

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.

Audit Committee

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

Audit Committee - Final

Meeting with Board of Directors *

June 9, 2025

12:30 p.m.

Monday, June 9, 2025 Meeting Schedule

09:00 a.m.	EOT
11:00 a.m.	LEG
12:00 p.m.	Break
12:30 p.m.	Audit
02:30 p.m.	Jt. Sp. BOD/OPE

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: 873 4767 0235.

Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda teleconference and in-person. To provide public comment by teleconference dial 1-833-548-0276 and enter meeting ID: 876 9484 9772 or to join by computer [click here](#).

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

Teleconference Locations:

Conference Room • 1545 Victory Boulevard • Glendale, CA 91201

* 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**

[21-4656](#)

3. CONSENT CALENDAR OTHER ITEMS - ACTION

- A. Approval of the Minutes of the Special Audit Committee for April 22, 2025 [21-4568](#)

Attachments: [06092025 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 [21-4592](#)

Attachments: [06102025 Audit 7-1 B-L](#)

**** 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 [21-4569](#)
- 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)] [21-4571](#)
- 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] [21-4572](#)

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.

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

Ref# a12707381

DRAFT - PENDING BOARD APPROVAL



Office of the General Auditor __

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

June 10, 2025

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.

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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

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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.



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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.



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Speed 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

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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

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



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HEAT MAP

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



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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



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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



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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



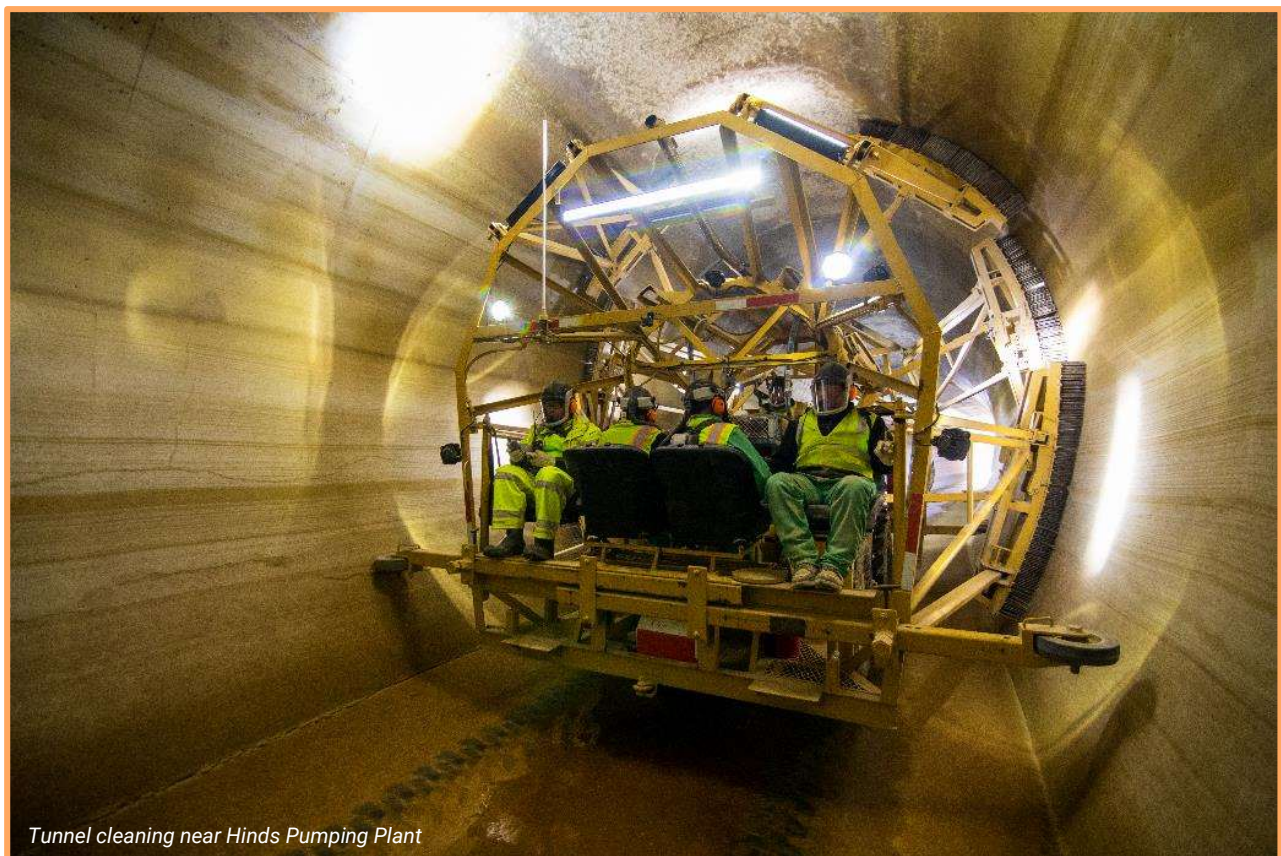
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TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
Administration & Other Activities (con't)		
On-Demand Advisory Services	Provide advice upon request.	80
Directed Ad Hoc	Tasks assigned by department management.	80

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.

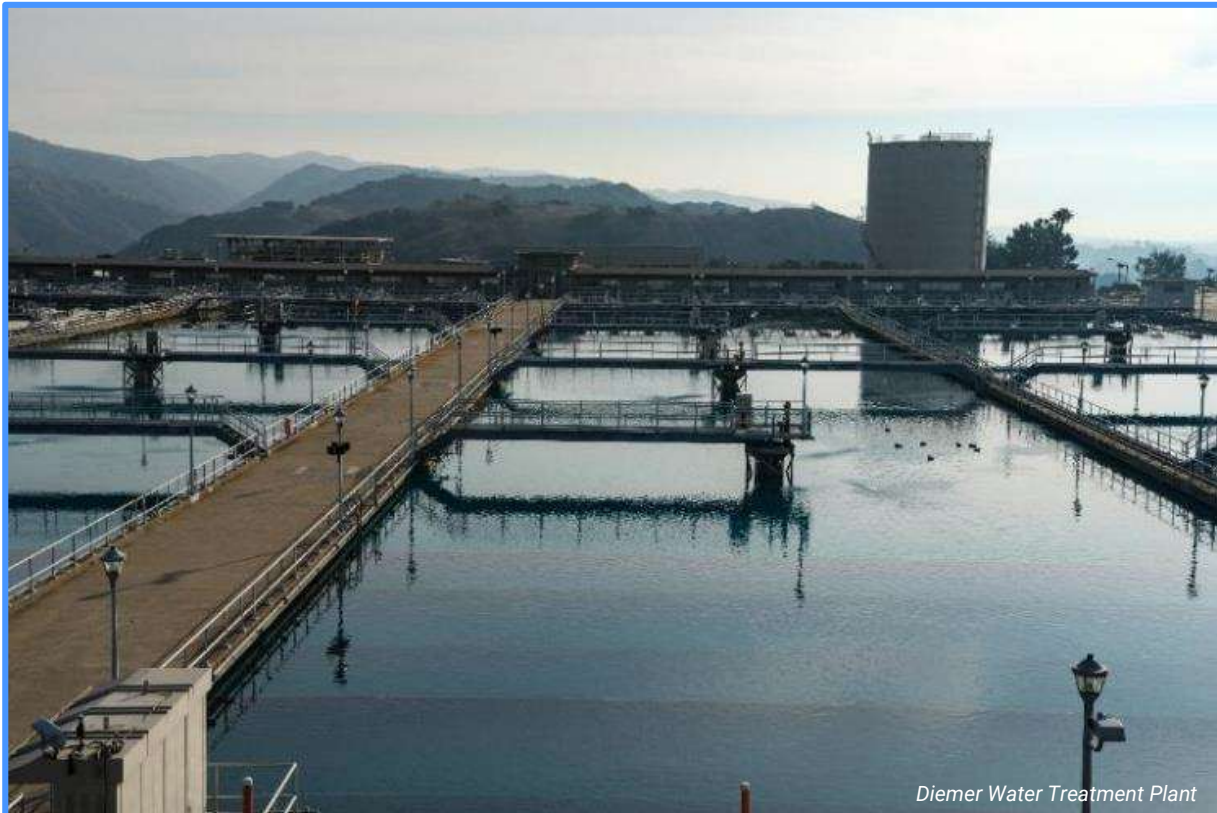


Tunnel cleaning near Hinds Pumping Plant



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.



Aerial of W.P. Whitsett Pumping Plant



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	Revenue & Budget
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	Equal Opportunity Employment Ethics General Counsel Human Resources
Job descriptions	Human Resources
Knowledge transfer	Human Resources
Operator certification	Integrated Operations Planning & Support Services
Transfer process	Human Resources
Travel authorization process	Human Resources
Vehicle assignment	Integrated Operations Planning & Support Services



Diamond Valley Lake



DRAFT – PENDING BOARD APPROVAL**RESOURCE PLAN**

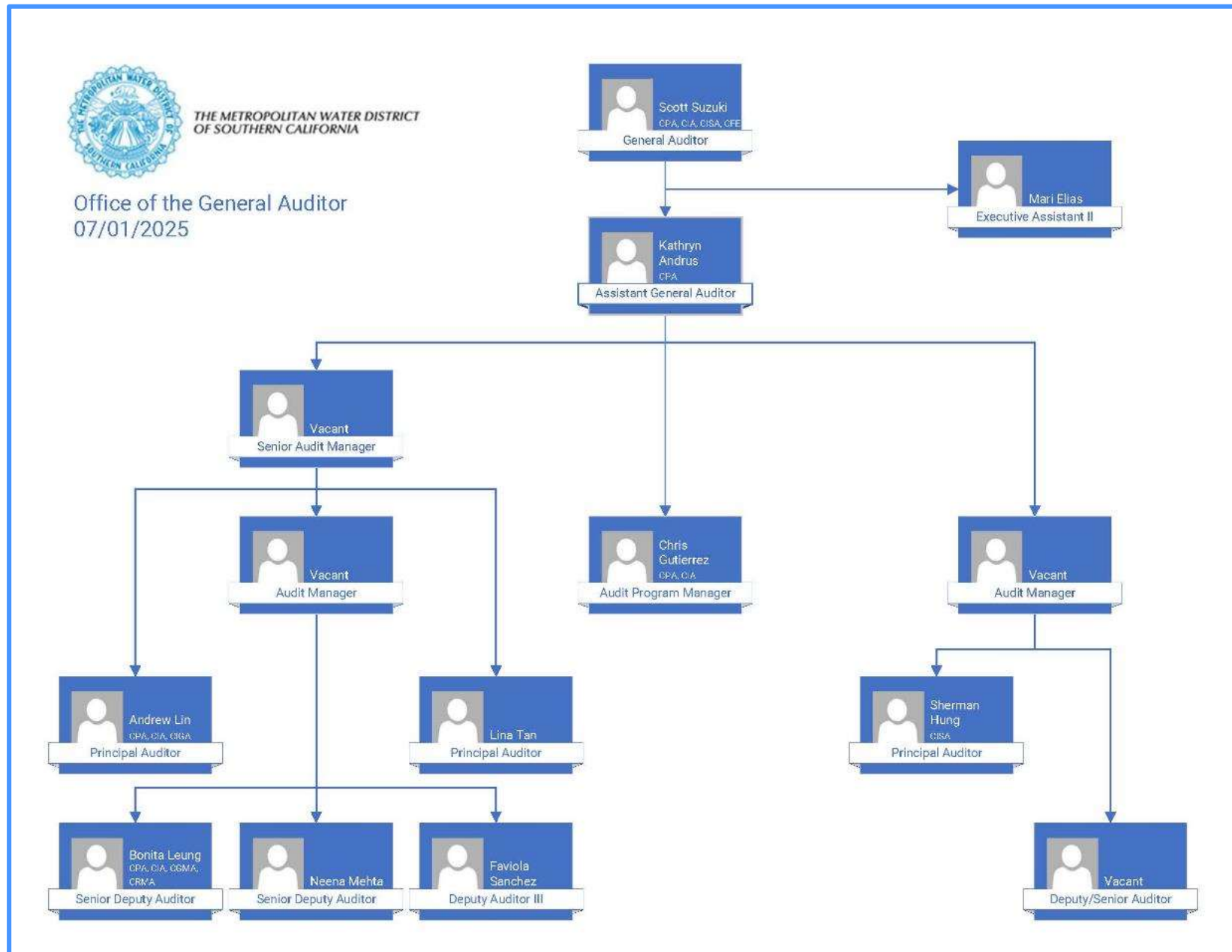
The department is comprised of 10 professional audit team members, one administrative professional, and two executive managers. Team member audit experience includes financial, performance, fraud, compliance, and information technology. Five members are licensed Certified Public Accountants (CPA), four 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

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.

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.

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**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.

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.

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**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.

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.

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.

