SANTA CLARA VALLEY WATER DISTRICT

DRAFT AUDIT WORK PLAN SUGGESTIONS

PURPOSE: TO PRIORITIZE AND SELECT POTENTIAL AUDITS TO BE INCLUDED IN THE FINAL AUDIT WORK PLAN

11/15/2018

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Santa Clara Valley Water District

Annual Audit Work Plan - Executive Summary

The Audit Work Plan serves as a tool for communicating audit priorities as determined by the Santa Clara Valley Water District's Board Audit Committee (BAC) and Board of Directors. It describes 41 audits to be considered for inclusion in the final audit work plan based on the results of the risk assessment previously conducted by the District's Independent Auditor, Board of Directors, District management and staff, as summarized in Figure 1 below.

Figure 1: Number of Suggested Audits to Consider for Inclusion in Final Audit Work Plan

Audit Area	Number of Suggested Audits	Minimum Audit hours	Maximum Audit Hours	% Total Min. Audit Hours
Ad-Hoc Audits	TBD	889	889	8%
Best Practices	4	154	236	2%
Business Continuity	1	229	286	2%
Capital Project Management	2	571	685	5%
Contract Change Order Management	2	543	658	5%
Continuous Process Improvement	1	57	86	1%
Financial Management	9	1,682	2,586	16%
Follow up Audits	TBD	500	500	5%
Human Resources	1	120	257	1%
Information Technology	5	2,000	2,486	19%
Operations	13	3,239	4,405	31%
Oversight	2	115	171	1%
Succession Planning	1	457	686	4%
Total	41	10,556	13,931	100%

An audit can serve many purposes. For example, audits can:

- Verify that programs, services, and operations are working based on your understanding.
- Assess efficiency and effectiveness.
- Identify the root cause or problems.
- Assess future risks.
- Assess the progress of prior audit recommendations.
- Identify the impact that changes in District operations have had on financial performance and service delivery.

- Identify leading practices.
- Assess regulatory compliance.
- Develop policy options.
- Assess the accuracy of financial information reported.

Audits are an important oversight tool because they provide independent and fact-based information to management and elected officials. Those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making.

The types of audits that can be conducted include:

Financial audits: The Santa Clara Valley Water District hires an outside independent audit firm to perform the District's financial statement audit.

Internal audits: Internal audits review the environment, information, and activities that are designed to provide proper accountability over District operations.

Compliance audits: Compliance audits review adherence to District policies and procedures, state regulatory requirements, and/or federal regulatory requirements.

Performance audits (impact or prospective audits): Performance audits review the economy, efficiency, and effectiveness of the District's programs, services and operations. They can evaluate current impact or assess operations prospectively.

Desk reviews: Small and quick audits.

Follow up audits: To what extent have prior audit recommendation been implemented? Follow up audits can also assess other actions taken to respond to or prevent the occurrence of problems.

Best practices reviews: Compares current operations to best practices.

Each audit conducted requires the development of audit objectives, which are questions posed by management or elected officials about the specific nature of the issue/concern that requires an audit. The type and nature of the audit objective (s) may vary widely.

Examples of audit objectives are:

- Are the District's information technology systems adequately protected?
- To what extent does the District comply with Brown Act requirements?
- How can District Divisions be structured to provide cost-effective services?

Basis of Audit Plan

The Annual Work Plan is (1) based on the results of the District-wide audit risk assessment that was conducted in Fiscal Year 2017-18, and (2) input from the District's Board of Directors, and from District staff. The audit plan is ranked by ranked by priority order (based on auditor's professional judgement).

The Annual Work Plan can be dynamic, subject to modification throughout the year to address emerging and critical issues that may evolve throughout the upcoming year.

Appendix A, Suggested Audit Topics, shows the nature of the audits to be conducted, potential auditable areas, and estimates on the time required to conduct the audit. The BAC, in coordination with the Board of Directors. has final authority on the nature and timing of the audits.

Appendix B, Suggest Audits by Topic Area, organizes the potential audits by topic area.

Appendix C, Summary of Auditable Areas, summarizes key auditable areas based on the prior District wide risk assessment and other stakeholder input.

Audit Process

Auditors are required to implement audit activities required by generally accepted government auditing standards. Generally, audits undergo audit planning, data collection and analysis, and report preparation processes that require time and resources. The duration of each audit is driven by the number of audit objectives included in the audit. Generally, one audit objective, or question, generally requires about six to ten weeks to complete, except under certain circumstances. Table 2 below describes key activities of the audit process.

Table 2: Description of the Audit Process

Phase 1 - Planning	Phase 2 - Data Collection and Analysis	Phase 3 - Report Preparation
▪ Meet with the audit committee and executives to agree on project objectives and scope ▪ Perform risk assessment by researching and evaluating prior reports, board action, and speaking to key stakeholders ▪ Develop project implementation plan ▪ Coordinate and conduct opening conference ▪ Discuss with audit committee, the Implementation Plan and incorporate any changes	▪ Coordinate the collection of all required information ▪ Collect data ▪ Develop and execute data analysis ▪ Perform analysis to identify any key factors driving the results ▪ Assess agency impacts ▪ Working paper documentation ▪ Quality assurance review of results	▪ Summarize relevant and key results ▪ Meet with the client to discuss facts and drivers ▪ Prepare the draft product ▪ Quality assurance review ▪ Receive agency comments ▪ Prepare the final product ▪ QA review ▪ Issue the final product to the client ▪ Provide presentations to as requested.

Appendix A: Suggested Audit Topics

*Source – RA: Risk Assessment
 BD: Board Director
 DS: District Staff

No.	Source *	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
	BD	TBD		Ad-hoc audits through the Year	889	Provide ability to respond to new issues and concerns
		TBD		Follow up audits as requested	500	Provide ability to monitor District progress
1	RA BD (3) DS (4) SELECTED FOR IMPLEMENTATION	Operations	Operational effectiveness	Are their structural, organizational, and process improvement opportunities for the District Counsel's Office?	514-685	Provide solutions to enhance current operating effectiveness.
2	RA BD (2)	IT	Operational effectiveness	Does the District Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?	714-857	Protect against disruption in operations. Identify IT security risks.
3	RA BD (2)	Financial Management	Operational effectiveness	Are there opportunities to enhance the District water billing and collection processes?	343-429	Identify cost savings. Identify potential for added revenue and potential increase in service delivery effectiveness.

#						
4	RA DS (2) BD (2)	Financial management	Operational effectiveness Service Delivery	Can business processes be implemented more cost effectively? (i.e. capital project management, contract claims, small claims, workers compensation claims, payroll, invoice payments, employee reimbursements.)	143-200	Identify cost savings. Improves timeliness. Improves service delivery.
5	RA BD (2)	Contract change order management SELECTED FOR IMPLEMENTATION	Operational effectiveness	What types of business process improvements are necessary for contract change order processing?	343-429	Increase accountability. Contain cost. Prevent potential workarounds.
6	BD (2)	Operations SELECTED FOR IMPLEMENTATION	Operational effectiveness	How can the Real Estate improve its financial and service delivery performance?	514-685	Provide solutions to enhance current operating effectiveness.
7	RA BD (1)	Operations	Project Delivery	How does the District's permitting process compare with other agencies? Can alternative permit processing activities benefit the District?	171-229	Could enhance project delivery, timeliness, cost savings.
8	BD (1)	Operations	Operational effectiveness	To what extent does the District Counsel's office appropriately classify confidential information?	143-200	Increase or decrease public transparency.
9	RA BD (2)	IT	Operational effectiveness	How can the District best address IT and other physical security gaps?	371-429	Identifies IT security risks.
10	RA BD	IT	Operational effectiveness	Are the District's IT network management, and operations, and staffing consistent with best practices?	400-457	Identify operational opportunities for improvement. Identifies IT security risks.
11	BD	Oversight	Service delivery	Are there opportunities to enhance safe clean water audits?	115-171	Enhance oversight.
12	RA	Business continuity	Operational effectiveness	To what extent does the District's draft business continuity plan and plan management compare with best practices?	229-286	Identify gaps. Reduce risk of untimely response.

13	RA	Capital project management	Operational effectiveness	What areas of the District's capital project budgeting practices can benefit from adopting best practices?	314-371	Improves financial performance.
14	BD (1)	Best Practices	Operational effectiveness	What is the best practice governing external financial auditor rotation?	10-20	Increases accountability. Potentially identifies other financial risks.
15	BD (1)	Practices	Operational effectiveness	What are the best practices for procuring and overseeing regulatory and other internal financial audits?	24-36	Increases accountability.
16	RA	Best Practices	Operational effectiveness	What best practices in purchase order processing could benefit the District?	60-90	Streamline purchase order processing. Increase accountability.
17	DS (2) BD (1) RA	Information technology Procurement	Operational effectiveness	To what extent is the CAS system used by internal and external users? Are there better IT alternatives to the CAS system?	286-429	Improve timeliness. Improves service delivery.
18	RA BD (1)	Operations	Operational effectiveness	Are there opportunities to better track and allocate staff work time across projects?	229-343	Improve service deliver. Improve project management. Enhance financial management.
19	RA	Information technology	Operational effectiveness Service delivery	How can the District ensure a cost effective and timely implementation of its financial system upgrade?	229-314	Prevents cost overruns. Improves timeliness.
20	DS (1) RA	Financial management	Financial	How can the District enhance its homelessness encampment clean-up activities that protect the health and safety of District employees?	290-371	Prevents potential financial liability.
21	BD (1)	Operations	Operational effectiveness	Can the District benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities?	371-457	Enhances service delivery. Improves accountability.

22	BD (2)	Operations	Service delivery	Can the District improve its processing for applying for and receiving permits for community engagement events?	257-371	Streamlines business businesses. Improves project timeliness. Potential for cost savings.
23	RA BD (1)	Succession planning	Service delivery Operational effectiveness	How can the District best structure and implement succession planning strategies? How can workforce planning activities be improved?	457-686	Institutionalizes efforts. Enhances HR management.
24	BD (1) DS (1)	Operations	Operational effectiveness	Are there alternative approaches for measuring Board performance?	57-86	Enhances reporting and transparency.
25	RA	Capital project management	Project delivery	Can alternative strategies for fiscal forecasting enhance capital project management?	257-314	Enhance effectiveness of project delivery. Improves District's financial management activities.
26	BD (1)	Contracts	Project Delivery	What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?	200-229	Enhance local economic impact.
27	BD (1)	Operations	Operational effectiveness	Is the District's budget adequately meeting the needs of equipment maintenance?	143-229	Identifies potential warning signs.
28	BD (1)	Financial	Operational effectiveness	Are health and pension liabilities being funded?	86-143	Identifies financial risks.
29	BD (1)	Best Practices	Operational effectiveness	What are the best practices in physical security for Board rooms?	60-90	Identifies security risks.
30	BD (2)	Operations	Operational effectiveness	What are best practices in planning and facilitating community engagement?	46-86	Enhances communication.
31	BD (1)	Operations	Operational effectiveness	How can the District better assess the performance of external governmental relations consultants?	120-160	Enhances oversight.

32	RA	Financial management	Operational effectiveness	Has the District accurately and timely submitted payroll tax liability without penalty?	171-257	Provides assurance of regulatory compliance without financial penalty. Assesses effectiveness of payroll processes.
33	BD (2)	Financial	Financial	What potential financial risks could occur on the California Fix project?	160-286	Risk monitoring. Improves budget planning.
34	BD (1)	Financial	Project delivery	What are the final obligations to the District for one or all three capital projects estimated at $1B? What can help offset the costs? How much money is the District at risk of losing? Can revenue be generated without increasing water rates?	200-514	Identifies future financial risk. Revenue enhancement.
35	BD (1)	Operations	Operational effectiveness	What is the extent of and nature of outsourcing across all district divisions and offices?	229-343	Enhances oversight. Identify potential for cost savings.
36	BD (1)	Financial	Financial	How can the District better leverage its existing budget allocation for promoting diversity and inclusion?	60-100	Improves performance.
37	BD (1)	Continuous process improvement	Operational effectiveness	How does the District plan to use the RMC audit to implement District changes?	57-86	Operational improvement. Increased accountability.
38	BD (2)	Operations	Service delivery	How can the District move forward with the City of San Jose in negotiations with flood protection and water purification issues? To what extent does the District have jurisdictional authority over the facility?	371-457	Enhances problem resolution.
39	DS (1)	Financial management	Financial	What is the financial accuracy rate for employee benefit payments? What improvements can be made to reduce payment errors?	229-286	Assess overall effectiveness of benefit processing.

| 40 | DS (4) | Human resources management | Financial | What are the strengths and weaknesses of the District's recent job classification study? | 120-257 | Builds trust among District employees. Identifies strategies to address gaps. |
| 41 | DS (1) | Operations | Operational Effective-ness | Is record retention activities effectively implemented throughout the District? | 120-160 | Address gaps in record retention activities |

Appendix B: Suggested Audits by Topic Area

Best Practices

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
16	RA	Best Practices	Operational effectiveness	What best practices in purchase order processing could benefit the District?	160-90	Streamline purchase order processing. Increase accountability.
29	BD (1)	Best Practices	Operational effectiveness	What are the best practices in physical security for Board rooms?	60-90	Identifies security risks.
14	BD (1)	Best Practices	Operational effectiveness	What is the best practice governing external financial auditor rotation?	10-20	Increases accountability. Potentially identifies other financial risks.
15	BD (1)	Best Practices	Operational effectiveness	What are the best practices for procuring and overseeing regulatory and other internal financial audits?	24-36	Increases accountability.

Business Continuity

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
12	RA	Business continuity	Operational effectiveness	To what extent does the District's draft business continuity plan and plan management compare with best practices?	229-286	Identify gaps. Reduce risk of untimely response.
30	BD (2)	Operations	Operational effectiveness	What are best practices in planning and facilitating community engagement?	60-90	Enhances communication.

Capital Project Management

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
13	RA	Capital project management	Operational effectiveness	What areas of the District's capital project budgeting practices can benefit from adopting best practices?	314-371	Improves financial performance.
25	RA	Capital project management	Project delivery	Can alternative strategies for fiscal forecasting enhance capital project management?	257-314	Enhance effectiveness of project delivery. Improves District's financial management activities.

Continuous Process Improvement

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
37	BD (1)	Continuous process improvement	Operational effectiveness	How does the District plan to use the RMC audit to implement District changes?	57-86	Operational improvement. Increased accountability.

Contract Change Order Management

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
5	RA BD (2)	Contract change order management SELECTED FOR IMPLEMENTATION	Operational effectiveness	What types of business process improvements are necessary for contract change order processing?	343-429	Increase accountability. Contain cost. Prevent potential workarounds.
26	BD (1)	Contracts	Project Delivery	What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?	200-229	Enhance local economic impact.

Financial Management / Financial

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
3	RA BD (2)	Financial Management	Operational effectiveness	Are there opportunities to enhance the District water billing and collection processes?	343-429	Identify cost savings. Identify potential for added revenue and potential increase in service delivery effectiveness.
4	RA DS (2) BD (2)	Financial management	Operational effectiveness Service Delivery	Can business processes be implemented more cost effectively? (i.e. capital project management, contract claims, small claims, workers compensation claims, payroll, invoice payments, employee reimbursements.)	143-200	Identify cost savings. Improves timeliness. Improves service delivery.
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32	RA	Financial management	Operational effectiveness	Has the District accurately and timely submitted payroll tax liability without penalty?	171-257	Provides assurance of regulatory compliance without financial penalty. Assesses effectiveness of payroll processes.
39	DS (1)	Financial management	Financial	What is the financial accuracy rate for employee benefit payments? What improvements can be made to reduce payment errors?	229-286	Assess overall effectiveness of benefit processing.
28	BD (1)	Financial	Operational effectiveness	Are health and pension liabilities being funded?	86-143	Identifies financial risks.
33	BD (2)	Financial	Financial	What potential financial risks could occur on the California Fix project?	160-286	Risk monitoring. Improves budget planning.

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
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36	BD (1)	Financial	Financial	How can the District better leverage its existing budget allocation for promoting diversity and inclusion?	60-100	Improves performance.

Human Resources

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
40	DS (4)	Human resources management	Financial	What are the strengths and weaknesses of the District's recent job classification study?	120-257	Builds trust among District employees. Identifies strategies to address gaps.

Information Technology

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
2	RA BD (2)	IT	Operational effectiveness	Does the District Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?	714-857	Protect against disruption in operations. Identify IT security risks.
9	RA BD (2)	IT	Operational effectiveness	How can the District best address IT and other physical security gaps?	371-429	Identifies IT security risks.
10	RA BD	IT	Operational effectiveness	Are the District's IT network management, and operations, and staffing consistent with best practices?	400-457	Identify operational opportunities for improvement. Identifies IT security risks.
17	DS (2) BD (1) RA	Information technology Procurement	Operational effectiveness	To what extent is the CAS system used by internal and external users? Are there better IT alternatives to the CAS system?	286-429	Improve timeliness. Improves service delivery.
19	RA	Information technology	Operational effectiveness Service delivery	How can the District ensure a cost effective and timely implementation of its financial system upgrade?	229-314	Prevents cost overruns. Improves timeliness.

Operations

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
1	RA BD (3) DS (4)	Operations	Operational effectiveness SELECTED FOR IMPLEMENTATION	Are their structural, organizational, and process improvement opportunities for the District Counsel's Office?	514-685	Provide solutions to enhance current operating effectiveness.
6	BD (2)	Operations	Operational effectiveness SELECTED FOR IMPLEMENTATION	How can the Real Estate improve its financial and service delivery performance?	514-685	Provide solutions to enhance current operating effectiveness.
7	RA BD (1)	Operations	Project Delivery	How does the District's permitting process compare with other agencies? Can alternative permit processing activities benefit the District?	171-229	Could enhance project delivery, timeliness, cost savings.
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24	BD (1) DS (1)	Operations	Operational effectiveness	Are there alternative approaches for measuring Board performance?	57-86	Enhances reporting and transparency.
27	BD (1)	Operations	Operational effectiveness	Is the District's budget adequately meeting the needs of equipment maintenance?	143-229	Identifies potential warning signs.
31	BD (1)	Operations	Operational effectiveness	How can the District better assess the performance of external governmental relations consultants?	120-160	Enhances oversight.
35	BD (1)	Operations	Operational effectiveness	What is the extent of and nature of outsourcing across all district divisions and offices?	229-343	Enhances oversight. Identify potential for cost savings.
38	BD (2)	Operations	Service delivery	How can the District move forward with the City of San Jose in negotiations with flood protection and water purification issues? To what extent does the District have jurisdictional authority over the facility?	371-457	Enhances problem resolution.
41	DS (1)	Operations	Operational Effective-ness	Is record retention activities effectively implemented throughout the District?	120-160	Address gaps in record retention activities

Oversight

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
11	BD	Oversight	Service delivery	Are there opportunities to enhance safe clean water audits?	115-171	Enhance oversight.

Succession Planning

No.	Source	Area	Goal Alignment	Suggested Audit Objective	Estimated Hours	Potential Outcome
23	RA BD (1)	Succession planning	Service delivery Operational effectiveness	How can the District best structure and implement succession planning strategies? How can workforce planning activities be improved?	457-686	Institutionalizes efforts. Enhances HR management.

Appendix C: Summary of Potential Auditable Areas Driven by the Risk Assessment and Stakeholder Input

Business Continuity

If the District's day-to-day operations are disrupted by a natural disaster, intentional adverse event, or unanticipated malfunction of equipment and hardware, the District becomes vulnerable in accomplishing its mission of providing safe, clean and reliable water, and disruption of day-to-day operations can result in significant costs. A business continuity plan is essential to continue business and water operations. Development of a business continuity plan that can effectively make incident and disaster response happen involves business impact analysis, plan testing, and recovery strategies. Information technology management is also critical aspect of business continuity planning. The ability to run enterprise software and technology is also critical.

While the District sought involvement of key District stakeholder in its business continuity planning, the District has not yet fully completed business continuity plans because of staff turnover. Thus, the District does not have sufficient assurance that the District can successfully respond to and recover from District-wide and/or regional-wide events. Because the business continuity plan remains under draft development, District staff were mixed on whether they were knowledgeable about business continuity triggers and response actions. Some District staff reported the devices provided to maintain communication were not working properly. In the absence of a centralized plan, the District has identified mission critical information systems. However, there was no available information to determine if recovery and back up procedures are routinely tested, especially for some of the District's legacy systems, or the point in time when a function or process must be recovered before unacceptable consequences could occur.
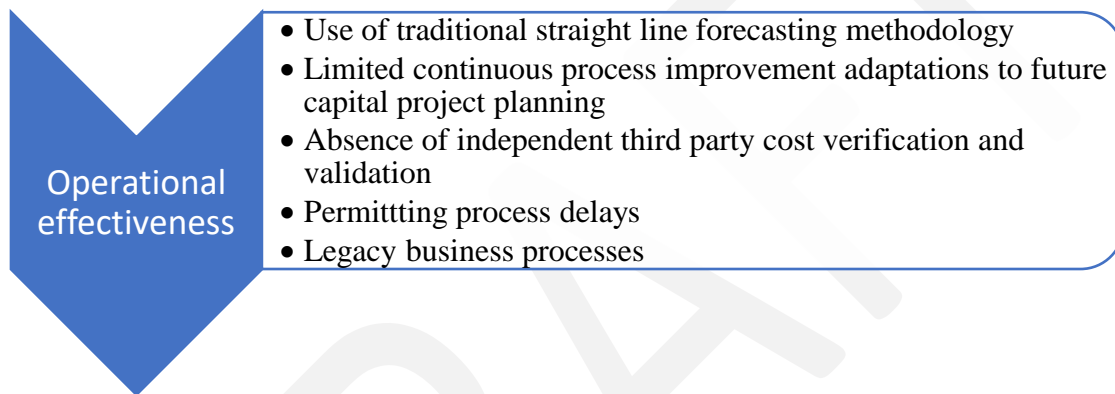
Examples of Potential Risks

Operational effectiveness
- Absence of a formal business continuity plan
- Absence of response and recovery testing
- Need for assurance over IT security activities

Capital Project Management

The District prepares a capital project budgeting plan to enhance infrastructure and watershed maintenance needs throughout the region. Adhering to key principles of needs definition, cost estimation, timing, and forecasting revenue outlays are essential to ensuring the capital budget is complete, accurate, and meaningful. The District implements a robust set of capital project planning activities that sufficiently describe the current and future project needs of the District, their cost, timing, and relationship to the District's mission and other priorities. The District is continuously hampered by challenges that impact the effectiveness of on-time and on-budget project delivery. While significant challenges are present that are out of the control of the District, such as State permitting process and environmental impact assessments, audits in these areas can identify best practices that could potentially address systemic barriers to project delivery.
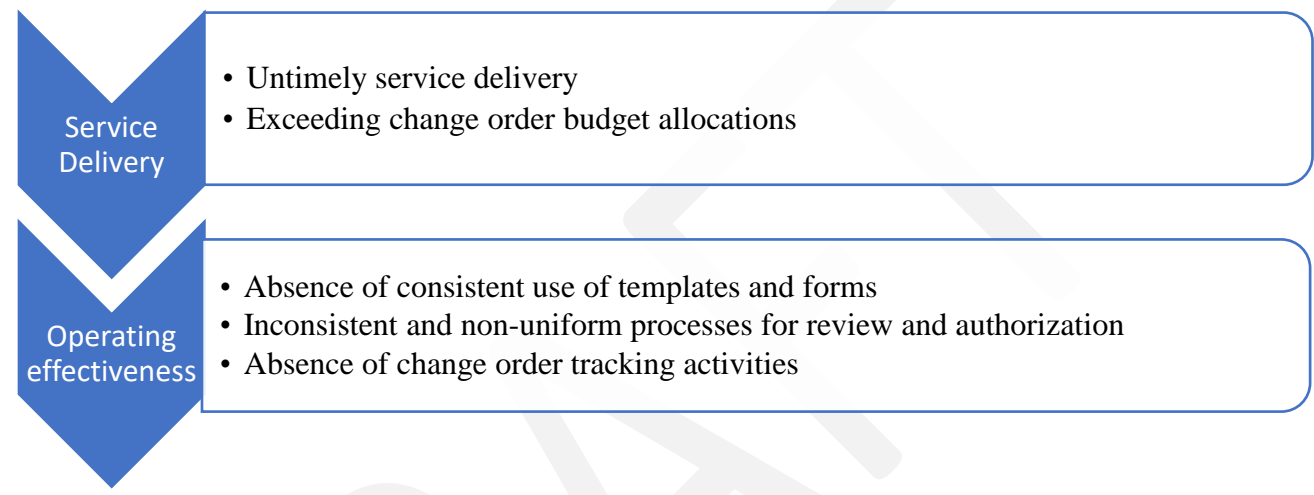
Examples of Potential Risks

| Operational effectiveness | • Use of traditional straight line forecasting methodology
• Limited continuous process improvement adaptations to future capital project planning
• Absence of independent third party cost verification and validation
• Permittting process delays
• Legacy business processes |

EEO-

Contract Change Order Management

The District's business process for contract change orders varies across the District. Some units coordinate change orders with District Counsel for their review and others primarily coordinate with the Procurement Division. Limited activity of maintaining historical logs of contract changes, limited use of standardized forms and templates, and the inconsistent application of criteria for triggering contract change orders characterize the key issues. Audits in these areas could mitigate high project delivery and financial risks.
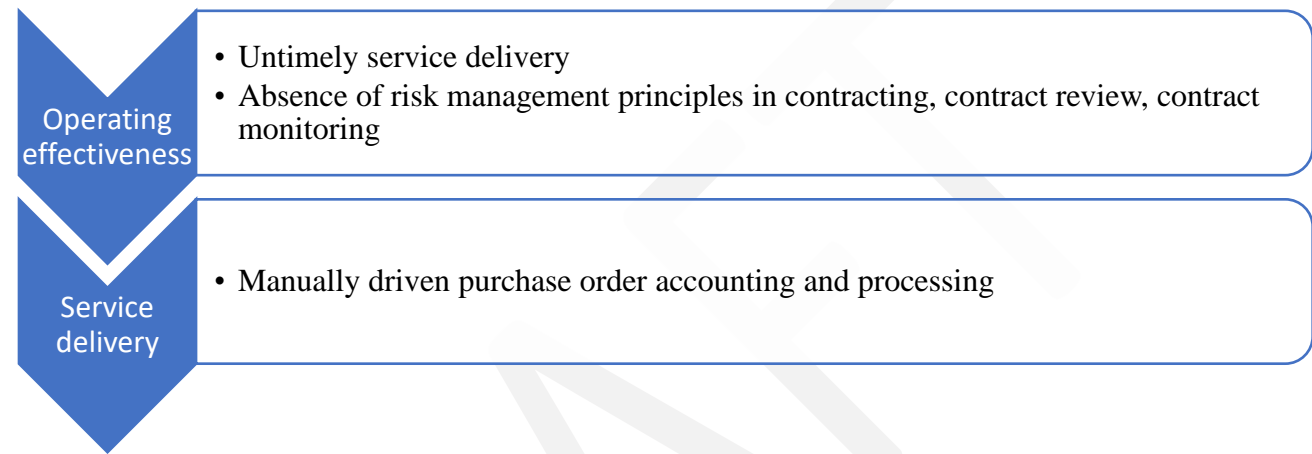
Examples of Potential Risks

Service Delivery
- Untimely service delivery
- Exceeding change order budget allocations

Operating effectiveness
- Absence of consistent use of templates and forms
- Inconsistent and non-uniform processes for review and authorization
- Absence of change order tracking activities

Procurement and Contract Management

While the Purchasing Division provides centralized assistance to departments in procuring goods and services, many aspects of the procurement and contract management processes are the responsibility of other District Divisions, such as the legal review of contracts, contract monitoring. and contract close-out activities. The District recently convened an internal working group to enhance and update the District's procurement processes, which is a good first step, but additional audits are needed to support District efforts to improve operations.
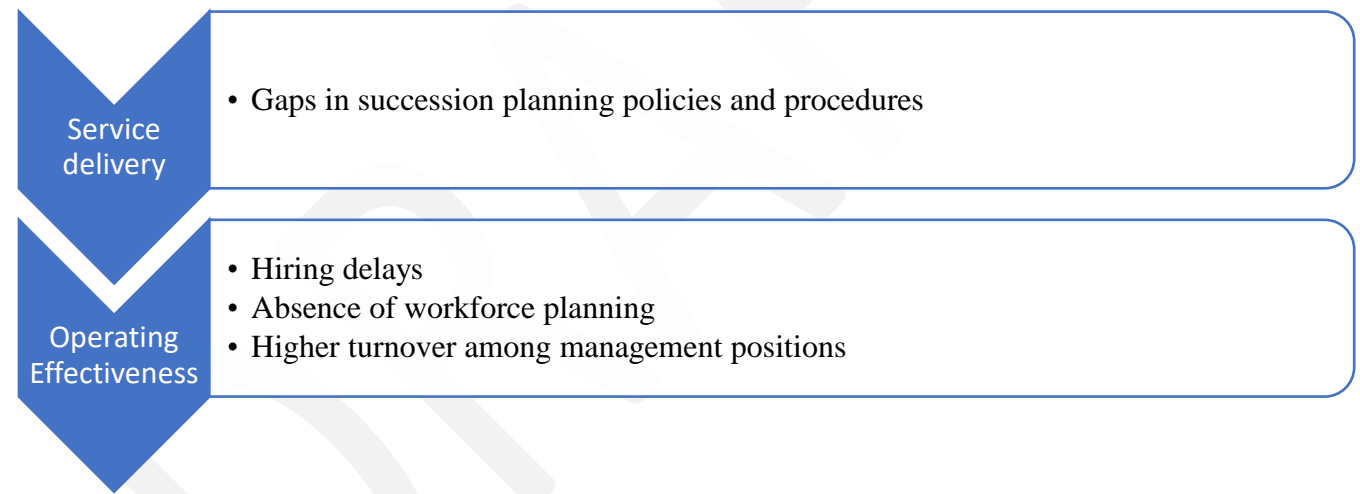
Example of Potential Risks

Operating effectiveness	• Untimely service delivery • Absence of risk management principles in contracting, contract review, contract monitoring
Service delivery	• Manually driven purchase order accounting and processing

Succession Planning

Succession planning identifies vacancies that can be expected to occur through retirement or attrition and the strategic consideration of where and how internal candidates might fill those vacancies. Succession planning involves assessing job requirements and skills of existing employees; then seeking to fill the gaps between needs and available skills with targeted training and development activities. Many of the District's entities have relied on the District's Human Resources Division to provide training on how to conduct succession planning, but District efforts in succession planning have varied, with key stakeholders explaining that other major initiatives and changes have become District priorities. Audits are needed to identify gaps in succession planning efforts, assess ownership roles in succession planning, and determine what changes are needed at the District to accomplish effective succession planning efforts. With improved strategies, effective succession planning activities have a positive impact on performance management not only in terms of ensuring that key positions will remain filled with competent performers, but also in terms of saving money on external recruitment and training, which can be significantly more expensive than promoting from within.
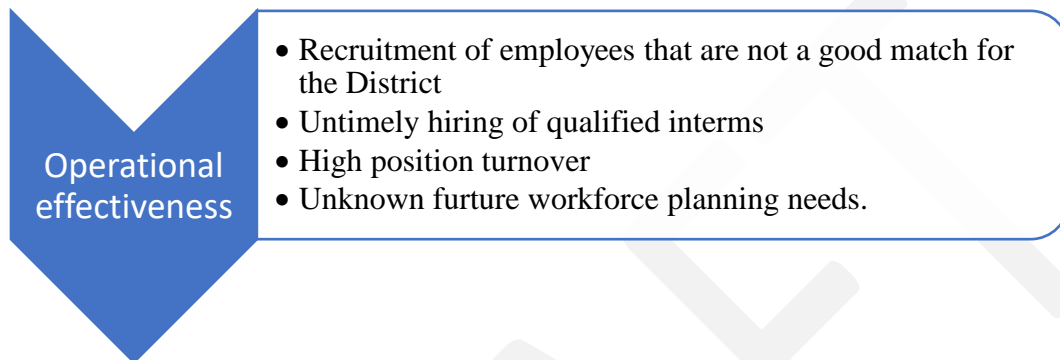
Examples of Potential Risks

Service delivery	• Gaps in succession planning policies and procedures
Operating Effectiveness	• Hiring delays • Absence of workforce planning • Higher turnover among management positions

Workforce Planning

Workforce planning activities and related hiring practices pose high risk to the District. Divisions may lose younger talent because they are not able hire interns on a timely basis. Certain executive management positions experience high turnover, and the District does not have information on its future workforce needs. Audits in this area would assess the workforce needs, and the effectiveness of the District's recruitment and applicant screening processes.

Examples of Potential Risks

Operational effectiveness

- Recruitment of employees that are not a good match for the District
- Untimely hiring of qualified interns
- High position turnover
- Unknown furture workforce planning needs.

Other District-Driven Audit Suggestions

District staff and the Clerk of the Board contributed to the development of the Annual Audit Work Plan by providing their own suggestions and input on potential auditable areas. These suggestions were made based on their experience working at the District or on long-standing concerns that employees have had about District operations.

Specific concerns or areas of interest were identified for:

- financial management (payroll processing, manual work processes, capital project forecasting)
- contracting (review process, project management)
- human resources management (classification study, succession planning)
- watershed maintenance (creek clean-up, housing encampments)
- information technology (outdated CAS system, malfunctioning telecommunication equipment)
- performance management (performance measurement)

These concerns were translated to specific audit questions and included on the suggested audit work plan.

Board of Director Audit Suggestions

Input by elected officials into the development of an audit work plan is essential to facilitating their fiduciary and oversight responsibility of the District. Suggestions were made by Board Directors in individual meetings. Specific concerns or areas of interest were identified related to:

- human resources management (hiring of executives, promoting diversity, effectiveness of recruitment)
- succession planning (employee promotions)
- contract change order management (business processes)
- future financial liability (California Water Fix, Pacheco Dam, Andersen Dam)
- diversity and inclusion (effective use of District funding to promote District diversity)
- departmental operations (structural organization, timeliness, use of risk management principles for claims, media engagement, community engagement planning)
- information technology (protection, infrastructure)
- procurement (contract process, local hiring preference, avoidance of conflicts of interest)
- financial management (revenue collection, financial auditor rotation, funding of maintenance needs, pensions)
- real estate estimates (appraisal process, acquisitions)
- job process efficiency (claims processing, permitting processes, document classification)

These concerns were translated to specific audit questions and included on the suggested audit work plan.