



OFFICE OF THE GENERAL AUDITOR

General Auditor's Business Plan

FISCAL YEAR 2026/27

May 11, 2026

EXECUTIVE SUMMARY

The Office of the General Auditor has prepared its department business plan as part of the annual department head performance and goal-setting process. The plan presents key accomplishments related to our fiscal year 2025/26 business plan goals of service, collaboration, continuous improvement, quality, and capability. Notable accomplishments include completing three (3) final audit reports, which included nine (9) recommendations; three (3) follow-up reviews; and one (1) Rapid Review. Additional collaboration draft reports are expected by fiscal year-end.

Our five goals/priorities continue into fiscal year 2026/27 and will be integrated into the unified Metropolitan Business Plan, including the Department Head Operations Plan. Some important tactics to be completed next fiscal year include continuing Rapid Reviews, developing a department strategic plan, advancing the use of technology, driving towards professional standards conformance, and exemplifying Metropolitan's START (Safety, Trust, Accountability, Respect, Teamwork) values.

BACKGROUND

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.

The General Auditor's Internal Audit Plan, which covers the internal audit risk assessment and resultant audit and advisory projects planned for fiscal year 2026/27, is pending Audit Committee and Board of Directors approval in June and is separate from this document.

A list of key accomplishments aligned with the goals we established at the onset of fiscal year 2025/26 follows in the next section.

In fiscal year 2026/27, we will continue our goals/priorities in service, collaboration, continuous improvement, quality, and capability. We refreshed our tactics in line with professional internal audit standards, the Metropolitan Mission Statement, and industry best practices. Once the General Manager's strategic priorities are finalized, we will align our priorities and tactics to ensure our work supports those objectives while maintaining our independence and focus on governance, risk, and internal control.

A unified business plan that includes the four Board direct reports will include a Department Head Operating Plan with Direct Report Team roles and responsibilities. This will ensure cohesion across departments, clarity on District priorities, efficient execution across the District to optimize resources, and transparent, honest communication that exemplifies the District's values of safety, trust, accountability, respect, and teamwork.

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

FISCAL YEAR 2025/26 ACCOMPLISHMENTS

The goals for the internal audit function focus on service, collaboration, continuous improvement, quality, and capability. Below are the fiscal year 2025/26 accomplishments for these goals, as of May 7, 2026.

GOAL 1: Service. Support Metropolitan's mission, governance, risk management, and control by executing risk-based audits and advisory services.

- Issued a collaboration draft report on one of the seven initial carryforward projects with five other collaboration draft reports on target to be issued by fiscal year-end.
- Issued three (3) final audit reports with nine (9) recommendations and three (3) follow-up review reports. Additionally, two (2) collaboration draft reports with 20 recommendations have been issued. Eight (8) audit collaboration draft reports, five (5) follow-up review collaboration draft reports, and one (1) advisory memo are on target to be issued by fiscal year-end.
- Completed one (1) targeted Rapid Review to provide swift analysis to the Board and management.
- Provided ongoing advice for the General Manager's Process Matters initiative and new system applications.
- Completed a specialty audit services RFQ (request for qualifications) and established a bench of firms to provide services in highly technical areas.
- Continued to support the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework via inclusion in entrance conference meetings. Shared information on the COSO Guiding Principles for Board Oversight and the COSO internal controls framework for generative AI.

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

- Met regularly with other Direct Report Team members in support of the Direct Report Team Operating Agreement. Legal and Ethics are involved in the planning phase of every engagement.
- Facilitated the Combined Assurance Model by collaborating with the Ethics Office and providing support to the external auditor.
- Presented four Board education items at Audit Committee meetings; met with five Board members to provide orientation to internal audit.
- Met with Fleet management at Weymouth Water Treatment Plant regarding their role in the zero emissions initiative.

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

- Development of key performance indicators is in process and will be rolled out next fiscal year.
- Approved artificial intelligence application was implemented to assist with report writing.
- Incorporated Arbutus, our data analytics tool, into the department's data analytics workflow and applied it to two audit projects during the year, enhancing the depth of our analyses.
- Implemented several enhancements to our audit project management system.
- Met with the internal audit functions from the Los Angeles County Sanitation Districts and Inland Empire Utilities Agency to share information on special district audit practices, project management systems, and reporting.

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

- ◆ Revised the audit charter, including purpose statement, in response to updated Global Internal Audit Standards from The Institute of Internal Auditors. Our proposed revisions were presented as an Information Item at the March Audit Committee meeting and will be presented for Board/committee approval in June.
- ◆ Continued progress towards achieving conformance with the Institute of Internal Auditors' Global Internal Audit Standards.
- ◆ Completed an internal quality assessment. Gathered anonymous feedback from staff, management, and Board members, and reported the results at the March Audit Committee meeting. The results reflected positive performance and opportunities for continued improvement.
- ◆ Issued customer service surveys for original audit reports.

GOAL 5: Capability. Expand internal audit capabilities by deploying people-focused and culture-changing initiatives.

- ◆ Continued to support Metropolitan's core values and communicated organizational changes to the team in a timely manner.
- ◆ All eight professional audit team members and both executive managers have completed or are on target to complete at least 40 hours of professional training.
- ◆ Staff were assigned Metropolitan risk areas and have expanded their knowledge of those areas.
- ◆ Revision of the audit manager job description was submitted to Human Resources and, upon approval, will complete the internal career ladder.
- ◆ Staff continue to pursue professional certifications.

Additional Accomplishments:

- ◆ Completed the annual Audit Risk Assessment & Internal Audit Plan, including 25 meetings with Metropolitan department heads and senior management.
- ◆ Collaborated with Accounting and Contracting Services to draft an RFP for external audit services for the annual financial audit and the single audit. Expect release of the RFP by fiscal year-end.

PROPOSED FISCAL YEAR 2026/27 PRIORITIES

Five priorities focused on service, collaboration, continuous improvement, quality, and capability, along with refreshed tactics, will position us to fulfill our mandate and achieve long-term success.

PRIORITY 1: Support the District mission and strengthen governance, risk management, and internal control by executing risk-based audits and advisory services.**TACTICS:**

- A. Complete audit and advisory engagements with innovative recommendations and solutions.
- B. Utilize contracted audits to provide assurance and advisory services in highly technical areas.
- C. Perform targeted Rapid Reviews to provide swift analysis to the Board and management.
- D. Support and facilitate enterprise risk management initiatives and internal control frameworks.

PRIORITY 2: Promote positive change by continuing Board and management collaboration.**TACTICS:**

- A. Support the Department Head Operating Plan and other department head initiatives.
- B. Continue Board education on emerging governance, risk, and internal control topics via information items and providing Board member orientation to internal audit.
- C. Provide District employee training on governance, risk, and internal control topics.
- D. Participate in key District functional area forums and management meetings.

PRIORITY 3: Seek continuous improvement by pursuing innovative audit means and methods.**TACTICS:**

- A. Establish key performance indicators and add these to quarterly dashboard reporting.
- B. Expand use of technological advances, including AI, data analytics, automated dashboards, and reporting tools.
- C. Investigate new risk assessment and audit plan methodologies.
- D. Identify and map the District's second-line activities and compile external audits/reviews.

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

- A. Drive progress towards achieving conformance with the Global Internal Audit Standards.
- B. Finalize a vision statement and strategic plan that supports the strategic objectives and success of Metropolitan.
- C. Continue internal quality assessments, execute improvement strategies, and report results to the Board.
- D. Issue customer service surveys, analyze results, and develop action plans to address themes.

PRIORITY 5: Expand internal audit capabilities by deploying people-focused and culture-changing initiatives.**TACTICS:**

- A. Continue to exemplify Metropolitan's five core values of safety, trust, accountability, respect, and teamwork.
- B. Recruit/fill the audit manager position(s).
- C. Develop individualized training plans for staff.
- D. Encourage staff to earn professional certification.

OFFICE OF THE GENERAL AUDITOR COMMUNICATIONS

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