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| **ITEM ID:** | **2026-297-0** |
| **TRANSMITTAL DATE:** | **September 18, 2026** |
| **MEETING DATE:** | **September 25, 2026** |
| **TO:** | **Board of Directors** |
| **FROM:** | **Elisabeth Lazuardi, Director, Audit** |
| **SUBJECT:** | **Performance Audit: Fuel Purchase Policy FIN 11.1 Rev. 3** |

## Issue

Internal Audit completed the annual performance audit of the Fuel Purchase Program as required by Fuel Purchase Policy FIN-11.1.

## Recommendation

Receive and file.

## Strategic Commitment

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees. Controls related to the fuel purchase program are improved through the annual audit of the program.

## Background

As required by the Fuel Purchase Policy FIN-11.1, "the Fuel Purchase Program shall be audited annually. In addition, the Board shall establish an Ad Hoc Committee at the time of the annual audit for the limited purpose of reviewing audit results and reporting to the Board of Directors". Internal Audit engaged Crowe LLP to perform the audit.

Crowe LLP is a public accounting, consulting, and technology firm that has been in operation since 1942 with offices and resources worldwide. The Crowe team is led by partners and directors who not only have performance audit and derivative experience but also possess the institutional knowledge to help identify the relevant policy considerations for the Authority's fuel hedging program. Crowe has worked with fuel contracts, hedging contracts, and power purchase contracts for entities such as the City of Long Beach, the Chicago Transit Authority, the Indiana Bond Bank, and the State of Texas.

Crowe combined its significant experience in conducting high-quality performance audits for government agencies, in conformance with Generally Accepted Government Auditing Standards (GAGAS), and the demonstrated oil and gas expertise of Willis Graves & Associates, Inc. (WGA) to meet the needs of the Authority with respect to this performance audit. WGA's professionals have extensive industry experience with commodity pricing and in the design and completion of revenue audits in the oil and gas industry.

## Discussion

The Board approved Finance Policy FIN-11.1, Fuel Management and Hedging, in January 2015 to establish guidance for the Authority’s Fuel Management and Hedging Program. Blue Lacy currently serves as the Authority’s fuel hedging advisor and assists with administration of the program.

The Board approved the amendment of the FIN-11.1 to improve the fuel hedge program by the development of four fuel hedge strategies and to rename the policy from "Fuel Management and Hedging Policy" to "Fuel Purchase Policy" in December 2020. Further amendments were subsequently made in May 2022 to revise one of the four fuel hedge strategies and in November 2022 to replace the role of the Fuel Hedge Oversight Consultant with SCRRA staff and to add language related to the effectiveness analysis of the fuel hedge program.

The objective of this audit was to determine compliance with FIN-11.1 Revision 3 for the audit period of January 1, 2025 through December 31, 2025. Based on the audit procedures performed, SCRRA management was determined to comply with all significant aspects of the audit objective. The audit result was presented to the Ad Hoc Committee on August 17, 2026. The audit report is attached to the item.

Prepared by: David Rogers, Senior Internal Auditor

Approved by: Elisabeth Lazuardi, Director of Internal Audit

## Attachment(s)

Attachment A - CY2025 Fuel Hedging Performance Audit Report
Presentation - Fuel Hedge Audit