Board and Corporate Secretary, and (c) the General Manager will present the budgets for the BWL as a whole; and once approved by the Finance Committee, the entire budget submittal shall be presented to the full Board for final approval by June 1.

Motion by Commissioner _____, Seconded by Commissioner _____, to approve the Resolution for Appointee Budget Approval at a Board meeting held on March 25, 2025.

Yeas:

Nays:

Action:

Internal Audit Status Report

Finance Committee Meeting
March 2025

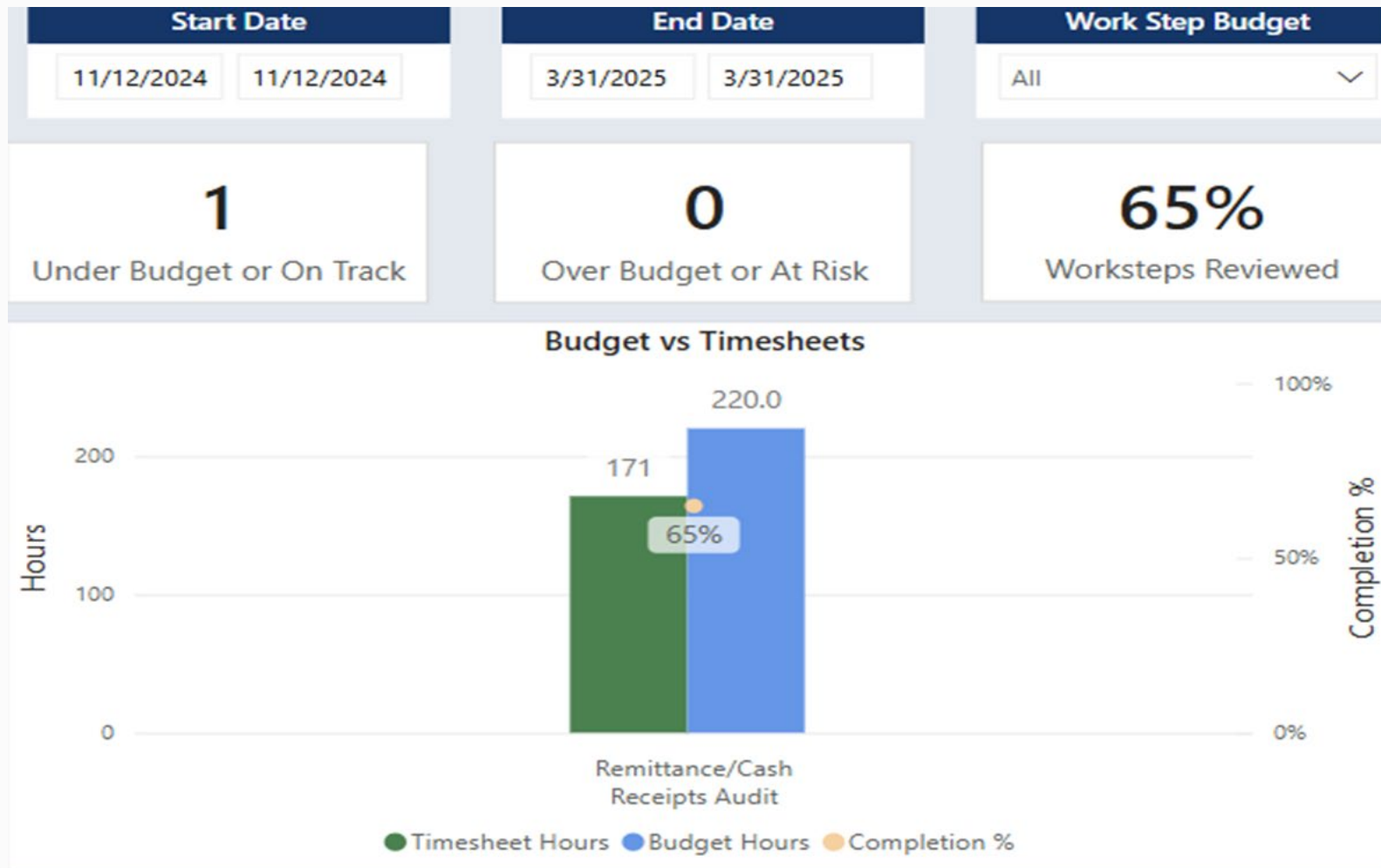


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Overview

- Remittance/Cash Receipts Audit Update
- Remaining FY 2025 Audit Plan
- Other Items

Remittance/Cash Receipts Audit Update



FY 2025 Audit Plan



Payroll Management- Complete

Remittance/Cash Receipts- November 2024-March 2025

Follow-up PA 95- April 2025-June 2025

P-Card- April 2025-June 2025

Other Items

Departmental Items

AuditBoard Update:

- We continue to utilize AuditBoard with the Remittance/Cash Receipts audit.
- The workstream function has been valuable in:
 - Requesting and receiving audit document requests and submissions
 - Assigning owners to remediate findings and recommendations.

Other Items

Departmental Items

Plante Moran has been consulted to assist with the following:

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

Other Items

Departmental Items

Professional Development:

- On track to meet the professional education requirements for CIA certification.
 - The Institute of Internal Auditors is changing the CIA certification testing to align with the Global Internal Audit Standards beginning in May 2025.
 - Topics on each area of the CIA exam syllabus have been revised to:
 1. Create greater alignment with The IIA's Global Internal Audit Standards.
 2. Bring the exam up to date with the current global practice of internal auditing.
 3. Clarify the competencies that candidates must possess to earn their CIA certifications.
 4. Focus on concepts most relevant to the rapidly evolving practice of internal auditing.

Internal Audit Assessment Results

Finance Committee Meeting
March 2025



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Objective and Approach

Internal Audit Department Assessment

- Assessed the current state of internal audit practices and procedures.

Gap Analysis

- Identify areas for improvement with the internal audit function based on industry best practices and the Global Internal Audit Standards.

Audit Board Implementation

- Provide consultation on the implementation of AuditBoard.



Project Background

- In January 2024, the Institute of Internal Auditors (IIA) introduced the Global Internal Audit Standards, restructuring the standards to a more streamlined framework to enhance clarity and suitability.
- BWL Adopted the Global Internal Audit Standards in September 2024 with the approval of the Internal Audit Charter.
- Plante Moran was tasked with identifying improvement opportunities and assisting with implementing those improvements.

Summary of Issue Priority

SUMMARY OF ISSUE PRIORITY

High Priority	Moderate Priority	Low Priority	Total
4	1	2	7

PRIORITY DEFINITIONS

High Priority

Internal audit should take immediate action to mitigate the significant risk of nonconformance with IIA standards and/or industry best practices.

Moderate Priority

Internal audit should prioritize action to address the considerable risk of nonconformance with IIA standards and/or industry best practices.

Low Priority

Internal audit should consider action to enhance alignment with IIA standards and/or industry best practices.

— Summary of High Priority Improvement Opportunities

Standard 9.1: Understanding the Governance, Risk Management, and Control Process

Standard 9.3: Methodologies

- These standards require the Internal Audit Department to establish a clear Internal Audit Strategy and methodologies to guide the auditing process.
- With the implementation of AuditBoard and the associated templates for conducting audits, there is currently a lack of formal documented policies and procedures and no established Internal Audit Strategy or plan.



— Summary of High Priority Improvement Opportunities

Standard 8.3: Quality Assurance and Improvement Development Program (QAIP)

Standard 9.4: Internal Audit Plan

- These standards require Internal Audit to perform an organizational-wide risk assessment at least annually and establish a formal QAIP.
- An organizational-wide risk assessment has yet to be performed.
- Due to process changes in the internal audit function, a QAIP has not been developed.



Summary of Moderate Priority Improvement Opportunities

Standard 10.3: Technological Resources

- This standard requires the Director of Internal Audit to ensure that the internal audit function has the necessary technology to support the internal audit process.
- Prior to the implementation of AuditBoard, internal audit had limited use of technology, resulting in manual processes that could cause inefficiencies.



— Summary of Low Priority Improvement Opportunities

Standard 8.4: External Quality Assessment (EQA)

Standard 14.6: Engagement Documentation

- Standard 8.4 requires the Director of Internal Audit to develop a plan for an EQA, which has not yet been completed.
- Standard 14.6 mandates that internal auditors document information and review evidence to support their engagement results. However, due to the previous process being largely manual, there is limited historical audit documentation.



Internal Audit

Action Plan RoadMap

30 Day Timeline

- Consult Plante Moran to assist with the development of:
 - Internal Audit Manual
 - Internal Audit Strategic Plan
 - Internal Audit Quality Assurance and Improvement Plan

Milestone



30

90

60

90 Day Timeline

- Organizational Risk Assessment Complete
- Deliverables finalized

60 Day Timeline

- Perform Organizational Risk Assessment