

The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide 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.

SP AUDIT Committee

J. Armstrong, Chair
M. Ramos, Vice Chair
D. De Jesus
L. Dick
L. Fong-Sakai
G. Gray, Emeritus

Special Audit Committee - Final

Meeting with Board of Directors *

June 23, 2025

1:30 p.m.

Monday, June 23, 2025 Meeting Schedule

09:00 a.m. Sp FAAME
11:00 a.m. Sp LEGAL
01:00 p.m. Break
01:30 p.m. Sp AUDIT
03:00 p.m. Sp IW

Written public comments received by 5:00 p.m. the business day before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here:
<https://mwdh2o.legistar.com/Legislation.aspx>.

The listen-only phone line is available at 1-877-853-5257; enter meeting ID: 862 4397 5848.

Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via teleconference and in-person. To provide public comment by teleconference dial 1-833-548-0276 and enter meeting ID: 815 2066 4276 or to join by computer [click here](#).

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

Teleconference Locations:

13 Pumphouse Road • Garden Valley, ID 83622

3008 W. 82nd Place • Inglewood, CA 90305

Conference Room • 1545 Victory Boulevard, 2nd Floor • Glendale, CA 91201

26772 Calle Maria • Dana Point, CA 92624

Western MWD • 14205 Meridian Parkway • Riverside, CA 92518

San Diego County Water Authority • Lobby Conference Room • 4677 Overland Avenue • San Diego, CA 92123

Alandale Insurance Agency • 337 West Foothill Boulevard • Glendora, CA 91740

1855 First Avenue, Room 300 • San Diego, CA 92101

* The Metropolitan Water District's meeting of this Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to this Committee may participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to this Committee will not vote on matters before this Committee.

1. **Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**

**** CONSENT CALENDAR ITEMS -- ACTION ****

2. **MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS**

- A. General Auditor's Quarterly Report [21-4738](#)

Attachments: [06232025 Special AUDIT 2a Quarterly Report](#)
[06232025 Special AUDIT 2a Quarterly Issued Report](#)
[06232024 Special Audit 2a Presentation](#)

3. **CONSENT CALENDAR OTHER ITEMS - ACTION**

- A. Approval of the Minutes of the Special Audit Committee for April 22, 2025 [21-4739](#)

Attachments: [06232025 AUDIT 3A \(04222025\) Minutes](#)

4. **CONSENT CALENDAR ITEMS - ACTION**

- 7-1 Approve General Auditor's Internal Audit Plan for fiscal year 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-4712](#)

Attachments: [06242025 Special Audit 7-1 B-L](#)
[06242024 Special Audit 7-1 Presentation](#)

**** END OF CONSENT CALENDAR ITEMS****

5. **OTHER BOARD ITEMS - ACTION**

NONE

6. **BOARD INFORMATION ITEMS**

NONE

7. **COMMITTEE ITEMS**

- a. Discussion on External Auditor Macias Gini & O'Connell, LLP Fiscal Year 2024/25 Audit Plan [21-4740](#)

Attachments: [06232024 Special Audit 7a Presentation](#)

- b. Discussion on Cybersecurity Audit: Inventory and Control of IT Assets [Any discussion of threats to public services or facilities to be heard in closed session. Conference with Charles Eckstrom, Group Manager of Information Technology, Jacob Margolis, Director of Info Tech Services, and Scott Suzuki, General Auditor; may be heard in closed session pursuant to Gov. Code Section 54957(a)] [21-4741](#)
- c. Discussion of Department Head Performance and Goal Setting [Public employee performance evaluation – General Auditor; to be heard in closed session pursuant to Gov. Code Section 54957] [21-4742](#)

Attachments: [06232025 Special Audit 7c General Auditor Business Plan FY 25-26](#)
[06232024 Special Audit 7c Presentation](#)

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS

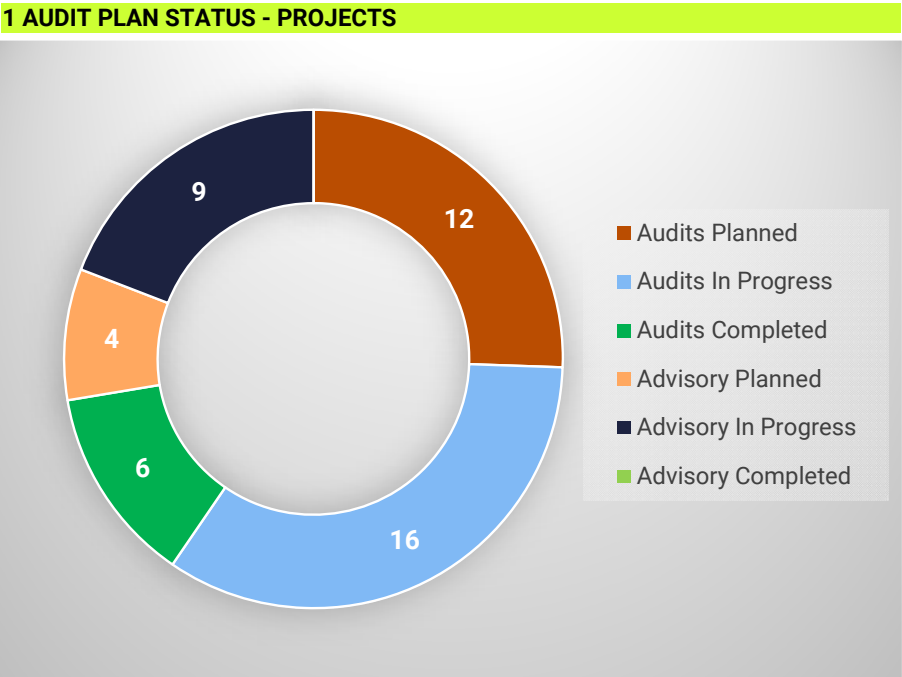
10. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Committee agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>.

Requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
OFFICE OF THE GENERAL AUDITOR
DASHBOARD AS OF MARCH 31, 2025



2 AUDIT PLAN STATUS - HOURS

7/1/24 AUDIT PLAN	12,884
ADJUSTMENTS	(1,360)
ROLLING PLAN	11,524
ACTUAL HOURS	8,689
ESTIMATE TO COMPLETE	3,830
REQUIRED HOURS	12,519
HOURS AVAILABLE/(OVER)	(995)

3 AUDIT PLAN CHANGES

AUDIT PLAN PROJECTS - 1/01/25	45
ADDED Q2	
See key message points	2
DELETED Q2	
None	-
TOTAL	47

4 CURRENT ASSURANCE COVERAGE/WORK IN PROGRESS

Administration	Program Management (engineering)
Bay Delta	Project Management
Contracts	Real Property
Controller (accounting)	Water Conveyance & Distribution
Cybersecurity	Water Resource Implementation
IT	

5 INTERNAL AUDIT RESOURCES

POSITIONS AUTHORIZED	14
VACANT	4
CONTRACTORS (INTERNAL AUDIT)	-
CERTIFIED PUBLIC ACCOUNTANTS	5
CERTIFIED INTERNAL AUDITORS	4
RESOURCE ADEQUACY	NO

6 OPEN RECOMMENDATIONS

	P1	P2	P3	OTHER	TOTAL
PRIOR FY	2	3	6	65	76
NEW	5	15	8	NA	28
RESOLVED	0	0	0	(1)	(1)
CURRENT	7	18	14	64	103

7 QUALITY ASSURANCE & IMPROVEMENT

EXTERNAL QUALITY ASSESSMENT	DUE 2028
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8 IMPAIRMENTS

INDEPENDENCE	NONE
OBJECTIVITY	NONE

9 FISCAL BUDGET

	BUDGET	ACTUAL	FY BUDGET	VARIANCE	%
\$	3,797,123	2,973,219	4,952,238	823,904	22%

10 KEY MESSAGE POINTS

Resource adequacy is RE vacant senior audit manager position; collaborating w HRS to fill
New projects added for conjunctive use (board directed), Process Matters Efficiency Initiative
Follow-up reviews in progress will update open recommendations



OFFICE OF THE GENERAL AUDITOR

Final Reports Issued January 1, 2025 to March 31, 2025

1. Contract Audit: Sensis, Inc., Agreement No. 185391 issued March 24, 2025

- Audit scope included evaluating selected accounting and administrative controls over the agreement for the mwdh2o.com redesign project from July 1, 2018 to February 28, 2022.
- Five recommendations with the following ratings: four **Priority 1**, one **Priority 3**.

[Contract Audit of Sensis Inc. \(22-3020\) Final Report 2025-03-24.pdf \(SECURED\)](#)

2. Operational Audit: Employee Tuition Reimbursement Program issued March 24, 2025

- Audit scope included reviewing the Employee Tuition Reimbursement Program for the period January 1, 2018 through October 31, 2021.
- Ten recommendations with the following ratings: nine **Priority 2**, one **Priority 3**.

[Operational Audit of Tuition Reimbursement Program \(22-4060\) Final Report 2025-03-24.pdf \(SECURED\)](#)

3. Cybersecurity Audit: Inventory & Control of IT Assets issued March 26, 2025

- Audit scope included Information Technology Group (ITG) inventory records and all IT assets under the control of the ITG with the potential to store or process data, including end-user devices (e.g., laptops, desktop computers), network devices (e.g., firewalls, switches), non-computer/IoT devices, and servers connected to Metropolitan's network as of March 31, 2024.
- Two recommendations with the following ratings: one **Priority 2**, one **Priority 3**.

[Cybersecurity Audit of Inventory & Control of IT Assets \(23-31\) Public Information 2025-03-26.pdf \(SECURED\)](#)



Special Audit Committee

General Auditor's Quarterly Report

Item 2a

June 23, 2025

Item 2a
Audit
Department
Dashboard

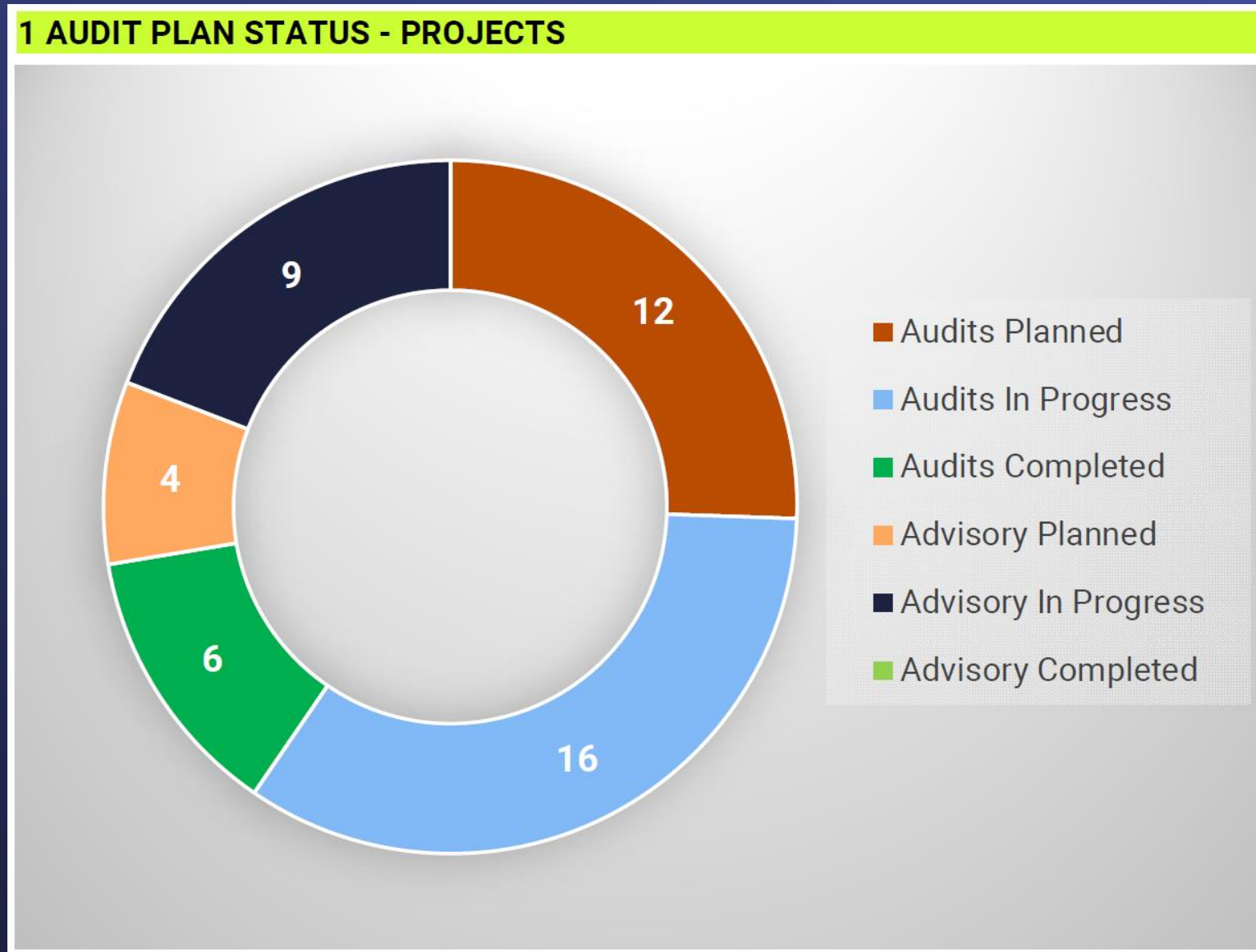
Subject

General Auditor's Quarterly Report

Purpose

Provide a focused view of internal audit dashboard elements as of March 31, 2025 and summarization of issued reports

I. Audit Plan Project Status



2. Audit Plan Status – Hours

2 AUDIT PLAN STATUS - HOURS	
7/1/24 AUDIT PLAN	12,884
ADJUSTMENTS	(1,360)
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ACTUAL HOURS	8,689
ESTIMATE TO COMPLETE	3,830
REQUIRED HOURS	12,519
HOURS AVAILABLE/(OVER)	(995)

3. Audit Plan Changes

3 AUDIT PLAN CHANGES	
AUDIT PLAN PROJECTS - 1/01/25	45
ADDED Q3	
See key message points	2
DELETED Q3	
None	-
TOTAL	47

4. Current Assurance Coverage/Work in Progress

4 CURRENT ASSURANCE COVERAGE/WORK IN PROGRESS

Administration	Program Management (engineering)
Bay Delta	Project Management
Contracts	Real Property
Controller (accounting)	Water Conveyance & Distribution
Cybersecurity	Water Resource Implementation
IT	

5. Internal Audit Resources

5 INTERNAL AUDIT RESOURCES	
POSITIONS AUTHORIZED	14
VACANT	4
CONTRACTORS (INTERNAL AUDIT)	-
CERTIFIED PUBLIC ACCOUNTANTS	5
CERTIFIED INTERNAL AUDITORS	4
RESOURCE ADEQUACY	NO

6. Open Recommendations

6 OPEN RECOMMENDATIONS

	P1	P2	P3	OTHER	TOTAL
PRIOR FY	2	3	6	65	76
NEW	5	15	8	NA	28
RESOLVED	0	0	0	(1)	(1)
CURRENT	7	18	14	64	103

7. Quality Assurance & Improvement

7 QUALITY ASSURANCE & IMPROVEMENT

EXTERNAL QUALITY ASSESSMENT

DUE 2028

8. Impairments

8 IMPAIRMENTS

INDEPENDENCE

NONE

OBJECTIVITY

NONE

9. Fiscal Budget

9 FISCAL BUDGET

	BUDGET	ACTUAL	FY BUDGET	VARIANCE	%
\$	3,797,123	2,973,219	4,952,238	823,904	22%

10. Key Message Points

10 KEY MESSAGE POINTS

Resource adequacy is RE vacant senior audit manager position; collaborating w HRS to fill
New projects added for conjunctive use (board directed), Process Matters Efficiency Initiative
Follow-up reviews in progress will update open recommendations

Final Reports Issued

1. Contract Audit: Sensis, Inc.
2. Operational Audit: Employee Tuition Reimbursement Program
3. Cybersecurity Audit: Inventory & Control of IT Assets



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

Special Audit Committee

April 22, 2025

Chair Armstrong called the meeting to order at 9:00 a.m.

Members present: Directors Armstrong, De Jesus (AB 2449, “Just Cause”), Dick, Fong-Sakai, Gray (teleconference posted location), and Ramos (entered after roll call).

Members absent: None.

Other Board Members present: Directors Erdman, Goldberg, Lefevre (teleconference posted location), Miller, Ortega, and Seckel.

Vice Chair of the Board Goldberg was present for purposes of quorum.

Director De Jesus indicated he was participating under AB 2449, “Just Cause,” because he was caretaking a loved one under 18. Director De Jesus appeared by audio and on camera.

Committee Staff present: Andrus, Elias, Parsons, Rubin, Suzuki, and Upadhyay.

1. OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE COMMITTEE ON MATTERS WITHIN THE COMMITTEE’S JURISDICTION

NONE

2. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

A. Subject: General Auditor’s Report of Monthly Activities

Presented by: Scott Suzuki, General Auditor

Mr. Suzuki reported on the General Auditor’s monthly activities.

CONSENT CALENDAR ITEMS – ACTION**3. CONSENT CALENDAR OTHER ITEMS – ACTION**

- A. Subject: Approval of the Minutes of the Audit Committee for March 25, 2025
(Copies have been submitted to each Director, with any additions, corrections, or omissions)

Director Fong-Sakai made a motion, seconded by Director De Jesus, to approve the consent calendar consisting of item 3A.

The vote was:

Ayes: Directors Armstrong, De Jesus, Dick, Fong-Sakai, and Gray

Noes: None

Abstentions: None

Absent: Director Ramos

The motion for item 3A passed by a vote of 5 ayes, 0 noes, 0 abstentions, and 1 absent.

****END OF CONSENT CALENDAR ITEMS****

Vice Chair Ramos entered the meeting.

4. CONSENT CALENDAR ITEMS – ACTION

NONE

5. OTHER BOARD ITEMS – ACTION

NONE

6. BOARD INFORMATION ITEMS

NONE

7. COMMITTEE ITEMS

a. Subject: Annual Audit Risk Assessment & Internal Control Discussion

Presented by: Chris Gutierrez, Program Manager – Audit
Lina Tan, Principal Auditor
Bonita Leung, Senior Deputy Auditor

Mr. Suzuki introduced the General Auditor staff, who presented on the Annual Audit Risk Assessment & Internal Control Discussion.

The following Directors asked questions and provided comments:

1. Fong-Sakai
2. Erdman
3. Ramos
4. Dick
5. Ortega
6. Miller
7. Armstrong
8. Fong-Sakai

Staff responded to the Directors' questions and comments.

8. FOLLOW-UP ITEMS

Director Erdman requested research into knowledge transfer programs.

Director Fong-Sakai and Chair of the Board Ortega requested information regarding the risks of the perception that MWD is not addressing affordability.

9. FUTURE AGENDA ITEMS

NONE

10. ADJOURNMENT

Meeting adjourned at 10:20 a.m.

Jeff Armstrong
Chair



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Action

Board of Directors *Audit Committee*

6/10/2025 Board Meeting

7-1

Subject

Approve the General Auditor's Internal Audit Plan for fiscal year 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.

Executive Summary

The General Auditor's Internal Audit Plan (**Attachment 1**) describes how the audit plan was developed, the internal audit services available to Metropolitan, and the planned projects for fiscal year (FY) 2025/26.

The Internal Audit Plan for FY 2025/26 comprises 20 planned audits, including five new audits and 15 carryforward audits from prior fiscal years. Additionally, the audit plan includes 10 advisory projects, including two new advisories, plus follow-up reviews.

This action requests that the Board approve the General Auditor's Internal Audit Plan for FY 2025/26, which is presented for consideration in accordance with the Metropolitan Administrative Code and professional internal auditing standards.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

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

Fiscal Impact: None

Business Analysis: This option will authorize the General Auditor to proceed with planned audit and advisory projects that add value and improve Metropolitan's operations.

Option #2

Do not approve the General Auditor's Internal Audit Plan for fiscal year 2025/26.

Fiscal Impact: None

Business Analysis: This option may impact the General Auditor's ability to perform audit work and other duties prescribed by the Metropolitan Administrative Code.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 6451: Audit Department Charter

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

June 11, 2024, Item 7-1, Approve General Auditor's Internal Audit Plan for fiscal year 2024/25

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5).)

CEQA determination for Option #2:

None required

Details and Background

Background

The mission of the Office of the General Auditor, Metropolitan's internal audit function, is to provide independent, professional, and objective assurance and advisory services that add value and improve Metropolitan's operations. Internal Audit assists Metropolitan in accomplishing its objectives by using a proactive and systematic approach to evaluate and recommend improvements to the effectiveness of governance, risk management, and control processes.

Professional internal audit standards require the General Auditor to establish a risk-based plan to determine internal audit priorities that are consistent with Metropolitan's goals and objectives. Internal Audit's methodology is to perform focused audits and provide advisory services that evaluate important areas of Metropolitan and deliver timely results.

Internal Audit completed an audit risk assessment by gaining an understanding of Metropolitan's business operations through documentation reviews, interviews with management, and discussions with the Board. The results facilitated efforts to identify and measure risks and prioritize potential audits and advisory projects for the audit plan. Internal Audit's approach is to provide coverage of the most critical aspects of the areas identified. Internal Audit may make exceptions to this approach when there are carryforward audits from the prior year, where there has been recent audit coverage, or if our professional judgment dictates otherwise.

This year's audit risk assessment identified opportunities for Internal Audit to provide audit or advisory services in the following areas (listed in alphabetical order): Administrative Services, Cybersecurity, Office of the General Manager, Security, and Treasury & Debt Management.


Internal Audit Plan Overview

The Internal Audit Plan includes the following information:

- (1) An introduction to the Office of the General Auditor.
- (2) A description of the audit plan project planning and execution methodology.
- (3) A description of the audit plan project's results.
- (4) An overview of internal audit services provided to Metropolitan.
- (5) Projects planned to be performed during FY 2025/26.
- (6) The audit plan project team.
- (7) A crosswalk of risk areas to associated projects.
- (8) Specific risks/internal control concerns identified pending audit resource/time availability.

- (9) An overview of internal audit resources that will support the execution of the audit plan.
- (10) Department internal reporting structure
- (11) References to relevant professional internal audit standards.

From time to time, the General Auditor may determine it appropriate to substitute, postpone, or cancel a planned engagement due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in quarterly status reports to the Board, and acknowledgment of the reporting authorizes any changes noted and amends the audit plan.



Scott Suzuki
General Auditor

5/21/2025

Date



Deven Upadhyay
General Manager

5/21/2025

Date

Attachment 1 – General Auditor’s Internal Audit Plan for FY 2025/26 – (Revised)

Ref# a12707381

DRAFT - PENDING BOARD APPROVAL



Office of the General Auditor __

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

June 10, 2025

DRAFT – PENDING BOARD APPROVAL

Executive Summary

BACKGROUND

The mission of the Office of the General Auditor, Metropolitan's internal audit function, is to provide independent, professional, and objective assurance and advisory services to add value and improve Metropolitan's operations. We assist Metropolitan in accomplishing 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.

Professional internal audit standards require us to establish a risk-based plan to determine the priorities of our office that are consistent with Metropolitan's goals and objectives. Our methodology is to perform focused audits and provide advisory services that evaluate important areas of Metropolitan and deliver timely results.

We completed an audit risk assessment by gaining an understanding of Metropolitan's business operations through documentation reviews, interviews with management, and discussions with the Board. The results facilitated our efforts to identify and measure risks and prioritize potential audits and advisory projects for the audit plan. Our approach is to provide coverage of the most important aspects of the areas identified. We may make exceptions to this approach when there are carryforward audits from the prior year, where there has been recent audit coverage, or if our professional judgment dictates otherwise.

RESULTS

Our fiscal year 2025/26 Internal Audit Plan is comprised of 20 planned audits, including five new audits and 15 carryforward audits from prior fiscal years. Additionally, we plan to cover 10 advisory projects, including two new advisories, plus follow-up reviews.

Our audit risk assessment identified opportunities for our office to provide audit or advisory services in the following areas (listed alphabetically):

- Administrative Services
- Cybersecurity
- Office of the General Manager
- Security
- Treasury & Debt Management

Due to limited staffing resources, our audit plan includes projects addressing the highest identified audit risk areas. As resources and/or time become available in fiscal year 2025/26, we will incorporate additional risk areas into the audit plan. While we will re-evaluate the audit risk assessment periodically during the fiscal year, any risk areas not incorporated into the audit plan by fiscal year-end will be re-evaluated for inclusion in our fiscal year 2026/27 Internal Audit Plan.

COVER PHOTO: Lake Mathews Reservoir in Riverside County. Built in 1938, this raw water reservoir has a capacity of 182,000 acre-feet.

DRAFT – PENDING BOARD APPROVAL

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: June 10, 2025
To: Board of Directors
From: Scott Suzuki, CPA, CIA, CISA, CFE, General Auditor
Subject: General Auditor's Internal Audit Plan for Fiscal Year 2025/26

The Office of the General Auditor is pleased to present our audit plan for fiscal year 2025/26 in accordance with Metropolitan Administrative Code Section 6451 and the Global Internal Audit Standards issued by the Institute of Internal Auditors.

The audit plan results from thoughtful analysis of Metropolitan documents and data, a series of risk discussions with Metropolitan management, and Board input on specific risk and internal control concerns.

Our office is charged with determining whether Metropolitan's network of governance, risk management, and internal control processes are appropriate and functioning as intended by management. To execute this charge, we plan to perform a series of audits and advisory projects, 30 in total, during the fiscal year (five new audits, 15 carryforward audits, and 10 advisories).

Our mission is to add value to Metropolitan's operations by recommending improvements while maintaining transparency and trust in our work. We will do this by working collaboratively with all levels of the Metropolitan team, identifying risks and opportunities that evolve under our changing environment, and ultimately contributing to ensuring Metropolitan's resources have the maximum impact on the member agencies and communities we serve.

We appreciate the opportunity to serve Metropolitan by offering independent, professional, and objective audit and advisory services. We also appreciate the cooperation provided by Metropolitan management, staff, and the Board during our audit risk assessment project.

If you have any questions regarding our audit plan, please do not hesitate to contact me directly at 213.217.6528 or Assistant General Auditor Kathryn Andrus at 213.217.7213.

Attachments

Other report recipients:

General Manager
General Counsel
Ethics Officer
Chief of Staff
Assistant General Managers
Board Executive Officer
External Auditor

DRAFT – PENDING BOARD APPROVAL**TABLE OF CONTENTS****Introduction****1 Department Overview**

An introduction to our office

Audit Risk Assessment**2 Audit Risk Assessment Process**

A description of our audit risk assessment project planning and execution methodology

4 Audit Risk Assessment Summary

A summary of the project's results

5 Heat Map

A visual representation of the risk ranking of Metropolitan's auditable units

Internal Audit Plan**6 Service Portfolio**

An overview of the services we provide to Metropolitan

7 Planned Engagements

Projects we plan to perform during fiscal year 2025/26

11 Project Team

Team members contributing to this project

Appendix A: Additional Information**12 Assurance & Advisory Coverage**

A crosswalk of risk areas to associated projects

14 Deferred Projects

Specific risks/internal control concerns identified pending audit resource/time availability

15 Resource Plan

An overview of our resources that will support execution of the audit plan

16 Organization Chart

Our internal reporting structure

17 Standards

References to relevant professional internal audit standards

DRAFT – PENDING BOARD APPROVAL

INTRODUCTION

DEPARTMENT OVERVIEW

The General Auditor provides independent, professional, and objective advice to the Board and Metropolitan management in accordance with the professional standards issued by The Institute of Internal Auditors. To maintain independence, the General Auditor reports directly to the Board through the Audit Committee.

Our goal is to assist Metropolitan's Board and management in improving business and financial practices. To carry out this effort, the General Auditor oversees a team of internal audit professionals who determine whether Metropolitan's activities, programs, or agreements comply with policies, procedures, and applicable laws and regulations. The team proactively addresses issues, focusing on governance, risk management, and internal control processes.

Towards this goal, our office is charged with determining if Metropolitan's network of governance, risk management, and internal control processes (as designed and represented by management) are adequate and functioning in a manner to ensure:

- ◆ Risks are appropriately identified, managed, and monitored.
- ◆ Significant financial, managerial, and operating information is accurate, reliable, and timely.
- ◆ Employees' actions comply with policies, standards, procedures, and applicable laws and regulations.
- ◆ Resources are acquired economically, used efficiently, and adequately protected.
- ◆ Programs, plans, and objectives are achieved.
- ◆ Quality and continuous improvement are fostered in Metropolitan's control process.
- ◆ Significant legislative or regulatory issues are recognized and addressed appropriately.
- ◆ Information Technology is governed, and systems and applications are securely deployed and monitored.

Our office carries out its responsibilities in accordance with the Audit Department Charter specified in Metropolitan Administrative Code Section 6451.



DRAFT – PENDING BOARD APPROVAL**AUDIT RISK ASSESSMENT****AUDIT RISK ASSESSMENT PROCESS**

The Office of the General Auditor's objective is to add value to and improve the effectiveness and efficiency of Metropolitan's operations. Our strategy to accomplish this is thorough planning, nimble responsiveness, aligning our priorities with Metropolitan's objectives, and auditing risks with the greatest potential to affect Metropolitan's ability to achieve its objectives.

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

There are eight primary steps in performing and maintaining the audit risk assessment and audit plan:

1. Understand the organization
2. Identify, assess, and prioritize risks
3. Coordinate with other assurance providers
4. Estimate resources
5. Propose the audit plan and solicit feedback
6. Finalize and communicate the audit plan
7. Assess risks continuously
8. Update the audit plan as appropriate and communicate changes

Metropolitan's internal audit team developed the audit plan using this process to ensure a thorough risk evaluation, facilitate effective communication with the Board, management, and other stakeholders, and allocate sufficient resources to perform the planned projects.

As part of identifying, assessing, and prioritizing risks, we considered the following risk factors:

Impact Factors

- **Loss/Material Exposure.** Dollar values at risk, annual expenses, number of transactions, impact on other areas of Metropolitan, and degree of reliance on Information Technology.
- **Strategic Risk.** Public perception/reputation, economic conditions, volatility, significance to the General Manager's business plan/strategy, degree of regulation, and recent changes.

Likelihood Factors

- **Control Environment.** Degree of process formalization/policy & procedures, newness of processes/applications, third-party reliance, management turnover, and management monitoring.
- **Complexity.** Degree of automation, required specialization, level of technical detail, complexity of structure, and frequency of change.
- **Assurance Coverage.** Type of engagement, other reviews, second-line coverage, and current audit/follow-up.
- **Board & Management Concern.** Quantity and specificity of concerns shared during interviews and meetings.



DRAFT – PENDING BOARD APPROVALSpeed Factor

- **Velocity.** How fast a risk can occur and impact Metropolitan.

We obtained input and suggestions from management in key business areas to better identify and quantify the risks Metropolitan faces. We also looked at goals and objectives in various Metropolitan documents, including the financial statements, monthly General Manager reports, Board and Committee meeting agendas, and the biennial budget.

Our audit universe is defined as 35 auditable units and generally revolves around functional areas of Metropolitan. All departments, groups, sections, and units are included in the audit universe except for our office. We scored each factor and sorted each auditable unit according to a total risk score to identify those with the most significant risks.

An auditable unit with a higher audit risk score indicates the services or functions it is responsible for are a higher risk activity due to factors including, but not limited to, having a large amount of expenditures and/or revenues, having a high level of liquid assets such as cash, undergoing significant change (e.g., organizational structure, major system), processing complex transactions, criticality to Metropolitan's mission, or having a high degree of public interest. A higher audit risk score indicates that if something were to go wrong, it could have a greater and more rapid impact on Metropolitan.



Diamond Valley Lake Wildflowers



DRAFT – PENDING BOARD APPROVAL**AUDIT RISK ASSESSMENT SUMMARY**

Our audit risk assessment results show that seven auditable units are considered higher risk, 21 are moderate risk, and seven are lower risk. Below are Metropolitan's auditable units in their respective risk categories in alphabetical order.

HIGHER AUDIT RISK

- | | | |
|-----------------------------|---------------------------------|-------------------------------|
| • Conveyance & Distribution | • Infrastructure Reliability | • Power Operations & Planning |
| • Human Resources | • Office of the General Manager | • Security |
| • Information Technology | | |

A higher audit risk score DOES NOT mean that a business area/process is being managed ineffectively or that internal control is inadequate.

MODERATE AUDIT RISK

- | | | |
|---------------------------------|---|--|
| • Administrative Services | • Equal Employment Opportunity | • Revenue & Budget |
| • Bay Delta Initiatives | • Ethics | • Sustainability Resilience & Innovation |
| • Business Continuity | • External Affairs | • Treasury & Debt Management |
| • Centralized Grants & Research | • Integrated Operations Planning & Support Services | • Treatment & Water Quality |
| • Cybersecurity | • Land Management | • Water Resource Implementation |
| • Diversity Equity & Inclusion | • Operational Safety & Regulation | • Water Resource Planning |
| • Employee Relations | • Program Management | |
| • Engineering Planning | | |

LOWER AUDIT RISK

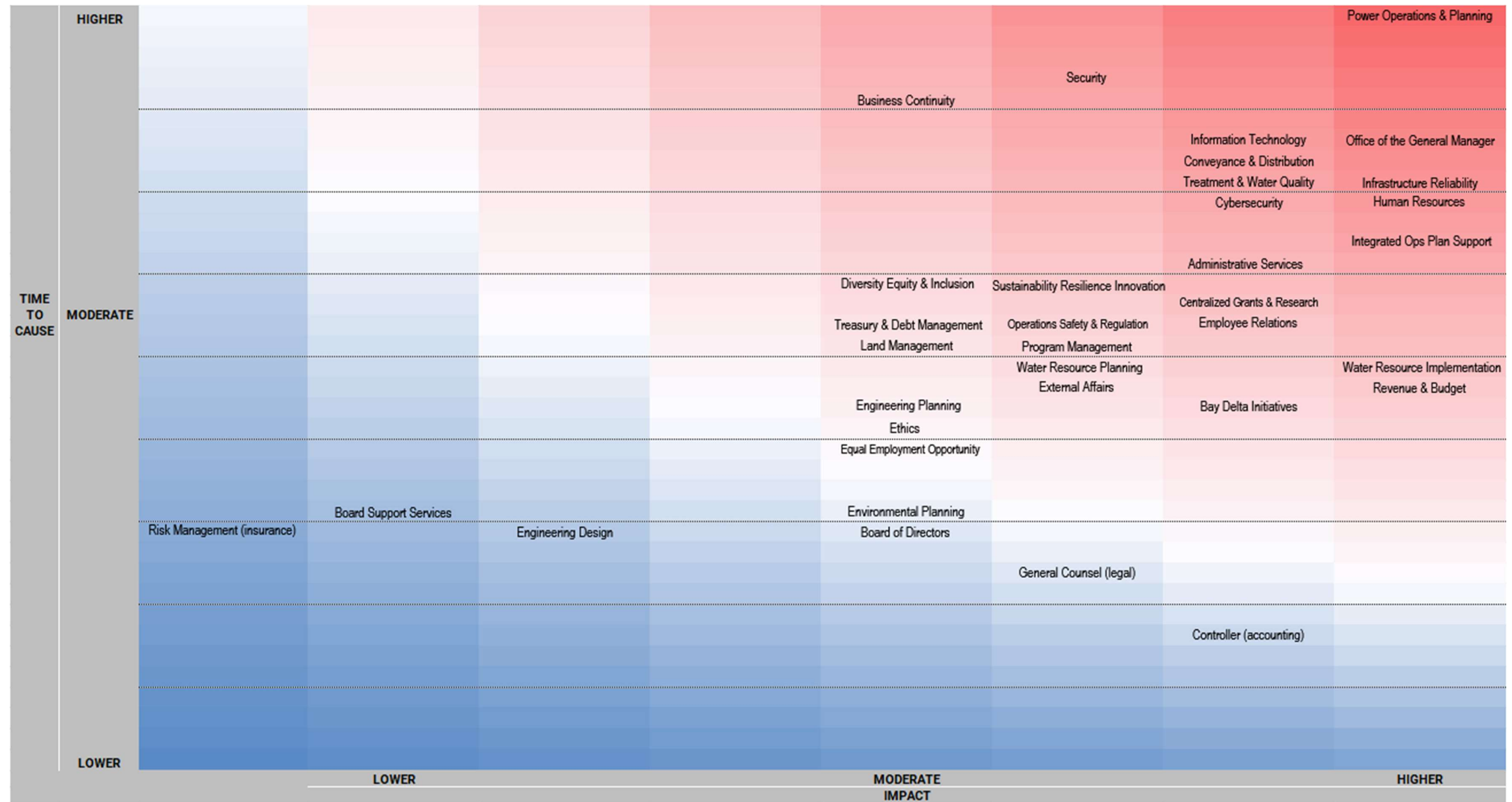
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|---------------------------|--------------------------|-------------------------------|
| • Board of Directors | • Engineering Design | • General Counsel (legal) |
| • Board Support Services | • Environmental Planning | • Risk Management (insurance) |
| • Controller (accounting) | | |



DRAFT – PENDING BOARD APPROVAL

HEAT MAP

The diagram below shows the relationship between time to cause (likelihood + velocity) vs. impact for each Metropolitan auditable area.



DRAFT – PENDING BOARD APPROVAL**INTERNAL AUDIT PLAN****SERVICE PORTFOLIO**

Our core portfolio includes the following services:

1 Operational & Compliance Audits

These audits provide assurance focusing on internal control design, implementation, and/or maintenance of core business operations. The criteria generally used for our internal control audits is the Committee on Sponsoring Organizations of the Treadway Commission (COSO) internal control framework. Projects can also include assessment of policy compliance, contractual compliance, and/or regulatory compliance.

2 Information Technology Audits

These audits focus on general information technology controls (e.g., operations, change management, disaster recovery) or specialized cybersecurity controls (e.g., asset management, data protection, malware defense).

3 Advisory Services

These advisory projects include providing consulting services to Metropolitan functions primarily in support of major business changes (e.g., new application implementation, reorganization, new service line, process realignment); however, they can also include contemporary topics and ad-hoc on-demand advice. Deliverables include Advisory Briefs/Rapid Reviews.

4 Follow-Up Reviews

These reviews follow up on observations from prior audits to monitor the implementation progress of recommended corrective actions. The amount of follow-up necessary will depend on the severity of the issue and the type of corrective action.

5 Administration & Other Activities

These activities do not relate to specific auditable entities but are necessary for the proper functioning of an audit department and include the annual audit risk assessment and audit plan; TeamMate+ training and functional utilization; quality assessment and improvement program; and contractually required assistance to the external auditor.



DRAFT – PENDING BOARD APPROVAL**PLANNED ENGAGEMENTS**

Planned engagements are based upon approximately 11,800 productive hours provided by ten audit professionals. Higher audit risk areas are given priority for project assignment over moderate and lower audit risk areas. Once all higher audit risk areas are assigned an audit, additional moderate audit risk areas are selected at the discretion of the General Auditor. Projects may also be assigned based on Board direction or as mandated by law/regulation. Lastly, recurring audits are generally not assigned unless determined as higher risk or mandated by law/regulation.

The following table provides planned audit and advisory engagements and includes preliminary objectives and budgeting:

TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
Operational & Compliance Audits		
1. Security Contract	Review contract compliance.	400
2. Enterprise Risk Management	Assess the district Enterprise Risk Management program.	200
3. P-Card Program	Review compliance with Metropolitan policy.	400
4. Contract Administrator Program	Review effectiveness of the program.	400
5. Recruiting Process <i>Carryforward from FY 2024/25</i>	Compare recruiting procedures and technology against industry and sector best practices.	200
6. Sole Source Contracts <i>Carryforward from FY 2023/24</i>	Determine if sole-source contracts are issued in accordance with Metropolitan policy.	0 ¹
7. Power Market Operations <i>Carryforward from FY 2023/24</i>	Review Metropolitan power market operations.	200
8. State Audit Monitoring <i>Carryforward from FY 2023/24</i>	Review implementation status of State Auditor recommendations.	200
9. Bay Delta Disaster Preparedness <i>Carryforward from FY 2023/24</i>	Review Bay Delta disaster preparedness procedures.	400
10. CRA Maintenance <i>Carryforward from FY 2023/24</i>	Review conveyance maintenance program/processes.	160
11. California Landscape Contractors Association Contract Compliance <i>Carryforward from FY 2023/24</i>	Review contract compliance.	0 ¹



DRAFT – PENDING BOARD APPROVAL

TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
Operational & Compliance Audits (con't)		
12. Pure Water State Funding Audit <i>Carryforward from FY 2023/24</i>	Determine adherence to state and Board directives for the Pure Water state funding.	400
13. Reserves/Rate Stabilization Fund <i>Board directed</i> <i>Carryforward from FY 2023/24</i>	Determine if reserves are maintained in accordance with the Metropolitan Administrative Code.	0 ¹
14. Real Property Business Management System Project <i>Carryforward from FY 2022/23</i>	Review administration of the Real Property Business Management System Project.	120
15. CRA Discharge Line Isolation Couplings Rehabilitation Project <i>Carryforward from FY 2022/23</i>	Review administration of the CRA Discharge Line Isolation Couplings Project.	0 ¹
Information Technology Audits		
16. Cybersecurity: SCADA Network Software Asset Inventory & Control	Determine if Metropolitan actively manages all software on the SCADA network.	400
17. IT Governance <i>Carryforward from FY 2024/25</i>	Evaluate district IT processes and controls for alignment with business goals.	200
18. Cybersecurity: Inventory and Control of SCADA Network Assets <i>Carryforward from FY 2024/25</i>	Determine if Metropolitan actively manages all SCADA network hardware assets.	400
19. Cybersecurity: Software Asset Inventory & Control <i>Carryforward from FY 2023/24</i>	Determine if Metropolitan actively manages all software on the district network.	80
20. Oracle Enterprise Business Suite Security <i>Carryforward from FY 2022/23</i>	Assess Oracle security controls.	80
Advisory Services		
21. Safety Equipment Purchase Process	Rapid Review on safety equipment purchase process.	160
22. GRC Platform	Advise on new application implementation.	80



DRAFT – PENDING BOARD APPROVAL

TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
Advisory Services (con't)		
23. Grants	Provide advice to the new grants management function.	80
24. METCON	Advise on new application implementation.	80
25. WINS	Advise on new application implementation.	80
26. Enterprise Content Management	Advise on new application implementation.	80
27. Process Matters Initiative	Provide advice on recommended changes from the Process Matters initiative.	80
28. Colorado River Water Users Association Review <i>Board directed</i>	Perform agreed-upon procedures for the Colorado River Water Users Association Review.	120
29. Risk Oversight Committee (Power Operations)	Provide advice on risks and controls.	0 ²
30. Oracle Services Procurement	Advise on new Oracle module implementation.	0 ²
Follow-Up Reviews		
Follow-Up on Audits	Follow up on audit recommendation implementation by management.	2,238
Administration & Other Activities		
External Audit Support	Assist Macias Gini & O'Connell (MGO) in the annual financial audit and single audit.	800
Annual Audit Risk Assessment & Internal Audit Plan	Perform annual audit risk assessment tasks and prepare the Internal Audit Plan.	400
TeamMate+ Training & Functional Utilization	Provide and receive training on the internal audit project management system.	200
Quality Assessment & Improvement Program (QAIP)	Complete mandates to ensure adherence to professional internal audit standards and improve internal audit operations.	80



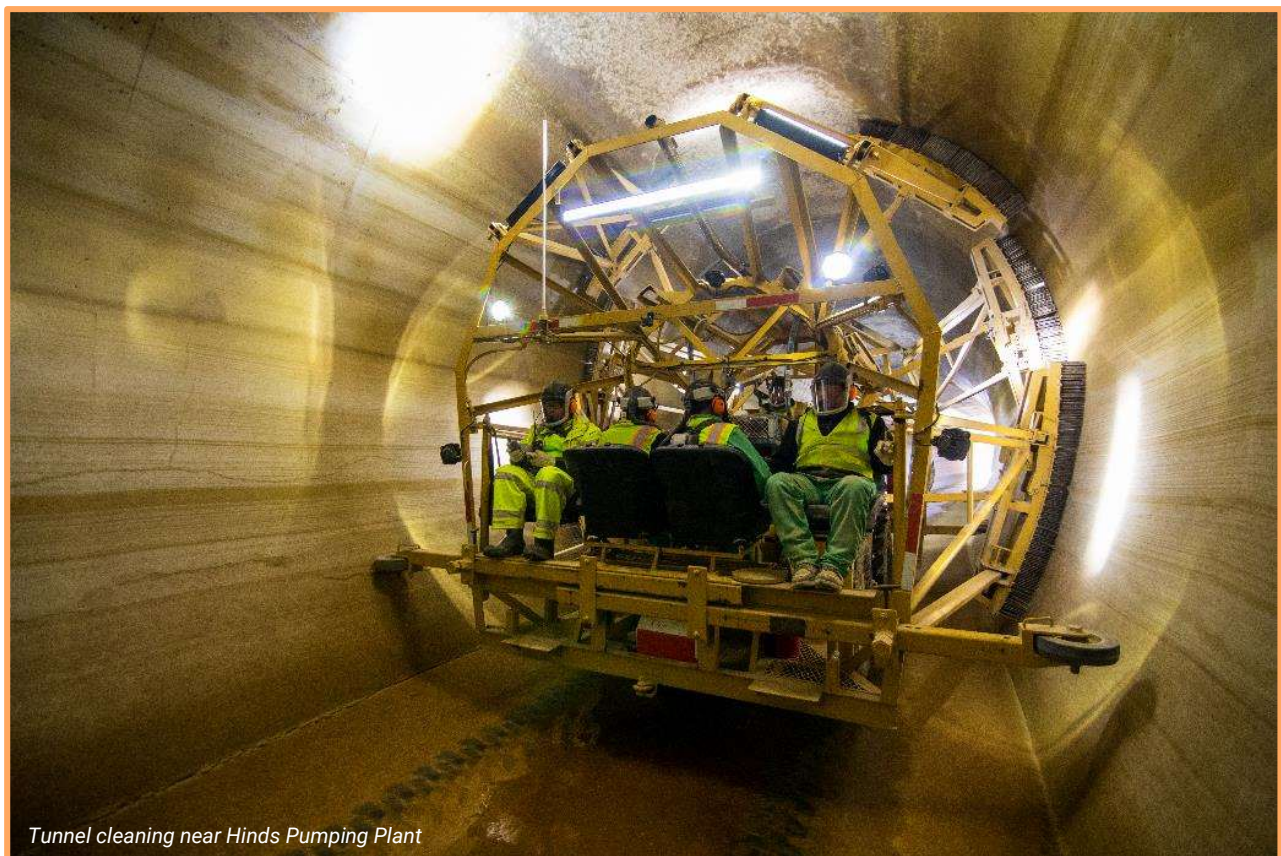
DRAFT – PENDING BOARD APPROVAL

TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
Administration & Other Activities (con't)		
On-Demand Advisory Services	Provide advice upon request.	80
Directed Ad Hoc	Tasks assigned by department management.	80

From time to time, the General Auditor may determine it appropriate to substitute, postpone, or cancel a planned engagement due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in activity reports submitted to the Board, and acceptance of the reporting authorizes any changes noted and amends the audit plan.

¹ This project has reached its maximum budget, and no additional hours will be allocated to it.

² This project has executive management assigned to it who do not charge hours.

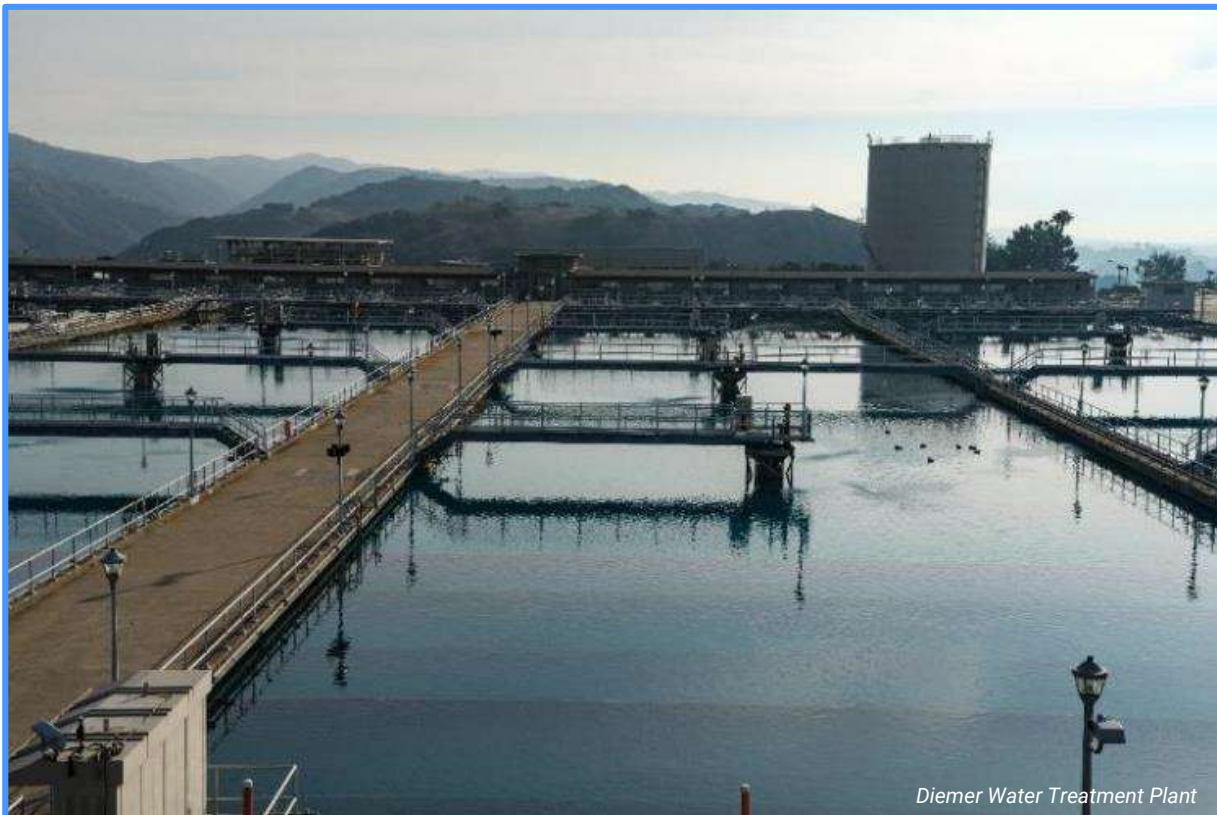


Tunnel cleaning near Hinds Pumping Plant



DRAFT – PENDING BOARD APPROVAL**PROJECT TEAM**

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



DRAFT – PENDING BOARD APPROVAL**APPENDIX A: ADDITIONAL INFORMATION****ASSURANCE & ADVISORY COVERAGE**

Risk areas we identified as part of the audit risk assessment process are listed alphabetically and mapped to their associated auditable areas, with the resultant planned engagement number in parentheses³:

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)
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)



DRAFT – PENDING BOARD APPROVAL

RISK AREA	AUDITABLE AREA	ENGAGEMENT
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)
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)

³ The Colorado River Water Users Association (28) is a Board-directed project without a direct district-associated risk area.



DRAFT – PENDING BOARD APPROVAL**DEFERRED PROJECTS**

Risks/internal control concerns identified from Board input and management interviews (in high or medium-high areas of the audit risk assessment) are listed below alphabetically and mapped to auditable areas. They will be added to the audit plan as resources and/or time become available:

RISK AREA	AUDITABLE AREA
Accommodations process	Human Resources
Affordability (Board Directed)	Revenue & Budget
Buy v. lease	Integrated Operations Planning & Support Services
Chemical safety	Treatment & Water Quality
Conjunctive use (Board Directed)	Water Resource Planning
Corporate climate assessments	Multiple
CRA reliability	Conveyance & Distribution
Desert housing	Integrated Operations Planning & Support Services
District temporary/annuitant usage	Human Resources
Electrical equipment supply chain	Integrated Operations Planning & Support Services
Employee/contractor conflict of interest	Ethics
Investigative process	Multiple
Job descriptions	Human Resources
Knowledge transfer (Board Directed)	Human Resources
MOUs (Board Directed)	Multiple
Operator certification	Integrated Operations Planning & Support Services
Real estate (Board Directed)	Land Management
Total asset management	Infrastructure Reliability
Transfer process	Human Resources
Travel authorization process	Human Resources
Vehicle assignment	Integrated Operations Planning & Support Services



DRAFT – PENDING BOARD APPROVAL**RESOURCE PLAN**

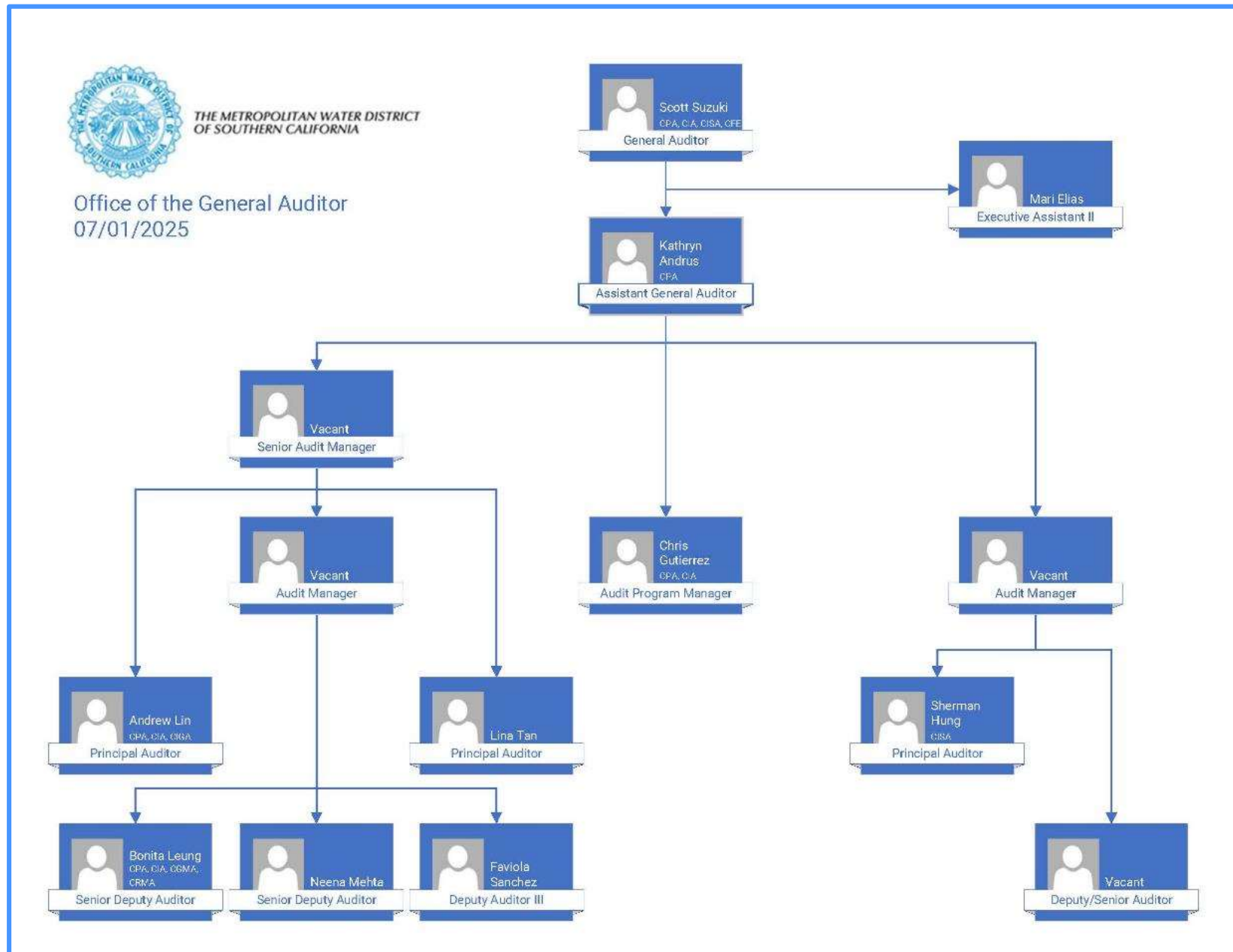
The department is comprised of 10 professional audit team members, one administrative professional, and two executive managers. Team member audit experience includes financial, performance, fraud, compliance, and information technology. Five members are licensed Certified Public Accountants (CPA), four are Certified Internal Auditors (CIA), and two are Certified Information System Auditors (CISA). Other professional certifications held include Certified Fraud Examiner (CFE), Chartered Global Management Accountant (CGMA), Certification in Risk Management Assurance (CRMA), and Certified Inspector General Auditor (CIGA).

Our total productive hours for portfolio services are 11,817 hours after allowances for benefits and non-productive time (e.g., training, staff meetings, human resources activities). Additional time is then deducted for administration and other activities, a contingency reserve, Board directives, and special projects, resulting in 7,177 hours available for audit and advisory projects. Audit hours for the general auditor and assistant general auditor are not included in the productive hour total.



Colorado River Aqueduct



DRAFT – PENDING BOARD APPROVAL**ORGANIZATION CHART**

DRAFT – PENDING BOARD APPROVAL**STANDARDS**

The following are references to relevant Global Internal Audit Standards.

Domain I: Purpose of Internal Auditing

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organization's:

- ◆ Successful achievement of its objectives.
- ◆ Governance, risk management, and control processes.
- ◆ Decision-making and oversight.
- ◆ Reputation and credibility with its stakeholders.
- ◆ Ability to serve the public interest.

Internal auditing is most effective when:

- ◆ It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- ◆ The internal audit function is independently positioned with direct accountability to the board.
- ◆ Internal auditors are free from undue influence and committed to making objective assessments.

Standard 8.2 Resources

The chief executive must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the chief audit executive must develop a strategy to obtain sufficient resources and inform the board about the impact of insufficient resources and how any resource shortfalls will be addressed.

Standard 9.1 Understanding Governance, Risk Management, and Control Processes

To develop an effective internal audit strategy and plan, the chief audit executive must understand the organization's governance, risk management, and control processes.

To understand governance processes, the chief audit executive must consider how the organization:

- ◆ Establishes strategic objectives and makes strategic and operational decisions.
- ◆ Oversees risk management and control.
- ◆ Promotes an ethical culture.
- ◆ Delivers effective performance management and accountability.
- ◆ Structures its management and operating functions.
- ◆ Communicates risk and control information throughout the organization.
- ◆ Coordinates activities and communications among the board, internal and external providers of assurance services, and management.



DRAFT – PENDING BOARD APPROVAL**Standard 9.1 Understanding Governance, Risk Management, and Control Processes**

To understand risk management and control processes, the chief audit executive must consider how the organization identifies and assesses significant risks and selects appropriate control processes. This includes understanding how the organization identifies and manages the following key risk areas:

- ◆ Reliability and integrity of financial and operational information.
- ◆ Effectiveness and efficiency of operations and programs.
- ◆ Safeguarding of assets.
- ◆ Compliance with laws and/or regulations.

Standard 9.2 Internal Audit Strategy

The chief executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.

An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit mandate.

The chief audit executive must review the internal audit strategy with the board and senior management periodically.

Standard 9.4 Internal Audit Plan

The chief audit executive must create an internal audit plan that supports the achievement of the organization's objectives.

The chief audit executive must base the internal audit plan on a documented assessment of the organization's strategies, objectives, and risks. This assessment must be informed by input from the board and senior management as well as the chief audit executive's understanding of the organization's governance, risk management, and control processes. The assessment must be performed at least annually.

The internal audit plan must:

- ◆ Consider the internal audit mandate and the full range of agreed-to internal audit services.
- ◆ Specify internal audit services that support the evaluation and improvement of the organization's governance, risk management, and control processes.
- ◆ Consider coverage of information technology governance, fraud risk, the effectiveness of the organization's compliance and ethics programs, and other high-risk areas.
- ◆ Identify the necessary human, financial, and technological resources necessary to complete the plan.
- ◆ Be dynamic and updated timely in response to changes in the organization's business, risks operations, programs, systems, controls, and organizational culture.



DRAFT – PENDING BOARD APPROVAL**Standard 9.4 Internal Audit Plan**

The chief audit executive must review and revise the internal audit plan as necessary and communicate timely to the board and senior management:

- ◆ The impact of any resource limitations on internal audit coverage.
- ◆ The rationale for not including an assurance engagement in a high-risk area or activity in the plan.
- ◆ Conflicting demands for services between major stakeholders, such as high-priority requests based on emerging risks and requests to replace planned assurance engagements with advisory engagements.
- ◆ Limitations on scope or restrictions on access to information.

The chief audit executive must discuss the internal audit plan, including significant interim changes, with the board and senior management. The plan and significant changes to the plan must be approved by the board.

Standard 10.1 Financial Resource Management

The chief audit executive must manage the internal audit function's financial resources.

The chief audit executive must develop a budget that enables the successful implementation of the internal audit strategy and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and acquisition of technology and tools. The chief audit executive must manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.

The chief audit executive must seek budget approval from the board. The chief audit executive must communicate promptly the impact of insufficient financial resources to the board and senior management.

Standard 14.4 Recommendations and Action Plans

Internal auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions to:

- ◆ Resolve the differences between the established criteria and the existing condition.
- ◆ Mitigate identified risks to an acceptable level.
- ◆ Address the root cause of the finding.
- ◆ Enhance or improve the activity under review.

When developing recommendations, internal auditors must discuss the recommendations with the management of the activity under review.

If internal auditors and management disagree about the engagement recommendations and/or action plans, internal auditors must follow an established methodology to allow both parties to express their positions and rationale and to determine a resolution.





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

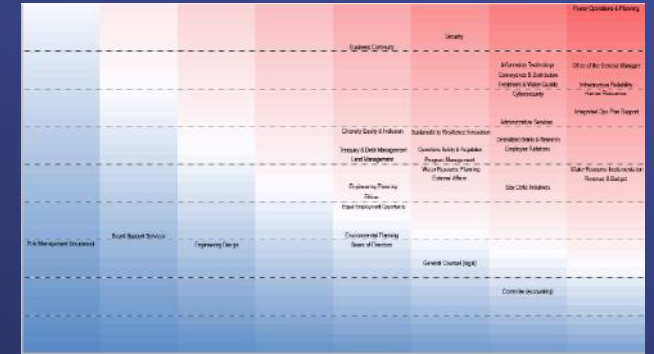
Audit Risk Assessment

Audit Risk Assessment Summary

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

Internal Audit Plan

New Engagements

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

Internal Audit Plan

Carryforward Engagements

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

Internal Audit Plan

Carryforward Engagements (con't)

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

Internal Audit Plan

Advisory Engagements

- 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

Internal 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

Additional Information

Assurance & Advisory Coverage

Specific risk areas covered by planned engagements:

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)

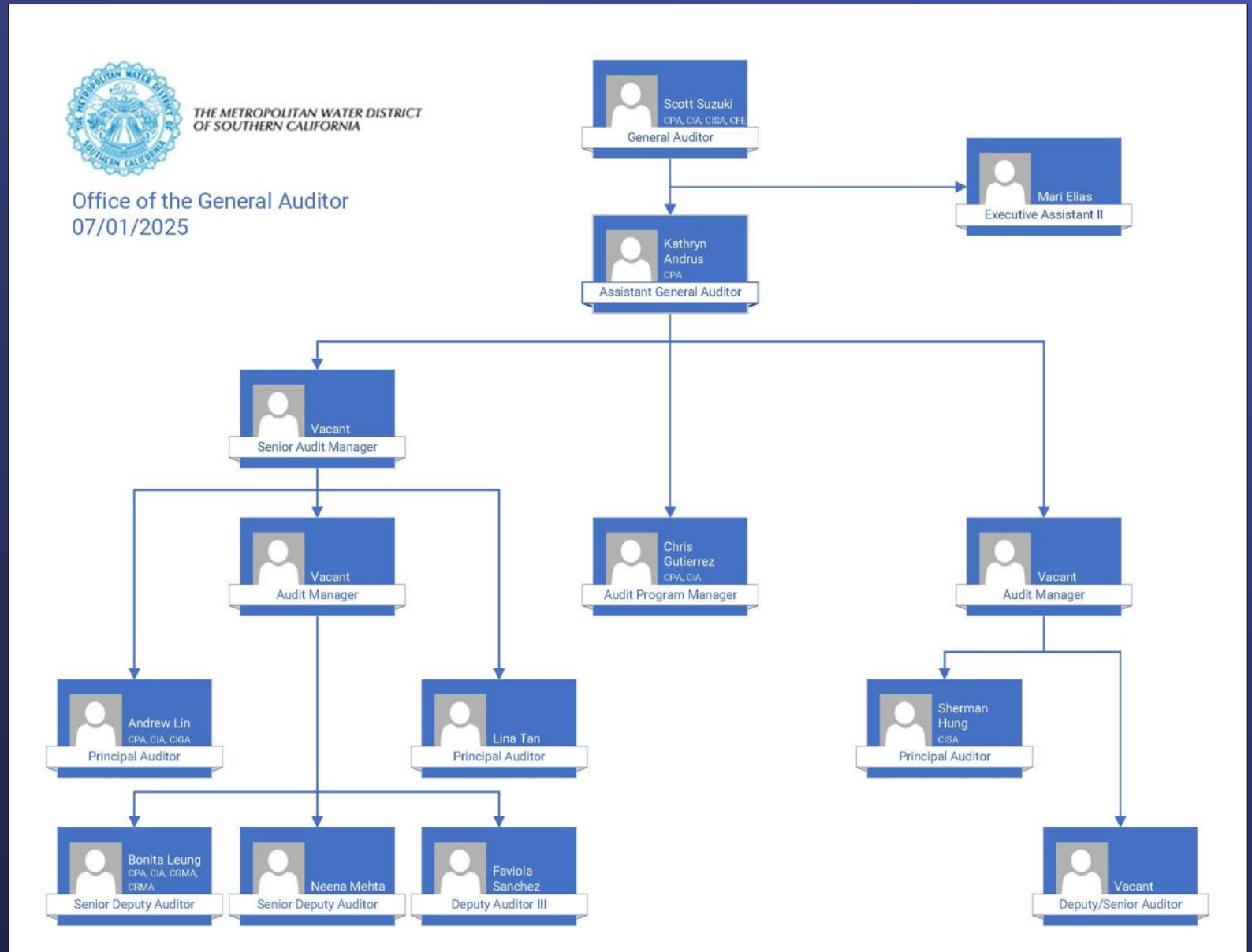
- Receiving/inventory
- SBA/DBE program
- Travel/employee reimbursement
- Water sales to non-member agencies

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 Plan 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 1





Metropolitan Water District of Southern California

Audit Plan

June 23, 2025



FY 2024-25 Audit Plan:

We are pleased to present our audit plan to the Metropolitan Water District of Southern California for the fiscal year ended June 30, 2025. This document provides an overview of the external audits and new accounting standards that may impact Metropolitan.

We appreciate the opportunity to meet with you to discuss the audit plan, especially as a two-way dialogue can provide valuable information for the audit process. We look forward to working with you!

Fiscal Year 2024-25 Audit Plan

Communication, Scope of Services and Deliverables

Communication, Scope of Services and Deliverables

Communications at Planning

- Our Responsibilities
- Planned Scope and Timing of the Audit

Communications at Conclusion of the Audit

- Any violation of laws or regulations that come to our attention
- Our views relating to qualitative aspects of Metropolitan's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures
- Significant difficulties and/or disagreements with management, if any, encountered during the audit
- Significant unusual transactions
- The potential effects of uncorrected misstatements on future-period financial statements
- Other significant matters relevant to your responsibilities

Communication, Scope of Services and Deliverables

Communications with Audit Committee (Audit Committee Oversight-Best Practices)

- Email dated 11/26/2024
- Follow up to questions raised at the 11/20/2024 Audit Subcommittee meeting

Documents Provided

- Internal Audit Committee: Internal Audit Oversight by IIA (including handout)
- Six Recommendations for Audit Committees Operating in the “New Normal” by IIA and IFAC
- Model Audit Committee Charter by IIA

Communication, Scope of Services and Deliverables, Continued

Financial Statement Audits:
(1) Metropolitan Water District of Southern California - Annual Comprehensive Financial Report
(2) Colorado River Authority – Statements of Cash Receipts and Disbursements
(3) Delta Conveyance Design and Construction Authority – Statements of Cash Receipts and Disbursements
(4) Six Agency Committee – Statements of Cash Receipts and Disbursements
Single Audit under OMB Uniform Guidance
(5) Audit of Federal grant expenditures exceeding \$750 thousand
Other:
(6) Management Letter/Report to the Board
Potential Services:
GASB 101 Assistance
GASB 102 Assistance

Fiscal Year 2024-25 Audit Plan

Independent Auditor's and MWD Management's Responsibilities

Independent Auditor's Responsibilities

- ✓ Exercising professional judgment and maintaining professional skepticism throughout the audit
- ✓ Assessing the risk of material misstatement of the financial statements, whether due to fraud or error, and designing audit procedures to respond to those risks
- ✓ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures (but not for expressing an opinion on the effectiveness)
- ✓ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management
- ✓ Concluding whether there are conditions or events that raise substantial doubt about Metropolitan's ability to continue as a going concern
- ✓ Reading other information and considering whether it is materially consistent with the financial statements
- ✓ Communicating with those charged with governance the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters identified during the audit

Management's Responsibilities

- ✓ Preparation and fair presentation of the financial statements in accordance with U.S. GAAP
- ✓ Designing, implementing, and maintaining effective internal control over financial reporting
- ✓ Informing us of its knowledge of any allegations for fraud or suspected fraud
- ✓ Evaluating whether there are conditions or events that raise substantial doubt about Metropolitan's ability to continue as a going concern
- ✓ Providing us with written representations



June 23, 2025

Special Audit Committee

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Fiscal Year 2024-25 Audit Plan

Audit Timeline

Audit Timeline

Activity	Apr	May-Jun	Jul	Aug-Sep	Oct	Nov	Dec
Periodic meetings and discussions with management and Sub-committee on Audits (as appropriate)	X	X	X	X	X	X	X
Gather information to develop audit strategy, and determine nature and scope of Testing	X	X					
Perform tests of controls over significant transaction cycles		X					
Conduct IT-specific audit procedures		X					
Substantive audit procedures		X		X	X		
Review the Trust draft financial reports and issue audit opinions					X		
Review draft annual comprehensive financial report and issue audit opinions					X	X	
Audit results presentation to the Audit Committee		X					X



Fiscal Year 2024-25 Audit Plan

Audit Approach

Financial Statement Audit Approach

Planning

- Document understanding of internal and external factors affecting Metropolitan
- Understanding and evaluating Metropolitan's internal control environment, accounting systems and control procedures
- Perform risk assessment to determine the nature, timing and extent of audit procedures
- Complete audit plan, including audit procedures to address identified risks

Execution

- Performance of audit procedures and evaluation of results
- Review of financial statements and subsequent events
- Obtain management representations
- Development of organizational insights

Reporting

- Issue opinion on the Metropolitan's financial statements under U.S. generally accepted auditing standards and *Government Auditing Standards*
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters
- Required communications at the conclusion of the audit
- Management comments and recommendations

Significant Audit Areas

Management Override of Controls

Planned Response

- Inquiries of individuals
- Test a sample of journal entries using a targeted risk-based approach and data mining software
- Test of manual adjustments and topside entries

Investments

Planned Response

- Understand the segregation of duties over investing, recording, and reconciling
- Evaluate compliance with policies and State law
- Review documented approval of purchases and sales by authorized employees

State Water Project/ Participation Rights

Planned Response

- Test financial transactions related to participation right's, such as contributions, expenses and asset capitalization
- Identify risks and mitigation strategies associated with Metropolitan's participation in the State Water Project
- Verify water allocation and usage

Significant Audit Areas, Continued

Capital Projects

Planned Response

- Identify significant capital projects and test significant transactions related to financial reporting and project management
- Substantiate capital asset costs by examining supporting documentation such as invoices, contracts and job status reports
- Select a sample of construction in progress (CIP) projects and determine if they properly classified as CIP, or if they should be reclassified as additions to capital assets

Long-Term Liabilities

Planned Response

- Identify any new long-term liabilities for FY 2024/25 and understand the nature and terms of the debt items
- Confirm significant long-term liability balances
- Review sample debt agreements and test compliance with loan covenants
- Evaluate disclosures, including terms, interest rates, maturities and arbitrage calculations

Water Inventory

Planned Response

- Assess the design and effectiveness of internal controls over measurement, reconciliation, and reporting
- Assess water inventory costing methodology
- Examine year-end water inventory calculations
- Perform analytical procedures and compare reported water inventory with prior periods
- Investigate significant fluctuations in unit cost

Internal Audit Assistance

Integrated into Audit Team

Planning to Reporting

- Information technology general control testing
- Operational control assessment and testing
- Substantive procedures
- Report support

Year-round Involvement

Flexibility

- Scalable involvement from year to year
- Level and timing can be adjusted based on Metropolitan's available resources
- Agreement with management during planning

Training

Stay up-to-date

- Technical trainings
- Use of MGO audit tools

Single Audit

Planning

- Major programs for FY 2025:
 - ALN 15.504 – WaterSMART (Water and Energy Efficiency Grants)
 - ALN 15.507 – Water Reclamation and Reuse Program
- Review of grant agreements and policies
- Evaluate internal control design for each major program

Execution

- Test internal controls over compliance for each major program
- Sample testing over eligible costs, matching requirements, reporting and subrecipient monitoring
- Compliance testing under Office of Management and Budget (OMB) 2 CFR Part 200

Reporting

- Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

Upcoming GASB Pronouncement

The following pronouncement is effective and applicable to Metropolitan for FY 2024/25

GASB 101

Compensated Absences

Effective for year end June 30, 2025

GASB 102

Certain Risk Disclosures

Effective for year end June 30, 2025

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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"> Upskill Internal Audit resources with customized courses in technical competencies and interpersonal skills; ensure completion of 40 minimum training hours. Recruit and fill critical senior audit manager position to assist with day-to-day operations. Encourage pursuit of professional certifications related to internal audit. 	<ol style="list-style-type: none"> 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 Training 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. Final interviews for the senior audit manager position are pending; Executive Assistant II Mari Elias joined the office as a full-time Metropolitan employee. One department member is pursuing the Certified Internal Auditor (CIA) professional certification and another the Certified Information Systems Auditor (CISA). 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.



Special Audit Committee

2025 Department Head Performance & Goal Setting

Item 7c

June 23, 2025

Item 7c
Department
Head
Performance
& Goal Setting

Subject

General Auditor's Business Plan for Fiscal
Year 2025/26

Purpose

Provide a summary of the General Auditor's
Business Plan for FY 2025/26

General Auditor's Business Plan for FY 2025/26

FY 2024/25 Accomplishments: Service Portfolio

1. Audits
2. Advisory Services
3. Follow-Up Reviews
4. Annual Audit Risk Assessment & Internal Audit Plan
5. External Resources RFQ
6. External Auditor Support

General Auditor's Business Plan for FY 2025/26

FY 2024/25 Accomplishments: Goals & Results

1. People
2. Quality
3. Innovation
4. Risk
5. Collaboration

General Auditor's Business Plan for FY 2025/26

FY 2024/25 Accomplishments

Goal 1: People

- Training
- Site visits
- Staffing
- Professional certification
- Staff presentations

General Auditor's Business Plan for FY 2025/26

FY 2024/25 Accomplishments

Goal 2: Quality

- Standards readiness assessment
- Staff training
- Internal quality assessment
- External quality assessment recommendations
- Audit charter updates

General Auditor's Business Plan for FY 2025/26

FY 2024/25 Accomplishments

Goal 3: Innovation

- Rapid Reviews
- Artificial intelligence
- Data analytics
- TeamMate+
- Strategic plan

General Auditor's Business Plan for FY 2025/26

FY 2024/25 Accomplishments

Goal 4: Risk

- Fraud training
- Audit plan updates
- Emerging risk topics
- Internal control frameworks

General Auditor's Business Plan for FY 2025/26

FY 2024/25 Accomplishments

Goal 5: Collaboration

- Board Chair/Audit Committee Chair meetings
- Direct Report Team meetings
- Engagement planning with Ethics & General Counsel
- Management status meetings
- Customer service surveys

General Auditor's Business Plan for FY 2025/26

FY 2025/26 Goals

1. Service
2. Collaboration
3. Continuous Improvement
4. Quality
5. Capability

General Auditor's Business Plan for FY 2025/26

FY 2025/26 Goals

1. Support the district mission, and governance, risk management, and control by executing risk-based audits and advisory services.
 - Initial carryforward projects
 - Recommendations and solutions
 - Contracted audits
 - Rapid Reviews
 - Enterprise risk management & internal control frameworks

General Auditor's Business Plan for FY 2025/26

FY 2025/26 Goals

2. Promote positive change by continuing Board and management collaboration.
 - Department head collaboration workshop
 - Combined assurance model
 - Board education
 - Site visits
 - Management training

General Auditor's Business Plan for FY 2025/26

FY 2025/26 Goals

3. Seek continuous improvement by pursuing innovative audit means and methods.
 - Key performance indicators
 - Artificial intelligence
 - Data analytics
 - Audit project management system
 - Networking

General Auditor's Business Plan for FY 2025/26

FY 2025/26 Goals

4. Ensure quality work and service delivery by conforming to professional internal audit standards.
 - Vision statement, purpose statement, strategic plan
 - Professional standards
 - 2023 External Quality Assessment
 - Internal quality assessments
 - Customer service surveys

General Auditor's Business Plan for FY 2025/26

FY 2025/26 Goals

5. Expand Internal Audit capabilities by deploying people-focused and culture-changing initiatives.
 - Metropolitan START values
 - Training
 - Staff specialization
 - Internal career ladder
 - Professional certification



2025 Department Head Performance & Goal Setting

Thank You

Scott Suzuki, CPA, CIA, CISA, CFE
General Auditor

