INTERNAL AUDIT REPORT

Annual Audit of Clean Fuel Reward Program

June 4, 2024

Period Under Review:
January 1, 2023 through December 31, 2023

To: Clean Fuel Reward Program Steering Committee

From: CohnReznick LLP

Subject: Results of Annual Internal Audit of Clean Fuel Reward Program

Date: June 4, 2024

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 reflects the results of the Annual CCFR Audit performed as of 12/31/2023 by CohnReznick LLP. On September 1, 2022, the CCFR was paused because the number of electric cars purchased surpassed the expected number of planned purchases. Outstanding claims were processed by Maritz into 2023.

This report provides information on the scope, approach and results of the annual CCFR internal controls review for 2023. This report also provides an update on the status of recommendations reported on October 16, 2023 ("*Follow-up on issues noted during the 2022 Clean Fuel Reward Program Annual Audit*").

The objective of the annual audit was to assess the operating effectiveness of the program's current internal controls. Due to the program pause, our review of certain areas was modified accordingly.

Engagement Scope and Approach

Specific areas of focus for this review included a review of the:

- Dealer enrollment (and removal) processes,
- Dealer reward and reimbursement processes,
- Semi-annual dealer enrollment re-evaluation,
- Weekly secondary verification of claims,
- SAP to CCFR comparison validation for enrollments and claims,
- Program metric definitions, monitoring and reporting,
- Implementer, financial institution, and program administrator billing (including cost allocation assumptions) and invoicing,
- Segregation of duties (SOD) and approvals related to system, access, including semi- annual access reviews,
- Accuracy and validity of program expenses,
- Completeness and existence of account balances, and
- Omissions (Complaints) Process and communication to SCE.

Engagement Approach:

- We sampled and evaluated transactions for each of the in-scope areas of focus to assess the operating effectiveness of the established CCFR controls in place. Our testing techniques included inquiry, observations, and re-performance of the control activities.
- Data analytics were utilized to analyze the claims processed. Data analytics performed included activities listed below:
  - Claims Aging analysis for the claims paid - calculating the time difference between the claim submission date and the payment date for each claim,
  - Duplicate claim processing activity,
  - Duplicate invoice analysis,
  - Paid claims without payment dates, and
  - In-process claims identified as paid.

Results:

The results of the annual review for 2023 indicated there were no new issues identified. However, three issues previously identified in our follow-up review reported on October 16, 2023 and in the 2022 Annual Audit have not been remediated due to the program pause. These un-remediated issues are detailed in Section II Findings of Outstanding Issues Previously Noted..

II. Findings of Outstanding Issues Previously Noted

Below is a status update on the recommendations reported in our follow-up audit on October 16, 2023 and also noted in the 2022 Annual audit. These issues correspond to the numbering in the 2022 report.

1. Issue #1 – A secondary review of enrollments was not performed.

Due to the program pause, the recommendation was not implemented. The CCFR Standard Operating Procedures ("SOP") dated 12/5/2023 indicated the secondary review would be reinstated if/when the reward resumes. According to SCE, "the Steering Committee advised Maritz to minimize cost, performing the secondary review."

2. Issue #2 - The required weekly validation enhancement for claims was not implemented.

Due to the Reward Pause the weekly claims validation review process was on hold and the claims processed in 2023 barely met the .05% review requirement. According to Maritz, once the program resumes, "this process will be reviewed for improvement opportunities s and be followed."

3. Issue #6 – The process for managing Direct to Consumer enrollments was not outlined in the CCFR SOP.

Up until the program paused, the process for managing Direct to Consumer enrollments.

followed the same process as other enrollments. Once the program resumes, more Direct to Consumer enrollment are expected to be received and Maritz will develop the process at that time. Based on our discussions with SCE management, CohnReznick concluded this to be an acceptable response due to the reward pause.