



BOARD AUDIT COMMITTEE MEETING

MINUTES

**REGULAR MEETING SESSION
WEDNESDAY, OCTOBER 18, 2023
2:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 2:00 p.m.

1.1 Roll Call.

Committee members in attendance were District 3 Director Richard P. Santos, District 4 Director Jim Beall, Vice Chairperson, and District 2 Director Barbara F. Keegan, Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were: Emmanuel Aryee, Rita Chan, Jessica Collins, Adelina Del Real, Amy Fonseca, Alexander Gordon, Michele King, Cecil Lawson, Dave Leon, Janice Lum, Becky Manchester, Patrice McElroy, Nicole Merritt, Tony Ndah, Carlos Orellana, Luz Penilla, Mario Rivas, Michelle San Miguel, Diahann Soleno, Manpreet Sra, Darin Taylor, Zuberi White, and Tina Yoke.

Public in attendance were: Valley Water Director Eisenberg, Katja Irvin (Sierra Club), Emer Fabro and Roger Martinez (Vasquez & Company LLP), Elisabeth Sarmiento (Smart Yards Coop), and George Skiles (Sjoberg Evashenk Consulting).

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA:

Chairperson Keegan declared time open for public comment on any item not on the agenda. There was no one who wished to speak.

3. APPROVAL OF MINUTES:

3.1. Approval of September 20, 2023 Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the September 20, 2023 Committee meeting.

Public Comments:
None.

It was moved by Director Santos and seconded by Vice Chairperson Beall, and unanimously carried that the minutes be approved.

4. REGULAR AGENDA:

4.1. Receive and Discuss the Draft Report on the Tri-Annual Risk Assessment (CY 2023) from the Chief Audit Executive (CAE).

Recommendation: Receive and discuss the draft report on the Tri-Annual Risk Assessment (CY 2023) from the CAE.

George Skiles reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 2.

George Skiles and Darin Taylor were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted the following:

- Director Beall noted interest in water supply revenue forecasting and staff will follow up with a consultant to provide future insight on this matter.
- The Committee confirmed there is funding for 3 to 4 audits within the budget and resources per year at the discretion of the Board.
- The Committee noted the high-risk assessment results for the Capitol Project Delivery, Operations & Maintenance, and Stewardship & Planning, and Treatment Plants; and expressed support for continuing these types of reports to provide internal awareness for Valley Water's Management and the Board.
- The Committee noted this agenda item will return at the November 15, 2023 BAC meeting with a final report that will identify the 12 high priority audits with a 3 year cycle and lower risk audits with a possible 5 year cycle.

- Director Beall noted an approved financing change made to the District Act will go into effect in January 2024; and the Committee confirmed that a further comprehensive review of the District Act may be needed and could be addressed as a future Board item.

4.2. Receive Information on Amendment No. 1 A4650A with Vasquez & Company LLP for Performing the Audit of the FY2022, FY2023, & FY2024 Financial Statements (with option to extend two additional years), to Increase the Fee from \$368,205 by \$398,586 for a Total Revised Not-To-Exceed Fee of \$766,791.

Recommendation: Receive information on Amendment No. 1 A4650A with Vasquez & Company LLP for performing the audit of the FY2022, FY2023, & FY2024 financial statements (with option to extend two additional years), to increase the fee from \$368,205 by \$398,586 for a total revised not-to-exceed fee of \$766,791.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

Darin Taylor, Emer Fabro and Roger Martinez were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted the following:

- The Committee expressed their concern regarding increasing compensation after having an agreement but noted the larger scale of this financial auditor and the legal requirement to provide an annual financial report.
- The Committee noted the current policy for financial auditors to be changed every 5 years.
- The Committee expressed their support for having this agenda item go to the Board for discussion regarding this current Amendment and as a future Board agenda Item if this Agreement will be extended for 2 additional years.

4.4. Review and Discuss the 2023 Board Audit Committee(BAC) Work Plan.

Recommendation: Receive and discuss topics of interest raised at prior BAC meetings and make any necessary adjustments to the 2023 BAC Work Plan.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted no changes to the BAC Work Plan.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

Nicole Merritt confirmed that no Items were approved for Board consideration; but the CAE will incorporate the Committee's feedback regarding the Tri-Annual Risk Assessment Report under Item 4.1, and the Committee took no official action, but gave their support for the Amendment of the Agreement with Vasquez & Company LLP under Item 4.2.

6. Adjourn:

6.1. Adjourn to Regular Meeting at 2:00 p.m. on November 15, 2023.

Chairperson Keegan adjourned the meeting at 3:03 p.m., to the regular meeting at 2:00 p.m. on November 15, 2023.

Date Approved: November 15, 2023

Nicole Merritt
Assistant Deputy Clerk II