

INTERNAL AUDIT REPORT

Clean Fuel Reward Program

Interim Audit to Review Program Controls

December 7, 2021

To: Clean Fuel Reward Program Steering Committee
From: CohnReznick LLP
Subject: Results of Interim Audit to Review Program Controls
Date: December 7, 2021

I. EXECUTIVE SUMMARY

The California Clean Fuel Reward Program (CCFR or CFR) is funded through the California Air Resource Board (CARB) and administered by Southern California Edison (SCE). CohnReznick LLP was engaged to serve as the independent program auditor for the CFR program.

This report provides information on the overall objectives, scope and approach of the interim CCFR Program audit as well as the results.

The objective of the interim audit was to assess the operating effectiveness of controls in place from the Program's initial launch in November 2020 through April 2021 (Audit Period). The scope of the review included controls established by the program implementer (Maritz) and the administrator (SCE) to support the program.

Any remediation activities reflected in response to the issues noted in this report will be reviewed during the first annual audit.

Engagement Objectives and Scope

Specific areas of focus for this review included:

- Dealer enrollment process
- Dealer reward and reimbursement processes (including reimbursement transactions)
- Program metrics definition, monitoring and reporting
- Implementer, financial institution and program administrator billing and invoicing
- Segregation of duties and approvals of system access
- Accuracy and validity of program expenses
- Completeness and existence of account balances

Engagement Approach:

- For each of the abovementioned areas of focus a sample of transactions was taken to test the operating effectiveness of the established CCFR controls in place. Our testing techniques included inquiry, observations, and re-performance of the control activities.
- The below analytics were used to analyze claims processed and dealers onboarded during the audit period.

Claims Analytics

- Aging analysis for the claims paid - Calculating the difference between the submitted date and the payment date for each claim ID.
- Duplicate claim processing activity
- Aged claims in process for more than 30 days.
- Paid claims without payment dates
- In process claims identified as paid

Retailer Analytics Length of time to approve a retailer

- Duplicate retailers
- Retailers with same address

Results:

The results of the interim audit resulted in the following issues:

1. Access granted to the CCFR system was not performed in accordance with Maritz's procedures. However, access granted was in accordance with an individual's job function.
2. The Customer Complaint process does not allow for monitoring of timely complaint resolution or review and reporting of complaints to key stakeholders such as SCE and the Steering Committee.
3. In several instances reward reimbursement requests and dealer enrollments took longer to process than the timeframe outlined in the Maritz's SOW.
4. New background checks were not performed for current employees as required per the Maritz MSA.
5. The Call Center Associate only verifies that a signature exists when performing the retailers' general manager validation during the dealer onboarding process.
6. Many reward reimbursements were processed multiple times. It should be noted that these duplicate payments were self-identified by Maritz and the program has not incurred a financial loss as a result of this issue.
7. Maritz did not provide CohnReznick with the audit logs as required per their SOW.

Please refer to Section II for detailed Findings and Recommendations.

II. Findings/Recommendations

1. Access granted to the CCFR system was not being performed in accordance with Maritz's procedures. However, access granted was in accordance with an individual's job function.

Maritz's CCFR User Access procedures require the following:

- Associate's manager requests access via CCFR Jira
- Maritz Project Manager reviews request and provides approval if there are no issues
- Call Center Manager (using Maritz Admin User Management permissions) grants access

However, the process outlined in the SOP was not followed for any of the sampled individuals tested, although access was granted in accordance with an individual's job responsibilities

Risks:

Access may be granted to unauthorized users.

Recommendation:

Management should ensure that user access to the CCFR system is granted in accordance with Maritz's policies and procedures.

Maritz Response:

The findings are correct for the samples requested. Maritz had an informal process in place when the program launched but learned as the program evolved a more formal process with separation of duties was needed. Prior to the more formal process, access to the system did follow an approval process to ensure access was only allowed for proper team members. In the last 6 months, Maritz reviewed the access individuals have and removed permissions as needed.

2. The Customer Complaint process does not allow for monitoring of timely complaint resolution or review and reporting of complaints to key stakeholders such as SCE and the Steering Committee.

Process and guidelines that would support the review, resolution and reporting of complaint data are not in place.

During the audit, there was no evidence to support that complaints were being formally reviewed to ensure that they are being resolved in a satisfactory and timely fashion. Also, complaint information is not being provided to SCE or the Steering Committee.

Risks:

Lack of formal tracking and review over customer complaints could lead to unresolved issues and negatively impact the Program's reputation and efficiency.

Recommendation:

The Customer Complaint process needs to be enhanced to provide standards for timely resolution, formal review of complaint's, tracking of complaints for adequate. and timely resolution.

Management should consider utilizing an automated system that tracks all complaints from input of the initial complaint through resolution.

While Maritz is not contractually obligated to provide complaint information, the summary complaint information may be useful to help improve the program. We recommend that a summary of the types of complaints and operational issues encountered be provided to SCE and the Steering Committee periodically.

Maritz Response:

The Maritz Rebate Admin portal was not designed as a Case Management system, nor is it in scope to do so. As mentioned above, Maritz is not contractually obligated to provide complaint information, so the complaint log created is used as an internal document. However, for 2022, Maritz is working on enhancing the current complaint log to provide a better view into the resolution of complaints and has added a dedicated resource who will monitor and report complaint statistics to leadership/SCE on a regular basis for better visibility of complaint resolutions. All complaint details will continue to be logged for reference as needed.

3. In several instances reward reimbursement requests and dealer enrollments took longer to process than the timeframe outlined in Maritz's SOW.

Reward Reimbursements

Reward reimbursement requests were processed longer than the timeframes outlined in the Maritz SOW, which allows for 5 business days during the first 60 days of the program and 3 business days afterwards.

Note: Although the audit period was through April 30, 2021 the review was extended through July to provide more current information related to this issue. Please refer to the table below for monthly statistics.

Please see the tables below:

Table 1 – Days to Process Reward Reimbursements

Month submitted	Number of claims processed	Days to process claims
20-Nov	261	11.05
20-Dec	14,268	15.98
21-Jan	11,485	20.46
21-Feb	8,043	4.7
21-Mar	19,963	2.16
21-Apr	18,678	6.19
21-May	11,920	8.26
21-Jun	20,888	11.59
21-Jul	23,205	15.48

Risks:

If Reward reimbursement requests are not processed in a timely manner, dealers may be discouraged from participating in the program, damaging the program's reputation and mission.

Recommendation:

Management should ensure that all reward reimbursement requests are processed in a timely fashion and in accordance with the SOW.

Maritz Response:

- *Maritz is responsible for validating claims before those claims are provided to SCE for payment.*
- *In the grid above, the Number of Claims Processed is actually the number of claims received. The Days to Process Claims represents the average number of days in the given month for which it took Maritz to validate/approve claims, before being sent to SCE for payment.*
- *Avg days to process in the months of November 2020, December 2020 and January 2021 were increased due to the large quantity of claims overall from program launch and, specifically, the batch processing of claims from Tesla.*
- *It was mutually decided by SCE and Maritz to give priority to Retailer Enrollments at this time.*
- *Dealers were notified multiple times via email in December 2020 and in early February 2021 advising of the potential delay in claims payments due to the “popularity of the program upon launch” and “significant number of claims submitted at year-end”.*
- *Increase in Avg days to process recently (June 2021 into July 2021) is due to implementation of enhancements to the claim validation process. The new*

process enhancements have a learning curve which has slowed down the time to validate claims. Improvement will be seen over time as the team continues to work with the enhanced process. Continual analysis of the claims validation process is monitored to identify areas of improvement.

- *Additional claim auditing staff has been hired to address the increase in workload and reduce the average days to pay.*

Dealer Enrollments

Of the 1,080 dealers approved from the inception of the program through end of April, multiple dealers were approved after the 5-business day service guideline outlined in Maritz’s SOW. Please see the table below for specific details.

Table 2 – Days to Onboard New Retailers

Retailer Enrollments	Nov-20	Dec-20	Jan-21	Feb-21	03/2021	Apr-21
Applications	751	418	172	181	107	65
Approved	231	510	103	121	70	45
Avg. days to process	8.7	7.5	4.4	3.3	3.7	4

Additionally-

- Thirty-four dealers were approved more than 20 days after the initial submission
- Three dealers were approved more than 40 days after submission
- One dealer was approved after more than 70 days after submission

The time it took to process new dealers decreased significantly after the first 60 days since the inception of the program.

Risks:

If new retailers are not onboarded in a timely manner, this could result in fewer dealers participating in the program, damaging the program’s reputation.

Recommendation:

Management should ensure that all new dealer applications are processed in accordance with the SOW.

Maritz Response:

When the CCFR program launched, the retailer enrollment forecast was 500 in the 1st year, 250 the 2nd year and 250 the 3rd year. Since program launch there have

been over 1,200 enrollments submitted/approved, well over the forecasted amount, and Maritz realized additional resources were needed.

- *Avg days to process enrollments and claims in the months of November 2020, December 2020 and January 2021 were increased due to the large quantity of claims overall from program launch and, specifically, the batch processing of claims from Tesla.*
- *It was mutually decided by SCE and Maritz to give priority to Retailer Enrollments at this time. The decision assisted with lowering the number of days to process enrollments.*
- *Maritz has hired additional resources to assist with claims and enrollment processing to ensure these are processed timely.*
- *Since January 2021, the SLA for processing dealer enrollments has been achieved.*

Maritz researched the 34 dealer enrollments for which approved status occurred 20 days or longer and the delays were due to retailers not providing the requested confirmations or additional information within a timely manner.

4. New background checks were not performed for current employees as required per the Maritz MSA.

As defined in the MSA Maritz was required to "conduct a background investigation for every employee receiving access to Edison's Computing Systems or Edison Data. For existing employees who already have access to Edison's Computing Systems or Edison Data, the background check should be conducted promptly."

We noted that no background checks were performed in 2020 or 2021 for existing employees (only new hires or contractors had undergone background checks).

Risks:

Lack of background checks increases the risk of individuals adversely affecting the safety and security of the workplace. It also increases the reputational risk of SCE and the CCFR program.

Recommendation:

Management should ensure that all users who require access to the CCFR system undergo background checks as outlined in the MSA.

Maritz Response

The language within the MSA between SCE and Maritz was reviewed by Maritz' legal counsel and was interpreted that new background checks were not needed to be conducted for existing employees for whom they were previously conducted. As requested by SCE, Maritz conducted new background checks for the existing resources reviewed during this audit. All applicable background checks were completed as of 12/1/2021.

5. The Call Center Associate only verifies that a signature exists when performing the retailers' general manager validation during the dealer onboarding process.

Of the 55 new dealers tested, the Automotive Retailer General Manager name on the CCFR system did not agree to the general manager name listed on the dealer's website for four of the dealers sampled. Our follow up with Maritz revealed that the Call Center Associate's verification includes only a check that the field in the system was filled in with a name. They do not verify whether the name provided was correct.

Risks:

Lack of proper review over the attributes of the new dealer onboarding checklist could lead to inadvertent errors or fraudulent submissions being processed.

Recommendation:

Management should ensure that all attributes reviewed by the Call Center Associate are reviewed for both completeness and validity.

Maritz Response:

This finding is correct. During the initial set up of the program, the general manager's name was requested for enrollments, but after receiving feedback from retailers and approval from SCE it was changed to "primary contact". This update was documented in version 2 of the Program Guide. Confirming the General Manager's or Primary Contact's name was not identified as a critical step, as the Tax ID, banking information fields and W9 were determined to be the most essential for reimbursement processing. The essential pieces of information, as indicated above, are validated using a third-party validation service to ensure the information provided is correct.

6. Many reward reimbursements were processed multiple times.

Fifty-six claims were paid more than once. This issue occurred because Maritz did not have an in-process status and multiple Call Center Associates picked up claims from their open queue without knowing that other Associates were working on the same claim.

This issue was identified by Maritz and they processed chargebacks to recover the overpayments in all cases. CohnReznick validated that these claims were not paid twice.

Risks:

Duplicate payments may not always be identified and as such could result in overpayments to retailers.

Recommendation:

The CCFR system should be configured so that all reward reimbursements being worked are classified as under review to prevent claims from being processed multiple times.

Maritz Response:

There were four enhancements made to the Call Center Auditors Claims review which helped address a claim being audited multiple times. Below are those enhancements along with the release numbers and release dates.

- *Under Review status added for Call Center Auditors – Release 4; 12/9/2020. Call Center began using this status week of 1/10/2021.*
- *Claims sort default to Submitted status – Release 8.1; 3/12/2021 - Before this enhancement was added, all claims loaded in any status starting with the oldest first. The same claims were always the first claims showing which caused multiple reviews/approvals/payments which then caused chargebacks to be issued.*
- *Change to LIDA (Line-Item Digital Audit) to not allow the Call Center to perform an audit without changing status to Under Review – Release 12; 5/5/2021.*
- *Claims sort default date range change to only show the last 30 days – Release 14.1; 6/16/2021 - This enhancement shortened the default timeframe for which claims were loaded to only the last 30 days, oldest to newest. Therefore, only the most recent claims are shown which works well within the timeframe the Call Center Auditors have to review claims.*

7. Maritz did not provide CohnReznick with the audit logs as required per their MSA.

The Maritz MSA requires the following:

“Supplier will maintain and review audit logs for anomalies. Supplier shall retain system and network logs for at least one year after the engagement is completed to allow for the successful auditing of historical events, to meet legal requirements, and for law enforcement and forensic purposes of either Supplier or Edison.”

Upon request of the audit log, Maritz responded that it does not share actual logs of vulnerabilities, findings or investigations for security purposes.

Risks:

Lack of disclosure over the audit logs may reflect a lack of monitoring of anomalies or other such matters required to be tracked and monitored.

Recommendation:

Maritz should share its audit logs with CohnReznick in a safe and secure manner that would address Maritz's security concerns.

Maritz Response:

The language within the MSA between SCE and Maritz was reviewed by Maritz' legal counsel and Maritz is in compliance as we have a tool tracking events and a process implemented for the different levels of severity. Maritz will continue to follow its security protocol and hold details of the actual logs in house. However, should specific events occur where details need to be shared with SCE, Maritz will revisit this conversation and determine a process to share the related evidence. Maritz conducted an analysis from the tool used to monitor the security logs. The parameters of the analysis were – check the production environment for SCE only, check for severity levels (high, medium, low), group findings by severity, timeframe 11/1/2020 – 4/30/2021. The analysis showed that no logs were rated high and none needed remediation.