

June 14, 2023

## **MEETING NOTICE**

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

**Members of the Board Audit Committee:**

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

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

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

A Santa Clara Valley Water District regular Board Audit Committee Meeting has been scheduled to occur at 2:00 p.m. on Wednesday, June 21, 2023 in the Headquarters Building Boardroom located at the Santa Clara Valley Water District, 5700 Almaden Expressway, San Jose.

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

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

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

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

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

### **REGULAR MEETING AGENDA**

**Wednesday, June 21, 2023  
2:00 PM**

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

**BOARD AUDIT COMMITTEE**

Barbara F. Keegan, 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**  
**REGULAR MEETING**  
**AGENDA**

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Wednesday, June 21, 2023

2:00 PM

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

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

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

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

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

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

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

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

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

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

**Join Zoom Meeting:**

**<https://valleywater.zoom.us/j/91608079873>**

**Meeting ID: 916 0807 9873**

**Join by Phone:**

**1 (669) 900-9128, 91608079873#**

**1. CALL TO ORDER:**

1.1. Roll Call.

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

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

**3. APPROVAL OF MINUTES:**

- 3.1. Approval of May 15, 2023 Board Audit Committee Minutes. [23-0612](#)  
Recommendation: Approve the minutes.  
Manager: Candice Kwok-Smith, 408-630-3193  
Attachments: [Attachment 1: 051523 BAC Minutes](#)

**4. REGULAR AGENDA:**

- 4.1. Discuss Proposed Updates to the Board Audit Committee Audit Charter and Provide Further Direction as Needed. [23-0608](#)  
Recommendation: A. Discuss Proposed Updates to the Board Audit Committee Audit Charter; and  
B. Provide Further Direction as Needed.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: Red-lined Board Audit Committee Charter](#)  
[Attachment 2: PowerPoint](#)
- 4.2. Discuss Process and Scope of 2023 Annual Audit Training from Chief Audit Executive. [23-0604](#)  
Recommendation: Discuss process and scope of 2023 Annual Audit Training from Chief Audit Executive.  
Manager: Darin Taylor, 408-630-3068
- 4.3. Receive the Fiscal Year 2022-2023 Third Quarter Financial Status Update as of March 31, 2023. [23-0464](#)  
Recommendation: Receive the Fiscal Year 2022-2023 third quarter financial status update as of March 31, 2023.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: PowerPoint](#)
- 4.4. Receive and Discuss the Fiscal Year 2022-23 Financial Audit, presented by Vasquez and Company LLP. [23-0607](#)  
Recommendation: Receive and discuss information regarding the upcoming Fiscal Year 2022-23 financial audit, presented by Vasquez and Company LLP.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: PowerPoint](#)
- 4.5. Receive an Update on the Status of the 2023 Risk Assessment. [23-0623](#)  
Recommendation: Receive an update on the status of the on-going 2023 Risk Assessment.  
Manager: Darin Taylor, 408-630-3068

- 4.6. Review and Discuss the 2023 Board Audit Committee Work Plan. [23-0605](#)

Recommendation: Review and discuss topics of interest raised at prior Board Audit Committee (BAC) meetings and make any necessary adjustments to the 2023 BAC Work Plan.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: BAC Work Plan 2023](#)

- 4.7. Discuss the 2022-2024 Annual Audit Work Plan. [23-0606](#)

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

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: 2022-2024 Annual Audit 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 Wednesday, August 16, 2023.

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# Santa Clara Valley Water District

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**File No.:** 23-0612

**Agenda Date:** 6/21/2023  
**Item No.:** 3.1.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Approval of May 15, 2023 Board Audit Committee Minutes.

### RECOMMENDATION:

Approve the minutes.

### SUMMARY:

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

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

### ATTACHMENTS:

Attachment 1: 051523 BAC Minutes

### UNCLASSIFIED MANAGER:

Candice Kwok-Smith, 408-630-3193

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BOARD AUDIT COMMITTEE MEETING

# DRAFT MINUTES

**SPECIAL MEETING  
MONDAY, MAY 15, 2023  
1:30 PM**

(Paragraph numbers coincide with agenda item numbers)

**1. CALL TO ORDER:**

A special meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 1:30 p.m.

**1.1 Roll Call.**

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

Staff members in attendance were: Yvonne Arroyo, Lisa Bankosh, Sarah Berning, Kevin Brown, Rick Callender, Jessica Collins, Enrique De Anda, Amy Fonseca, Concepcion Gayotin, Walter Gonzalez, Rachael Gibson, Alexander Gordon, Chris Hakes, Jeff Ham, Brian Hopper, Candice Kwok-Smith, Jennifer Martin, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Tony Ndah, Carlos Orellana, Luz Penilla, Alison Phagan, Melanie Richardson, Clarissa Sangalang, Manpreet Sra, Darin Taylor, Cheryl Togami, Sherilyn Tran, Kristen Yasukawa, Tina Yoke, and Beckie Zisser.

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

Public in attendance was: None.

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

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

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

#### **3.1. Approval of April 19, 2023 Board Audit Committee Meeting Minutes.**

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the April 19, 2023 Committee meeting.

Public Comments:  
None.

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

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

Chairperson Keegan confirmed Items 4.1 and 4.2 would be considered after Items 4.3 and 4.4 and Item 4.5 would be continued to the June 2023 meeting.

Chairperson Keegan moved the agenda to Item 4.3.

#### **4.3. Receive and Discuss 2023 Capital Improvement Program Process Performance Audit Draft Report.**

Recommendation: Receive and discuss 2023 Capital Improvement Program (CIP) Process Performance Audit draft report.

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

George Skiles, Nicole Dyer, Darin Taylor, Chris Hakes, and Jessica Collins were available to answer questions.

Public Comments:  
None.

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

- The Committee inquired regarding additional examples of best practices at other similar agencies regarding performance measurement systems, identification of required staffing levels to deliver projects, examples of failures of other public agencies related

to CIP planning, practices related to exploring further funding sources for the CIP Budget and identifying additional information the BOD needs to know to make CIP decisions.

- The Committee noted operation and maintenance cost impacts as a deficiency within Valley Water's CIP.
- The Committee noted the CAE's positive draft report regarding Valley Water exhibiting a majority of the leading best practices with the continuation of improvement including revenue forecast and debt management.
- The Committee directed staff to develop management's response to the audit and report back to the BAC and CIP Committee in possibly August or September 2023.

Chairperson Keegan moved the agenda to Item 4.4.

4.4. Discuss Proposed Updates to the Board Audit Committee Audit Charter And Provide Further Direction as Needed.

- Recommendation:
- A. Discuss proposed updates to the Board Audit Committee Audit Charter;  
and
  - B. Provide further direction as needed.

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

Darin Taylor, George Skiles, and Brian Hopper were available to answer questions.

Public Comments:  
None.

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

- The Committee noted the amendments and directed Legal to incorporate BAC's comments including directions given on the process of reviewing and distribution of future audit draft reports, and to report back to the BAC in June 2023 with the updated Charter.

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.

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

Sherilyn Tran, Kristen Yasukawa, and Amy Fonseca were available to answer questions.

Public Comments:  
None.

The Committee noted the information without formal action.

#### 4.2. Receive Permitting Best Practices Audit Status Update.

Recommendation: Receive an update on the status of the Permitting Best Practices audit recommendation implementation.

Lisa Bankosh reviewed the information on this item, per the attached Committee Agenda Memo and per the information contained in Attachment 4.

Lisa Bankosh, Yvonne Arroyo, and Kevin Brown were available to answer questions.

Public Comments:  
None.

The Committee noted the information without formal action.

Chairperson Keegan moved the agenda to Item 4.6.

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

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

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

Darin Taylor was available to answer questions.

Public Comments:  
None.

The Committee noted the information without formal action.

#### 4.7. Discuss the 2022-2024 Annual Audit Work Plan.

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

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

Public Comments:  
None.

Darin Taylor was available to answer questions.

The Committee noted the information without formal action.

**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.*

None.

**6. Adjourn:**

6.1. Adjourn to Regular Meeting at 2:00 p.m. on June 21, 2023.

Chairperson Keegan adjourned the meeting at 3:16 p.m., to the regular meeting at 2:00 p.m. on June 21, 2023.

Nicole Merritt  
Assistant Deputy Clerk II

Date Approved:

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# Santa Clara Valley Water District

**File No.:** 23-0608

**Agenda Date:** 6/21/2023

**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:**

Discuss Proposed Updates to the Board Audit Committee Audit Charter and Provide Further Direction as Needed.

### **RECOMMENDATION:**

- A. Discuss Proposed Updates to the Board Audit Committee Audit Charter; and
- B. Provide Further Direction as Needed.

### **SUMMARY:**

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits. On September 26, 2018, the BAC directed that an Audit Committee Charter be developed, and on August 27, 2019, the Board formally approved the BAC Audit Charter. The BAC Audit Charter was last amended by the Board at its regular meeting on December 13, 2022.

### **A. Recommended Changes**

Proposed Charter amendments were last discussed by the BAC at its regular May 15, 2023, meeting. Based upon input from the BAC, Valley Water staff, and the Independent Auditor, the following substantive changes are recommended for approval by the BAC:

### **Article II, Section 3 (Committee Chair)**

The Existing Charter already notes that the Chair is responsible for approving agendas for BAC meetings. The proposed amendment goes farther by adding the right to add agenda items. The Chair will also have the right, subject to Governance Process restrictions against individual Board members giving direction to staff, to review agenda items prior to the posting of agendas. Finally, the amendment gives the Chair the ability to meet with the auditor and executive management to discuss

audit results and corrective action plans.

### **Article III, Section 8 (Valley Water Independent Auditor)**

Under the existing Charter language, the Independent Auditor reports directly to the BAC. A proposed amendment makes it clear that the Independent Auditor will be subject to the final authority of the Valley Water Board of Directors.

### **Article V, Section 2(h) (Program Audit defined)**

“Program audit” was added to the list of audit types (Article V, Section 2(h)). The new language makes it clear that these are the responsibility of Valley Water management unless referred to the BAC by the Board.

### **Article VI, Section 5 (Review of Final Audit Results/Notice to Board)**

Proposed language was added to allow the BAC or the Board to refer final audit reports to individual Board Committees before they are referred to the Board.

### **Article VI, Section 6 (Draft Audit Reports)**

Based upon input from the May 2023, meeting, the Charter provision giving the BAC the right to request the opportunity to review and comment upon draft audit reports was deleted. Proposed language was added to require that draft reports be treated as confidential records, subject to any state or federal legal requirements (e.g., subpoenas, Public Records Act requests, requests for production of documents in civil discovery, etc.). Finally, to stress the departure from the current practice, proposed language was added to make it clear that draft reports were not to be presented to the BAC or any other Board committee despite any contrary prior practice.

### **Article VI, Section 8 (Follow-up/Close Out of Audits)**

New language was added to establish a process to close out Board initiated audits. For Board initiated audits, the updated process makes it clear that the Auditor who conducted the underlying audit or the Board Independent Auditor will be responsible for reporting out on whether an audit's recommendations are being addressed by Valley Water management. Where not all audit recommendations have been implemented yet, this shall be reported in a Follow-up report, and where all recommendations have been implemented, this shall be reported in a Close-out Report

BAC input regarding these proposed changes is recommended.

## **B. BAC Input Regarding Further Charter Changes**

Input is requested from the BAC regarding any other modifications to make to the Charter. Once a final set of changes has been approved by the BAC, the proposed updated Charter would be

presented to the full Board for approval.

**ATTACHMENTS:**

Attachment 1: Red-lined Board Audit Committee Charter

Attachment 2: PowerPoint

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

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

June 21, 2023

## ARTICLE I - PURPOSE

1. This Charter shall govern the operation of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee).
2. Valley Water's Board of Directors (Board) is responsible for ensuring that Valley Water provides Silicon Valley with safe, clean water for a healthy life, environment, and economy.
3. Audits constitute an important oversight tool as they provide independent and fact-based information to an agency's elected officials and management. Information derived from audits can be used by those responsible with governance and oversight to use it to improve program performance and operations, confirm regulatory compliance, reduce costs, and facilitate decision making.
4. The Committee shall assist the Board, consistent with direction from the full Board, by identifying potential areas for audit and audit priorities, and to review, update, plan and coordinate execution of Board audits.
5. Through its oversight of the audit process, the Committee serves a critical role in providing oversight of Valley Water's governance, risk management, ethics program, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. It is the Committee's responsibility to provide the Board with independent, objective advice on the adequacy of Valley Water management's arrangements with respect to the aspects of the management of Valley Water being evaluated.
6. In carrying out its functions, the Committee shall emphasize: (a) the identification of organizational risk; (b) service delivery; (c) operational efficiency; (d) effectiveness of Valley Water programs; (e) project delivery; (f) establishment of an Annual Workplan and an Annual Audit Workplan to guide the Committee's work; and (g) oversight and monitoring of Valley Water operations and compliance with all applicable regulatory requirements.
7. In addition to carrying out audits in a Board approved Annual Audit Work Plan, the Committee's purpose also includes oversight of audits initiated by Valley Water management, review and comment upon ~~final~~ audits initiated by third-party governmental or administrative agencies, and the conduct of Limited Investigations of potential fraud, waste or violations of law or policy as set forth herein. The

Committee's oversight of Annual Financial Statement Audits shall include the additional elements set forth in Article VIII herein.

8. The Committee shall serve to reinforce the wholeness of the Board's job and shall never interfere with delegation from the Board to the Board Appointed Officers.
9. Through its oversight of the audit process, the Committee shall provide the Board with independent advice and guidance regarding the adequacy and effectiveness of Valley Water's management practices and potential improvements to those practices.

## ARTICLE II - COMPOSITION

1. Number of Committee members/Appointment - The Committee shall consist of at least three members of the Board and shall be appointed by the Board in accordance with the Board's Governance Policies. Committee members shall serve one-year terms.
2. Quorum - The quorum for the Committee shall be a majority of the members.
3. Committee Chair - A Committee Chair shall be elected by a majority of the Committee at the first Committee meeting of the calendar year and shall serve for a one-year term. The Committee Chair shall be responsible for approving agendas for Committee meetings (which shall include the right to add agenda items and, subject to the restrictions of Governance Process sections 6.3 and 6.3.1, review agenda items prior to posting -agendas), approving the payment of invoices to Auditors, and making all initial efforts to resolve any conflicts that may arise during an audit, including but not limited to meeting with auditors and Valley Water executive management to discuss audit results and corrective action plans. To the extent the Chair is unable to resolve conflicts arising during the audit, the matter shall be referred to the Committee for attempted resolution.
4. Committee Vice-Chair - A Committee Vice-Chair shall be elected by a majority of the Committee at the first Committee meeting of the calendar year and shall serve for a one-year term. The Vice-Chair shall assume the duties of the Chair during the Chair's absence.

## ARTICLE III – OPERATIONAL PRINCIPLES

1. Committee Values. The Committee shall conduct itself in accordance with Valley Water's values as set forth in Valley Water's Governance Policies of the Board of Directors, Governance Process No. GP-7 (Values Statement).

2. Communications – The Committee expects that all communication with management and staff of Valley Water as well as with any external auditors will be direct, open, and complete. The Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Committee will communicate directly with the Board and will not exercise actual authority over Valley Water employees.
3. Disclosure of Impairment to Independence – The Auditor shall disclose the details of any audit-related impairment in fact or in appearance to the Committee (e.g., one which threatens the ability to carry out audit responsibilities in an unbiased manner, including matters of audit identification, scope, procedures, frequency, timing, and report content).
4. Access to Information - Except where action by the full Board is required (such as for the waiver of a legal privilege), the Committee shall have unrestricted access to records, data, reports, and all other relevant information it consider necessary to discharge its duties. If access to requested documents is denied due to legal or confidentiality reasons, the Committee shall follow any prescribed, Board approved mechanism for resolution of the matter.
5. Authority – This Charter sets out the authority of the Committee to carry out the responsibilities established for it by the Board. In the event of any conflict between this Charter and either the District Act or the Board Governance Policies, the provisions of the District Act and Board Governance Policies shall prevail.
6. Annual Work Plan –
  - 6.1. 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 Valley Water staff. Work Plans are dynamic documents managed by Committee chairs and are subject to change. Annual Work Plans establish a framework for committee discussion and action during the annual meeting schedule. Committee Work Plans also serve as Annual Committee Accomplishments Reports.
  - 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.



7. Annual Audit Work Plan

7.1. While the Annual Work Plan governs the overall work of the Committee, the Committee shall also develop a proposed “Annual Audit Work Plan” which shall list each of the individual audits to be performed over the course of the year.

7.2. At least annually, the Committee shall develop and submit a proposed Annual Audit Work Plan to the full Board for consideration and approval. Following such Board consideration and approval, the Annual Audit Work Plan shall be automatically updated to include any additional audits formally referred to the Committee by the full Board. Any proposed substantive changes to the Annual Audit Work Plan (e.g., combining audits, removing an audit, or significantly delaying initiation of an audit) must be approved by the Board. Recommended changes should be evidence based.

7.3. Only audits properly included in an approved Annual Audit Work Plan, as set forth in section 7.2 above, may be undertaken by the Committee.

7.4. Risk Assessment – The Committee shall endeavor to complete a Valley Water-wide risk assessment, at a minimum, tri-annually and to annually update Valley Water-wide audit risk assessment to include objectively recommended audits ranked based upon the potential level of risk to Valley Water. The results of this Valley Water-wide audit risk assessment should be relied upon to develop the proposed Annual Audit Work Plan.

8. Valley Water Independent Auditor – Upon approval of the Board following recommendation by the Committee, Valley Water may retain an Independent Auditor to serve as support to the Committee, to make recommendations for the Annual Work Plan, and to recommend audits for inclusion in the Annual Audit Work Plan. The Independent Auditor shall not be an employee of Valley Water. The Independent Auditor must report directly to the Audit Committee but is subject to the final authority of the Board. ~~and~~ Valley Water staff shall not direct or attempt to direct the work of the Independent Auditor. The Committee may recommend that the Independent Auditor perform individual audits but shall ensure that additional auditors are recommended for use in planned audits so that no single firm conducts a disproportionate number of audits in a given fiscal year.

9. Committee Evaluation of Auditor Performance – The Committee shall evaluate the performance of the Independent Auditor and any other Auditor retained by the Board. The Committee may make a recommendation to the Board to discharge

such Independent Auditors or other Auditors where they are not adequately fulfilling their contracted duties.

10. Preparation and Attendance – Committee members are obligated to prepare for and participate in Committee meetings.
11. Conflicts of Interest – It is the responsibility of Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee regarding any matters coming before or considered by the Committee.

#### **ARTICLE IV – MEETINGS**

1. Meeting Agendas – Guided by the Audit Charter, Annual Work Plan, and Annual Audit Work Plan, the Committee Chair will establish agendas for Committee meetings in consultation with Committee members, Valley Water Management, and the Clerk of the Board.
2. Meetings – The Committee will conduct its meetings in accordance with the provisions of the Brown Act. The Committee shall meet at least four times per year. Beyond this minimum, there shall be no limit to the number of meetings held over the course of the year.

#### **ARTICLE V – AUDIT PRINCIPLES**

1. Audit Purposes – Audits can serve several purposes including, but not limited to:
  - a. Verifying that programs, services, and operations are working based upon the Committee's understanding;
  - b. Assuring efficiency and effectiveness;
  - c. Identifying the root cause of any problems experienced by Valley Water;
  - d. Assessing future risks facing Valley Water;
  - e. Assessing the progress of prior audit recommendations;
  - f. Identifying any impact that changes in Valley Water operations have had on financial performance and service delivery;
  - g. Identifying leading practices;
  - h. Assessing regulatory compliance;
  - i. Developing policy options; and
  - j. Assessing the accuracy of financial information reported by Valley Water.
2. Audit Types – The types of audits that may be conducted on behalf of Valley Water include, but are not limited to, the following:

- a. Financial audits – Valley Water hires an outside independent audit firm to perform Valley Water's financial statement audit;
- b. Internal audits – Internal audits (aka, Management Audits) review the environment, information, and activities that are designed to provide proper accountability over Valley Water operations;
- c. Compliance audits – Compliance audits review adherence to Valley Water policies and procedures, state regulatory requirements, or federal regulatory requirements;
- d. Performance audits – Performance audits review the economy, efficiency, and effectiveness of Valley Water's programs, services and operations. Performance audits can evaluate current impact or assess operations prospectively;
- e. Desk reviews – Small and quick audits-assessments of limited size or duration for the purpose of determining if a full performance audit is needed. Board approval is not required for Desk reviews, however the Committee shall, as soon as is practicable, provide the Board with notice following the Committee's approval to initiate any Desk review;
- f. Follow up audits – Audits evaluating to what extent prior audit recommendations have been implemented. Follow up audits may also assess other actions taken to respond to or prevent the occurrence of problems;
- g. Best practice reviews – Audits which compare current Valley Water operations to best practices.

h. Program audits – Program audits are conducted to evaluate whether a particular Valley Water program is effectively accomplishing its goals and are mandated pursuant to state or federal statute or regulation, ordinance, resolution, ballot measure, grant requirement, or contractual requirement. Program audits are unique in that they are mandated by program requirements, not directed by management or the Board. Program audits fall within the responsibility of Valley Water management except when specifically referred to the Committee by the Board.

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- 3. Audit Objectives – Audit objectives must be developed for every audit conducted on behalf of Valley Water. These audit objectives are questions posed by management, Committee members, Board members, or auditors about the

specific nature of the issue or concern that is the subject of the audit. Suggested Audit Objectives shall be referenced in the Annual Audit Work Plan for every audit listed therein. The audit objectives may be subject to revision as necessary during the planning phase of the audit.

4. Audit Standards – Audits conducted by or on behalf of the Committee shall conform with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (~~Standards~~) (RED Book) or the Generally Accepted Government Auditing Standards established by the U.S. Government Accountability Standards (YELLOW Book), or both.
5. Limited Investigations.
  - a) Purpose. In lieu of an audit, the Committee shall also have discretion to conduct or request Limited Investigations to address any discrete issue or concern regarding fraud, waste, or violations of law or policy at Valley Water. The Committee shall not have jurisdiction to conduct Limited Investigations on any other matters. Prior Board approval is not required for the initiation of Limited Investigations.
  - b) Scope. Such Limited Investigations may or may not be subject to the Audit Standards set forth above and shall be undertaken only where: (1) the Limited Investigation is designed to determine the existence or nonexistence of discrete facts involving alleged fraud, waste, or violations of law or policy at Valley Water; (2) the Committee has determined that an audit is not appropriate to address the concern; and (3) the Limited Investigation does not address any matters covered or potentially covered by Board Governance Policy GP-6 (Board Members' Code of Conduct).
  - c) Classified Employees. Classified employees who are parties to any Limited Investigation shall be afforded all applicable rights under the Meyers-Milias-Brown Act and the Memorandum of Understanding then in effect with the employee's union.
  - d) Timely completion. All Limited Investigations must be completed in a timely manner.
  - e) Report of Results. The Committee shall advise the Board of the results of all completed Limited Investigations.
6. Protection of Confidential or Privileged Information – The Committee shall take all necessary steps to prevent the unnecessary disclosure of privileged or confidential information arising in the audit process, arising in the final reports on the audits, arising in the Limited Investigation process, or arising in final reports issued on Limited Investigations.

## ARTICLE VI – COMMITTEE OVERSIGHT OF BOARD INITIATED AUDITS

1. Committee recommendation of Auditors – The Committee shall make recommendations to the full Board for the selection of all Auditors to perform audits in the approved Annual Audit Work Plan. In making such recommendations, the Committee shall consider multiple auditors in order to avoid having any single auditor perform a disproportionate number of audits in a given fiscal year. Following such recommendation, the Board shall make the final decision regarding the selection of such auditors.

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4-2. Board Auditors and Valley Water Staff – Valley Water staff may assist the Committee in its work and may provide information to, assist, or work with Auditors retained by the Board, as necessary. Valley Water staff shall not, however, attempt to direct any Auditors retained by the Board. Auditors retained by the Board shall have a duty to the Board and shall not take direction from Valley Water staff.

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2-3. Communications with Auditors – Individual Committee members shall have the right to speak with Auditors directly regarding the Auditor's assignments. However, direction to Auditors shall come from the Committee as a whole.

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3-4. Completion of Annual Audit Work Plan – The Committee shall ensure that audits on the Annual Audit Work Plan are initiated and completed in an accurate and timely manner.

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4-5. Review of Final Audit Results/Notice to Board – The Committee shall review the observations and conclusions of all audits conducted pursuant to the Annual Audit Work Plan. Upon finalization of the audits and any related reports, the Committee shall provide the Board with the results and make any recommendations to the Board regarding improvement of program performance and operations, cost reductions, and best practices. Prior to referring any final audit report to the Board, the Committee may refer final audit reports to other Board committees for review and discussion. The Board may also direct that any final audit reports be referred to specified Board committees for review and discussion before being referred to the Board.

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5-6. Draft Audit Reports - ~~The Committee may request the opportunity to review and comment on any draft audit reports before such reports are finalized by the auditor.~~ Subject to any requirements of the California Public Records Act or any other applicable state or federal law or regulation, Draft Audit Reports shall be treated as confidential records. Despite any contrary prior practice,

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Draft Audit Reports shall not be presented to the Committee or any other Valley Water committee for review or any other purpose.

7. ~~7.~~ Valley Water Management Response to Audits – Valley Water

Management must review, for technical accuracy, and provide comments on any preliminary draft audit report within ten working days from issuance. Valley Water Management must review and respond to draft audit report recommendations included in Board Initiated audits within fifteen working days from issuance of any draft audit report, unless the Auditor requires the Management response in a shorter amount of time. The Committee, at the request of Valley Water management, may extend the review and comment periods on an audit-by-audit basis. The Committee may ask questions about or make comments on any responses to the draft audit report recommendations. However, the Committee shall not attempt to direct Valley Water staff in its response to any audit.

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8. Follow-up/~~c~~Closeing out of audits – The Committee may request a report

regarding Valley Water's implementation of measures to address recommendations from individual audits. Where not all audit recommendations have been implemented, this shall be reported in a Follow-up report, and where all recommendations have been implemented, this shall be reported in a (Close-out Report). As designated by the Committee, the Close-out R report shall be prepared by either the Auditor completing the audit or the Independent Auditor. Where no remedial measures have been identified by Valley Water management, the Close-out Report shall address whether management has elected to accept the associated risk or whether the risk no longer exists. Following consideration of the Close-out Report, the Committee may vote to close an audit where it is satisfied that the audit recommendations are adequately addressed or where the risk associated with any unaddressed recommendation is acceptable or no longer exists.

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9. ~~8.~~ Board Monitoring of Committee Performance – The Committee shall provide

the Board with timely and periodic reports regarding its activities, its progress on individual audits, its progress on the Annual Work Plan, its progress on the Annual Audit Work Plan, the results of completed audits, and the Committee's recommendations based upon the audit results. The Committee may also identify any recognizable trends in the audit results as part of its periodic reports.

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The Committee shall provide such reports to the Board at least four times per calendar year.

#### **ARTICLE VII – THIRD-PARTY AND MANAGEMENT INITIATED AUDITS**

1. Third-Party Audits – Third-Party Audits are audits initiated by a separate governmental agency (entities other than Valley Water).
2. Management Initiated Audits – Management Initiated Audits are audits requested by Valley Water management (i.e., internal audits) and audits mandated by specific program requirements (i.e., Program Audits). Nothing in this Charter shall restrict the ability or discretion of Valley Water management to undertake any audits it deems required or recommended.
3. Notice to Committee of Third-Party Audits – The Committee shall be promptly notified in writing of the existence and results of any Third-Party audits of Valley Water. Where Valley Water has been given an opportunity to submit a response before the Third-Party audit is finalized, the Committee Chair shall be immediately notified by email or telephone and shall determine whether to have the Committee review and comment upon any draft Valley Water response at a regularly scheduled or specially noticed Committee meeting. Where possible, Valley Water management shall provide the Committee with at least fifteen days for such review and comment. Where timely review and comment by the full Committee is not reasonably possible, the Committee Chair may conduct such review and comment himself/herself and shall report upon such review and comment at the next scheduled Committee meeting. The Committee Chair may also delegate this responsibility to the Vice Chair for any particular Third-Party Audit, where the Committee Chair is unavailable. The Committee shall be provided with copies of any final reports on Third-Party Audits.
4. Notice to Committee of Management Initiated Audits – Valley Water management shall notify the Committee in writing of any planned Management Initiated Audits before commencing the same. Upon request by the Board Chair, Valley Water management shall provide a report to the Committee of the scope and nature of all planned Management Initiated Audits at the next scheduled Committee meeting. Where circumstances require any Management Initiated Audit to commence before the next regularly scheduled Committee meeting, the Committee Chair shall be advised of this need, and the audit need not be delayed. 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. Where possible, Valley Water management shall provide the Committee with at least fifteen days for such review and comment. Where timely review and comment by the full Committee is not reasonably possible, the Committee Chair may conduct such review and comment himself/herself and shall report upon such review and comment at the next scheduled Committee meeting. The Committee Chair may also delegate this responsibility to the Vice Chair for any particular Management Initiated Audit, where the Committee Chair is unavailable. The Committee shall be provided with copies of any final reports on Management Initiated Audits.

5. Comment Upon Draft Audit Responses – The Committee Chair and the Committee may ask questions about or make comments upon any draft audit responses. However, they shall not attempt to direct Valley Water staff in its response to any audit.
6. Audit Results – The Committee may request a report by Valley Water Staff on any response to Management Initiated or Third-Party Audits and any plans by Valley Water staff to implement changes as a result of the audits.
7. Board Report of Audit Results – In its periodic reports to the full Board, the Committee may include information regarding Third-Party Audits or Management Initiated Audits.

## ARTICLE VIII – ANNUAL FINANCIAL STATEMENT AUDIT

1. Annual Financial Statement Audit - The Committee shall participate in Valley Water's procurement process for Valley Water's annual financial statement audit.
2. The Committee's participation shall include, but not be limited to, providing input to Valley Water management on the selection criteria and desired qualifications of the public accounting firm. The selected external financial auditor shall submit to the Committee Valley Water's audited financial statements annually, including all related management letters to the Committee for review and comment.

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3. Financial Statement audit results and pertinent information identified during the course of the audit shall be communicated, in writing or verbally, to the Board Audit Committee. For purposes of this section, "pertinent information" is defined as issues, concerns, practices, programs, or activities that may pose a reputational, operational, financial, or service delivery risk to Valley Water regardless of the magnitude of the apparent risk, as well as any issue deemed pertinent in the auditor's professional judgment.

- 3.
4. Valley Water contracts for performance of the Annual Financial Statement Audit entered into after December 13, 2022 shall include express contractual obligations in accordance with the aforementioned ARTICLE VIII, Section 3.

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#### ARTICLE IX – PERFORMANCE MANAGEMENT

1. The Committee shall periodically review the Audit Charter and shall make any recommendations regarding changes to the Board for final approval.
2. The Board may make any changes to the Audit Charter it deems to be appropriate.
3. Education – The Annual Work Plan shall include some component of planned Committee training on audit principles, practices, or standards. The Independent Auditor shall provide Committee training and other knowledge transfer on some component of audit principles, practices, and standards. While the Committee shall endeavor to schedule and complete such training annually, some component of training must be scheduled and completed by the Committee at least every two years.
4. At least annually, the Committee shall conduct an evaluation of its performance to determine whether it is functioning effectively and to discuss with the Independent Auditor any observations related to the effectiveness of the Committee. The Committee shall prepare a formal report based upon each such self-evaluation and shall provide such report to the full Board following its adoption by the Committee.

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# Valley Water

Clean Water • Healthy Environment • Flood Protection

Board Audit Committee  
June 21, 2023

## Article II, Section 3 (Committee Chair)

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Committee Chair - A Committee Chair shall be elected by a majority of the Committee at the first Committee meeting of the calendar year and shall serve for a one-year term. The Committee Chair shall be responsible for approving agendas for Committee meetings (which shall include the right to add agenda items and, subject to the restrictions of Governance Process sections 6.3 and 6.3.1, review agenda items prior to posting agendas), approving the payment of invoices to Auditors, and making all initial efforts to resolve any conflicts that may arise during an audit, including but not limited to meeting with auditors and Valley Water executive management to discuss audit results and corrective action plans. To the extent the Chair is unable to resolve conflicts arising during the audit, the matter shall be referred to the Committee for attempted resolution.

## Article III, Section 8 (Valley Water Independent Auditor)

Valley Water Independent Auditor – Upon approval of the Board following recommendation by the Committee, Valley Water may retain an Independent Auditor to serve as support to the Committee, to make recommendations for the Annual Work Plan, and to recommend audits for inclusion in the Annual Audit Work Plan. The Independent Auditor shall not be an employee of Valley Water. The Independent Auditor must report directly to the Audit Committee **but is subject to the final authority of the Board**. Valley Water staff shall not direct or attempt to direct the work of the Independent Auditor. The Committee may recommend that the Independent Auditor perform individual audits but shall ensure that additional auditors are recommended for use in planned audits so that no single firm conducts a disproportionate number of audits in a given fiscal year.

## Article V, Section 2(h) (Program Audits)

Program audits – Program audits are conducted to evaluate whether a particular Valley Water program is effectively accomplishing its goals and are mandated pursuant to state or federal statute or regulation, ordinance, resolution, ballot measure, grant requirement, or contractual requirement. Program audits are unique in that they are mandated by program requirements, not directed by management or the Board. Program audits fall within the responsibility of Valley Water management except when specifically referred to the Committee by the Board.

## Article VI, Section 5 (Review of Final Audit Results/Notice to Board )

Review of **Final** Audit Results/Notice to Board – The Committee shall review the observations and conclusions of all audits conducted pursuant to the Annual Audit Work Plan. Upon finalization of the audits and any related reports, the Committee shall provide the Board with the results and make any recommendations to the Board regarding improvement of program performance and operations, cost reductions, and best practices. **Prior to referring any final audit report to the Board, the Committee may refer final audit reports to other Board committees for review and discussion. The Board may also direct that any final audit reports be referred to specified Board committees for review and discussion before being referred to the Board.**

## Article V, Section 6 (Draft Audit Reports)

Draft Audit Reports - Subject to any requirements of the California Public Records Act or any other applicable state or federal law or regulation, Draft Audit Reports shall be treated as confidential records. Despite any contrary prior practice, Draft Audit Reports shall not be presented to the Committee or any other Valley Water committee for review or any other purpose.



## Article VI, Section 8 (Follow-up/close out of audits)

- Follow-up/close out of audits – The Committee may request a report regarding Valley Water’s implementation of measures to address recommendations from individual audits. Where not all audit recommendations have been implemented, this shall be reported in a Follow-up report, and where all recommendations have been implemented, this shall be reported in a Close-out Report. As designated by the Committee, the report shall be prepared by either the Auditor completing the audit or the Independent Auditor. Where no remedial measures have been identified by Valley Water management, the Close-out Report shall address whether management has elected to accept the associated risk or whether the risk no longer exists. Following consideration of the Close-out Report, the Committee may vote to close an audit where it is satisfied that the audit recommendations are adequately addressed or where the risk associated with any unaddressed recommendation is acceptable or no longer exists.

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# Santa Clara Valley Water District

**File No.:** 23-0604

**Agenda Date:** 6/21/2023

**Item No.:** 4.2.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Discuss Process and Scope of 2023 Annual Audit Training from Chief Audit Executive.

### RECOMMENDATION:

Discuss process and scope of 2023 Annual Audit Training from Chief Audit Executive.

### SUMMARY:

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

On August 27, 2019, the Board approved the BAC Audit Charter to provide detailed guidance regarding how the BAC should carry out its functions and to guide the work of the Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Inc.

Per Article 9, paragraph 3 of the BAC Audit Charter, the Board Independent Auditor shall provide the Committee with annual training related to Audit Principles, Practices, or Standards.

Audit Training may include training on auditing standards, the audit process, and financial statement audits. For example, potential audit topics include, but are not limited to, the following:

- Audit standards, including Generally Accepted Government Auditing Standards issued by the Government Accountability Office and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
- The Audit process, including risk assessment, audit selection, audit planning, fieldwork, and reporting.
- Incorporating Diversity, Equity, and Inclusion in performance auditing in the public sector.
- Conducting organization-wide risk assessments.
- Auditing construction projects.
- Auditor independence and avoiding potential conflicts of interest.

- Fundamentals of Internal Control in public sector agencies.
- Best practices of board audit committees in the public sector.
- Fraud in Government

The purpose of this item is to discuss the process and scope of the training to be provided by the CAE.

**ATTACHMENTS:**

None.

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



# Santa Clara Valley Water District

**File No.:** 23-0464

**Agenda Date:** 6/21/2023

**Item No.:** 4.3.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Receive the Fiscal Year 2022-2023 Third Quarter Financial Status Update as of March 31, 2023.

### RECOMMENDATION:

Receive the Fiscal Year 2022-2023 third quarter financial status update as of March 31, 2023.

### SUMMARY:

Valley Water's Fiscal Year 2022-23 Third Quarter closed on March 31, 2023. The third 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 March 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/>>.

### ATTACHMENTS:

Attachment 1: PowerPoint

### UNCLASSIFIED MANAGER:

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**File No.:** 23-0464

**Agenda Date:** 6/21/2023  
**Item No.:** 4.3.

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Darin Taylor, 408-630-3068

# **Q3 YTD FY2022-23 Financial Status Update**

**June 21, 2023  
Board Audit Committee**

# Agenda

2

- **Financial Status**
  - **Cash and Investments**
  - **Debt Portfolio**
- **Q3 YTD FY23 Financial Status Update**
  - **Revenue**
  - **Operating and Capital Expenditures**
  - **Reserves**

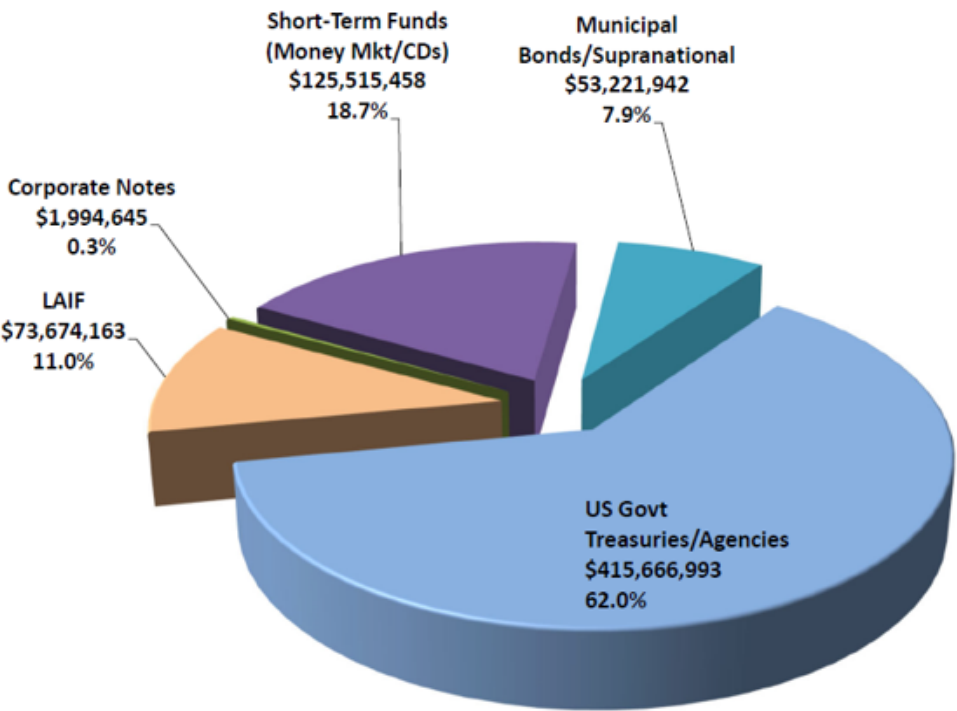


# Financial Status Update – Cash & Investments

*\$331M or 49% of portfolio very liquid (<1-year maturity)*

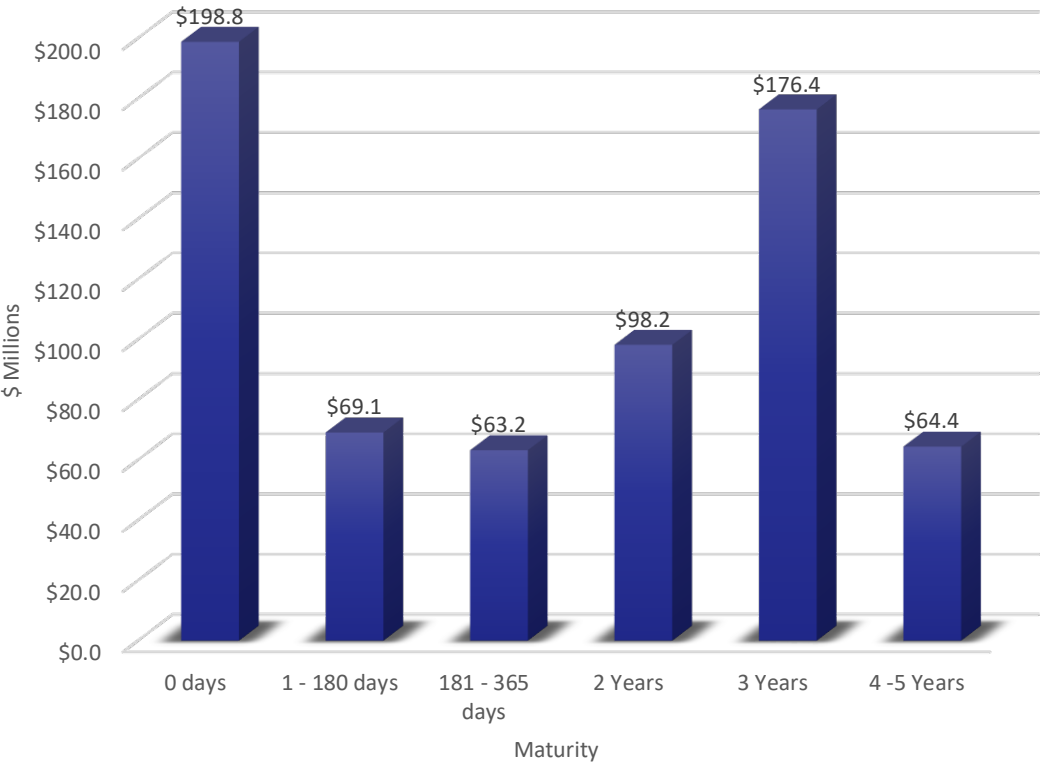
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SCVWD Investment Portfolio Composition



SCVWD Portfolio Book Value as of March 31, 2023: \$670,073,201

Valley Water Portfolio Aging Report  
March 31, 2023  
Portfolio Book Value: \$ 670 Million

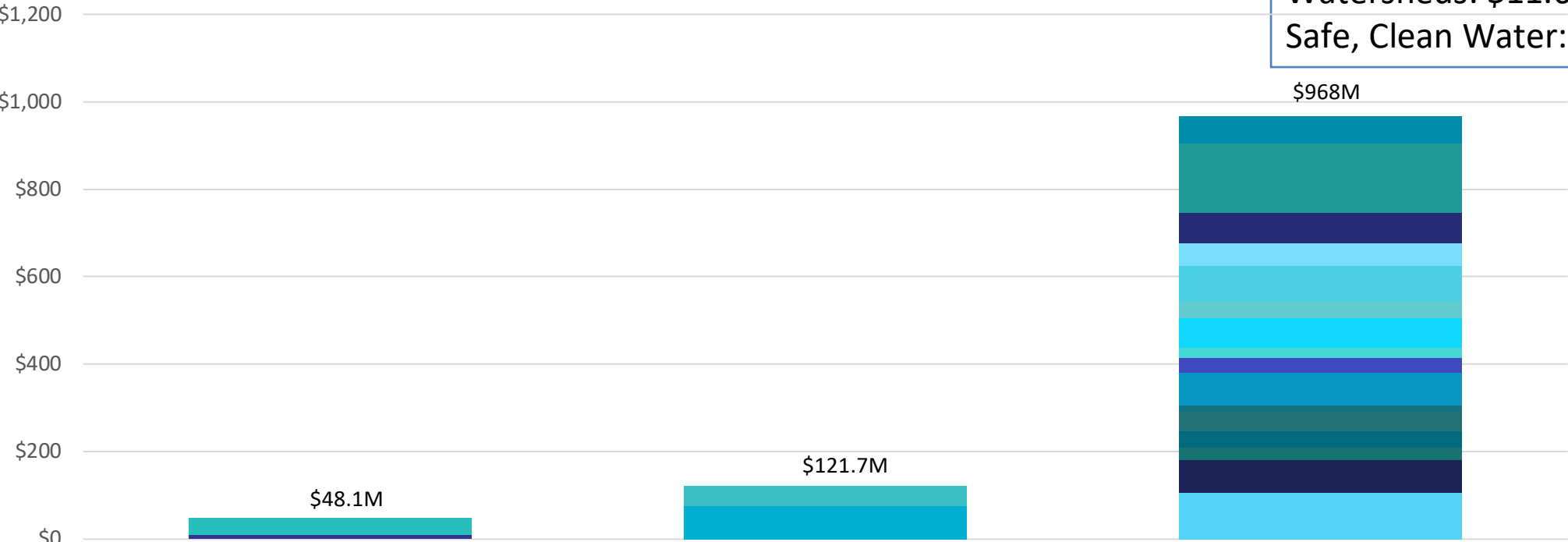


valleywater.org

# Financial Status Update – Projected Outstanding Debt

Projected Outstanding Debt 6/30/23: \$1,138 Million

FY 2023 Debt Service Budget: \$72.2M  
Water Utility: \$56.6M  
Watersheds: \$11.6M  
Safe, Clean Water: \$4M



- 2012A COPs 2017A COPs 2022A Bonds 2022B COPs WU CP 2016A Bonds 2016B Bonds
- 2016C COPs 2016D COPs 2017A Bonds 2019A Bonds 2019B Bonds 2019C Bonds 2020A Bonds
- 2020B Bonds 2020C COPs 2020D COPs 2023A Bonds 2023B Bonds 2023C COPs 2023D COPs



# 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)

## **FY 2023 Financing Results**

- SCW: \$75M Bonds and \$46M COPs closed 12/6/22
- SCW: \$147M WIFIA agreement approved by Board 10/25/22, closed 2/14/23
- WU: \$121M Bonds and \$222.3M COPs closed 1/19/23
- WU: \$2B WIFIA agreement approved by Board 12/13/22; closed \$580M 2/14/23 for Anderson
- WU: Pacheco WIFIA agreement anticipated to close in summer/fall 2023

## **FY 2024 Financing Plan**

- \$230M WU planned issuance targeted for March 2024
- \$38M SCW planned issuance targeted for March 2024

# Q3 YTD Revenue by Category and Fund

*Water revenues affected by higher than budgeted treated water consumption*

6

(\$ in millions)	FY23 Adj Budget	Q3 FY23 Actuals	Q3 FY23 % Rec'd	FY23 Estimate	FY23 Estimate vs Adj Budget
Groundwater Production Charges	\$ 122.0	\$ 75.2	62%	\$ 110.0	\$ (12.0)
Treated Water Revenue	139.7	105.4	75%	159.0	19.3
Surface/Recycled Water Revenue	3.2	1.3	41%	3.2	-
1% Ad-valorem Property Tax	126.1	89.0	71%	136.0	9.9
Safe Clean Water Special Parcel Tax	49.6	28.3	57%	49.6	-
Benefit Assessment	13.3	7.6	57%	13.3	-
State Water Project Tax	27.0	16.1	60%	27.0	-
Capital Reimbursements	37.1	23.3	63%	32.0	(5.1)
Interest Income & Other	13.0	12.6	97%	20.2	7.2
<b>Total Revenue</b>	<b>\$ 531.0</b>	<b>\$ 358.8</b>	<b>68%</b>	<b>\$550.3</b>	<b>\$ 19.3</b>

(\$ in millions)	FY23 Adj Budget	Q3 FY23 Actuals	Q3 FY23 % Rec'd	FY23 Estimate	FY23 Estimate vs Adj Budget
General Fund	\$ 10.5	\$ 7.6	72%	\$ 11.4	\$ 0.9
Watershed Stream Stewardship Fund	137.3	90.3	66%	144.1	6.8
Safe Clean Water Fund	53.0	33.9	64%	54.1	1.1
Water Utility Enterprise Fund	316.5	218.8	69%	326.7	10.2
Service Funds	0.4	0.6	150%	0.7	0.3
Benefit Assessment Funds	13.3	7.6	57%	13.3	-
<b>Total Revenue</b>	<b>\$ 531.0</b>	<b>\$ 358.8</b>	<b>68%</b>	<b>\$550.3</b>	<b>\$ 19.3</b>

Observations
<ul style="list-style-type: none"> <li>• Q3 FY23 YTD revenue was \$358.8M or 68% of FY23 Budget</li> <li>• Remainder SCW Special Parcel, Benefit Assessment and State Water Project Tax revenues will be received in Q4</li> <li>• Groundwater production charges \$75.2M or 62% of Budget; same as FY22 YTD <ul style="list-style-type: none"> <li>• FY23 projected to be \$110.0 million due to mix shift from groundwater to treated water</li> </ul> </li> <li>• Surface/Recycle Water revenue projected to meet budget</li> <li>• Treated water revenue \$105.4M or 75% of Budget and \$9.5M higher than Q3 FY22 actuals <ul style="list-style-type: none"> <li>• FY23 projected to be \$159.0 million due to higher treated water consumption and less groundwater consumption</li> </ul> </li> <li>• Capital reimbursements of \$23.3M, varies year-over-year depending on progress of grant-funded projects; 32.0M received May YTD</li> <li>• Interest Income and Other exceeds budget due to CSJ Water Treatment facility payment, insurance reimbursement, and higher interest income</li> </ul>

# Q3 YTD Operating and Capital Expenditures

*Operating outlays & Capital expenditures estimated to end FY within budgeted levels*

(\$ in millions)	FY23 Adj Budget	Q3 FY23 Actuals	Q3 FY23 % Spent	Q3 FY22 Actuals	Q3 FY22 % Spent	Observations
General Fund	\$ 82.7	\$ 54.6	66%	\$ 53.0	69%	<ul style="list-style-type: none"> <li>Q3 FY23 Operating Expenditures of \$340.0M or 58% of FY23 Adj Budget</li> <li>SCW Fund lower than budget primarily due to delay in CP issuance (\$1.5M), deferral of the 2022A bond issuance (\$5.3M), F9 Safe Clean Water Grants and Partnerships timing (\$4.0M), Stream Capacity Vegetation Control (\$1.3M) and Management of Revegetation Projects (\$1.1M) due to inclement weather impact</li> <li>WUE Fund lower than budget due end of drought related expenses (\$15M, emergency water purchases/conservation activities), IW San Felipe Division Deliveries project (\$15M), GP5 Reimbursement program (\$16M)</li> </ul>
Watershed Stream Stewardship Fund	76.8	49.9	65%	46.2	67%	
Safe Clean Water Fund	37.5	16.2	43%	12.6	42%	
Water Utility Enterprise Fund	338.2	183.9	54%	198.0	66%	
Service Funds	39.9	24.5	61%	21.2	61%	
Benefit Assessment Funds	11.2	10.9	97%	11.0	98%	
<b>Total Operating Outlays</b>	<b>\$ 586.3</b>	<b>\$ 340.0</b>	<b>58%</b>	<b>\$342.0</b>	<b>66%</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 3/31/23

(\$ in millions)	FY23 Adj Budget	Q3 FY23 Actuals	Q3 FY23 % Spent	Q3 FY22 Actuals	Q3 FY22 % Spent	Observations
General Fund	\$ 7.0	\$ 1.7	24%	\$ 2.0	33%	<ul style="list-style-type: none"> <li>Q3 FY23 Capital Expenditures of \$268.0M or 51% of Adjusted Budget; spending trend percentage similar to the same period of FY22</li> <li>GF Fund 24% spent due to HQ Ops Building project delay (\$1.9M) and Small Caps Project (\$3.0M)</li> <li>SCW Fund 51% spent primarily due to Almaden Lake Improv project (\$8.9M)</li> <li>WUE Fund 50% spent primarily due to Anderson Dam related projects (\$105.4M), expenditures expected in Q4</li> <li>Service Funds expenditures expected to increase noticeably in Q4</li> </ul>
Watershed Stream Stewardship Fund	58.9	39.5	67%	47.4	54%	
Safe Clean Water Fund	74.5	37.9	51%	44.3	38%	
Water Utility Enterprise Fund	374.9	185.8	50%	189.1	58%	
Service Funds	8.9	3.1	35%	9.3	61%	
<b>Total Capital Expenditures</b>	<b>\$ 524.2</b>	<b>\$ 268.0</b>	<b>51%</b>	<b>\$292.1</b>	<b>53%</b>	

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

Note 2: Budgetary basis Actuals includes actuals and encumbrances as of 3/31/22

# Reserve Balances

- FY23 Projected Year-end reserve balances higher than FY23 Adopted Budget due to unexpended capital project funds carried forward from FY22 to FY23

(\$ in millions)	FY23 Adopted Budget	FY23 Projected Year-end	FY23 Projected vs Adopted
<b>Restricted Reserves</b>			
Safe Clean Water Fund	\$ 151.7	\$ 210.8	\$ 59.1
Water Utility Enterprise Fund	67.3	66.8	(0.5)
<b>Restricted Reserves Subtotal</b>	<b>219.0</b>	<b>277.6</b>	<b>58.6</b>
<b>Committed Reserves</b>			
General Fund	9.1	10.3	1.2
Watershed & Stream Stewardship Fund	102.2	111.1	8.9
Water Utility Enterprise Fund	56.3	99.4	43.1
Service Funds	15.9	21.5	5.6
<b>Committed Reserves Subtotal</b>	<b>183.5</b>	<b>242.3</b>	<b>58.8</b>
<b>Total Reserves</b>	<b>\$ 402.5</b>	<b>\$ 519.9</b>	<b>\$ 117.4</b>

# Q3 YTD Financial Update Summary

9

- Performance of revenues expected to exceed budget primarily due to higher than budgeted treated water usage
- Operating expenditures estimated to end FY within budgeted levels
- Q3 YTD capital expenditures lower than prior fiscal year but expect to see increases in Q4 results
- In August, Staff will bring to the Board recommended central budget adjustments to ensure that funding is carried over from the current fiscal year to the next in order to complete critical operating projects

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# Santa Clara Valley Water District

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**File No.:** 23-0607

**Agenda Date:** 6/21/2023

**Item No.:** 4.4.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Receive and Discuss the Fiscal Year 2022-23 Financial Audit, presented by Vasquez and Company LLP.

### RECOMMENDATION:

Receive and discuss information regarding the upcoming Fiscal Year 2022-23 financial audit, presented by Vasquez and Company LLP.

### SUMMARY:

At the July 12, 2022, Board meeting, the Board of Directors approved the agreement with Vasquez and Company LLP for financial audit services for the Fiscal Years 2021-22, 2022-23, and 2023-24.

Vasquez and Company LLP will provide an overview of the financial audit process for Fiscal Year 2022-23.

### ATTACHMENTS:

Attachment 1: PowerPoint

### UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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# Presentation to the Board Audit Committee

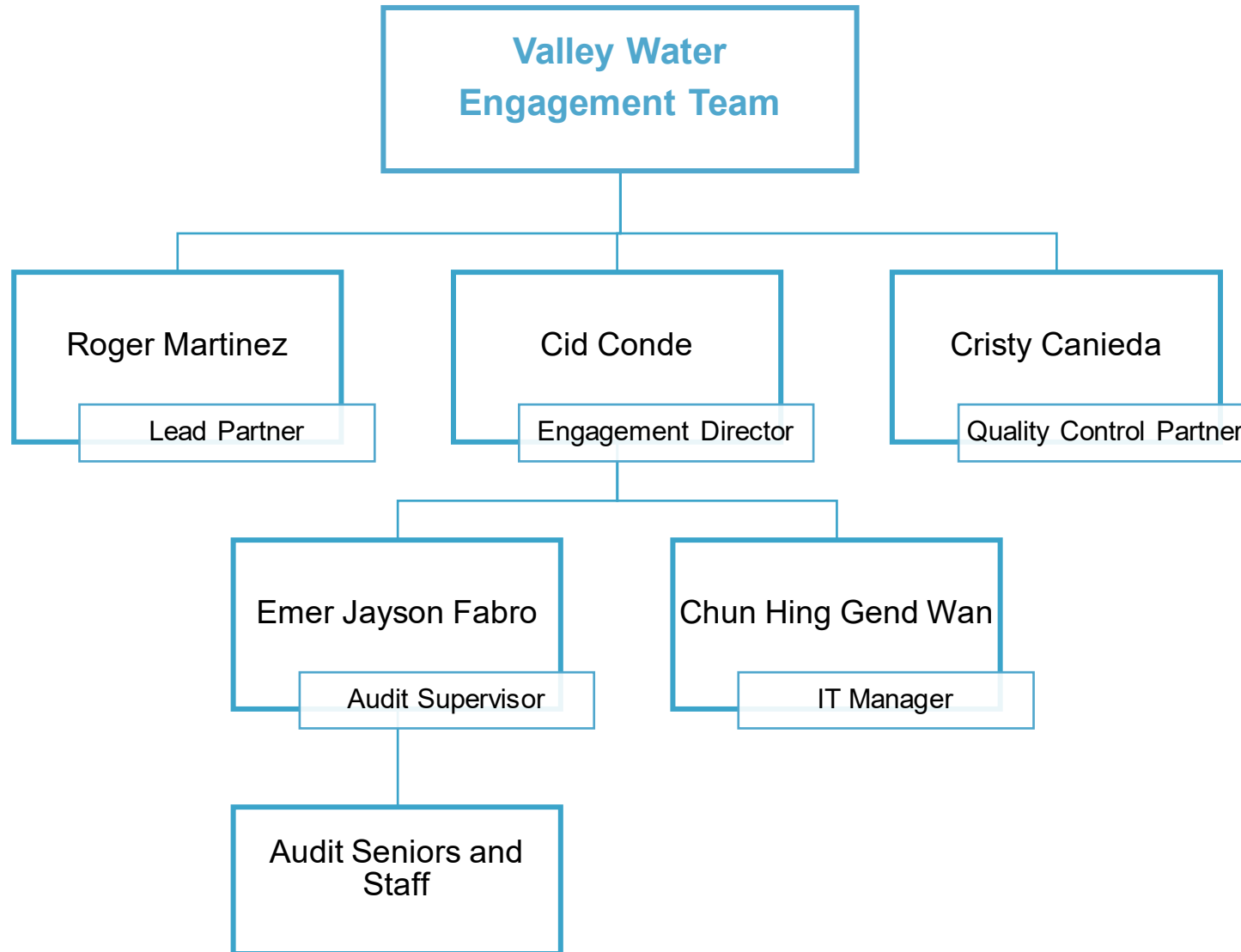
Fiscal Year Ending June 30, 2023

June 21, 2023

# / EXECUTIVE SUMMARY

- Engagement Team
- FY 2023 Scope of Services
- Audit Objectives
- Audit Strategy
- Significant Audit Areas
- 2023 Audit Timeline
- Recent Accounting Pronouncements
- Questions
- Contact Information

# / THE ENGAGEMENT TEAM



# FY 2023 SCOPE OF SERVICES

# / SCOPE OF SERVICES – FYE June 30, 2023

## Financial Statement Audit

- *The audit will be completed no later than the end of December of each year.*

## Single Audit

- *The audit will be completed within 9 months following the end of the fiscal year.*

## Water Utility Enterprise Fund Audit

- *The audit will take place after Valley Water District Annual Audit and will be completed no later than three months after the Valley Water District Annual Audit.*

# / SCOPE OF SERVICES, CONTINUED

## Review of Treasurer's Report

- *To be prepared annually.*
- *The completion date of Treasurer's report will coincide with the completion date of the Valley Water District Annual Audit.*

## Appropriation Limit Report

- *To be prepared annually.*
- *The completion date of the Appropriation Limit Report will coincide with the completion date of the Valley Water District Annual Audit.*

## Agreed upon procedures on Compensation and benefits Policy Compliance Report

- *To be prepared biennially starting with the audit of fiscal year 2023.*



# / SCOPE OF SERVICES, CONTINUED

## Agreed upon procedures on Travel Expense Reimbursement Process and Procedures

- *Report will coincide with the completion date of the Valley Water District Annual Audit. To be prepared biennially starting with the audit of fiscal year 2022.*

## Advanced Water Treatment Facility (AWTF) Audit

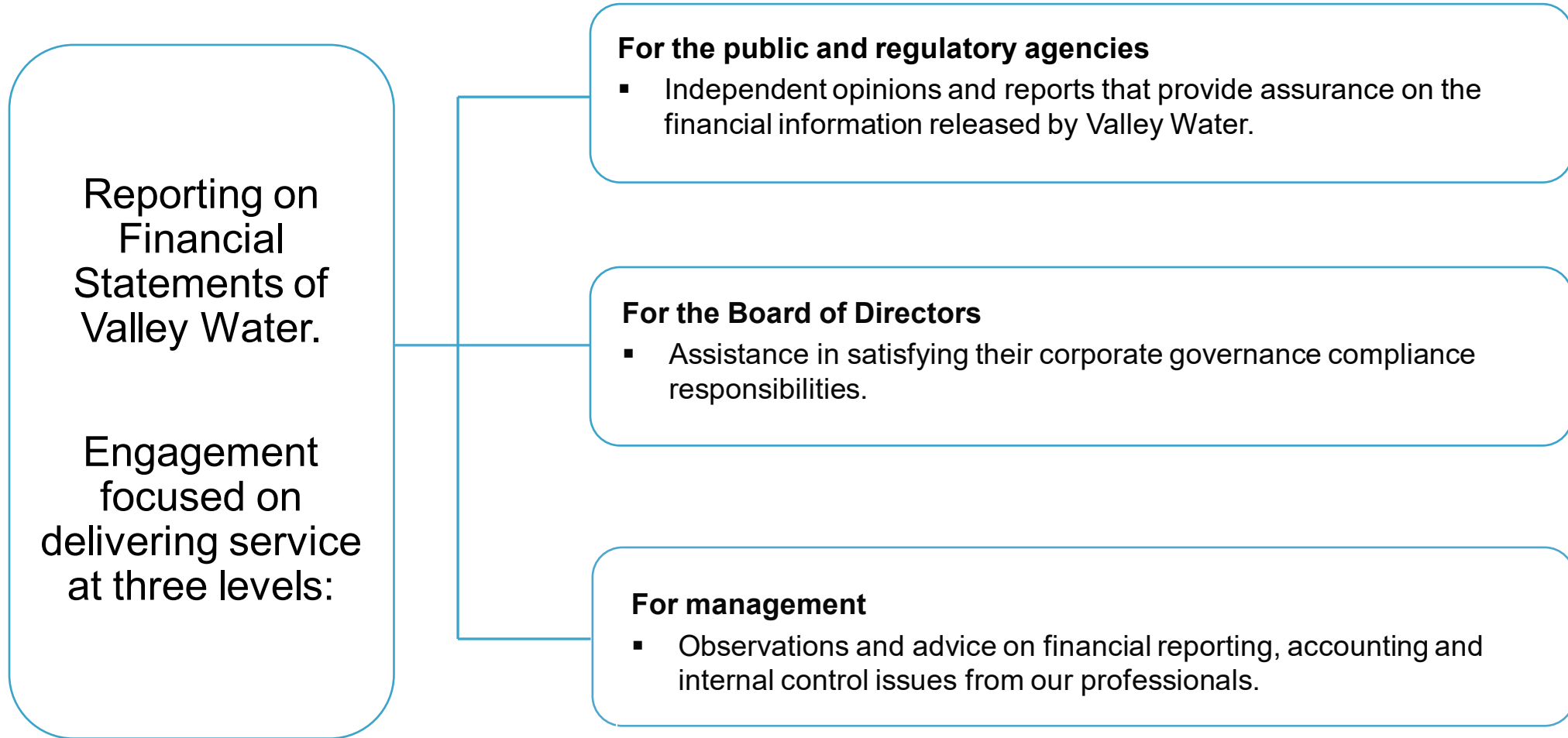
- *Audit will take place after Valley Water Wide Annual Audit and will be completed no later than one month after the Valley Water District Annual Audit.*

## Supplemental Services

- *on an as needed basis*

# AUDIT OBJECTIVES

# / AUDIT OBJECTIVES



# / AUDIT OBJECTIVES, CONTINUED

Primary Objective:

Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



Auditing standards generally accepted in the United States of America (GAAS); and

The standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); and

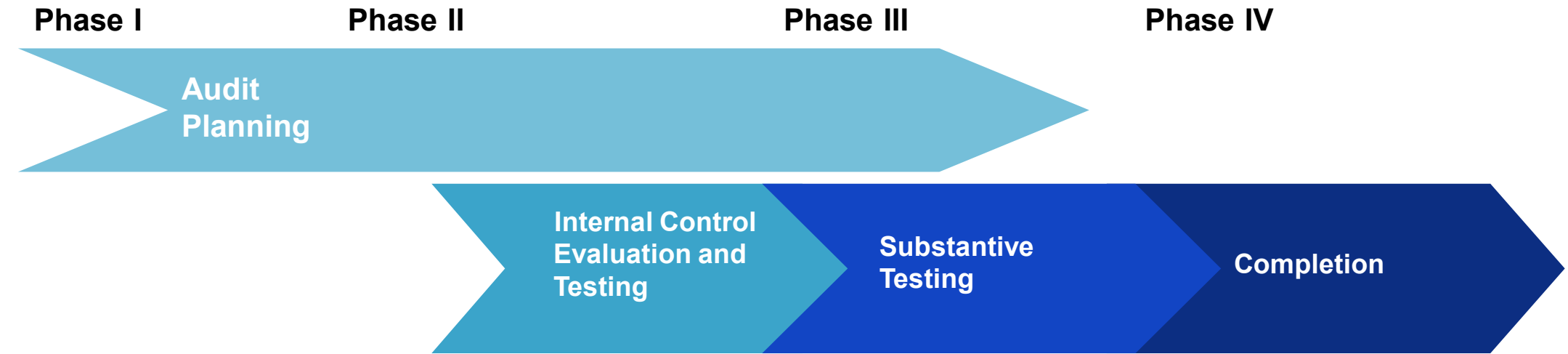
Audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the U.S. Office of Management and Budget's (OMB) Compliance Supplement.



Consider Valley Water's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements.

# AUDIT STRATEGY

# / AUDIT STRATEGY



- Familiarize ourselves with changes to the operating environment
- Perform risk assessment procedures (assessment of inherent risk, control risk and risk of material misstatement)
- Perform preliminary analytical review
- Scope the audit, including procedures and locations
- Identify major program(s) for Single Audit testing.

- Perform fraud risk and evaluation procedures
- Consider regulatory matters and communications
- Assess internal control environment
- Evaluate the design and functioning of key controls
- Review the IT control environment
- Test selected controls including those over the administration of federal funds
- Conclude as to internal control effectiveness; draft internal control comments.

- Perform substantive audit procedures including confirmations with third parties, account analyses and review of source documents
- Conduct final analytical review
- Consider audit evidence sufficiency
- Conclude on critical accounting and financial reporting matters
- Draft compliance findings, if any
- Discuss proposed audit adjustments with management.

- Perform completion procedures (representation letter, update of audit evidence, final reviews)
- Assist in preparing the financial statements.
- Evaluate the financial statements and disclosures
- Draft auditor's reports on financial statements, internal controls and compliance
- Conduct exit conference, including audit adjustments, internal control and compliance findings and comments
- Issue auditor's reports and management letter.

# SIGNIFICANT AUDIT AREAS

# / SIGNIFICANT AUDIT AREAS

Audit Focus Area	Risk/Concerns
Cash and cash equivalents	<ul style="list-style-type: none"><li>▪ Misappropriation of assets</li><li>▪ Cash balances in excess of federally insured limits</li><li>▪ Cash equivalents reported in the financial statements do not agree to amounts reflected in the account statements.</li></ul>
Investments	<ul style="list-style-type: none"><li>▪ Improper valuation and presentation in the financial statements</li></ul>
Receivables	<ul style="list-style-type: none"><li>▪ Receivables on specific transactions may not exist.</li><li>▪ Agency may have no control on receivables</li><li>▪ Receivables are based on contingent events that should not be allowed if the company properly follows applicable accounting standards.</li><li>▪ Receivables do not reflect their economic value.</li><li>▪ Receivable aging is not correct regarding the collectability of receivables</li></ul>
Revenue recognition	<ul style="list-style-type: none"><li>▪ Revenues are not properly recognized in regard to restriction.</li><li>▪ Exchange and non-exchange contracts are not properly identified and recognized.</li></ul>
Capital Assets	<ul style="list-style-type: none"><li>▪ Capitalization of assets and depreciation are not in accordance with Agency's policy</li></ul>



# / SIGNIFICANT AUDIT AREAS, CONTINUED

Audit Focus Area	Risk/Concerns
Expenditures/ payroll	<ul style="list-style-type: none"><li>▪ Expenditures are not incurred in compliance with budgetary constraints and procurement policies. Payroll costs are not correctly allocated and are not supported by documentation of hours and rates.</li></ul>
Accounts payable, accrued liabilities, commitments and contingencies	<ul style="list-style-type: none"><li>▪ Understatement of accounts payable and accrued liabilities</li><li>▪ Commitments and contingencies are not recognized and/or properly disclosed in the financial statements.</li></ul>
Procurement	<ul style="list-style-type: none"><li>▪ Procurement is not in accordance with applicable regulations and policies.</li></ul>
Net Pension Liability, Deferred Outflows and Inflows of resources and Pension Expense	<ul style="list-style-type: none"><li>▪ Related accounts are not recorded in accordance with the requirements of GASB 68</li></ul>
Net Position	<ul style="list-style-type: none"><li>▪ Improper presentation and classification of net position in regard to restriction</li></ul>
Federal grants	<ul style="list-style-type: none"><li>▪ Uniform Guidance compliance is not reviewed to ensure that the expense level is below the threshold for the single audit requirement.</li><li>▪ Grant expenditures are not reviewed for program compliance.</li><li>▪ Compliance requirements are not met.</li></ul>
Financial statements disclosures	<ul style="list-style-type: none"><li>▪ Subsequent events note is not properly disclosed.</li></ul>

# 2023 AUDIT TIMELINE

# / 2023 AUDIT TIMELINE (ACFR)



TASKS	START	END
<b>PLANNING</b>		
Entrance conference	5/30/2023	5/30/2023
<b>YEAR-END AUDIT PROCESS</b>		
Interim Fieldwork	5/30/2023	6/6/2023
Final Fieldwork	8/14/2023	9/15/2023
Exit conference	9/30/2023	9/30/2023
<b>FINANCIAL REPORTING</b>		
Initial draft financial statements to be provided	10/18/2023	10/19/2023
Submission to auditors of ACFR for preliminary review	10/20/2023	10/20/2023
Submission to auditors of ACFR for final review	11/3/2023	11/3/2023
Presentation of DRAFT ACFR to Board Audit Committee	11/15/2023	11/15/2023
Signed audit opinion letter received from the auditors (Report) and auditors' reports	11/17/2023	11/17/2023
ACFR routing to the Clerk of the Board for the 12/12 Board meeting	12/6/2023	12/6/2023
Presentation to the District Board	12/12/2023	12/12/2023

# RECENT ACCOUNTING PRONOUNCEMENTS

# / RECENT ACCOUNTING PRONOUNCEMENTS



**GASB Statement No. 96** – In May 2020, GASB issued Statement No. 96, *Subscription- Based Information Technology Arrangements (SBITA)* (GASB 96), which addresses new accounting and financial reporting requirements for SBITA for governments. SBITA that were previously recognized as an outflow of resources based on the payment provisions of the contract will be recognized as an intangible right-to-use subscription asset and a corresponding subscription liability. GASB 96 also provides criteria for outlays other than subscription payments, including implementation costs of a SBITA. The statement is effective for reporting periods beginning after June 2022.

# / RECENT ACCOUNTING PRONOUNCEMENTS



**GASB Statement No. 94** – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPPs)*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

# / RECENT ACCOUNTING PRONOUNCEMENTS, CONTINUED



**GASB Statement No. 100** – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Errors Corrections – an amendment of GASB Statement No. 62*. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

- Prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections, the required disclosure in the notes to the financial statements, and how information that is affected by a change in accounting principle or error correction should be presented in the required supplementary information (RSI) and supplementary information (SI).
- Effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

# / RECENT ACCOUNTING PRONOUNCEMENTS, CONTINUED



**GASB Statement No. 101** – In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.



# QUESTIONS

# / CONTACT INFORMATION

**Vasquez + Company LLP** has over 50 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, governmental entities, and publicly traded companies. Vasquez is a member of the RSM US Alliance.

**RSM US Alliance** provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms.

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**THANK YOU FOR YOUR  
TIME AND ATTENTION.**

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# Santa Clara Valley Water District

**File No.:** 23-0623

**Agenda Date:** 6/21/2023

**Item No.:** 4.5.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Receive an Update on the Status of the 2023 Risk Assessment.

### RECOMMENDATION:

Receive an update on the status of the on-going 2023 Risk Assessment.

### SUMMARY:

At its January 20, 2023, meeting, the BAC authorized staff to inform the full Board of plans for the Chief Audit Executive (CAE) to review the 2021 Risk Assessment Report and solicit feedback from Board members prior to identifying potential audit topics for the 2023 calendar year. On February 15, 2023, the BAC requested the CAE to re-evaluate the 2022-2024 Annual Audit Work Plan, which was based on the 2021 Risk Assessment Report, and to identify audit topics for consideration for the 2023 Annual Audit Work Plan.

Interviews with Board members occurred between March 20 and April 3, 2023. Based on this input, it was evident that the 2022-2024 Annual Audit Work Plan did not fully reflect the priorities of the Board. Much had changed in the two years since the risk assessment work was performed, including organizational changes resulting from the pandemic, management initiatives, and changes in Board composition.

Further, Section 7.4 of the BAC Charter the BAC shall endeavor to complete a Valley Water-wide risk assessment, at a minimum, tri-annually.

Because of this, the CAE found that an update to the Risk Assessment, which provides the foundation for the Annual Audit Work Plan, was warranted and recommended to the BAC that a Risk Assessment be completed by Fall 2023 and that an updated Annual Audit Work Plan be submitted to the Board prior to establishing the 2024 Annual Audit Plan.

On April 19, 2023, the BAC authorized the CAE to proceed with a new Risk Assessment, which was subsequently reported to the full Board by the BAC Chairperson. On May 17, 2023, Valley Water

management executed Task Order #2 (2023 Risk Assessment), which reflected the proposed cost and schedule provisions shown in Exhibit 1 below.

	Partner	Senior	Associate	Total Hours	Total Personnel Cost
<i>HOURLY RATE:</i>	\$230	\$115	\$90		
<b>Task Description</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Assigned</b>
Project Initiation and Planning	100	25	75	200	\$ 32,625
Fieldwork	150	75	95	320	\$ 51,675
Draft & Final Report	50		50	100	\$ 16,000
<i>Total Project Hours</i>	<b>300</b>	<b>100</b>	<b>220</b>	<b>620</b>	
<b>Total Project Costs</b>					<b>\$ 100,300</b>

	TIMELINE											
MILESTONE	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Project Planning												
Fieldwork												
Draft Report												
Final Report												

Work performed thus far includes obtaining and evaluating background information for each department and program, including information available through Valley Water's website, program descriptions, budget documentation, strategic plans and annual reports, policies and procedures, and other relevant documentation. In doing so, we are in the process of identifying the "audit universe" and potential auditable units, including specific organizational units and defined programs, services, and functions. In addition, we have already met with Board directors to obtain their input, and have begun scheduling meetings with Valley Water executive leadership. As of June 1, 2023, Sjoberg Evashenk Consulting had charged \$5,750 (or 6 percent) against the total \$100,300 project budget, as shown in Exhibit 2 below.

#### Exhibit 2. Budget to Actual

	Original Budget	Charged To-Date	Percent
2023 Risk Assessment	\$100,300	\$5,750	6%

The audit team remains on target to complete the 2023 Risk Assessment within the proposed schedule and budget.

#### ATTACHMENTS:

None.

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**File No.:** 23-0623

**Agenda Date:** 6/21/2023  
**Item No.:** 4.5.

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

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# Santa Clara Valley Water District

**File No.:** 23-0605

**Agenda Date:** 6/21/2023

**Item No.:** 4.6.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Review and Discuss the 2023 Board Audit Committee Work Plan.

### RECOMMENDATION:

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

### SUMMARY:

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

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

At its January 10, 2023, board meeting, the board approved designating July 2023 as a Board and Committee meeting recess period. The next regularly scheduled BAC meeting after the recess will be August 16, 2023. A special meeting can be scheduled per the request of the committee.

At its April 19, 2023, meeting, the BAC authorized the Chief Audit Executive to initiate a new risk assessment given that much has changed since the completion of the 2021 Risk Assessment, and because priorities have shifted in the post-pandemic environment.

At its May 15, 2023, meeting, the BAC discussed updates to the BAC Audit Charter and requested further modifications. The additional charter modifications will be discussed at the June 21, 2023 BAC meeting. The BAC delayed the discussion of the Scope of Annual Audit Training from Board Independent Auditor to the June 21, 2023, BAC meeting. These changes have been captured in the BAC Work Plan.

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Looking forward, the topics of discussion identified for the August 16, 2023, BAC Meeting can be summarized as follows:

1. 2023 BAC Work Plan
2. 2022-2024 Annual Audit Work Plan
3. Audit Report of the Water Utility Enterprise Funds for the Fiscal Year
4. Receive QEMS Annual Internal Audit Report
5. Audit Recommendations Implementation Status
6. 2022 QEMS Improvements Implementation Status
7. 2023 Risk Assessment Status

Additionally, in the month of August, the BAC is scheduled to receive the annual audit training from the Chief Audit Executive (CAE). The scope of the training is to be discussed at the June 21, 2023, BAC Meeting.

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

**ATTACHMENTS:**

Attachment 1: 2023 BAC Work Plan

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

**BOARD AUDIT COMMITTEE 2023 WORKPLAN**

January 1, 2023 to December 31, 2023

Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		20-Jan	15-Feb	15-Mar	19-Apr	15-May	21-Jun	Recess	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
	Board Audit Committee Meeting Dates													
	Number of Agenda Items per Meeting Date	6	6	4	3	6	7	1	8	8	3	6	4	Note: For informational purposes only. This value excludes Item 12 because that items is prepared by the Committee Clerk, not the CI Team, and is for the Full Board, not just the BAC.
	Meeting Dates	•	•	•	•	•	•		•	•	•	•	•	Note: The BAC approved a regular meeting schedule for 2023, to meet monthly, on the third Wednesdays at 2:00 p.m.
	Board Audit Committee Management													
1	Election of 2023 BAC Chair and Vice Chair		•											Recommendation: Nominate and elect the 2023 Board Audit Committee Chair and Vice Chair.
2	Board Audit Committee Audit Charter					•	•							<u>Recommendation:</u> Propose modifications to the Board Audit Committee Audit Charter to be presented to the full Board.  NOTE: This is an "as needed" topic
3	Review and Update 2023 BAC Work Plan	•	•	•	•	•	•		•	•	•	•	•	<u>Recommendation:</u> A. Review and Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan; and B. Approve the updated 2023 Board Audit Committee Work Plan.
4	Discuss Scope of Annual Audit Training from Board Independent Auditor						•							<u>Recommendation:</u> Discuss scope of Annual Audit Training from Board Independent Auditor.
5	Receive Annual Audit Training from Board Independent Auditor								•					<u>Recommendation:</u> Receive Annual Audit Training from Board Independent Auditor.  <u>Notes:</u> Actual Training will be scheduled by Board Scheduler and provided to CI Team (will not be conducted during regular mtg.)
6	Conduct Annual Self-Evaluation	•	•											<u>Jan. Recommendation:</u> A. Discuss Annual Self-Evaluation Process; and B. Authorize Staff to initiate the process and return to BAC with results at a later date  <u>Feb. Recommendation:</u> A. Receive and Discuss the Results of the Annual Self-Evaluation Discussions; and B. Authorize staff to Prepare Formal Report and Present to the full Board.  <u>Note:</u> Jan = Discuss the Eval process and alert BAC to upcoming interviews; Feb = Discuss results of interviews and seek authorization to present to the full Board; Apr = Present interview summary to Full Board

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**BOARD AUDIT COMMITTEE 2023 WORKPLAN**

January 1, 2023 to December 31, 2023

Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		20-Jan	15-Feb	15-Mar	19-Apr	15-May	21-Jun	Recess	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
7	Receive and Discuss CAE Activity Report to Evaluate Auditor Performance	•	•											<u>Jan. Recommendation:</u> Request CAE Activity Report from Sjoberg Evashenk to evaluate CAE Performance.  <u>Mar. Recommendation:</u> Receive and discuss the CAE Activity Report  Note: Jan = BAC Requests report from CAE; Mar = Receive and discuss report from CAE
8	Discuss Extension or Termination of Board Chief Audit Executive (CAE) Contract for Board Independent Auditing Services Prior to Expiration of the Agreement around December 2024													<u>Recommendation:</u> A. Discuss option to extend Board Independent Auditor Contract with TAP International, Inc. for Board Independent Auditing Services currently scheduled to expire effective June 30, 2022; and B. Approve recommendation to the full Board to: 1. Allow the expiration of the Board Independent Auditor Contract with TAP International; or 2. Exercise option to extend Board Independent Auditor Contract with TAP International, Inc.  Note: Agreement effective date was 12/27/21 or 1/1/22.
9	Chief Audit Executive - Request for Proposal: Review Panel (Apr 2024)													<u>Note:</u> Review Panel for the role of the Chief Board Auditor will be the BAC members
10	Provide a Progress Update of the current Risk Assessment						•	•	•	•	•	•	•	<u>Recommendation:</u> Receive a Progress Update for the 2023 Risk Assessment.
11	Provide Report on Tri-annual Risk Assessment (CY 2023)									•				<u>Recommendation:</u> Discuss the scope of work for the 2023 Risk Assessment.  <u>Note:</u> Initiate discussions in February 2024; Deliverable due by September 2024; At its 4/19/23 meeting the BAC authorized CAE to conduct risk assessment sooner than planned, in light of changed conditions following the Pandemic (tentative target 9/2023)
<b>Board Audit Committee Special Requests</b>														
12	External Financial Auditor Meeting with Individual Board members													<u>Note:</u> Schedule as needed.
13	Provide BAC Summary Report to full Board	•	•	•	•	•	•		•	•	•	•	•	<u>Note:</u> Report to be provided to Board in non-agenda the month after each BAC meeting, or as part of the Board Committee Reports, prepared by Committee Clerk
<b>Management and Third Party Audits</b>														

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January 1, 2023 to December 31, 2023

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		20-Jan	15-Feb	15-Mar	19-Apr	15-May	21-Jun	Recess	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
14	Review Draft Audited Financial Statements											•		<u>Recommendation:</u> A. Review draft Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022; and B. Direct staff to have Financial Auditor to contact Board Members and present, if necessary.  Note: This is a Nov. agenda item
15	Audit Report of the Water Utility Enterprise Funds for the Fiscal Year								•					<u>Recommendation:</u> Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year.
16	Receive QEMS Annual Internal Audit Report								•					<u>Recommendation:</u> Receive information regarding the Quality and Environmental Management System.
17	Audit Recommendations Implementation Status		•						•				•	<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.  <u>Note:</u> This is a December/June item; February 2023 item was delayed from Dec 2022; Return to the BAC every 6 months
<b>Board Independent Auditor - Sjoberg Evashenk Items</b>														
18	Review and Update Annual Audit Work Plan	•	•	•	•	•	•		•	•	•	•	•	<u>Recommendation:</u> Discuss the Annual Audit Work Plan and update, if necessary.
<b>Audit - 2019 Contract Change Order Audit</b>														
19	Recommendation Implementation Status (Annual Rpt. in August; Target Completion = TBD)									•				<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
<b>Audit - 2020 District Counsel Audit</b>														
20	Recommendation Implementation Status (Annual Rpt. in January; Target Completion = TBD)													<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.  <u>Note:</u> This is a January item; February 2022 item was delayed from January; This effort was completed in 2022 and is closed.
<b>Audit - 2020 Real Estate Audit</b>														
21	Recommendation Implementation Status (Annual Rpt. in November; Target Completion = TBD)													<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.  <u>Note:</u> Per the February BAC Update, this effort was completed in 2022 and is closed.
<b>Audit - 2020 SCW Program Grants Management</b>														

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22	Recommendation Implementation Status (Semi-Annual Rpt. in March and September; Target Completion = June 30, 2023)					•						•		<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.  <u>Note:</u> Updates in 2022 slipped by 2 mos.
<b>Audit - 2021 Permitting Best Practices</b>														
23	Recommendation Implementation Status (Annual Rpt. in May; Target Completion = TBD)					•								<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
<b>Audit - 2023 CIP Performance Audit</b>														
24	Receive notification of initiated Audit													Note: Audit Objectives - What is the objective of this audit?
25	Review Audit Progress Report			•										<u>Recommendation:</u> Receive an update on the status of the on-going audit.
26	Review Audit Draft Report Presentation					•								<u>Recommendation:</u> Receive and discuss the preliminary Draft Audit Report.
27	Receive Final Draft Report for Management's response													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
28	Review Management's Response to Audit Final Draft Report									•				<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Authorize staff work with the CAE to finalize the Audit Report and present it to the Board of Directors.
<b>Management Audits - PMA, MGO, and 3rd Party Items</b>														
<b>Audit - 2014 Transparency Compliance Audit</b>														
29	Recommendation Implementation Status (Annual Rpt. in November; Target Completion = TBD)	•												<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.  <b>NOTE:</b> January item was delayed from Nov/Dec 2022; Chief of Staff is waiting for the last set of metrics before taking to the Chiefs for a final approval of the Performance Measures
<b>Audit - 2015 Consultant Contracts Audit</b>														
30	Status Update on the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit Conducted by Navigant Consulting, Inc. and the Consultant Contracts Improvement Process.	•												<u>Note:</u> Staff update every 6 months; January item was delayed from Nov/Dec 2022 by new Deputy (Tony Ndah) to allow him to get familiar with the issues, and to allow staff to complete the last of open recommendations  <u>Recommendation:</u> Receive and discuss a status update on the implementation of the recommendations made by Navigant in the 2015 Consultant Contracts Management Process Audit and on the Consultant Contracts Improvement Process.  This audit is complete; final report was provided in January 2023
<b>Audit - 2019 Lower Silver Creek Audit</b>														

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31	Recommendation Implementation Status (Semi Annual Rpt. in February; Delayed to September)									•				<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
	<b>2022 QEMS Improvements Implementation</b>													
32	Recommendation Implementation Status (Annual Rpt. in August)								•					<u>Recommendation:</u> Receive and discuss a status update on the opportunities for improvement.
<b>Miscellaneous BAC Work Plan Items</b>														
33	Financial Status - Quarterly Update			•			•			•		•		<u>Note:</u> suggested frequency is as follows: February for mid-year review; May for Q3 review; September for unaudited close (slipped to October); November for Q1 review Schedule as needed
34	Financial Audit - Periodic Update						•							<u>Recommendation:</u> Discuss the Financial Audit Schedule as needed
35	Board's Auditor Pool RFP Status Update													<u>Recommendation:</u> Receive a status update regarding the Request for Proposal (RFP) for Board Auditing Services Stand-alone Topic
36	Process to report on implementation of audit recommendations, and to close Board-directed audits				•									<u>Recommendation:</u> Discuss process roles and responsibilities related to reporting on implementation of audit recommendations and closing Board-directed audits.

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# Santa Clara Valley Water District

**File No.:** 23-0606

**Agenda Date:** 6/21/2023

**Item No.:** 4.7.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Discuss the 2022-2024 Annual Audit Work Plan.

### RECOMMENDATION:

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

### SUMMARY:

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

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

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

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

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

**Audit Work Plan.**

At its April 19<sup>th</sup>, 2023, meeting, the BAC received a summary of interviews conducted by the CAE. Based on the input received, the key audit topics presented in the 2021 Risk Assessment Report represented high-risk areas earlier in the pandemic, however management efforts have improved operations in some cases. At the same time, new issues have emerged as high-interest audit topics. These include:

- Human Resources, with a focus on recruitment, retention, employee engagement, workplace culture, employee and labor relations, equity, succession planning, and workforce development
- Pacheco Dam Project, including Valley Water's approach to establishing project management, reporting, risk management, and cost control protocols
- Board Governance, including board policies and governance structures
- District Revenues and Demands, including forecasting models; revenue streams for water, flood control, and environmental stewardship; and revenue planning.
- Capital Project Management and Project Delivery Protocols

Additionally, Board members expressed interest in following up on management's implementation of prior audit recommendations and key audit findings. Going forward, potential follow-up audits will be incorporated into the Annual Audit Work Plan as appropriate.

Based on the input received, the BAC determined that the 2022-2024 Annual Audit Work Plan no longer fully reflects the priorities of the Board. The CAE received authorization to conduct an update to the 2021 Risk Assessment, which will provide the foundation for a revised 2022-2024 Annual Audit Work Plan. Furthermore, the CAE will meet with executive management to obtain management's perspective on risk, priorities, and initiatives undertaken since the 2021 Risk Assessment Report was completed. The feedback obtained will help provide a holistic perspective of the current environment.

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

**ATTACHMENTS:**

Attachment 1: 2022-2024 Annual Audit Work Plan

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



**TAP**International

# FY 2022-2024 Annual Audit Work Plan

Updated as of November 22, 2022

## ANNUAL AUDIT WORK PLAN

The Audit Work Plan serves as a tool for communicating audit priorities as determined by the Santa Clara Valley Water District's Board Audit Committee (BAC) and Board of Directors. The selection of audits for formal review and approval by the Board of Directors is an important responsibility of the Audit Committee.

Audits are an important oversight tool because they provide independent and fact-based information to management and elected officials. Those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making.

Audits can:

- Verify that programs, services, and operations are working based on your understanding.
- Assess efficiency and effectiveness.
- Identify the root cause or problems.
- Assess the progress of prior audit recommendations.
- Identify the impact of changes
- Identify leading practices.
- Assess regulatory compliance.
- Develop policy options.
- Assess the accuracy of financial information reported.

The types of audits that can be conducted include:

- Internal audits: Internal audits review the environment, information, and activities that are designed to provide proper accountability over District operations.
- Compliance audits: Compliance audits review adherence to policies and procedures, state regulatory requirements, and/or federal regulatory requirements.
- Performance audits (impact or prospective audits): Performance audits review the economy, efficiency, and effectiveness of Valley Water programs, services, and operations.
- Desk reviews: Small and quick audits.
- Follow up audits: Follow up audits assess the implementation status of recommendations included in prior audit reports.
- Best practices reviews: Compares current operations to best practices.

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

## SECTION A

### ONGOING SUPPORT SERVICES AND SPECIAL PROJECTS

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

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

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

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

#### Labor Summary

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

### Recommended Audits

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

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

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



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

<b>8</b>	Grant Management	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Grant Reimbursement	Performance Audit	1. Can Valley Water's process for tracking labor and expense activities on state grants awarded to Valley Water benefit from updating? 2. How timely are claims for reimbursement submitted to awarding state agencies? 3. What circumstances have contributed to lost opportunities
	Financial Management Coord. & Comm.				
	Financial Oversight				
	Data Accuracy				

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

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

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

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

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

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for contracting external legal services?

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

## AUDIT SERVICES — VALLEY WATER RESPONSIBILITY

## QEMS ACTIVITIES

Under development

## COMPLIANCE AND FINANCIAL AUDITS

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