Special Audit Committee

General Auditor's Internal Audit Plan for Fiscal Year 2025/26

Item 7-1

June 23, 2025

Item # 7-1
General Auditor's Internal Audit Plan for Fiscal Year 2025/26

Subject

Approve General Auditor's Internal Audit Plan for fiscal year 2025/26

Purpose

Provide a summary of the Internal Audit Plan for fiscal year 2025/26

Next Steps

Submit the Internal Audit Plan for Board approval

Introduction

Department Overview

- Provide independent, professional, and objective advice to the Board and Metropolitan management in accordance with professional standards issued by The Institute of Internal Auditors

- Assist Metropolitan's Board and management in improving business and financial practices

- Proactively address issues, focusing on governance, risk management, and internal control processes

- Carry out responsibilities in accordance with the Audit Department Charter specified in Metropolitan Administrative Code Section 6451

Audit Risk Assessment

Audit Risk Assessment Process

The chief audit executive must create an internal audit plan that supports the achievement of the organization's objectives - Global Internal Audit Standard 9.4

- Understand the organization

- Identify, assess, and prioritize risks

- Coordinate with other assurance providers

- Estimate resources

- Propose the audit plan and solicit feedback

- Finalize and communicate the audit plan

- Assess risks continuously

- Update the audit plan and communicate changes

Audit Risk Assessment Summary

Audit Risk Assessment

Higher Audit Risk Areas

- Conveyance & Distribution

- Human Resources

- Information Technology

- Infrastructure Reliability

- Office of the General Manager

- Power Operations & Planning

- Security
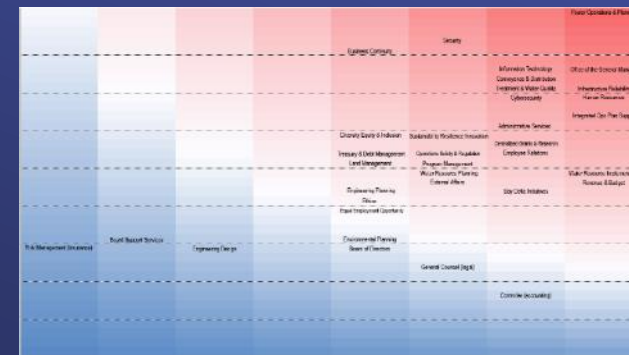
NOTE: A higher audit risk score **DOES NOT** mean that a business area/process is being managed ineffectively or that internal control is not adequate.

Internal Audit Plan

Service Portfolio

1. Operational & Compliance Audits

2. Information Technology Audits

3. Advisory Services

4. Follow-Up Reviews

5. Administration & Other Activities

New Engagements

Internal Audit Plan

Operational & Compliance Audits

1. Security Contract
2. Enterprise Risk Management
3. P-Card Program
4. Contract Administrator Program

Information Technology Audit

5. Cybersecurity: SCADA Network Software Asset Inventory & Control

Carryforward Engagements

Internal
Audit Plan

Operational & Compliance Audits

6.   Recruiting Process

7.   Sole Source Contracts

8.   Power Market Operations

9.   State Audit Monitoring

10. Bay-Delta Disaster Preparedness

11. CRA Maintenance

12. California Landscape Contractors Association
     Contract Compliance

13. Pure Water State Funding Audit

Carryforward Engagements (con't)

Internal Audit Plan

Operational & Compliance Audits

14. Reserves/Rate Stabilization Fund

15. Real Property Business Management System

16. CRA Discharge Line Isolation Couplings Rehabilitation Project

Information Technology Audits

17. IT Governance

18. Cybersecurity: Inventory and Control of SCADA Network Assets

19. Cybersecurity: Software Asset Inventory & Control

20. Oracle Enterprise Business Suite Security

Advisory Engagements

Internal Audit Plan

21. Safety Equipment Purchase Process
22. GRC Platform
23. Grants
24. METCON
25. WINS
26. Enterprise Content Management
27. Process Matters Initiative
28. Colorado River Water Users Association Review
29. Risk Oversight Committee (Power Operations)
30. Oracle Services Procurement

Internal Audit Plan

Follow-Up Reviews

- Six prior audit plan
- 13 current audit plan

Administration & Other Activities

- External Audit Support

- Annual Audit Risk Assessment & Internal Audit Plan

- TeamMate+ Training & Functional Utilization

- Quality Assessment & Improvement Program (QAIP)

- On-Demand Advisory Services

- Directed Ad Hoc

Internal Audit Plan

Assurance & Advisory Coverage

Specific risk areas covered by planned engagements:

Additional Information

RISK AREA	AUDITABLE AREA	ENGAGEMENT
Application security	Information Technology	Oracle Enterprise Business Suite Security (20)
Contract administration	Administrative Services	Contract Administrator Program (4)
Contract compliance	Security	Security Contract (1)
	Water Resource Implementation	California Landscape Contractors Association Contract Compliance (11)
	Infrastructure Reliability	CRA Discharge Line Isolation Couplings Rehabilitation Project (15)
Contract selection/award	Administrative Services	Sole Source Contracts (6)
Control activities	Office of the General Manager	Process Matters Initiative (27)
Cybersecurity	Cybersecurity	SCADA Network Software Asset Inventory & Control (16)
		Software Asset Inventory & Control (19)
		Inventory and Control of SCADA Network Assets (18)

Assurance & Advisory Coverage (con't)

Additional Information

RISK AREA	AUDITABLE AREA	ENGAGEMENT
Delta failure/earthquake	Bay Delta Initiatives	Bay Delta Disaster Preparedness (9)
Enterprise risk management	Office of the General Manager	Enterprise Risk Management (2)
Governance	Information Technology (general)	IT Governance (17)
Grants	Centralized Grants & Research	Pure Water State Funding Audit (12) Grants (23)
New applications	Information Technology (general)	Real Property Business Management System (14) GRC Platform (22) METCON (24) WINS (25) Enterprise Content Management (26) Oracle Services Procurement (30)
P-cards	Treasury and Debt Management	P-Card Program (3)

Assurance & Advisory Coverage (con't)

Additional Information

RISK AREA	AUDITABLE AREA	ENGAGEMENT
Power costs/operations	Power Operations & Planning	Power Market Operations (7) Risk Oversight Committee (Power Operations) (29)
Procurement	Administrative Services	Safety Equipment Purchase Process (21)
Recruiting	Human Resources	Recruiting Process (5)
Reserves	Revenue & Budget	Reserves/Rate Stabilization Fund (13)
State Audit compliance	Office of the General Manager	State Audit Monitoring (8)
Water system maintenance	Conveyance & Distribution	CRA Maintenance (10)

Additional Information

Deferred Projects

Added to audit plan as resources/time become available:

- Accommodations process
- Affordability (Board Directed)
- Buy v. lease
- Chemical safety
- Conjunctive use (Board Directed)
- Corporate climate assessments
- CRA reliability
- Desert housing
- District temporary/annuitant usage
- Electrical equipment supply chain

Additional Information

Deferred Projects (con't)

- Employee/contractor conflict of interest

- Investigative process

- Job descriptions

- Knowledge transfer (Board Directed)

- MOUs (Board Directed)

- Operator certification

- Real estate (Board Directed)

- Total asset management

- Transfer process

- Travel authorization process

- Vehicle assignment

Additional Information

Other Risk Areas

Not included in/removed from audit plan at this time:

- Business continuity
- CARB regulations/fleet exemptions
- Community outreach
- Conservation funding
- Revenue-generating lease/license contracts
- Housing assignments
- Headquarters office space usage
- Invoice review process
- Progressive design-build

Additional Information

Other Risk Areas (con't)

- Receiving/inventory

- SBA/DBE program

- Travel/employee reimbursement

- Water sales to non-member agencies

Additional Information

Resource Plan

- Ten professional audit team members, one administrative professional, two executive managers

- Audit experience includes financial, performance, fraud, compliance, and information technology

- Five licensed Certified Public Accountants (CPA)

- Four Certified Internal Auditors (CIA) and two Certified Information Systems Auditors (CISA)

- 11,817 productive hours of which 7,177 are available for audit and advisory projects

- Productive hours account for the hiring of two audit managers and a senior audit manager during the year

Organization Chart
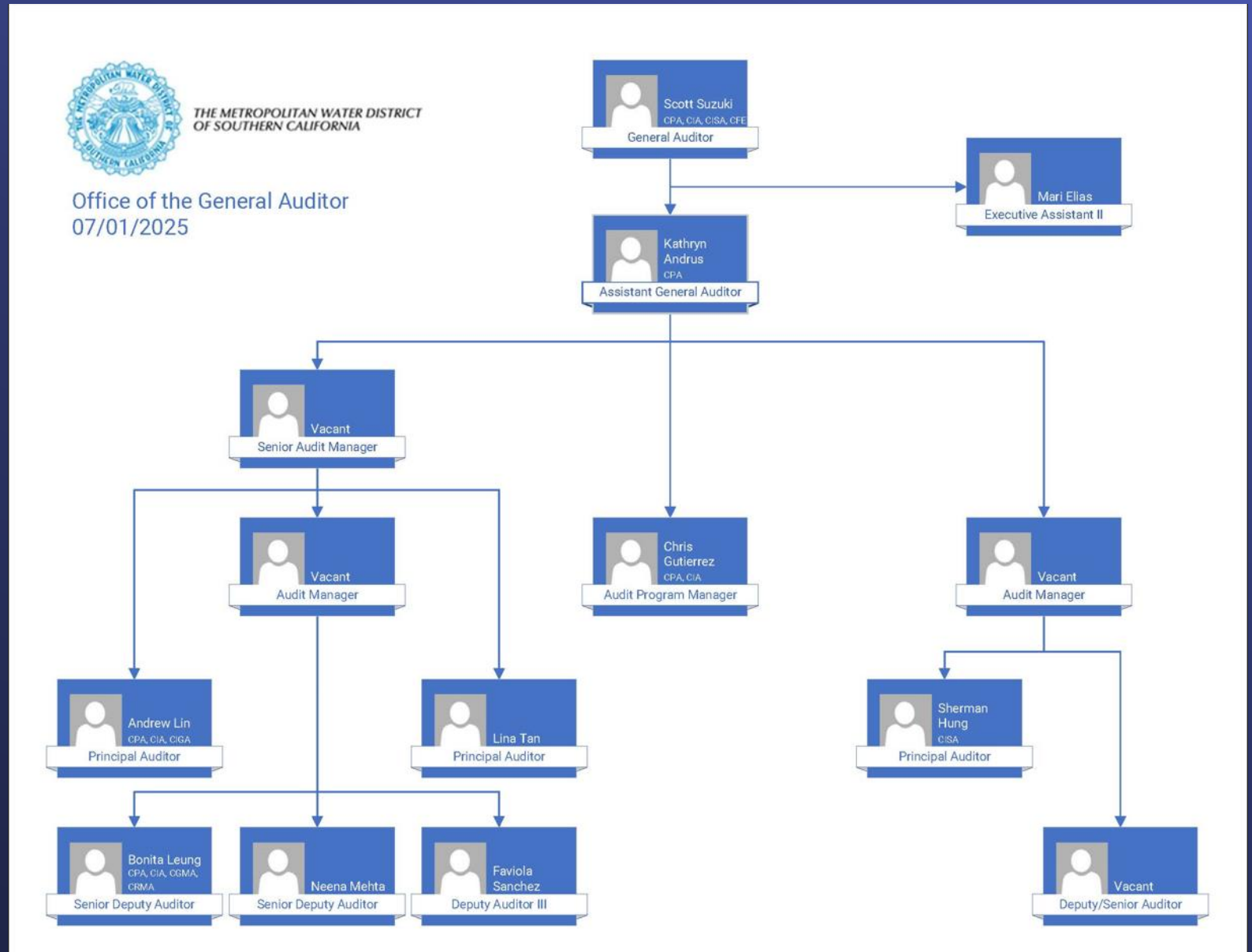
Additional Information

Standards

Global Internal Audit Standards applicable to this project:

- Domain I: Purpose of Internal Auditing

- Standard 8.2 Resources

- Standard 9.1 Understanding Governance, Risk Management, Control Processes

- Standard 9.2 Internal Audit Strategy

- Standard 9.4 Internal Audit Plan

- Standard 10.1 Financial Resource Management

- Standard 14.4 Recommendations and Action Plans

General Auditor's Internal Audit Pan for FY 2025/26

Project Team

- Assistant General Auditor Kathryn Andrus, CPA
- Audit Program Manager Chris Gutierrez, CPA, CIA
- Principal Auditor Sherman Hung, CISA
- Principal Auditor Andrew Lin, CPA, CIA, CIGA
- Principal Auditor Lina Tan
- Senior Deputy Auditor Bonita Leung, CPA, CIA, CRMA, CGMA
- Senior Deputy Auditor Neena Mehta
- Deputy Auditor III Faviola Sanchez
- Executive Assistant II Mari Elias

Board Options

Option 1

- Approve General Auditor's Internal Audit Plan for Fiscal Year 2025/26

Option 2

- Do not approve General Auditor's Internal Audit Plan for Fiscal Year 2025/26

Board Options

Staff Recommendation

- Option l