County of Orange – Health Care Agency

Report for the Performance Audit over Administrative Operations
Report Date: December 20, 2024

C O N T E N T S

Ms. Michelle Aguirre
Interim County Executive Officer
County of Orange
400 W. Civic Center Drive, Fifth Floor
Santa Ana, CA 92701

This report presents the results of the audit procedures performed for the performance audit of the County of Orange – Health Care Agency (HCA). Weaver and Tidwell, LLP was engaged to conduct this performance audit to assess the efficiency and effectiveness of the delivery of services provided by Orange County Health Care Agency (HCA) administrative functions and programs, and whether they are achieving stated objectives and accomplishing desired outcomes.

The objectives of the performance audit included an evaluation of HCA's administrative operations within the Agency structure to:

- Obtain an understanding of HCA's organizational structure, people, processes, technology framework, and workplans.
- Evaluate the progress and direction of HCA's workplans, including identified and potential challenges.
- Assess the policy, procedure, and control structure of HCA Administrative functions.
- Perform relevant resource assessments for senior management across all in-scope divisions, along with organizational structures.
- Assess performance management and reporting practices.
- Provide recommendations to streamlines processes, expand efficiencies and align with industry best practices.

To accomplish these objectives, we reviewed and evaluated relevant Agency policies and procedures, conducted interviews and walkthroughs with HCA management and personnel to identify existing challenges, performed resource assessments of key management across the HCA administrative functions, and evaluated existing performance monitoring processes for alignment with strategic plans and industry best practices.

The following report summarizes the audit results and recommendations for improvement and management's responses.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
December 20, 2024

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Background, Scope, and Methodology

In March 2024, the County Executive Office (CEO) issued a Request for Proposal (RFP No. 017-2591801) for a performance audit of Health Care Agency (HCA) operations, and in April 2024, the County engaged Weaver and Tidwell, LLP. In accordance with County of Orange (County) policy, a performance audit of the department's operations and functions was conducted following the department head's departure from office. The performance audit was intended to assess the effectiveness, efficiency and accountability of the department's functions and programs, and whether those are achieving stated objectives and accomplishing desired outcomes. With the transition in HCA leadership, the performance audit was also anticipated to identify opportunities and recommendations for further improvement.

HCA is a large and multifaceted Agency that coordinates and serves all the County through its functional areas, with over 2,500 employees and a $1.2 billion (FY2023-24) budget comprised of a variety of complex funding sources. HCA provides a wide range of services that support the health and safety for all residents of the County and visitors. HCA is comprised of the following four (4) service areas:

- Correctional Health Services (CHS)
- Public Health and Nursing Services (PHS)
- Specialized Medical Services (SMS)
- Behavioral Health Services (BHS)

The performance audit evaluated HCA's administrative operations including accounting, budgeting, facilities management, human resources, information technology, procurement and non-administrative functions supported in the service areas listed above. The audit evaluated operational performance over the period of November 1, 2023, through October 31, 2024.

The objectives of the audit were to:
- Obtain an understanding of HCA's organizational structure, people, processes, technology framework, and workplans.
- Evaluate the progress and direction of HCA's workplans, including identified and potential challenges.
- Assess the policy, procedure, and control structure of HCA Administrative functions.
- Perform relevant resource assessments for senior management across all in-scope divisions, along with organizational structures.
- Assess performance management and reporting practices.
- Provide recommendations to streamlines processes, expand efficiencies and align with industry best practices.

To accomplish the engagement objectives, procedures performed included:
- **Organizational Evaluation:** Met with key HCA leadership and process owners to gain an understanding of the organization, including the usage of people, processes, and technology; the objectives, relationships, and distinctions of service areas; the progression plans, timelines, and monitoring of the organization and service areas; and reviewed administrative documentation, such as organizational charts, governance tools, and reporting.

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- **<u>Process, Control, and Collaboration Evaluation:</u>** Interviewed stakeholders to identify existing processes and controls to evaluate gaps, identify opportunities for improved effectiveness and efficiency, and determine actionable recommendations, including the consideration of technology and automation.

- **<u>Organizational Structure and Skills Assessment:</u>** Assessed key management structure and evaluated the Agency mission, objectives, key roles and responsibilities, including review of supporting documentation as available. Performed a Knowledge, Skills, and Abilities (KSA) assessment for selected management across in-scope divisions.

- **<u>Workplan Performance Assessment:</u>** Determined status of work plan improvement performed, in-progress and planned, from the previous and current Agency Director. Assisted in the identification of action items to be incorporated into workplans moving forward.

This report presents the results of the audit of HCA administrative operations as specified within RFP No. 017-2591801, as required by County policies.

We performed the audit in accordance with the Standards for the Professional Practice of Internal Auditing and the Code of Ethics contained in the Professional Practices Framework as promulgated by the Institute of Internal Auditors.

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Executive Summary of Results

As a result of planned procedures, we identified five (5) recommendations to address existing gaps in organizational alignment, policies and processes, or opportunities to improve governance, performance, or efficiency of processes. The following are a summary of audit results and recommendations with priority ratings:

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Performance Audit Results and Recommendations		
REF.	**Administrative Area**	**Audit Result and Recommendations**
01.	**Administration Governance**	**Leadership Structure - HIGH** **Result** HCA's current supervisory layer between the Director of Administrative Services and the Agency Director, the Assistant Agency Director, is redundant with no distinct roles, responsibilities, and established expectations. **Recommendation** HCA should consider an organizational structure with the Director of Administrative Services reporting directly to the Agency Director in a Chief Operating Officer (COO) capacity, which would be within the Agency Director's bandwidth and adhere to best practices regarding span of managerial control.

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REF.	Administrative Area	Audit Result and Recommendations
Performance Audit Results and Recommendations		
02.	**Administration-Wide**	**Policy and Procedure Management and Administration - MEDIUM** **Result** HCA lacks a policy and procedure management process to ensure policies and procedures are current, reflect established practices that are unique to the Agency, and are routinely assessed to ensure compliance. We reviewed 104 policy documents across the 5 in-scope divisions that were provided and identified that 70% (73/104) had not been revised or amended within the last 2 years, creating potential risk of inconsistent understanding of expectations, operational inefficiencies, and activity duplication. **Recommendation** HCA should establish a formal policy and procedure management and administration process to ensure continual assessment and update of key policies and procedures are conducted. This process should ensure Agency policies align with authoritative guidance, applicable state and federal regulations, and industry best practices.
03.	**Administration-Wide**	**Strategic Plan and Key Performance Indicators - MEDIUM** **Result** HCA does not have an established strategic plan for the current 2024 period and beyond, that includes an Agency vision, mission, and defined goals to achieve desired objectives to ensure effectiveness of program functions. HCA currently has an approved budget to establish a strategic plan, define the core values for the Agency, and implement key performance metrics that align with the new strategic plan. **Recommendation** HCA should continue developing a strategic plan and core values, followed by KPIs and performance measures. These KPIs should align with strategic objectives, track performance, identify discrepancies, support Agency functions, and guide decision-making.

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Perform Performance Audit Results and Recommendations		
REF.	Administrative Area	Audit Result and Recommendations
04.	**Human Resources**	**New Employee Onboarding - LOW** **Result** HCA does not have agency and department specific onboarding programs in place to supplement the county-led general orientation that all employees receive. As a result, ad hoc onboarding and on-the-job training is relied upon within each department to ensure new hires are trained, resulting in inconsistent processes and messaging. **Recommendation** HCA should continue to enhance onboarding initiatives and processes to include a standardized Agency-level onboarding training program to include job-specific duties, reporting structure, programmatic or administrative expectations, HCA mission, goals, and objectives.
05.	**Human Resources**	**Succession Planning - LOW** **Result** A defined organization-wide succession plan is not currently established to mitigate risks associated with loss of knowledge and business continuity during turnover of key positions. **Recommendation** HCA should develop a formalized succession plan to help strengthen leadership continuity by preparing for retirements and departures in key roles.

HCA Management has acknowledged the results as opportunities for improvement and has provided feedback on the actionable recommendations proposed in this report.

Detailed Performance Audit Procedures, Results, and Recommendations

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Detailed Audit Procedures and Results

Policy Analysis and Evaluation

We reviewed a total of 104 documented policies, including 44% (46) owned by HCA and 56% (58) owned by the County, across HCA's five in-scope administration divisions, for consistency, frequency of updates, review and approval, and content. Our assessment included a qualitative analysis of key activities that address relevant risk exposures to ensure effective, efficient, and strategically aligned administrative operations. As a result, we identified opportunities to expand, enhance, or streamline policies and procedures or establish baseline expectations for the process and control evaluation of key risk mitigating activities.

1. **Policy and Procedure Management and Administration**

    HCA does not currently have in place a formal policy and procedure management process to ensure policies and procedures are current, reflect established practices that are unique to the Agency, and routinely assessed to ensure compliance. Although HCA also follows county-wide policies for administrative functions, the Agency has 104 policies that are specific to their operations.

    Our review of 104 policy documents revealed the following:
    - 70%, or 73 of 104 policies have not been revised or amended within the last 2 years in accordance with HCA expectations to ensure continuous alignment with best practices and Agency/county objectives.
    - 2%, or 2 of 104 policies did not have a date of last revision or amendment, as such we could not determine or verify the date of last revision or amendment.
    - 8%, or 8 of 104 policies did not have evidence of HCA review and approval.

    HCA has recently hired a Policy Analyst to review, assess and update all existing administrative department policies and draft new policies by the end of fiscal year 2025. The Policy Analyst and HCA Administration have prioritized updating policies based on their level of impact, starting with those affecting the Agency's revenue and broader operations, and progressing to those with more limited departmental or process-specific impact. Compliance Department policies will be reviewed last to avoid duplication, as they are currently under review by HCA executives.

With the transition of department leadership, County policy requires a performance audit to assess the effectiveness, efficiency and accountability of the department's functions and programs, whether they are achieving stated objectives and accomplishing desired outcomes and provide actionable recommendations for improvement.

The scope of this performance audit focused on five HCA administrative divisions including human resources, financial services (including accounting and budgeting), technology services, operations and support (including facilities management and procurement), and research policy QA.

Human Resources

Financial Services

Operations and Support

Research Policy and QA

Technology Services

Recommendation: We recommend HCA establish a formal policy and procedure management and administration process to ensure continual assessment and update of key policies and procedures on a routine basis. Additionally, HCA management should continue existing efforts to update, revise and streamline existing policies and procedures to reflect current administrative operations.

The following key considerations should be included during the assessment:
- Ensure procedures to review, revise, and update policies are based on authoritative guidance and/or industry best practices and applicable state and federal requirements. References should be documented within the policy to reinforce authority and conformance with applicable standards.
- Establish risk-based ongoing review procedures to identify and escalate policy-gaps in a timely manner. Gaps should be systemically prioritized based off inherent risk and escalated to policy-owners for review and amendment to ensure policies are timely updated to align with industry best practices and address emerging risks.
- Establish a formal communication channel to periodically inform employees of relevant changes and updates and ensure ongoing understanding of key policies and expectations. Policy documentation should be retained in a centralized repository (or directory) to ensure ongoing access to the latest versions. Employee acknowledgement of policies, through training or other notification methods, should be documented and monitored to facilitate effective understanding of expectations.

Priority: MODERATE

Process, Control, and Collaboration Evaluation

In addition to the review of HCA policies and procedures, we performed interviews and walkthroughs with significant process owners within the administrative functions of HCA to assess existing processes and key activities for effectiveness, efficiency, and alignment with organizational goals, strategic plans, and objectives. We evaluated risk mitigating strategies and where opportunities exist to improve effectiveness, consistency, and collaboration with non-administrative functions. As a result, the following recommendations within the in-scope administrative functions were identified.

2. **New Employee Onboarding**

An HCA and department specific onboarding program is not in place for the Agency to supplement the county-led orientation that all employees receive. All HCA employees receive a County-led HR orientation to ensure relevant documentation regarding job-specific requirements are completed and centrally retained prior to starting their job. However, employees must proceed to their respective administrative or programmatic area for further onboarding and initial job-specific training, which is facilitated on an ad-hoc basis by the division or program manager(s) dependent on the needs of the specific employee which can result in inconsistent training and employee experiences.

Currently, the onboarding process does not ensure that all new hires are fully trained in their roles and understand the Agency's mission, goals, and HCA-specific procedures prior to commencing their job duties. The primary focus is through on-the-job training, which can result in inconsistent education methods across the Agency.

However, the HCA Administrative Department is currently facilitating the development of a 3-day HCA onboarding program that will include, but not be limited to, topics such as:
- Overview and initiation of HCA platforms
- Overview of HCA functions and programs
- Standardizing and ensuring consistency across Agency workflows

The goal of the Agency is to implement HCA specific onboarding program in the next Fiscal Year.

Recommendation: We recommend that HCA's current onboarding initiatives and process continue to be enhanced to include a standardized Agency-level program, and for the Agency to establish an onboarding program to enhance employee awareness of job-specific duties, reporting structure, programmatic or administrative expectations, HCA mission, goals, and objectives.

The following key concepts should be integrated into the onboarding program:
- HCA mission, goals, and unique organizational structure
- Communication of the responsibilities of other divisions and the expectations for collaboration between programs
- Overarching scope of Agency services (medical health, public health, behavioral health, and environmental safety)

HCA Administration should support this initiative by developing an Agency-wide onboarding program complete with this information and develop procedures to assist with the facilitation and monitoring of the program. Agendas, new-hire checklists, and Agency and department specific onboarding training should be developed to ensure new employees are consistently onboarded to the Agency.

Priority: LOW

Organizational Structure and Skills Assessment

We performed an assessment over the organizational structure and skills across the in-scope administrative functions by conducting interviews with senior leadership to understand their mission, objectives, key roles, current and future initiatives, and responsibilities. We also assessed the placement of key positions and individuals across the organization, including reporting lines and oversight for the in-scope functions.

3. Succession Planning

HCA currently does not have a formal, organization-wide, succession plan in place to ensure the following:
- Critical positions, such as programmatic and administrative leadership, are identified.
- Talent assessments to identify high-potential employees for future leadership positions are performed.
- Back-ups for key positions are identified and cross-training is formalized.
- External recruitment strategies are formally identified.
- Documentation and knowledge management, such as policy and procedure. are routinely updated to reflect current expectations.

As a result, the Agency's ability to continue business operations effectively and efficiently, in the event of turnover at key positions, can be limited.

Recommendation: We recommend that HCA develops and implements a comprehensive succession plan to address critical areas to ensure business continuity.

By identifying key positions, such as programmatic and administrative leadership roles, the organization can ensure continuity in operations. Conducting talent assessments will help pinpoint high-potential employees for future leadership positions. Formalizing back-ups for key roles and implementing cross-training programs will enhance preparedness.

Establishing external recruitment strategies will provide a framework for addressing potential vacancies in critical positions. Regularly updating documentation and knowledge management, including policies and procedures, will ensure accuracy and relevance. By proactively establishing a formal succession plan, HCA can bolster its operational resilience and ensure seamless business continuity in the face of leadership turnover, thus optimizing organizational effectiveness and efficiency (Exhibit A).
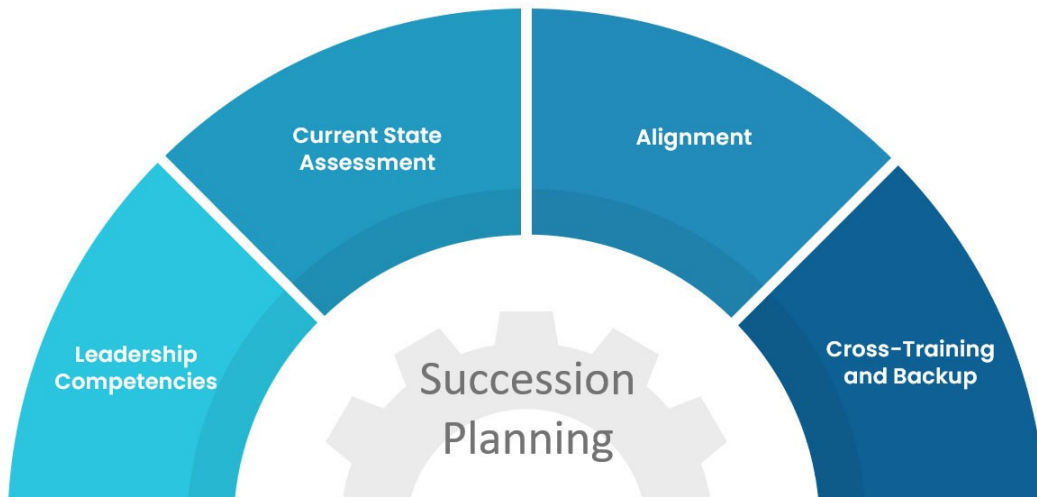
Priority: LOW

Exhibit A: Considerations for Succession Planning

4. Leadership Structure

HCA's current supervisory layer between the Director of Administrative Services and the Agency Director, the Assistant Agency Director, is redundant with no distinct roles, responsibilities, and established expectations.

Within the current structure and execution of administrative operations, the Director of Administrative Services functions as the chief operating officer of the Agency and informally reports directly to the Agency Director. The Administrative Services Director directly oversees each of the administrative services functions and possesses deep subject matter knowledge and experience in operational management, human resources, procurement and contracting, strategic planning, project management, and change management with complementary skills and experience in fiscal management and IT.

Additionally, this position competently oversees the division managers for each of the three in-scope functions, in addition to the liaison Human Resources function. As a result, the Assistant Agency Director Position does not have direct oversight or intimate knowledge of the administrative operations performed to carry out process improvement initiatives. The Assistant Agency Director possesses an extensive background as a clinician and administrator of direct health services to constituents and should be realigned to focus on HCA clinical programs.

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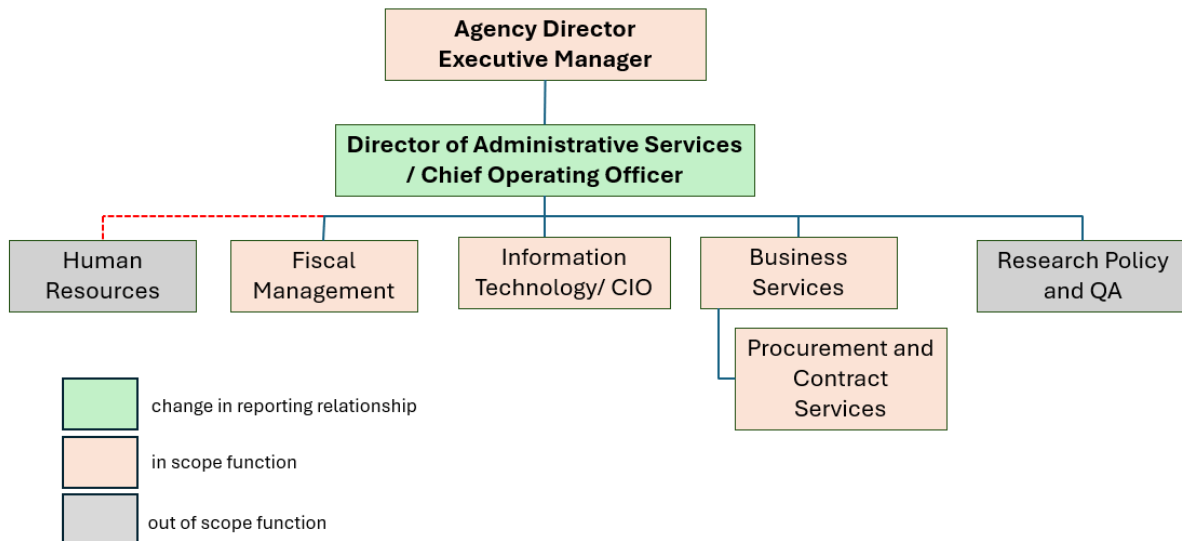
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Recommendation: HCA should consider an organizational structure with the Director of Administrative Services reporting directly to the Agency Director in a COO capacity, which would be within the Agency Director's bandwidth and adhere to best practices regarding span of managerial control (Exhibit B).

The Assistant Agency Director position and responsibilities should be re-assessed to better suit clinical matters for the Agency. The realignment of the Assistant Agency Director's supervisory responsibilities over Key Health Services functions would facilitate more effective oversight (Exhibit C).

Specifically, the Agency should consider an organizational structure where the Assistant Agency Director focuses supervision on four critical constituent service functions: County Health Officer, Correctional Health Services, Public Health Services and Nursing, and Specialized Medical Services.

Priority: HIGH

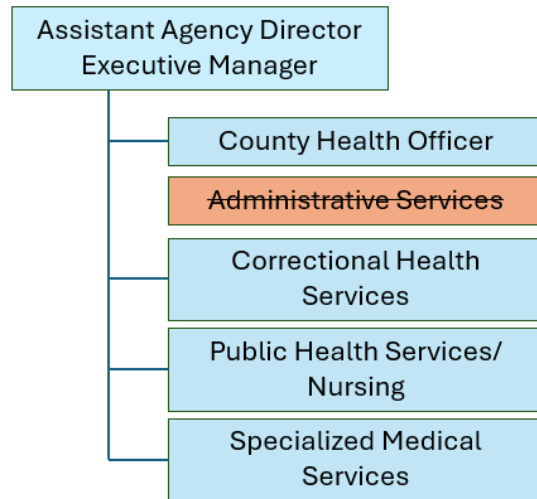*Exhibit B: Administrative Services Directly Reports to Agency Director*

Exhibit C: Assistant Agency Director focus on constituent services

Workplace and Performance Assessment

We evaluated existing performance metrics for the in-scope divisions, analyzing trends and performance over the audit scope period. We assessed progress toward any documented Improvement Plans, including in-progress and planned initiatives.

5.   **Strategic Plan and Key Performance Indicators**

HCA does not have an established strategic plan for the current 2024 period and beyond, that includes an Agency vision, mission, and defined goals to achieve desired objectives.

The last established Agency-wide strategic plan was for the 2021 –2023 period, and last documented Agency-wide performance indicators were for FY 2019 –2020, which defined a structured approach to tracking KPIs, performance measures, and goals across the administrative functions.

Departmental and programmatic goals are currently managed by Department-level managers on an informal basis, however, formalized goals with specific key performance indicators (KPI) that align with the administrative mission are not currently in place. As such, HCA does not have a process to reconcile, track, and monitor all current division KPIs to ensure effective achievement of progress, including the timely identification and resolution of factors that may impact achievement, and ensure ongoing alignment with Agency goals.

However, HCA has an approved budget to engage with a contractor to establish a strategic plan and establish core values for the Agency. Following this, HCA will then initiate their efforts to define KPI's that are in alignment with the new strategic plan.

Recommendation: HCA should continue their efforts to develop a strategic plan, establish core values for the Agency, and develop and implement Key Performance Indicators (KPI's) and performance measures tailored to align with these strategic objectives (Exhibit D).

KPI's should:
- Ensure alignment with strategic objectives and coordinate efficiencies between divisions to achieve shared objectives
- Be used to track and monitor performance
- Aid in timely identification of factors that may impact on the achievement of goals
- Be defined in alignment with best practice guidance, state/federal requirements, and/or industry standards
- Guide leadership decision-making

The Administration should assign centralized oversight for developing the strategic plan and division level KPIs to ensure milestone achievement and timely monitoring. A documented strategic plan will guide initiatives and goals, improve accountability, and mitigate inconsistent execution. Additionally, a visual dashboard should be implemented to track goal achievement and progress in real time, enhance transparency, and increase stakeholder accountability.
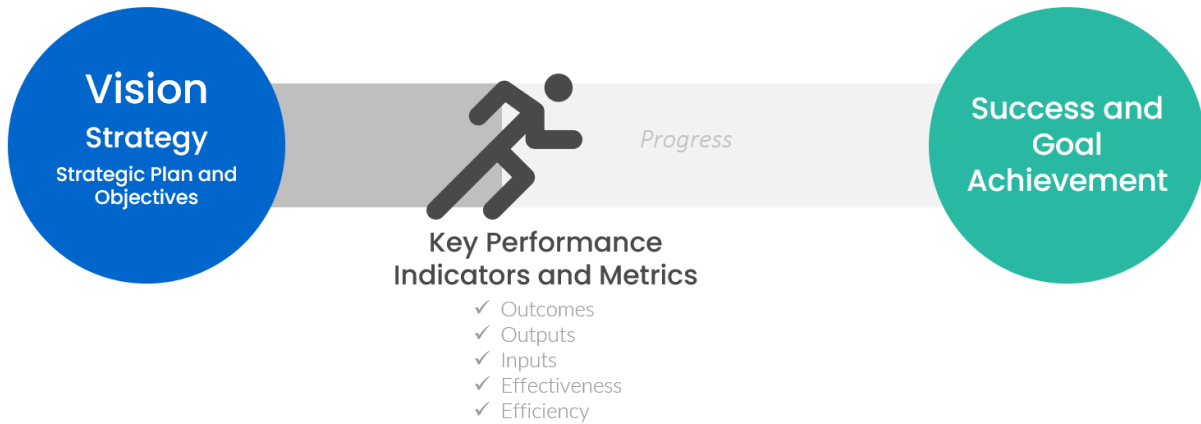
Priority: MODERATE

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Exhibit D: Alignment of Organizational Vision, Strategy, and Key Performance Indicators for Success and Goal Achievement

Appendix A:
Administrative Department Policy Analysis

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Administrative Policy Analysis

We reviewed a total of 104 documented policies, with 44% (46) owned by HCA, and 56% (58) owned by the County, across five in-scope administrative functions to assess the extent to which the policies were outdated, in accordance with the recently established HCA expectation that policies be updated every two years. Our review also focused on confirming that the policies provided by management had documented approval, ensuring that they followed a formal process to obtain the appropriate authorization. This review was conducted to align with best practices and governance standards aimed at maintaining the relevance and effectiveness of administrative policies. For each policy reviewed, we identified whether the expected attribute is present (**Y**), partially present (**P**), or not present (**N**) within the document.

Function		Expected Qualitative Attribute	Results
Human Resources		HR at HCA is led by the Human Resources Assistant Deputy Director, and includes services pertaining to employee compensation, benefits. We reviewed 5 Human Resources Policies and identified the following results:	
	a	Verify that the policy is in a documented format.	**Y**
	b	Verify that the policy was updated and/or reviewed within the last 2-years, in alignment with HCA expectations.	**P**
	c	Determine whether the policy/procedure is owned by the County or by HCA.	**County: 5 HCA: 0**
	d	Verify that the policy was reviewed and approved by the appropriate staff/HCA management.	**P**
Financial Services		Financial Services is led by the Financial Services Assistant Deputy Director, and includes services pertaining to financial planning, budgetary forecasts, and Agency coordination. We reviewed 5 Financial Services Policies and identified the following:	
	a	Verify that the policy is in a documented format.	**Y**
	b	Verify that the policy was updated and/or reviewed within the last 2-years, in alignment with HCA expectations.	**P**
	c	Determine whether the policy/procedure is owned by the County or by HCA.	**County: 5 HCA: 0**
	d	Verify that the policy was reviewed and approved by the appropriate staff/HCA management.	**Y**

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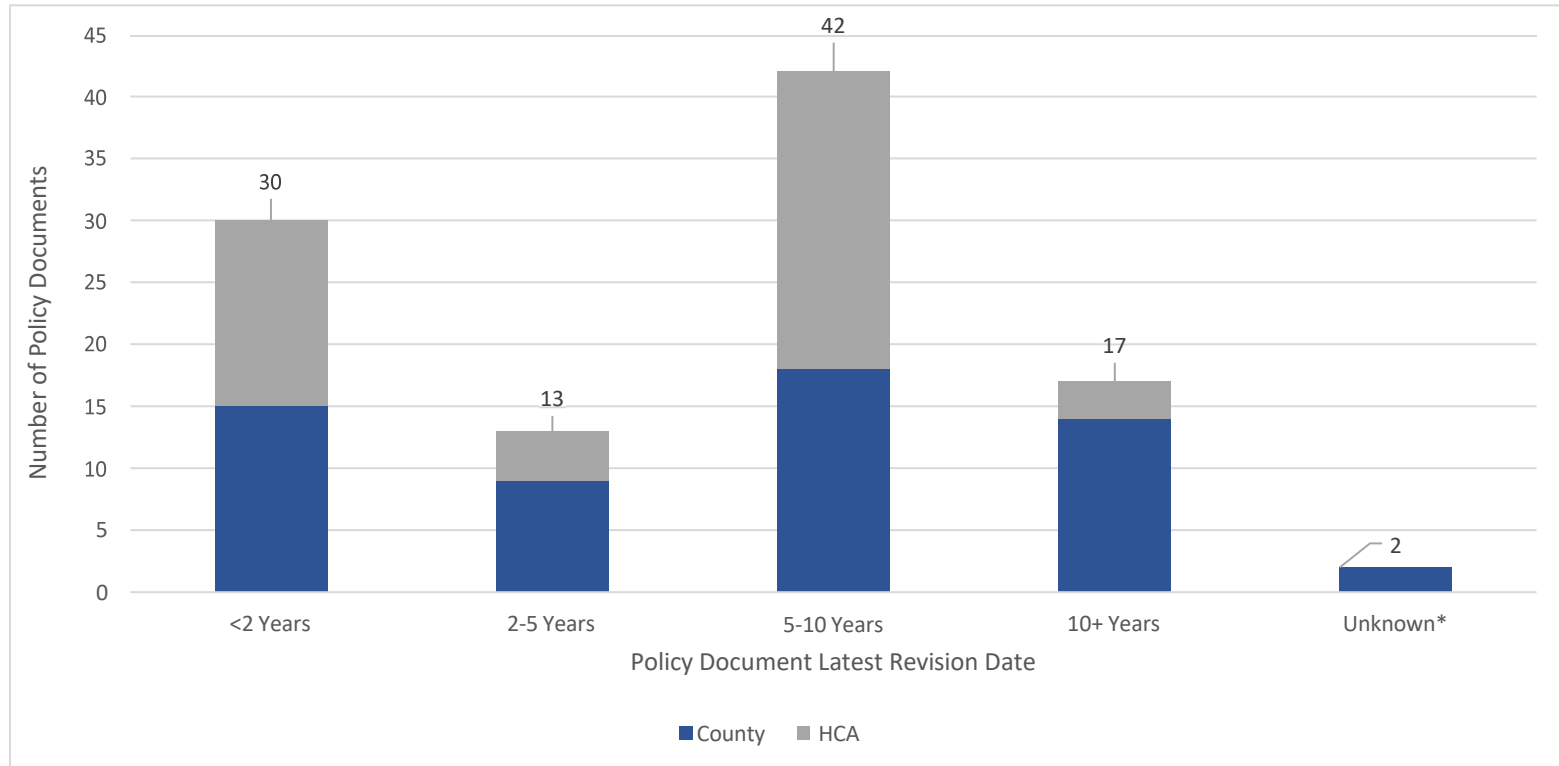Report Date: December 20, 2024

Function	Expected Qualitative Attribute		Results
Technology Services (IT)	*Technology Services is led by the Chief Information Officer Technology & Services Deputy Director and includes IT services to internal HCA departments. We reviewed 23 Technology Services Policies and identified:*		
	a	Verify that the policy is in a documented format.	**Y**
	b	Verify that the policy was updated and/or reviewed within the last 2-years, in alignment with HCA expectations.	**P**
	c	Determine whether the policy/procedure is owned by the County or by HCA.	**County: 3 HCA: 20**
	d	Verify that the policy was reviewed and approved by the appropriate staff/HCA management.	**P**
Operations and Support	*Operations and Support is led by the Operations & Support Assistant Deputy Director, and includes Procurement, Management Services, and AC Accounting. We reviewed 69 Operations and Support policies and identified:*		
	a	Verify that the policy is in a documented format.	**Y**
	b	Verify that the policy was updated and/or reviewed within the last 2-years, in alignment with HCA expectations.	**P**
	c	Determine whether the policy/procedure is owned by the County or by HCA.	**County: 45 HCA: 24**
	d	Verify that the policy was reviewed and approved by the appropriate staff/HCA management.	**P**
Research Policy & QA	*Research, Policy, & QA is led the Director of Administrative Services, as the Manager/Director position is currently vacant. We reviewed 2 Research, Policy, & QA policies and identified:*		
	a	Verify that the policy is in a documented format.	**Y**
	b	Verify that the policy was updated and/or reviewed within the last 2-years, in alignment with HCA expectations.	**N**
	c	Determine whether the policy/procedure is owned by the County or by HCA.	**County: 0 HCA: 2**
	d	Verify that the policy was reviewed and approved by the appropriate staff/HCA management.	**N**

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Exhibit E: Distribution of Outdated Policies by Year Range

Appendix B:
Criteria Summary

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Criteria Summary

As a basis for the audit results and proposed recommendations provided, we identified the following authoritative criteria that was utilized as part of the performance audit:

- County Policies, Procedures, and Ordinances
- Health Care Agency Policies and Procedures
- State and Federal law and regulations
- Society for Human Resource Management (SHRM) guidelines
- COSO 2013 Internal Control Framework
- ISO 9001 (International Organization for Standardization – Quality Management Systems

Appendix C:
Priority Rating Definitions

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Priority Ratings

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The areas under audit have been assessed from a residual risk level utilizing the following risk management classification system.

High

High priority recommendations have qualitative factors that include, but are not limited to:

- Events that threaten the organization's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of the organization or beyond a single function or department
- Potential material impact to operations or the organization's finances
- Remediation requires significant involvement from senior management

Moderate

Moderate priority recommendations have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of the organization
- Impact could be felt outside of the organization or across more than one function of the organization
- Noticeable and possibly material impact to the operations or finances of the organization
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior management to be updated

Low

Low priority recommendations have qualitative factors that include, but are not limited to:

- Events that do not directly threaten the organization's strategic priorities
- Impact is limited to a single function within the organization.
- Minimal financial or operational impact to the organization
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk