



Enterprise Risk Assessment

INTERNAL AUDIT SERVICES (FY2024 – FY2025)

May 7, 2025



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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 | | Impact | Likelihood | Final Risk |
|---|--|--------|------------|------------|
| Risks Identified | | Score | Score | 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 | | | | |
| 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

| Risk Identified | Departments | | | | | | | | | | | | | | |
|---|-------------|-----------------|----------------------|---|------------------------|-----------------------|---------------------------|--------------------------------|-----------------|---------------------------------------|---------------------|--------------------------|------------------------|----------------|----------------------|
| | Governance | General Manager | Financial Management | Contracts, Purchasing, & Materials Management | Information Technology | Facilities Management | Communications Department | Human Resources Administration | Risk Management | Environmental Services Administration | Resource Protection | Environmental Compliance | Engineering Department | O&M Department | Plant 1&2 Operations |
| Human Capital Risks | | | | | | | | | | | | | | | |
| Talent Acquisition | | | | | | | | | | | | | | | |
| Talent Retention | | | | | | | | | | | | | | | |
| Succession Planning | | | | | | | | | | | | | | | |
| Business / Operations | | | | | | | | | | | | | | | |
| Resources and Supplier | | | | | | | | | | | | | | | |
| Physical Security of Assets | | | | | | | | | | | | | | | |
| Supply Chain | | | | | | | | | | | | | | | |
| Vendor Management | | | | | | | | | | | | | | | |
| Operational | | | | | | | | | | | | | | | |
| Construction Projects (Project & Budget Management) | | | | | | | | | | | | | | | |
| Business Continuity | | | | | | | | | | | | | | | |
| Information Technology | | | | | | | | | | | | | | | |
| Generative AI | | | | | | | | | | | | | | | |
| Cybersecurity Vulnerabilities | | | | | | | | | | | | | | | |
| Technology Obsolescence Risk | | | | | | | | | | | | | | | |
| IT Governance | | | | | | | | | | | | | | | |
| Regulatory/ Safety/ Reputation/ Legal Risks | | | | | | | | | | | | | | | |
| Regulatory Complexity | | | | | | | | | | | | | | | |
| Workplace Safety | | | | | | | | | | | | | | | |
| Reputation | | | | | | | | | | | | | | | |
| Rights and Obligations | | | | | | | | | | | | | | | |

/ 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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Roger Martinez, CPA

O: +1.213.873.1703
ram@vasquezcpa.com

Arcely Peran, CPA

O: +1.213.873.1731
aperan@vasquezcpa.com

Jason Tagasa

O: +1.213.873.1773
jtagasa@vasquezcpa.com

www.vasquez.cpa



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**Thank you for your
time and attention.**



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