



## **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>

### **SPECIAL MEETING AGENDA**

**Friday, February 23, 2024  
1:00 PM**

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

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

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 SPECIAL MEETING AGENDA**

---

Friday, February 23, 2024

1:00 PM

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

---

## **\*\*\*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 during public comment or on any item listed on the agenda, may do so by filling out a Speaker Card and submitting it to the Clerk or using the “Raise Hand” tool located in the Zoom meeting application to identify yourself in order to speak, 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 Board/Committee on any item not listed on the agenda may do so by filling out a Speaker Card and submitting it to the Clerk or using the "Raise Hand" tool located in the Zoom meeting application to identify yourself to speak. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and granted speaking access to address the Board/Committee. Speakers' comments should be limited to three minutes or as set by the Chair. The law does not permit Board/Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Board/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 Board/Committee may take action on any item of business appearing on the posted agenda.*

- 2.1. Election of 2024 Board Audit Committee (BAC) Chairperson and Vice Chairperson. [24-0103](#)  
Recommendation: Nominate and elect the 2024 BAC Chairperson and Vice Chairperson.  
Manager: Candice Kwok-Smith, 408-630-3193

**3. APPROVAL OF MINUTES:**

- 3.1. Approval of January 17, 2024 Board Audit Committee Minutes. [24-0187](#)  
Recommendation: Approve the minutes.  
Manager: Candice Kwok-Smith, 408-630-3193  
Attachments: [Attachment 1: 011724 BAC Minutes](#)

**4. REGULAR AGENDA:**

- 4.1. Receive a Status Update on the Implementation of Audit Recommendations; and Discuss Timing of Next Update. [24-0138](#)  
Recommendation: A. Receive a status update on the implementation of audit recommendations; and  
B. Discuss timing of the next update.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: Audit Recommendation Status Update](#)
- 4.2. Receive and Discuss Management Response to Information Technology (IT) Surplus Equipment Processes Audit and Provide Comments. [24-0136](#)  
Recommendation: A. Receive and discuss management response to IT Surplus Equipment Processes Audit; and  
B. Provide comments.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: Draft Report with Management Response](#)
- 4.3. Receive the Fiscal Year 2023-2024 Second Quarter Financial Status Update. [24-0139](#)  
Recommendation: Receive the Fiscal Year 2023-2024 second quarter financial status update as of December 31, 2023.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: Powerpoint](#)

- 4.4. Discuss and Approve Proposed 2024 Annual Audit Work Plan, [24-0140](#)  
Recommend Auditors to Full Board for Approval, Recommend the  
Proposed Audit Scopes of Work to Full Board for Approval, and Provide  
Further Guidance as Needed.

Recommendation:      A. Discuss and approve the proposed 2024 Annual Audit  
Work Plan; and  
                                 B. Recommend auditors for three audits within the 2024  
Annual Audit Work Plan to the full board for approval; and  
                                 C. Recommend the audit scopes of work to the full board for  
approval; and  
                                 D. Provide further guidance as needed.

Manager:                Darin Taylor, 408-630-3068

Attachments:          [Attachment 1: Audit Scope \(Info. Tech.\), Plante Moran](#)  
[Attachment 2: Audit Scope \(Human Resources\), Moss Adams](#)  
[Attachment 3: Audit Scope \(Board Policies\), Sjoberg Evashenk](#)

- 4.5. Review and Discuss the 2024 Board Audit Committee (BAC) Work Plan. [24-0141](#)

Recommendation:   Review and discuss topics of interest raised at prior BAC  
meetings and approve any necessary adjustments to the 2024  
BAC Work Plan.

Manager:                Candice Kwok-Smith, 408-630-3193

Attachments:          [Attachment 1: 2024 BAC Work Plan](#)

**5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.**

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

**6. ADJOURN:**

- 6.1. Adjourn to Regular Meeting at 2:00 p.m., on March 20, 2024.

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Santa Clara Valley Water District

**File No.:** 24-0103

**Agenda Date:** 2/23/2024

**Item No.:** 2.1.

---

## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Election of 2024 Board Audit Committee (BAC) Chairperson and Vice Chairperson.

### RECOMMENDATION:

Nominate and elect the 2024 BAC Chairperson and Vice Chairperson.

### 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.

### ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The election of BAC Chairperson and Vice Chairperson is not subject to environmental justice analysis.

### ATTACHMENTS:

None.

---

**File No.:** 24-0103

**Agenda Date:** 2/23/2024  
**Item No.:** 2.1.

---

**UNCLASSIFIED MANAGER:**

Candice Kwok-Smith, 408-630-3193



# Santa Clara Valley Water District

---

**File No.:** 24-0187

**Agenda Date:** 2/23/2024

**Item No.:** 3.1.

---

## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### **SUBJECT:**

Approval of January 17, 2024 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.

### **ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:**

The approval of minutes is not subject to environmental justice analysis.

### **ATTACHMENTS:**

Attachment 1: 011724 BAC Minutes

### **UNCLASSIFIED MANAGER:**

Candice Kwok-Smith, 408-630-3193

**THIS PAGE INTENTIONALLY LEFT BLANK**



BOARD AUDIT COMMITTEE MEETING  
**DRAFT MINUTES**

---

**REGULAR MEETING SESSION  
WEDNESDAY, JANUARY 17, 2024  
2:00 PM**

---

(Paragraph numbers coincide with agenda item numbers)

**1. CALL TO ORDER:**

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

**1.1 Roll Call.**

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

Committee Vice Chairperson Jim Beall (District 4) arrived as noted below.

Staff members in attendance were: Joseph Aranda, Emmanuel Aryee, Ingrid Bella, Sandra Benavidez, Sarah Berning, Theresa Chinte, Jessica Collins, Amy Fonseca, Rachael Gibson, Walter Gonzalez, Alexander Gordon, Michele King, Candice Kwok-Smith, Cecil Lawson, Marta Lugo, Janice Lum, Robert Marmito, Jennifer Martin, Anthony Mendiola, Nicole Merritt, Tony Ndah, Carlos Orellana, Allison Phagan, Andrew Quan, James Randol, Mario Rivas, Don Rocha, Michelle San Miguel, Clarissa Sangalang, Manpreet Sra, Darin Taylor, Kristen Yasukawa, and Tina Yoke.

Public in attendance was: Deb Kramer (Keep Coyote Creek Beautiful), George Skiles (Sjoberg Evashenk Consulting, Alex Von Feldt (Grassroots Eco Systems).

**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.

Chairperson Keegan confirmed Item 4.1 would be considered after Items 4.2 and 4.3 to allow for the arrival of Vice Chairperson Beall.

### **3. APPROVAL OF MINUTES:**

#### **3.1. Approval of December 20, 2023 Board Audit Committee Meeting Minutes.**

Recommendation: Approve the minutes.

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

Public Comments:  
None.

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

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

Chairperson Keegan moved the agenda to Item 4.2.

#### **4.2. Discuss the Board Audit Committee's (BAC) Annual Self-Evaluation Process of Calendar Year 2023 Activities; Provide Guidance Regarding Preferred Method to Conduct Process; and Request the Chief Audit Executive (CAE) to Conduct Self-Evaluation Process and Return to Provide Summary of Discussions.**

Recommendation: A. Discuss the BAC's annual self-evaluation process of calendar year 2023 activities;  
B. Provide guidance regarding preferred method to conduct process; and  
C. Request the CAE to conduct self-evaluation process and return to provide summary of discussions.

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

Darin Taylor and George Skiles were available to answer questions.

Public Comments:  
None.

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

- The Committee noted support for the interview process as the preferred method previously used last year; and requested the CAE to conduct the self-evaluation process and report back at a future BAC meeting.

4.3. Request Chief Audit Executive (CAE) Activity Report from Sjoberg Evashenk Consulting, Inc. to Evaluate CAE Performance, and Direct CAE to Return to Present Report at a Later Date.

- Recommendation: A. Request CAE Activity Report from Sjoberg Evashenk Consulting, Inc. to evaluate CAE performance; and  
B. Direct CAE to return to present report at a later date.

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

Darin Taylor and George Skiles were available to answer questions.

Public Comments:  
None.

The Committee received the information and noted the following:

- The Committee confirmed this item is a requirement from the BAC Charter and is in line with best practices and promotes accountability for the Committee and the CAE.
- The Committee noted support for highlighting the positives and successes of external audits to show the benefits to Valley Water and the community.
- The Committee noted the importance of audited staff feedback; and the CAE confirmed the potential to use a follow-up questionnaire to address any questions or clarifications.
- The Committee requested the activity report and directed the CAE to present the report at a future BAC meeting.

Chairperson Keegan returned the agenda to Item 4.1.

4.1. Receive Progress Report on Implementing the Grants Management Performance Audit Recommendations.

Recommendation: Receive progress report on implementing the Grants Management Performance Audit recommendations.

Don Rocha reviewed the information on this item, per the attached Committee Agenda Memo and Attachment 1, and the corresponding presentation materials contained in Attachment 2 were reviewed by staff as follows: Kristin Yasukawa reviewed Slides 1-11 and Don Rocha reviewed Slide 12.

Vice Chairperson Beall arrived.

Don Rocha, Kristin Yasukawa, and Carlos Orellana were available to answer questions.

Public Comments:

Alex Von Feldt expressed support for staff's recommendations to be incorporated into the grant process, and support for using benchmarking agencies for guidance on grant insurance practices.

Deb Kramer expressed support for staff's responsiveness and effort to review and improve the grant process, support for projects being fully funded, making the grant tools easier to use, right sizing and increasing grants, and addressing outstanding invoices.

The Committee received the information and noted the following:

- The Committee confirmed the industry standards noted on Slide 5 of Attachment 2 referred to procedural standards vs. technical standards.
- The Committee confirmed the challenges of meeting grant timelines with staff vacancies are currently being addressed by hiring internally; and noted staff's recommendation of balancing workloads and streamlining the grant process to assist with staff retention.
- The Committee noted support for staff's recommendation of fully funding standard grant requests, not requiring burdensome insurance, and removal of match requirements for education and planning.
- The Committee noted support for staff to follow up on the potential of scoring projects higher for planned funding while adhering to best practices; and demonstrating contributions in the Environmental Justice and Equity Impact area.
- Director Beall requested legal to follow up on a potential blanket liability insurance coverage program for grant applicants; and the Committee requested staff to follow up with insurance coverage practices of other benchmarking agencies like Coastal Conservancy and Open Space Authority.

Chairperson Keegan moved the agenda to Item 4.4.

4.4. Discuss Proposed 2024 Annual Audit Work Plan and Provide Further Guidance as Needed.

- Recommendation:
- A. Discuss the proposed 2024 Annual Audit Work Plan; and
  - B. Provide further guidance as needed.

Darin Taylor and George Skiles reviewed the information on this item, per the attached Committee Agenda Memo; and George Skiles reviewed the information contained in Attachment 1, and the Client Memorandum: Proposed Audit of Capital Project Delivery, identified as Handout 4.4-A.

Copies of the Handout were distributed to the Committee and made available to the public.

Chairperson Keegan acknowledged receipt of the Handout 4.4-A.

Darin Taylor, George Skiles, and Tina Yoke were available to answer questions.

Tina Yoke provided a verbal report out regarding the 2019 Capital Improvement Program (CIP) 10-year staffing impact projection for construction projects and will follow up to confirm when this projection was reviewed by the full Board.

Public Comments:  
None.

The Committee received the information and noted the following:

- The Committee confirmed that the Board needs to have a good understanding of resources needed for staff.
- Director Beall noted that expedited results for the Capital Project Delivery Audit would inform a possible upcoming ballot measure as well as the Board's upcoming decision on increasing water rates; and Director Santos noted the potential of educating the public on project delivery restrictions.
- The Committee noted the importance of realistic and achievable goals to assist with expediting the delivery of projects, timeframes, locking in prices to avoid costly delays, identifying external constraints, and reviewing the current process to ensure optimal efficiency.
- The Committee requested staff follow up to ensure that the full Board and the public are aware of the status of the implementation of the 2019 CIP 10-year staffing impact projection.

Public Comments:  
None.

#### 4.5. Review and Discuss the 2024 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 2024 BAC Work Plan.

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

Darin Taylor and George Skiles were available to answer questions.

Public Comments:  
None.

The Committee received the information and noted the following:

- The Committee confirmed the general objective, scope, and schedule process for the upcoming 4 audits for the 2024 Annual Audit Work Plan previously discussed under Item 4.4.
- The Committee noted the BAC February meeting would be rescheduled and reconfirmed an earlier meeting start time per Director Santos.

**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 there were no items for Board consideration and noted the Committee received the progress report and provided supportive feedback on the implementing the Grants Management Performance Audit recommendations and requested for staff follow up on benchmarking agencies for insurance purposes under 4.1; the Committee noted support and positive feedback for the interview method for the Annual Self-Evaluation and requested the CAE to conduct the process and report back under Item 4.2; the Committee provided feedback and requested the activity report from the CAE and a report back under Item 4.3; the Committee discussed the proposed 2024 annual audit work plan and provided feedback and noted support for expediting the Capital Project Delivery audit and educating the public on the external constraints under Item 4.4; and the Committee noted February BAC meeting will be rescheduled under Item 4.5.

**6. ADJOURN:**

6.1. Adjourn to Regular Meeting at 2:00 p.m. on February 21, 2024.

Chairperson Keegan adjourned the meeting at 3:37 p.m., to the subsequently rescheduled special meeting at 1:00 p.m. on February 23, 2024.

Date approved:

Nicole Merritt  
Assistant Deputy Clerk II



# Santa Clara Valley Water District

---

**File No.:** 24-0138

**Agenda Date:** 2/23/2024

**Item No.:** 4.1.

---

## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Receive a Status Update on the Implementation of Audit Recommendations; and Discuss Timing of Next Update.

### RECOMMENDATION:

- A. Receive a status update on the implementation of audit recommendations; and
- B. Discuss timing of the 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.

With this report, there are a total of nineteen (19) active audit recommendations related to three (3) audit reports for Board-directed audits that have not been fully resolved, as shown in the table below and identified as "Pending/Underway". The two (2) Board-directed audits that were open as of the August 2023 report remain open as of this report, and one (1) new audit (2023 Capital Improvement Program Performance Audit) with fifteen (15) recommendations has been included. With regards to the Management-directed audits and Program-required audits, there are no open recommendations yet to be completed.

Board-directed 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%
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 Audit	11	0	0%	4	36%	7	64%
2021 Permitting Best Practices Audit	14	0	0%	8	57%	6	43%
2023 Capital Improvement Program Performance Audit	15	0	0%	7	47%	8	53%
<b>Subtotal:</b>	<b>87</b>	<b>4</b>	<b>5%</b>	<b>19</b>	<b>22%</b>	<b>64</b>	<b>74%</b>

At this time, there are four (4) Board-directed audits for which staff has completed implementation of all recommendations. The CAE will perform a follow-up review of these 4 audits for the purpose of determining if the implemented actions have addressed the findings, including the 2014 Transparency Compliance Audit, the 2019 Contract Change Order Audit, the 2020 District Counsel Audit, and the 2020 Real Estate Services Audit. The CAE will perform follow-up work on these Board-directed audits as part of the annual audit planning cycle.

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.

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

On September 2, 2020, TAP International, Inc., along with subconsultants Greta McDonald and Drummond Kahn initiated the Grants Management Performance Audit to: (1) Determine the extent to which Valley Water's grants management and administration program is operating effectively, and (2) Determine if opportunities exist to better align Valley Water's grant management and administration program and processes with best practices for grants management internal controls. Presentation of the Safe, Clean Water Program Grant Management Audit final report was approved 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. As of this report 7 recommendations have been achieved, and 4 recommendations are "Pending/Underway". Progress on all open recommendations have been made and an update was presented to the BAC at the January 17, 2024, BAC meeting. The remaining open recommendations are on target to be completed with the completion of the grants redesign. Staff estimates all recommendations will be achieved by FY24-25. The Office of Community Engagement will return every 6 months to provide an update until all recommendations have been implemented/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. Since July 2021, 6 of the 14 recommendations

have been implemented. Key improvements include establishing dedicated environmental planner support and streamlined California Environmental Quality Act (CEQA) review, identifying IT system requirements and launching a procurement process for permit database upgrades, creating a Billing Process and Policy to address financial controls, updating permit forms, and increasing webpage visibility. To date, 8 out of the 14 audit recommendations are identified as “Pending/Underway”. Next steps include: updating the Water Resources Protection Manual; creating an online customer service portal; and, establishing a cost recovery target for permit fees. Staff anticipates completion of the Fee Rate Schedule and establishment of a risk-based permit review strategy by December 2024, and the Water Resources Protection Manual is expected to be available by December 2025.

Recommendations that require assistance from Information Technology teams are anticipated to be completed by June 2026. Staff will continue to provide updates via the annual audit status report to the BAC until all recommendations have been addressed.

- **2023 CAPITAL IMPROVEMENT PROGRAM (CIP) PERFORMANCE AUDIT**

On May 24, 2022, the Board approved the initiation of the CIP Performance Audit which resulted in eight (8) problem statements, each with a recommendation (some with sub-recommendations) for a total of fifteen (15) individual recommendations intending to improve the CIP planning processes, enhance the CIP 5-year plan, and improve transparency and consistency of the information reported in the CIP. Presentation of the CIP Performance Audit final report was approved by the BAC on August 16, 2023, and presented to the full Board at the October 24, 2023, Board meeting. Since October 2023, staff has initiated implementation of the recommendations. Implementation of the recommendations should ensure projects are selected and prioritized using defined criteria, that key goals and milestones in the CIP plan are achievable given agency resources, continue ongoing efforts to implement leading practices as identified in the audit final report, enhance quality assurance procedures, and ensure compliance with Change Management procedures. As of this report, eight (8) individual recommendations from four (4) problem statements have been implemented. Five of the recommendations were implemented as a result of recommendations from a prior audit, and three (3) were implemented since October 2023. Currently, seven (7) individual recommendations from four (4) problem statements remain as “pending/underway”. Staff continues to work on the implementation of the remaining recommendations and will return to provide a status report at the August 21<sup>st</sup>, 2024, BAC meeting. The CIP team will return annually thereafter to provide an update until all recommendations have been implemented unless the BAC would like to increase the frequency.

The BAC is requested to receive the information and provide guidance to staff as necessary. Staff intends to return to provide the next general update at the August 21<sup>st</sup>, 2024, BAC meeting.

## **ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:**

The proposed recommendations are not subject to environmental justice analysis. Audits are conducted to identify areas that may expose Valley Water to risk, or areas that may need to implement new processes in order to meet the Board’s priorities.

---

**File No.:** 24-0138

**Agenda Date:** 2/23/2024  
**Item No.:** 4.1.

---

**ATTACHMENTS:**

Attachment 1: Audit Recommendation Status Update.

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

**District Management Audit Program**  
**External Audits and Internal Reviews - Implementation Summary Report**

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Status	Recent Updates/Notes
308	2020 Safe, Clean Water Program Grant Management Audit	Office of Community Engagement	1		<p>F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out)</p> <p>F2: Valley Water Needs to Standardize Internal Policies and Processes</p> <p>F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function</p>	<p>Valley Water should consider developing clear guidelines for "right-sized" application and reporting processes, meaning that application and reporting requirements should be scaled to fit the size, risk, and complexity of each individual grant: a. Valley Water should develop a formal due diligence policy and perform a due diligence review for high risk grant projects. A due diligence review of applicants determines the reasonableness of the grant and grantee's ability to perform and assess the extent of the grantee's reliance on grant funds. This would include analysis of managerial and fiscal capacity and past performance. For example, verify grantees have the requisite financial management systems that will produce invoice detail required by the grant agreement, or, gain an understanding of the type of system capabilities the non-profit has to assess whether they can comply with financial reporting required by the grant agreement. b. For high-risk grants where financial statements are required, analyze fiscal health indicators of the entity and formalize the analysis within the grant file. For areas where Valley Water already implements a number of best practices such as checking GuideStar to verify the non-profits current status and to view the grantee's IRS Form 990, staff should also memorialize its analysis in the grant file. c. For smaller non-profits or community groups, based on risk, Valley Water should consider simplifying reporting requirements or developing alternative requirements for projects under a dollar threshold, like \$25,000, or establish a tiered structure and treat smaller projects similar to mini-grants.</p>	Pending/Underway	<p>Management agrees with the concept of "right-sizing" the application and reporting processes. a. Management agrees that assessing the risk for grant projects would increase the agency's due diligence to prevent fraud and waste. An initial risk assessment would also help staff evaluate if any additional special provisions or tailored invoicing requirements and/or review are recommended in the agreement and during the grant monitoring. Management recommends that the risk assessment be conducted after the grant is awarded and before grant agreement is executed, and reviewed with the grantee at the mandatory kick-off/orientation meeting. The development and implementation of a risk assessment review and financial reporting system compliance review could also lengthen the time between award and execution of the agreement. These processes would require collaboration with subject matter experts in Risk Management and Finance. Staff will continue to review each invoice as it is submitted, in addition to conducting the risk assessment. Management also recommends that the grant agreement include a clause that grantees are still responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees understand and are held accountable for being responsible stewards of public funds, especially if they know staff is not reviewing invoices. b. Management agrees with requiring financial statements from applicants. currently, all standard grant applicants are required to submit audited financial statements or Form 990 as part of the standard grant application. This is not required for mini-grants or partnerships. Applicants and grantees have expressed that audited financial statements are costly and not feasible for smaller non-profit organizations. Therefore, Valley Water accepts the Form 990 as an alternative to audited financial statements. The audited financial statements and Form 990 are memorialized in the grantee's project application, which turns into the project file, in the Flux grants management system. Staff will continue to review each invoice as it is submitted, in addition to requiring the audited financial statements. This financial review would be completed during the application process to serve as another due diligence check to ensure public funds are awarded to organizations with financial capacity and sustainability to carry out the requirements of the project. Invoice review levels would be determined during the risk assessment after the funding is approved by the Board. c. Management agrees with simplifying reporting requirements and recommends using the risk assessment to identify the tiered thresholds, instead of setting a dollar amount. While the dollar amount is identified per project, the collective number of projects within that dollar amount could add up to be a high dollar amount granted with minimal oversight.</p> <p>1/10/24: Status is "In Progress - Target Completion FY24"</p> <p>Staff is working with two consultants to redesign the grants administration and the standard grants project criteria to address this recommendation. The grants redesign recommendations are anticipated to be approved for implementation in Spring 2024.</p> <p>In the meantime, staff continues to simultaneously implement other ways to "right-size" the grants guidelines and simplify reporting requirements for smaller projects.</p> <p>To address item c. of this recommendation, currently the only reporting requirement for mini-grant projects is a one-page final project fact sheet that summarizes the project outcomes upon completion. No receipts or other supporting documentation is required. Staff also implemented an insurance waiver request form and process for low-risk grant projects.</p> <p>Staff launched the Refill Station grant funding opportunity to include a shorter/simpler agreement, fewer required reviewers and a shorter approval routing time, a streamlined CEQA review using a checklist, and an insurance waiver. The only reporting required from Grantees is to submit a photo of the final, installed station.</p>
312	2020 Safe, Clean Water Program Grant Management Audit	Office of Community Engagement	5		<p>F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out)</p> <p>F2: Valley Water Needs to Standardize Internal Policies and Processes</p> <p>F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function</p>	<p>In addition to right sizing invoicing requirements based on the grant's risk level, Valley Water should right-size the level of progress reporting detail required for smaller dollar value standard grants, for example, under \$25,000.</p>	Pending/Underway	<p>Management agrees and staff will develop "right sized" reporting guidelines and criteria along with the development of the new grants program under Measure 5, which will begin in FY22. Currently, progress reporting is based on the scope and deliverables identified by the grantees and outlined in the executed grant agreement. Staff refers to the original grant agreement and ensures that what is in the grant agreement is being reported in the progress report. Staff does not request additional reporting outside of what is listed in the agreement.</p> <p>1/10/24: Status is "In Progress - Target FY24"</p> <p>Staff is working with two consultants to redesign the grants administration and the standard grants project criteria to address this recommendation. The grants redesign recommendations are anticipated to be approved for implementation in Spring 2024.</p> <p>In the meantime, staff is simultaneously working on other ways to "right-size" the grants guidelines and simplify reporting requirements for smaller projects.</p> <p>Currently, the only reporting requirement for mini-grant projects is a one-page final project fact sheet that summarizes the project outcomes upon completion. No receipts or other supporting documentation is required. Staff also implemented an insurance waiver request form and process for low-risk grant projects.</p> <p>Staff launched the Refill Station grant funding opportunity to include a shorter agreement, fewer required reviewers, and a shorter routing time, a streamlined CEQA review using a checklist, insurance waiver, and a photo of the final, installed station as the only reporting requirement.</p>

**District Management Audit Program**  
**External Audits and Internal Reviews - Implementation Summary Report**

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Status	Recent Updates/Notes
313	2020 Safe, Clean Water Program Grant Management Audit	Office of Community Engagement	6		<p>F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out)</p> <p>F2: Valley Water Needs to Standardize Internal Policies and Processes</p> <p>F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function</p>	<p>Valley Water should explore where, within existing District policies, it can augment grant requirements for grant agreements and invoicing for certain grantees based on risk: partnerships, repeat grantees, establish grant value thresholds, and determine whether the number of approvals and signatures for payments are appropriate. At a minimum, for smaller, lower risk grants, Valley Water should re-assess its reporting and invoicing requirements based on risk, dollar value, and project complexity. a. For example, Valley Water could treat grant agreements up to \$25,000 like mini-grants and expedite payment for low-risk grants and low dollar amount invoices from trusted long-term grantees. Valley Water could consider paying unquestioned amounts earlier, and focus more scrutiny on riskier, larger dollar amount invoices from new grantees. b. Valley Water could also consider reimbursing expenses when invoiced and then using the closeout process to reconcile remaining amounts below a reasonable threshold. For example, if a grantee bills \$10,000 for its performance, and Valley Water questions \$500 of that amount, it could consider paying the unquestioned amount first, then resolve the questioned amount by project. c. Staff should focus their review on whether grantee costs are reasonable, allocable and allowable in accordance with the project budget and grant agreement guidelines. Spot checks would be performed to ensure calculations are correct and that receipts match the totals. The level of scrutiny applied and depth of review would be based on the grant and grantee risk factors, as determined by management.</p>	Pending/Underway	<p>Management agrees that assessing the risk for grant projects would increase the agency's due diligence to prevent fraud and waste. An initial risk assessment would also help staff evaluate if any additional special provisions or tailored invoicing requirements and/or review are recommended in the agreement and during the grant monitoring. Staff recommend that the risk assessment be conducted after the grant is awarded and before the grant agreement is executed, and reviewed with the grantee at the mandatory kick-off/orientation meeting. The development and implementation of a risk assessment review and financial reporting system compliance review could also lengthen the time between award and execution of the agreement. These processes would require collaboration with subject matter experts in Risk Management and Finance. The risk assessment would supplement staff's review of each invoice. Management also recommends that the grant agreement include a clause that grantees are still responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees understand and are held accountable for being responsible stewards of public funds, especially if they know staff is not reviewing invoices. Management recommends considering equity and inclusion in the development of the risk assessment guidelines and criteria. Applying varying standards for returning grantees would result in inequitable treatment and would disproportionately provide privilege to grantees who are already familiar with the grants program. The grants program continues to improve and be updated, so meeting the prior requirements may or may not mean that a returning grantee meets and understands the current program requirements. Additionally, varying guidelines and criteria per grantee agency could deter new agencies from applying if they feel that returning grantees have an advantage. a. While management agrees with the concept of streamlining the invoicing process, management feels that this approach may also expose Valley Water to potential complaints of disparate and inequitable treatment. Management recommends the following alternative as a consideration to avoid being vulnerable to such complaints. Management recommends developing and implementing a spot check process to review and/or audit grantees using an outside consultant, if the Board adopts this recommendation. While some grantee agencies are returning applicants and grantees, those agencies may have new staff managing the projects. Therefore, even though the grantee agency is not new, the agency staff changes does not guarantee that the projects are carried forward consistently. Staff agrees with simplifying reporting requirements and recommends using the risk assessment to identify the tiered thresholds, instead of setting a dollar amount. While the dollar amount is identified per project, the collective number of projects within that dollar amount may add up to be a high dollar amount granted with minimal oversight. b. Management agrees with this recommendation and will formalize this process. Staff currently implements this practice informally, depending on the type of outstanding items are included in the invoice. Staff will develop "right sized" invoicing guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. c. Management agrees, and staff currently focuses their review on grantee costs that are not reasonable, allocable and allowable in accordance with the project budget and grant agreement guidelines, such as items that were not included in the budget; costs that are not related to any identifiable/reportable work in the grant scope; costs that have no supporting documentation; overspending on a specific task without prior approval; and submitting reimbursement requests for activities that have already been paid out. These improper payment requests are sometimes due simply to grantee staff turnover, among other factors.</p> <p>1/10/24: Status is "In Progress - Target FY24"</p> <p>Staff is working with two consultants to redesign the grants administration and the standard grants project criteria to address this recommendation. The grants redesign recommendations are anticipated to be approved for implementation in Spring 2024.</p> <p>In the meantime, staff is simultaneously working on other ways to "right-size" the grants guidelines and simplify reporting requirements for smaller projects.</p> <p>Currently, staff is approving partial payment for unquestioned amounts in invoice reimbursement requests or withholding a 10 percent retention that is approved for payment after the required supporting documentation has been submitted.</p>
314	2020 Safe, Clean Water Program Grant Management Audit	Office of Community Engagement	7		<p>F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out)</p> <p>F2: Valley Water Needs to Standardize Internal Policies and Processes</p> <p>F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function</p>	<p>Should Valley Water decide to continue to require the same information for progress and invoice submission, they should: a. Confirm the integrity of grantee financial management system data used for review before award. b. Include language in the grant agreement such as, "Failure to submit an accurate financial invoice in a timely manner may result in payments being withheld, delayed, or denied, and will result in payment delays".</p>	Pending/Underway	<p>Management will develop "right sized" invoicing guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. The items recommended below will be analyzed in the development of the new guidelines.</p> <p>a. Management agrees that confirming the integrity of the grantee financial management system data before award is warranted. One caveat is that these additional steps of both developing and implementing a risk assessment and financial reporting system compliance review could lengthen the time on the front end of the process, between the award period and the final execution of the agreement. The development and implementation of these processes would require collaboration with subject matter experts in Risk Management and Finance. Management agrees with this recommendation to clearly state that an accurate financial invoice is required to complete the payment request. Staff also recommends including language in the template grant agreement for grantees to consent to still being responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees follow through with being responsible stewards of public funds, especially if they know staff is not reviewing invoices. These expectations would be reviewed with the grantee during the kick-off/orientation meeting after the agreement is executed.</p> <p>1/10/24: Status is "In Progress - Target FY24"</p> <p>Staff is working with two consultants to redesign the grants administration and the standard grants project criteria to address this recommendation. The grants redesign recommendations are anticipated to be approved for implementation in Spring 2024.</p> <p>Since September 2021, the auditor's suggested language has been incorporated into the agreement templates for standard grants and partnerships.</p>

**District Management Audit Program**  
External Audits and Internal Reviews - Implementation Summary Report

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Status	Recent Updates/Notes
294	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	2		<p>F2: CPRU's Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication</p> <ul style="list-style-type: none"> <li>- Permittees Want Faster Permit Processing and Better Communication with Applicants</li> <li>- CPRU Has Mixed Success in Meetings Its Goals for Timely Permit Processing</li> </ul> <p>F3: Timeliness Concerns Attributed to Multiple Factors</p> <ul style="list-style-type: none"> <li>- Engineers Spend More Time Reviewing Permits</li> <li>- Bottlenecks Occur at the End of the Permit Review Process</li> <li>- Permit Applicants Experience Challenges in Meeting Insurance Requirements</li> <li>- Some Permit Applications Are Not Recorded on a Timely Basis</li> <li>- Permit Review Activities Need Better Standardization and Clarity</li> <li>- Permit Processing is Primarily a Manual Process</li> <li>- CPRU Does Not Consistently Plan for Large Reviews</li> </ul>	The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	Pending/Underway	<p><u>Management Response:</u> Management agrees with the recommendation. CPRU will update and complete the existing permit review policies, practices, and instruction guidance for various types of transactions to bring consistency in the review of projects. Target Implementation Date: June 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 01/2024: Ongoing Staff is working with legal to finalize updates to the Water Resources Protection Ordinance. Updates on the Fee Rate Schedule are now scheduled to be performed by CPRU staff rather than finance staff due to limited staff resources in finance which delayed the rate analysis. Updates to the Water Resources Protection Manual are underway with the assistance of contract staff. For IT-based improvements, see Recommendation 6.</p> <p>Revised Target Implementation Date: December 2024 for Fee Rate Schedule and WRPO, December 2025 for Water Resources Protection Manual</p>
297	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	5		<p>F2: CPRU's Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication</p> <ul style="list-style-type: none"> <li>- Permittees Want Faster Permit Processing and Better Communication with Applicants</li> <li>- CPRU Has Mixed Success in Meetings Its Goals for Timely Permit Processing</li> </ul> <p>F3: Timeliness Concerns Attributed to Multiple Factors</p> <ul style="list-style-type: none"> <li>- Engineers Spend More Time Reviewing Permits</li> <li>- Bottlenecks Occur at the End of the Permit Review Process</li> <li>- Permit Applicants Experience Challenges in Meeting Insurance Requirements</li> <li>- Some Permit Applications Are Not Recorded on a Timely Basis</li> <li>- Permit Review Activities Need Better Standardization and Clarity</li> <li>- Permit Processing is Primarily a Manual Process</li> <li>- CPRU Does Not Consistently Plan for Large Reviews</li> </ul>	The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.	Pending/Underway	<p><u>Management Response:</u> Management partially agrees with the recommendation. In general, the assignment of liaison responsibilities will increase confusion and will take more time of the staff reviewing the permit to provide and explain the details of customer's request to the liaison. CPRU Manager will explore the role of a liaison where this may increase efficiency and coordinate with IT to explore other tools to integrate with the database (See response to Recommendation 6). CPRU Manager will request additional resources from Management. Use of additional technicians to assist in background research for projects and review of routine, low-risk tasks will free up time to allow engineers to ensure consistent and timely communication on permit applications. Target Implementation Date: October 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. The use of additional resources – either a liaison or technician(s) – to perform provide customer service, would allow engineers more time to perform the technical reviews of permit applications and help to reduce review times. These additional resources may be critical to meeting customer's expectations while Valley Water's planned implementation of a new information systems for customer resource management (CRM) is undertaken that will also interface with another new information system that is planned to replace the current CPRU database. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status update 01/2024: Ongoing Since October 2022, CPRU decided on the Cityworks program being utilized by the Wells and Water Measurement Unit as the preferred CRM. CPRU is currently working with Contracts and Procurement staff to finalize a contract for Board approval with the chosen implementer resulting from a RFP advertised in summer of 2023. For IT-based improvements, see Recommendation 6 of the 2021 Permitting Best Practices Audit.</p> <p>Revised Target Implementation Date: June 2026 (IT Improvements)</p>
298	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	6		<p>F4: Local Agencies' Strategies Could Benefit Valley Water</p> <ul style="list-style-type: none"> <li>- Some Agencies Utilize Online Customer Service Portals to Upload Permit Application and to Check Permit Status</li> <li>- One Agency Uses a Project Coordinator to Facilitate Communication and Timely Processing</li> <li>- Other Agencies Identify Themselves Differently; Renaming CPRU May Avoid Confusion</li> <li>- Other Agencies Outreach Annually to Publicize Agency's Permit Services</li> </ul>	<p>The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:</p> <ol style="list-style-type: none"> <li>Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file.</li> <li>Expanded search function for researching past projects and permits.</li> <li>Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance.</li> <li>Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders.</li> <li>Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system.</li> <li>Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units.</li> </ol>	Pending/Underway	<p><u>Management Response:</u> Management agrees and will approach the implementation of this recommendation in phases:</p> <ol style="list-style-type: none"> <li>Modernize processes, support submission of permit applications, track requests, complete reviews, facilitate online reporting for customers and reduce administrative burden of tracking and reporting through the selection and implementation of a new CPRU online portal. Management will consider options to include this functionality within other active projects such as the Wells Management System Upgrade and Access Valley Water. (6a, d, e, f)</li> <li>Expand search/research functions and reduce administrative burden via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022. (6b, f)</li> <li>Create Dashboards and reports via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022, the ERP Capital Project currently underway. (6c)"</li> </ol> <p>Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A target date to complete all activities should be established and a follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status update 01/2024: 1. Ongoing. Contracts and Procurement staff is working on finalizing a contract with the chosen RFP vendor for the creation of an online customer service portal which it anticipates bringing to the Board for approval by April 2024. The contract anticipates that the new online portal will take approximately 2 years to implement once the contract is awarded. 2. Ongoing. CPRU has specified that its online customer service portal must have expanded and agile search capabilities. 3. Ongoing. CPRU has specified that its online customer service portal must have configurable dashboards for management.</p> <p>Revised Target Implementation Date: June 2026</p>

**District Management Audit Program**  
**External Audits and Internal Reviews - Implementation Summary Report**

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Status	Recent Updates/Notes
302	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	10		<p>F5: Update Needed for Fee Schedule and Cost Recovery Strategy</p> <ul style="list-style-type: none"> <li>- Valley Water Recovers Only a Small Percentage of CPRU's Operating Costs from Permit Fees and Other Services</li> <li>- Updating Valley Water's Fee Schedule, Based on a Fee Study, Could Help Ensure Appropriate Cost Recovery</li> <li>- Updated Guidance for Billing for Staff Time Spent Reviewing Permits is Needed</li> <li>- Other Local Water Agencies Charge Hourly Rate Instead of Flat Fee for Inspections</li> </ul>	Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.	Pending/Underway	<p><u>Management Response:</u>  Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal.  Target Implementation Date: August 2022</p> <p><u>Auditor Response:</u>  Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status update 01/2024: Ongoing  Finance staff has determined that their limited resources will not enable them to undertake the analysis. CPRU staff will undertake the analysis.</p> <p>Revised Target Implementation Date: December 2024.</p>
303	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	11		<p>F5: Update Needed for Fee Schedule and Cost Recovery Strategy</p> <ul style="list-style-type: none"> <li>- Valley Water Recovers Only a Small Percentage of CPRU's Operating Costs from Permit Fees and Other Services</li> <li>- Updating Valley Water's Fee Schedule, Based on a Fee Study, Could Help Ensure Appropriate Cost Recovery</li> <li>- Updated Guidance for Billing for Staff Time Spent Reviewing Permits is Needed</li> <li>- Other Local Water Agencies Charge Hourly Rate Instead of Flat Fee for Inspections</li> </ul>	The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.	Pending/Underway	<p><u>Management Response:</u>  Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal.  Target Implementation Date: August 2022</p> <p><u>Auditor Response:</u>  Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status update 01/2024: Ongoing  Finance staff has determined that their limited resources will not enable them to undertake the analysis. CPRU staff will undertake the analysis.</p> <p>Revised Target Implementation Date: December 2024.</p>
304	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	12		<p>F5: Update Needed for Fee Schedule and Cost Recovery Strategy</p> <ul style="list-style-type: none"> <li>- Valley Water Recovers Only a Small Percentage of CPRU's Operating Costs from Permit Fees and Other Services</li> <li>- Updating Valley Water's Fee Schedule, Based on a Fee Study, Could Help Ensure Appropriate Cost Recovery</li> <li>- Updated Guidance for Billing for Staff Time Spent Reviewing Permits is Needed</li> <li>- Other Local Water Agencies Charge Hourly Rate Instead of Flat Fee for Inspections</li> </ul>	The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.	Pending/Underway	<p><u>Management Response:</u>  Management agrees with this recommendation.  a. CPRU Manager will consider strategies to reduce processing time for low-risk, repetitive types of permit applications. CPRU Manager and experienced staff, through permit guidance instructions will add further clarity for new and less experienced staff and reduce ambiguity in the process. (Target Date: June 2022)  b. Implementation of Recommendation 6 via the implementation of the Data Consolidation Capital Project Proof of Concept and the ERP Capital Project and the results of the fee study with the implementation of Recommendation 11, and results from Recommendation 13 will provide better information and insight to strategize the tracking and invoicing of permit applications and other processing tasks. (Target Date: June 2023 depending on the research outcome in Recommendation 13)  Target Implementation Date: Varies</p> <p><u>Auditor Response:</u>  Management's response generally satisfies the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status update 01/2024: Ongoing  See recommendations 6, 10 and 11 of the 2021 Permitting Best Practices Audit.</p> <p>Revised Target Implementation Date: December 2024</p>
305	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	13		F6: Robust Internal Control Framework Needed to Ensure Accurate and Timely Invoicing and Collection of Fee Payments	The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments, and deposits. One option to consider is to use Valley Water's core financial management information system.	Pending/Underway	<p><u>Management Response:</u>  Management agrees and will engage in the research, specification, selection, procurement, and implementation of a comprehensive tool capable of ensuring accurate recording of invoices, payments, and deposits.  Target Implementation Date: June 2023 depending on research outcome.</p> <p><u>Auditor Response:</u>  Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status update 01/2024: Ongoing  See Recommendations 2 and 6 of the 2021 Permitting Best Practices audit for IT upgrade status. CPRU has specified that its online customer service portal must have an ability to integrate invoicing. Currently CPRU has to create invoices in Oracle and MunBilling which created additional work to address the recommendation in the interim.</p> <p>Revised Target Implementation Date: June 2024</p>

**District Management Audit Program**  
**External Audits and Internal Reviews - Implementation Summary Report**

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Status	Recent Updates/Notes
306	2021 Permitting Best Practices Audit	Community Projects Review Unit (CPRU)	14		F6: Robust Internal Control Framework Needed to Ensure Accurate and Timely Invoicing and Collection of Fee Payments	The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation.	Pending/Underway	<p><u>Management Response:</u>  Management agrees and will approach the implementation of this recommendation in phases:  1. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021).  2. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022).  3. Implement an IT solution for invoicing that is linked to Valley Water’s core financial system and aligns with Valley Water’s billing and revenue collection policy (Target date – June 2023 depending on the research outcome (R13))  Target Implementation Date: Varies.</p> <p><u>Auditor Response:</u>  Management’s response generally addresses the recommendation. A follow-up audit to assess CPRU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status update 01/2024: Ongoing  1. Completed  2. Completed  3. Ongoing. See Recommendations 2 and 6 of the 2021 Permitting Best Practices audit for IT upgrade status. CPRU has specified that its online customer service portal must have an ability to integrate invoicing. Currently CPRU has to create invoices in Oracle and MuniBilling which created additional work to address the recommendation in the interim. Staff is in the process of soliciting a consultant to assist with this effort via a competitive selection process.</p> <p>Revised Target Implementation Date: June 2026</p>
336	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	1	b	Schedule and spending targets established in the CIP 5-Year Plan may not be achievable.	Improve CIP goal attainment, including the likelihood that expenditure and schedule targets are met, by identifying specific staff and contract resources required to complete projects, including the type of resource, quantity of resource, and timing of the need for the resource	Pending/Underway	<p>Management agrees and believes this recommendation will be addressed through the implementation of our new resource planning/staff forecasting tool VEMO.</p> <p>1/25/24: Implementation underway. Estimated to be fully implemented by Q4, FY26.</p>
337	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	1	c	Schedule and spending targets established in the CIP 5-Year Plan may not be achievable.	Improve CIP goal attainment, including the likelihood that expenditure and schedule targets are met, by conducting and formally memorializing analyses of common cost and schedule delays in the Lessons Learned database in ProjectMates and share results agency-wide	Pending/Underway	<p>Management agrees and will implement this recommendation through ProjectMates.</p> <p>1/25/24: Implementation underway. Estimated to be fully implemented by Q4, FY26</p>
338	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	2	a	Valley Water’s performance in delivering capital projects is obscured by the lack of a robust performance measurement system	Develop a performance measurement system that effectively demonstrates Valley Water’s performance in achieving the goals of the CIP and the capital infrastructure goals of its master plans. This includes monitoring and reporting overall CIP performance and using this information to identify areas where improvements can be made to both capital project delivery and delivery of the capital improvement program.	Pending/Underway	<p>Management agrees and is in the process of improving current reporting and developing new reporting methods at the project and program level. New PowerBI quarterly reporting tool under development to track project level and program level metrics, with data to be provided via Vena, Infor, ProjectMates, and using CIP historic data.</p> <p>1/25/24: Implementation underway. Estimated to be fully implemented by Q4, FY26</p>
339	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	2	b	Valley Water’s performance in delivering capital projects is obscured by the lack of a robust performance measurement system	Develop a performance measurement system that effectively demonstrates Valley Water’s performance in achieving the goals of the CIP and the capital infrastructure goals of its master plans. This includes establishing tangible targets to measure the effectiveness of the CIP in meeting established agency goals.	Pending/Underway	<p>Management agrees and is in the process of improving current reporting and developing new reporting methods at the project and program level. New PowerBI quarterly reporting tool under development to track project level and program level metrics, with data to be provided via Vena, Infor, ProjectMates, and using CIP historic data.</p> <p>1/25/24: Implementation underway. Estimated to be fully implemented by Q4, FY26.</p>
340	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	2	c	Valley Water’s performance in delivering capital projects is obscured by the lack of a robust performance measurement system	Develop a performance measurement system that effectively demonstrates Valley Water’s performance in achieving the goals of the CIP and the capital infrastructure goals of its master plans. This includes incorporating anticipated timelines within which the results of recent process improvements are expected to be evident and measurable in CIP outcomes.	Pending/Underway	<p>Management agrees. Management is proposing a two-year implementation period for ProjectMates, with a follow-up audit to validate success (e.g. follow-up audit to be initiated in FY 26 to allow time for implementation of ProjectMates and Vemo).</p> <p>1/25/24: Implementation underway. Estimated to be fully implemented by Q4, FY26.</p>
341	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	3		While Valley Water does employ a deliberative project prioritization process in developing its CIP 5-Year Plan, the process lacks consistent and objective criteria.	Formalize objective project prioritization techniques and criteria, and consider whether a performance-based prioritizing process would be feasible and appropriate.	Completed/Implemented	<p>Management agrees and believes that by implementing a Priority Level system, Valley Water can further enhance the Funding Filters for Prioritization, improving the consistency, objectivity, and transparency of the process. The Priority Level system was cited as an example of a successful prioritization system utilized by the Contra Costa Water District in the Draft Audit Report.</p> <p>After implementation of a Priority Level System, Management will explore whether a performance-based prioritizing process would be feasible and appropriate. The majority of VW projects repair and replace existing infrastructure, which is our obligation and prioritization is then only necessitated by the availability of resources (financial or staff resources). Based on this, a performance-based prioritization process may not make sense, as we are required to maintain our existing infrastructure, requiring the delivery of specific projects. Staff will analyze this approach further and report back.</p> <p>12/31/23: Completed as of Q2, FY24. VW developed Funding Categories based on the Board Approved Funding Filters for Prioritization, which served as the Priority Level System implemented by VW, which was utilized during the CIP Five-Year Plan development annual cycle. At this time Management has determined not to pursue a performance-based prioritizing process.</p>

**District Management Audit Program**  
**External Audits and Internal Reviews - Implementation Summary Report**

Line #	Audit Name	Action Item Owner	Ref #	Sub Ref #	Finding	Summary of Recommendation	Status	Recent Updates/Notes
342	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	4		Policies and procedures are generally consistent with leading practices, but are disbursed among a variety of authoritative sources and informal guidance.	Formalize and consolidate CIP planning practices and procedures in a manner that reflects best practices recommended by the GFOA, including establishing a formal, written process for establishing project contingencies.	Pending/Underway	<p>Management agrees and will create an over-arching CIP Development Manual to serve as an umbrella for capital QEMS procedures to document all existing CIP procedures and practices in compliance with GFOA.</p> <p>Management's approach to establishing project contingencies is currently documented in the Cost Engineering Guidelines. These guidelines will be included in the over-arching CIP Development Manual (referenced above). The existing procedure requires a Risk-Analysis-Based Process for Contingency Estimation. Staff believes this process is consistent with the Best Practices identified in the CIP Performance Audit Draft Report. The procedure will be updated to clarify the types of Contingency Reserves utilized, as Valley Water uses both Project Level Contingency, which is included at the Project Budget level, and a Management Contingency, which is at the Fund Reserve level. Additionally, management has identified a staff level process improvement, which will update the Capital Project Delivery Process to include reassessment of risk at time of Board's Acceptance of Work as Complete to determine whether remaining contingency funds could be released to project or fund reserves.</p> <p>1/25/24: Estimated to be completed by Q4, FY24 and fully implemented by Q1, FY25.</p>
343	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	5		One of the more distinguishable differences between Valley Water and the peers sampled is that Valley Water updates its CIP 5-Year Plan annually, whereas all four peers reviewed update their short-range CIP biennially.	Evaluate whether it would benefit Valley Water to modify CIP planning processes to require biennial CIP updates rather than annual updates.	Completed/Implemented	<p>Management agrees to evaluate whether updating the CIP 5-Year Plan on a biennial basis would be feasible and beneficial to Valley Water.</p> <p>Management has evaluated whether it would benefit Valley Water to modify CIP planning processes to require biennial CIP updates rather than annual updates and has determined not to implement this change to our process. Our current process and development of the annual release and adoption of the CIP Five-Year Plan is in alignment with the water-rate setting analysis and the biennial budget process (which is adopted on an annual basis and a biennial "plan").</p> <p>1/26/24: Complete as of Q2, FY24</p>
344	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	6		While the CIP 5-Year Plan includes information regarding anticipated operations and maintenance (O&M) costs, additional information regarding the factors contributing to potential O&M costs, particularly when costs have not yet been fully determined, is essential. Business	When operations and maintenance costs associated with programmed capital projects are unknown, include additional detail within the CIP 5-Year Plan regarding why the costs are unknown, what factors may impact the costs, and when they will be determined.	Pending/Underway	<p>Management agrees and will incorporate additional detail for projects with unknown O&amp;M costs, including why they are unknown, what factors may impact them, and when staff anticipates they will be determined. The O&amp;M costs are reflected in the CIP 5-Year Plan when information is available and included both on the project pages and in the Financial Planning and Summary Chapter. Their information is then utilized by O&amp;M managers and forecasted in the related operating projects through the Long-Term Forecast.</p> <p>1/25/24: Implementation underway. Estimated to be fully implemented by Q4, FY24.</p>
346	2023 Capital Improvement Program Performance Audit	Business Planning and Analysis (CIP Team)	8	a	Change Management Memos did not always include sufficient information describing cost increases and schedule delays.	Improve compliance with Change Management Procedure W-751-125, and ensure cost and schedule data aligning throughout sequential CMMs, by consistently requiring descriptions of reasons for changes are sufficiently detailed to point to the exact cause.	Completed/Implemented	<p>Management agrees and will assign CIP team to work with project managers to include sufficient details regarding the cause of the documented changes.</p> <p>12/31/23: Complete as of Q2, FY24</p>



# Santa Clara Valley Water District

**File No.:** 24-0136

**Agenda Date:** 2/23/2024

**Item No.:** 4.2.

---

## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Receive and Discuss Management Response to Information Technology (IT) Surplus Equipment Processes Audit and Provide Comments.

### RECOMMENDATION:

- A. Receive and discuss management response to IT Surplus Equipment Processes Audit; and
- B. Provide comments.

### SUMMARY:

On January 20, 2023, the Continual Improvement team was asked by the Chief Executive Officer (CEO) to initiate an audit of the IT Surplus Equipment process. The request came as a result of management concerns with the existing process at the time.

On March 27, 2023, the Continual Improvement team initiated a task order with Macias Gini & O'Connell (MGO) LLP to conduct the audit and provide a report addressing management's concerns. From April 2023 to August 2023 MGO conducted initial interviews, reviewed supporting documentation, and conducted follow-up interviews.

On September 21, 2023, Valley Water received the preliminary draft report. Staff reviewed the report and provided feedback and comment to MGO. On December 12, 2023, MGO provided the final draft report so management could review and provide a response to the observations and findings identified within.

Management reviewed the draft report and developed their responses. On January 30, 2024, the Chief Operating Officer (COO) of Administrative Services reviewed the findings, observations, and management's response with the CEO. Following that, the report with management's responses was provided to the BAC Chair in accordance with the BAC Charter, specifically Article VII, Paragraph 4 which states the following:

---

. . . Where the Management Initiated Audit allows for a response by Valley Water staff before it is finalized, the Committee Chair shall be immediately notified by email or telephone and shall determine whether to have the Committee review and comment on any draft Valley Water response at a regularly scheduled or specially noticed Committee meeting. . . .

The BAC is asked to provide comments to staff regarding management's responses.

**ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:**

The proposed Recommendation(s) is not subject to environmental justice analysis. Actions taken by the Board Audit Committee are reviewed on a case-by-case basis

**ATTACHMENTS:**

Attachment 1: Draft Report with Management Response

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

**SANTA CLARA VALLEY WATER DISTRICT**

Assessment of Information Technology  
Equipment Surplus Processes

July 1, 2021 through June 30, 2022

December 13, 2023



Certified  
Public  
Accountants

## Executive Summary

Macias Gini & O'Connell LLP (MGO) was engaged by the Santa Clara Valley Water District (Valley Water) to assess Valley Water's Information Technology (IT) equipment surplus processes and recordkeeping and provide recommendations for improvement. MGO interviewed staff, reviewed policies and procedures, and reviewed available documentation related to IT equipment surplus for fiscal year (FY) 2021-22 (July 1, 2021 through June 30, 2022).

MGO identified the following **observations**:

- Valley Water did not comply with Administrative Policy 5.5 – *Disposition of Surplus Valley Water Property (Policy)* when disposing of surplus computer electronics as the work instructions for disposal conflicted with the Policy.
- IT did not have adequate controls or processes in place to track surplus computer electronics and to safeguard Valley Water's data stored on machines during the disposal process.
- Valley Water's surplus computer electronic records were not reconcilable to the vendor's receipts due to discrepancies in available information from Valley Water and the vendor.

MGO identified the following **recommendations**:

- Valley Water should revise work instructions W-751-073 - *Disposal of Computer Electronics and Non-Computer Electronics Work Instructions* to be consistent and comply with the Policy and W-741-092 – *Disposition of Surplus Valley Water Property*.
- IT should:
  - Implement an asset management system for tracking all of its IT equipment.
  - Maintain a log of all items placed in the disposal boxes and document when and how the items were disposed of.
  - Work with the Purchasing Unit to determine an appropriate and consistent disposal method for categories of surplus IT equipment identified for disposal.
  - Implement a process to factory reset and/or wipe all hard drives of Valley Water data before placing items in the disposal boxes.
  - Work with the Purchasing Unit to obtain and maintain certifications of destruction for all hard drives.

Valley Water Management acknowledged the recommendations and has taken actions to implement the recommendations. See responses in the Detailed Results section.

See the Detailed Results section for more information on the observations, recommendations, and management responses.

*Disclaimer: This consulting engagement was conducted in accordance with the Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA). The results reported do not constitute an examination made in accordance with attestation standards, the objective of which would be to express an opinion or conclusion; respectively, we do not express such an opinion. Furthermore, this includes any opinion or representation related to the accuracy or completeness of the information provided by management. The sufficiency of these procedures is solely the responsibility of Valley Water. We make no representation regarding the sufficiency of the procedures performed to disclose all significant matters or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. We have no obligation to update our report or to revise the information contained herein to reflect events and transactions occurring subsequent to the date of this report. This report is intended solely for the information of the Valley Water's management and is not intended to be, and should not be, used by anyone other than these specified parties.*

## Objectives

The objective of the engagement was to assess Valley Water's IT equipment surplus processes and recordkeeping and provide recommendations for improvement.

## Scope and Methodology

The scope of the engagement was Valley Water's IT equipment surplus during fiscal year (FY) 2021-2022, July 1, 2021 through June 30, 2022.

The methodology included the following procedures:

- Interviewed executive management and staff in Purchasing and IT.
- Reviewed Valley Water's policies and procedures related to surplus property.
- Identified gaps in controls, processes, and policies.
- Reviewed the following documentation provided by Valley Water:
  - Valley Water's IT equipment surplus forms FC 1733.
  - Vendor's receipts for the collection of surplus items.
  - Vendor's annual summary reports related to the collection of surplus items.
- Reconciled Valley Water's data to the vendor's receipts and annual summary reports.
- Provided feedback on Valley Water's draft request for proposal for a surplus vendor.
- Provided feedback on Valley Water's draft work instructions related to surplus property.

## Detailed Results

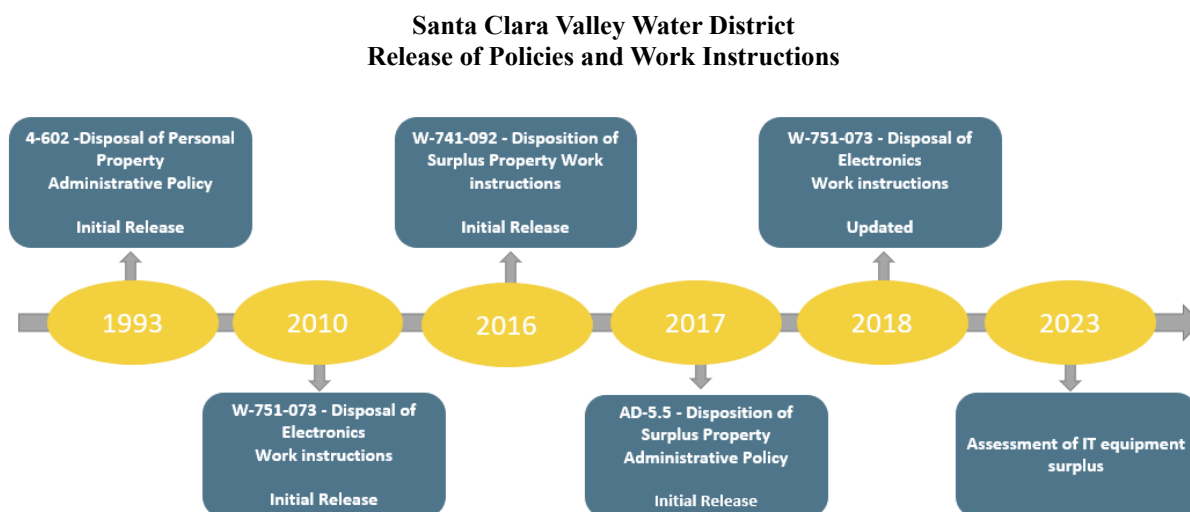
### Observation 1 – Policy and Work Instructions

Valley Water did not comply with Administrative Policy 5.5 – *Disposition of Surplus Valley Water Property (Policy)* when disposing of surplus computer electronics as the work instructions for disposal conflicted with the Policy. The Policy was effective in January 2017 and replaced Administrative Policy 4-602 – *Disposition of Valley Water Personal Property*, which was issued in 1992. The Policy changed the definition of Valley Water property from personal property classified as fixed assets to all moveable Valley Water property, including computer electronics. The Policy also specifically stated that only the Purchasing Unit is authorized to dispose of surplus property.

There are two work instructions with procedures on how staff are to dispose of surplus property – one for non-electronic property and one for electronic property. The work instructions for non-electronic property, W-741-092 – *Disposition of Surplus Valley Water Property*, was effective in March 2016, and aligned with the Policy. The work instructions for electronic property, W-751-073 - *Disposal of Computer Electronics and Non-Computer Electronics Work Instructions*, were effective in July 2009; and IT is responsible for the storage and disposal of surplus computer electronics. The work instructions also have a section for the disposal of non-computer electronic surplus items, which does not correspond to work instruction W-741-092 or the Policy. The work instructions were revised in February 2018, but only the owner of the work instructions was changed.

According to staff interviewed, IT was told to follow work instructions W-741-092 and was not aware that the work instructions did not align with the Policy until questions arose in the fall of calendar year 2022. On December 8, 2022, the Chief Operating Officer directed IT to adhere to the Policy and send all surplus computer electronics for disposal to the Purchasing Unit. The inconsistencies between the Policy and applied work instructions resulted in unauthorized disposals of computer electronic property by IT over approximately a five (5) year period. From April 2021 through November 2022, Valley Water staff identified 40 computer electronic items to be surplus through the use of the FC-1733 forms provided by Valley Water.<sup>1</sup>

The timeline below depicts the dates when the policies and work instructions related to surplus property were initially released, as discussed above.



<sup>1</sup> As discussed in Observation 3, 2,499 surplus computer electronics were most likely disposed of during April 2021 through November 2022. The majority of these items were from IT due to its cleanup of the IT warehouse and disposal of items collected during the pandemic, such as desktops, monitors, and desk phones. (See Observation 3 for more information.)

***Recommendation 1:***

Valley Water should revise work instructions W-751-073 - *Disposal of Computer Electronics and Non-Computer Electronics Work Instructions* to be consistent and comply with the Policy and W-741-092 – *Disposition of Surplus Valley Water Property*.

***Valley Water Management Response:*** Acknowledge. The work instruction is being updated.

**Observation 2 – Asset Management and Data Destruction**

At the time of the assessment, IT did not have adequate controls or processes in place to track surplus computer electronics and to safeguard Valley Water’s data stored on machines during the disposal process.

**Asset Management**

IT does not have an asset management system to track the computer electronics it was responsible for, including location, end user assignment, or status of the item in use; surplus inventory in the IT warehouse; or disposals. In addition, logs are not maintained of the disposal of surplus items placed in boxes in the IT warehouse awaiting pick up by the third party surplus vendor. IT only contacted the surplus vendor for pick up once the boxes were full. IT operates under the assumption that all computer electronics that are no longer connected to Valley Water’s network have been returned and disposed of. The lack of an asset management process increases the risk and opportunity for computer electronics to be misappropriated.

**Disposal Method Options**

IT opts for all computer electronics to be recycled and has not evaluated other disposal options, such as auction or donation.

**Data Destruction**

For computer electronics with hard drives, such as desktop computers and laptops, IT did not factory reset or wipe the hard drives of the items before the items were placed in the disposal boxes. The surplus vendor was expected to remove and destroy the hard drives and provide a certification of destruction. However, IT stated it did not receive the certifications of destruction and does not have a method to follow up with the surplus vendor to verify the hard drives were in fact destroyed.

From April 2021 through November 2022, IT disposed of approximately 796 computer electronics with hard drives. There was a large number of desktops disposed of in 2021 and 2022 due to the pandemic and Valley Water switching from desktops to laptops. The lack of processes to safeguard Valley Water’s data during the disposal of its hard drives increased the risk that Valley Water could experience a data breach. It was noted also during the assessment that the surplus vendor ceased operations in June 2023 after filing for bankruptcy.

***Recommendation 2:***

IT should:

- a. Implement an asset management system for tracking all of its IT equipment.
- b. Maintain a log of all items placed in the disposal boxes and document when and how the items were disposed of.
- c. Work with the Purchasing Unit to determine an appropriate and consistent disposal method for categories of surplus IT equipment identified for disposal.
- d. Implement a process to factory reset and/or wipe all hard drives of Valley Water data before placing items in the disposal boxes.
- e. Work with the Purchasing Unit to obtain and maintain certifications of destruction for all hard drives.

***Valley Water Management Response:***

- a. This recommendation has been completed. The Information Technology Department has deployed ServiceNow CRM with an Asset Management module in July 2023 to track computers, cell phones, servers, and other computing assets. The system does not track consumable items such as keyboards, mice, or monitors. If any asset potentially contains confidential data, they must go through this process, even when they are not classified as a computer system. Some examples include copiers and various radio communication devices. Note: Original tracking of IT assets has three goals: GASB Statement 34 for capitalization of individual assets over \$5k; NIST 800-88 for the destruction of sensitive information, grant-related requirement for asset destruction conformation; and various statutory regulations regarding the use of public funds.
- b. This recommendation has been addressed. The ServiceNow software provides for the ingesting and disposal of computer assets. The assets go through state transitions during their useful life, ultimately being handed over to the warehouse for donation, destruction, or reuse. As they are transitioned to the warehouse, the items are marked appropriately. We are working with ServiceNow to extend their capability to our warehouse team so they can electronically verify the disposal using the same system. This will automate a closed-loop process.
- c. Acknowledge. The work instruction, which includes instruction on the methods of disposal for equipment categories and asset types, is being updated.
- d. Acknowledge. We have a written plan in place but will incorporate IT Asset Management (ITAM) in the Information Technology Infrastructure Library (ITIL).
- e. Acknowledged. The certificates of destruction will be manually entered into the ServiceNow system.

**Observation 3 – Asset Surplus and Disposal Records**

Valley Water's surplus computer electronic records were not reconcilable to the vendor's receipts due to discrepancies in the available information from Valley Water and the vendor. As discussed in Observation 2, Valley Water did not maintain documentation tracking the status of the disposal of surplus computer electronics. While Valley Water staff completed form FC 1733 – *Surplus Electronic Equipment* when identifying specific items of surplus computer electronics returned to IT, the items were not further identified for retention/re-use or disposal. In addition, the vendor's pickup receipts did not include the number of items picked up in total or by type. The vendor's receipts only had a high level listing of the types of assets collected, such as monitors, laptops, and miscellaneous, which was completed by Valley Water (IT). While the vendor provided an annual summary report, it contained the number of pallets and total weight of items received and did not include the number of items by asset type. Based on the information available, the actual number of computer electronic items disposed of from April 1, 2021 through November 2022 is indeterminable.

On the following page is an estimate of computer electronics identified as surplus in fiscal years 2021 and 2022. It was compiled from the FC 1733 forms Valley Water provided for April 1, 2021 through November 2022.

Santa Clara Valley Water Valley Water Estimated Surplus Computer Electronics FY 2021 and FY 2022						
Computer Electronic?	Category	FY 2021 Count	FY 2022 Count	Total Count	Percent of Total	Hard Drive?
Yes	Desk phone	258	946	1,204	48%	
Yes	Desktop/PC	260	684	644	26%	Yes
Yes	Monitor	156	54	210	8%	
Yes	Wireless Access Point	36	70	106	4%	
Yes	Accessories	21	79	100	4%	
Yes	Laptop	52	45	97	4%	Yes
Yes	Tablet	23	15	38	2%	Yes
Yes	Printer	27	9	36	1%	Yes
Yes	Power supply	15	1	16	1%	
Yes	Scanner	10	4	14	1%	Possibly
Yes	Router	0	6	6	1%	
Yes	Data Server	0	5	5	0%	Yes
Yes	Digital camera	0	5	5	0%	
Yes	Projector	2	2	4	0%	
Yes	Video camera	3	0	3	0%	
Yes	Fax Machine	0	2	2	0%	Yes
Yes	Network video recorder	2	0	2	0%	Possibly
Yes	Tape Library	2	0	2	0%	
Yes	Conference phone	0	1	1	0%	
Yes	Digital video cassette recorder	0	1	1	0%	
Yes	Power monitor	1	0	1	0%	
Yes	Receptionist phone console	0	1	1	0%	
Yes	Touch screen panel	0	1	1	0%	
No	TV	1	7	8	0%	
No	Ultrasonic measurement device	2	0	2	0%	
No	VCR	2	0	2	0%	
No	DVD player	0	1	1	0%	
No	Silt density index analyzer	1	0	1	0%	
<b>Total</b>		<b>874</b>	<b>1,639</b>	<b>2,513</b>		

***Recommendation 3:***

IT should:

- Implement an asset management system for tracking all of its IT equipment.
- Maintain a log of all items placed in the disposal boxes and document when and how the items were disposed of.

***Valley Water Management Response:***

- This recommendation has been completed. ServiceNow deployed in July 2023 with an asset management module.
- IT Now has a written process for designating assets and closing the surplus/deactivation of deployed asset resources within the ServiceNow system.

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Santa Clara Valley Water District

---

**File No.:** 24-0139

**Agenda Date:** 2/23/2024  
**Item No.:** 4.3.

---

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

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

### **SUBJECT:**

Receive the Fiscal Year 2023-2024 Second Quarter Financial Status Update.

### **RECOMMENDATION:**

Receive the Fiscal Year 2023-2024 second quarter financial status update as of December 31, 2023.

### **SUMMARY:**

Valley Water's Fiscal Year 2023-24 Second Quarter closed on December 31, 2023. The second quarter financial status update presentation (Attachment 1) summarizes cash and investment balances, the debt portfolio and includes a detailed comparison, and analysis, of the budget to actual status of revenues and expenditures for all funds as of December 31, 2023.

These financial statements have been prepared by Valley Water for informational purposes only and have not been audited by the external auditor. No party is authorized to disseminate these unaudited financial statements to the State Comptroller or any nationally recognized rating agency, nor are they authorized to post these financial statements on EMMA or any similar financial reporting outlets or redistribute the information without the express written authorization of the Chief Financial Officer of Valley Water. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water 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, maintained on the World Wide Web at <https://emma.msrb.org/>.

### **ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:**

There are no environmental justice and equity impacts associated with this item.

### **ATTACHMENTS:**

Attachment 1: Powerpoint

---

**File No.:** 24-0139

**Agenda Date:** 2/23/2024  
**Item No.:** 4.3.

---

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

# Q2 FY2023-24 Financial Status Update

Board Audit Committee, February 23, 2024

The FY 2022-23 unaudited financial statements contained herein have been prepared by Valley Water for information only and have not been audited by the external auditor. These financial statements remain subject to change by Valley Water and remain subject to review by external auditor. Changes made by the external auditor, including changes in response to the outsider auditor's review, could be material. No party is authorized to disseminate these unaudited financial statements to the State Comptroller or any nationally recognized rating agency nor post these statements on EMMA or any similar financial reporting outlets or redistribute the information without the express written authorization of the Chief Financial Officer of Valley Water. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale Valley Water bonds, notes or other obligations and investors and potential investors should rely on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the World Wide Web at <https://emma.msrb.org/>.

# Agenda

2

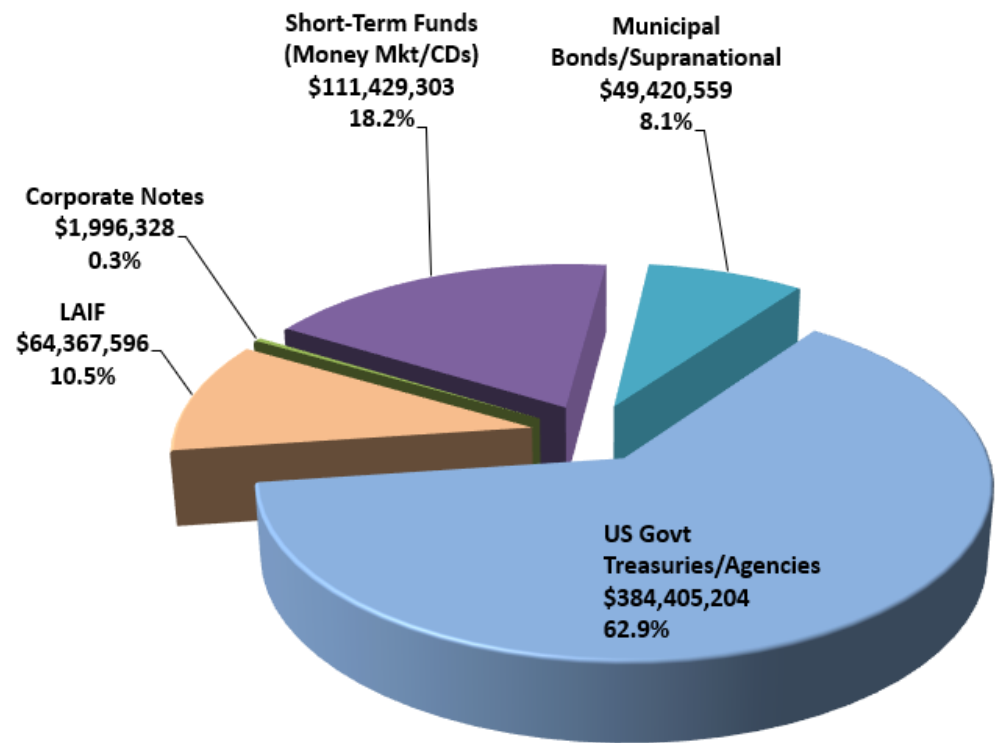
- **Financial Status**
  - **Cash and Investments**
  - **Debt Portfolio**
- **Q2 FY24 Financial Status Update**
  - **Revenue**
  - **Operating and Capital Expenditures**
  - **Reserves**

# Financial Status Update – Cash & Investments

*\$313M or 51% of portfolio very liquid (<=1-year maturity)*

3

SCVWD Investment Portfolio Composition



SCVWD Portfolio Book Value as of December 31, 2023: \$611,618,990

Valley Water Portfolio Aging Report

Dec 31, 2023

Portfolio Book Value: \$ 612 Million

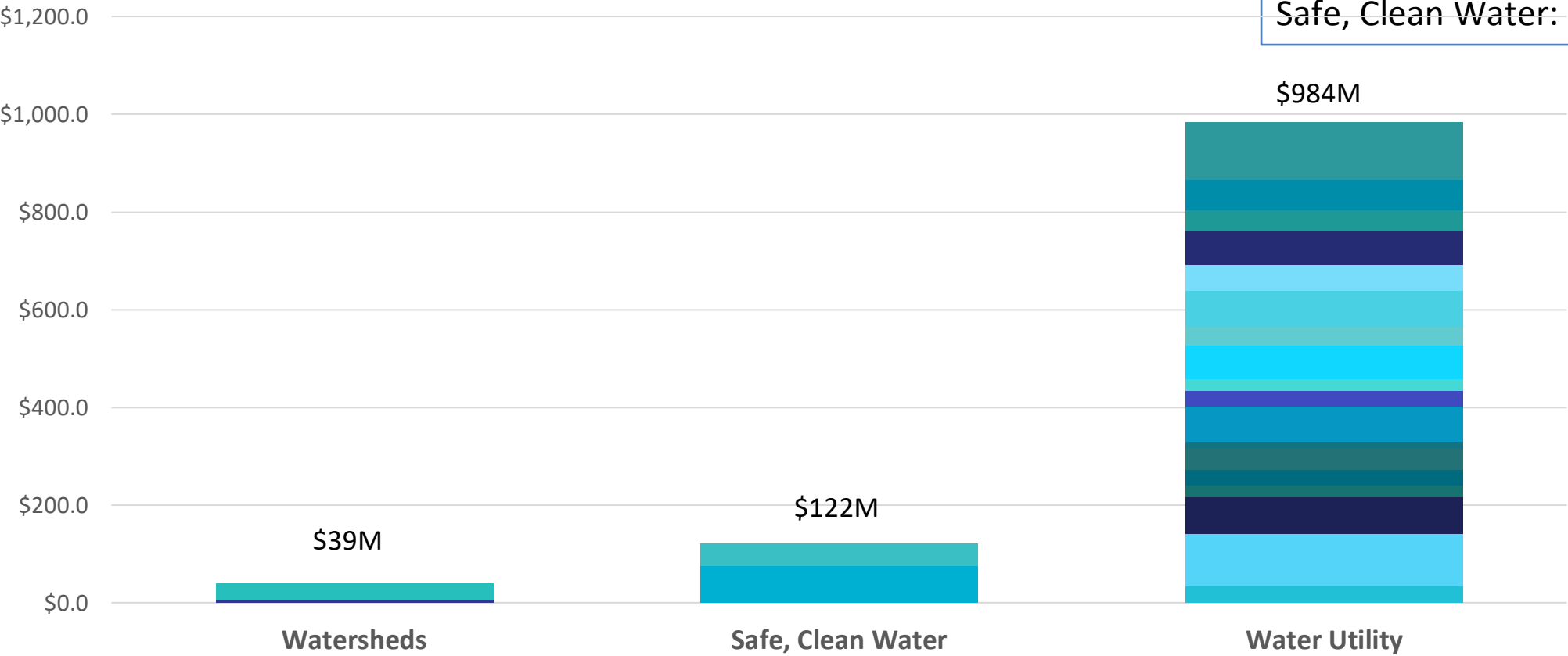


valleywater.org

# Financial Status Update – Outstanding Debt

Outstanding Debt 12/31/23: \$1,144 Million

FY 2024 Debt Service Budget: \$92.9M  
Water Utility: \$73.3M  
Watersheds: \$11.6M  
Safe, Clean Water: \$8M



# Financial Status Update – Debt Portfolio

*Ample access to cash at low interest rates*

## **\$320M short-term credit facilities**

- \$150M Commercial Paper & \$170M Bank Line of Credit
  - US Bank Lead (\$150M), Community Bank of the Bay (\$5M), Bank of SF (\$7M), and First Foundation Bank (8M)
- Bank letter of credit solicitation summer 2024 to replace MUFG credit expiring in December 2024

## **2024 Financing Plan**

- Board approved 2024 WU Financing Plan on January 23, 2024 to issue up to \$450M in refunding and new money debt
  - Board approval of Preliminary Official Statement required prior to issuance
  - Issuance date contingent on capital expenditure progress
- \$38M SCW planned issuance targeted for FY 2024
- Pacheco WIFIA master agreement closed October 2023, planning and design loan executed but no draws expected until 2026
- CWIFP Preliminary Applications for Anderson and Dam Safety Program submitted December 2023

5

# Q2 FY24 - Revenues

*Majority of revenues are anticipated to end the year at budgeted estimates*

6

(\$ in millions)	FY24 Adj Budget	Q2 FY24 Actuals	Q2 FY24 % Rec'd	Q2 FY23 Actuals	Q2 FY23 % Rec'd*
Groundwater Production Charges	\$ 150.9	\$ 67.4	45%	\$ 58.5	48%
Treated Water Revenue	174.1	102.5	59%	78.9	56%
Surface/Recycled Water Revenue	3.6	0.9	25%	1.3	41%
1% Ad-valorem Property Tax	138.0	53.5	39%	50.7	40%
Safe Clean Water Special Parcel Tax	52.3	-	0%	-	0%
Benefit Assessment	6.9	-	0%	-	0%
State Water Project Tax	27.0	0.7	3%	0.9	3%
Capital Reimbursements	67.8	1.5	2%	2.3	6%
Interest Income & Other	13.1	18.0	137%	7.5	58%
<b>Total Revenue</b>	<b>\$ 633.7</b>	<b>\$ 244.5</b>	<b>39%</b>	<b>\$ 200.1</b>	<b>38%</b>

\*Q2 FY24 % received based Q2 YTD Actuals divided by FY24 Total Actuals

(\$ in millions)	FY24 Adj Budget	Q2 FY24 Actuals	Q2 FY24 % Rec'd	Q2 FY23 Actuals	Q2 FY23 % Rec'd*
General Fund	11.4	\$ 4.7	41%	\$ 4.4	42%
Watershed Stream Stewardship Fund	154.0	49.0	32%	44.9	33%
Safe Clean Water Fund	77.6	4.1	5%	2.1	4%
Water Utility Enterprise Fund	383.3	185.8	48%	148.3	47%
Service Funds	0.5	0.9	180%	0.4	100%
Benefit Assessment Funds	6.9	-	0%	-	0%
<b>Total Revenue</b>	<b>\$ 633.7</b>	<b>\$ 244.5</b>	<b>39%</b>	<b>\$ 200.1</b>	<b>38%</b>

\*Q2 FY24 % received based Q2 YTD Actuals divided by FY24 Total Actuals

## Observations

- Q2 FY24 revenue was \$244.5M or 39% of FY24 Budget
- SCW Special Parcel, Benefit Assessment and State Water Project Tax revenues will be received in second-half of the fiscal year
- Groundwater production charges \$67.4M or 45% of Budget and \$8.9M higher than Q2 FY23 actuals
- Treated water revenue \$102.5M or 59% of Budget and \$23.6M higher than Q2 FY23 actuals due to higher use and rates
- Capital reimbursements of \$1.5M, which varies year-over-year depending on progress of grant-funded projects
- Interest Income and Other \$18.0M, or 137% of budget due to investment income on bond proceeds

# Q2 FY24 - Operating and Capital Expenditures

*Capital expenditures estimated to end FY below budgeted levels*

7

(\$ in millions)	FY24 Adj Budget	Q2 FY24 Actuals	Q2 FY24 % Spent	Q2 FY23 Actuals	Q2 FY23 % Spent
General Fund	\$ 86.5	\$ 37.5	43%	\$ 35.2	43%
Watershed Stream Stewardship Fund	78.7	38.6	49%	35.7	46%
Safe Clean Water Fund	42.1	14.5	34%	13.0	35%
Water Utility Enterprise Fund	342.4	141.8	41%	145.0	44%
Service Funds	44.4	18.6	42%	15.2	38%
Benefit Assessment Funds	11.2	0.9	8%	1.1	10%
<b>Total Operating Expenditures</b>	<b>\$ 605.3</b>	<b>\$ 251.9</b>	<b>42%</b>	<b>\$ 245.2</b>	<b>42%</b>

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments

Note 2: Budgetary Basis Actuals includes actuals and encumbrances as of 12/31/23

(\$ in millions)	FY24 Adj Budget	Q2 FY24 Actuals	Q2 FY24 % Spent	Q2 FY23 Actuals	Q2 FY23 % Spent
General Fund	\$ 7.8	\$ 0.8	10%	\$ 1.4	20%
Watershed Stream Stewardship Fund	40.8	10.2	25%	35.2	60%
Safe Clean Water Fund	119.5	31.2	26%	33.3	45%
Water Utility Enterprise Fund	382.9	174.2	45%	168.4	46%
Service Funds	9.7	3.0	31%	1.2	13%
<b>Total Capital Expenditures</b>	<b>\$ 560.7</b>	<b>\$ 219.4</b>	<b>39%</b>	<b>\$ 239.5</b>	<b>46%</b>

Note 1: Capital Project Adjusted Budget includes Adopted Budget and prior year capital carryforward budget

Note 2: Budgetary Basis Actuals includes actuals and encumbrances as of 12/31/23

## Observations

- Q2 FY24 Operating Expenditures of \$251.9M or 42% of FY24 Adjusted Budget
- Water Utility Enterprise, Safe Clean Water and Watershed Stream Stewardship Funds on target
- Benefit Assessment Funds expenses occur in second half of fiscal year

- Q2 FY24 Capital Expenditures of \$219.4M or 39% of Adjusted Budget; trending lower than last fiscal year
- General Fund lower than expected due to timing of the HQ Building and Small Caps, Facility Mgmt projects
- WSS Fund 25% spent primarily due to the timing of the Pond A4, Lower Guadalupe River Restoration and SF Bay Shoreline projects
- SCW Fund 26% spent primarily due to timing of the Sunnyvale E/W, Berryessa Creek, Llagas Creek Phase 2B, and San Francisquito projects and close of SF Bay Shoreline EIAs 1-4 project

# Reserve Balances

- FY24 Projected Year-end reserve balances higher than FY24 Adopted Budget due to unexpended capital project funds carried forward from FY23 to FY24

(\$ in millions)	FY24 Adopted Budget	FY24 Projected Year-end	FY24 Projected vs Adopted
<b>Restricted Reserves</b>			
Safe Clean Water Fund	\$ 185.8	\$ 208.2	\$ 22.4
Water Utility Enterprise Fund	28.4	28.4	-
<b>Restricted Reserves Subtotal</b>	<b>214.2</b>	<b>236.6</b>	<b>22.4</b>
<b>Committed Reserves</b>			
General Fund	12.0	17.7	5.7
Watershed & Stream Stewardship Fund	159.9	148.0	(11.9)
Water Utility Enterprise Fund	67.2	114.3	47.1
Service Funds	20.7	26.9	6.2
<b>Committed Reserves Subtotal</b>	<b>259.8</b>	<b>306.9</b>	<b>47.1</b>
<b>Total Reserves</b>	<b>\$ 474.0</b>	<b>\$ 543.5</b>	<b>\$ 69.5</b>

# Q2 FY24 Financial Update Summary

9

- Will continue to monitor performance of revenues in second half of fiscal year
- Operating expenditures estimated to end FY within budgeted levels
- First half capital expenditures trending lower than prior fiscal year
- Highlight any significant developments as well as identify any potential budget actions necessary in second half of fiscal year

THIS PAGE INTENTIONALLY LEFT BLANK



# Santa Clara Valley Water District

File No.: 24-0140

Agenda Date: 2/23/2024

Item No.: 4.4.

## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Discuss and Approve Proposed 2024 Annual Audit Work Plan, Recommend Auditors to Full Board for Approval, Recommend the Proposed Audit Scopes of Work to Full Board for Approval, and Provide Further Guidance as Needed.

### RECOMMENDATION:

- A. Discuss and approve the proposed 2024 Annual Audit Work Plan; and
- B. Recommend auditors for three audits within the 2024 Annual Audit Work Plan to the full board for approval; and
- C. Recommend the audit scopes of work to the full board for approval; and
- D. Provide further guidance as needed.

### SUMMARY:

On November 15, 2023, the Chief Audit Executive (CAE) presented the 2023 Risk Assessment Final Report to the Board Audit Committee (BAC) assessing operational risks to the Santa Clara Valley Water District ("Valley Water"). The Risk Assessment analysis helped to develop heat maps of Valley Water operational areas based on risk impact (low, moderate, and high risk). The results of the risk assessment included input from Valley Water's Board of Directors (the Board), executives, and management and was used to help develop the proposed 2024-2026 Annual Audit Work Plan. The CAE identified and discussed with the BAC the 12 audit topics identified as the highest priority in the Risk Assessment. The BAC then instructed the CAE to present the same information to the full Board for discussion and feedback.

On December 12, 2023, the 2023 Risk Assessment Final Report was presented to the Board for discussion. The CAE received feedback from the Board and discussed that feedback at the December 20, 2023, BAC meeting. The BAC members agreed on four (4) audit topics as the Proposed 2024 Annual Audit Work Plan. The proposal was recommended to the full Board for approval at their January 23, 2024, meeting.

During the December 20, 2023, BAC meeting, the CAE recommended staggering the start dates for the audits and assigning a portion of the audit engagements to the pool of firms available to the BAC. Furthermore, the CAE proposed that Sjoberg Evashenk Consulting conduct two of the audits (Capital Project Delivery and Board Policies), and the other two firms available to the BAC perform the remaining two audits (Human Resources and Information Technology). The BAC received the information but gave no guidance at that time.

At the January 23<sup>rd</sup>, 2024, Board meeting the Board approved three (3) of the proposed topics to proceed as the 2024 Annual Audit Work Plan, and instructed staff to delay one of the topics to Calendar Year 2025 (CY 25). The three (3) audit topics identified to proceed in CY 24 are as follows:

- 1) Compliance with and Progress Toward Meeting Board Policies
- 2) Human Resources
- 3) Information Technology

The Capital Project Delivery audit topic was delayed to CY 25 to allow staff time to fully implement recommendations from prior audits.

Therefore, the CAE proposes the following schedule for consideration. This schedule is intended to achieve the completion of each performance audit by December 2024, with the potential that one audit, the performance audit of Valley Water's compliance with and progress toward meeting board policies, may extend into early 2025.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Information Technology												
Human Resources												
Board Policies												

In 2023, the BAC established a pool of performance audit firms to which it may assign audit engagements. The CAE proposes that each of three audit firms in this pool be assigned one of the audits. Specifically, the CAE recommends assigning Information Technology to Plante Moran (Attachment 1), Human Resources to Moss Adams (Attachment 2), and Board Policies to Sjoberg Evashenk Consulting (Attachment 3). The BAC is asked to consider adopting these recommendations as its recommendations to the full Board for approval of auditors for the three listed audits.

The purpose of this agenda item is to discuss the 2024 Annual Audit Work Plan, and the potential schedule of upcoming audits.

#### **ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:**

The Annual Audit Work Plan is not subject to environmental justice analysis. The Annual Audit Workplan serves as a tool for communicating audit priorities as determined by the BAC and the Board of Directors.

**ATTACHMENTS:**

Attachment 1: Audit Scope (Information Technology), Plante Moran

Attachment 2: Audit Scope (Human Resources), Moss Adams

Attachment 3: Audit Scope (Board Policies), Sjoberg Evashenk Consulting

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

**THIS PAGE INTENTIONALLY LEFT BLANK**

# SANTA CLARA VALLEY WATER DISTRICT

## Audit Scoping Document

### 2024 Audit Plan Item

Review of Valley Water Information Technology Practices

### Audit Objectives

To Determine the extent to which Valley Water adheres to District policies and procedures, industry standards, and best practices.

### Audit Scope

Information technology practices during the period between January 1, 2021, and December 31, 2023, including but not limited to the areas of cybersecurity; data management protocols; customer service; disaster recovery planning; cost-effectiveness of operations, including contracting and purchasing; and information technology project management policies, processes, and practices.

### Audit Approach

- Review Valley Water's security policies, procedures, and controls to identify gaps within security frameworks
- Review applicable laws and regulatory compliance requirements (e.g., NIST CSF v1.1., Data Privacy, etc.) to identify gaps or areas of improvement.
- Identify and inventory key business processes, critical data, critical applications, and systems within Valley Water's network
- Collaborate with Valley Water to identify specific threats and probability of event occurrence.
- Evaluate the design of controls implemented, configuration parameters and settings, and technical security hardware and devices implemented to protect and secure enterprise resources.
- Technical network vulnerability scans of Valley Water's internal and external networks to assist with inventory and mapping of Valley Water resources.
- Review the business processes employed by Valley Water regarding information technology assets, programs, projects, and services.

### Proposed Schedule

This audit is proposed to commence in March 2024 with an estimated completion date of July 2024.

### Proposed Audit Firm

Plante Moran

THIS PAGE INTENTIONALLY LEFT BLANK

# SANTA CLARA VALLEY WATER DISTRICT

## Audit Scoping Document

### 2024 Audit Plan Item

Performance Audit of Valley Water's Human Resources Management Activities

### Audit Objectives

Determine whether the District's human resources management activities are consistent with industry standards; sufficient to ensure compliance with federal, state, and local laws and regulations; effective in attracting, retaining, and motivating a highly talented, qualified, and effective workforce; and appropriately resourced and right-sized for Valley Water.

### Audit Scope

Valley Water human resources activities and operations between January 1, 2021, and December 31, 2023.

### Audit Approach

This performance audit will include interviewing Human Resources management and staff; obtaining input from Valley Water management, staff, and Board members through interviews and surveys; and evaluating human resources practices and records. It will evaluate Valley Water's performance as it relate to critical elements of human resources management, including but not limited to hiring and recruiting; classification and compensation; employee recordkeeping; human Resources Information System functionality and system controls; employee relations and performance management; benefits administration; workplace investigations; professional and workforce development, training, and succession planning; position control processes; and compliance with requirements set forth in statute, regulation, District policies and procedures, and collective bargaining agreements. Specific tasks are expected to include:

- Conducting a confidential surveys, interviews, and/or focus groups of Valley Water employees to understand staff and management's perspectives;
- Benchmarking of peer agencies to identify best and leading practices; and
- Assessing Valley Water performance compared to industry standards with a focus on organizational structure and staffing, service efficiency and effectiveness, policies and procedures, workflows, use of technology, communication and collaboration, training and development, insourcing versus outsourcing, customer satisfaction, and centralization versus decentralization.

### Proposed Schedule

This audit is proposed to commence in May 2024 with an estimated completion date of August 2024.

### Proposed Audit Firm

Moss Adams

**THIS PAGE INTENTIONALLY LEFT BLANK**

# SANTA CLARA VALLEY WATER DISTRICT

## Audit Scoping Document

### 2024 Audit Plan Item

Review of Valley Water's Board-adopted policies.

### Audit Objectives

To evaluate the District's overall compliance with Board policies, including Board Governance Policies, Ends Policies, and Executive Limitations Policies.

### Audit Scope

Valley Water activities performed pursuant to Board Governance Policies, Ends Policies, and Executive Limitations Policies during the period between January 1, 2021, and December 31, 2023.

### Audit Approach

- Review Board Governance Policies, Ends Policies, and Executive Limitations Policies.
- Conduct interviews with Board directors and management.
- Identify roles and responsibilities of key personnel and departments in fulfilling the goals and intent of Board Governance Policies, Ends Policies, and Executive Limitations Policies.
- Review methods and systems in place designed to enable the Board to monitor District activities, evaluate performance in relation to Board policies, and ensure compliance with such policies.
- Identify and evaluate business processes put in place by Valley Water to ensure compliance with Board policies and to meet established goals.
- Conduct appropriate test work to determine the extent to which management has complied with Board policies, including evaluating transactions and business processes.
- Conduct benchmarking research to identify potential opportunities for improvement.

### Proposed Schedule

This audit is proposed to commence in July 2024 with an estimated completion date of December 2024.

### Proposed Audit Firm

Sjoberg Evashenk Consulting

THIS PAGE INTENTIONALLY LEFT BLANK



# Santa Clara Valley Water District

**File No.:** 24-0141

**Agenda Date:** 2/23/2024

**Item No.:** 4.5.

---

## 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 2024 Board Audit Committee (BAC) Work Plan.

### RECOMMENDATION:

Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2024 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.

Recent changes to the BAC Work Plan include: delaying the discussion regarding the BAC Annual Self-evaluation results from February to March to accommodate a schedule conflict (shown as Item #1 in the attachment); adding a series of discussions about the next Annual Audit Work Plan starting in August and completed by November (shown as Items #18 and #19 in the attachment); and adding a new topic for February related to a management response to a recently completed management-directed audit of the Information Technology (IT) Surplus Equipment Process (shown as Item #21 in the attachment).

Looking forward, the topics of discussion identified for the March 20, 2024, BAC Meeting can be summarized as follows:

1. 2024 BAC Work Plan
2. Annual Audit Work Plan for CY 2024

3. BAC Annual Self-Evaluation Results
4. CAE Activity Report
5. Discuss BAC Charter
6. Discuss Scope of Annual Audit Training

Upon review, the BAC may make changes to be incorporated into the work plan.

**ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:**

The BAC Work Plan is not subject to environmental justice analysis. The BAC Work Plan serves as a tool utilized by the BAC to identify topics to be discussed during the public meeting and when that topic may be presented.

**ATTACHMENTS:**

Attachment 1: 2024 BAC Work Plan

**UNCLASSIFIED MANAGER:**

Candice Kwok-Smith, 408-630-3193

# BOARD AUDIT COMMITTEE 2024 WORKPLAN

January 1, 2024 to December 31, 2024

		DATE:											
		No. of Topics:											
		Jan-17	Feb-23	Mar-20	Apr-17	May-15	Jun-19	Jul-17	Aug-21	Sep-18	Oct-16	Nov-20	Dec-18
#	Board Audit Committee Management												
1	<a href="#">Conduct Annual Self-Evaluation</a>	•		•									
2	<a href="#">Receive and Discuss CAE Activity Report to Evaluate Performance</a>	•		•									
3	<a href="#">Election of BAC Chair and Vice Chair</a>		•										
4	<a href="#">Discuss Board Audit Committee Audit Charter</a>			•									
5	<a href="#">Discuss Scope of Annual Audit Training</a>			•									
6	<a href="#">Receive Annual Audit Training</a>					•							
7	<a href="#">Review and Update BAC Work Plan</a>	•	•	•	•	•	•	•	•	•	•	•	•
Board Audit Committee Special Requests													
8	<a href="#">Review of Joint Powers Authority (JPA) audits</a>				•								
9	<a href="#">Discuss Board's CAE Contract (expires 11/22/24)</a>					•							
Board-directed Audits													
10	<a href="#">2020 SCW Program Grants Management</a>	•						•					
11	<a href="#">2021 Permitting Best Practices</a>				•								
12	<a href="#">2023 CIP Performance</a>							•					
13	<a href="#">2024 Audit - TBD</a>												
14	<a href="#">2024 Audit - TBD</a>												
15	<a href="#">2024 Audit - TBD</a>												
16	<a href="#">2024 Audit - TBD</a>												
CAE Standing Topics													
17	<a href="#">Review and Update Annual Audit Work Plan</a>	•	•	•	•	•	•	•	•	•	•	•	•
18	<a href="#">Discuss next Annual Audit Work Plan</a>							•					
19	<a href="#">Discuss the draft Annual Audit Work Plan, and Recommend Proposed Audit Topics for Board Approval</a>										•		
Management-directed & 3rd-Party Audits													
20	<a href="#">2022 QEIMS Improvements Implementation</a>							•					
21	<a href="#">2023 IT Surplus Equipment Audit</a>		•										
Miscellaneous 3rd-Party Financial Audits													
22	<a href="#">Financial Status - Periodic Updates</a>		•		•				•				
23	<a href="#">Audit Report of the Water Utility Enterprise Funds</a>							•					
24	<a href="#">Audited Financial Statements</a>					•					•		
Staff Standing Topics													
25	<a href="#">Audit Recommendations Implementation Status</a>		•					•					
26	<a href="#">Receive QEIMS Annual Internal Audit Report</a>							•					
Committee Clerk Action Items (not included in count shown in Row 3 above)													
27	<a href="#">Provide BAC Summary Report to full Board</a>	•	•		•	•	•	•	•	•	•	•	•

THIS PAGE INTENTIONALLY LEFT BLANK