

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

M. Ramos, Chair
R. Crane, Vice Chair
D. De Jesus
L. Fong-Sakai
G. Gray, Emeritus
C. Kurtz

Audit Committee - Final

Meeting with Board of Directors *

June 8, 2026

3:30 p.m.

Monday, June 8, 2026 Meeting Schedule

**09:00 a.m. EOT
10:00 a.m. LEG
12:00 p.m. OWA
01:00 p.m. BREAK
01:30 p.m. OPE
03:30 p.m. AUDIT**

To livestream the meetings on the internet: [click here](#).

Members of the public may present their comments to the Board and Committees on matters within their jurisdiction in real-time during the public comment section of the meeting by teleconference and in-person. To attend remotely or to provide public comment dial 1-877-853-5257 and enter meeting ID: 862 4397 5848 or to join through the internet [click here](#).

Written public comments sent to BoardPublicComment@mwdh2o.com and received by 3:00 p.m. the business day before the meeting is scheduled are sent to the Board and will be posted under the Submitted Items and Responses tab available here: <https://mwdh2o.legistar.com/Legislation.aspx>. Written comments not received on time will not be included in the record for that meeting. Comments within the subject matter jurisdiction will be sent after the meeting for the record of the next meeting.

Disclaimer: Written and oral public comments are received in compliance with the Ralph M. Brown Act. Please note that Metropolitan does not endorse or ensure the accuracy or reliability of the information provided as public comment or by third parties.

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

Teleconference Locations:
3008 W. 82nd Place • Inglewood, CA 90305

* 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.

- * Translated Agendas [21-5957](#)

Attachments: [06082026 AUDIT Agenda - Armenian](#)
[06082026 AUDIT Agenda - Chinese Mandarin](#)
[06082026 AUDIT Agenda - Spanish](#)

Agendas are translated by a digital translation service. Metropolitan does not guarantee accuracy of any translation.

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))

2. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- A. General Auditor's Quarterly Report [21-5918](#)

Attachments: [06082026 AUDIT 2A General Auditor's Quarterly Report](#)

**** CONSENT CALENDAR ****

3. COMMITTEE ACTION (ONLY)

- A. Approve the Minutes of the Special Audit Committee of May 11, 2026 [21-5615](#)

Attachments: [06082026 AUDIT 3A \(SP AUDIT 05112026\) Minutes](#)

4. COMMITTEE ITEMS (FOR BOARD CONSIDERATION)

- 7-7 Approve amendments to the Metropolitan Water District Administrative Code Section 6451 regarding the Audit Department Charter; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA (Audit) [21-5914](#)

Attachments: [06092026 AUDIT 7-7 B-L](#)

- 7-8 Approve the General Auditor's Internal Audit Plan for Fiscal Year 2026/27; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA (Audit) [21-5915](#)

Attachments: [06092026 AUDIT 7-8 B-L](#)

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

5. COMMITTEE ITEMS (ACTION FOR BOARD CONSIDERATION)

NONE

6. COMMITTEE ITEMS (INFORMATIONAL FOR BOARD CONSIDERATION)

NONE

7. COMMITTEE ITEMS (INFORMATIONAL)

- a. Discussion on Independent Auditor Macias Gini & O'Connell, LLP's Fiscal Year 2025/26 Audit Plan [21-5877](#)

Attachments: [06082026 AUDIT 7a C-L](#)

- b. Overview of Enterprise Risk Management [21-5880](#)

Attachments: [06082026 AUDIT 7b C-L](#)

- c. Discussion on Advisory Brief - Rapid Review: Deepfakes [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 Information Technology Services, and Scott Suzuki, General Auditor - may be heard in closed session pursuant to Gov. Code Section 54957(a)] [21-5944](#)

Attachments: [06082026 AUDIT 7c C-L](#)

- d. Discuss department head performance and goal setting [Public employee performance evaluation—General Auditor; to be heard in closed session pursuant to Gov. Code Section 54957] [21-5881](#)

- e. Conference with Labor Negotiator; agency designated representative: Chair of Audit Committee Ramos; Unrepresented employee: General Auditor; to be heard in closed session pursuant to Gov. Code Section 54957 [21-5948](#)

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

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.

Առևտրային կոմիտե

- Մ. Ռամոս, նախագահ
- Ռ. Քրեյն, փոխնախագահ
- Դ. Դե Ջետտու
- L. Fong -Sakai
- Գ. Գրեյ, վաստակավոր
- Բ. Կուրց

Վերստուգիչ հանձնաժողովի -վերջնական

Հանդիպում տնօրենների խորհրդի հետ *

2026 թվականի հունիսի 8-ին

15:30

Երկուշաբթի, 8 հունիսի,
2026թ.

Հանոհաման

09:00 (արևելյան ժամանակով)

10:00 a.m. LEG

12:00 ցերեկվա OWA

13:00 ԸՆԴՄԻՋՈՒՄ

13:30 Բաց է

15:30 Առևտրային

Հանդիպումները ինտերնետում ուղիղ հեռարձակմամբ դիտելու համար [սեղմեք այստեղ](#) :

Հանրության անդամները կարող են իրենց իրավասությանը ենթակա հարցերի վերաբերյալ իրենց մեկնաբանությունները ներկայացնել խորհրդին և կոմիտեներին՝ -նիստի հանրային մեկնաբանությունների բաժնի ընթացքում՝ հեռախոսակապով և անձամբ: Հեռակա մասնակցելու կամ հանրային մեկնաբանություն տալու համար զանգահարեք 18778535257 հեռախոսահամարով և մուտքագրեք հանդիպման ID-ն՝ 862 4397 5848, կամ ինտերնետի միջոցով միանալու համար [սեղմեք այստեղ](#) :

[BoardPublicComment@mwdh 2 o . com](mailto:BoardPublicComment@mwdh2o.com) հասցեին ուղարկված և նիստից մեկ աշխատանքային օր առաջ՝ ժամը 15:00-ին ստացված գրավոր հանրային մեկնաբանությունները ուղարկվում են խորհրդին և կտեղադրվեն «Ներկայացված նյութեր և պատասխաններ» բաժնում, որը հասանելի է այստեղ՝ [https://mwdh 2 o . legistar . com / Legislation . aspx](https://mwdh2o.legistar.com/Legislation.aspx) : Ժամանակին չստացված գրավոր մեկնաբանությունները չեն ներառվի տվյալ նիստի արձանագրության մեջ: Թեմայի իրավասության շրջանակներում մեկնաբանությունները կուղարկվեն նիստից հետո՝ հաջորդ նիստի արձանագրության համար:

Հրաժարում պատասխանատվությունից. Գրավոր և բանավոր հանրային մեկնաբանությունները ստացվում են Ռալֆ Մ. Բրաունի օրենքի համաձայն: Խնդրում ենք նկատի ունենալ, որ Մետրոպոլիտենը չի հաստատում կամ չի ապահովում հանրային մեկնաբանությունների կամ երրորդ կողմերի կողմից տրամադրված տեղեկատվության ճշգրտությունը կամ հուսալիությունը:

MWD գլխավոր գրասենյակի շենք • 700 Հյուսիսային Ալամեդա փողոց • Լոս Անջելես, Կալիֆոռնիա 90012
Հեռախոսաժողովի վայրեր՝
3008 Արևմտյան 82-րդ տեղ • Ինգլվուդ, Կալիֆոռնիա 90305

Էջ 2

* Այս կոմիտեի Մետրոպոլիտեն ջրային շրջանի նիստը համարվում է տնօրենների խորհրդի հետ համատեղ կոմիտեի նիստ՝ Բրաունի ակտի պահանջներին համապատասխանելու նպատակով: Այս կոմիտեին չնշանակված խորհրդի անդամները կարող են մասնակցել որպես խորհրդի անդամներ՝ անկախ նրանից, թե խորհրդի քվորումը ներկա է, թե ոչ: Կոմիտեի՝ որպես խորհրդի խորհրդատվական գործառույթը պահպանելու համար, այս կոմիտեին չնշանակված խորհրդի անդամները չեն քվեարկի այս կոմիտեի քննարկմանը ներկայացված հարցերի վերաբերյալ:

* Թարգմանված օրակարգեր **21 -5957**

Օրակարգերը թարգմանվում են թվային թարգմանչական ծառայության կողմից: Մետրոպոլիտենը չի երաշխավորում որևէ թարգմանության ճշգրտությունը:

1. Հանրության անդամների համար հանձնաժողովին դիմելու հնարավորություն հանձնաժողովի իրավասության ներքո գտնվող հարցերի վերաբերյալ (ինչպես պահանջվում է Կառավարական օրենսգրքի 54954.3(a) բաժնի համաձայն):

2. Դեկավարության հայտարարություններ և կարևորագույն փաստեր

Ա. Գլխավոր աուդիտորի եռամսյակային հաշվետվությունը **21 -5918**

Կից ֆայլեր՝ [06082026 ԱՈՒԴԻՏ 2Ա Գլխավոր աուդիտորի եռամսյակային](#)

****ՀԱՄԱՁԱՅՆՈՒԹՅԱՆ ՕՐԱՑՈՒՅՑ****

3. ՀԱՆՁՆԱԺՈՂՈՎԻ ԳՈՐԾՈՂՈՒԹՅՈՒՆ (ՄԻԱՅՆ)

Ա. Հաստատել հատուկ աուդիտի հանձնաժողովի 2026 թվականի **21 -5615**
մայիսի 11-ի արձանագրությունը:

Կից ֆայլեր՝ [06082026 Աուդիտ 3Ա \(SP Աուդիտ 05112026\) Արձանագրություն](#)

4. ՀԱՆՁՆԱԺՈՂՈՎԻ ՀԱՐՑԵՐ (ԽՈՐՀՐԴԻ ՔՆՆԱՐԿՄԱՆ ՀԱՄԱՐ)

7 -7 Հաստատել Մետրոպոլիտենի ջրային շրջանի վարչական օրենսգրքի 6451-րդ **21 -5914**
բաժնի փոփոխությունները աուդիտի բաժնի կանոնադրության վերաբերյալ:
Գլխավոր տնօրենը որոշել է, որ առաջարկվող գործողությունները ազատված են կամ այլ կերպ չեն ենթարկվում CEQA-ին:

Կից ֆայլեր՝ [06092026 Աուդիտ 7 -7 BL](#)

7 -8 Հաստատել գլխավոր աուդիտորի ներքին աուդիտի ծրագիրը 2026/27 **21 -5915**
ֆինանսական տարվա համար: Գլխավոր տնօրենը որոշել է, որ առաջարկվող
գործողությունը ազատված է կամ այլ կերպ չի ենթարկվում CEQA-ին:

Կից ֆայլեր՝ [06092026 Աուդիտ 7 -8 BL](#)

**** ՀԱՄԱՁԱՅՆՈՒԹՅԱՆ ՕՐԱՑՈՒՅՑԻ ԱՎԱՐՏ ****

5. ՀԱՆՁՆԱԺՈՂՈՎԻ ԿԵՏԵՐ (ԳՈՐԾՈՂՈՒԹՅՈՒՆ ԽՈՐՀՐԴԻ ՔՆՆԱՐԿՄԱՆ ՀԱՄԱՐ)

ՈՉԻՆՉ

6. ՀԱՆՁՆԱԺՈՂՈՎԻ ԿԵՏԵՐ (ՏԵՂԵԿԱՏՎԱԿԱՆ՝ ԽՈՐՀՐԴԻ ՔՆՆԱՐԿՄԱՆ ՀԱՄԱՐ)

ՈՉԻՆՉ

7. ՀԱՆՁՆԱԺՈՂՈՎԻ ԿԵՏԵՐ (ՏԵՂԵԿԱՏՎԱԿԱՆ)

ա. Անկախ աուդիտոր Մասիաս Ջինի և Օ'Բոնեյ, LLP-ի 2025/26 ֆինանսական տարվա աուդիտի ծրագրի քննարկում **21 -5877**

Կից Ֆայլեր ` [06082026 Աուդիտ 7ա C -L](#)

բ. Ձեռնարկության ռիսկերի կառավարման ընդհանուր պատկերացում **21 -5880**

Կից Ֆայլեր ` [06082026 Աուդիտ 7բ C -L](#)

գ. Քննարկում խորհրդատվական համառոտագրի -արագ վերանայման վերաբերյալ, խորը կեղծիքներ [Հանրային ծառայությունների կամ օբյեկտների նկատմամբ սպառնալիքների վերաբերյալ ցանկացած քննարկում պետք է լավի փակ նիստում. տեղեկատվական տեխնոլոգիաների խմբի մենեջեր Չարլզ Էքստրոմի, տեղեկատվական տեխնոլոգիաների ծառայությունների տնօրեն Ջեյքոբ Մարգոլիսի և գլխավոր աուդիտոր Աքոթ Սուզուկիի հետ հանդիպումը -կարող է լավել փակ նիստում՝ համաձայն Կառավարության օրենսգրքի 54957(ա) բաժնի]: **21 -5944**

Կից Ֆայլեր ` [06082026 Աուդիտ 7գ C -L](#)

դ. Քննարկեք բաժնի ղեկավարի կատարողականը և նպատակների սահմանումը [Պետական ծառայողի կատարողականի գնահատում գլխավոր աուդիտոր. լավելու է փակ նիստում՝ համաձայն Կառավարության օրենսգրքի 54957-րդ բաժնի]: **21 -5881**

ե. Աշխատանքային բանակցողի հետ խորհրդակցություն: Գործակալության կողմից նշանակված ներկայացուցիչ՝ Աուդիտի կոմիտեի նախագահ Ռամոս: Չներկայացված աշխատակից՝ գլխավոր աուդիտոր: Լավելու է փակ նիստում՝ համաձայն Կառավարության օրենսգրքի 54957-րդ բաժնի: **21 -5948**

8. Հետևողական -նյութեր

ՈՉԻՆՉ

9. Ապագա օրակարգի կետեր

10. ՀԵՏԱԶԳՈՒՄ

Էջ 4

ՆՇՈՒՄ. Այս հանձնաժողովը քննարկում է հարցերը և վերջնական որոշում կայացնելու առաջարկությունն է անում տնօրենների խորհրդին: Վերջնական որոշումը կկայացնի տնօրենների խորհուրդը: Հանձնաժողովի օրակարգերը կարելի է ստանալ Մետրոպոլիտենի կայքէջում՝ <https://mwdh2o.legistar.com/Calendar.aspx>: Այս հանձնաժողովը չի կայացնի որևէ վերջնական որոշում, որը պարտադիր է խորհրդի համար, նույնիսկ եթե խորհրդի անդամները ներկա են:

Բաց նիստի օրակարգի հարցերի վերաբերյալ գրավոր նյութերը, որոնք տնօրեններին տրամադրվել են հերթական նիստից 72 ժամ առաջ, հասանելի են հանրային ծանոթացման համար Մետրոպոլիտենի գլխավոր գրասենյակի շենքում և Մետրոպոլիտենի կայքում՝ <https://mwdh2o.legistar.com/Calendar.aspx>:

Հաշմանդամության -հետ կապված փոփոխության կամ հարմարեցման, այդ թվում՝ օժանդակ միջոցների կամ ծառայությունների վերաբերյալ հարցումները, որոնք նախատեսված են նիստին մասնակցելու կամ մասնակցելու համար, պետք է ներկայացվեն խորհրդի գործադիր քարտուղարին նիստից առաջ՝ պահանջվող ծառայության կամ հարմարեցման հասանելիությունն ապահովելու համար :

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.

审计委员会

M. Ramos, 主席
R. Crane, 副主席
D. 德·耶稣
酒井-方
G. Gray, 荣誉退休教授
C. 库尔茨

审计委员会-最终

与董事会会议*

2026年6月8日

下午3:30

2026年6月8日, 星期一

会议日程

上午 9:00 EOT
上午 10:00 腿部
下午 12:00 OWA
下午 1:00 休息
下午 1:30 开放
下午 3:30 审计

要通过互联网直播会议，[请点击这里](#)。

公众可通过电话会议或现场参会，在会议的公众评议环节实时向理事会和各委员会就其管辖范围内的事项发表意见。如需远程参会或发表公众意见，请拨打 18778535257 并输入会议 ID：862 4397

5848；或-[点击此处](#)通过网络加入会议。

公众提交的书面意见，请发送至BoardPublicComment@mwdh2o.com，并在会议召开前一个工作日的下午 3:00

前收到。这些意见将提交给委员会，并发布在“已提交事项及回复”标签页下，该标签页可在此处查看：[https :](https://mwdh2o.legistar.com/Legislation.aspx)

[//mwdh2o.legistar.com/Legislation.aspx](https://mwdh2o.legistar.com/Legislation.aspx)。未按时收到的书面意见将不被纳入本次会议的记录。与会议主题相关的意见将在会后提交，以供下次会议记录。

免责声明：根据《拉尔夫·M·布朗法案》，公众可提交书面和口头意见。请注意，大都会医疗中心不对公众意见或第三方提供的信息的准确性或可靠性进行认可或保证。

MWD总部大楼·北阿拉米达街700号·洛杉矶·加利福尼亚州 90012

电话会议地点：

加利福尼亚州英格尔伍德市西82街3008号，邮编90305

*

为遵守《布朗法案》，大都会水务局的本委员会会议将与董事会联合召开。未分配到本委员会的董事会成员可以作为董事会成员参加会议，无论董事会是否达到法定人数。为确保委员会作为董事会咨询机构的职能，未分配到本委员会的董事会成员将不参与本委员会审议事项的投票。

* **翻译议程** **21 -5957**

议程由数字翻译服务翻译。大都会酒店集团不保证任何翻译的准确性。

1. 公众有机会就委员会管辖范围内的事项向委员会发言（根据政府法典第54954.3(a) 条的规定）

2. 管理层公告及亮点

一个。总审计长季度报告 **21 -5918**

附件： [06082026 审计 2A 总审计师季度报告](#)

****同意书日历****

3. 委员会行动（仅限）

一个。批准2026年5月11日特别审计委员会会议纪要 **21 -5615**

附件： [06082026 审计 3A（SP 审计 05112026）会议记录](#)

4. 委员会事项（供董事会审议）

7 -7 批准对大都会水务局行政法规第 6451 **21 -5914**
 条关于审计部门章程的修订；总经理已确定拟议行动属于豁免范围或不受《加州环境质量法案》(CEQA) 的约束。

附件： [06092026 审计 7 -7 BL](#)

7 -8 批准总审计师2026/27财年的内部审计计划；总经理已确定拟议行动属于豁免范围或不受《加州环境质量法案》(CEQA) 的约束。 **21 -5915**

附件： [06092026 审计 7 -8 BL](#)

****同意书日历结束****

5. 委员会事项 (供董事会审议)

没有任何

6. 委员会事项 (供董事会参考)

没有任何

7. 委员会事项 (信息性)

一个。关于独立审计师 Macias Gini & O'Connell, LLP 2025/26 财年审计计划的讨论 **21 -5877**

附件 : [06082026 审计 7a C -L](#)

b. 企业风险管理概述 **21 -5880**

附件 : [06082026 审计 7b C -L](#)

c. 关于咨询简报-快速审查的讨论：深度伪造技术 **21 -5944**

[任何关于公共服务或设施受到威胁的讨论都将在闭门会议中进行；根据政府法典第 54957(a) 条，与信息技术组经理 Charles Eckstrom、信息技术服务总监 Jacob Margolis 和审计长 Scott Suzuki 的会议也-可以在闭门会议中进行]

附件 : [06082026 审计 7c C -L](#)

d. 讨论部门主管绩效和目标设定 [公共雇员绩效评估——审计长；根据政府法典第 54957 条规定，将在闭门会议上进行听证] **21 -5881**

e. 与劳工谈判代表举行会议；机构指定代表：审计委员会主席拉莫斯；无代表雇员：审计长；根据《政府法典》第54957条，将在闭门会议上进行听证。21 -5948****

8. 后续-事项

没有任何

9. 未来议程项目

10. 休会

注：本委员会负责审核各项议题，并向全体董事会提出最终行动建议。最终行动由董事会做出。委员会议程可在Metropolitan网站<https://mwdh2o.legistar.com/Calendar.aspx>上查阅。即使董事会达到法定人数，本委员会也不会做出任何对董事会具有约束力的最终决定。

与公开会议议程项目相关的书面材料，如果在例会召开前不到 72 小时分发给董事，则可在大都会总部大楼和大都会网站<https://mwdh2o.legistar.com/Calendar.aspx> 上供公众查阅。

如需残疾相关的调整或便利措施（包括辅助工具或服务）以便参加会议，应提前向董事会执行秘书提出申请，以确保所要求的服务或便利措施能够提供。

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.

Comité de Auditoría

M. Ramos, Presidente
R. Crane, Vicepresidente
D. De Jesús
L.Fong -Sakai
G. Gray, Emérito
C. Kurtz

Informe final del Comité de Auditoría-

Reunión con la Junta Directiva *

8 de junio de 2026

15:30

Lunes, 8 de junio de 2026
Calendario de reuniones

09:00 am EOT
10:00 am LEG
12:00 pm OWA
13:00 h DESCANSO
13:30 h OPE
15:30 h AUDITORÍA

Para ver las reuniones en directo por internet: [haga clic aquí](#) .

Los miembros del público pueden presentar sus comentarios a la Junta y a los Comités sobre asuntos de su competencia en -tiempo real durante la sección de comentarios públicos de la reunión, tanto por teleconferencia como en persona. Para asistir de forma remota o para presentar comentarios públicos, marque 18778535257 e ingrese el ID de la reunión: 862 4397 5848 o, para unirse por internet, [haga clic aquí](#) .

[escrito](#) enviados a BoardPublicComment@mwdh2o.com y recibidos [antes de las](#) 15:00 horas del día hábil anterior a la reunión programada se enviarán a la Junta y se publicarán en la pestaña "Elementos y respuestas presentados", disponible aquí: <https://mwdh2o.legistar.com/Legislation.aspx> . [Los comentarios por escrito que no se reciban a tiempo no se incluirán en el acta de esa reunión. Los comentarios que se encuentren dentro de](#) la jurisdicción temática se enviarán después de la reunión para el acta de la [siguiente reunión](#) .

Descargo de responsabilidad: Los comentarios públicos, tanto escritos como orales, se reciben de conformidad con la Ley Ralph M. Brown. Tenga en cuenta que Metropolitan no respalda ni garantiza la exactitud ni la fiabilidad de la información proporcionada en los comentarios públicos ni por terceros.

Edificio de la sede central de MWD • 700 N. Alameda Street • Los Ángeles, CA 90012
Ubicaciones para teleconferencias:
3008 W. 82nd Place • Inglewood, CA 90305

* La reunión de este Comité del Distrito Metropolitano de Agua se convoca como una reunión conjunta con la Junta Directiva para el cumplimiento de la Ley Brown. Los miembros de la Junta que no estén asignados a este Comité podrán participar como miembros de la Junta, independientemente de si hay o no quórum. Para preservar la función consultiva del Comité ante la Junta, los miembros de la Junta que no estén asignados a este Comité no votarán en los asuntos que se presenten ante él.

* Agendas traducidas 21 -5957

Los programas se traducen mediante un servicio de traducción digital. Metropolitan no garantiza la exactitud de ninguna traducción.

1. Oportunidad para que los miembros del público se dirijan al comité sobre asuntos dentro de la jurisdicción del comité (Según lo exige la Sección 54954.3(a) del Código Gubernamental).

2. ANUNCIOS Y ASPECTOS DESTACADOS DE LA GERENCIA

A. Informe trimestral del auditor general 21 -5918

Archivos [06082026 AUDITORÍA 2A Informe trimestral del auditor general](#)

**** CALENDARIO DE CONSENTIMIENTO ****

3. DECISIÓN DEL COMITÉ (SOLO)

A. Aprobar las actas del Comité Especial de Auditoría del 11 de mayo de 2026. 21 -5615

Archivos [06082026 AUDITORÍA 3A \(AUDITORÍA SP 05112026\) Actas](#)

4. ASUNTOS DEL COMITÉ (PARA CONSIDERACIÓN DE LA JUNTA)

7 -7 Aprobar las enmiendas a la Sección 6451 del Código Administrativo del Distrito Metropolitano de Agua con respecto al Estatuto del Departamento de Auditoría; el Gerente General ha determinado que las acciones propuestas están exentas o no están sujetas a la CEQA. 21 -5914

Archivos [06092026 AUDITORÍA 7 -7 BL](#)

7 -8 Aprobar el Plan de Auditoría Interna del Auditor General para el año fiscal 2026/27; el Gerente General ha determinado que la acción propuesta está exenta o no está sujeta a la CEQA. 21 -5915

Archivos [06092026 AUDITORÍA 7 -8 BL](#)

**** FIN DEL CALENDARIO DE CONSENTIMIENTO ****

5. ASUNTOS DEL COMITÉ (PARA CONSIDERACIÓN DE LA JUNTA

NINGUNO

6. ASUNTOS DEL COMITÉ (INFORMACIÓN PARA LA CONSIDERACIÓN DE LA JUNTA DIRECTIVA)

NINGUNO

7. PUNTOS DEL COMITÉ (INFORMATIVOS)

- a. Análisis del plan de auditoría para el año fiscal 2025/26 de la firma auditora independiente Macias Gini & O'Connell, LLP. **21 -5877**

Archivos [06082026 AUDITORÍA 7a C -L](#)

- b. Descripción general de la gestión de riesgos empresariales **21 -5880**

Archivos [06082026 AUDITORÍA 7b C -L](#)

- c. Discusión sobre el Informe -de Revisión Rápida: Deepfakes [Cualquier discusión sobre amenazas a los servicios o instalaciones públicas se tratará en sesión a puerta cerrada; la conferencia con Charles Eckstrom, Gerente de Grupo de Tecnología de la Información, Jacob Margolis, Director de Servicios de Tecnología de la Información, y Scott Suzuki, Auditor General, -podrá tratarse en sesión a puerta cerrada de conformidad con la Sección 54957(a) del Código Gubernamental]. **21 -5944**

Archivos [06082026 AUDITORÍA 7c C -L](#)

- d. Analizar el desempeño y el establecimiento de objetivos de los jefes de departamento [Evaluación del desempeño de los empleados públicos—Auditor General; se tratará en sesión a puerta cerrada de conformidad con la Sección 54957 del Código Gubernamental]. **21 -5881**

- e. Conferencia con el negociador laboral; representante designado por la agencia: Presidente del Comité de Auditoría Ramos; empleado no representado: Auditor General; se celebrará una sesión a puerta cerrada de conformidad con la Sección 54957 del Código Gubernamental. **21 -5948**

8. ELEMENTOS DE SEGUIMIENTO-

NINGUNO

9. PUNTOS DEL ORDEN DEL DÍA FUTURO**10. APLAZAMIENTO**

NOTA: Este comité revisa los asuntos y formula una recomendación para su aprobación final ante la Junta Directiva en pleno. La Junta Directiva tomará la decisión final. Las agendas de los comités pueden consultarse en el sitio web de Metropolitan: <https://mwdh2o.legistar.com/Calendar.aspx>. Este comité no tomará ninguna decisión final vinculante para la Junta Directiva, incluso cuando haya quórum.

Los documentos relacionados con los puntos del orden del día de las sesiones públicas que se distribuyen a los directores con menos de 72 horas de antelación a una reunión ordinaria están disponibles para su consulta pública en el edificio de la sede de Metropolitan y en el sitio web de Metropolitan: <https://mwdh2o.legistar.com/Calendar.aspx>.

Las solicitudes de modificaciones o adaptaciones relacionadas con la discapacidad -, incluidas las ayudas o servicios auxiliares, para asistir o participar en una reunión, deben dirigirse al Secretario Ejecutivo de la Junta con antelación a la reunión para garantizar la disponibilidad del servicio o la adaptación solicitada.



Audit Committee

6/8/2026 Committee Meeting

2A

Subject

General Auditor's Quarterly Report

Executive Summary

This item presents Audit Department activities during the past quarter, including progress on the Internal Audit Plan and copies of the final reports issued.

Applicable Policy

Metropolitan Water District Administrative Code Section 6451(d)(2): Audit Department Charter

Details and Background

General Auditor's Quarterly Report

The first part of the report (**Attachment 1**) is provided in dashboard format and comprises these elements:

1. Status of audit plan projects
2. Audit plan hours, planned and actual
3. Audit plan project count, including additions and deletions
4. Areas current audits are covering
5. Internal audit resource statistics, including use of contractors and professional licensing and certification
6. Status of internal audit recommendations
7. External quality assessment status
8. Independence and objectivity impairments
9. Current fiscal year department budget performance
10. Key message points of interest

The second part of the report (**Attachment 2**) breaks down the Audit Plan by project type (audit, advisory, board request) and by project status (planned, in progress, completed), and includes the project title.

Final Reports Issued From January 1, 2026, to March 31, 2026

1. **Contract Audit: California Landscape Contractors Association (CLCA)** issued February 26, 2026 (**Attachment 3**)
 - Audit scope included Professional Services Agreement No. 201209 for the Qualified Water Efficient Landscaper and Water Manager Certifications Class with the CLCA for the year ended December 31, 2023.
 - Audit objectives were to determine whether certain work was performed by the contractor in accordance with the contract, whether payments were appropriately issued to the contractor, and to ensure Statements of Economic Interests were properly filed by applicable Metropolitan employees.
 - Three (3) recommendations with the following ratings: three **Priority 3**.
2. **Advisory Brief – Rapid Review: Deepfakes** issued March 30, 2026 (Confidential Report – not attached)
 - Rapid Review covered vulnerability assessment, detection tools, and education/training as of November 30, 2025.

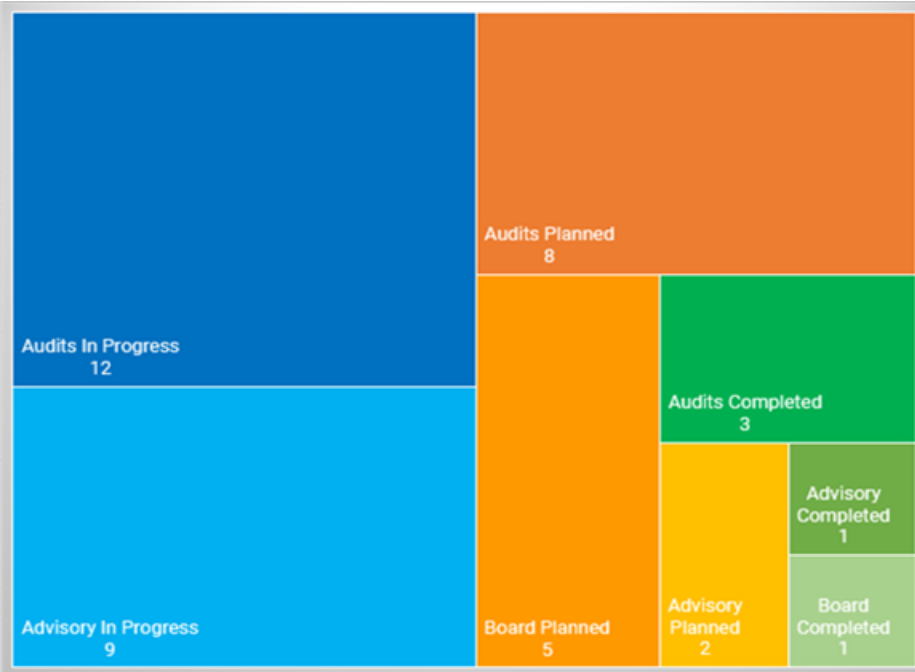
Attachment 1 – General Auditor’s Quarterly Report FY 2025/26 Q3

Attachment 2 – Audit Plan Status as of 2026-03-31

Attachment 3 – Contract Audit: California Landscape Contractors Association (23-21) Final Report 2026-02-26

**METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
OFFICE OF THE GENERAL AUDITOR
DASHBOARD AS OF MARCH 31, 2026**

1 AUDIT PLAN STATUS - PROJECTS



2 AUDIT PLAN STATUS - HOURS

7/01/25 AUDIT PLAN	11,817
ADJUSTMENTS	440
ROLLING PLAN	12,257
ACTUAL HOURS	9,312
ESTIMATE TO COMPLETE	3,200
REQUIRED HOURS	12,512
HOURS AVAILABLE/(OVER)	(255)

3 AUDIT PLAN CHANGES

AUDIT PLAN PROJECTS - 1/01/26	41
ADDED Q3	
See key message points	-
DELETED Q3	
None	-
TOTAL	41

4 CURRENT ASSURANCE COVERAGE/WORK IN PROGRESS

Administrative Services	Cybersecurity
Bay Delta	IT
Centralized Grants & Research	Program Management (engineering)
Conveyance & Distribution	

5 INTERNAL AUDIT RESOURCES

POSITIONS AUTHORIZED	14
VACANT	3
CONTRACTORS (INTERNAL AUDIT)	-
CERTIFIED PUBLIC ACCOUNTANTS	5
CERTIFIED INTERNAL AUDITORS	6
RESOURCE ADEQUACY	NO

6 OPEN RECOMMENDATIONS

	P1	P2	P3	OTHER	TOTAL
PRIOR FY	7	18	17	64	106
NEW	0	4	5	NA	9
RESOLVED	0	0	0	(4)	(4)
CURRENT	7	22	22	60	111

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	%
\$	4,157,744	3,256,864	5,421,600	900,880	22%

10 KEY MESSAGE POINTS

Resource adequacy is RE vacant audit manager positions; collaborating w HRS to fill
Follow-up reviews will confirm the status of open recommendations; management reports 81 of 111 have been implemented/closed

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
OFFICE OF THE GENERAL AUDITOR
AUDIT PLAN STATUS AS OF MARCH 31, 2026

AUDITS	STATUS	TITLE
23	PLANNED 8	Contract Administration Program (4) Enterprise Risk Management (2) IT Governance (17) P-Card Program (3) Power Market Operations (7) Recruiting Process (5) Security Contract (1) State Audit Monitoring (8)
	IN PROGRESS 12	1CSR Bay Delta Disaster Preparedness (9) CRA Discharge Line Isolation Couplings Rehabilitation Project (15) CRA Maintenance (10) Inventory & Control of Operational Technology Software Assets (16) Oracle Enterprise Business Suite Security (20) PlanNet Consulting Project Controls & Reporting System (PCRS) Pure Water State Funding Audit (12) Real Property Business Management System (14) Resource Experts Sole Source Contracts (6)
	COMPLETED 3	California Landscape Contractors Association (11) Inventory & Control of IT Software Assets (19) Inventory & Control of Operational Technology Assets (18)
ADVISORY	STATUS	TITLE
12	PLANNED 2	Governance Risk Compliance (GRC) Platform (22) Safety Equipment Purchase Process (21)
	IN PROGRESS 9	Board Expense Policy Enterprise Content Management System (26) Grants (23) METCON (24) Oracle Services Procurement (30) PeopleSoft Time & Labor Power Operations Risk Oversight Committee (29) Process Matters Efficiency Initiative (27) WINS (25)
	COMPLETED 1	Deepfakes
BOARD REQUESTS	STATUS	TITLE
6	PLANNED 5	Affordability Conjunctive Use Knowledge Transfer MOUs - Third Parties Real Estate - Qualifications
	COMPLETED 1	Colorado River Water Users Association Review (28)



Office of the General Auditor __

Contract Audit: California Landscape Contractors Association

Project Number: 23-21
February 26, 2026



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Executive Summary

BACKGROUND

Metropolitan received an anonymous complaint in November 2023 regarding its contract with the California Landscape Contractors Association (CLCA). The allegations were reviewed, and the Office of the General Auditor declined further action based on the authority granted by the office's charter (Administrative Code Section 6451). However, we determined a contract audit of CLCA should be performed to review ancillary issues not related to the complaint.

Since February 2020, Metropolitan has partnered with the CLCA to offer the Water Efficient Landscape Dual Certification Program (WELDCP), which integrates the Qualified Water Efficient Landscaper (QWEL) certification with the CLCA's Water Management Certification Program (WMCP). The objective of the combined curriculum is to accelerate water-efficient landscape training for landscape professionals by focusing on topics such as water budgeting, sustainable landscaping, and irrigation systems. Under this partnership, CLCA provides curriculum and instruction for both components, as well as all aspects of program administration, implementation, and marketing. A total of 29 classes have been conducted through this partnership, with cumulative expenditures totaling \$598,450 from the program's inception through December 2025.

WHAT WE DID

The audit scope included Professional Services Agreement No. 201209 for the Qualified Water Efficient Landscaper and Water Manager Certifications Class with the CLCA for the year ended December 31, 2023.

Our audit objectives were to:

- (1) Determine if certain work was performed by the contractor in accordance with the contract.
- (2) Determine if payments were appropriately issued to the contractor.
- (3) Ensure Statements of Economic Interests were properly filed by applicable Metropolitan employees.

WHAT WE CONCLUDED

- (1) Work was performed by the contractor in accordance with the scope of services; however, it was performed without a task order. Additionally, improvements to contractor monitoring and contract administration should be implemented.
- (2) Payments were issued to the contractor for work defined in the scope of work; however, improvements to fee schedules, from which payments are based, should be implemented.
- (3) Statements of Economic Interests were properly filed by applicable Metropolitan employees.

WHAT WE RECOMMEND

We recommend management ensure: (1) the intended service delivery method is correctly specified in the contract and all services are ordered through task orders for task order contracts, (2) fee schedules include all components of the scope of work and be broken down into discrete parts, and (3) contractor monitoring activities are documented, approvals for permissible scope of work variances are documented, and contractor identification and retention of submittal means are included in deliverables.

Management agreed with our observations and recommendations.

NUMBER OF RECOMMENDATIONS



PRIORITY 1
Response time:
Immediate



PRIORITY 2
Response time:
Within 90 days



PRIORITY 3
Response time:
Within 180 days



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: February 26, 2026
To: Audit Committee
From: Scott Suzuki, CPA, CIA, CISA, CFE, General Auditor
Subject: Contract Audit: California Landscape Contractors Association
(Project Number 23-21)

This report presents the results of our contract audit of the California Landscape Contractors Association.

Results, including our observations and recommendations, follow this letter. Supplemental information, including our scope and objectives, is included in Appendix A. Appendix B includes a description of our recommendation priority rating system. Finally, management's response to our audit is included in Appendix C.

We appreciate the courtesies and cooperation provided by the Water Resource Management Group.

The results in this report will be summarized for inclusion in a status report to the Board. If you have any questions regarding our audit, please do not hesitate to contact me directly at 213.217.6528 or Assistant General Auditor Kathryn Andrus at 213.217.7213.

Attachments

cc: Board of Directors
General Manager
General Counsel
Ethics Officer
Office of the General Manager Distribution
Assistant General Managers
Water Resource Management Distribution
External Auditor

RESULTS

RECOGNITION

Positive aspects observed during our audit include:

- ◆ Applicable Metropolitan employees properly filed their Statements of Economic Interests with the Office of Ethics to ensure transparency and accountability.
- ◆ The US Environmental Protection Agency presented the WaterSense Excellence Award to Metropolitan for its partnership with the California Landscape Contractors Association (CLCA) in both 2023 and 2024.

RESULTS OVERVIEW

	OBSERVATION	RISK	RECOMMENDATION	MANAGEMENT AGREEMENT
PRIORITY 1				
	None			
PRIORITY 2				
	None			
PRIORITY 3				
1	Work was completed and contractor payments were issued without approved task orders.	Non-performance of desired work Financial/legal disputes Damage to the business relationship	Ensure intended service delivery method is correctly specified in the contract. Order all services through task orders for task order contracts.	Agree
2	Fee schedule did not cover the full scope of work.	Non-performance of desired work Inability to reduce payments for work not performed Financial disputes	Include all components of the scope of work in fee schedule. Break down fee schedule into discrete parts.	Agree
3	Documentation of certain contractor monitoring and contract administration activities was not prepared.	Inadequate contractor oversight Lack of accountability Service/invoicing disputes	Document contractor monitoring activities. Document approvals for permissible scope of work variances. Require contractor identification on submittals and retention of submittal means.	Agree



OBSERVATIONS & RECOMMENDATIONS

1 Task Orders

Work was completed and contractor payments were issued without approved task orders.

The contractor completed six Water Efficient Landscape Dual Certification Program (WELDCP) courses in 2023 and \$120,000 in payments were issued without approved task orders.

Agreement No. 201209 between Metropolitan and the CLCA was a task order type contract and required "All services related to the scope of work will be ordered, and as necessarily further defined, through the issuance of a written Task Order." While the services performed were defined in the contract scope of work, no task orders were issued during the contract period.

Additionally, the contract required task orders to compensate the contractor for courses with more than 40 members. Four of five (80%) invoices in 2023 were for classes with more than 40 members. Separately, the scope of work required each course to have a minimum of 40 participants. While the contractor was paid for providing instruction in accordance with the fee schedule, the agreement was unclear on whether the contractor was entitled to additional compensation for 41 or more participants per course.

Priority 3

Issuing authorized task orders reduces the risk of the contractor not performing desired work in accordance with the contract, financial/legal disputes, and/or damage to the business relationship.

Recommendation 1

We recommend management ensure:

- (1) The intended service delivery method (i.e., task order) is correctly specified during contract preparation.
- (2) For task order type contracts, all services are ordered through task orders in accordance with the contract terms

Management Response Agree.

(1) In the current contract that supersedes this contract, the delivery method was changed. Contract deliverables are clearly defined, and the fee schedule was standardized, so the deliverable is the same each time. It was determined that there is no need to issue task orders to specify the work, therefore a task order type contract was not the best way to administer this work, and therefore the language was removed. WRM staff will ensure that the intended service delivery method is properly specified in future contracts (2) The current contract is no longer a task order type contract. All services and deliverables are clearly described in the fee schedule and are conducted within the contract terms. WRM staff will ensure that services in future contracts that specify task orders will be ordered via task order.

The implementation date was April 1, 2024.



2 Contractor Compensation

The fee schedule did not cover the full scope of work.

The fee schedule to compensate the contractor for the work performed did not cover all portions of the scope of work.

The fee schedule covered travel expenses, speaker fees, contractor staff labor, print materials, provision of breakfast at training meetings, and marketing. Other portions of the scope of work, including administering and grading examinations, tracking and notifying participants of their certification status, and updating the Certified Professional Lists on the Qualified Water Efficient Landscaper (QWEL) and California Landscape Contractors Association (CLCA) organizations' websites, were not included in the fee schedule.

Additionally, the fee schedule included single, fully loaded amounts to compensate the contractor for each course conducted. There were no provisions to allow for partial compensation should the contractor not complete all elements of the scope of work, which included 17 items for in-person instruction and eight deliverables.

Priority 3

A complete fee schedule covering the scope of work reduces the risk of desired work not being performed, inability to reduce payments for work not performed, and/or financial disputes.

Recommendation 2

We recommend management ensure the fee schedule for compensating the contractor for similar contract types:

- (1) Includes all components of the scope of work.
- (2) Is broken down into discrete parts, such as by phase (e.g., course preparation, course execution, post-course).

Management Response Agree.

(1) The fee schedule for the current contract includes all components of the scope of work. (2) The fee schedule covers all administrative activities listed in the scope of work, including course preparation, coordination, and post-course activities. No additional work is being performed that is not listed in the agreement's scope of work and accounted for in the fee schedule. WRM staff will ensure that fee schedules in future contracts include all components of the scope of work and are broken down as applicable.

The implementation date was April 1, 2024.



3 Contractor Monitoring

Documentation of certain contractor monitoring and contract administration activities was not prepared.

There was no documentation showing monitoring of contractor deliverables or authorization of a variance to the scope of work.

With respect to contract monitoring and administration activities:

- Water Resources Management (WRM) staff indicated they attended the contractor's courses; however, there were no internal written reports, memos, or log entries to document this contractor oversight.
- One course was held with fewer than the minimum requirement of 40 participants. Approval for the variance was provided verbally because the contract did not require written authorization.
- An annual report prepared by the contractor did not include contractor references (e.g., company name, preparer), and the means of submittal (e.g., email) was not retained by WRM.

Priority 3

Documenting monitoring and contract administration activities reduces the risk of inadequate contractor oversight, lack of accountability, and/or service/invoicing disputes.

Recommendation 3

We recommend management:

- (1) Document contractor monitoring activities completed (e.g., courses attended to observe contractor compliance).
- (2) Document approvals for permissible variances from the scope of work.
- (3) Require contractor deliverables to include contractor identification (e.g., company name) and retention of submittal means.

Management Response Agree.

(1) MWD staff has revised tracking to include written documentation of contractor monitoring and (2) permissible variances from the scope of work. (3) CLCA has implemented document changes to include contractor identification. MWD staff will retain documentation of means of submittal by contractor.

The implementation date was October 31, 2025.



EVALUATION OF MANAGEMENT'S RESPONSE

Internal Audit considers management's response appropriate to the recommendations and their corrective actions should resolve the conditions identified in the report.

AUDIT TEAM

Bonita Leung, CPA, CIA, CRMA, CGMA, Senior Deputy Auditor



APPENDIX A: SUPPLEMENTAL INFORMATION

ADDITIONAL INFORMATION

The Water Efficient Landscape Dual Certification Program (WELDCP) combines the California Landscape Contractors Association's (CLCA) Water Management Certification Program (WMCP) with the Qualified Water Efficient Landscaper (QWEL) program, providing landscape professionals the opportunity to earn two nationally recognized US Environmental Protection Agency (EPA) WaterSense Professional Certifications through a single course and examination.

The program emphasizes core principles of sustainable landscaping and covers the following topics:

- Where Our Water Comes From
- Sustainable Landscaping
- Landscape Water
- Soils
- Irrigation Systems
- Irrigation Maintenance and Troubleshooting
- Irrigation System Auditing
- Irrigation Scheduling
- Irrigation Controllers
- Landscape Water Management
- Landscape Water Budgeting

The curriculum also includes an overview of Metropolitan's Turf Replacement Program guidelines to help participants better assist residential and commercial customers. The WELDCP is offered through three six-hour sessions and is provided at no cost to participants within Metropolitan's service area.

SCOPE & OBJECTIVES

The audit scope included Professional Services Agreement No. 201209 for the Qualified Water Efficient Landscaper and Water Manager Certifications Class with the CLCA for the year ended December 31, 2023.

Our audit objectives were to:

- (1) Determine if certain work was performed by the contractor in accordance with the contract.
- (2) Determine if payments were appropriately issued to the contractor.
- (3) Ensure Statements of Economic Interests were properly filed by applicable Metropolitan employees.

EXCLUSIONS

Our audit scope did not include: (1) CLCA contracts other than the Water Management Certification Program (WMCP), (2) performance evaluation of services provided by CLCA, nor (3) scope of work items not covered by the fee schedule.



PRIOR AUDIT COVERAGE

We have not completed any audits with similar objectives and scope within the last five years.

AUTHORITY

We performed this audit in accordance with the General Auditor's Internal Audit Plan for FY 2025/26 approved by the Board.

PROFESSIONAL INTERNAL AUDIT STANDARDS

Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.

FOLLOW-UP REVIEWS

The Office of the General Auditor has implemented a follow-up process to ensure management has effectively implemented corrective action related to our recommendations. Management is required to report on the implementation status of the recommendations to our office within six months of the issuance of this report, and a first follow-up review will occur shortly thereafter. All audit recommendations are expected to be implemented within a year of this report, and if necessary, a second follow-up review will occur approximately six months after issuance of the first follow-up review report. Any audit recommendations not implemented after the second follow-up review will be shared with the Board/Audit Committee at its next scheduled meeting.

INTERNAL CONTROL SYSTEM

An internal control system is a continuously operating and integrated component of Metropolitan's operations. Internal controls are implemented by the Metropolitan management and seek to provide reasonable (not absolute) assurance that Metropolitan's business objectives will be achieved. However, limitations are inherent in any internal control system, no matter how well designed, implemented, or operated. Because of these limitations, errors or irregularities may occur and may not be detected.

Specific examples of limitations include, but are not limited to, poor judgment, carelessness, management override, or collusion. Accordingly, our audit would not necessarily identify all internal control weaknesses or resultant conditions affecting operations, reporting, or compliance. Additionally, our audit covers a point in time and may not be representative of a future period due to changes within Metropolitan and/or external changes impacting Metropolitan.

METROPOLITAN'S RESPONSIBILITY FOR INTERNAL CONTROL

It is important to note that Metropolitan management is responsible for designing, implementing, and operating a system of internal control. The objectives of internal controls are to provide reasonable assurance as to the reliability and integrity of information; compliance with policies, plans, procedures, laws, and regulations; the safeguarding of assets; the economic and efficient use of resources; and the accomplishment of established goals and objectives. In fulfilling this responsibility, management judgment is required to assess the expected benefits and related costs of internal control policy and procedures and to assess whether those policies and procedures can be expected to achieve Metropolitan's operational, reporting, and compliance objectives.



APPENDIX B: PRIORITY RATING DEFINITIONS

The Office of the General Auditor utilizes a priority rating system to provide management a measure of urgency in addressing the identified conditions and associated risks. We assess the significance of each observation identified during the audit using professional judgment and assign priority ratings to each recommendation using the criteria listed below. Factors taken into consideration in assessing the priority include the likelihood of a negative impact if not addressed, the significance of the potential impact, and how quickly a negative impact could occur.

PRIORITY			
Definition	Observation is <i>serious</i> enough to warrant <i>immediate</i> corrective action. The condition may represent a <i>serious</i> financial, operational, or compliance risk. A priority 1 recommendation may result from a <i>key</i> control(s) being absent, not adequately designed, or not operating effectively.	Observation is of a <i>significant</i> nature and warrants <i>prompt</i> corrective action. It may represent a moderate <i>financial</i> , operational, or compliance risk. A priority 2 recommendation may result from a <i>process</i> or less critical control(s) not being adequate in design and/or not operating effectively on a consistent basis.	Observation involves an internal control issue or compliance lapse that can be corrected in the <i>timely</i> course of <i>normal</i> business. A priority 3 recommendation may result from a <i>process</i> or control that <i>requires</i> enhancement to better support Metropolitan's objectives and manage risk.
Response Time	Immediate	Within 90 Days of report issuance	Within 180 Days of report issuance



APPENDIX C: MANAGEMENT'S RESPONSE



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: February 5, 2026

To: Scott Suzuki, General Auditor

From: Brandon Goshi, Manager, Water Resources Management Group

cc: Shivaji Deshmukh, General Manager
John Bednarski, Assistant General Manager

Subject: Management Response to Audit Number 23-21

The General Manager has reviewed and concurs with the following response.

A handwritten signature in cursive script, appearing to read "Shivaji Deshmukh".

Please find below the management response to the California Landscape Contractors Association Audit. Thank you for your recommendations to improve the oversight of the referenced agreement. Your partnership will continue to be important as we implement the recommendations. Please do not hesitate to contact me if you would like to discuss the response or any other matters related to this audit.





OFFICE OF THE GENERAL AUDITOR

TITLE	MANAGEMENT RESPONSE FORM
PURPOSE	To provide a management response to each audit recommendation.
REQUIRED	<ol style="list-style-type: none"> 1. For each recommendation, check the applicable agreement box. 2. If there is agreement with the recommendation describe management's action plan and the estimated date when the recommendation will be completely implemented. 3. If there is a partially agree or a do not agree with the recommendation explain management's position. 4. Prepare an e-mail memo using the standard Metropolitan letterhead from the General Manager to the General Auditor. 5. Attach this form to the email and return to the OfficeoftheGeneralAuditor@mwdh2o.com by February 20, 2026. Questions may also be submitted to this e-mail address.



Contract Audit: California Landscape Contractors Association (CLCA)
Project Number 23-21
Management Response

OBSERVATION 1	<p>Task Orders</p> <p>The contractor completed six Water Efficient Landscape Dual Certification Program (WELDCP) courses in 2023 and payments of \$120,000 were issued without approved task orders.</p> <p>Agreement No. 201209 between Metropolitan and the CLCA was a task order type contract and required that "All services related to the scope of work will be ordered, and as necessarily further defined, through the issuance of a written Task Order." While the services performed were defined in the contract scope of work, no task orders were issued during the contract period.</p> <p>Additionally, the contract required task orders to compensate the contractor for classes with more than 40 members per series. Four of five (80%) invoices in 2023 were for classes with more than 40 members per course. Separately, the scope of work required each course to have a minimum of 40 participants. While the contractor was paid for providing instruction according to the fee schedule, it was unclear in the agreement if the contractor was entitled to additional compensation for 41 or more participants per course.</p>
RECOMMENDATION 1	<p>We recommend management ensure:</p> <ul style="list-style-type: none"> (1) The intended service delivery method (i.e., task order) is correctly specified during contract preparation. (2) For task order type contracts, all services are ordered through task orders in accordance with the contract terms.
PRIORITY 3	
MANAGEMENT ACTION PLAN	<ul style="list-style-type: none"> (1) In the current contract that supersedes this contract, the delivery method was changed. Contract deliverables are clearly defined, and the fee schedule was standardized, so the deliverable is the same each time. It was determined that there is no need to issue task orders to specify the work, therefore a task order type contract was not the best way to administer this work, and therefore the language was removed. WRM staff will ensure that the intended service delivery method is properly specified in future contracts (2) The current contract is no longer a task order type contract. All services and deliverables are clearly described in the fee schedule and are conducted within the contract terms. WRM staff will ensure that services in future contracts that specify task orders will be ordered via task order.
X AGREE	



	ESTIMATED IMPLEMENTATION	4/1/24
<input type="checkbox"/>	PARTIALLY AGREE	EXPLANATION [insert]
<input type="checkbox"/>	DO NOT AGREE	

OBSERVATION 2	Contractor Compensation
	<p>The fee schedule to compensate the contractor for the work performed did not cover all portions of the scope of work.</p> <p>The fee schedule covered travel expenses, speaker fees, contractor staff labor, print materials, provision of breakfast at training meetings, and marketing. Other portions of the scope of work, including administering and grading examinations, tracking and notifying participants of their certification status, and updating the Certified Professional Lists on the Qualified Water Efficient Landscaper (QWEL) and California Landscape Contractors Association (CLCA) organizations' websites, were not included in the fee schedule.</p> <p>Additionally, the fee schedule included single, fully loaded amounts to compensate the contractor for each course conducted. There were no provisions to allow for partial compensation should the contractor not complete all elements of the scope of work, which included 17 items for in-person instruction and eight deliverables.</p>

RECOMMENDATION 2	We recommend management ensure the fee schedule for compensating the contractor for similar contract types:
PRIORITY 3	
	<ul style="list-style-type: none"> (1) Includes all components of the scope of work. (2) Is broken down into discrete parts, such as by phase (e.g., course preparation, course execution, post-course).

<input checked="" type="checkbox"/>	MANAGEMENT ACTION PLAN	(1) The fee schedule for the current contract includes all components of the scope of work. (2) The fee schedule covers all administrative activities listed in the scope of work, including course preparation, coordination, and post-course activities. No additional work is being performed that is not listed in the agreement's scope of work and accounted for in the fee schedule. WRM staff will ensure that fee schedules in future contracts include all components of the scope of work and are broken down as applicable.
	AGREE	

	ESTIMATED IMPLEMENTATION	4/1/24
<input type="checkbox"/>	PARTIALLY AGREE	EXPLANATION [insert]
<input type="checkbox"/>	DO NOT AGREE	



OBSERVATION 3		Contractor Monitoring
		There was no documentation showing monitoring of contractor deliverables or authorization of a variance to the scope of work.
		With respect to contract monitoring and administration activities:
		<ul style="list-style-type: none"> Water Resources Management (WRM) staff indicated they attended the contractor’s courses; however, there were no internal written reports, memos, or log entries to document this contractor oversight. One course was held with fewer than the minimum requirement of 40 participants. Approval for the variance was provided verbally because the contract did not require written authorization. An annual report prepared by the contractor did not include contractor references (e.g., company name, preparer), and the means of submittal (e.g., email) was not retained by WRM.
RECOMMENDATION 3		We recommend management:
PRIORITY 3		
		<ol style="list-style-type: none"> Document contractor monitoring activities completed, e.g., courses attended to observe contractor compliance. Document approvals for permissible variances from the scope of work. Require contractor deliverables to include contractor identification (e.g., company name) and retention of submittal means.
X	MANAGEMENT ACTION PLAN	(1) MWD staff has revised tracking to include written documentation of contractor monitoring and (2) permissible variances from the scope of work. (3) CLCA has implemented document changes to include contractor identification. MWD staff will retain documentation of means of submittal by contractor.
	ESTIMATED IMPLEMENTATION	10/31/25
	PARTIALLY AGREE	EXPLANATION [insert]
	DO NOT AGREE	



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

Special Audit Committee

May 11, 2026

Chair Ramos called the meeting to order at 1:35 p.m.

Members present: Directors Crane, De Jesus, Gray (entered after roll call, teleconference posted location), Kurtz, and Ramos.

Members absent: Director Fong-Sakai.

Other Board Members present: Directors Ackerman, Erdman, Faessel, Garza, Jay, Lewitt, McMillan, Miller, Ortega, Paule, Pressman (teleconference posted location), and Shepherd Romey.

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

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 Summary of Activities

Presented by: Scott Suzuki, General Auditor

Chair Ramos stated that there was no summary of activities and that the quarterly report would be presented at the next Audit Committee meeting.

There were no questions or comments from the Directors.

CONSENT CALENDAR**3. COMMITTEE ACTION (ONLY)**

- A. Subject: Approval of the Minutes of the Audit Committee for March 9, 2026

4. COMMITTEE ITEMS (FOR BOARD CONSIDERATION)

NONE

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

The vote was:

Ayes: Directors Crane, De Jesus, Kurtz, and Ramos

Noes: None

Abstentions: None

Absent: Directors Fong-Sakai and Gray

The motion for item 3A passed by a vote of 4 ayes, 0 noes, 0 abstentions, and 2 absent.

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

5. COMMITTEE ITEMS (ACTION FOR BOARD CONSIDERATION)

NONE

6. COMMITTEE ITEMS (INFORMATIONAL FOR BOARD CONSIDERATION)

NONE

7. COMMITTEE ITEMS

- a. Subject: Discussion of department head performance and goal setting [Public employee performance evaluation – General Auditor; to be heard in closed session pursuant to Government Code Section 54957]

Presented by: Scott Suzuki, General Auditor

The committee heard the item in closed session. No action was taken.

Director Gray entered the meeting.

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS

NONE

10. ADJOURNMENT

Meeting adjourned at 2:27 p.m.

Marsha Ramos
Chair



- **Board of Directors**
Audit Committee

6/9/2026 Board Meeting

7-7

Subject

Approve amendments to the Metropolitan Water District Administrative Code Section 6451 regarding the Audit Department Charter; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA

Executive Summary

The Office of the General Auditor conforms to the Global Internal Audit Standards (Audit Standards) set by The Institute of Internal Auditors (IIA). These Audit Standards were updated effective January 9, 2025. To conform with the new Audit Standards and IIA recommendations, the proposed amendments will update the Audit Department's charter (Section 6451). The proposed changes significantly revise the existing charter/Administrative Code; however, no additional resources will be required, no additional authority is requested, and the changes mainly codify the Office of the General Auditor's existing practices. Specific changes include:

1. Renaming subsection (a) and replacing the Mission with the Purpose of Internal Auditing.
2. A minor update to subsection (b) Accountability.
3. Updating subsection (c) Professional Standards to conform to new Audit Standards references, including internal auditor responsibilities.
4. Updating and moving Authority to subsection (d), specifying express authority granted by the Board, and clarifying prohibited Audit Department activities.
5. Adding a new subsection (e) Role containing the former Scope of Work (now internal audit services), clarifying the existing list, and adding items.
6. Updating subsection (f) Responsibilities by clarifying the existing list and adding items.
7. Adding subsection (g) Independence, affirming the General Auditor's direct reporting relationship to the Board, and defining functional and administrative reporting by the General Auditor.
8. Adding subsection (h) Communications, defining specific instances requiring General Auditor communication to the Board and management.
9. Other minor, non-substantive changes.

The subject of this board action was presented as information item 7c to the Audit Committee at its March 9, 2026, meeting. Input was subsequently received from one board member and included in the proposed change. Other minor, non-substantive changes were made.

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

Staff Recommendation: Option #1

Option #1

Approve amendments to the Metropolitan Water District Administrative Code Section 6451 regarding the Audit Department Charter.

Fiscal Impact: None

Business Analysis: This option will improve the Audit Department Charter by aligning this portion of the Administrative Code with current internal auditing standards and recommendations from The Institute of Internal Auditors.

Option #2

Do not approve amendments to the Metropolitan Water District Administrative Code.

Fiscal Impact: None

Business Analysis: The Audit Department Charter will not be amended to conform to current internal auditing standards and recommendations from The Institute of Internal Auditors.

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/Future Actions

Board-approved amendments to the Audit Department Charter in item 7-1 on December 10, 2024. Administrative Code 6451(e) requires an annual review of the Audit Department Charter, with amendments proposed to the Board accordingly.

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, administrative activities, and/or general policy and procedure making that will not result in a direct or indirect physical change to 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

Amendments to Administrative Code Section 6451 (Audit Department Charter)

Professional internal auditing standards require the chief audit executive (Metropolitan's General Auditor) to develop and maintain an internal audit charter that specifies, at a minimum, the following:

- (1) The Purpose of Internal Auditing,
- (2) A commitment to adhering to the Global Internal Audit Standards,
- (3) Internal audit mandate, including scope and types of services to be provided, and the Board's responsibilities and expectations regarding management's support of the internal audit function, and
- (4) Organizational position and reporting relationships.

The General Auditor must discuss the proposed charter with the Board and senior management to confirm that it accurately reflects their understanding and expectations of the internal audit function.

The District's Audit Department charter is contained within Metropolitan Water District Administrative Code Section 6451. This section also requires an annual review of the charter, which was completed at the December 8, 2025, Audit Committee meeting, where future action to update the charter was discussed. Additionally, the proposed changes were presented to the Audit Committee as information item 7c at its March 9, 2026, meeting. Subsequent to the March meeting, one board member proposed an additional change. The recommendation was reviewed by the Audit Department and incorporated into the proposed changes.

The Institute of Internal Auditors released a standards and guidance tool, the Guide to Customizing the Model Internal Audit Charter for Public Sector Use, for public sector agencies to consider when updating their internal audit charters to conform with the Audit Standards and best practices of internal audit functions. Audit Department staff reviewed the charter against the tool and propose amending Section 6451 as follows:

1. Subsection (a) Purpose

- Rename and update internal audit's Purpose as prescribed in the Audit Standards. This will replace the former mission, which the Audit Department will revise and release separately.
- Move items previously described in the Scope of Work to the new Role subsection.

2. Subsection (b) Accountability

- Add a reference to reporting significant issues related to risk management.

3. Subsection (c) Professional Standards

- Update to conform to new Audit Standards references (delete former Standards references).
- Add requirements of Audit Department staff regarding unbiased mental attitude, impairment disclosure, professional objectivity, balanced assessment, and precautions to avoid conflicts of interest.

4. Subsection (d) Authority

- Update to specify that the Audit Department's authority is created by its direct reporting relationship to the Board and the express authority granted to the Audit Department by the Board.
- Add clarification regarding Audit Department access, communications, the express prohibition on conducting services in areas over which internal audit has operational responsibility, imposing a time restriction on auditing areas previously worked in, and describing situations when the charter may require review and revision.
- Move Authority from former subsection (e) to set the order of the remaining mandate Audit Standards elements (e) Role and (f) Responsibilities.
- Renumber subsections to avoid previous repetition of numbering.

5. Subsection (e) Role

- Move content formerly in the Scope of Work to this new section in alignment with the Audit Standards and rename to scope of internal audit services.
- Clarify the role of the Audit Department.
- Update the existing list of services with additional items covering operations/programs and process compliance.
- Add a new section for the provision of advisory services.

6. Subsection (f) Responsibilities

- Update to include clarifications to the existing list of responsibilities the General Auditor is responsible for ensuring the Audit Department carries out.
- Add that the audit plan may be changed in response to changes in Metropolitan's business, risks, operations, programs, systems, and controls.
- Add that recommendations not implemented by management and disagreements on audit recommendations are referred to the Audit Committee.
- Add assurance that the Audit Department collectively possesses or obtains the necessary knowledge, skills, and other competencies and qualifications.
- Expand on the requirements of the quality assurance and improvement program, including defining internal and external quality assessments, requirements, and reporting of results.
- Refine reporting on information items related to trends and emerging issues.
- Expand on coordination with other assurance and advisory providers.
- Add references to Standards conformance, ethical behavior, and reporting of behavior inconsistent with the District's ethical expectations to the Ethics Office.
- Add reporting of objectivity or independence issues.
- Add engagement conformance/compliance with Standards, laws, and regulations.
- Add resolution of conflicts between the Administrative Code, policy and procedures, and Standards.
- Add reference to confidentiality and safeguarding records and information.
- Add consideration of emerging trends and successful internal auditing practices.

7. Subsection (g) Independence

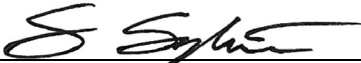
- Add a new subsection that affirms the position of the Audit Department in the District.
- Define functional reporting for the General Auditor to the Board and administrative reporting to the General Manager.
- Explain that directly reporting to the Board provides the General Auditor organizational authority and status to bring matters directly to senior management and escalate matters to the Board.
- Require annual reporting of organizational independence to the Board and disclosure to the Board of any interference encountered related to the scope, performance, or communication of internal audit work or results.

8. Subsection (h) Communications

- Add a new subsection covering specific reporting required by the General Auditor to the Board and management.
- Define specific communications to include: (1) the Audit Department mandate, (2) internal audit plan performance, (3) Audit Department budget, (4) significant change to the internal audit plan or budget, (5) impairments to independence, (6) quality assurance and improvement program results, (7) significant risks or control issues, (8) results of assurance or advisory services, (9) resource requirements, and (10) unacceptable acceptance of risk by management.

Recommendations to update Administrative Code Section 2421 regarding the Audit Committee will be presented at a future Audit Committee meeting.


All amendments are effective upon board approval unless specified otherwise.



Scott Suzuki
General Auditor

5/19/2026

Date



Shivaji Deshmukh
General Manager

5/19/2026

Date

Attachment 1 – Metropolitan Water District Administrative Code Section 6451: Audit Department Charter (with changes marked)

Attachment 2 – Metropolitan Water District Administrative Code Section 6451: Audit Department Charter (clean copy)

Ref# a12706399

Division VI
PERSONNEL MATTERS
Chapter 4
OFFICERS
Article 4
GENERAL AUDITOR

§ 6451. Audit Department Charter.

(a) Purpose – The purpose of the Audit Department is to strengthen Metropolitan’s ability to create, protect, and sustain value by providing the Board of Directors and management with independent, risk-based, and objective assurance, advice, insight, and foresight. The Audit Department enhances Metropolitan’s: successful achievement of its objectives; governance, risk management, and control processes; decision-making and oversight; reputation and credibility with its stakeholders; and ability to serve the public interest. Mission and Scope of Work – The mission of the Audit Department is to provide independent, professional, objective assurance and consulting services designed to add value and improve Metropolitan’s operations. It helps the District accomplish its objectives by using a proactive, systematic approach to evaluate and improve the effectiveness of governance, risk management, and internal control. The scope of work of the Audit Department is to determine whether the District’s network of governance, risk management, and internal control, as designed and represented by District management, is adequate and functioning in a manner to ensure:

(1) Risks are appropriately identified, managed and monitored;

(2) Significant financial, managerial and operating information is accurate, reliable and timely;

(3) Employees’ actions are in compliance with policies, standards, procedures and applicable laws and regulations;

(4) Resources are acquired economically, used efficiently, and adequately protected;

(5) Programs, plans, and objectives are achieved;

(6) Quality and continuous improvement are fostered in the District’s control process;

(7) Significant legislative or regulatory issues impacting the District are recognized and addressed appropriately; and

~~(8) Information technology is governed and systems and applications are securely deployed and monitored.~~

~~Metropolitan's Audit Department is most effective when: internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor's Global Internal Audit Standards (Standards), which are set in the public interest; the Audit Department is independently positioned with direct accountability to the Board of Directors; and internal auditors are free from undue influence and committed to making objective assessments. Opportunities for improving management internal control, efficiency and the District's image may be identified during audits. They will be communicated to the appropriate level of District management.~~

(b) Accountability ~~—~~—The General Auditor shall be accountable to the Board of Directors and the Audit Committee to:

(1) Advise on the adequacy and effectiveness of the District's processes for controlling its activities and managing its risks;

(2) Report significant issues related to the processes for controlling the activities of the District and managing its risks, including potential improvements to those processes, and provide information concerning such issues through to resolution; and

(3) Coordinate with other District control and monitoring functions (e.g., risk management, legal, finance, ethics, security, environmental).

(c) Professional Standards – The Audit Department shall govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). ~~This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Audit Department's performance.~~ These documents constitute the operating procedures for the department and constitute an addendum to the charter. ~~The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers shall also be adhered to as applicable.~~ In addition, Audit Department staff shall adhere to Metropolitan's policies and procedures, the California Government Code; and the Audit Department's Policies and Procedures Manual.

Internal auditors will:

(1) Maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

(2) Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually.

(3) Exhibit professional objectivity in gathering, evaluating, and communicating information.

(4) Make balanced assessments of all available and relevant facts and circumstances.

(5) Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

(d) Authority – —The Audit Department’s authority is created by its direct reporting relationship to the Board of Directors. Such authority allows for unrestricted access to the Board of Directors.

(1) The Board of Directors authorizes the General Auditor and Audit Department staff members to:

(i) Have full and unrestricted access to all functions, data, records, information, physical property, and personnel, pertinent to carrying out internal audit responsibilities, subject to the requirements of safekeeping, confidentiality, and applicable processes;

(ii) Have full and free access to the Audit Committee, subject to applicable law;

(iii) Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue communications to accomplish the function’s objectives; and

(iv) Obtain the necessary assistance of District personnel, as well as other specialized services from within or outside the District to complete internal audit services.

(2) Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment. Accordingly, the General Auditor and Audit Department staff are not authorized to:

(i) Perform any operational duties for the District or member agencies;

(ii) Initiate or approve transactions external to the Audit Department;

(iii) Direct the activities of any District employee not employed by the Audit Department, except to the extent such employees have been appropriately assigned to internal auditing teams or to otherwise assist the internal auditors; or

(iv) Assess specific operations for which they had responsibility within the previous year.

Circumstances may justify a follow-up discussion between the General Auditor, Board of Directors, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to: a significant change in the Standards; a significant reorganization within the District; significant changes in the Direct Report Team, Board of Directors, and/or senior management; significant changes to the District's strategies, objectives, risk profile, or the environment in which the District operates; or new laws or regulations that may affect the nature and/or scope of internal audit services.

This Charter shall be reviewed at least annually by the Audit Committee and Board of Directors.

(e) Role – The primary role of the Audit Department is to conduct internal audit activities and deliver internal audit services. The scope of internal audit services covers the entire breadth of the District, including all of Metropolitan's activities, assets, and personnel. The scope of internal audit activities also encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory services to the Board of Directors and management to determine whether the District's network of governance, risk management, and internal control, as designed and represented by District management, is adequate and functioning in a manner to ensure:

(1) Risks related to the achievement of Metropolitan's strategic objectives are appropriately identified, managed and monitored;

(2) The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable;

(3) Actions by Metropolitan's officers, directors, management, employees, contractors, or relevant parties are in compliance with Metropolitan's policies, procedures and applicable laws, regulations, and governance standards;

(4) Resources and assets are acquired economically, used efficiently and sustainably, and adequately protected;

(5) The results of operations and programs are consistent with established goals and objectives;

(6) Quality and continuous improvement are fostered in the District's control process;

(7) Significant legislative or regulatory issues impacting the District are recognized and addressed appropriately;

(8) Information technology is governed and systems and applications are securely deployed and monitored;

(9) Operations and programs are being carried out effectively, efficiently, ethically, and equitably; and

(10) Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Metropolitan.

The nature and scope of advisory services may be agreed with by management requesting the service, provided the Audit Department does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and internal control may be identified during advisory engagements, and will be communicated to the appropriate level of District management.

(df) Responsibilities ——The Audit Department shall carry out the following responsibilities:

(1) Develop and present a flexible annual audit plan to the Audit Committee and Board of Directors for review and approval. This plan should be developed utilizing a risk-based methodology and should include input and discussion on risks or internal control concerns identified by mManagement or the Board of Directors. Review and adjust the internal audit plan, as necessary, in response to changes in Metropolitan's business, risks, operations, programs, systems, and controls;

(2) Report periodically to the Audit Committee and District management the status of the current year's audit plan and the sufficiency of department resources limitations on the audit plan. Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan;

(3) Submit audit reports to the Audit Committee and District management communicating the General Auditor's opinion regarding the internal control structure, identifying significant control issues, and providing related recommendations;

(4) Evaluate the adequacy and timeliness responsiveness of District management's responses to, and the corrective action taken on, all recommendations noted in such-audit reports. Conduct follow-up reviews as necessary and periodically report to the Audit Committee and senior management the status of District management's progress. Referrals to the Audit Committee shall be made for recommendations not agreed to by management or determined to be not fully implemented upon secondary follow-up review;

(5) Ensure the selection, development and supervision of competent and professional audit staff. Ensure the Audit Department collectively possesses or obtains the

knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Standards and fulfill the internal audit mandate;

~~(6) Develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Audit Department. Perform a quality assurance program by which the General Auditor evaluates internal auditing activities against professional standards. Obtain an external quality assurance review as required by the Standards;~~

(i) The program will include external and internal assessments of the Audit Department's conformance with the Standards, as well as performance measurement to assess the Audit Department's progress toward the achievement of its objectives and promotion of continuous improvement. The program will also assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the Audit Department's deficiencies and opportunities for improvement.

(ii) Annually, the General Auditor will communicate with the Audit Committee and senior management about the Audit Department's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Metropolitan; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

(7) Perform advisory services to assist District management in meeting its objectives. Examples may include facilitation, process design, training, and assessment services;

(8) Evaluate additions or changes in internal control processes coincident with their development and implementation;

~~(9) Keep the Audit Committee and senior management informed as appropriate through information items of significant emerging trends and best practices in internal auditing and governance emerging issues that could impact the District;~~

(10) Assist in the investigation of significant suspected fraudulent activities within the District. Assure reporting to the Audit Committee on the results, as appropriate; ~~and~~

~~(11) Coordinate activities and consider relying on the work of other internal and external providers of assurance and advisory services with external auditors to minimize duplication of effort. and to e~~Ensure that significant issues raised as a result of their review; are appropriately addressed. If the General Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and, if necessary, escalated to the Audit Committee;

(12) Ensure that internal auditors:

(i) Conform with the Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.

(ii) Understand, respect, meet, and contribute to the legitimate and ethical expectations of the District and be able to recognize conduct that is contrary to those expectations.

(iii) Encourage and promote an ethics-based culture in the District.

(iv) Report to the Ethics Office organizational behavior that is inconsistent with the District's ethical expectations, as described in applicable laws, regulations and policies and procedures.

(13) Ensure that the Audit Department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the General Auditor determines that objectivity or independence may be impaired in fact or appearance, the details of the impairment, including the actions or safeguards employed to address the impairment, will be disclosed to the Audit Committee and/or management as appropriate.

(14) Ensure internal audit engagements are performed, documented, and communicated in accordance with the Standards and laws and/or regulations.

(15) Ensure adherence to Metropolitan's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.

(16) Be accountable for confidentiality and safeguarding records and information; and

(17) Consider emerging trends and successful practices in internal auditing.

~~(e) Authority – The General Auditor and Audit Department staff members are authorized to:~~

~~(1) Have unrestricted access to all functions, records, property, and personnel, subject to the requirements of safekeeping, confidentiality, and applicable process;~~

~~(2) Have full and free access to the Audit Committee, subject to applicable law;~~

~~(3) Allocate resources, set frequencies, select the subject, determine scopes of work, and apply the techniques required to accomplish audit objectives; and~~

~~(4) Obtain the necessary assistance of personnel within units of the District where they perform audits, as well as other specialized services from within or outside the District.~~

~~The General Auditor and Audit Department staff are not authorized to:~~

~~(1) Perform any operational duties for the District;~~

~~(2) Initiate or approve accounting transactions external to the Audit Department;
or~~

~~(3) Direct the activities of any District employee not employed by the Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.~~

~~This Charter shall be reviewed at least annually by the Audit Committee and Board of Directors.~~

~~(g) Independence – The General Auditor will be positioned at a level in the District that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Audit Department. The General Auditor will report functionally to the Board of Directors through the Audit Committee and administratively (e.g., board support, finance, human resources) to the General Manager. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Board of Directors, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.~~

~~(1) The General Auditor will confirm to the Audit Committee, at least annually, the organizational independence of the Audit Department. If the governance structure does not support organizational independence, the General Auditor will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.~~

~~(2) The General Auditor will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the Audit Department's effectiveness and ability to fulfill its mandate.~~

~~(h) Communications – The General Auditor will report periodically to the Audit Committee and senior management regarding:~~

~~(1) The Audit Department's mandate.~~

~~(2) The internal audit plan and performance relative to its plan.~~

~~(3) Internal audit budget.~~

~~(4) Significant revisions to the internal audit plan and budget.~~

(5) Potential impairments to independence, including relevant disclosures as applicable.

(6) Results from the quality assurance and improvement program, which include the Audit Department's conformance with the Standards and action plans to address the Audit Department's deficiencies and opportunities for improvement.

(7) Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Board of Directors that could interfere with the achievement of Metropolitan's strategic objectives.

(8) Results of assurance and advisory services.

(9) Resource requirements.

(10) Management's responses to risk that the Audit Department determines may be unacceptable or acceptance of a risk that is beyond Metropolitan's risk appetite.

Division VI
PERSONNEL MATTERS
Chapter 4
OFFICERS
Article 4
GENERAL AUDITOR

§ 6451. Audit Department Charter.

(a) Purpose – The purpose of the Audit Department is to strengthen Metropolitan’s ability to create, protect, and sustain value by providing the Board of Directors and management with independent, risk-based, and objective assurance, advice, insight, and foresight. The Audit Department enhances Metropolitan’s: successful achievement of its objectives; governance, risk management, and control processes; decision-making and oversight; reputation and credibility with its stakeholders; and ability to serve the public interest.

Metropolitan’s Audit Department is most effective when: internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor’s Global Internal Audit Standards (Standards), which are set in the public interest; the Audit Department is independently positioned with direct accountability to the Board of Directors; and internal auditors are free from undue influence and committed to making objective assessments.

(b) Accountability – The General Auditor shall be accountable to the Board of Directors and the Audit Committee to:

(1) Advise on the adequacy and effectiveness of the District’s processes for controlling its activities and managing its risks;

(2) Report significant issues related to the processes for controlling the activities of the District and managing its risks, including potential improvements to those processes, and provide information concerning such issues through to resolution; and

(3) Coordinate with other District control and monitoring functions (e.g., risk management, legal, finance, ethics, security, environmental).

(c) Professional Standards – The Audit Department shall govern itself by adherence to the mandatory elements of The Institute of Internal Auditors’ International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. These documents constitute the operating procedures for the department and constitute an addendum to the charter. In addition, Audit Department staff shall adhere to Metropolitan’s policies and procedures, the California Government Code; and the Audit Department’s Policies and Procedures Manual.

Internal auditors will:

(1) Maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

(2) Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually.

(3) Exhibit professional objectivity in gathering, evaluating, and communicating information.

(4) Make balanced assessments of all available and relevant facts and circumstances.

(5) Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

(d) Authority – The Audit Department’s authority is created by its direct reporting relationship to the Board of Directors. Such authority allows for unrestricted access to the Board of Directors.

(1) The Board of Directors authorizes the General Auditor and Audit Department staff members to:

(i) Have full and unrestricted access to all functions, data, records, information, physical property, and personnel, pertinent to carrying out internal audit responsibilities, subject to the requirements of safekeeping, confidentiality, and applicable processes;

(ii) Have full and free access to the Audit Committee, subject to applicable law;

(iii) Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue communications to accomplish the function’s objectives; and

(iv) Obtain the necessary assistance of District personnel, as well as other specialized services from within or outside the District to complete internal audit services.

(2) Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment. Accordingly, the General Auditor and Audit Department staff are not authorized to:

- (i) Perform any operational duties for the District or member agencies;
- (ii) Initiate or approve transactions external to the Audit Department;
- (iii) Direct the activities of any District employee not employed by the Audit Department, except to the extent such employees have been appropriately assigned to internal auditing teams or to otherwise assist the internal auditors; or
- (iv) Assess specific operations for which they had responsibility within the previous year.

Circumstances may justify a follow-up discussion between the General Auditor, Board of Directors, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to: a significant change in the Standards; a significant reorganization within the District; significant changes in the Direct Report Team, Board of Directors, and/or senior management; significant changes to the District's strategies, objectives, risk profile, or the environment in which the District operates; or new laws or regulations that may affect the nature and/or scope of internal audit services.

This Charter shall be reviewed at least annually by the Audit Committee and Board of Directors.

(e) Role – The primary role of the Audit Department is to conduct internal audit activities and deliver internal audit services. The scope of internal audit services covers the entire breadth of the District, including all of Metropolitan's activities, assets, and personnel. The scope of internal audit activities also encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory services to the Board of Directors and management to determine whether the District's network of governance, risk management, and internal control, as designed and represented by District management, is adequate and functioning in a manner to ensure:

- (1) Risks related to the achievement of Metropolitan's strategic objectives are appropriately identified, managed and monitored;
- (2) The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable;
- (3) Actions by Metropolitan's officers, directors, management, employees, contractors, or relevant parties are in compliance with Metropolitan's policies, procedures and applicable laws, regulations, and governance standards;
- (4) Resources and assets are acquired economically, used efficiently and sustainably, and adequately protected;
- (5) The results of operations and programs are consistent with established goals and objectives;

(6) Quality and continuous improvement are fostered in the District's control process;

(7) Significant legislative or regulatory issues impacting the District are recognized and addressed appropriately;

(8) Information technology is governed and systems and applications are securely deployed and monitored;

(9) Operations and programs are being carried out effectively, efficiently, ethically, and equitably; and

(10) Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Metropolitan.

The nature and scope of advisory services may be agreed with by management requesting the service, provided the Audit Department does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and internal control may be identified during advisory engagements, and will be communicated to the appropriate level of District management.

(f) Responsibilities – The Audit Department shall carry out the following responsibilities:

(1) Develop and present a flexible annual audit plan to the Audit Committee and Board of Directors for review and approval. This plan should be developed utilizing a risk-based methodology and should include input and discussion on risks or internal control concerns identified by management or the Board of Directors. Review and adjust the internal audit plan, as necessary, in response to changes in Metropolitan's business, risks, operations, programs, systems, and controls;

(2) Report periodically to the Audit Committee and District management the status of the current year's audit plan and the resource limitations on the audit plan. Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan;

(3) Submit audit reports to the Audit Committee and District management communicating the General Auditor's opinion regarding the internal control structure, identifying significant control issues, and providing related recommendations;

(4) Evaluate the responsiveness of District management's responses to, and the corrective action taken on, all recommendations noted in audit reports. Conduct follow-up reviews as necessary and periodically report to the Audit Committee and senior management the status of District management's progress. Referrals to the Audit Committee shall be made for recommendations not agreed to by management or determined to be not fully implemented upon secondary follow-up review;

(5) Ensure the selection, development and supervision of competent and professional audit staff. Ensure the Audit Department collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Standards and fulfill the internal audit mandate;

(6) Develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Audit Department.

(i) The program will include external and internal assessments of the Audit Department's conformance with the Standards, as well as performance measurement to assess the Audit Department's progress toward the achievement of its objectives and promotion of continuous improvement. The program will also assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the Audit Department's deficiencies and opportunities for improvement.

(ii) Annually, the General Auditor will communicate with the Audit Committee and senior management about the Audit Department's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Metropolitan; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

(7) Perform advisory services to assist District management in meeting its objectives. Examples may include facilitation, process design, training, and assessment services;

(8) Evaluate additions or changes in internal control processes coincident with their development and implementation;

(9) Keep the Audit Committee and senior management informed as appropriate through information items of trends and emerging issues that could impact the District;

(10) Assist in the investigation of significant suspected fraudulent activities within the District. Assure reporting to the Audit Committee on the results, as appropriate;

(11) Coordinate activities and consider relying on the work of other internal and external providers of assurance and advisory services to minimize duplication of effort. Ensure that significant issues raised as a result of their review are appropriately addressed. If the General Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and, if necessary, escalated to the Audit Committee;

(12) Ensure that internal auditors:

(i) Conform with the Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.

(ii) Understand, respect, meet, and contribute to the legitimate and ethical expectations of the District and be able to recognize conduct that is contrary to those expectations.

(iii) Encourage and promote an ethics-based culture in the District.

(iv) Report to the Ethics Office organizational behavior that is inconsistent with the District's ethical expectations, as described in applicable laws, regulations and policies and procedures.

(13) Ensure that the Audit Department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the General Auditor determines that objectivity or independence may be impaired in fact or appearance, the details of the impairment, including the actions or safeguards employed to address the impairment, will be disclosed to the Audit Committee and/or management as appropriate.

(14) Ensure internal audit engagements are performed, documented, and communicated in accordance with the Standards and laws and/or regulations.

(15) Ensure adherence to Metropolitan's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.

(16) Be accountable for confidentiality and safeguarding records and information; and

(17) Consider emerging trends and successful practices in internal auditing.

(g) Independence – The General Auditor will be positioned at a level in the District that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Audit Department. The General Auditor will report functionally to the Board of Directors through the Audit Committee and administratively (e.g., board support, finance, human resources) to the General Manager. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Board of Directors, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

(1) The General Auditor will confirm to the Audit Committee, at least annually, the organizational independence of the Audit Department. If the governance structure does not support organizational independence, the General Auditor will document the characteristics of

the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

(2) The General Auditor will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the Audit Department's effectiveness and ability to fulfill its mandate.

(h) Communications – The General Auditor will report periodically to the Audit Committee and senior management regarding:

(1) The Audit Department's mandate.

(2) The internal audit plan and performance relative to its plan.

(3) Internal audit budget.

(4) Significant revisions to the internal audit plan and budget.

(5) Potential impairments to independence, including relevant disclosures as applicable.

(6) Results from the quality assurance and improvement program, which include the Audit Department's conformance with the Standards and action plans to address the Audit Department's deficiencies and opportunities for improvement.

(7) Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Board of Directors that could interfere with the achievement of Metropolitan's strategic objectives.

(8) Results of assurance and advisory services.

(9) Resource requirements.

(10) Management's responses to risk that the Audit Department determines may be unacceptable or acceptance of a risk that is beyond Metropolitan's risk appetite.



- **Board of Directors**
Audit Committee

6/9/2026 Board Meeting

7-8

Subject

Approve the General Auditor’s Internal Audit Plan for Fiscal Year 2026/27; the General Manager has determined 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 engagements for fiscal year (FY) 2026/27.

The Internal Audit Plan for FY 2026/27 is comprised of:

- 13 Audits (4 new; 9 carryforward)
- 11 Advisory Projects (1 new; 10 carryforward)
- 20 Follow-up Reviews (estimated)

This action requests that the Board approve the General Auditor’s Internal Audit Plan for FY 2026/27, 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 FY 2026/27.

Fiscal Impact: None

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

Option #2

Do not approve the General Auditor’s Internal Audit Plan for FY 2026/27.

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 10, 2025, Item 7-1, Approve the General Auditor's Internal Audit Plan for FY 2025/26

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 purpose of the Office of the General Auditor, Metropolitan's internal audit function, is to strengthen Metropolitan's ability to create, protect, and sustain value by providing the Board of Directors and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Through assurance and advisory engagements, our office enhances Metropolitan's achievement of its objectives; governance, risk management, and control processes; decision-making and oversight; reputation and credibility with its stakeholders; and its ability to serve the public interest.

Professional internal audit standards require us to establish a risk-based audit plan that aligns our priorities with Metropolitan's goals and objectives. Our methodology focuses on conducting targeted audits and advisory services that address key risk areas and deliver value-added, actionable results.

To develop the annual audit plan, we performed a comprehensive risk assessment that involved reviewing key documentation, interviewing management, and engaging in discussions with the Board. This process allowed us to identify and evaluate risks, prioritize potential audits and advisory engagements, and identify areas where our involvement would add the greatest value. In certain cases, such as when prior-year audits carry forward, recent work has addressed certain risks, or professional judgment warrants an exception, we may adjust this approach as appropriate.

This year's audit risk assessment identified opportunities for internal audit to provide new audit or advisory services in the following areas (listed in alphabetical order): Cybersecurity, Information Technology, Treatment & Water Quality, and Water Resource 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 risk assessment project planning and execution methodology.
- (3) A classification of auditable units by risk category.
- (4) A visual representation of the risk ranking of Metropolitan's auditable units.
- (5) An overview of internal audit services provided to Metropolitan.

- (6) Projects planned to be performed during FY 2026/27.
- (7) The lineup of team members who contributed to the audit plan project.
- (8) A crosswalk of risk areas to associated projects.
- (9) Specific risks/internal control concerns pending audit resource/time availability.
- (10) An overview of internal audit resources that will support the execution of the audit plan.
- (11) Department internal reporting structure.
- (12) References to relevant professional internal audit standards.

From time to time, the General Auditor may substitute, defer, or cancel a planned engagement due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in quarterly status reports submitted to the Audit Committee, and the Audit Committee’s lack of objection will authorize any changes noted and amend the audit plan.

	5/19/2026
_____ Scott Suzuki General Auditor	Date

	5/19/2026
_____ Shivaji Deshmukh General Manager	Date

Attachment 1 – General Auditor’s Internal Audit Plan for FY 2026/27

Ref# a12704235



Office of the General Auditor __

General Auditor's Internal Audit Plan for **FY 2026/27**

Month XX, 2026

DRAFT – PENDING BOARD APPROVAL

Executive Summary

BACKGROUND

The purpose of the Office of the General Auditor, Metropolitan’s internal audit function, is to strengthen Metropolitan’s ability to create, protect, and sustain value by providing the Board of Directors and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Through assurance and advisory engagements, our office enhances Metropolitan’s achievement of its objectives; governance, risk management, and control processes; decision-making and oversight; reputation and credibility with its stakeholders; and its ability to serve the public interest.

Professional internal audit standards require us to establish a risk-based audit plan that aligns our priorities with Metropolitan’s goals and objectives. Our methodology focuses on conducting targeted audits and advisory services that address key risk areas and deliver value-added, actionable results.

To develop the annual audit plan, we performed a comprehensive risk assessment that involved reviewing key documentation, interviewing management, and engaging in discussions with the Board. This process allowed us to identify and evaluate risks, prioritize potential audits and advisory engagements, and identify areas where our involvement would add the greatest value. In certain cases, such as when prior-year audits carry forward, recent work has addressed certain risks, or professional judgment warrants an exception, we may adjust this approach as appropriate.

RESULTS

Our fiscal year 2026/27 Internal Audit Plan is comprised of:

- ◆ 13 Audits (4 new; 9 carryforward)
- ◆ 11 Advisory Projects (1 new; 10 carryforward)
- ◆ 20 Follow-up Reviews (estimated)

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

- | | |
|--------------------------|-----------------------------|
| ◆ Cybersecurity | ◆ Treatment & Water Quality |
| ◆ Information Technology | ◆ Water Resource Management |

Due to limited staffing resources, our audit plan focuses on the areas with the highest identified audit risks. As additional resources or time become available in fiscal year 2026/27, we will incorporate other risk areas into the plan. We will re-evaluate the audit risk assessment throughout the fiscal year, and any higher-risk areas not included by fiscal year-end will be reconsidered for potential inclusion in our fiscal year 2027/28 Internal Audit Plan.

COVER PHOTO: The Colorado River Aqueduct is a 242-mile network of open channels, tunnels, and siphons that move millions of gallons of Colorado River water each day across the desert, delivering a vital supply to communities throughout Southern California.

DRAFT – PENDING BOARD APPROVAL

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: June XX, 2026
To: Board of Directors
From: Scott Suzuki, CPA, CIA, CISA, CFE, General Auditor
Subject: General Auditor's Internal Audit Plan for Fiscal Year 2026/27

The Office of the General Auditor is pleased to present our proposed audit plan for fiscal year 2026/27, prepared in accordance with Metropolitan Administrative Code Section 6451 and the Global Internal Audit Standards issued by The Institute of Internal Auditors.

This plan is the result of a thorough and deliberate assessment of Metropolitan's operations. It incorporates reviews of key documents and data, extensive discussions with management, and the Board's perspectives on areas of risk and internal control concerns.

Our office is responsible for evaluating whether Metropolitan's governance, risk management, and internal control processes are appropriately designed and operating effectively. To carry out this mandate, we propose conducting 24 audits and advisory projects during the fiscal year, including 4 new audits, 9 audits carried forward from the prior year, and 11 advisory engagements.

Our purpose is to strengthen Metropolitan'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. We aim to add value to Metropolitan's operations by identifying opportunities for improvement while fostering transparency, professionalism, and trust. We will continue to collaborate with management and staff across the District, monitor emerging risks and opportunities, and help ensure that Metropolitan's resources are used effectively for the benefit of its member agencies and the communities we serve.

We appreciate the opportunity to serve Metropolitan through independent, professional, and objective audit and advisory services. We also extend our thanks to Metropolitan management, staff, and the Board for their cooperation and engagement during the audit risk assessment process.

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 classification of auditable units by risk category

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 2026/27

10 Project Team

The lineup of team members contributing to this project

Appendix A: Additional Information**11 Assurance & Advisory Coverage**

A crosswalk of risk areas to associated projects

12 Deferred Projects

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

12 Resource Plan

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

13 Organization Chart

Our internal reporting structure

14 Standards

References for relevant professional internal audit standards

DRAFT – PENDING BOARD APPROVAL**INTRODUCTION****DEPARTMENT OVERVIEW**

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

Our goal is to support Metropolitan’s Board and management in strengthening business, financial, and operational practices. The General Auditor leads a team of internal audit professionals who evaluate whether Metropolitan’s internal controls are effective, business processes are efficient, and activities, programs, and agreements comply with policies, procedures, laws, and regulations.

In support of this goal, our office is charged with determining whether Metropolitan’s system of governance, risk management, and internal control processes, as designed and represented by management, is adequate and functioning effectively to ensure:

- ◆ Risks are appropriately identified, managed, and monitored.
- ◆ Key financial, managerial, and operating information is accurate, reliable, and timely.
- ◆ Employees comply with applicable policies, procedures, standards, and laws and regulations.
- ◆ Resources are acquired economically, used efficiently, and safeguarded appropriately.
- ◆ Programs, plans, and objectives are being achieved.
- ◆ Quality and continuous improvement are promoted in Metropolitan’s control environment.
- ◆ Significant legislative or regulatory matters are identified and addressed appropriately.
- ◆ Information technology is governed effectively, and systems and applications are securely deployed and monitored.

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



Canada Geese: Bay Delta Day Trip



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

The Office of the General Auditor's objective is to add value to Metropolitan and improve the effectiveness and efficiency of its operations. We accomplish this through thoughtful planning, agile responsiveness, alignment of our priorities with organizational objectives, and a focus on auditing the risks with the greatest potential impact on Metropolitan's ability to achieve its objectives.

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

To meet this requirement, we perform our audit risk assessment and develop the audit plan through the following eight primary steps:

1. Understand the organization's governance, risk management, and control processes
2. Identify, assess, and prioritize risks
3. Coordinate with other assurance providers
4. Estimate resources and identify engagements
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 used 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 Exposure.** Dollar values at risk, annual expenses, impact on other areas of Metropolitan, and reliance on information technology.
- **Strategic Risk.** Public perception/reputation, economic conditions, volatility, significance to the General Manager's business plan/strategy, regulatory environment, and recent changes.

Likelihood Factors

- **Operating Environment.** Degree of process formalization, policy & procedures, newness of processes/applications, third-party reliance, management turnover, and monitoring practices.
- **Complexity.** Automation levels, required specialization, technical complexity, structural complexity, and change frequency.
- **Assurance Coverage.** Internal audit activity, other reviews, and second-line coverage.
- **Board & Management Concern.** Quantity and specificity of concerns raised during interviews and meetings.



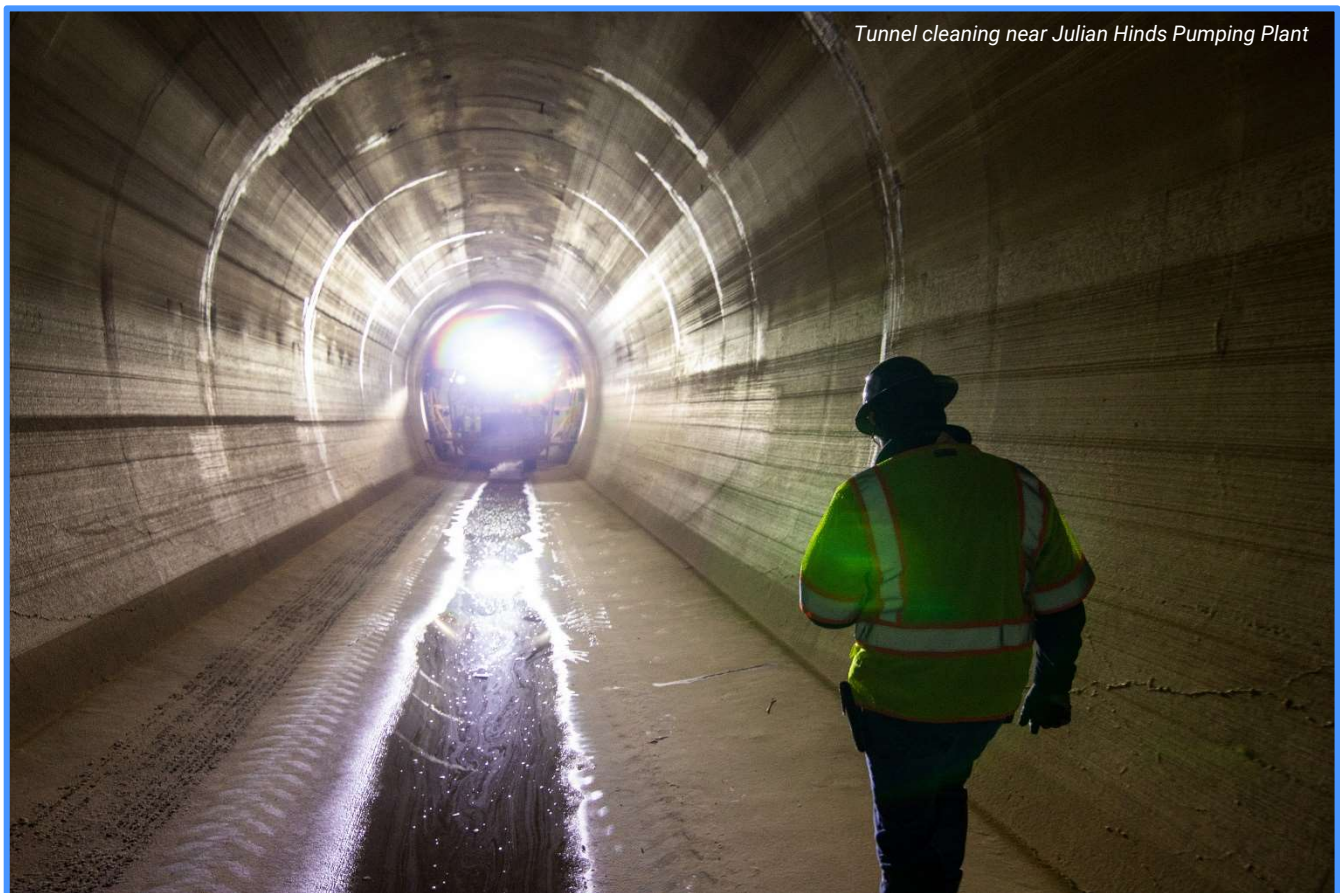
DRAFT – PENDING BOARD APPROVALSpeed Factor

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

To identify and evaluate risks Metropolitan faces, we obtained input from management in key business areas and reviewed relevant documentation, including, but not limited to, financial statements, monthly General Manager reports, Board and Committee materials, and the biennial budget.

Our audit universe includes 25 auditable units, generally aligned with District functional areas. All District departments, groups, sections, and units are included in the audit universe except the Office of the General Auditor. Each unit is scored based on the factors above and ranked by its total risk score to identify those with the most significant risk exposure.

A higher audit risk score indicates that an auditable unit's services or functions carry greater inherent risk, such as substantial expenditures or revenues, high levels of liquid assets, significant organizational or system changes, complex transactions, mission-critical functions, or heightened public interest. A higher score also indicates that if an issue were to occur, it could have a greater and more rapid impact on Metropolitan.



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

Our audit risk assessment results show that five auditable units are considered higher risk, 15 are moderate risk, and five are lower risk. Below are Metropolitan’s auditable units in their respective risk categories in alphabetical order.

HIGHER AUDIT RISK

- Conveyance & Distribution
- Cybersecurity
- Information Technology
- Integrated Operations, Planning & Support Services
- Power Operations & Planning

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

MODERATE AUDIT RISK

- Administrative Services
- Bay Delta Initiatives
- Board of Directors
- Diversity, Equity & Inclusion
- Engineering
- External Affairs
- Finance
- Human Resources
- Land Management
- Office of the General Manager
- Operational Safety & Regulation
- Security & Protection
- Sustainability, Resilience & Innovation
- Treatment & Water Quality
- Water Resource Management

LOWER AUDIT RISK

- Board Support Services
- Environmental Planning
- Equal Employment Opportunity
- Ethics
- General Counsel



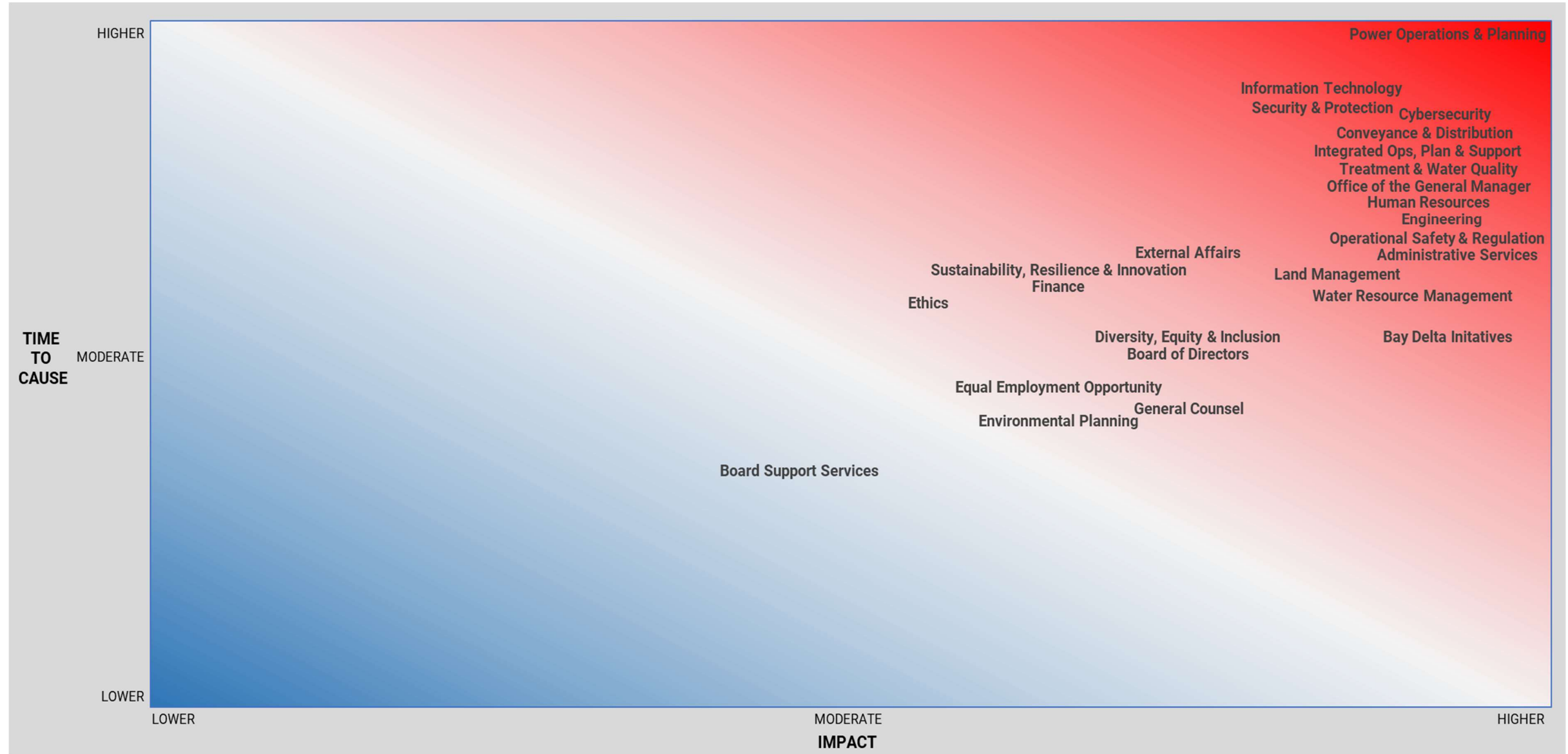
Fallbrook Avocado Orchard



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 by focusing on the internal control effectiveness and process efficiency of the area under evaluation. The criteria generally used for our internal control audits are from the Committee of Sponsoring Organizations (COSO) of the Treadway Commission internal control framework. Projects may also include assessments of compliance with policies, contracts, or regulatory requirements.

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). Criteria generally used for our IT audits are from the Center for Internet Security, the National Institute of Standards and Technology, or the Information Systems Audit and Control Association.

3 Advisory Services

These advisory projects provide advice to Metropolitan functions without providing assurance. Examples include advising on the design and implementation of new policies, processes, and systems; providing training and ad hoc/on-demand advice; and performing Rapid Reviews on contemporary topics.

4 Follow-up Reviews

These reviews assess the progress made toward implementing recommendations from prior audits. The level of follow-up necessary depends on the severity of the issue and the nature of the corrective action. Follow-up reviews are not performed for advisory services.

5 Administration & Other Activities

These activities do not relate to specific auditable areas but are essential to the effective operation of the internal audit function. They include contractually required assistance to the external auditor, preparation of the annual audit risk assessment and audit plan, support to the Board and Audit Committee, training and functional administration of our project management system, and execution of the quality assessment and improvement program.



DRAFT – PENDING BOARD APPROVAL**PLANNED ENGAGEMENTS**

Planned engagements are based upon approximately 13,800 productive hours provided by 11 audit professionals. Additional time is then deducted for a contingency reserve, Board directives/requests, and other activities, resulting in approximately 8,700 hours available for audit and advisory projects and follow-up reviews. Higher audit risk areas are given priority for project assignment over moderate and lower audit risk areas. Once all higher audit risk areas have been assigned an audit, the General Auditor selects additional moderate audit risk areas at their discretion. Projects are also assigned based on Board direction or as mandated by law/regulation. Lastly, recurring/cyclical audits are generally not assigned unless they are deemed higher risk or mandated by law/regulation.

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

TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
Operational & Compliance Audits		
1. Local Resources Program	Assess program performance.	600
2. Chemical Safety	Evaluate chemical handling procedures.	600
3. Third-Party Memorandums of Understanding (MOU) <i>Board request</i>	Evaluate administration of third-party MOUs.	600
4. Conservation Programs <i>Board request</i>	Assess program performance.	600
5. P-Card Program <i>Carryforward from FY 2025/26</i>	Evaluate P-Card policy and program activity.	600
6. Security Contract <i>Carryforward from FY 2025/26</i>	Evaluate contract compliance.	600
7. Real Estate <i>Board request</i>	Assess program performance.	200
8. Recruiting <i>Carryforward from FY 2024/25</i>	Assess program performance.	200
9. State Audit Follow-up <i>Carryforward from FY 2023/24</i>	Evaluate implementation status of State Auditor recommendations.	200
10. Power Operations & Planning <i>Carryforward from FY 2023/24</i>	Assess program performance.	200



DRAFT – PENDING BOARD APPROVAL

Information Technology Audits		
11. Access Control Management	Evaluate system access management for incoming and outgoing employees.	600
12. Data Protection	Evaluate data protection controls.	600
13. IT Governance <i>Carryforward from FY 2024/25</i>	Evaluate District IT for alignment with business goals and objectives.	200
Advisory Services		
14. Artificial Intelligence	Review AI implementation risks and controls.	200
15. Knowledge Transfer <i>Board request</i>	Review District knowledge transfer procedures.	200
16. Safety Equipment Purchase Process	Review safety equipment purchase process.	200
17. Colorado River Water Users Association Review <i>Board directed</i>	Perform agreed-upon procedures for Colorado River Water Users Association.	120
18. Enterprise Risk Management	Advise on District enterprise risk management program.	80
19. Enterprise Content Management	Advise on new application implementation.	80
20. Grants	Advise on grants management processes.	80
21. METCON	Advise on new application implementation.	80
22. WINS	Advise on new application implementation.	80
23. Oracle Services Procurement	Advise on new Oracle module implementation.	0 ¹
24. Risk Oversight Committee (Power Operations & Planning)	Advise on risks and controls.	0 ¹
Follow-up Reviews		
Follow-up Reviews	Follow up on management's implementation of audit recommendations.	1,767



DRAFT – PENDING BOARD APPROVAL

Administration & Other Activities		
External Audit Support	Assist external auditor in annual financial audit and Single Audit.	800
Department Initiatives	Perform tasks to improve department operations.	800
Annual Audit Risk Assessment & Internal Audit Plan	Perform annual audit risk assessment tasks and prepare Internal Audit Plan.	640
Board & Committee Support	Provide Board and/or Audit Committee support.	400
TeamMate+ Training & Functional Utilization	Provide and receive training on internal audit project management system.	280
Quality Assessment & Improvement Program (QAIP)	Complete mandates to ensure adherence to professional internal audit standards and improve internal audit operations.	80
On-Demand Advisory Services	Provide advice upon request.	80
Directed Ad Hoc	Tasks assigned by department management.	80

¹ This project is assigned to executive management, who do not charge hours.

From time to time, the General Auditor may substitute, defer, or cancel a planned engagement due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in quarterly status reports submitted to the Audit Committee, and the Audit Committee's lack of objection will authorize any changes noted and amend the audit plan.

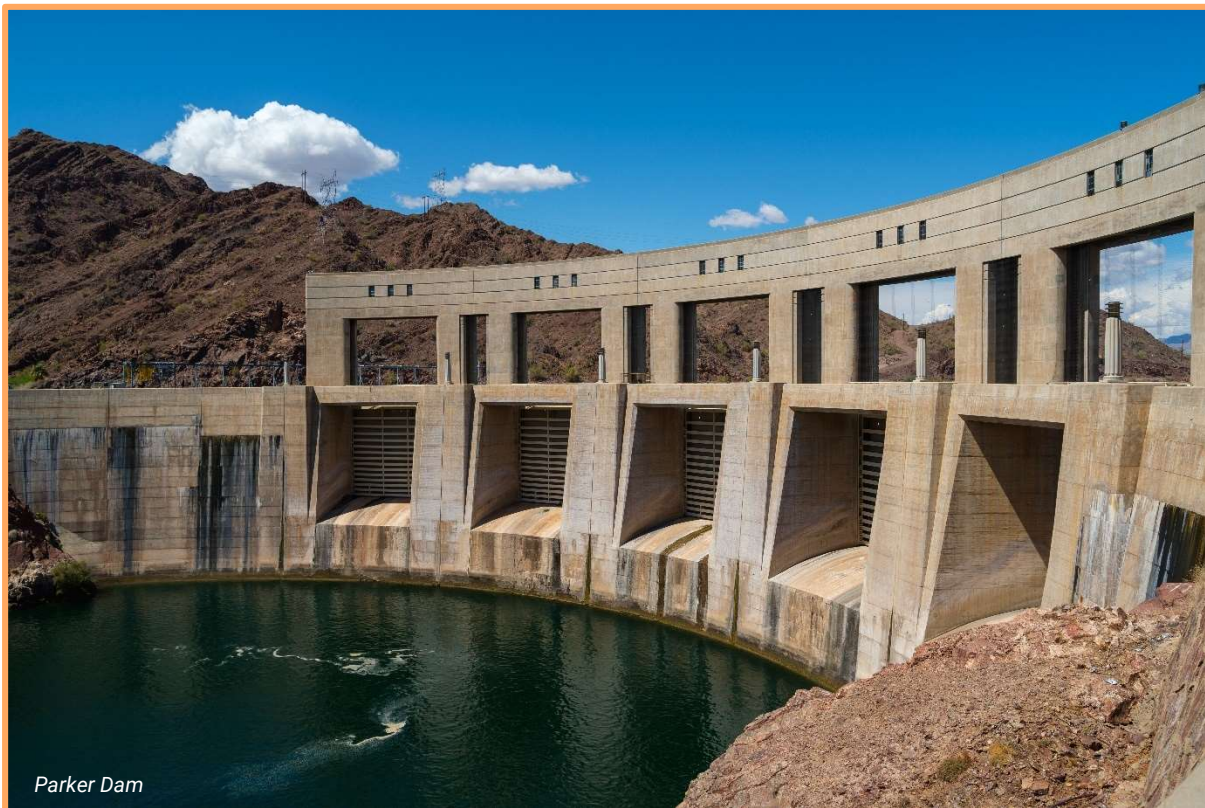


Courtyard at Union Station Headquarters



DRAFT – PENDING BOARD APPROVAL**PROJECT TEAM**

- ◆ Kathryn Andrus, CPA, CIA, Assistant General Auditor
- ◆ Araceli Muñoz, CIA, Senior Audit Manager
- ◆ 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 parentheses²:

RISK AREA	AUDITABLE AREA	ENGAGEMENT
Access management	Cybersecurity	Access Control Management (11)
Application development	Information Technology	Enterprise Content Management (19) METCON (21) Oracle Services Procurement (23) WINS (22)
Artificial intelligence	Information Technology	Artificial Intelligence (14)
Enterprise risk management	Office of the General Manager	Enterprise Risk Management (18)
Governance	Information Technology	IT Governance (13)
Grant compliance	Finance	Grants (20)
Information management	Cybersecurity	Data Protection (12)
MOU administration	Office of the General Manager	Third-Party MOUs (3)
Operational safety & compliance	Treatment & Water Quality	Chemical Safety (2)
Physical security	Security & Protection	Security Contract (6)
Power operations	Power Operations & Planning	Power Operations & Planning (10) Risk Oversight Committee (Power Operations & Planning) (24)
Procurement	Administrative Services	P-Card Program (5) Safety Equipment Purchase Process (16)
Program performance	Water Resource Management	Conservation Programs (4) Local Resources Program (1)
Real estate management	Land Management	Real Estate (7)
State audit compliance	Office of the General Manager	State Audit Follow-up (9)
Talent management	Human Resources	Knowledge Transfer (15) Recruiting (8)

² The Colorado River Water Users Association (17) is a Board-directed project without a direct District-associated risk area.



DRAFT – PENDING BOARD APPROVAL**DEFERRED PROJECTS**

Risk and internal control concerns identified through Board input and management interviews that align with high or medium-high audit-risk areas from our risk assessment, and are not included in the audit plan, are placed on the deferred list. Additionally, the General Auditor may use his professional judgment to add an item to the deferred list. As resources or time become available, a deferred item may be added to the audit plan. These deferred items are listed alphabetically and mapped to their auditable areas:

RISK AREA	AUDITABLE AREA
Contract administrator program	Administrative Services
Contract solicitation	Administrative Services
CRA reliability	Conveyance & Distribution
Delegation of authority	Office of the General Manager
Desert housing	Integrated Operations, Planning & Support Services
District temporary/annuitant usage	Human Resources
District vehicle assignment/use	Integrated Operations, Planning & Support Services
Dual employment	Human Resources
Governance, risk, and compliance platform	Information Technology
Interactive process	Human Resources
Interim promotions	Human Resources
Investigative process	Multiple
IT project management	Information Technology
Offboarding process	Human Resources
Program change management	Office of the General Manager

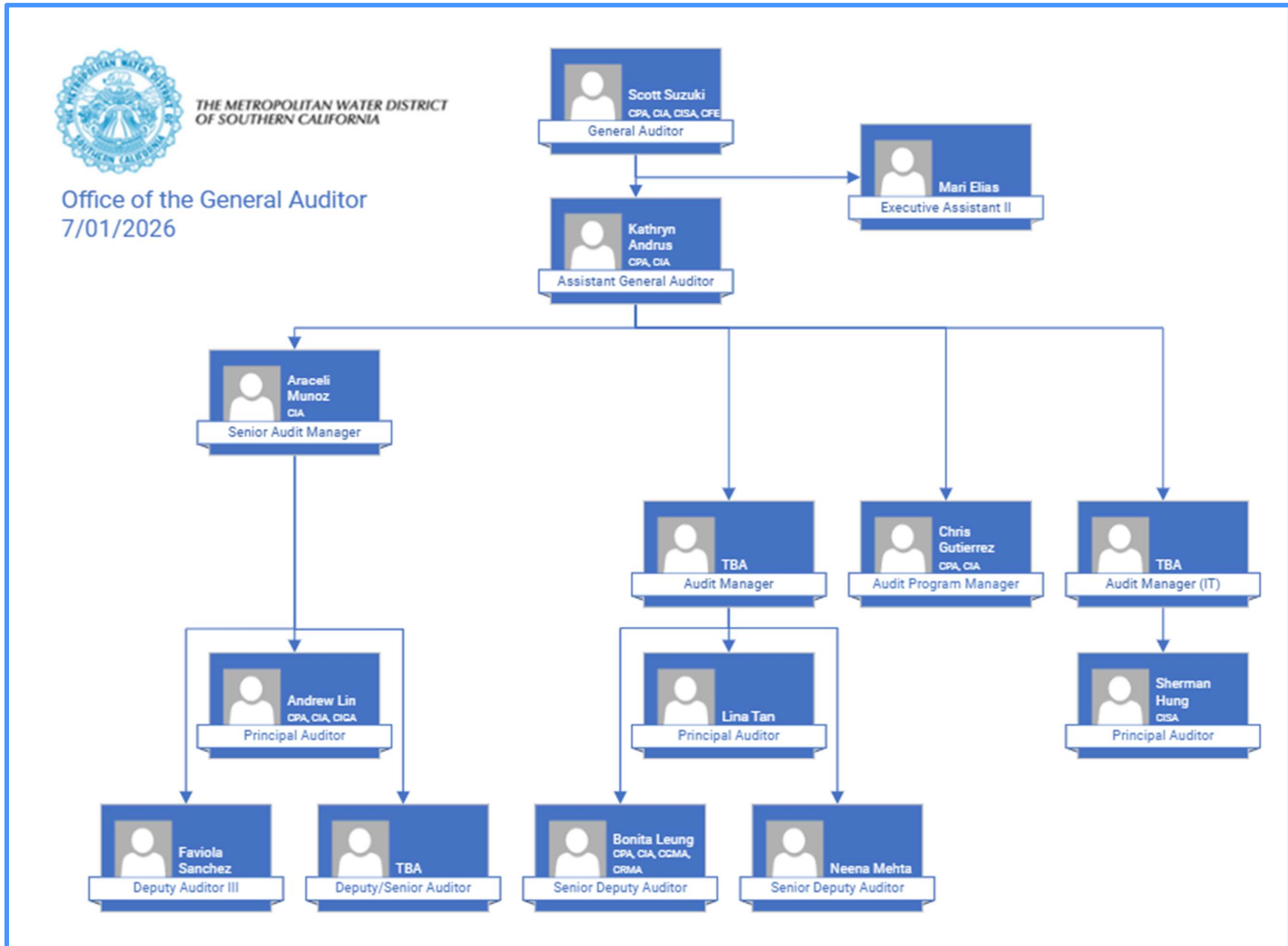
RESOURCE PLAN

The department is comprised of 11 professional audit team members, two executive managers, and one administrative professional. The 11 audit professionals contribute approximately 8,700 hours that support the development of planned engagements, including Board requests. Team member audit experience includes financial, performance, fraud, compliance, and information technology. Five members are licensed Certified Public Accountants (CPAs), six are Certified Internal Auditors (CIAs), and two are Certified Information System Auditors (CISAs). 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).



DRAFT – PENDING BOARD APPROVAL

ORGANIZATION CHART



DRAFT – PENDING BOARD APPROVAL**STANDARDS**

The following are references to the Internal Auditors Global Internal Audit Standards pertaining to audit risk assessment and the Internal Audit Plan.

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 audit 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 (con't)**

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 audit 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 function. An internal audit strategy helps guide the internal audit function toward the fulfillment of 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 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 (con't)**

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.





Audit Committee

6/8/2026 Committee Meeting

7a

Subject

Discussion on Independent Auditor Macias Gini & O’Connell, LLP’s Fiscal Year 2025/26 Audit Plan

Executive Summary

This item will share information from the external auditor, hired to perform an independent audit of Metropolitan’s financial statements and the Single Audit for Fiscal Year 2025/26.

Details & Background

An independent annual financial audit is required to be performed on Metropolitan’s financial statements following each fiscal year-end. In addition, a Single Audit must be conducted when the District expends \$1 million or more in aggregate federal financial assistance during a fiscal year.

Before beginning the audits, the external audit firm presents its audit plan to the governing body or committee with oversight responsibilities, in this case, the Audit Committee. Communicating the audit plan helps establish a shared understanding of the audit’s purpose and scope, expected deliverables, the respective responsibilities of the external auditor and management, the audit timeline, and the overall audit approach. This includes discussing significant risks and areas of focus, as well as any emerging issues or accounting standards that may affect the engagement.

The Office of the General Auditor serves as the contract administrator for the four-year independent external auditor contract with Macias, Gini & O’Connell, LLP, which concludes with the fiscal year 2025/26 audit cycle. This contract is for the performance of the annual independent audit of Metropolitan’s financial statements and, in years when federal financial expenditures meet or exceed the applicable threshold, the Single Audit. Additionally, it includes performing audits of the statements of cash receipts and cash disbursements for the Six Agency Committee, the Colorado River Joint Powers Authority, and the Delta Conveyance Design and Construction Activity.

Metropolitan’s Administrative Code Section 6450(e) requires the General Auditor to transmit all reports issued by the District’s external auditors to the Audit Committee, including any comments on the external auditor’s reports that the General Auditor deems necessary.



Audit Committee

6/8/2026 Committee Meeting

7b

Subject

Overview of Enterprise Risk Management

Executive Summary

This item provides an overview of Enterprise Risk Management (ERM) and the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) ERM Framework, an industry-wide framework that helps organizations understand and manage risks by integrating risk management with strategy, performance, and culture to support value creation and preservation.

Applicable Policy

Metropolitan Water District Administrative Code Section 6451(d)(9)

Details and Background

This is an educational item to inform board members about contemporary subjects, including governance, risk management, internal control, fraud, and other areas of interest.

COSO developed an ERM framework to help organizations improve their risk management approach, emphasizing the importance of risk considerations in strategy setting and performance management. COSO's executive summary of its ERM framework is provided in **Attachment 1**. This ERM framework is related to COSO's companion Internal Control – Integrated Framework, which is designed to help organizations establish, evaluate, and enhance internal controls.

Administrative Code Section 6451(d)(9) requires the General Auditor to keep the Audit Committee informed of significant emerging trends and best practices in internal auditing and governance.

Attachment 1 – COSO's Enterprise Risk Management – Integrating with Strategy and Performance – Executive Summary



Committee of Sponsoring Organizations of the Treadway Commission

Enterprise Risk Management Integrating with Strategy and Performance

Executive Summary



June 2017

This project was commissioned by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which is dedicated to providing thought leadership through the development of comprehensive frameworks and guidance on internal control, enterprise risk management, and fraud deterrence designed to improve organizational performance and oversight and to reduce the extent of fraud in organizations. COSO is a private sector initiative, jointly sponsored and funded by:

- American Accounting Association
- American Institute of Certified Public Accountants
- Financial Executives International
- Institute of Management Accountants
- The Institute of Internal Auditors

Foreword

In keeping with its overall mission, the COSO Board commissioned and published in 2004 *Enterprise Risk Management—Integrated Framework*. Over the past decade, that publication has gained broad acceptance by organizations in their efforts to manage risk. However, also through that period, the complexity of risk has changed, new risks have emerged, and both boards and executives have enhanced their awareness and oversight of enterprise risk management while asking for improved risk reporting. This update to the 2004 publication addresses the evolution of enterprise risk management and the need for organizations to improve their approach to managing risk to meet the demands of an evolving business environment.

The updated document, now titled *Enterprise Risk Management—Integrating with Strategy and Performance*, highlights the importance of considering risk in both the strategy-setting process and in driving performance. The first part of the updated publication offers a perspective on current and evolving concepts and applications of enterprise risk management. The second part, the Framework, is organized into five easy-to-understand components that accommodate different viewpoints and operating structures, and enhance strategies and decision-making. In short, this update:

- Provides greater insight into the value of enterprise risk management when setting and carrying out strategy.
- Enhances alignment between performance and enterprise risk management to improve the setting of performance targets and understanding the impact of risk on performance.
- Accommodates expectations for governance and oversight.
- Recognizes the globalization of markets and operations and the need to apply a common, albeit tailored, approach across geographies.
- Presents new ways to view risk to setting and achieving objectives in the context of greater business complexity.
- Expands reporting to address expectations for greater stakeholder transparency.
- Accommodates evolving technologies and the proliferation of data and analytics in supporting decision-making.
- Sets out core definitions, components, and principles for all levels of management involved in designing, implementing, and conducting enterprise risk management practices.

Readers may also wish to consult a complementary publication, COSO's *Internal Control—Integrated Framework*. The two publications are distinct and have different focuses; neither supersedes the other. However, they do connect. *Internal Control—Integrated Framework* encompasses internal control, which is referenced in part in this updated publication, and therefore the earlier document remains viable and suitable for designing, implementing, conducting, and assessing internal control, and for consequent reporting.

The COSO Board would like to thank PwC for its significant contributions in developing *Enterprise Risk Management—Integrating with Strategy and Performance*. Their full consideration of input provided by many stakeholders and their insight were instrumental in ensuring that the strengths of the original publication have been preserved, and that text has been clarified or expanded where it was deemed helpful to do so. The COSO Board and PwC together would also like to thank the Advisory Council and Observers for their contributions in reviewing and providing feedback.



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The Changing Risk Landscape

Our understanding of the nature of risk, the art and science of choice, lies at the core of our modern economy. Every choice we make in the pursuit of objectives has its risks. From day-to-day operational decisions to the fundamental trade-offs in the boardroom, dealing with risk in these choices is a part of decision-making.

As we seek to optimize a range of possible outcomes, decisions are rarely binary, with a right and wrong answer. That's why enterprise risk management may be called both an art and a science. And when risk is considered in the formulation of an organization's strategy and business objectives, enterprise risk management helps to optimize outcomes.

Our understanding of risk and our practice of enterprise risk management have improved greatly over the past few decades. But the margin for error is shrinking. The World Economic Forum has commented on the "increasing volatility, complexity and ambiguity of the world."¹ That's a phenomenon we all recognize. Organizations encounter challenges that impact reliability, relevancy, and trust. Stakeholders are more engaged today, seeking greater transparency and accountability for managing the impact of risk while also critically evaluating leadership's ability to crystalize opportunities. Even success can bring with it additional downside risk—the risk of not being able to fulfill unexpectedly high demand, or maintain expected business momentum, for example.

Organizations need to be more adaptive to change. They need to think strategically about how to manage the increasing volatility, complexity, and ambiguity of the world, particularly at the senior levels in the organization and in the boardroom where the stakes are highest.

Enterprise Risk Management—Integrating with Strategy and Performance provides a Framework for boards and management in entities of all sizes. It builds on the current level of risk management that exists in the normal course of business. Further, it demonstrates how integrating enterprise risk management practices throughout an entity helps to accelerate growth and enhance performance. It also contains principles that can be applied—from strategic decision-making through to performance.

Below, we describe why it makes sense for management and boards to use the enterprise risk management framework,² what organizations have achieved by applying enterprise risk management, and what further benefits they can realize through its continued use. We conclude with a look into the future.

Management's Guide to Enterprise Risk Management

Management holds overall responsibility for managing risk to the entity, but it is important for management to go further: to enhance the conversation with the board and stakeholders about using enterprise risk management to gain a competitive advantage. That starts by deploying enterprise risk management capabilities as part of selecting and refining a strategy.

Most notably, through this process, management will gain a better understanding of how the explicit consideration of risk may impact the choice of strategy. Enterprise risk management enriches management dialogue by adding perspective to the strengths and weaknesses of a strategy as conditions change, and to how well a strategy fits with the organization's mission and vision. It allows management to feel more confident that they've examined alternative strategies and considered the input of those in their organization who will implement the strategy selected.

¹ The Global Risks Report 2016, 11th edition, World Economic Forum (2016).

² The Framework uses the term "board of directors" or "board," which encompasses the governing body, including board, supervisory board, board of trustees, general partners, or owner.

Once strategy is set, enterprise risk management provides an effective way for management to fulfill its role, knowing that the organization is attuned to risks that can impact strategy and is managing them well. Applying enterprise risk management helps to create trust and instill confidence in stakeholders in the current environment, which demands greater scrutiny than ever before about how risk is actively addressing and managing these risks.

The Board’s Guide to Enterprise Risk Management

Every board has an oversight role, helping to support the creation of value in an entity and prevent its decline. Traditionally, enterprise risk management has played a strong supporting role at the board level. Now, boards are increasingly expected to provide oversight of enterprise risk management.

The Framework supplies important considerations for boards in defining and addressing their risk oversight responsibilities. These considerations include governance and culture; strategy and objective-setting; performance; information, communications and reporting; and the review and revision of practices to enhance entity performance.

The board’s risk oversight role may include, but is not limited to:

- Reviewing, challenging, and concurring with management on:
 - Proposed strategy and risk appetite.
 - Alignment of strategy and business objectives with the entity’s stated mission, vision, and core values
 - Significant business decisions including mergers acquisitions, capital allocations, funding, and dividend-related decisions
 - Response to significant fluctuations in entity performance or the portfolio view of risk.
 - Responses to instances of deviation from core values.
- Approving management incentives and remuneration.
- Participating in investor and stakeholder relations.

Questions for management

Can all of management—not just the chief risk officer—articulate how risk is considered in the selection of strategy or business decisions? Can they clearly articulate the entity’s risk appetite and how it might influence a specific decision? The resulting conversation may shed light on what the mindset for risk taking is really like in the organization.

Boards can also ask senior management to talk not only about risk processes but also about culture. How does the culture enable or inhibit responsible risk taking? What lens does management use to monitor the risk culture, and how has that changed? As things change—and things will change whether or not they’re on the entity’s radar—how can the board be confident of an appropriate and timely response from management?

Over the longer term, enterprise risk management can also enhance enterprise resilience—the ability to anticipate and respond to change. It helps organizations identify factors that represent not just risk, but change, and how that change could impact performance and necessitate a shift in strategy. By seeing change more clearly, an organization can fashion its own plan; for example, should it defensively pull back or invest in a new business? Enterprise risk management provides the right framework for boards to assess risk and embrace a mindset of resilience.

What Enterprise Risk Management Has Achieved

COSO published *Enterprise Risk Management—Integrated Framework* in 2004. The purpose of that publication was to help entities better protect and enhance stakeholder value. Its underlying philosophy was that “value is maximized when management sets strategy and objectives to strike an optimal balance between growth and return goals and related risks, and efficiently and effectively deploys resources in pursuit of the entity’s objectives.”³

³ *Enterprise Risk Management—Integrated Framework*, Executive Summary, COSO (2004).

Since its publication, the *Framework* has been used successfully around the world, across industries, and in organizations of all types and sizes to identify risks, manage those risks within a defined risk appetite, and support the achievement of objectives. Yet, while many have applied the *Framework* in practice, it has the potential to be used more extensively. It would benefit from examining certain aspects with more depth and clarity, and by providing greater insight into the links between strategy, risk, and performance. In response, therefore, the updated Framework in this publication:

- More clearly connects enterprise risk management with a multitude of stakeholder expectations.
- Positions risk in the context of an organization's performance, rather than as the subject of an isolated exercise.
- Enables organizations to better anticipate risk so they can get ahead of it, with an understanding that change creates opportunities, not simply the potential for crises.

This update also answers the call for a stronger emphasis on how enterprise risk management informs strategy and its performance.

Benefits of Effective Enterprise Risk Management

All organizations need to set strategy and periodically adjust it, always staying aware of both ever-changing opportunities for creating value and the challenges that will occur in pursuit of that value. To do that, they need the best possible framework for optimizing strategy and performance.

That's where enterprise risk management comes into play. Organizations that integrate enterprise risk management throughout the entity can realize many benefits, including, though not limited to:

- *Increasing the range of opportunities:* By considering all possibilities—both positive and negative aspects of risk—management can identify new opportunities and unique challenges associated with current opportunities.
- *Identifying and managing risk entity-wide:* Every entity faces myriad risks that can affect many parts of the organization. Sometimes a risk can originate in one part of the entity but impact a different part. Consequently, management identifies and manages these entity-wide risks to sustain and improve performance.
- *Increasing positive outcomes and advantage while reducing negative surprises:* Enterprise risk management allows entities to improve their ability to identify risks and establish appropriate responses, reducing surprises and related costs or losses, while profiting from advantageous developments.

Clearing up a few misconceptions

We've heard a few misconceptions about the original *Framework* since it was introduced in 2004. To set the record straight:

Enterprise risk management is not a function or department. It is the culture, capabilities, and practices that organizations integrate with strategy-setting and apply when they carry out that strategy, with a purpose of managing risk in creating, preserving, and realizing value.

Enterprise risk management is more than a risk listing. It requires more than taking an inventory of all the risks within the organization. It is broader and includes practices that management puts in place to actively manage risk.

Enterprise risk management addresses more than internal control. It also addresses other topics such as strategy-setting, governance, communicating with stakeholders, and measuring performance. Its principles apply at all levels of the organization and across all functions.

Enterprise risk management is not a checklist. It is a set of principles on which processes can be built or integrated for a particular organization, and it is a system of monitoring, learning, and improving performance.

Enterprise risk management can be used by organizations of any size. If an organization has a mission, a strategy, and objectives—and the need to make decisions that fully consider risk—then enterprise risk management can be applied. It can and should be used by all kinds of organizations, from small businesses to community-based social enterprises to government agencies to Fortune 500 companies.

- *Reducing performance variability:* For some, the challenge is less with surprises and losses and more with variability in performance. Performing ahead of schedule or beyond expectations may cause as much concern as performing short of scheduling and expectations. Enterprise risk management allows organizations to anticipate the risks that would affect performance and enable them to put in place the actions needed to minimize disruption and maximize opportunity.
- *Improving resource deployment:* Every risk could be considered a request for resources. Obtaining robust information on risk allows management, in the face of finite resources, to assess overall resource needs, prioritize resource deployment and enhance resource allocation.
- *Enhancing enterprise resilience:* An entity's medium- and long-term viability depends on its ability to anticipate and respond to change, not only to survive but also to evolve and thrive. This is, in part, enabled by effective enterprise risk management. It becomes increasingly important as the pace of change accelerates and business complexity increases.

These benefits highlight the fact that risk should not be viewed solely as a potential constraint or challenge to setting and carrying out a strategy. Rather, the change that underlies risk and the organizational responses to risk give rise to strategic opportunities and key differentiating capabilities.

The Role of Risk in Strategy Selection

Strategy selection is about making choices and accepting trade-offs. So it makes sense to apply enterprise risk management to strategy as that is the best approach for untangling the art and science of making well-informed choices.

Risk is a consideration in many strategy-setting processes. But risk is often evaluated primarily in relation to its potential effect on an already-determined strategy. In other words, the discussions focus on risks to the existing strategy: We have a strategy in place, what could affect the relevance and viability of our strategy?

But there are other questions to ask about strategy, which organizations are getting better at asking: Have we modeled customer demand accurately? Will our supply chain deliver on time and on budget? Will new competitors emerge? Is our technology infrastructure up to the task? These are the kinds of questions that executives grapple with every day, and responding to them is fundamental to carrying out a strategy.

However, the risk to the chosen strategy is only one aspect to consider. As this Framework emphasizes, there are two additional aspects to enterprise risk management that can have far greater effect on an entity's value: the possibility of the strategy not aligning, and the implications from the strategy chosen.

The first of these, **the possibility of the strategy not aligning with an organization's mission, vision, and core values**, is central to decisions that underlie strategy selection. Every entity has a mission, vision, and core values that define what it is trying to achieve and how it wants to conduct business. Some organizations are skeptical about truly embracing their corporate credos. But mission, vision, and core values have been demonstrated to matter—and they matter most when it comes to managing risk and remaining resilient during periods of change.

A chosen strategy must support the organization’s mission and vision. A misaligned strategy increases the possibility that the organization may not realize its mission and vision, or may compromise its values, even if a strategy is successfully carried out. Therefore, enterprise risk management considers the possibility of strategy not aligning with the mission and vision of the organization.

The other additional aspect is **the implications from the strategy chosen**. When management develops a strategy and works through alternatives with the board, they make decisions on the trade-offs inherent in the strategy. Each alternative strategy has its own risk profile—these are the implications arising from the strategy. The board of directors and management need to determine if the strategy works in tandem with the organization’s risk appetite, and how it will help drive the organization to set objectives and ultimately allocate resources efficiently.

Here’s what’s important: Enterprise risk management is as much about understanding the *implications from the strategy and the possibility of strategy not aligning* as it is about managing risks to set objectives. The figure below illustrates these considerations in the context of mission, vision, core values, and as a driver of an entity’s overall direction and performance.



Enterprise risk management, as it has typically been practiced, has helped many organizations identify, assess, and manage risks to the strategy. But the most significant causes of value destruction are embedded in the possibility of the strategy not supporting the entity’s mission and vision, and the implications from the strategy.

Enterprise risk management enhances strategy selection. Choosing a strategy calls for structured decision-making that analyzes risk and aligns resources with the mission and vision of the organization.

A Focused Framework

Enterprise Risk Management—Integrating with Strategy and Performance clarifies the importance of enterprise risk management in strategic planning and embedding it throughout an organization—because risk influences and aligns strategy and performance across all departments and functions.



The Framework itself is a set of principles organized into five interrelated components:

- 1. Governance and Culture:** Governance sets the organization's tone, reinforcing the importance of, and establishing oversight responsibilities for, enterprise risk management. Culture pertains to ethical values, desired behaviors, and understanding of risk in the entity.
- 2. Strategy and Objective-Setting:** Enterprise risk management, strategy, and objective-setting work together in the strategic-planning process. A risk appetite is established and aligned with strategy; business objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk.
- 3. Performance:** Risks that may impact the achievement of strategy and business objectives need to be identified and assessed. Risks are prioritized by severity in the context of risk appetite. The organization then selects risk responses and takes a portfolio view of the amount of risk it has assumed. The results of this process are reported to key risk stakeholders.
- 4. Review and Revision:** By reviewing entity performance, an organization can consider how well the enterprise risk management components are functioning over time and in light of substantial changes, and what revisions are needed.
- 5. Information, Communication, and Reporting:** Enterprise risk management requires a continual process of obtaining and sharing necessary information, from both internal and external sources, which flows up, down, and across the organization.

The five components in the updated Framework are supported by a set of principles.⁴ These principles cover everything from governance to monitoring. They're manageable in size, and they describe practices that can be applied in different ways for different organizations regardless of size, type, or sector. Adhering to these principles can provide management and the board with a reasonable expectation that the organization understands and strives to manage the risks associated with its strategy and business objectives.



Looking into the Future

There is no doubt that organizations will continue to face a future full of volatility, complexity, and ambiguity. Enterprise risk management will be an important part of how an organization manages and prospers through these times. Regardless of the type and size of an entity, strategies need to stay true to their mission. And all entities need to exhibit traits that drive an effective response to change, including agile decision-making, the ability to respond in a cohesive manner, and the adaptive capacity to pivot and reposition while maintaining high levels of trust among stakeholders.

As we look into the future, there are several trends that will have an effect on enterprise risk management. Just four of these are:

- *Dealing with the proliferation of data:* As more and more data becomes available and the speed at which new data can be analyzed increases, enterprise risk management will need to adapt. The data will come from both inside and outside the entity, and it will be structured in new ways. Advanced analytics and data visualization tools will evolve and be very helpful in understanding risk and its impact—both positive and negative.
- *Leveraging artificial intelligence and automation:* Many people feel that we have entered the era of automated processes and artificial intelligence. Regardless of individual beliefs, it is important for enterprise risk management practices to consider the impact of these and future technologies, and leverage their capabilities. Previously unrecognizable relationships, trends and patterns can be uncovered, providing a rich source of information critical to managing risk.
- *Managing the cost of risk management:* A frequent concern expressed by many business executives is the cost of risk management, compliance processes, and control activities in comparison to the value gained. As enterprise risk management practices evolve, it will become important that activities spanning risk, compliance, control, and even governance be efficiently coordinated to provide maximum benefit to the organization. This may represent one of the best opportunities for enterprise risk management to redefine its importance to the organization.

⁴ A fuller description of these twenty principles is provided at the end of this document.

- *Building stronger organizations:* As organizations become better at integrating enterprise risk management with strategy and performance, an opportunity to strengthen resilience will present itself. By knowing the risks that will have the greatest impact on the entity, organizations can use enterprise risk management to help put in place capabilities that allow them to act early. This will open up new opportunities.

In summary, enterprise risk management will need to change and adapt to the future to consistently provide the benefits outlined in the Framework. With the right focus, the benefits derived from enterprise risk management will far outweigh the investments and provide organizations with confidence in their ability to handle the future.

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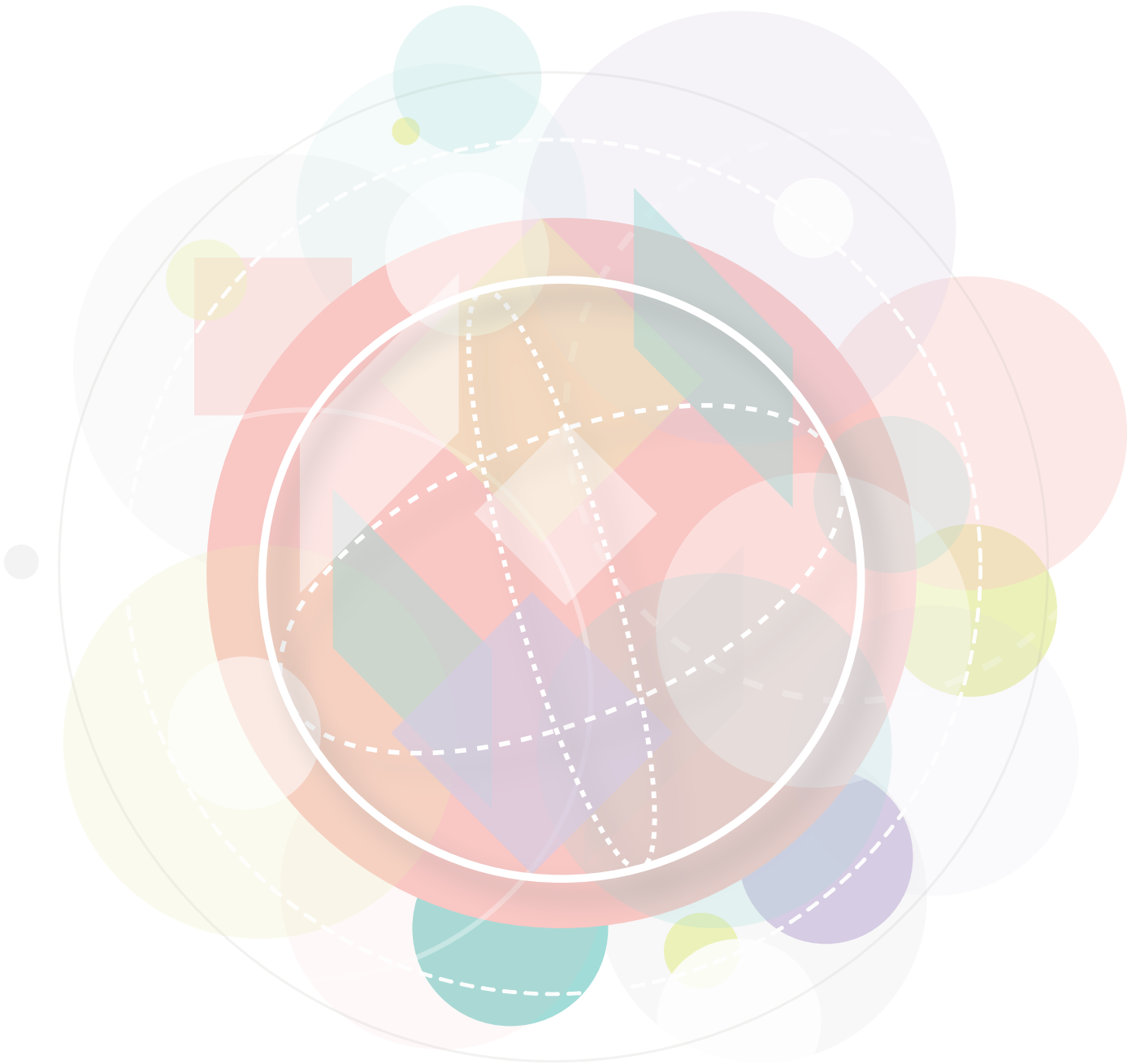
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Components and Principles

1. **Exercises Board Risk Oversight**—The board of directors provides oversight of the strategy and carries out governance responsibilities to support management in achieving strategy and business objectives.
2. **Establishes Operating Structures**—The organization establishes operating structures in the pursuit of strategy and business objectives.
3. **Defines Desired Culture**—The organization defines the desired behaviors that characterize the entity's desired culture.
4. **Demonstrates Commitment to Core Values**—The organization demonstrates a commitment to the entity's core values.
5. **Attracts, Develops, and Retains Capable Individuals**—The organization is committed to building human capital in alignment with the strategy and business objectives.
6. **Analyzes Business Context**—The organization considers potential effects of business context on risk profile.
7. **Defines Risk Appetite**—The organization defines risk appetite in the context of creating, preserving, and realizing value.
8. **Evaluates Alternative Strategies**—The organization evaluates alternative strategies and potential impact on risk profile.
9. **Formulates Business Objectives**—The organization considers risk while establishing the business objectives at various levels that align and support strategy.
10. **Identifies Risk**—The organization identifies risk that impacts the performance of strategy and business objectives.
11. **Assesses Severity of Risk**—The organization assesses the severity of risk.
12. **Prioritizes Risks**—The organization prioritizes risks as a basis for selecting responses to risks.
13. **Implements Risk Responses**—The organization identifies and selects risk responses.
14. **Develops Portfolio View**—The organization develops and evaluates a portfolio view of risk.
15. **Assesses Substantial Change**—The organization identifies and assesses changes that may substantially affect strategy and business objectives.
16. **Reviews Risk and Performance**—The organization reviews entity performance and considers risk.
17. **Pursues Improvement in Enterprise Risk Management**—The organization pursues improvement of enterprise risk management.
18. **Leverages Information Systems**—The organization leverages the entity's information and technology systems to support enterprise risk management.
19. **Communicates Risk Information**—The organization uses communication channels to support enterprise risk management.
20. **Reports on Risk, Culture, and Performance**—The organization reports on risk, culture, and performance at multiple levels and across the entity.



A full version of *Enterprise Risk Management—Integrating with Strategy and Performance* can be purchased by visiting the www.coso.org website.



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Committee Item INFORMATION

Audit Committee

6/8/2026 Committee Meeting

7c

Subject

Discussion on Advisory Brief – Rapid Review: Deepfakes [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)]

Executive Summary

This report on Deepfakes includes information that may involve a threat to public services or facilities. If requested, this item will be called for a discussion in closed session in order to discuss with security operations management matters posing a threat to public services or facilities.

Details & Background

See Item 2a, Details & Background, Final Reports Issued.