THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Report

Office of the General Auditor

- **General Auditor's Report for June 2024**

Summary

This report highlights significant activities of the Office of the General Auditor for the month ended June 30, 2024.

Purpose

Informational

Attachments

1. Final memo on Ransomware Readiness Assessment

Detailed Report

Audit & Advisory Projects

Twenty-six projects are in progress:

- Eleven audit projects are in the report preparation phase, including:
  - One draft report pending management response (IBI Group)
  - One preliminary draft report pending management comment (Surplus Personal Property)
- Eleven projects are in the execution phase, including five audits and six advisories.
- Four audit projects are in the planning phase.

Work priority is being given to the 11 carry-forward audits.

Final Reports

1. **Ransomware Readiness Assessment** (project number 22-7424) issued June 18, 2024
   - Internal audit assessed Metropolitan's readiness for a ransomware attack as of February 2022.

Follow-Up Reviews

We will follow up on nine audits from prior fiscal years. We will follow up on nine audits from prior years. Follow-up audit forms have been received back from management for seven of the audits, and follow-up audit work is in progress for all seven.

Other General Auditor Activities

1. **FY 2024/25 General Auditor Internal Audit Plan**
   Completed. Next fiscal year's internal audit plan was approved by the Board at the June Board of Directors meeting.
2. **External Auditor Support**
   Assistance to external auditor Macias Gini & O'Connell LLP continues in accordance with their work plan.

Date of Report: July 9, 2024

3. **2024 Business Plan**
   Preparation of the General Auditor’s Business Plan, including FY 2023/24 accomplishments and FY 2024/25 goals, is in progress and will be presented to the Board at the July Executive Committee Special Meeting.

4. **Training**
   Internal audit management attended The Institute of Internal Auditors’ State of Internal Audit in the Public Sector training.

5. **Project Management System**
   Implemented automated reporting tools to make the audit report preparation process more efficient and accurate.

PUBLIC INFORMATION

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: June 18, 2024

To: Executive Committee

From: Scott Suzuki, CPA, CIA, CISA, CFE, General Auditor

Subject: Ransomware Readiness Assessment
(Project Number 22-7424)

This memo presents the results of our assessment of Metropolitan's readiness for a ransomware attack as of February 2022. We shared our results with the Information Technology Group and Water System Operations Group, which stated they took corrective action to resolve our observations. We may validate the corrective action taken in a future cybersecurity audit.

Due to the sensitive nature of the critical infrastructure information, we shared the details of our observations with the Audit Subcommittee of the Executive Committee in a separate confidential memo not subject to public release.

Ransomware is a type of malicious software, or malware, that encrypts data on a computer, making it unusable. Ransomware is frequently delivered to end users through spear phishing e-mails. A malicious cybercriminal then holds the data hostage until a ransom is paid. If the ransom is not paid, the victim's data remains unavailable. Cybercriminals may also pressure victims to pay the ransom by threatening to destroy the victim's data or to release it to the public.

Key areas to focus on with ransomware are prevention, business continuity, and remediation. As ransomware techniques evolve and become more sophisticated, even with the most robust prevention controls in place, there is no guarantee against exploitation. This makes contingency and remediation planning crucial to business recovery and continuity.

The objective of our review was to assess the implementation of ransomware guidance issued by the federal Cybersecurity & Infrastructure Security Agency. The scope of our assessment included business applications maintained by the Information Technology Group and the Water System Operations Group. The methodology for this assessment did not include testing typical of an audit, and accordingly, we made no conclusions on the objectives for the assessment.

We offered recommendations to enhance ransomware readiness based on the information received during interviews.

We appreciate the cooperation and courtesies provided by the Information Technology Group and the Water System Operations Group.

PUBLIC INFORMATION

The completion of this project will be included in a status report to the Board of Directors. If you have any questions regarding our assessment, please do not hesitate to contact me directly at 213.217.6528 or Deputy General Auditor Kathryn Andrus at 213.217.7213.

cc: Board of Directors
Interim General Manager
General Counsel
Ethics Officer
Office of the General Manager Distribution
Assistant General Managers
Information Technology Group Distribution
Water System Operations Group Distribution
External Auditor