



OFFICE OF THE GENERAL AUDITOR

General Auditor's Business Plan

FISCAL YEAR 2025/26

June 9, 2025

EXECUTIVE SUMMARY

The Office of the General Auditor has prepared this department business plan as part of the annual department head performance and goal-setting process. The plan presents key accomplishments during fiscal year 2024/25 related to Internal Audit's service portfolio and goal results involving people, goals, innovation, risk, and collaboration. Some notable accomplishments include completing six (6) final audit reports including 31 recommendations, developing the Rapid Review advisory product, and releasing one (1) Rapid Review on mutual benefit leases. Five refreshed goals themed around service, collaboration, continuous improvement, quality, and capability, and associated tactics for goal achievement for fiscal year 2025/26 are also presented. Some important tactics to implement next fiscal year include completing all initial carryforward projects, implementing actions from the department head collaboration workshop series, establishing key performance indicators, developing a department strategic plan, and exemplifying Metropolitan's START (Safety, Trust, Accountability, Respect, Teamwork) values.

BACKGROUND

The mission of the Office of the General Auditor is to provide independent, professional, and objective assurance and consulting services designed to add value and improve Metropolitan's operations. We help Metropolitan accomplish its objectives by using a proactive and systematic approach to evaluate and recommend improvements to the effectiveness of governance, risk management, and internal control processes.

We compiled a list of key accomplishments aligned with goals established at the onset of fiscal year 2024/25. Using information obtained from the Department Head 360° evaluation process including the department head workshop series, and applying requirements from professional internal audit standards, the Metropolitan Mission Statement, and the strategic priorities of the General Manager, we developed a set of goals and tactics for fiscal year 2025/26.

The General Auditor's Internal Audit Plan, that covers the Internal Audit risk assessment and resultant audit and advisory projects we will work on during fiscal year 2025/26, is pending Board approval on June 9, 2025 and is separate from this document.

Additionally, the General Auditor participated in a department head collaboration workshop series where one outcome was creating a unified district business plan. The district business plan will be separate from this department business plan which focuses on the goals and tactics generally unique to an internal audit function and in some instances are required by professional internal audit standards.

The Office of the General Auditor looks forward to serving Metropolitan's internal audit needs and contributing to the district's mission of providing its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

FISCAL YEAR 2024/25 ACCOMPLISHMENTS – SERVICE PORTFOLIO

Related to our service portfolio, Internal Audit completed the following projects:

1. **Audits.** Internal Audit issued six (6) final audit reports with 31 recommendations including one (1) Board directed audit:
 - Operational Audit: Employee Tuition Reimbursement Program (10 recommendations)
 - Operational Audit: Surplus Personal Property Process (10 recommendations)
 - Contract Audit: Sensis, Inc., Agreement No. 185391 (5 recommendations)
 - Operational Audit: Fallowed Land (Board Directed) (3 recommendations)
 - Cybersecurity Audit: Inventory & Control of IT Assets (2 recommendations)
 - Contract Audit: IBI Group, Agreement No. 178689 (1 recommendation)
2. **Advisory Services.** We issued one (1) Rapid Review and completed one (1) Board directed project:
 - Advisory Brief: Mutual Benefit Leases Rapid Review
 - Colorado River Water Users Association Agreed Upon Procedures (Board Directed)Additional advisory services included:
 - Collaborated with the Central Grants Management Office and commented on the pending Grant Policy Manual update.
 - Completed one advice request involving a contract extension.
3. **Follow-Up Reviews.** Internal Audit issued one (1) follow-up review report:
 - First & Final Follow-up Review: Stores Inventory
4. **Annual Audit Risk Assessment & Internal Audit Plan.** We facilitated the annual audit risk assessment discussion with the Board to identify concern areas; completed 25 meetings with Metropolitan department heads and senior management to identify risk areas; incorporated Board and management feedback into the audit plan; and assigned engagements to areas of risk identified with consideration of the General Manager's strategic priorities.
5. **External Resources RFQ.** Internal Audit collaborated with Contracting Services to draft and issue a request for qualifications for specialty internal audit services.
6. **External Auditor Support.** We provided annual support to external auditor Macias Gini & O'Connell LLP and periodically met with them as part of the combined assurance model.

FISCAL YEAR 2024/25 ACCOMPLISHMENTS – GOALS

Below are the goals and strategies developed for the internal audit function for FY 2024/25 and goal results as of June 6, 2025.

GOAL 1: People

People are the organization's most valuable asset. This goal sets out to increase knowledge, skills, and abilities of individual team members and develop the internal relationships amongst the Internal Audit team.

STRATEGIES	RESULTS
<ol style="list-style-type: none">1. Upskill Internal Audit resources with customized courses in technical competencies and interpersonal skills; ensure completion of 40 minimum training hours.2. Recruit and fill critical senior audit manager position to assist with day-to-day operations.3. Encourage pursuit of professional certifications related to internal audit.	<ol style="list-style-type: none">A. Internal Audit staff completed training including:<ul style="list-style-type: none">• Internal Audit Strategy for Government Auditors• Generative AI Case Studies: Lessons Learned in Public Sector Audit Shops• Controlling the Risk of Asset Misappropriation• Fraud training• The Art of the Audit Interview• IIA Western District Conference• Auditing for Fraud in Government Procurement & Contracting• Effective Auditing of Construction Activity• The Basics of Auditing Artificial Intelligence for Government Auditors• IT Auditing for Non-IT Auditors• Single Audit• Auditing Standards• Leading an Audit Project• FASB and SAS Accounting & Auditing• Civil & Inclusive Workplace TrainingB. Staff performed site visits to learn more about district operations:<ul style="list-style-type: none">• Visited the Mills Plant and met with Treatment & Water Quality, Engineering Services, and Information Technology managers for a tour of the facility and an overview of the SCADA replacement system project.• Met with Fleet management at Weymouth to understand their role in the zero emissions initiative.• Three members participated in the Weymouth new employee tour.• Two members attended the Colorado River Aqueduct employee inspection trips.C. Final interviews for the senior audit manager position are pending; Executive Assistant II Mari Elias joined the office as a full-time Metropolitan employee.D. One department member is pursuing the Certified Internal Auditor (CIA) professional certification and another the Certified Information Systems Auditor (CISA).E. Staff presented at committee meetings to foster professional growth and inclusion opportunities.

GOAL 2: Quality

Quality is a critical component of internal audit work and is governed by professional internal audit standards. This goal seeks to ensure Internal Audit meets or exceeds quality standards for assurance and advisory work.

STRATEGIES	RESULTS
1. Complete readiness assessment to prepare for conformance with the new 2024 Global Internal Audit Standards; implement required changes.	A. A readiness assessment for the recently updated professional internal audit standards issued by the Institute of Internal Auditors was completed; resolution of gaps identified is in progress.
2. Train staff on new requirements; monitor for conformance.	B. Staff reviewed new standard, Domain V: Performing Internal Audit Services, that is directly related to their work.
3. Implement recommendations from the 2023 external quality assessment.	C. The annual internal quality assessment was resumed, and the results were presented to the Audit Committee.
4. Restart annual internal quality assessment process.	D. Three of the 2023 external quality assessment recommendations were implemented. E. The audit charter was updated in accordance with the new Global Internal Audit Standards.

GOAL 3: Innovation

Innovation is a cornerstone to ensuring Metropolitan's resources are utilized in an efficient and economical manner. This goal looks to continuously improve internal audit means and methods in support of Metropolitan's mission.

STRATEGIES	RESULTS
1. Formalize an internal audit strategy that supports the strategic objectives and success of Metropolitan.	A. A Rapid Review advisory methodology was created, and the first Rapid Review on Mutual Benefits Leases was issued.
2. Investigate application of artificial intelligence.	B. Research on how Internal Audit can implement artificial intelligence (AI) was completed; staff also attended training on ethical considerations to consider when using AI.
3. Increase application of data analytics.	C. Standard Arbutus (data analytic) queries that can be utilized across the team and projects, and detailed instructions (e.g., general ledger entries, capital project employee hours, sole source) have been developed.
4. Leverage project management system features.	D. Use of audit project management application features is being expanded and step-by-step procedures for the annual risk assessment roll-forward and the development of report templates were created; staff trained on the release of new features/capabilities; the API (application programming interface) reporting tool was onboarded and initial training to system administrators was provided; utilization of the API reporting tool to leverage reporting capabilities of our TM+ database is planned.
5. Execute rapid reviews.	E. A strategic plan is being developed to include initiatives around engagement efficiency, service marketing, and fraud.

GOAL 4: Risk

Risk is anything that can interfere with Metropolitan achieving its mission and objectives. This goal pursues risk identification, evaluation, and assistance with mitigation.

STRATEGIES	RESULTS
<ol style="list-style-type: none">1. Support enterprise risk management initiatives.2. Stay abreast of and communicate emerging risk topics.3. Explore adoption and implementation of frameworks for internal control, fraud risk management, and information technology.	<ol style="list-style-type: none">A. Board training on fraud basics and fraud research was provided; the fraud topic was added to the management interview portion of the audit risk assessment process.B. The audit plan was periodically updated based upon the evolving risk landscape.C. Emerging risk topics and publications were shared with the Board and management.D. The Center for Internet Security Critical Security Controls framework was applied to cybersecurity audits; a recommendation to adopt COSO (Committee of Sponsoring Organizations of the Treadway Commission) as the district internal control framework is pending.

GOAL 5: Collaboration

Collaboration with the Board, management, and other department heads is integral to Internal Audit's effectiveness. This goal endeavors to enhance interaction between Internal Audit and the Board, management, General Counsel and Ethics.

STRATEGIES	RESULTS
<ol style="list-style-type: none">1. Share new audit plan process and project methodologies with stakeholders; solicit feedback2. Identify internal control training opportunities to offer within Metropolitan3. Investigate ways to coordinate strategy and enhance collaboration with other departments4. Implement customer service surveys at engagement conclusion to solicit feedback and improvement opportunities5. Facilitate combined assurance model	<ol style="list-style-type: none">A. Periodic meetings with the Board Chair and Audit Sub/Committee Chair were held to discuss Internal Audit activities, Metropolitan current events, and contemporary internal audit topics.B. The General Auditor met with the General Manager, General Counsel, and Ethics Officer throughout the year to facilitate two-way communication on district and department topics.C. The Ethics Office and General Counsel's Office continue to be included in engagement planning procedures to coordinate work effort and ensure awareness of Internal Audit activities.D. Monthly meetings with Office of the General Manager staff were established to review items due to Internal Audit.E. A post-audit engagement customer survey was developed and issued for two audits; the survey will be issued for all new audits going forward.

PROPOSED FISCAL YEAR 2025/26 GOALS

Five fiscal year 2025/26 goals are planned and are themed around service, collaboration, continuous improvement, quality, and capability. Each goal has tactics or specific tasks to be completed in support of the goal.

GOAL 1: Support the district mission, and governance, risk management, and control by executing risk-based audits and advisory services.

TACTICS:

- A. Complete all initial carryforward projects.
- B. Issue innovative recommendations and solutions to mitigate risk, increase efficiency, and reduce costs.
- C. Utilize contracted audits to supplement in-house resource risk coverage.
- D. Perform targeted Rapid Reviews to provide swift analysis to the Board and management.
- E. Support/facilitate enterprise risk management initiatives and internal control frameworks.

GOAL 2: Promote positive change by continuing Board and management collaboration.

TACTICS:

- A. Act on the department head collaboration workshop series results including the department head operating agreement and Direct Report Team vision scorecard.
- B. Facilitate the combined assurance model by working with other district assurance functions and the external auditor.
- C. Enable Board education on internal audit topics through Board information items and internal audit publications; perform new Board member orientation to Internal Audit.
- D. Complete site visits; participate in available management forums.
- E. Provide training opportunities through management meetings and forums.

GOAL 3: Seek continuous improvement by pursuing innovative audit means and methods.

TACTICS:

- A. Establish key performance indicators and add these to quarterly dashboard reporting.
- B. Implement artificial intelligence tools and techniques.
- C. Expand the use of the data analytics tool and share capabilities with other departments.
- D. Enhance TeamMate+ (audit project management system) functionality.
- E. Connect with other internal audit functions and professionals.

GOAL 4: Ensure quality work and service delivery by conforming to professional internal audit standards.

TACTICS:

- A. Develop a vision statement, purpose statement, and strategic plan aligned with district objectives.
- B. Implement corrective action identified in the GIAS (Global Internal Audit Standards) readiness assessment.
- C. Resolve/make significant progress towards 2023 quality assessment conformance gaps.
- D. Continue internal quality assessments and report results to the Board.
- E. Issue customer service surveys, analyze results, and develop action plans to address themes.

GOAL 5: Expand Internal Audit capabilities by deploying people-focused and culture-changing initiatives.

TACTICS:

- A. Embody Metropolitan's START (safety, trust, accountability, respect, teamwork) values; support standards of conduct initiative and ensure communication of organizational changes to the team.
- B. Set customized training plans to include a minimum of 40 hours per fiscal year.
- C. Formalize staff specialization in district risk areas.
- D. Establish a complete internal career ladder within the department.
- E. Encourage professional certification for staff.

OFFICE OF THE GENERAL AUDITOR COMMUNICATIONS

This business plan was prepared by the Office of the General Auditor, an internal audit function of the Metropolitan Water District of Southern California serving the Board of Directors and management. Questions regarding this communication may be directed to General Auditor Scott Suzuki at 213.217.6528 or Assistant General Auditor Kathryn Andrus at 213.217.7213.