ORANGE COUNTY SANITATION DISTRICT

Enterprise Risk Assessment

INTERNAL AUDIT SERVICES

(FY2024 – FY2025)

May 7, 2025

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/ Table of Contents

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/ Risk Assessment Methodology

- Planning and scoping of risk assessment
- Reviewed the information provided by OC San, including organizational charts, regulatory reports, strategic plans, minutes of board meetings, and results of past internal audits, financial statements, and forecasted budget information
- Conducted interviews and discussions with members of governance, senior management, and department heads
- Developed risk types, measures, and risk scores
- Prepared the Proposed Audit Plan

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/ Risk Area Scoring Matrix

Risk Area Scoring Matrix Risks Identified	Impact Score	Likelihood Score	Final Risk Score
Human Capital Risks			
Talent Acquisition	9	3	6
Talent Retention	6	6	6
Succession Planning	9	9	9
Business / Operations			
Resources and Supplier			
Physical Security of Assets	9	3	6
Supply Chain	9	9	9
Vendor Management	6	9	7.5
Operational			
Construction Projects (Project & Budget Management)	9	6	7.5
Business Continuity	9	5	7
Information Technology			
Generative AI	9	9	9
Cybersecurity Vulnerabilities	9	9	9
Technology Obsolescence Risk	9	9	9
IT Governance	9	6	7.5
Regulatory/ Safety/ Reputation/ Legal Risks			
Regulatory Complexity	6	6	6
Workplace Safety	6	6	6
Reputation	3	1	2
Rights and Obligations	6	6	6

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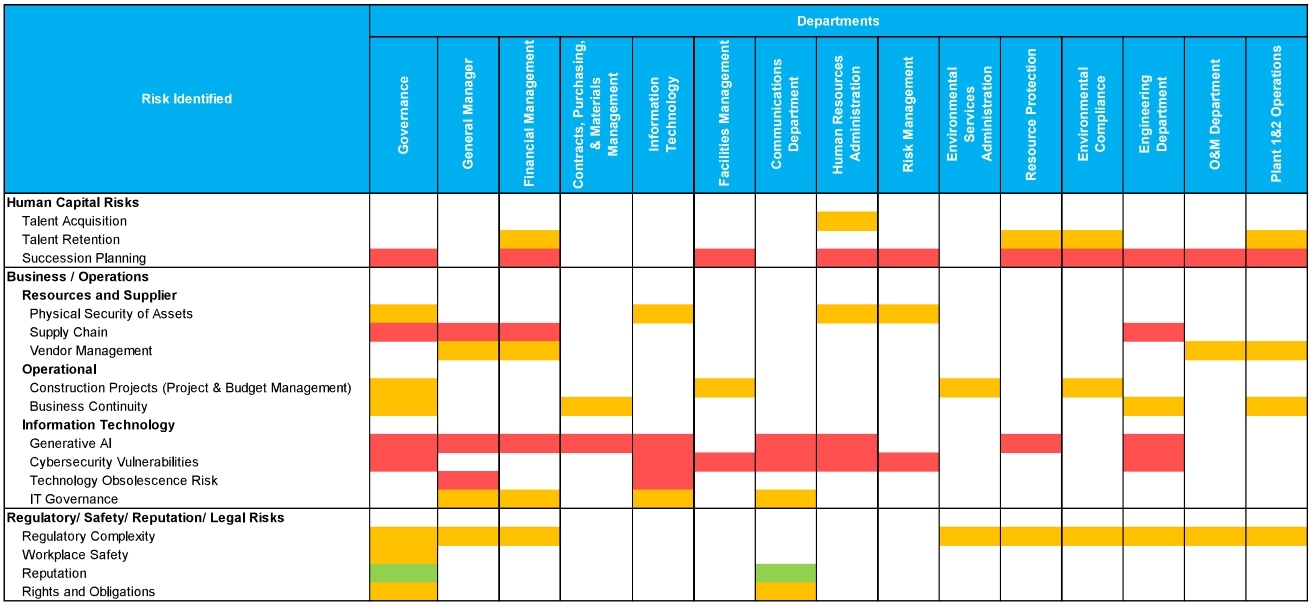
/ Risk Heat Map



/ Proposed Audits FY 25-26 through FY 29-30

No.	Proposed Audits	Final Risk Rating	Fiscal Years				
			25-26	26-27	27-28	28-29	29-30
1	Human Capital Management	High/ Medium	X			X	
2	IT Cybersecurity Vulnerabilities	High		X		X	
3	IT Generative AI	High		X		X	
4	Supply Chain	High		X			X
5	IT Governance - Vendor, Asset, and Change Management	High/ Medium	X		X		X
6	Construction Projects and Budget Management	Medium			X		
7	Workplace Safety	Medium	X				
8	Asset Management	Medium			X		X

/ Conclusion

The Enterprise Risk Assessment for the Orange County Sanitation District (OC San) has identified critical risks and proposed a comprehensive audit plan to address these challenges over the next five years.

The identified risks highlight areas where OC San must focus its efforts to ensure operational resilience and compliance. The proposed audit plan provides a structured approach to mitigate these risks, enhance internal controls, and support OC San in achieving its strategic objectives.

It is ultimately up to the Audit Ad Hoc Committee to decide which risks need to be prioritized and how soon the audits should be performed. The dynamic nature of risks necessitates that this audit plan remains flexible, allowing for adjustments in response to changing conditions and new insights. Additionally, there may be a need to modify the approved internal audit budget to accommodate the Audit Ad Hoc Committee's requests.

We are confident that the enterprise risk assessment results and proposed audit plan presented in this report will serve as a valuable resource for OC San's management and governance bodies.

/ Questions

/ Contact Information

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Thank you for your time and attention.