

February 8, 2023

## **MEETING NOTICE**

### **SANTA CLARA VALLEY WATER DISTRICT BOARD AUDIT COMMITTEE**

**Members of the Board Audit Committee:**

District 2 Director Barbara F. Keegan, Committee Chair  
District 3 Director Richard P. Santos  
District 4 Director Jim Beall

**Staff Support of the Board Audit Committee:**

Rick Callender, Esq., Chief Executive Officer  
Carlos Orellana, District Counsel  
Michele King, Clerk of the Board  
Melanie Richardson, Assistant Chief Executive Officer  
Tina Yoke, Chief Operating Officer  
Darin Taylor, Chief Financial Officer  
Rachael Gibson, Chief of External Affairs  
Rechelle Blank, Chief Operating Officer  
Aaron Baker, Chief Operating Officer  
Brian Hopper, Sr. Assistant District Counsel  
Anthony Fulcher, Sr. Assistant District Counsel  
Leslie Orta, Sr. Assistant District Counsel  
Joseph Aranda, Assistant District Counsel  
Rita Chan, Assistant District Counsel  
Andrew Gschwind, Assistant District Counsel  
Mike Cook, Deputy Administrative Officer  
Tony Ndah, Deputy Administrative Officer  
Donald Rocha, Deputy Administrative Officer  
Emmanuel Aryee, Deputy Operating Officer  
Christopher Hakes, Deputy Operating Officer  
Bhavani Yerrapotu, Deputy Operating Officer  
Anthony Mendiola, Program Administrator  
George Skiles, Partner, Sjoberg Evashenk Consulting

A Santa Clara Valley Water District Regular Board Audit Committee Meeting has been scheduled to occur at 2:00 p.m. on Wednesday, February 15, 2023 in the Headquarters Building Boardroom located at the Santa Clara Valley Water District, 5700 Almaden Expressway, San Jose.

Members of the public may join the meeting via Zoom Teleconference at:  
<https://valleywater.zoom.us/j/91608079873>.

The meeting agenda and corresponding materials are located on our website:  
<https://www.valleywater.org/how-we-operate/committees/board-committees>.

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## **Santa Clara Valley Water District Board Audit Committee Meeting**

Headquarters Building Boardroom  
5700 Almaden Expressway, San Jose, CA 95118

Join Zoom Meeting:  
<https://valleywater.zoom.us/j/91608079873>

### **REGULAR MEETING AGENDA**

**Wednesday, February 15, 2023  
2:00 PM**

**District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.**

BOARD AUDIT COMMITTEE  
Barbara F. Keegan, Chair - District 2  
Richard P. Santos - District 3  
Jim Beall - District 4

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available to the public through the legislative body agenda web page at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to participate in the legislative body's meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

DARIN TAYLOR  
Committee Liaison

Nicole Merritt  
Assistant Deputy Clerk II  
Office/Clerk of the Board  
(408) 630-3262  
[nmerritt@valleywater.org](mailto:nmerritt@valleywater.org)  
[www.valleywater.org](http://www.valleywater.org)

**Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.**

**Santa Clara Valley Water District**  
**Board Audit Committee**  
**REGULAR MEETING**  
**AGENDA**

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Wednesday, February 15, 2023

2:00 PM

Headquarters Building Boardroom  
5700 Almaden Expressway, San Jose, CA 95118  
Join Zoom Meeting:  
<https://valleywater.zoom.us/j/91608079873>

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**\*\*\*IMPORTANT NOTICES AND PARTICIPATION INSTRUCTIONS\*\*\***

Santa Clara Valley Water District (Valley Water) Board of Directors/Board Committee meetings are held as a “hybrid” meetings, conducted in-person as well as by telecommunication, and is compliant with the provisions of the Ralph M. Brown Act.

To maximize public safety while still maintaining transparency and public access, members of the public have an option to participate by teleconference/video conference or attend in-person. To observe and participate in the meeting by teleconference/video conference, please see the meeting link located at the top of the agenda. If attending in-person, you are required to comply with Ordinance 22-03 - AN ORDINANCE OF THE SANTA CLARA VALLEY WATER DISTRICT SPECIFYING RULES OF DECORUM FOR PARTICIPATION IN BOARD AND COMMITTEE MEETINGS located at <https://s3.us-west-2.amazonaws.com/valleywater.org.if-us-west-2/f2-live/s3fs-public/Ord.pdf>

In accordance with the requirements of Gov. Code Section 54954.3(a), members of the public wishing to address the Board/Committee at a video conferenced meeting, during public comment or on any item listed on the agenda, should use the “Raise Hand” tool located in the Zoom meeting link listed on the agenda, at the time the item is called. Speakers will be acknowledged by the Board Chair in the order requests are received and granted speaking access to address the Board.

- Members of the Public may test their connection to Zoom Meetings at: <https://zoom.us/test>
- Members of the Public are encouraged to review our overview on joining Valley Water Board Meetings at: <https://www.youtube.com/watch?v=TojJpYCxXm0>

Valley Water, in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in Valley Water Board of Directors/Board Committee meetings to please contact the Clerk of the Board’s office at (408) 630-2711, at least 3 business days before the scheduled meeting to ensure that Valley Water may assist you.

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has not been prepared with a view to informing an investment decision in any of Valley Water’s

bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water's bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and Valley Water's Investor Relations website, maintained on the World Wide Web at <https://emma.msrb.org/> and <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>, respectively.

Under the Brown Act, members of the public are not required to provide identifying information in order to attend public meetings. Through the link below, the Zoom webinar program requests entry of a name and email address, and Valley Water is unable to modify this requirement. Members of the public not wishing to provide such identifying information are encouraged to enter "Anonymous" or some other reference under name and to enter a fictional email address (e.g., attendee@valleywater.org) in lieu of their actual address. Inputting such values will not impact your ability to access the meeting through Zoom.

**Join Zoom Meeting:**  
**<https://valleywater.zoom.us/j/91608079873>**  
**Meeting ID: 916 0807 9873**  
**Join by Phone:**  
**1 (669) 900-9128, 91608079873#**

**1. CALL TO ORDER:**

1.1. Roll Call.

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

*Notice to the Public: Members of the public who wish to address the Committee on any item not listed on the agenda should access the "Raise Hand" tool located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in order requests are received and granted speaking access to address the Committee. Speakers comments should be limited to three minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Committee may take action on any item of business appearing on the posted agenda.*

**3. ELECTION OF OFFICERS:**

3.1. Election of 2023 Board Audit Committee Chair and Vice Chair.

[23-0144](#)

Recommendation: Nominate and Elect the 2023 Board Audit Committee Chair and Vice Chair.

Manager: Darin Taylor, 408-630-3068

#### 4. APPROVAL OF MINUTES:

- 4.1. Approval of December 9, 2022 and January 20, 2023 Board Audit Committee Minutes. [23-0151](#)
- Recommendation: Approve the minutes.
- Manager: Candice Kwok-Smith, 408-630-3193
- Attachments: [Attachment 1: 120922 BAC Minutes](#)  
[Attachment 2: 012023 BAC Minutes](#)

#### 5. REGULAR AGENDA:

- 5.1. Review and Discuss the 2023 Board Audit Committee (BAC) Work Plan. [23-0145](#)
- Recommendation: Review and discuss topics of interest raised at prior BAC meetings and make any necessary adjustments to the 2023 BAC Work Plan.
- Manager: Darin Taylor, 408-630-3068
- Attachments: [Attachment 1: 2023 BAC Work Plan](#)
- 5.2. Discuss the Board Audit Committee's 2023 Annual Self-Evaluation Process. [23-0146](#)
- Recommendation: Discuss the Board Audit Committee's 2023 annual self-evaluation process.
- Manager: Darin Taylor, 408-630-3068
- 5.3. Receive and Discuss a Status Update on the Implementation of Audit Recommendations, Authorize Staff to Close Completed Board-Directed Audits and Provide Additional Direction as Necessary, and Discuss Timing of Next Update. [23-0150](#)
- Recommendation:
- A. Receive and discuss a status update on the implementation of audit recommendations,
  - B. Authorize staff to close completed Board-directed audits and provide additional direction as necessary, and
  - C. Discuss timing of next update.
- Manager: Darin Taylor, 408-630-3068
- 5.4. Discuss the 2022-2024 Annual Audit Work Plan. [23-0147](#)
- Recommendation:
- A. Discuss the 2022-2024 Annual Audit Work Plan; and
  - B. Provide further direction as needed
- Manager: Darin Taylor, 408-630-3068
- Attachments: [Attachment 1: 2022-2024 Annual Audit Work Plan](#)

- 5.5. Receive and Discuss a Report from the Independent Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Regarding their Performance in Calendar Year 2022, and Evaluate the performance of the CAE. [23-0148](#)

Recommendation: A. Receive and discuss a report from the independent Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, regarding their performance in calendar year 2022; and  
B. Evaluate the performance of the CAE.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: 2022 Annual Performance Report of the CAE](#)

**6. 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.*

**7. ADJOURN:**

- 7.1. Adjourn to Regular Meeting at 2:00 p.m., on March 15, 2023.

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# Santa Clara Valley Water District

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**File No.:** 23-0144

**Agenda Date:** 2/15/2023

**Item No.:** 3.1.

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## **COMMITTEE AGENDA MEMORANDUM** **Board Audit Committee**

Government Code § 84308 Applies: Yes ☐ No ☒  
(If "YES" Complete Attachment A - Gov. Code § 84308)

### **SUBJECT:**

Election of 2023 Board Audit Committee Chair and Vice Chair.

### **RECOMMENDATION:**

Nominate and Elect the 2023 Board Audit Committee Chair and Vice Chair.

### **SUMMARY:**

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

Through its oversight of the audit process, the BAC provides the Board with independent advice and guidance regarding the adequacy and effectiveness of Valley Water's management practices and potential improvements to those practices.

As stated in Article 2 of the BAC Audit Charter, Officers of the Committee include the Committee Chair and Vice Chair, who serve as the Committee's primary and secondary facilitators and representatives. The Committee Chair and Vice Chair are elected by the Committee to serve a 1-year term. Nomination and election of the Chair and Vice Chair typically occurs annually at the start of the calendar year.

### **ATTACHMENTS:**

None.

### **UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

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# Santa Clara Valley Water District

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**File No.:** 23-0151

**Agenda Date:** 2/15/2023

**Item No.:** 4.1.

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## **COMMITTEE AGENDA MEMORANDUM Agricultural Water Advisory Committee**

Government Code § 84308 Applies: Yes ☐ No ☒  
(If "YES" Complete Attachment A - Gov. Code § 84308)

### **SUBJECT:**

Approval of December 9, 2022 and January 20, 2023 Board Audit Committee Minutes.

### **RECOMMENDATION:**

Approve the minutes.

### **SUMMARY:**

In accordance with the Ralph M. Brown Act, a summary of Committee discussions, and details of all actions taken by the Board Audit Committee, during all open and public Committee meetings, is transcribed and submitted to the Committee for review and approval.

Upon Committee approval, minutes transcripts are finalized and entered into the Committee's historical records archives and serve as historical records of the Committee's meetings.

### **ATTACHMENTS:**

Attachment 1: 120922 BAC Minutes

Attachment 2: 012023 BAC Minutes

### **UNCLASSIFIED MANAGER:**

Candice Kwok-Smith, 408-630-3193

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BOARD AUDIT COMMITTEE MEETING

# MINUTES

**REGULAR MEETING  
FRIDAY, DECEMBER 9, 2022  
11:30 AM**

(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 11:30 a.m.

**1.1 Roll Call.**

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

Staff members, in attendance, were E. Aryee, E. De Anda, B. Hopper, B. Magleby, T. Ndah, D. Rocha, C. Sun, D. Taylor, B. Yerrapotu, and T. Yoke.

Also, in attendance was 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 Minutes.**

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the October 19, 2022, Regular Committee meeting. It was moved by Director Santos, seconded by Chairperson Keegan, and unanimously carried that the minutes be approved.

#### 4. REGULAR AGENDA:

- 4.1 Valley Water Draft Annual Comprehensive Financial Report for the Fiscal Year Ending on June 30, 2022.

Recommendation: discuss the Valley Water Annual comprehensive Financial Report (ACFR) for the Fiscal year (FY) Ending on June 30, 2022, that staff will be recommending for Board Acceptance.

Elisa Stilwell, Vasquez and Company, reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

The Committee noted the information without formal action.

- 4.2 Receive the Fiscal Year 2022-2023 First Quarter Financial Status Update

Recommendation: Receive the Fiscal Year 2022-2023 first quarter financial status update as of September 30, 2022.

Enrique De Anda, Budget Manager, and Charlene Sun, Treasury and Debt Manager, reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

The Committee noted the information without formal action.

- 4.3 Receive and Discuss a Status Update on the Implementation of the 2020 Real Estate Audit Recommendations and Authorize Staff to Identify Specific Recommendations as Implemented.

Recommendation: A. Receive and discuss a status update on the implementation of the 2020 Real Estate Audit Recommendations; and  
B. Authorize staff to identify specific recommendations as implemented.

Bhavani Yerrapotu, Deputy Operating Officer, reviewed the information on this item, per the attached Committee Agenda Memo.

The Committee request staff to work with the Chief Audit Executive to prepare a discussion for the Board regarding the complex relationship between Real Estate Services Unit, Community Projects Review Unit, and Lands Management

The Committee considered the Status Update on the implementation of the 2020 Real Estate Audit Recommendations. It was moved by Director Santos, seconded by Chairperson Keegan, and unanimously carried that Recommendations 5, 8, 9, and 12 are considered implemented as contained in Attachment 2, Pages 1 through 7.

4.4 Progress Report on Implementing the Grants Management Performance Audit Recommendation.

Recommendation: Receive information on the progress of implementing the recommendations from the Grants Management Performance Audit.

Don Rocha, Deputy Administrative Officer, reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

Adam Probolsky, Probolsky Research, reviewed the information on this item, per the information contained in Attachment 3, 2022 Grantee Survey Results.

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

- The Committee requested that staff forward a detailed copy of the Grantee Survey Results be transmitted to George Skiles, Sjoberg Evashenk Consulting.

4.5 Review and Discuss the 2022 board Audit Committee (BAC) Work Plan and Proposed 2023 BAC Work Plan.

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and make any necessary adjustments to the 2022 BAC Work Plan and Proposed 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 2.

The Committee noted the information and took no formal action.

4.6 Discuss the 2022-2024 Annual Audit Work Plan.

Recommendation: Discuss the 2022-2024 Annual Audit Work Plan.

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

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

The Committee requested that staff bring this item to the full Board for review and discussion at a future Board meeting.

**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.*

Max Overland, Acting Deputy Clerk of the Board, confirmed that there were no new Committee Member Requests.

**6. ADJOURN:**

6.1 Adjourn to Regular Meeting at 2:00 p.m., on October 19, 2022.

Chairperson Keegan adjourned the meeting at 12:55 p.m., to the Regular meeting at 2:00 p.m. on January 18, 2023.

Max Overland  
Acting Deputy Clerk of the Board

Date Approved:





BOARD AUDIT COMMITTEE MEETING

# DRAFT MINUTES

**SPECIAL MEETING  
FRIDAY, JANUARY 20, 2023  
11:00 AM**

(Paragraph numbers coincide with agenda item numbers)

**1. CALL TO ORDER:**

A special 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 11:00 a.m.

**1.1 Roll Call.**

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

Staff members in attendance were: Emmanuel Aryee, Sarah Berning, Theresa Chinte, Jessica Collins, Mike Cook, Concepcion Gayotin, Walter Gonzalez, Brian Hopper, Robert Marmito, Jennifer Martin, Anthony Mendiola, Nicole Merritt, Tony Ndah, Carlos Orellana, Leslie Orta, Max Overland, Mario Rivas, Manpreet Sra, Darin Taylor, Sherilyn Tran, Zuberi White, and Tina Yoke.

Guests in attendance were: Katja Irvin (Sierra Club-Loma Prieta Chapter), and George Skiles (Sjoberg Evashenk Consulting).

Public in attendance was: Theresa K.

**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:**

None.

#### **4. REGULAR AGENDA:**

##### **4.1. Review and Discuss the 2023 Board Audit Committee (BAC) Work Plan.**

Recommendation: Review 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.

Public Comments:  
None.

The Committee noted the information without formal action and deferred further action until Committee members are confirmed at the next meeting.

##### **4.2. Status Update on the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit Conducted by Navigant Consulting, Inc. (Navigant).**

Recommendation: Receive an update on the implementation of the recommendations made by the Navigant in the 2015 Consultant Contracts Management process Audit and the Consultant Contracts Improvement Process.

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

Public Comments:  
None.

The Committee noted the information without formal action and staff will note this audit as complete.

##### **4.3. 2014 Transparency Compliance Audit Recommendation Status Update and Provide Guidance to Staff Regarding Follow-up on Completed Management Actions.**

Recommendation:   A.    Receive and discuss the 2014 Transparency Compliance Audit Recommendation Status Update; and  
                          B.    Provide guidance to staff regarding follow-up on completed Management Actions.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo and per the information contained in Attachments 1 and 2.

Public Comments:  
None.

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

- The Committee requested staff to share background and audit status with new Board members and report back to the Committee on justification for a potential update to initial audit.

4.4. Discuss the Board Audit Discuss Board Audit Committee's 2023 Annual Self-Evaluation Process, Provide Guidance Regarding Preferred Method to Conduct Process, and Request Chief Audit Executive to Conduct Self-evaluation Process and Return to Provide Summary of Discussions.

- Recommendation:
- A. Discuss Board Audit Committee's 2023 annual self-evaluation process; and
  - B. Provide guidance regarding preferred method to conduct process; and
  - C. Request Chief Audit Executive (CAE) to conduct self-evaluation process and return to provide summary of discussions.

George Skiles reviewed the information on this item, per the attached Committee Agenda Memo.

Public Comments:  
None.

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

- The Committee requested to conduct the self-evaluation process as it was done in 2022 and instructed staff to meet with Board members for feedback.
- The Committee requested CAE to conduct interviews and report back to the Committee for further discussion and authorization to present to the full Board.

4.5. Request Chief Audit Executive (CAE) Activity Report from Sjoberg Evashenk Consulting, Inc. to Evaluate Board Auditor Performance, and Return to Present Report At a Later Date.

- Recommendation:
- A. Request Chief Audit Executive (CAE) activity report from Sjoberg Evashenk Consulting, Inc. to evaluate CAE performance; and
  - B. Direct CAE to return to present report at a future meeting.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo.

Public Comments:  
None.

It was moved by, Director Santos, seconded by Chairperson Keegan and the following Recommendations were unanimously carried:

- Recommendations:
- A. Request Chief Audit Executive (CAE) activity report from Sjoberg Evashenk Consulting, Inc. to evaluate CAE performance; and
  - B. Direct CAE to return to present report at a future meeting.

The Committee requested the activity report from the CAE and directed CAE and staff to work together to report back to the Committee.

4.6. 2022-2024 Annual Audit Work Plan Updates.

- Recommendation:
- A. Discuss the 2022-2024 Annual Audit Work Plan; and
  - B. Authorize staff to either (1) solicit Board input regarding future audit topics in order to develop recommended updates to 2022-2024 Annual Audit Work Plan; or (2) present 2022-2024 Annual Audit Work Plan to the full Board for consideration and approval subject to any changes approved by the BAC.

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

Public Comments:  
None.

It was moved by, Director Santos, seconded by Chairperson Keegan to accept the following and Recommendations were unanimously carried:

- Recommendations:
- A. Discuss the 2022-2024 Annual Audit Work Plan; and
  - B. Authorize staff to solicit Board input regarding future audit topics in order to develop recommended updates to 2022-2024 Annual Audit Work Plan.

- The Committee deferred changes to Annual Audit Work Plan (AAWP) until Committee members are confirmed at the next meeting.
- The Committee requested staff to send information on their plan to review the Risk Assessment to Board members.
- The Committee requested CAE to interview Board members for AAWP review and revisions.
- The Committee directed staff to bring feedback back to the Committee to prepare for authorization to go to the full Board.

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 Items 4.5 and 4.6 were approved Committee requests.

**6. Adjourn:**

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

Chairperson Keegan adjourned the meeting at 11:57 a.m., to the Regular Meeting at 2:00 p.m. on February 15, 2023.

Nicole Merritt  
Assistant Deputy Clerk II

Date Approved:

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# Santa Clara Valley Water District

**File No.:** 23-0145

**Agenda Date:** 2/15/2023

**Item No.:** 5.1.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒  
(If "YES" Complete Attachment A - Gov. Code § 84308)

### SUBJECT:

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

### RECOMMENDATION:

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

### SUMMARY:

Per the BAC's Charter, Article III, Paragraph 6.2, "The Committee shall, in coordination with Valley Water's Clerk of the Board, develop a proposed Annual Work Plan. Items shall be included in the Annual Work Plan based upon a majority vote of the Committee."

Under direction of the Clerk, Work Plans are used by all Board Committees to increase Committee efficiency, provide increased public notice of intended Committee discussions, and enable improved follow-up by staff. Work Plans are dynamic documents managed by Committee Chairs and are subject to change. Committee Work Plans also serve as Annual Committee Accomplishments Reports.

The attached BAC Annual Work plan contains the following changes relative to the version reviewed by the BAC at the January 20, 2023 meeting:

1. Added a discussion of the audit charter for the May 2023 BAC Meeting, which will allow the new BAC member to have the opportunity to review the charter and provide comments, as appropriate. Per the BAC's Charter, Article IX, Paragraph 1, "The Committee shall periodically review the Audit Charter and shall make any recommendations regarding changes to the Board for final approval."
2. Removed District Counsel Audit Recommendation Status Updates from the Work Plan because all the recommendations were implemented in 2022
3. Moved the Auditor's Activity Report topic up from the March BAC meeting to February because the report is available
4. Moved the Quarterly Financial Status Update for Mid-Year Review out from the February BAC meeting to March to accommodate heavy staff workloads

Looking forward, the topics of discussion identified for the March 15th, 2023, BAC Meeting can be summarized as follows:

- 2023 BAC Work Plan
- 2022-2024 Annual Audit Work Plan
- Receive a Quarterly Financial Status Update for Mid-year Review

Attachment 1 is the 2023 BAC Work Plan. Upon review, the BAC may make changes to be incorporated into the work plan.

**ATTACHMENTS:**

Attachment 1: 2023 BAC Work Plan

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



**BOARD AUDIT COMMITTEE 2023 WORKPLAN**

January 1, 2023 to December 31, 2023

Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		20-Jan	15-Feb	15-Mar	19-Apr	17-May	21-Jun	19-Jul	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
	Board Audit Committee Meeting Dates													
	Number of Agenda Items per Meeting Date	6	6	3	2	7	4	4	6	5	2	6	3	Note: For informational purposes only. This value excludes Item 12 because that items is prepared by the Committee Clerk, not the CI Team, and is for the Full Board, not just the BAC.
	Meeting Dates	•	•	•	•	•	•	•	•	•	•	•	•	Note: The BAC approved a regular meeting schedule for 2023, to meet monthly, on the third Wednesdays at 2:00 p.m.
	Board Audit Committee Management													
1	Election of 2023 BAC Chair and Vice Chair		•											Recommendation: Nominate and elect the 2023 Board Audit Committee Chair and Vice Chair.
2	Board Audit Committee Audit Charter					•								Recommendation: Propose modifications to the Board Audit Committee Audit Charter to be presented to the full Board.  NOTE: This is an "as needed" topic
3	Review and Update 2023 BAC Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	Recommendation: A. Review and Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan; and B. Approve the updated 2023 Board Audit Committee Work Plan.
4	Discuss Scope of Annual Audit Training from Board Independent Auditor					•	•							Recommendation: Discuss scope of Annual Audit Training from Board Independent Auditor.
5	Receive Annual Audit Training from Board Independent Auditor								•					Recommendation: Receive Annual Audit Training from Board Independent Auditor.  Notes: Actual Training will be scheduled by Board Scheduler and provided to CI Team (will not be conducted during regular mtg.)
6	Conduct Annual Self-Evaluation	•	•											Jan. Recommendation: A. Discuss Annual Self-Evaluation Process; and B. Authorize Staff to initiate the process and return to BAC with results at a later date  Feb. Recommendation: A. Receive and Discuss the Results of the Annual Self-Evaluation Discussions; and B. Authorize staff to Prepare Formal Report and Present to the full Board.  Note: Jan – Discuss the Eval process and alert BAC to upcoming interviews; Feb –

**BOARD AUDIT COMMITTEE 2023 WORKPLAN**

January 1, 2023 to December 31, 2023

Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		20-Jan	15-Feb	15-Mar	19-Apr	17-May	21-Jun	19-Jul	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
7	Receive and Discuss CAE Activity Report to Evaluate Auditor Performance	•	•											<u>Jan. Recommendation:</u> Request CAE Activity Report from Sjoberg Evashenk to evaluate CAE Performance.  <u>Mar. Recommendation:</u> Receive and discuss the CAE Activity Report  Note: Jan = BAC Requests report from CAE; Mar = Receive and discuss report from CAE
8	Discuss Extension or Termination of Board Chief Audit Executive (CAE) Contract for Board Independent Auditing Services Prior to Expiration of the Agreement around December 2024													<u>Recommendation:</u> A. Discuss option to extend Board Independent Auditor Contract with TAP International, Inc. for Board Independent Auditing Services currently scheduled to expire effective June 30, 2022; and B. Approve recommendation to the full Board to: 1. Allow the expiration of the Board Independent Auditor Contract with TAP International; or 2. Exercise option to extend Board Independent Auditor Contract with TAP International, Inc.  Note: Agreement effective date was 12/27/21 or 1/1/22.
9	Chief Audit Executive - Request for Proposal: Review Panel (Apr 2024)													<u>Note:</u> Review Panel for the role of the Chief Board Auditor will be the BAC members
10	Tri-annual Risk Assessment (CY 2024)													<u>Recommendation:</u> Discuss the scope of work for the 2024 Risk Assessment.  <u>Note:</u> Initiate discussions in February 2024; Deliverable due by September 2024
<b>Board Audit Committee Special Requests</b>														
11	External Financial Auditor Meeting with Individual Board members													<u>Note:</u> Schedule as needed.
12	Provide BAC Summary Report to full Board	•	•	•	•	•	•	•	•	•	•	•	•	<u>Note:</u> Report to be provided to Board in non-agenda the month after each BAC meeting, or as part of the Board Committee Reports, prepared by Committee Clerk
<b>Management and Third Party Audits</b>														
13	Review Draft Audited Financial Statements											•		<u>Recommendation:</u> A. Review draft Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022; and B. Direct staff to have Financial Auditor to contact Board Members and present, if necessary.  Note: This is a Nov. agenda item

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**BOARD AUDIT COMMITTEE 2023 WORKPLAN**

January 1, 2023 to December 31, 2023

Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		20-Jan	15-Feb	15-Mar	19-Apr	17-May	21-Jun	19-Jul	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
14	Audit Report of the Water Utility Enterprise Funds for the Fiscal Year								•					<u>Recommendation:</u> Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year.
15	Receive QEMS Annual Internal Audit Report								•					<u>Recommendation:</u> Receive information regarding the Quality and Environmental Management System.
16	Audit Recommendations Implementation Status		•				•						•	<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.  <u>Note:</u> This is a December/June item; February 2023 item was delayed from Dec 2022; Return to the BAC every 6 months
<b>Board Independent Auditor - Sjoberg Evashenk Items</b>														
17	Review and Update Annual Audit Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	<u>Recommendation:</u> Discuss the Annual Audit Work Plan and update, if necessary.
	<b>Audit - 2019 Contract Change Order Audit</b>													
18	Recommendation Implementation Status (Annual Rpt. in August; Target Completion = TBD)									•				<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
	<b>Audit - 2020 District Counsel Audit</b>													
19	Recommendation Implementation Status (Annual Rpt. in January; Target Completion = TBD)													<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.  <u>Note:</u> This is a January item; February 2022 item was delayed from January; This effort was completed in 2022 and is closed.
	<b>Audit - 2020 Real Estate Audit</b>													
20	Recommendation Implementation Status (Annual Rpt. in November; Target Completion = TBD)											•		<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
	<b>Audit - 2020 SCW Program Grants Management</b>													
21	Recommendation Implementation Status (Semi-Annual Rpt. in March and September; Target Completion = June 30, 2023)					•						•		<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.  <u>Note:</u> Updates in 2022 slipped by 2 mos.
	<b>Audit - 2021 Permitting Best Practices</b>													
22	Recommendation Implementation Status (Annual Rpt. in May; Target Completion = TBD)					•								<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
	<b>Audit - To Be Determined</b>													
23	Receive notification of initiated Audit													<u>Note:</u> Audit Objectives - What is the objective of this audit?

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**BOARD AUDIT COMMITTEE 2023 WORKPLAN**

January 1, 2023 to December 31, 2023

Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		20-Jan	15-Feb	15-Mar	19-Apr	17-May	21-Jun	19-Jul	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
24	Review Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
25	Review Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
26	Review Management's Response to Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Authorize staff work with the CAE to finalize the Audit Report and present it to the Board of Directors.
<b>Management Audits - PMA, MGO, and 3rd Party Items</b>														
<b>Audit - 2014 Transparency Compliance Audit</b>														
27	Recommendation Implementation Status (Annual Rpt. in November; Target Completion = TBD)	•												<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.  <b>NOTE:</b> January item was delayed from Nov/Dec 2022; Chief of Staff is waiting for the last set of metrics before taking to the Chiefs for a final approval of the Performance Measures
<b>Audit - 2015 Consultant Contracts Audit</b>														
28	Status Update on the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit Conducted by Navigant Consulting, Inc. and the Consultant Contracts Improvement Process.	•						•						<b>Note:</b> Staff update every 6 months; <b>January item was delayed from Nov/Dec 2022 by new Deputy (Tony Ndah) to allow him to get familiar with the issues, and to allow staff to complete the last of open recommendations</b>  <u>Recommendation:</u> Receive and discuss a status update on the implementation of the recommendations made by Navigant in the 2015 Consultant Contracts Management Process Audit and on the Consultant Contracts Improvement Process.
<b>Audit - 2019 Lower Silver Creek Audit</b>														
29	Recommendation Implementation Status (Semi Annual Rpt. in February; Delayed to September)									•				<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
<b>2022 QEMS Improvements Implementation</b>														
30	Recommendation Implementation Status (Annual Rpt. in August)								•					<u>Recommendation:</u> Receive and discuss a status update on the opportunities for improvement.
<b>Miscellaneous BAC Work Plan Items</b>														
31	Financial Status - Quarterly Update			•		•				•		•		<b>Note:</b> suggested frequency is as follows: February for mid-year review; May for Q3 review; September for unaudited close (slipped to October); November for Q1 review

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**BOARD AUDIT COMMITTEE 2023 WORKPLAN**  
January 1, 2023 to December 31, 2023

Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		20-Jan	15-Feb	15-Mar	19-Apr	17-May	21-Jun	19-Jul	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
32	Financial Audit - Periodic Update							•						Schedule as needed  <u>Recommendation:</u> Discuss the Financial Audit
33	Board's Auditor Pool RFP Status Update													Schedule as needed  <u>Recommendation:</u> Receive a status update regarding the Request for Proposal (RFP) for Board Auditing Services

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# Santa Clara Valley Water District

**File No.:** 23-0146

**Agenda Date:** 2/15/2023

**Item No.:** 5.2.

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## **COMMITTEE AGENDA MEMORANDUM Board Audit Committee**

Government Code § 84308 Applies: Yes ☐ No ☒  
(If "YES" Complete Attachment A - Gov. Code § 84308)

### **SUBJECT:**

Discuss the Board Audit Committee's 2023 Annual Self-Evaluation Process.

### **RECOMMENDATION:**

Discuss the Board Audit Committee's 2023 annual self-evaluation process.

### **SUMMARY:**

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

On December 13, 2022, the Board approved the latest revision of the BAC Audit Charter that provides detailed guidance regarding how the BAC should carry out its functions and to guide the work of the Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Inc.

According to Article 9, paragraph 4 of the BAC Audit Charter, the BAC shall conduct a self-evaluation of its performance annually. The Committee shall conduct the evaluation of its performance to determine whether it is functioning effectively and to discuss with the Independent Auditor any observations related to the effectiveness of the Committee. The Committee shall prepare a formal report based upon each such self-evaluation and shall provide such report to the full Board following its adoption by the Committee.

At its January 19, 2022, BAC meeting the committee discussed the prior year's self-evaluation process, which was based on filling out a questionnaire. The general consensus was that a questionnaire-based self-evaluation process did not produce sufficiently valuable insight regarding the performance or effectiveness of the committee. During the discussion it was decided that the CAE would conduct interviews with the Committee members to obtain insight regarding the Committee's performance as well as opportunities for improvement. At its January 20, 2023, BAC

meeting the committee agreed to continue this interview-based approach for the 2023 self-evaluation.

Interviews with BAC members occurred during the week of January 30, 2023. Consistent with prior years, members of the BAC generally agreed that the overall governance and activities of the committee were aligned with its charter; members have a clear understand of the role and responsibility of the BAC, strive to ensure the BAC acts independently of Valley Water management, meet regularly as scheduled, adhere to the annual work plan, maintain open lines of communication with the Independent auditor, engage in ongoing assessments of corrective action taken by management in response to audit findings and recommendations, routinely evaluate risk and systems of internal control, and strive for continuous improvement of the BAC and audit processes within Valley Water. However, members did raise specific areas where improvements may be achieved, and value added. These include:

- Enhancing the BAC's approach and consideration of emerging risks, including revisiting the 2021 Risk Assessment and considering risk factors that may pose future threats
- Promoting transparency by developing a repository of Board-commissioned audits
- Maintaining and increasing open communication between Board directors and the Chief Audit Executive
- Continuing to emphasize Valley Water's collaborative approach to audits, focusing on continuous improvement while minimizing the potentially adversarial nature of audits and building buy-in from management and staff

The purpose of this agenda item is to discuss the annual self-evaluation process for calendar year 2023.

**ATTACHMENTS:**

None.

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068





# Santa Clara Valley Water District

File No.: 23-0150

Agenda Date: 2/15/2023

Item No.: 5.3.

## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒  
(If "YES" Complete Attachment A - Gov. Code § 84308)

### SUBJECT:

Receive and Discuss a Status Update on the Implementation of Audit Recommendations, Authorize Staff to Close Completed Board-Directed Audits and Provide Additional Direction as Necessary, and Discuss Timing of Next Update.

### RECOMMENDATION:

- A. Receive and discuss a status update on the implementation of audit recommendations,
- B. Authorize staff to close completed Board-directed audits and provide additional direction as necessary, and
- C. Discuss timing of next update.

### SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

Since the previous report back in May 2022, management has reported that 58 of the 73 pending recommendations have been addressed, of which 2 were deemed low priority or unnecessary as conditions have changed since the initial audit, bringing the total number of pending recommendations down to 15. Of the 10 audits that were still open in the previous report, 1 was closed (2015 Mitigation and Monitoring Compliance), and since then 7 more are now considered complete and ready to be closed. The Chief Audit Executive (CAE) will consider any completed Board-directed audits for follow-up as part of the annual audit planning cycle. With this report, there are a total of 15 active audit recommendations related to 2 audit reports that have not been fully resolved, as shown in the table below as "Pending/Underway".

Audit Name	Total Number of Recommendations	# of Recommendations Not Selected for Further Analysis	%	# of Recommendations Either Pending or Underway	%	# of Recommendations Either Completed or Implemented	%
2014 Transparency Compliance Audit	22	2	9%	0	0%	20	100%
*2015 Mitigation and Monitoring Compliance Audit	15	0	0%	0	0%	15	100%
*2015 Consultant Contracts Audit	11	0	0%	0	0%	11	100%
*2019 Lower Silver Creek Audit	27	0	0%	0	0%	27	100%
2019 Contract Change Order Audit	7	0	0%	0	0%	7	100%
2020 District Counsel Audit	5	1	20%	0	0%	4	100%
2020 Real Estate Services Audit	13	1	8%	0	0%	12	100%
2020 Safe, Clean Water Program Grant Management	11	0	0%	4	36%	7	64%
2021 Permitting Best Practices Audit	14	0	0%	11	79%	3	21%
*2022 Human Resources Audit	15	0	0%	0	0%	15	100%
<b>TOTALS:</b>	<b>140</b>	<b>4</b>	<b>3%</b>	<b>15</b>	<b>11%</b>	<b>121</b>	<b>86%</b>
* = Management directed Audits							

A brief high-level summary, based on the detailed updates provided by recommendation owners, about the efforts made by staff to address pending recommendations for a given audit are provided below.

- **2014 TRANSPARENCY COMPLIANCE AUDIT** (completed)

In 2014, TAP International Inc., conducted the Transparency Compliance Audit that resulted in 22 recommendations that the Board of Directors (Board) and Chief Executive Officer (CEO) considered implementing to advance to the next generation of transparency and accountability activities. Some implemented actions in response to the audit include:

- The office of Government Relations and Communications were reorganized into one unit to better coordinate effective engagement with the community.
- The Board Work Plan document was created and is updated annually.
- A new Valley Water brand identity was implemented.
- Every Board Committee has a work plan that is updated regularly.
- The Legistar software program was implemented which allows for streamlined supervisory sign off for Board agenda packets.

As of the status update provided in May of 2022, there was 1 remaining audit recommendation pending. The remaining recommendation, #19, recommended that staff “Meet on a quarterly basis with executive leadership, mid-level managers, and staff to analyze performance data to assess Valley Water’s progress and identify improvements in processes to accomplish Valley Water’s key strategic goals.” As reported at the January 20, 2023, BAC meeting, staff worked with a consultant to develop a set of metrics based on the Board’s strategic goals. The metrics have been reviewed by stakeholders and executive management. Staff is in the process of establishing an on-going reporting schedule. With the implementation of this recommendation, all 22 recommendations from the 2014 Transparency Compliance Audit have been addressed. At its meeting on January 20, 2023, the BAC requested a future discussion on the topic of transparency, specifically on what has changed since the 2014 Transparency Compliance Audit.

- **2015 MITIGATION AND MONITORING COMPLIANCE AUDIT** (closed)

In 2015, Panorama Environmental, Inc., conducted the Mitigation and Monitoring Compliance audit that resulted in 15 recommendations based on Valley Water’s operations and

maintenance activities and capital projects in the Watershed Management and Water Utility divisions, and included all mitigation associated with Valley Water's multi-year Stream Maintenance Program. Staff provided a final update on the status of the recommendation implementation to the BAC on February 16, 2022 and reported that all recommendations of the audit had been accomplished. Some implemented actions in response to the audit include:

- Planning units now review and approve project schedules prior to finalizing to ensure realistic time frames for permitting.
- Valley Water's environmental services were consolidated within the Watersheds division to improve consistency, foster coordination and streamline permitting.
- The SMP database (which is the primary mitigation database for watershed operations and maintenance activities) has been fully integrated with the MAXIMO system (the system used to manage work and maintain valuable assets).
- A geospatial cloud application was developed that will allow internal and external users to access SMP historical data, perform regulatory approvals and access program reporting from a customizable user interface.

- **2015 CONSULTANT CONTRACTS AUDIT** (completed)

In 2015, Navigant Consulting, Inc., conducted the Consultant Contracts Audit that resulted in 11 recommendations based on the extent to which compliance issues have been present during the review period (2009 - 2014), and areas of improvement to the "as-is" post-award contract management framework (including relevant policies, processes, and protocols). As of May 2022, there were 3 remaining audit recommendations related to consistent contract management and vendor performance evaluations that were pending completion or implementation. To address the remaining recommendations, a new Vendor Performance Evaluation form was developed to ensure consultant evaluations were done consistently. At the January 20, 2023, BAC meeting, staff reported that a Procurement Manual that provides guidance regarding consultant contract management was being developed as an overarching standard process for accountability and contract management. That Procurement Manual has been completed and implemented. With this report, all recommendations have been addressed.

- **2019 LOWER SILVER CREEK AUDIT** (completed)

In 2019, PMA Consultants, LLC conducted the Lower Silver Creek Audit that resulted in 27 recommendations based on a review of: (1) allegations of conflict of interest, fund reallocation, and firewall; (2) financial allegations; (3) District Attorney investigation; (4) sole sourcing; and (5) performance review. The auditors found no violation of Valley Water's conflict of interest or firewall policies; only minor invoice discrepancies, immaterial in nature; decision to sole-source agreement was justified; and Santa Clara County District Attorney Investigation resulted in decision not to pursue the case and no Grand Jury report was filed. Audit findings included business process improvement opportunities, which led to twenty-seven (27) recommendations. As of May 2022, there were 14 remaining audit recommendations addressing formal guidance on reviewing invoices, fraudulent activity, adhering to change management and document management practices, following project work plans appropriately, and providing regular updates and reviews. In response, a new Invoice Review Procedure was developed and implemented to ensure consistent invoice reviews. A

Procurement Manual was developed and implemented to clarify roles and responsibilities. The newly developed Capital Project Management and Project Controls (CPMPC) program will be responsible for training staff about document control. Furthermore, Procurement has established a Vendor Performance Evaluation program that will ensure consistent vendor performance reviews. As of this report all recommendations have been addressed.

- **2019 CONTRACT CHANGE ORDER AUDIT** (completed)

In 2019, TAP International Inc., (TAP) conducted the Contract Change Order Audit that resulted in seven (7) recommendations to enhance change order management and administration activities for very large capital construction projects. Recommendation #5 regarding administration of procurement activities being transferred to the Procurement and Consultant Contract Services Unit was implemented in October of 2019. As of the last update in May 2022, the remaining six (6) audit recommendations were still "Pending/Underway." The recommendations touched on change order policies and procedures, constructability reviews, review and approval processes, organizational alignment, consistent implementation of change order management, and tracking and reporting of performance metrics. Since then, staff has implemented an Independent Cost Estimator agreement and established a Change Control Board for projects greater than \$100 million or deemed high risk. Staff also implemented an application (Projectmates) to enhance coordination amongst project and administration teams, as well as assist with invoice review and project monitoring. As of this report, all recommendations from the audit have been addressed.

- **2020 DISTRICT COUNSEL AUDIT** (completed)

In 2020, TAP International Inc., conducted the District Counsel Audit that resulted in 5 recommendations to improve service delivery and performance through an enhanced operating strategy, implementing structural and process improvement changes that will enhance the efficiency and effectiveness of legal services provided to Valley Water's operational and administrative units. Presentation of the District Counsel Audit final report was received and approved by the Board Audit Committee on December 16, 2020, and presented to the full Board at the January 26, 2021, Board meeting. As of the last report back in May, three (3) audit recommendations were pending: 1) develop and implement a written strategy; 2) develop a decision-making guide for early engagement with District Counsel, and 3) review the organizational structure for Risk Management under the District Counsel's office. In response, District Counsel has developed and included a written strategy that will be reviewed with the Board as part of the annual performance work plan on an ongoing basis. Furthermore, the District Counsel has established monthly meetings with the Executives to discuss contracting and other legal issues, and weekly meetings with Procurement staff to discuss requests for contract reviews. In addition to these efforts to ensure early engagement of counsel in decision-making, the monthly meetings with Executives include time for formalizing a written guide for early engagement of counsel in contracting matters. On November 22nd, 2022, the Board authorized staff to revise the Annual Audit Work Plan to remove an audit objective intended to analyze the organizational placement of the Risk Management Unit under the District Counsel's office. Upon further analysis it was determined that the placement of the unit facilitates communications between Risk Management and District Counsel. As of this report, all recommendations from the audit have been addressed.

- **2020 REAL ESTATE SERVICES AUDIT** (completed)

In 2020, TAP International, Inc., conducted the Real Estate Services Audit that resulted in 13 recommendations to minimize undue hardships to property owners, enhance the timeliness of real estate transactions, increase revenue, and improve transparency and accountability of Real Estate Services Unit (RESU) current operations. Presentation of the Real Estate Services Audit final report was approved and recommended by the Board Audit Committee on October 21, 2020, and presented to the full Board at the November 10, 2020, Board meeting. As of the last update in May 2022, nine (9) audit recommendations were listed as “Pending/Underway”, and one item identified as “Other Matters for Consideration”. Of the 9 recommendations pending, 4 were implemented (#5, #8, #9, and #12) but not identified as such at the time. Staff had developed a risk assessment process to identify more complex acquisitions that will require more time and effort to accomplish. They also conducted a study to determine how Property Owner Appraisals impact the acquisition process. Furthermore, staff worked closely with key units to establish a watershed wide appraisal matrix to assist in the development of an annual fee schedule. Since May 2022, RESU has implemented the remaining 5 pending recommendations (#3, #6, #7, #10, and #11) that would improve operations, enhance financial and service delivery, speed up acquisition processing, improve engagement and increase participation during planning, as well as clarify roles and responsibilities of similar business areas. RESU updated policies and procedures to provide better oversight of Residential and Non-residential properties. Senior staff will oversee and address any insurance issues that may arise and conduct regular property inspections. A process for updating Right-of-Way templates was developed with District Counsel for various types of agreements to help minimize transactional review time. Capital procedures were confirmed to include RESU staff on core project teams to act as SMEs and Task Leads, specifically on projects where Right-of-Way acquisitions may be necessary. RESU created a web page to better describe RESU’s services, provide contact information, and links to informative brochures. The newly designed web page will also include information about associated units (e.g., Community Projects Review Unit, and Lands Management) and the specific services they provide. With this report, all 9 pending recommendations have been addressed, and staff is now considering the “Other Matters for Consideration” identified by the auditors.

- **2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT**

On September 2, 2020, TAP International, Inc., along with subconsultants Greta McDonald and Drummond Kahn conducted the Grants Management Performance Audit to assess whether Valley Water could provide assurance that risks are being managed appropriately and whether the department’s internal control environment is operating effectively to ensure the safeguarding of public funds, with the focus on improving grant management operations and aligning current processes with best practices. Additionally, it assessed the timeliness of grant/contract approvals, and grant payments. Presentation of the Safe, Clean Water Program Grant Management Audit final report was approved and recommended by the Board Audit Committee on January 13, 2021, and presented to the full Board at the March 23, 2021, Board meeting. The audit identified 11 recommendations to enhance operating effectiveness and identify opportunities to incorporate best practices. The report in May 2022 identified 5

recommendations as “Achieved.” Since then, 2 more recommendations have been “Achieved” with the completion of the Grants Manual and Grantee Guide. These documents were completed and are being formatted for posting on the internal website for staff and will be continually updated as changes are made to the program. As of this report, 4 recommendations remain as “Pending/Underway” and are anticipated to be completed in FY23-24 with the completion of the grants redesign. An RFP was issued for consultant services to redesign the grants program, which included two components to “right size” the administration and to expand the project type criteria. The RFP was sent to 288 firms and no bids were submitted, so staff reached out to potential consultants for a single-source contract. For the “right sizing” of the grants administration, staff have met with potential firms and continue to reach out to other potential consultants. For the redesign of the project type criteria, a consultant was hired and began work in November 2022. Upon the completion of the grants redesign in FY23-24, all recommendations will be achieved.

- **2021 PERMITTING BEST PRACTICES AUDIT**

On October 13, 2020, TAP International Inc. was requested to conduct the Permitting Best Practices Audit that resulted in 14 recommendations to enhance communication and processing speed, introduce best practices where appropriate, and improve the customer experience. Presentation of the Permitting Best Practices Audit final report was approved and recommended by the Board Audit Committee on May 26, 2021, and presented to the full Board at the July 13, 2021, Board meeting. As of the last report in May of this year, 13 out of the 14 audit recommendations were identified as “Pending/Underway”. Since then, 2 additional recommendations (#3 and #4) have been implemented: #3) the Community Projects Review Unit (CPRU) enhanced its training to include Permit Processing and Customer Service training for CPRU staff, and Risk Management regarding insurance issues; and #4) roles and responsibilities pertaining to application review have been clarified. As for the remaining recommendations, a new billing policy and procedure specific to the CPRU fees for permits has been drafted and is being reviewed by stakeholders. Staff has selected a software application that will address some of the pending recommendations. Full implementation of the new software is yet to be determined. Staff is meeting with IT to develop the scope of work to implement the new software. Staff will continue to provide updates via the annual audit status report to the BAC until all recommendations have been addressed.

- **2022 HUMAN RESOURCES AUDIT** (completed)

In 2021, Executive Management requested a review of Human Resources (HR) functions focusing on four (4) areas within HR: HR Structure & Management, Training, Form 700, Recruiting & Retention resulting in a total of 15 recommendations. Presentation of the Human Resources Audit final report was provided to the Board Audit Committee on January 19, 2022, in compliance with the Board Audit Committee’s charter, which states that the Committee may comment on management responses to an audit. As of the last status report in May 2022, five (5) recommendations had already been implemented. Since then, staff has worked to address the remaining 10 audit recommendations still identified as “Pending/Underway”. As of this report, all 10 pending recommendations have been implemented. The HR division is using an “out of the box” approach. They have implemented or enhanced various applications, databases, and tracking systems to meet the changing needs of staff and new hires.

Processes and procedures have been reviewed and revised or enhanced to streamline efforts for better efficiency. Collaborative meetings have been established to facilitate communication amongst HR functions so that everyone is working from a consistent understanding. In conjunction with other units, like REDI, HR is working to ensure compliance with training requirements. Use of technical training resources has increased. The Knowledge Transfer Program has been enhanced to better capture institutional knowledge and educate staff. HR has reduced the number of Form 700 filers by reviewing their criteria for determining who should file and revising them so that only those with decision-making authority are identified. The Form 700 process is now managed in partnership with Labor Relations. HR launched an Employee Referral Program to encourage staff to identify good quality candidates for open positions. HR has expanded benefits to attract and retain staff.

The BAC is requested to receive and discuss the information and provide guidance to staff as necessary. Additionally, the BAC is requested to provide guidance regarding the timing of the next report. Staff recommends returning no earlier than 6 months from the date of this report. If the BAC agrees, staff will return to provide the next update at the August 2023 BAC meeting.

**ATTACHMENTS:**

None.

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

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# Santa Clara Valley Water District

**File No.:** 23-0147

**Agenda Date:** 2/15/2023

**Item No.:** 5.4.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒  
(If "YES" Complete Attachment A - Gov. Code § 84308)

### SUBJECT:

Discuss the 2022-2024 Annual Audit Work Plan.

### RECOMMENDATION:

- A. Discuss the 2022-2024 Annual Audit Work Plan; and
- B. Provide further direction as needed

### SUMMARY:

On January 11, 2022, the proposed 2022-2024 Annual Audit Work Plan was approved by the Board. At its January 19th meeting, the Board Audit Committee (BAC) identified the top 3 areas of interest to be audited in 2022: 1) ID #1, CIP Process; 2) ID #3, Emergency Response; and 3) ID #6, Data Management.

At its April 20th meeting, the BAC authorized staff to seek approval from the full Board to initiate the CIP Process Audit as the first audit for 2022 and to authorize Sjoberg Evashenk Consulting, Inc. to conduct the audit.

At its May 24th, 2022, meeting, Valley Water's Board of Directors authorized staff to proceed with the CIP Process Audit, and authorized Sjoberg Evashenk Consulting, Inc. to conduct the audit.

On October 19<sup>th</sup>, 2022, the BAC authorized staff to seek agreement from the full Board regarding the recommendation to modify the 2022-2024 Annual Audit Work Plan (Attachment 1) by removing the audit objective related to the organizational alignment of Risk Management from the work plan. At the November 22<sup>nd</sup>, 2022, Board Meeting, the Board agreed with the recommendation, and authorized staff to modify the 2022-2024 Annual Audit Work Plan accordingly.

At its January 20<sup>th</sup>, 2023, meeting, the BAC authorized staff to inform the full Board of plans for the Chief Audit Executive (CAE) to review the most recent Risk Assessment, and to solicit feedback from Board members and executive management regarding risk-related themes as it relates to the Annual Audit Work Plan. Once the CAE has completed this exercise, staff intends to return to the BAC to

discuss the feedback gathered and seek authorization to incorporate any proposed changes to the Annual Audit Work Plan, that would then be brought to the full Board for approval.

For this item, the BAC is asked to discuss the annual audit work plan and provide any further direction as necessary.

**ATTACHMENTS:**

Attachment 1: 2022-2024 Annual Audit Work Plan

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



**TAP**International

# **FY 2022-2024 Annual Audit Work Plan**

Updated as of November 22, 2022

## ANNUAL AUDIT WORK PLAN

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. The selection of audits for formal review and approval by the Board of Directors is an important responsibility of the Audit Committee.

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.

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 the progress of prior audit recommendations.
- Identify the impact of changes
- Identify leading practices.
- Assess regulatory compliance.
- Develop policy options.
- Assess the accuracy of financial information reported.

The types of audits that can be conducted include:

- 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 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 Valley Water programs, services, and operations.
- Desk reviews: Small and quick audits.
- Follow up audits: Follow up audits assess the implementation status of recommendations included in prior audit reports.
- Best practices reviews: Compares current operations to best practices.

This proposed audit work plan is divided into sections. Section A describes anticipated ongoing support services to be provided by the independent auditor as well as other quality assurance activities planned by Valley Water's executive management. Section B describes the audits planned for implementation by the Independent Auditor.

## SECTION A

### ONGOING SUPPORT SERVICES AND SPECIAL PROJECTS

The following table lists non-audit services and special projects for the FY 2022 to 2024 audit work plan:

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
<b>Board of Director &amp; Board Audit Committee Requests for Information/ Independent Auditor</b>	<b>Ongoing.</b> Should the Board of Directors request information on activities implemented by other public agencies or on other matters of interests applicable to enhancing the efficiency and effectiveness of operations, the independent auditor will collect and summarize information.	80	80	80
<b>Audit Training/ Independent Auditor</b>	<b>Annual.</b> The Board Audit Committee Charter describes a requirement to provide audit training to Board Audit Committee members at least annually.	2	2	2
<b>Support Services/ Independent Auditor</b>	<b>Ongoing.</b> Provide support services to Board Directors and Valley Water staff applicable to specific initiatives or planning projects to prevent potential service delivery risks.	40	40	40
<b>QEMS/Valley Water Continual Quality Improvement Unit</b>	<b>Ongoing.</b> Provide services to ensure proper oversight and accountability.	As needed	As needed	As needed

<b>Management Reviews/Valley Water Management</b>	<b>Ongoing.</b> Valley Water's Chief Executive Officer ,as needed, will initiate internal quality assurance reviews of business practices and operations. These reviews are to be shared with the audit committee.	As needed	As needed	As needed
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## SECTION B

### AUDIT SERVICES — INDEPENDENT AND ON-CALL AUDITORS

#### Labor Summary

<b>Project/Responsible Party</b>	<b>Scope</b>	<b>FY 2022 Planned Hours</b>	<b>FY 2023 Planned Hours</b>	<b>FY 2024 Planned Hours</b>
<b>Independent and On-Call Auditors</b>	Audits and Follow-up Audits Based on the Audit Work Plan	TBD	TBD	TBD

### Recommended Audits

The Board Audit Committee will select and recommend audits described below for approval by the Board of Directors.

ID	Risk Area(s)	Risk Factor	Audit Topic	Type of Audit	Suggested Audit Objectives
1	CIP Planning Process  Financial Management	<input checked="" type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	CIP Planning Process	Cross-Functional Performance Audit	<ol style="list-style-type: none"> <li>Are there opportunities to improve the capital improvement project planning process (project initiation to CIP plan approval)?</li> <li>To what extent can early participation of Valley Water support units (environmental planning, permitting, purchasing, warehousing) on large capital projects prevent project delays and reduce cost overruns?</li> <li>Can the Capital Improvement Plan be better right sized that considers the Agency's funding and staffing levels?</li> </ol>
2	Inventory Control	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Inventory Management	Cross-Functional Performance Audit	<ol style="list-style-type: none"> <li>Does Valley Water effectively manage, account for and record inventory across the agency?</li> <li>What resources (e.g., staffing, systems, facilities) and business processes (communication and coordination) are necessary to meet current and future needs including centralizing inventory management?</li> </ol>
3	Emergency Response  Emergency Detection  Emergency Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Program Monitoring	Cross-Functional Performance Audit	<ol style="list-style-type: none"> <li>To what extent do the emergency management plans variously established by Valley Water contain gaps and activities to ensure proper prevention, detection, response, and recovery activities?</li> <li>Do gaps exist in surveillance and detection of potential problems across Valley Water's infrastructure?</li> </ol>

					<ol style="list-style-type: none"> <li>3. To what extent is the virtual Emergency Operations Center aligned with FEMA best practices?</li> <li>4. Are there lessons learned from past emergencies to prevent disruptions to regular operations while providing additional manpower and resources to respond to emergencies?</li> </ol>
4	Emergency Cost Recovery  Data Management & Accuracy	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Financial Management	Cross-Functional Performance Audit	<ol style="list-style-type: none"> <li>1. To what extent has Valley Water been able to claim the full reimbursement of costs for eligible expenses from FEMA?</li> <li>2. Are business practices aligned with federal and state aid requirements for emergency cost reimbursement? To what extent are information systems and other business processes configured to capture information needed for cost reporting and recovery?</li> </ol>
5	Financial Oversight  Purchasing and Contracting Processes	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Financial Management	Performance Audit	<ol style="list-style-type: none"> <li>1. To what extent do Valley Water procurement programs for low dollar purchases (i.e., P-Cards, &amp; Standing Orders) comply with established policies and procurement limits?</li> <li>2. Are added policies and procedures needed to control spending and prevent work arounds to formal competitive bids?</li> </ol>
6	Data Management Date Integrity Data Accuracy	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Business Process	Cross Functional Performance Audit	<ol style="list-style-type: none"> <li>1. To what extent does Valley Water use multiple data stores for the same information?</li> </ol>
7	Plan Implementation  Plan Monitoring	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Organizational Culture	Culture Audit	<ol style="list-style-type: none"> <li>1. How has Valley Water's organizational culture impacted implementation of plan established across the agency?</li> <li>2. To what extent does Valley Water demonstrate and practice common cultural characteristics including:</li> </ol>



- a) Defining organization's values and proactively emphasize and model those values.
- b) Ensuring strategies are consistent with the values and holding management accountable.
- c) Executing their duties within the organization's risk appetite.
- d) Management reinforces the values and culture through clear communication of expectations across the organization.
- e) Management actively gathers and listens to feedback.
- f) All levels are open to constructive criticism and problem solving through methods including information obtained from second- and third-line functions via inputs such as well-received and acknowledged employee suggestion/question program, ethics hotlines, open door policies, employees' events, and meetings, and more.
- g) All employees (to the extent possible) are engaged in objective setting and strategy discussions.

8	<p>Grant Management</p> <p>Financial Management Coord. &amp; Comm.</p> <p>Financial Oversight</p> <p>Data Accuracy</p>	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Grant Reimbursement	Performance Audit	<p>1. Can Valley Water's process for tracking labor and expense activities on state grants awarded to Valley Water benefit from updating?</p> <p>2. How timely are claims for reimbursement submitted to awarding state agencies?</p> <p>3. What circumstances have contributed to lost opportunities</p>
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					for reimbursement by awarding state agencies?
9	Plan Monitoring	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Human Resources Management	Cross-Functional Performance Audit	1. What progress has been made in implementing existing workforce development and succession planning plans? 2. What evidenced-based factors have been significant in facilitating the hiring of technical and operational staff? 3. To what extent have position descriptions and classification evolved to ensure that Valley Water has the technical capability to meet future demands to solve complex problems in an agile and creative manner?
10	Aging Infrastructure Detection  Aging Infrastructure Monitoring	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Asset Management	Cross-Functional Performance Audit	1. To what extent do Valley Water divisions and units ensure compliance to specification standards to prevent substandard replacements of parts, equipment, and capital assets? 2. Is Valley Water adequately meeting the needs of equipment maintenance?
11	Data Accuracy	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Unmetered Groundwater Measurement	Desk Review	1. Is the methodology supporting unmetered groundwater usage measurement valid and include all applicable methodological assumptions?
12	CIP Planning Process  Financial Management	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Capital Project Budgeting	Performance Audit	1. Are there areas of Valley Water's capital project budgeting practices that can benefit from adopting best practices?
13	IT Security Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	SCADA	Performance Audit	1. What is the status of implementation of prior audit recommendations? 2. Will the recommendations as implemented by Valley Water accomplish intended goals and objectives?

					3. Are changes needed in the frequency of communications to the Board on the progress and status of cybersecurity and other IT needs?
<b>14</b>	Plan Monitoring  Management Plan Implementation	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Strategy Development and Implementation	Cross-Functional Performance Audit	1. To what extent are management plans underway or completed across Valley Water? 2. To what extent do the plans need a completion date or require updating? 3. Are strategy and management plans developed across the Agency right sized to the divisions and/or units' staffing levels and workloads? 4. What progress has Valley Water made in implementing management plans to manage risks?
<b>15</b>	Program Monitoring  Governance  Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Homelessness Programs	Performance Audit	1. To what extent has Valley Water implemented its homelessness plan? 2. Can other cost-effective strategies implemented in other jurisdictions to prevent the creation and establishment of homeless encampments on Valley Water property? 3. How can Valley Water enhance its homelessness encampment clean-up activities to ensure the protection of health and safety of employees?
<b>16</b>	Grant Management	<input checked="" type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Financial Management	Follow-Up Audit	1. Have improvements occurred in the timeliness of grant reimbursements? 2. To what extent has the grant management and administration implemented prior audit recommendations? 3. What improvements in program outcomes have occurred in the timeliness of grant application review, reimbursement, and accomplishment of deliverables?

<b>17</b>	Program Monitoring Management	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Encroachment Program	Performance Audit	1. Is Valley Water implementing its encroachment licensing program consistent with the Board's guiding principles?
<b>18</b>	Data Management Data Accuracy	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Business Process	Cross Functional Performance Audit	1. To what extent have Valley Water units established business processes to ensure accurate data collection and input? 2. What gaps remain in automating data collection and input?
<b>19</b>	Operations	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Risk Management	Performance Audit	1. Can risk management business processes benefit from updating? (i.e., overall operations, data management, contract claims, workers compensation, small claims, claims administration and management, workers compensation administration, and all risk management activities, including insurance & self-insurance.
<b>20</b>	Emergency Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Peer Review	Best Practices Review	1. Can regulatory permitting practices administered by other utilities districts help reduce barriers and other challenges experienced by Valley Water?
<b>21</b>	IT Project Management & Communication Data Accuracy	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	System Implementation	Post IT Implementation Audit	1. Has the current large ERP project implementation produced the desired functionality? 2. To what extent have all contract deliverables been met? 3. To what extent have data quality issues surfaced post-implementation? 4. What lessons learned can apply to future information system implementations?

<b>22</b>	Emergency Response  Emergency Management	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Procurement	Performance Audit	<ol style="list-style-type: none"> <li>1. Have Valley Water's procurement policies been flexible and agile to effectively and timely respond to and recover from past emergencies?</li> <li>2. Are other procurement and operational activities needed to ensure prompt and reliable emergency services?</li> </ol>
<b>23</b>	Environmental Sustainability Framework Development  Program Monitoring  Governance	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Program Measurement & Evaluation	Cross-Functional Performance Audit	<ol style="list-style-type: none"> <li>1. What level of success has Valley Water's environmental stewardship activities had on preventing environmental damage and promoting environmental sustainability?</li> <li>2. To what extent has Valley Water adopted sustainability indicators on specific projects to measure progress?</li> <li>3. To what extent has Valley Water adopted sustainability indicators in its decision-making?</li> </ol>
<b>24</b>	Program Monitoring  Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Program Outcomes  Business Process	Performance Audit	<ol style="list-style-type: none"> <li>1. To what extent has Valley Water mitigated the environmental hazards caused by non-use of the percolator ponds?</li> <li>2. In a non-drought year, are barriers present that prevent Valley Water from filling percolator ponds?</li> <li>3. What processes need development to prevent expiration of groundwater charge permits?</li> </ol>
<b>25</b>	Financial Management Coord. & Comm.  Financial Oversight	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Capital projects	Desk Review	<ol style="list-style-type: none"> <li>1. What potential financial risks could occur on the California WaterFix project?</li> </ol>
<b>26</b>	CIP Monitoring	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Capital Project Evaluation and Monitoring	Cross-Functional Performance Audit	<ol style="list-style-type: none"> <li>1. Have completed capital projects met their intended goals?</li> <li>2. To what extent does Valley Water include performance measures to measure success and monitor financial management?</li> </ol>

					Are there lessons learned that can be adopted in future capital project plans to ensure goal accomplishments as well as implementation of alternative strategies to facilitate early communication to the Board of Directors of potential and actual problems, and to predict success such as performing cost vs. benefit analysis?
27	IT Security Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	IT Risk Management	Desk review	1. To what extent is IT risk management activities aligned with best practices, such as National Institute of Standards and Technology (NIST) guidance, including whether acceptable risk appetites and risk tolerances have been formally documented and approved by the Board of Directors?
28	Purchasing and Contracting Processes	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Financial Oversight	Desk Review	1. Can Valley Water benefit from updating its qualifications and experience criteria to include in future competitive bids for external financial audit services?
29	IT Strategic Planning  Emergency Management	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Disaster Planning	Performance Audit	1. Does Valley Water's prioritization for systems and data recovery meet the agency's needs for sustained business continuity?  2. To what extent does Valley Water's process for determining the prioritization of systems and data recovery adhere to best practices (ex. NIST)?
30	Plan Development  Plan Implementation  Plan Monitoring	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Decision-Making	Cross-Functional Performance Audit	1. What lessons has Valley Water learned from its ad hoc cross-functional efforts to proactively address current or emerging risks?
31	Financial Oversight	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Outsourcing of Legal Services	Desk Review	1. How have changes occurred in District Counsel Office spending

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for contracting external legal services?

2. To what extent are the nature of services provided by contracted legal firms presently outside of the District Counsel Office's expertise?
  3. Can expanding outsourced legal services prevent project delivery delays?
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## SECTION C

### AUDIT SERVICES – VALLEY WATER RESPONSIBILITY

#### QEMS ACTIVITIES

Under development

#### COMPLIANCE AND FINANCIAL AUDITS

FINANCIAL AUDITS	
Financial Audits	
Treasurer's Report	
Appropriation's Limit	
Compensation and Benefit Compliance (odd years)	
Travel Expenses Reimbursement (even years)	
Single Audit (if applicable)	
WUE Fund Audit	





# Santa Clara Valley Water District

**File No.:** 23-0148

**Agenda Date:** 2/15/2023

**Item No.:** 5.5.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒  
(If "YES" Complete Attachment A - Gov. Code § 84308)

### SUBJECT:

Receive and Discuss a Report from the Independent Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Regarding their Performance in Calendar Year 2022, and Evaluate the performance of the CAE.

### RECOMMENDATION:

- A. Receive and discuss a report from the independent Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, regarding their performance in calendar year 2022; and
- B. Evaluate the performance of the CAE.

### SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

Per the BAC Charter, Article III "Composition", Paragraph 9 "Committee Evaluation of Auditor Performance", the BAC is tasked annually with evaluating Board Auditor performance. The purpose of this agenda item is to receive and discuss the Board Auditor Activity Report from the CAE to assist in performing the evaluation.

Past activity reports from the CAE provided a summary of accomplishments and activities, meeting attendance, task order completion, and a financial overview.

On January 20, 2023, the Committee requested the CAE to prepare and submit the annual performance report. For this agenda item, the CAE will present the 2022 Annual Performance Report for BAC consideration and evaluation.

### ATTACHMENTS:

Attachment 1: 2022 Annual Performance Report of the CAE

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**File No.:** 23-0148

**Agenda Date:** 2/15/2023  
**Item No.:** 5.5.

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**UNCLASSIFIED MANAGER:**  
Darin Taylor, 408-630-3068

## Client Memorandum

**To:** Board Audit Committee, Santa Clara Valley Water District  
**From:** George Skiles, Partner, Sjoberg Evashenk Consulting, Inc.  
**Date:** January 31, 2023  
**Subject:** **2022 Annual Performance Report of the Independent Chief Audit Executive**

The Santa Clara Valley Water District (Valley Water) Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits. Since 2017, the BAC has engaged an Independent Board Auditor / Chief Audit Executive (CAE) to serve as an advisor to the BAC in fulfilling its duties, responsibilities, and functions; support its efforts to advance open and accountable government; assess operational risks and advise on potential audits to ensure Valley Water is in compliance with its policies, procedures, and regulations; assist in preparing an annual program of audits with associated calendars, schedules and budgets; conduct Board-directed performance audits and other audit engagements; and prepare formal and informal reports and presentations to the Audit Committee and the full Board of Directors.

In 2022, the Board of Directors contracted with Sjoberg Evashenk Consulting, Inc., to serve as the independent Chief Audit Executive. The scope of services required of the independent Chief Audit Executive include:

- Provide advice and recommendations on audits of government programs
- Develop an annual audit program, calendar, and budget
- Conduct audits as directed by the Audit Committee
- Prepare and deliver formal and informal audit reports and presentations
- Attend Audit Committee and Board meetings
- Meet with Valley Water staff as needed
- Provide additional staff resources as determined by the Audit Committee
- Conduct certain audits as directed by the Board

### Summary of 2022 Audit Activity

Below is a summary of the work performed by the Chief Audit Executive during the 2022 Calendar Year.

#### Attended Board and Board Committee Meetings

Sjoberg Evashenk Consulting attended nine (9) Board Audit Committees held in 2022, and performed

the following activities:

- Participated in Board Audit Committee planning and debrief meetings
- Reviewed agenda items
- Provided audit process guidance
- Researched and provided information on best practices for various subject areas, including audit follow-up procedures
- Provided progress reports on ongoing audit activities completed

Sjoberg Evashenk Consulting also attended three other Board meetings, including one meeting of the Board CIP Committee to discuss the proposed audit of Valley Water's Capital Improvement Program and two meetings of the full Board of Directors during which the BAC self-evaluation and the proposed annual audit work plan were discussed and ultimately approved.

In addition to our attendance at relevant Board meetings and Committee meetings, we also monitored Board meetings by reviewing meeting videos and documentation posted subsequent to the meetings. Where the meetings were not directly related to audit activities, our efforts were not billed to Valley Water. It is our belief that such efforts increase our familiarity with Valley Water operations and help inform future audit decisions.

### **Developed the Proposed BAC Annual Audit Plan**

In support of the BAC's annual practice of identifying potential audit topics for the Board's consideration, Sjoberg Evashenk Consulting reviewed the recently completed 2021 Risk Assessment and provided input regarding the potential audit topics identified in the Risk Assessment for BAC consideration. In consultation with the BAC, three audits were selected for inclusion in the Fiscal Year 2022-23 Audit Plan; specifically:

- Capital Improvement Program (CIP)
- Emergency Response
- Data Management

Sjoberg Evashenk Consulting developed and submitted the audit plan for discussion at the May 2022 BAC meeting. In July 2022, Sjoberg Evashenk Consulting commenced the Performance Audit of Valley Water's Capital Improvement Program (CIP).

### **Advised the Board on Audit Follow-Up Procedures**

As directed by the BAC, Sjoberg Evashenk provided input regarding best practices in public sector audit committees. Sjoberg Evashenk Consulting conducted research of professional standards and best practices, met with Valley Water personnel responsible for overseeing and administering the audit follow-up process, and reviewed past audit follow-up reporting provided to the BAC, particularly reporting related to

the status of outstanding or un-implemented audit recommendations. We submitted a memo highlighting audit follow-up best practices, including the purposes of audit follow-up procedures, the characteristics of a successful audit follow-up program, and potential next steps for the BAC's consideration. Based on this information, Valley Water staff have taken steps to modify its internal processes for following up on prior audit recommendations, and we will be working with staff in the coming weeks to advise on reporting methods that better suite the BAC's needs.

### **Supported efforts to update the BAC Audit Charter**

Beginning in 2020, with advice from the BAC's prior CAE, the BAC revisited and updated the Audit Charter as part of its annual review as described in its Annual Performance Work Plan. This effort continued in 2021 and early 2022. The Valley Water's Board Audit Committee Audit Charter serves to administer a framework for providing the BAC oversight of the governance, risk management, and audit activities of Valley Water. The Audit Charter also describes the general responsibilities of the Independent Auditor. To support the BAC's work, Sjoberg Evashenk Consulting reviewed the proposed revisions to the Audit Charter, particularly as they related to reporting procedures for Valley Water's external financial auditor and BAC training requirements, and reviewed the Audit Charter to assess its general alignment with established professional auditing standards, such as those promulgated by the Institute of Internal Auditors (i.e., the *International Standards for the Professional Practice of Internal Auditing*). A revised Audit Charter was approved by the Board of Directors on December 13, 2022.

### **Initiated One Audit Engagement**

In July 2022, Sjoberg Evashenk Consulting commenced the Performance Audit of Valley Water's Capital Improvement Program (CIP). The audit objectives are to evaluate the capital project planning process employed by Valley Water to determine the extent to which the process is consistent with relevant requirements, policies, and best practices. This audit experienced delays in the Fall of 2022 due to the availability of Valley Water personnel. Completion of this audit is anticipated for Spring 2023.

### **Financial Overview**

In 2022, Sjoberg Evashenk Consulting charged Valley Water about \$91,140 for audit and support services, as shown in Table 1.

Exhibit 1: 2022 Independent Auditor Charges

<b>Audit Services (audits)</b>	\$60,262.50
<b>Support Services</b>	
General Audit Committee Services	\$17,767.50
Project Management	\$13,110.00
<b>Total</b>	<b>\$91,140.00</b>

### **Conclusion**

The calendar year 2022 was a transitional year for the BAC, which experienced the departure of its

prior Chief Audit Executive and onboarded its new Chief Audit Executive, Sjoberg Evashenk Consulting. During this year, we acclimated ourselves to the BAC's and Valley Water's operations, learning the structure of the internal and independent audit activities, the role and responsibilities of the BAC, and the operating environment of Valley Water. With 2023 now underway, we look forward to working with the BAC in its efforts to promote continuous improvement, furthering the development of the Board audit function through the addition of one or more independent audit firms, and continuing to build and strengthen Valley Water's audit functions.