



ORANGE COUNTY SANITATION DISTRICT

**Orange County
Sanitation District**

Internal Audit: Succession Planning

mgo.

Project Overview

Overview

In alignment with the findings of OC San's April 2025 Enterprise Risk Assessment, this engagement focuses on:

- Assessing the organization's succession planning framework to ensure it includes key elements such as identification of critical roles, talent assessment, development plans, and contingency strategies.
- Review implementation knowledge transfer strategies, such as adequacy of training, mentorship program, and documentation of best practices, to help preserve critical information

MGO worked collaboratively on this internal audit activity with OC San's Human Resources and affected departments/divisions to assess the management practices.



Scope and Methodology

Scope

Evaluation focused on:

- Key components of OC San's succession planning
- Broader human capital practices
- Identify strengths, risks, and opportunities to enhance workforce continuity

Methodology

Approached the assessment with a review of the following criteria:

- Governance
- Framework
- Implementation

Approach

Information Gathering



Kick-off meeting



Document request



Interviews with key stakeholders

Analysis



HR operating metrics



Retirement eligibility forecasts



Compensation structure



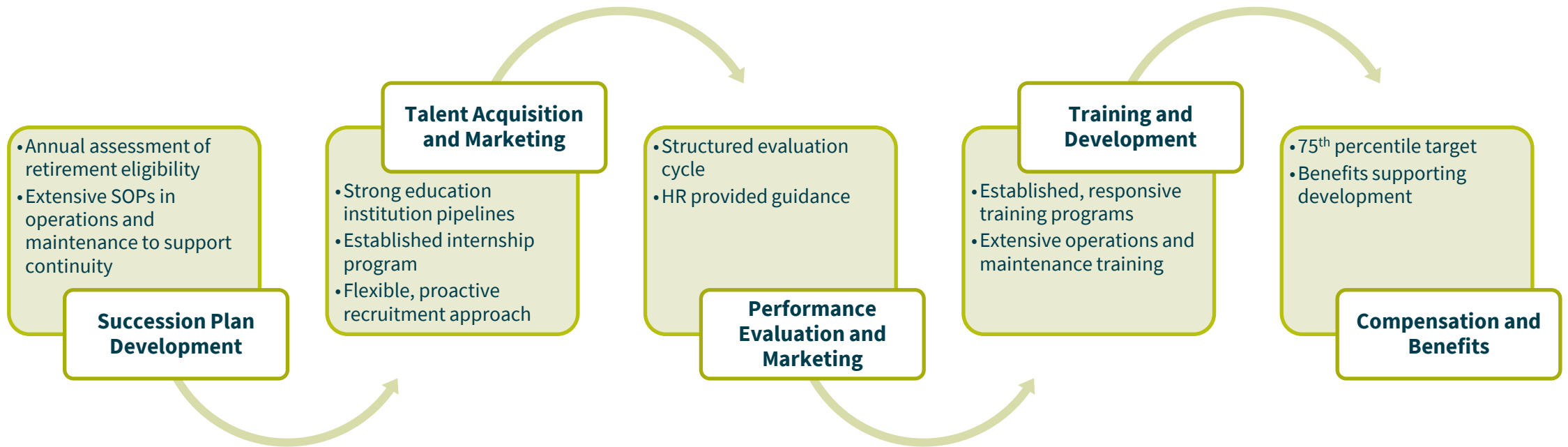
Training and development



Pipeline development

Reporting

Current State Strengths



Observations and Recommendations

SUCCESSION PLAN DEVELOPMENT

Observations

 Absence of a modern, documented succession framework

 Inconsistent internal pipelines

Recommendations



Document OC San's succession plan to communicate strategy internally and externally.

Observations and Recommendations

TALENT ACQUISITION AND MARKETING

Observations

Some recruitment timelines remain lengthy

Inconsistent competitiveness for specialized and trade roles

Recommendations



Consider evaluating broader market benchmarks, including private sector data, within ongoing classification and compensation studies.

Consider reviewing recruitment and retention tools to ensure alignment with organizational and market needs

Observations and Recommendations

PERFORMANCE EVALUATION AND COACHING

Observations

❑ Inconsistent manager check-ins and coaching practices

❑ Goal-setting discipline varies across departments

Recommendations



Incorporate coaching requirements as core competencies in performance reviews for position levels, supervisors and above, to reinforce the cultural expectation of a continually growing and training workforce.

Require departments to set position goals that align with department goals, appropriate to the position level, within the Cornerstone HRIS system.

Acknowledgements

Questions?

The image shows a modern, multi-story building with a dark, slatted facade. The words "ORANGE COUNTY SANITATION DISTRICT" are printed in white on the left side of the building. In the foreground, there is a landscaped area with several young trees planted in mounds of dark brown mulch. Some of the trees are supported by white stakes. In the background, there are orange traffic cones and a blue tarp, suggesting ongoing construction or landscaping work. The sky is clear and blue.

ORANGE COUNTY SANITATION DISTRICT

**Orange County
Sanitation District**
*Internal Audit: Supply Chain and Vendor
Management*

mgo.

Project Overview

Overview

In alignment with the findings of OC San's April 2025 Enterprise Risk Assessment, this engagement focuses on mitigating OC San's supply chain and vendor management risks, which have been identified as moderate to high priority enterprise risks.

MGO worked collaboratively on this internal audit activity with OC San's Procurement, Finance, and Operations divisions to evaluate current procurement, vendor monitoring, and supply chain management practices.



Approach

Information Gathering



Kick-off meeting



Document request



Interviews with key stakeholders

Analysis



Procurement practices



Asset lifecycle planning documents



A/P and capital accounting procedures



Training materials



Vendor performance

Reporting

Current State

Operations remain reliable today due to coordination and staff expertise

Increasing reliance on workarounds, deferrals, and short-term fixes

Limited transparency and scalability as market pressures intensify

Looking Forward

District-wide
vendor
performance
tracking

Clear
systems-of-record
and documentation
standards

Stronger data
governance and
visibility

Inflation- and
volatility-aware
procurement
guidance

Market Shift Vs. Legacy Operations Model

External Market Reality

- Vendor consolidation has led to less competition and more supplier leverage
- Costs have reset upward
- Contractors bid selectively
- Supply chains are less predictable

The Core Strategic Issue

- OC San's internal practices remain rooted in a pre-disruption model of stable pricing, competitive markets, and linear planning.

Consequences of Current Mitigations

- Tactical responses buy time but shift risk forward—tying up cash, increasing fixed costs, and compounding escalation risk.
- If unchanged, outcomes may include more emergency procurements, premium pricing, and increased risk of service disruptions.

Observations and Recommendations

#	Observations	Risk	Recommendations
1	Vendor performance is not consistently tracked.	Medium	<ul style="list-style-type: none">• Implement tiered vendor performance by risk.• Create a district-wide vendor event log.• Apply vendor performance data to renewals and management.
2	Documentation inconsistencies drive duplicate records and reduce data reliability.	Medium	<ul style="list-style-type: none">• Establish district-wide document standards for naming, metadata, and folder structure.• Define systems of record for each document type to ensure version control and retrieval.• Continue evaluating migration to an interoperable finance system environment.• Assess access-related gaps, duplications, and segregation-of-duties risks across systems.

Observations and Recommendations

#	Observations	Risk	Recommendations
3	Rising material costs and fixed five-year rates limit financial flexibility.	Medium	<ul style="list-style-type: none"> • Incorporate long-term cost forecasting and inflation risk into procurement SOPs. • Align organizational culture to evolving market and labor conditions.
4	Reliance on institutional knowledge drives process variability.	Low	<ul style="list-style-type: none"> • Require role transition and knowledge retention documentation in policy and SOPs. • Deploy standard job aids to reduce reliance on individual process knowledge.
5	System and process exist.	Low	<ul style="list-style-type: none"> • Define cross-system data governance, including systems of record, reconciliation cadence, and reporting standards.

Observations and Recommendations

#	Observations	Risk	Recommendations
6	Barriers to entry & industry constraints limit competition.	Low	<ul style="list-style-type: none">• Add market testing and supplier-concentration monitoring to SOP 401-1-07.• Expand vendor access through commodity-specific sourcing and targeted outreach.
7	Need for on demand training & succession planning.	Low	<ul style="list-style-type: none">• Provide self-paced training through learning module software.• Assess succession risks and implement annually reviewed succession plans.

Acknowledgements

Questions?