Valley Water

Santa Clara Valley Water District
Board Audit Committee Meeting

Headquarters Building Boardroom
5700 Almaden Expressway

SPECIAL MEETING
AGENDA

Thursday, September 29, 2022
2:00 PM

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

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

Santa Clara Valley Water District
Board Audit Committee

SPECIAL MEETING
AGENDA

Thursday, September 29, 2022	**2:00 PM**	**Headquarters Building Boardroom** **5700 Almaden Expressway** **San Jose, California**

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.

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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.

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

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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 Minutes.   22-1113

           Recommendation: Approve the minutes.
           Manager: Michele King, 408-630-2711
           Attachments: Attachment 1: 083022 Special BAC Minutes

4.   **REGULAR AGENDA:**

4.1. Receive and Discuss a Status Update on Implementation of Recommendations from the Contract Change Order Audit Conducted by TAP International, Inc.

22-0982

    Recommendation: Receive and Discuss a Status Update on Implementation of Recommendations from the Contract Change Order Audit Conducted by TAP International, Inc.

    Manager: Christopher Hakes, 408-630-3796
Emmanuel Aryee, 408-630-3074
Bhavani Yerrapotu, 408-630-2735
Tony Ndah, 408-630-2208

    Attachments: Attachment 1: PowerPoint

*4.2. Receive an Overview of the Capital Project Management and Project Controls Program.

22-0981

    Recommendation: Receive an Overview of the Capital Project Management and Project Controls Program.

    Manager: Melanie Richardson, 408-630-2035

    Attachments: Attachment 1: Integrations Chart

                     Attachment 2: PowerPoint

                      *Handout 4.2-A: Projectmates Purpose-Built for Owners

4.3. Receive and Discuss a Status Update on Implementation of Recommendations from the Lower Silver Creek Flood Protection Performance Audit.

22-0225

    Recommendation: Receive and Discuss a Status Update on Implementation of Recommendations from the Lower Silver Creek Flood Protection Performance Audit.

    Manager: Christopher Hakes, 408-630-3796
Emmanuel Aryee, 408-630-3074
Bhavani Yerrapotu, 408-630-2735
Tony Ndah, 408-630-2208

    Attachments: Attachment 1: PowerPoint

4.4. Discuss the 2022-2024 Annual Audit Work Plan.

22-1104

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

    Manager: Darin Taylor, 408-630-3068

    Attachments: Attachment 1: 2022-2024 Annual Audit Work Plan

4.5.   Review and Discuss the 2022 Board Audit Committee Work Plan.   22-1105

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

   Manager: Darin Taylor, 408-630-3068

   Attachments: Attachment 1: 2022 BAC Work Plan

5.   CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

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

6.   ADJOURN:

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

Santa Clara Valley Water District

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

SUBJECT:
Approval of 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: 083022 Special BAC Minutes

UNCLASSIFIED MANAGER:
Michele King, 408-630-2711

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BOARD AUDIT COMMITTEE MEETING

MINUTES

SPECIAL MEETING
TUESDAY, AUGUST 30, 2022
10:00 AM

(Paragraph numbers coincide with agenda item numbers)

1.   CALL TO ORDER:

A Special meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 10:00 a.m.

   1.1   Roll Call.

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

   District 7 Director Gary Kremen was excused from attending.

   Staff members in attendance were B. Hopper, D. Taylor, and T. Yoke.

   Also, in attendance was Roger A. Martinez, Vasquez and Company, LLP.

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

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

3.   APPROVAL OF MINUTES:

   3.1   Approval of Minutes.

   Recommendation: Approve the minutes.

   The Committee considered the attached minutes of the July 6, 2022, Committee meeting. It was moved by Director Santos, seconded by Chairperson Keegan, and unanimously carried that the minutes be approved.

4.   REGULAR AGENDA:

Committee Chairperson Keegan moved the agenda to Item 4.7.

4.7   Audit Report of the Water Utility Enterprise Funds for the Fiscal year Ended June 30, 2021.

      Recommendation: Receive and discuss the Audit Report of the Water Utility enterprise Funds for the Fiscal Year Ended June 30, 2021.

      Darin Taylor, Chief Financial Officer, reviewed the information on this item, per the Committee Agenda Memo.

      The Committee discussed the information, without formal action, and noted the following:

- The Committee requested that the Financial Auditor comment on the treated water allocation between North and South Counties; and
- The Committee requested that the Financial Auditor establish the estimated cost to have treated water in the South County and how beneficial it could be as opposed to water recycling.

Committee Chairperson Keegan returned the agenda to Item 4.1.

4.1   Receive Information Regarding the Quality Environmental Management System Internal Audit Program.

      Recommendation: Receive information regarding the Quality and Environmental Management System (QEMS) Internal Audit Program

      Anthony Mendiola, Program Administrator, reviewed the information on this item, per the Committee Agenda Memo, and per the information contained in Attachment 1.

      The Committee noted the information, without formal action.

4.2   Receive Information on the Quality and Environmental management System Improvement Implementation Project.

      Recommendation: Receive information on the Quality and Environmental Management System (QEMS) Improvement Implementation Project.

      Anthony Mendiola reviewed the information on this item, per the attached Committee Agenda Memo.

      The Committee noted the information, without formal action.

4.3   Discuss the Fiscal year 20221-22 Financial Audit.

        Recommendation: Receive and discuss the information regarding the
                            upcoming Fiscal Year 2021-22 financial audit, presented
                            by Vasquez and Company LLP.

        Roger A. Martinez, Vasquez and Company LLP, reviewed the information on this
        item, per the attached Committee Agenda Memo, and per the information
        contained in Attachment 1.

        The Committee noted the information, without formal action, and noted the
        following:

        • The Committee requested that staff distribute the letter, Attachment 1, to
          the full Board via the Non-Agenda process.

4.4   Discuss the 2022-2024 Annual Audit Work Plan.

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

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

        The Committee noted the information, without formal action.

4.5   Review and Discuss the 2022 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 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.

        The Committee noted the information, without formal action.

4.6   Receive and Discuss Information Regarding Audit Follow-up Best Practices.

        Recommendation: Receive and discuss information regarding audit follow-up
                            best practices.

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

        The Committee reviewed the information, without formal action, and noted the
        following:

        • The Committee requested that staff implement the Chief Audit
          Executive's recommendation to standardize the Audit Follow-Up Best
          Practices.

5.   CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:
This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

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

6.   ADJOURN:

6.1   Adjourn to Regular Meeting at 2:00 p.m., on September 21, 2022.

Committee Chairperson Keegan adjourned the meeting at 10:37 a.m., to the next, to-be-determined, Committee meeting date.

Max Overland
Acting Deputy Clerk of the Board

Date Approved:

Santa Clara Valley Water District

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

SUBJECT:
Receive and Discuss a Status Update on Implementation of Recommendations from the Contract Change Order Audit Conducted by TAP International, Inc.

RECOMMENDATION:
Receive and Discuss a Status Update on Implementation of Recommendations from the Contract Change Order Audit Conducted by TAP International, Inc.

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 May 23, 2017, the Board, approved an on-call consultant agreement with TAP International, Inc. (TAP) for Board independent auditing services.

On February 26, 2019, the Board approved the Board Audit Committee's recommendation for TAP to conduct three performance audits recommended by the Board Audit Committee. One of the three performance audits was of the contract change order management processes (Contract Change Order Audit).

TAP subsequently initiated the Contract Change Order Audit. The final report on the Change Order Audit was accepted by the BAC at its February 19, 2020, meeting and presented to the full Board of Directors on May 12, 2020.

The BAC requested staff to provide a periodic update on the status of implementation of the recommendations from the Contract Change Order Audit. This update is set forth in the Contract Change Order Audit Progress Report PowerPoint - Attachment 1.

ATTACHMENTS:
Attachment 1: PowerPoint - Contract Change Order Audit Progress Report

UNCLASSIFIED MANAGER:
Christopher Hakes, 408-630-3796

Emmanuel Aryee, 408-630-3074
Bhavani Yerrapotu, 408-630-2735
Tony Ndah, 408-630-2208

Valley Water
Clean Water • Healthy Environment • Flood Protection

Capital Construction Contract Change Order Management and Administration: Audit Implementation Update
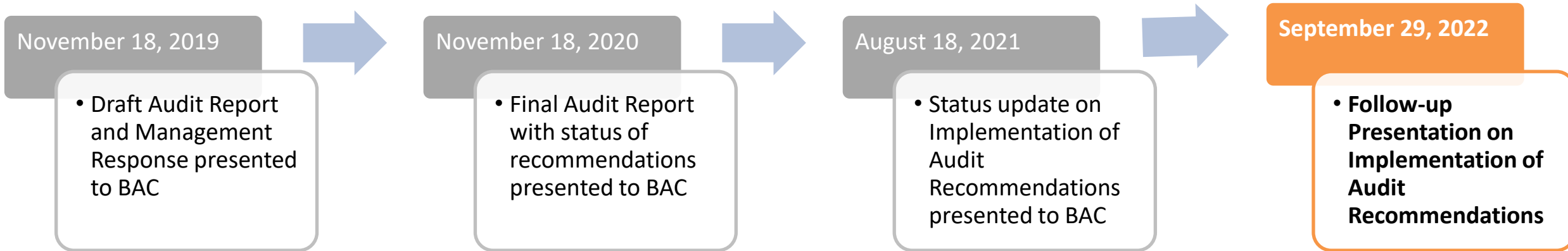
Board Audit Committee
September 29, 2022

Agenda

1. Timeline

2. Summary of Audit Recommendations

3. Audit Implementation Status

4. Key Next Steps

Timeline

November 18, 2019	November 18, 2020	August 18, 2021	**September 29, 2022**
• Draft Audit Report and Management Response presented to BAC	• Final Audit Report with status of recommendations presented to BAC	• Status update on Implementation of Audit Recommendations presented to BAC	• **Follow-up Presentation on Implementation of Audit Recommendations**

Summary of the Recommendations

Valley Water

Audit findings included seven (7) recommendations, summarized as follows:

1. Update capital construction change order (CCO) policies and procedures applicable to large-scale projects to include:

   - Independent Cost Estimates (ICE);
   - Advisory Body (e.g. Change Control Board); and
   - Prohibit Work Until CCO Execution

2. Enhance constructability reviews during the Design Phase

3. Enhance review of change orders; a) Capital Project Steering Committee

4. Create Resources Services Office (RSO); (Mgmt. Response agreed to Project Controls Office (PCO))

Summary of the Recommendations (cont.)

Valley Water

Audit findings included seven (7) recommendations, summarized as follows:

5. Centralize procurement activities

6. Promote the uniform implementation of change order management and administration for all capital projects by:
   - Establishing uniform change order criteria
   - Updating QEMS processes; and
   - Enhancing project management training

7. Develop, track & report project performance metrics

Summary of Audit Implementation Progress

Valley Water

Key Recommendation (Summarized)	Management Response	Progress	Description
1. a) Independent Cost Estimates (ICE); b) Advisory Body; c) Prohibit Work Until CCO Execution	a) Agree b) Agree c) Agree*	a) Complete b) Complete c) Complete	a) On-call ICE agreement issued b) Change Control Board Process Established c) Implemented (with exception for time/materials)
2. Enhance constructability reviews	Agree	Complete	On-call ICE agreement issued
3. Enhanced review of change orders via Capital Project Steering Committee	Agree	Complete	Change Control Board Process and Project Steering Committee Process Established
4. a) Create Resources Services Office (RSO), and b) RSO to support small capital design activities and assist PM/CM on CO negotiation	a) Agree b) Disagree	a) Complete b) N/A	Created CPMPC (previously PCO) in 2021 to support implementation of capital PMIS, capital QEMS, and implementation of audit recommendations
5. a) Centralize procurement activities, and b) RSO responsible for Contract Admin and CO Management	a) Agree b) Disagree	a) Complete b) N/A	Procurement activities transferred to Contracts Unit in 2019
6. a) Uniform change order criteria, b) update QEMS processes, and c) enhance project management training	a) Disagree b) Agree c) Agree	a) N/A b) Complete c) Complete	a) N/A b) Update Lessons Learned database on ongoing basis c) Implement Annual CIP, Biennial QEMS, & On-Call training on ongoing basis
7. Develop, track & report project performance metrics	Agree	Complete	Established KPI 80% spend rate for CIP and monthly project updates to CIP Committee

Audit Response Development

Focus

a. Independent Cost Estimates

b. Define High Risk Projects

c. Change Control Board

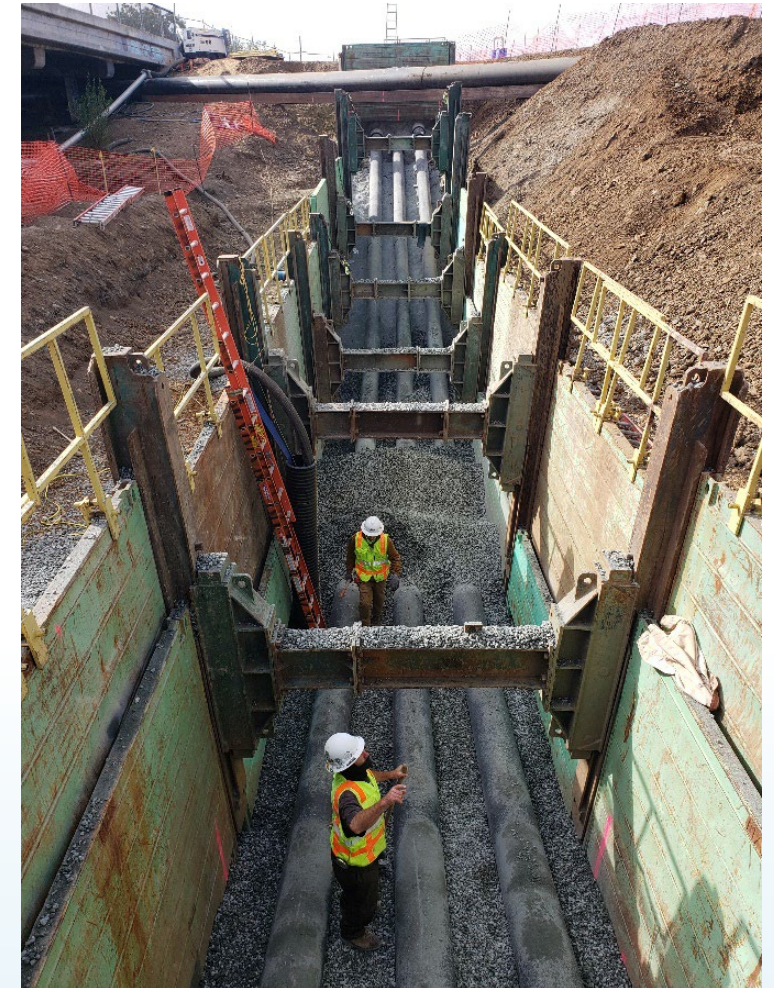d. Project Steering Committee

Independent Cost Estimates (ICE)

Internal ICE

- Performed for all change orders

External ICE

- Independent external cost estimates required for change orders if:

    - Changes exceed signing authority of UM or AOO (whichever is greater); or
    - If the analysis falls outside of staff's expertise

What is "High-Risk"?

Definition of "High-Risk" Projects for Change Control Approach

- Construction contracts of $100 million or greater; or

- Determined to be high risk

  - According to Valley Water's standard risk analysis; or

  - Determined by the Chiefs during established checkpoints

    - Upon inclusion in the CIP
    - During permitting phase
    - During 90% design phase
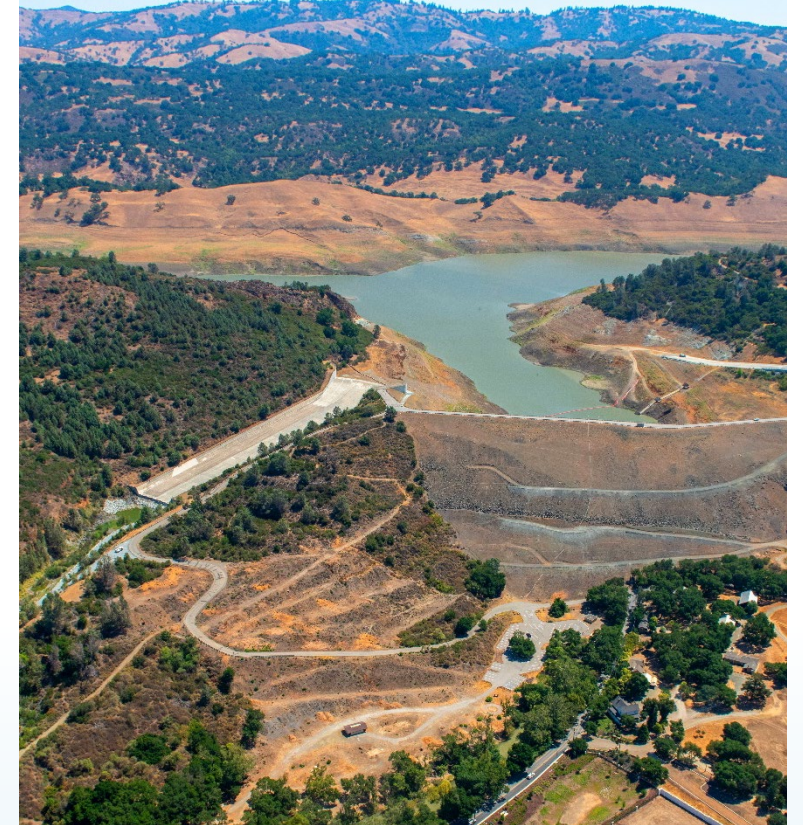
Change Control Board (CCB)

CCB Parameters

- Implemented for construction projects with construction costs of $100 million or greater or deemed high risk.

- Members:

- Project Manager or Construction Manager

  - Capital Deputy (Project Owner)
  - Owner Deputy (Asset Owner)
  - Procurement Deputy (Contracts)
  - CPMPC Representative (Project Mgmt./Controls)

- Threshold for triggering CCB review of change order

  - To be set on a project-by-project basis
  - Set maximum amounts per level of staff:
    UM, AOO, DOO, COO, ACEO, CEO

Project Steering Committee (PSC)

PSC Parameters

- Implemented for construction projects with construction costs of $100 million or greater.

- The Committee may include*:

  - Valley Water management
  - Project Manager
  - Construction Manager
  - External subject matter experts
  - Construction Contracts Support Unit representative

* Executive management will define the make-up and role of the Project Steering Committee on a project basis. Legal construction contract counsel (possibly outsourced), to advise committee as needed.

Recent Case Study

Upper Llagas Creek Flood Protection Project – Phase 1 Construction

- For the Union Pacific Railroad Right of Way and related work at Nature Quality Site a $4.5M Change order was negotiated over a period of several months to complete channel widening, rock slope protection, mitigation planting, fencing and security improvements.

- For US 101 area related work a $2.7M change order was negotiated and executed over a period of several months to complete channel widening, rock slope protection, outfall modifications, native revegetation, etc.

**The Project was under construction pre-implementation of the CCO audit recommendations. Had recommendations been in place, then:**

- Steering Committee would have been aware of issues

- Change Control Board (CCB) would have been triggered

Key Next Steps

1. Ongoing implementation of processes for:

    •   Independent Cost Estimates, Constructability Review, and Project Manager Training

    •   Risk Assessment

    •   Change Control Board

    •   Project Steering Committee

    •   Capital Project Management and Project Controls Program

2. Provide Quarterly Contract Change Order Updates to CIP Committee
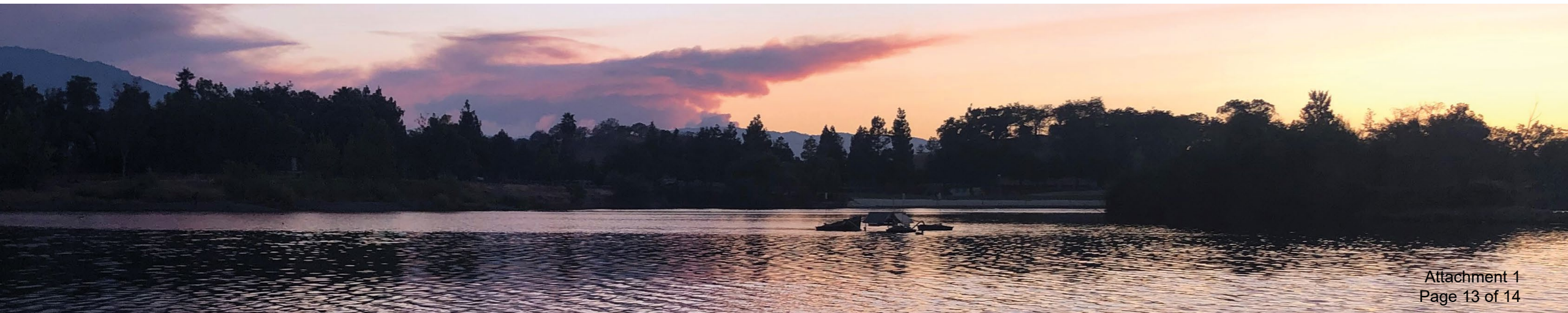
Questions?

Santa Clara Valley Water District

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

SUBJECT:
Receive an Overview of the Capital Project Management and Project Controls Program.

RECOMMENDATION:
Receive an Overview of the Capital Project Management and Project Controls Program.

SUMMARY:
The Capital Project Management and Project Controls (CPMPC) Program was established in October 2021 to provide consistent and continual support for projects in the Capital Improvement Program (CIP) and in response to the Contract Change Order Audit recommendation to create a Resource Services Office, which Valley Water management called a Project Controls Office.

Valley Water's CIP prepares a 5-Year Plan annually on a rolling basis, which is a financial plan for implementation of capital projects that deliver Valley Water's mission to the community. The CIP's Five-Year Plan documents the scope, schedule and cost of our capital projects and the public outreach for the Plan serves to integrate the agency's work with the larger community by aligning Valley Water planning with other local agency planning efforts. The current Fiscal Year 2023-27 CIP 5 -Year Plan includes 64 projects totaling $8.26 billion.

The four main ways that the CPMPC Program supports the CIP is through:

1. Implementation and maintenance of capital project management information system (PMIS);

2. CIP Committee support;

3. Capital quality environmental management system (QEMS) document control and training; and

4. Identifying and assisting with the implementation of management-established process improvements.

PMIS Implementation and Maintenance

CPMPC Program staff is currently overseeing the implementation of a PMIS for capital projects. After a 12-month request for proposal (RFP) procurement process and a thorough evaluation of 10 vendor proposals, the Selection Committee, comprised of staff from the Construction Services Unit, Dam

Safety & Capital Project Delivery, Water Utility Treatment Plants Project Delivery, Information Technology, Capital Improvement Program, and the Office of Integrated Water Management Business Analysis and Support, selected Systemates, Inc. Valley Water's Board of Directors enacted the Software-as-a-Service and Implementation Services Agreement A4556A on October 26, 2021 to Systemates, Inc. for the implementation of their system, Projectmates.

The successful implementation of Projectmates, Valley Water's first capital PMIS for capital projects, is intended to streamline processes, consolidate project documentation, act as a construction management system and as an interface between Valley Water consultants and contractors. Furthermore, it will assist project managers with budgeting and reporting tools. CPMPC staff has worked with more than 60 subject matter experts across 24 Valley Water business areas in order to ensure that the data integration, workflows, and configurations incorporate essential information and processes as completely and seamlessly as possible.

Implementation is taking place over a 12-month timeframe, with go-live scheduled for the fall of 2022. Integrations with Okta Single Sign-On are complete; integrations with ArcGIS and Vena are 90% complete; and integrations with Valley Water's Enterprise Resource Planning system, Infor, are mid-way through. See Attachment 1 for further details.

CIP Committee Support

The CIP Committee meets monthly to review agenda items related to capital project monitoring and CIP implementation and development, as scheduled per the CIP Committee Workplan. The CPMPC Program team coordinates with the Clerk of the Board Office, capital project staff, and Deputies to collect and compile agenda items for each meeting. These agenda items include: project status updates by phase, amendments to capital consultant agreements, CIP planning process and review, updates to the CIP Workplan, any relevant capital project or program reports, and change order status reports for Anderson Dam Tunnel Project and other large-scale/high-risk projects.

Capital QEMS Document Control and Training

The Capital Project Management and Project Controls Program ensures capital QEMS documents are kept up-to-date and relevant and also ensures that changes are communicated to staff and that regular training is provided. As part of this objective, CPMPC staff has received auditor training based on current ISO 9001 and other industry standards.

CPMPC Program staff provides the following support for the maintenance of capital QEMS documents: identifying areas for improvement and coordinating with internal stakeholders to improve processes between the business areas of Capital, Operations and Maintenance, Environmental and Asset Management; making suggestions to improve language, orthography, punctuation, consistency of Capital QEMS documents; coordinating with capital process owners and the Continual Improvement Program to publish updated Capital QEMS documents; and organizing biennial Capital QEMS training for capital staff.

Identifying and Implementing Process Improvements

The CPMPC Program was created as a result of management's response to two audit reports from 2019 focusing on areas of improvement in Valley Water's Capital Improvement Program. Program staff has been coordinating with internal stakeholders to compile management responses to the two 2019 audits for presentation to the Board CIP and Audit Committees set for September 2022. Implementation of the audit recommendations are the foundation for the CPMPC Program's project controls component, which is under development and will be implemented by CPMPC Program staff in coordination with other responsible business areas.

ATTACHMENTS:
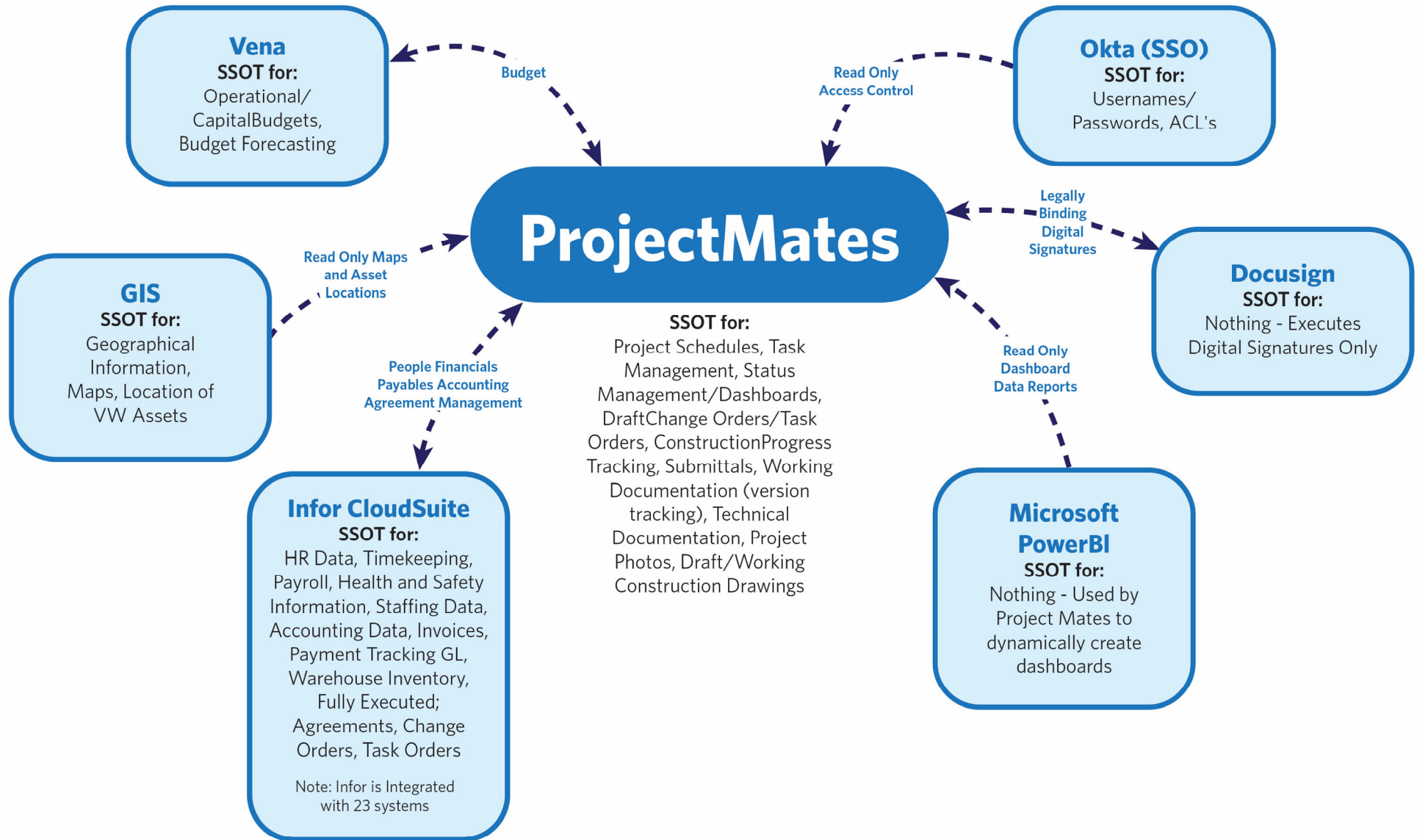Attachment 1: Integrations Chart
Attachment 2: PowerPoint
*Handout 4.2-A: Projectmates Purpose-Built for Owners

UNCLASSIFIED MANAGER:
Melanie Richardson, 408-630-2035

ProjectMates Integration and Single Source of Truth Relationships

ProjectMates

SSOT for:
Project Schedules, Task Management, Status Management/Dashboards, DraftChange Orders/Task Orders, ConstructionProgress Tracking, Submittals, Working Documentation (version tracking), Technical Documentation, Project Photos, Draft/Working Construction Drawings

Vena
SSOT for:
Operational/ CapitalBudgets, Budget Forecasting

Budget

Okta (SSO)
SSOT for:
Usernames/ Passwords, ACL's

Read Only Access Control

GIS
SSOT for:
Geographical Information, Maps, Location of VW Assets

Read Only Maps and Asset Locations

Docusign
SSOT for:
Nothing - Executes Digital Signatures Only

Legally Binding Digital Signatures

Infor CloudSuite
SSOT for:
HR Data, Timekeeping, Payroll, Health and Safety Information, Staffing Data, Accounting Data, Invoices, Payment Tracking GL, Warehouse Inventory, Fully Executed; Agreements, Change Orders, Task Orders

Note: Infor is Integrated with 23 systems

People Financials Payables Accounting Agreement Management

Microsoft PowerBI
SSOT for:
Nothing - Used by Project Mates to dynamically create dashboards

Read Only Dashboard Data Reports

Capital Project Management and Project Controls Program Overview

Capital Project Management and Project Controls Program

Presentation Outline

1. **CPMPC Program Overview**

    a. Introduction
    b. Goals
    c. Approach
    d. Tools

2. **Implementation of Audit Recommendations**

    a. Audit Response Working Group
    b. Recommendation Overview
   c. CPMPC Implementation

3. **Next Steps**

CPMPC Introduction

CPMPC stands for Capital Project Management and Project Controls Program

- Program was established in October 2021 with the purpose of supporting delivery of capital projects that deliver safe clean water, flood protection, and environmental stewardship throughout the county by providing streamlined project management solutions for the oversight and management of capital projects

CPMPC Program Goals

1. Implement and manage Valley Water's first project management information system **(PMIS)**

2. Provide monthly capital project updates and reports to the Board **Capital Improvement Program (CIP) Committee**

3. Document control and training for capital quality management system **(QEMS)** documents

4. Identify, discuss, and coordinate **process improvements**

5. Provide **quarterly updates** on capital deadlines, document updates, and process improvements
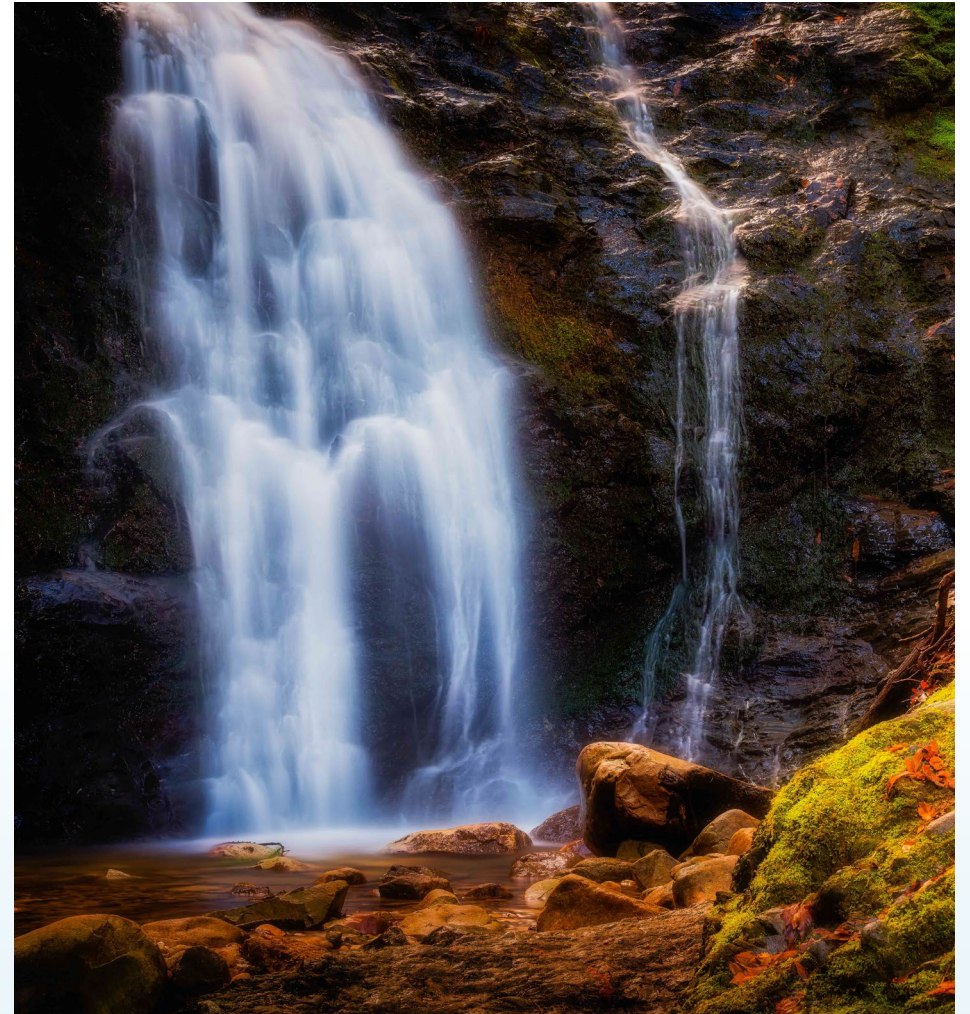
CPMPC's Multi-Faceted Approach

Project Support, Accountability, and Consistency:

- Project Support – CPMPC staff work closely with CIP staff to support project administration

- Accountability – staff is accountable to Valley Water's mission, board policies, each other, and the processes/tools being implemented

- Consistency – people must apply the processes/tools consistent with the standards established in order to achieve Valley Water's mission

Policies

Procedures
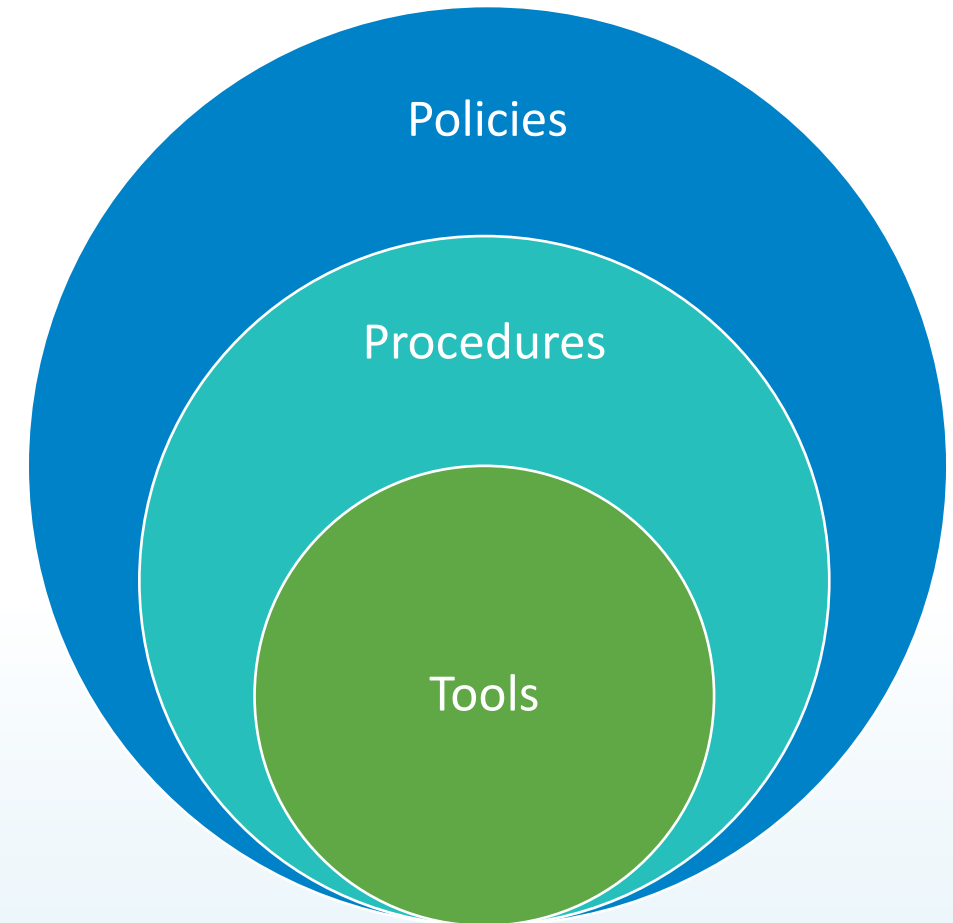
Tools

Tools

Projectmates PMIS:

- Cloud-based

- Seamless Transition

- Integration w/ Other Systems

- 360° Project Management

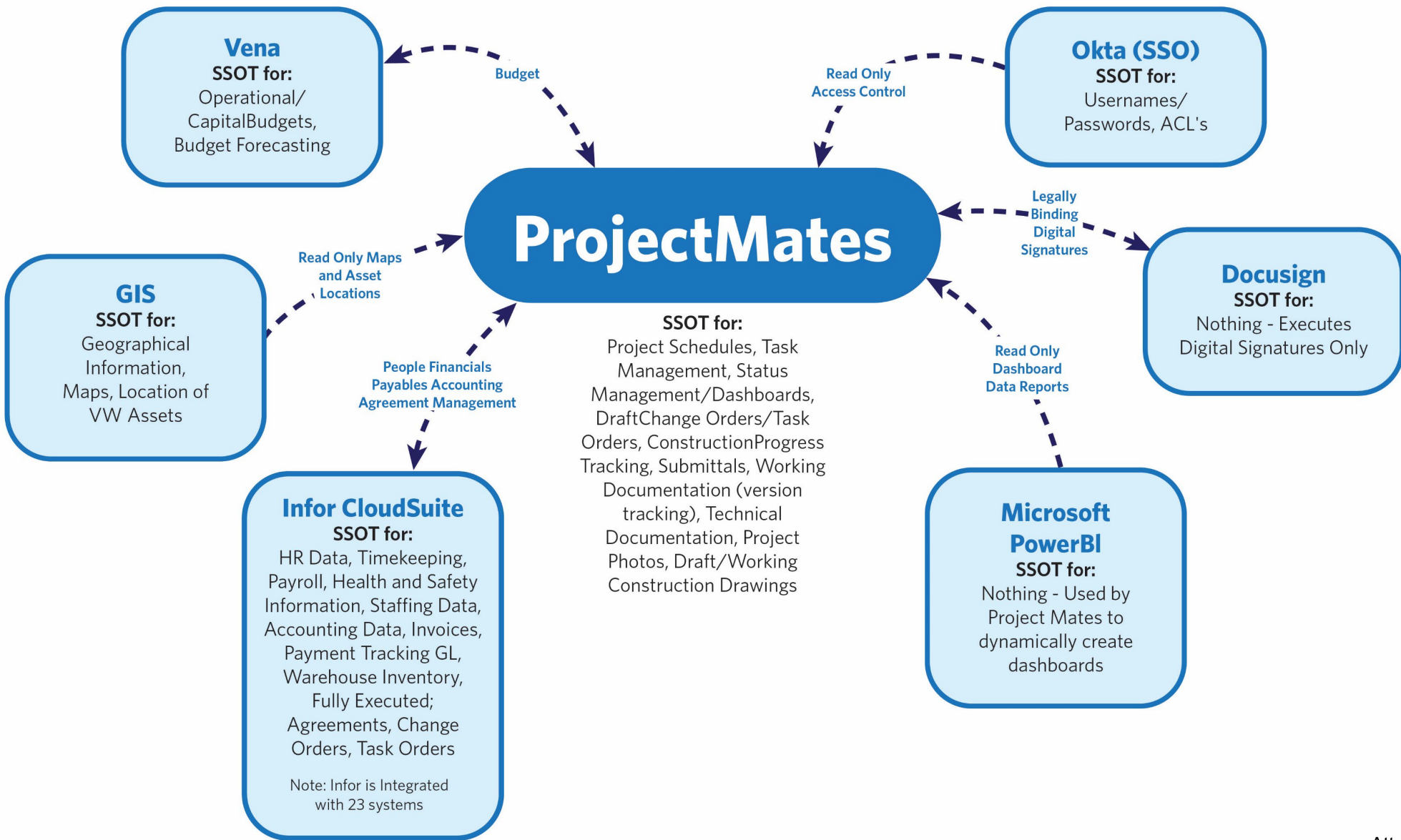- Audit Trail

Projectmates SMEs

- Safe, Clean Water
- Capital Improvement Program Planning Team
- Asset Management
- CADD
- Water Utility Water Treatment
- Water Utility Pipelines
- Dam Safety & Capital Project Delivery
- Watersheds Design & Construction
- Environmental Planning
- Construction Services Unit
- Recycled & Purified Water
- WU Facilities

- WU Electrical Control Systems
- Small Caps
- Operations
- Construction Contracts
- Procurement
- Accounting/Accounts Payable
- Budget & Financial Analysis
- Financial Planning & Revenue
- Debt Services
- Records
- IT
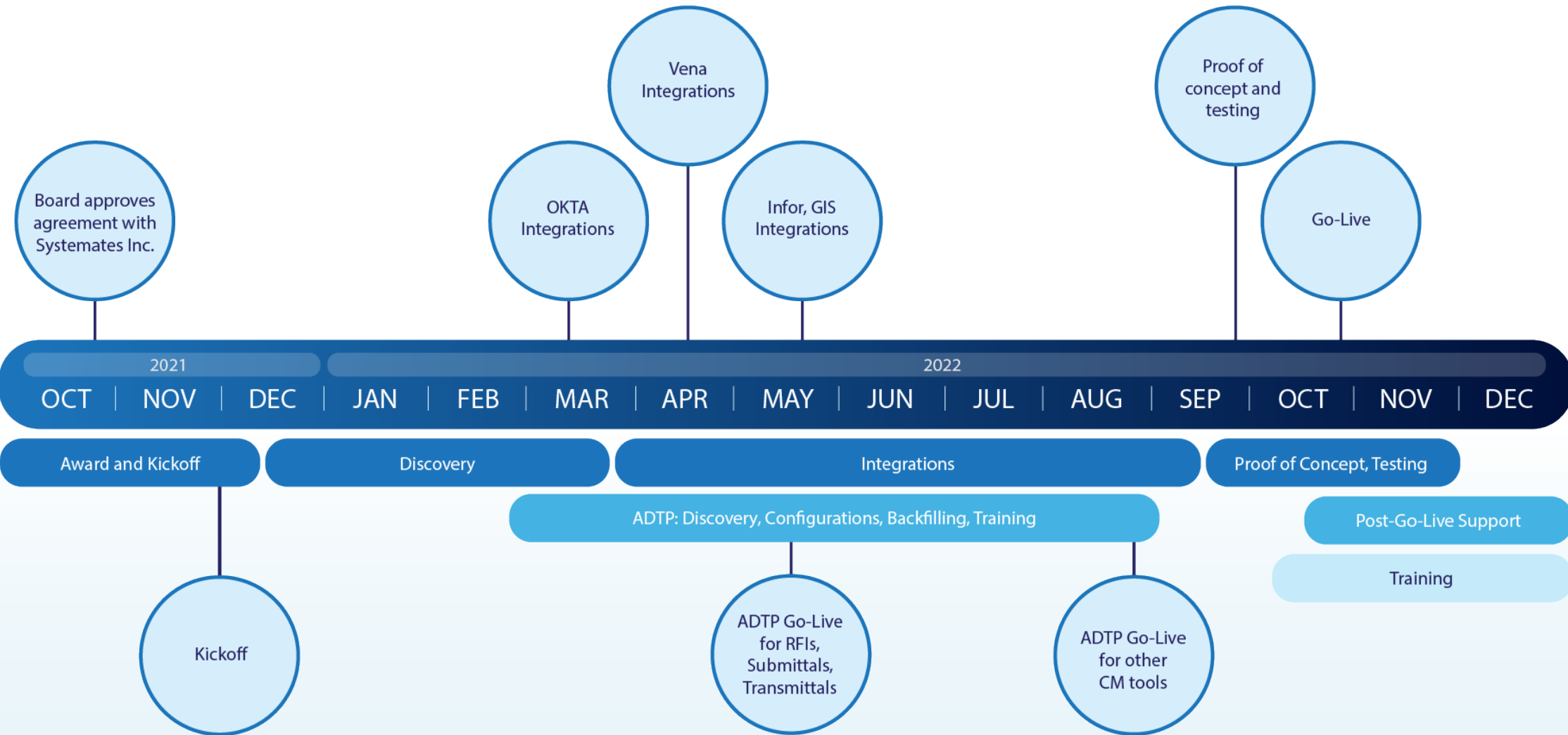- ArcGIS

Tools: Projectmates

- **Document Management:** integrate, track, and archive project documents across phases

- **Cost Management:** track consultant and contractor pay estimates, invoices, and change orders

- **Workflow Management:** automate standard document workflows and monitor completion status

- **Schedule Management:** Track schedules and compare with performance metrics

- **Capital Project Planning:** Prioritize, strategize, allocate, and track projects

- **Analytics & Reporting:** Generate reports and audit content using data from other modules

ProjectMates Integration and Single Source of Truth Relationships

Vena
SSOT for:
Operational/
CapitalBudgets,
Budget Forecasting

Okta (SSO)
SSOT for:
Usernames/
Passwords, ACL's

GIS
SSOT for:
Geographical
Information,
Maps, Location of
VW Assets

Docusign
SSOT for:
Nothing - Executes
Digital Signatures Only

Infor CloudSuite
SSOT for:
HR Data, Timekeeping,
Payroll, Health and Safety
Information, Staffing Data,
Accounting Data, Invoices,
Payment Tracking GL,
Warehouse Inventory,
Fully Executed;
Agreements, Change
Orders, Task Orders

Note: Infor is Integrated
with 23 systems

Microsoft PowerBI
SSOT for:
Nothing - Used by
Project Mates to
dynamically create
dashboards

ProjectMates
SSOT for:
Project Schedules, Task
Management, Status
Management/Dashboards,
DraftChange Orders/Task
Orders, ConstructionProgress
Tracking, Submittals, Working
Documentation (version
tracking), Technical
Documentation, Project
Photos, Draft/Working
Construction Drawings

Budget

Read Only
Access Control

Read Only Maps
and Asset
Locations

People Financials
Payables Accounting
Agreement Management

Legally
Binding
Digital
Signatures

Read Only
Dashboard
Data Reports

Lower Silver Creek and Contract Change Order Audits

Background

- Project Controls Office Recommendation

  - Capital Project Management and Project Controls Program

Role of CPMPC Program

a. Audit Response Working Group

b. Implementation of Audit Recommendations

Audit Response Working Group

Role of Working Group

- Review recommendations and management responses for the Lower Silver Creek and Contract Change Order audits and lead implementation efforts

- Serve as key stakeholders in capital project management system (PMIS) development and implementation

Working Group Members

Office of Integrated Water Management
- Capital Deputies
- Construction Services Unit
- Business Planning and Analysis Unit

Office of Administration
- Chief Operating Officer
- Construction Contracts and Support Unit
- Purchasing and Consultant Contracts Services Unit
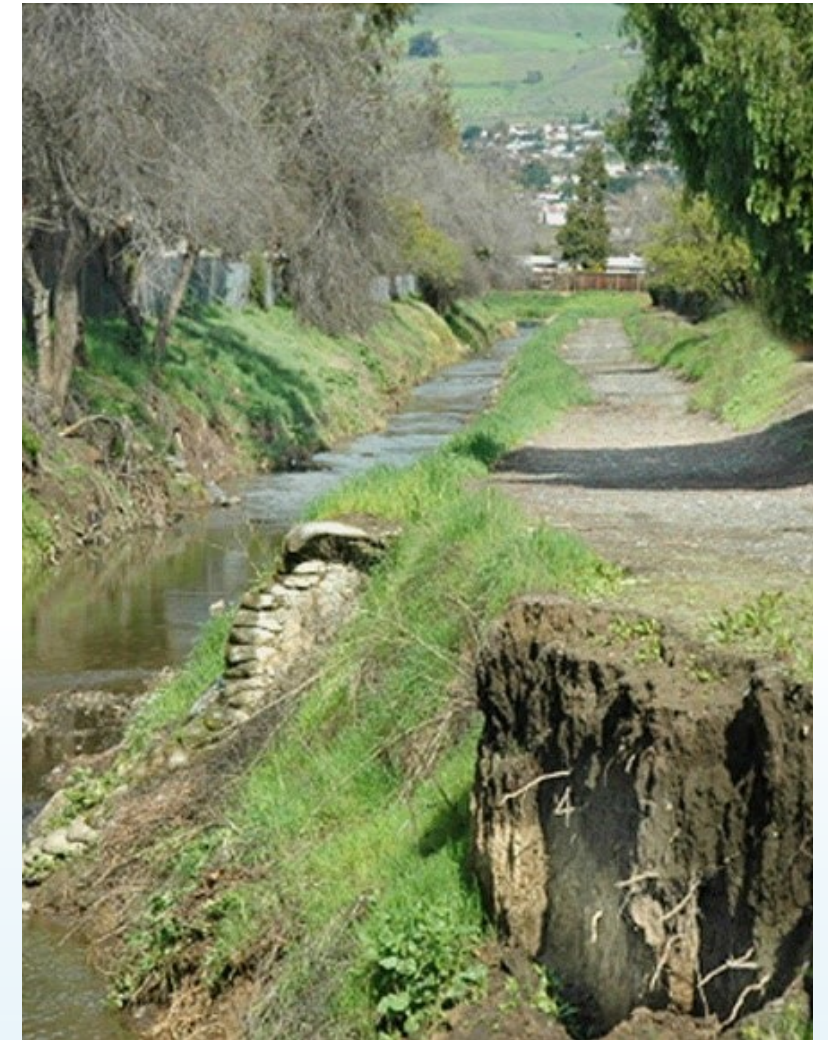
Audit Response Working Group

Focus

a. Capital Project Management and Controls

b. Capital Processes, Procedures and Manuals

c. Procurement Processes

d. Independent Cost Estimates

e. Define High Risk Projects

f. Change Control Board

g. Project Steering Committee

Summary of Audit Recommendations

Summary of Key Recommendations	Lower Silver Creek Rec #	Contract Change Order Rec #
Improve Risk Management	25	6B
Enhance and standardize process for consistent review, approval, and reporting of invoices and change orders	10, 15, 17, 18, 19, 26	1, 3, 6B, 6C
Document control practices, processes, objectives, goals, roles and responsibilities	21, 22, 24, 27	4, 6B
Track, report, and assess project progress and performance through all phases of work (planning, design, construction, & closeout)	8B, 9, 17, 18, 24, 26, 27	4, 7
Standardize project documents and processes to improve continuity of recordkeeping and document retention	21, 22	4, 6B
Implement consistent transition management for project hand-off and sharing of lessons learned	20, 23	4, 6C

CPMPC Implementation

Summary of Key Recommendations	Lower Silver Creek Rec #	Contract Change Order Rec #	CPMPC	QEMS	Projectmates PMIS
Improve Risk Management	25	6B	✓	✓	✓
Enhance and standardize process for consistent review, approval, and reporting of invoices and change orders	10, 15, 17, 18, 19, 26	1, 3, 6B, 6C	✓	✓	✓
Document control practices, processes, objectives, goals, roles and responsibilities	21, 22, 24, 27	4, 6B		✓	✓
Track, report, and assess project progress and performance through all phases of work (planning, design, construction, & closeout)	8B, 9, 17, 18, 24, 26, 27	4, 7	✓		✓
Standardize project documents and processes to improve continuity of recordkeeping and document retention	21, 22	4, 6B	✓	✓	✓
Implement consistent transition management for project hand-off and sharing of lessons learned	20, 23	4, 6C	✓		✓

QUESTIONS

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Purpose-Built for Owners

Projectmates
Construction Program Management Software

Contractor Software Is Limited

Planning
- Capital Planning
- Project Requests
- Project Ranking
- Project Funding
- Fiscal Year Planning
- Letter of Intent (LOI)
- Handover from Real Estate
- Legal Documentation/ Requirements
- Site Selection and Surveys
- Real Estate Committee (REC) Approvals

Design
- Permitting
- Collaboration
- Discussions
- Design Development
- Construction Documentation
- Schematic Design
- Design RFIs
- Project Planning
- Register Creation
- Design Review and Revisions
- Cost Estimation

Bidding
- Drawings
- Specifications Bid Forms
- Addendums
- Submitted Bids
- Bid Leveling
- Scope Documents
- Request for Qualifications (RFQs)
- Public and Private Invites

Cost Tracking
- Contracts
- Purchase Orders
- Change Orders
- Pay Applications and Invoices
- Earned Value Analysis
- Fund Tracking
- Pre-Built and Ad-Hoc Reporting
- Vendor Summary
- Cashflow Forecasting

Construction
- RFIs
- Submittals
- Photos and Design Documents
- Program Reporting
- Project Management
- Budget Management
- Scheduling
- Risk Management
- Meeting Minutes

Closeout
- Punch Lists
- Asset Inventory
- Final Accounting
- As-builts
- Turnover to Facilities
- Record Sets
- Final Shop Drawings
- Manuals and Warranties
- Extra Supplies/ Attic Stock

FF&E
- Merchandizing
- Furniture
- Lighting Fixtures
- Equipment
- Signage
- Displays
- End Caps
- Art and Decor

Manage Your Entire Construction Program, From Concept to Closeout, With Projectmates.

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Santa Clara Valley Water District

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

SUBJECT:
Receive and Discuss a Status Update on Implementation of Recommendations from the Lower Silver Creek Flood Protection Performance Audit.

RECOMMENDATION:
Receive and Discuss a Status Update on Implementation of Recommendations from the Lower Silver Creek Flood Protection Performance Audit.

SUMMARY:
At the October 27, 2015, Board meeting, the Board took action to refer to its Board Audit Committee an audit of the Lower Silver Creek Flood Protection Project Consultant Agreement with RMC, consideration of whether additional audits should be considered by the Board, and an audit of District processes relating to Conflict of Interest between contractors and staff; and bring discussion back to the Board.

On January 18, 2017, a notice to proceed was issued to PMA Consultants to conduct the Lower Silver Creek Flood Protection Performance Audit.

At the February 27, 2018, Board meeting, the Board approved the Board Audit Committee's recommendation to expand the scope of the Lower Silver Creek Flood Protection Performance Audit to include:

- A financial review to ensure that there was no double billing and no billing for work that was not done, including additional analysis on the October 27, 2015, verbal report to the Board that considers whether the invoices followed appropriate financial review and approval processes and followed appropriate preparation and submittal processes; and

- A review of media allegations in newspaper reports and video and ensure that they have been

On February 26, 2019, PMA Consultants presented the final audit report and final management response for the Lower Silver Creek Flood Protection Performance Audit to the full Board.

At this meeting, the Committee is to receive a progress report on the implementation of audit recommendations (Attachment 1) from staff.

ATTACHMENTS:

Attachment 1: LSC Audit Recommendation Implementation Status Update

UNCLASSIFIED MANAGER:

Christopher Hakes, 408-630-3796
Emmanuel Aryee, 408-630-3074
Bhavani Yerrapotu, 408-630-2735
Tony Ndah, 408-630-2208

Valley Water
Clean Water • Healthy Environment • Flood Protection

Lower Silver Creek
Audit Progress Report

Board Audit Committee
September 29, 2022

Lower Silver Creek Audit Progress Report

Presentation Outline

1. **Audit Overview**

   a. Background

   b. Findings

      i. Performance Review

   c. Opportunities/Recommendations

2. **Implementation of Audit Recommendations**

   a. Audit Status

      i. Audit Response Development Focus

      ii. Implementation Progress

3. **Next Steps**

Background

What triggered the audit?

- During 2009-2010, the Board approved a sole source agreement with RMC Water and Environment to perform professional services on Reach 6B of the Lower Silver Creek project in order to leverage federal funds and maintain engineering consistency to reduce liability.

- In January 2017, the Board contracted with PMA Consultants to perform an audit to review conflict of interest allegations and to make recommendations for Valley Water performance improvements.
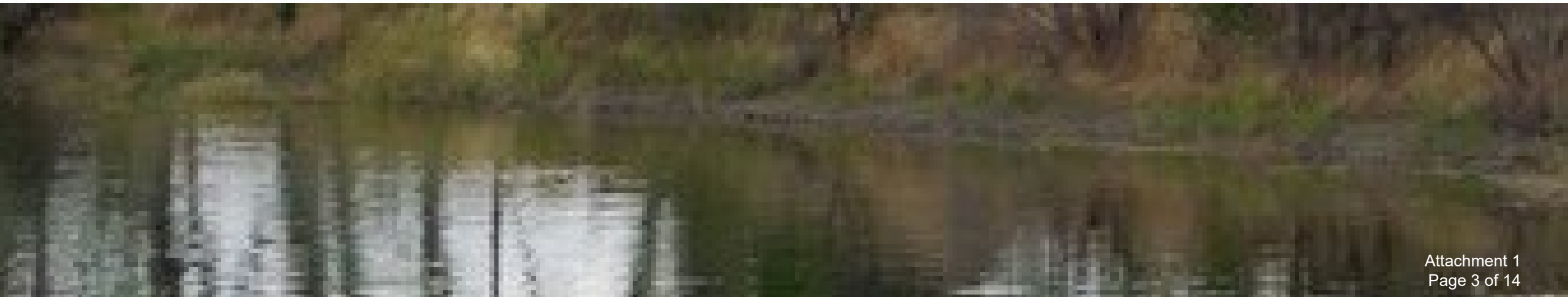
Findings

Conflict of Interest

No violation of Valley Water's conflict of interest (COI) or firewall policies.

Financial Review & Fund Reallocation

Invoice discrepancies were minor and immaterial in nature; fund transfers between projects and in-project tasks were not performed consistently.

Sole Sourcing

Decision to sole-source agreement was justified.

Investigations

Santa Clara County District Attorney Investigation resulted in decision not to pursue the case and no Grand Jury report filed.

Performance Review

Change Management

Practices and amendments were not followed or well documented.

Project Management and Execution

Project work plan practices were not followed appropriately.

Project Risk/Scheduling/Cost Control

Project scheduling updates were discontinued by PM.

Opportunities & Recommendations

Valley Water
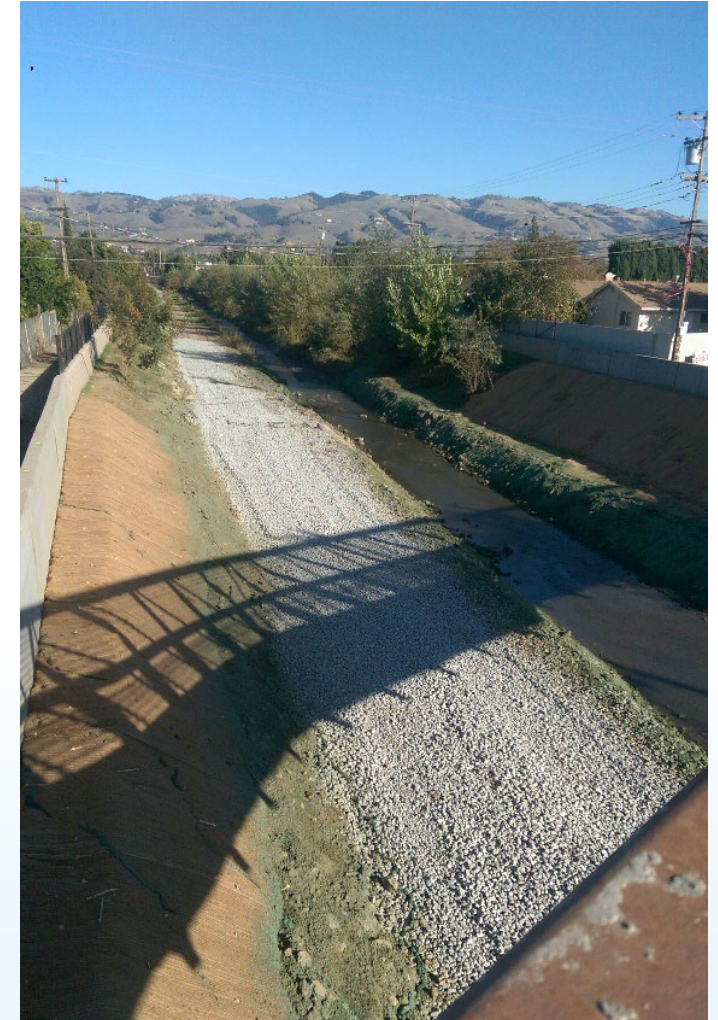
Audit findings included business process improvement opportunities, which led to twenty-seven (27) recommendations:

- Defining and maintaining Conflict of Interest (COI) and firewall policies, procedures, recurring training and documentation to allow for effective implementation (R1-9)
- Developing general guidelines for consistent invoice review, approval control, and task level billings (R10-19)
- Formalizing project management transition plan and enhance project management training (R20, 23)
- Implementing uniform project document control practices (R21-22)
- Assessing contractor performance annually or at project milestones (R24)
- Clarifying project progress measurement against key performance measures, project work plans, or schedules (R25-27)

valleywater.org

Audit Response Development

Focus

a. Capital Project Management and Controls

b. Capital Processes, Procedures and Manuals

c. Procurement Processes

Capital Project Management and Project Controls

Capital Project Management and Project Controls Program

- Capital Project Management Information System (PMIS) Implementation/Ongoing System Support
- Training
- Risk Management Support

Capital Project Management Information System

- Document Control
- Invoicing
- Planning and Scheduling
- Project Management
- Status Reporting
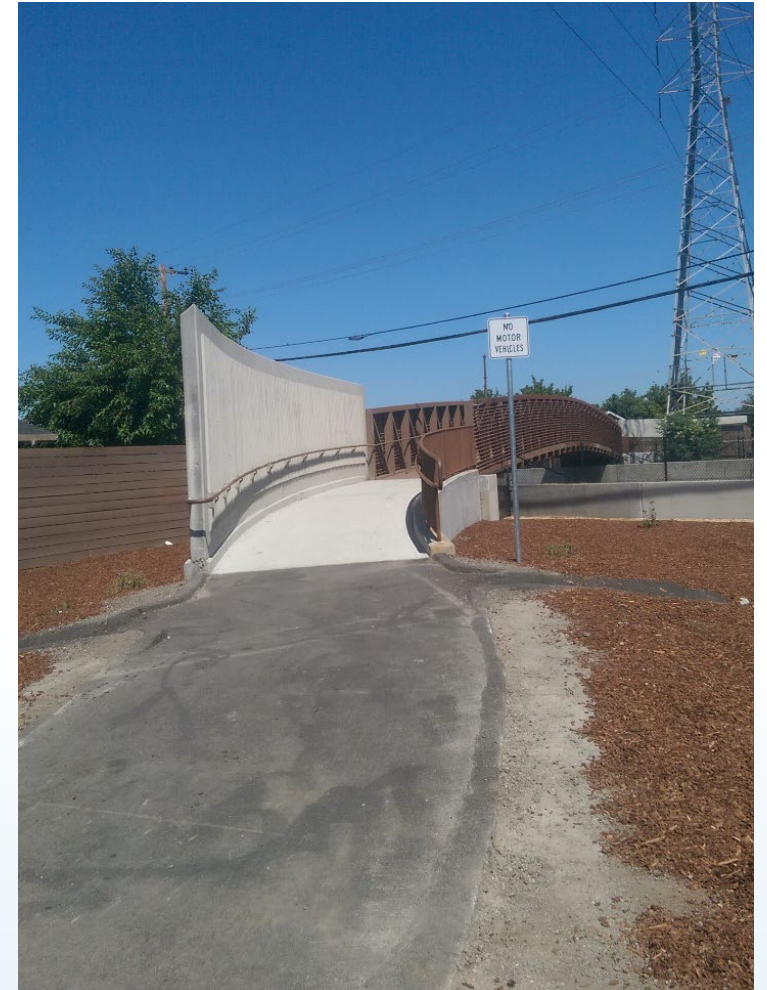
Capital Processes, Procedures and Manuals

Capital Quality Environmental Management System (QEMS)

- Review and update Capital QEMS documents

Invoice Review Procedure

- Develop Invoice Review Procedure

Training

- Provide biennial training on Capital QEMS Procedures

Procurement Processes

Procurement Manual

- Delegation of Authority Guidelines included

- Contract Administration Guidelines and Links to Project Manager's Procedures document

Vendor Performance Evaluations

- Vendor Performance Evaluations performed at project milestones

Contract Templates

- Contract provisions on standardization of master contract services labor rates/employee titles, contractor substitutions, escalation clauses, and inclusion of dates of rendered services

Implementation Progress

Key Recommendation (Summarized)	Management Response	Progress	Description
Develop guidelines to ensure consistent invoice review includes: appropriate task level charges, labor and material rates, date ranges, and clear delegation of signature authority (R10, 13-15, 17-19, 26).	Agree: 10, 13-14, 15, 17, 18-19, 26	Underway	10,13-15 and 17-19 will be addressed through the development and implementation of Invoice Review Procedure, and the Procurement Manual. 26 Cost/benefit analysis of earned value invoicing underway
Training on project management, inter-task transfer process, and project hand-offs (R20, 23).	Agree	20 - Complete 23 - Underway	20 is addressed through Biennial Capital QEMS Training. 23 has been addressed at the DOO level and will be completed upon implementation and ongoing support of Capital PMIS.
Implement document control practices/system in line with industry standards (R21-22).	Agree	Underway	21-22 will be addressed through implementation and ongoing support of Capital PMIS.
Introduce performance compliance audit at project key points (R24).	Agree	Underway	Vendor Performance Evaluations being developed and will be performed at project milestones.
Require and record ongoing risk management (R25).	Agree	Complete	Procurement activities transferred to Contracts Unit; RSO replaced with CPMPC Program.
Project status updates should be submitted to track performance objectives (R26-27).	Agree	26 - Underway 27 - Complete	26 Cost/benefit evaluation underway. 27 Provided satisfaction survey/lessons learned practices in September 2022.

Implementation Progress Cont...

Recommendations	Status
1-9, 16, 20, 25, 27	Complete
10-15, 17-19, 21-24, 26	Underway

*

Lower Silver Creek Audit
Recommendation Status

Underway
52%

Complete
48%
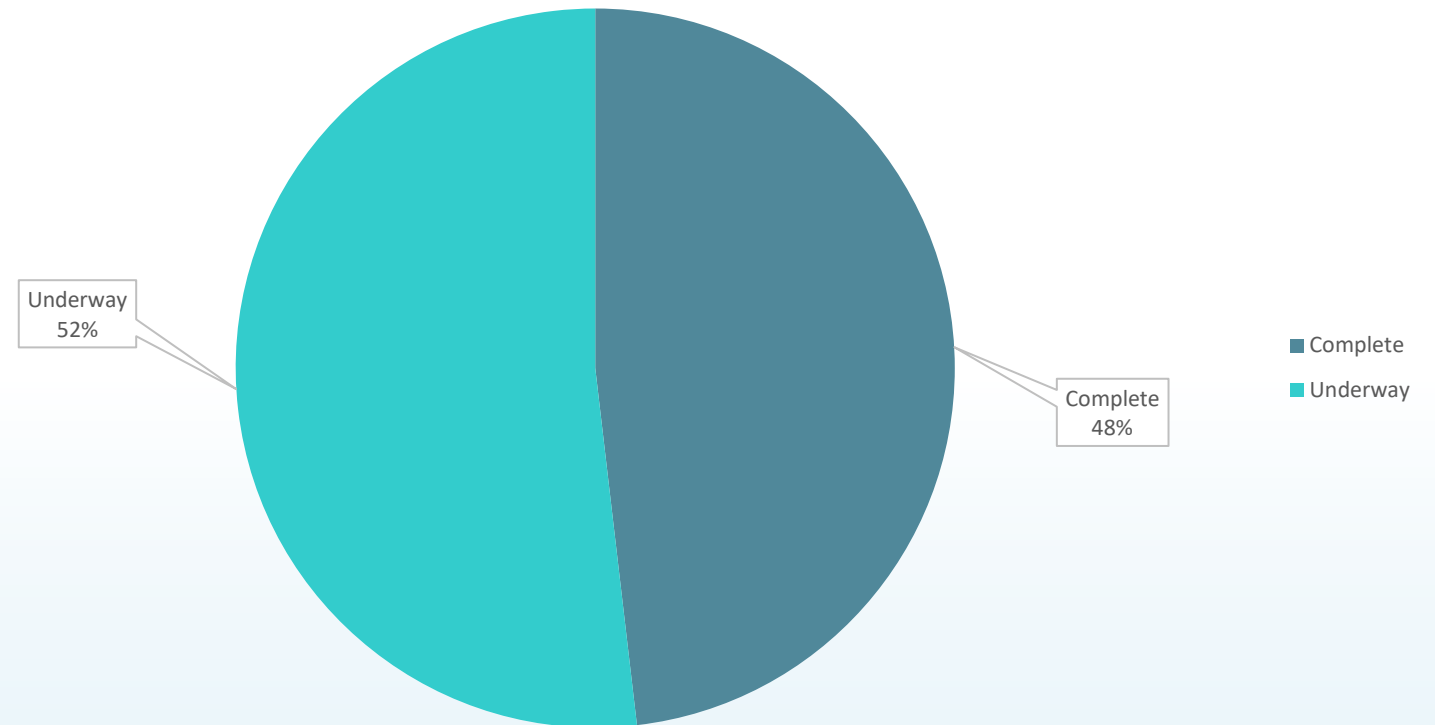
■ Complete
■ Underway

* All outstanding recommendations to be completed by December 31, 2022.

Key Next Steps

- Implement Project Management Information System and Finalize the Invoice Review Procedure

- Implement Vendor Performance Evaluations and Finalize Procurement Manual

- Ongoing Support for Project Management and Project Controls of Capital Projects

- Ongoing Capital QEMS Document Control and Training

Questions?

Santa Clara Valley Water District

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

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

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

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

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

At its May 24th, 2022, meeting, Valley Water's Board of Directors authorized staff to proceed with the CIP Process Audit, and authorized Sjoberg Evashenk Consulting, Inc. to conduct the audit. No additional changes have been requested since May 2022.

For this item, the BAC is requested to identify any potential changes to the Annual Audit Work Plan to recommend to the Board for approval.

ATTACHMENTS:
Attachment 1: 2022-2024 Annual Audit Work Plan

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

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FY 2022-2024 Annual Audit Work Plan

November 10, 2021

Final

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
Board of Director & Board Audit Committee Requests for Information/ Independent Auditor	**Ongoing.** 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
Audit Training/ Independent Auditor	**Annual**. The Board Audit Committee Charter describes a requirement to provide audit training to Board Audit Committee members at least annually.	2	2	2
Support Services/ Independent Auditor	**Ongoing.** 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
QEMS/Valley Water Continual Quality Improvement Unit	**Ongoing.** Provide services to ensure proper oversight and accountability.	As needed	As needed	As needed

| Management Reviews/Valley Water Management | **Ongoing.** 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 |

SECTION B

AUDIT SERVICES – INDEPENDENT AND ON-CALL AUDITORS

Labor Summary

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
Independent and On-Call Auditors	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	☒Financial ☒Reputational ☒Operational	CIP Planning Process	Cross-Functional Performance Audit	1. Are there opportunities to improve the capital improvement project planning process (project initiation to CIP plan approval)? 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? 3. Can the Capital Improvement Plan be better right sized that considers the Agency's funding and staffing levels?
2	Inventory Control	☐Financial ☒Reputational ☒Operational	Inventory Management	Cross-Functional Performance Audit	1. Does Valley Water effectively manage, account for and record inventory across the agency? 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?
3	Emergency Response Emergency Detection Emergency Management	☐Financial ☐Reputational ☒Operational	Program Monitoring	Cross-Functional Performance Audit	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? 2. Do gaps exist in surveillance and detection of potential problems across Valley Water's infrastructure?

				3. To what extent is the virtual Emergency Operations Center aligned with FEMA best practices? 4. Are there lessons learned from past emergencies to prevent disruptions to regular operations while providing additional manpower and resources to respond to emergencies?	
4	Emergency Cost Recovery Data Management & Accuracy	☒Financial ☐Reputational ☐Operational	Financial Management	Cross-Functional Performance Audit	1. To what extent has Valley Water been able to claim the full reimbursement of costs for eligible expenses from FEMA? 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?
5	Financial Oversight Purchasing and Contracting Processes	☒Financial ☐Reputational ☐Operational	Financial Management	Performance Audit	1. To what extent do Valley Water procurement programs for low dollar purchases (i.e., P-Cards, & Standing Orders) comply with established policies and procurement limits? 2. Are added policies and procedures needed to control spending and prevent work arounds to formal competitive bids?
6	Data Management Date Integrity Data Accuracy	☐Financial ☒Reputational ☒Operational	Business Process	Cross Functional Performance Audit	1. To what extent does Valley Water use multiple data stores for the same information?
7	Plan Implementa-tion Plan Monitoring	☐Financial ☐Reputational ☒Operational	Organizational Culture	Culture Audit	1. How has Valley Water's organizational culture impacted implementation of plan established across the agency? 2. To what extent does Valley Water demonstrate and practice common cultural characteristics including:

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

| 8 | Grant Management Financial Management Coord. & Comm. Financial Oversight Data Accuracy | ☒Financial ☐Reputational ☐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 |

for reimbursement by awarding state agencies?

#					
9	Plan Monitoring	☐Financial ☐Reputational ☒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	☒Financial ☐Reputational ☒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	☒Financial ☐Reputational ☐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	☒Financial ☐Reputational ☐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	☐Financial ☐Reputational ☒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?
14	Plan Monitoring Management Plan Implementation	☒Financial ☐Reputational ☐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?
15	Program Monitoring Governance Management	☐Financial ☐Reputational ☒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?
16	Grant Management	☒Financial ☒Reputational ☒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?

17	Program Monitoring Management	☐Financial ☒Reputational ☒Operational	Encroachment Program	Performance Audit	1. Is Valley Water implementing its encroachment licensing program consistent with the Board's guiding principles?
18	Data Management Data Accuracy	☐Financial ☒Reputational ☒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?
19	Operations	☐Financial ☐Reputational ☒Operational	Risk Management	Performance Audit	1. What are the advantages and disadvantages of realigning business functions (i.e., all risk management activities, workers compensation administration, and claim administration)? 2. 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.
20	Emergency Management	☐Financial ☐Reputational ☒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?
21	IT Project Management & Communication Data Accuracy	☐Financial ☐Reputational ☐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?

22	Emergency Response Emergency Management	☐Financial ☒Reputational ☒Operational	Procurement	Performance Audit	1. Have Valley Water's procurement policies been flexible and agile to effectively and timely respond to and recover from past emergencies? 2. Are other procurement and operational activities needed to ensure prompt and reliable emergency services?
23	Environmental Sustainability Framework Development Program Monitoring Governance	☐Financial ☒Reputational ☒Operational	Program Measurement & Evaluation	Cross-Functional Performance Audit	1. What level of success has Valley Water's environmental stewardship activities had on preventing environmental damage and promoting environmental sustainability? 2. To what extent has Valley Water adopted sustainability indicators on specific projects to measure progress? 3. To what extent has Valley Water adopted sustainability indicators in its decision-making?
24	Program Monitoring Management	☐Financial ☐Reputational ☒Operational	Program Outcomes Business Process	Performance Audit	1. To what extent has Valley Water mitigated the environmental hazards caused by non-use of the percolator ponds? 2. In a non-drought year, are barriers present that prevent Valley Water from filling percolator ponds? 3. What processes need development to prevent expiration of groundwater charge permits?
25	Financial Management Coord. & Comm. Financial Oversight	☒Financial ☐Reputational ☐Operational	Capital projects	Desk Review	1. What potential financial risks could occur on the California WaterFix project?
26	CIP Monitoring	☐Financial ☒Reputational ☒Operational	Capital Project Evaluation and Monitoring	Cross-Functional Performance Audit	1. Have completed capital projects met their intended goals? 2. To what extent does Valley Water include performance measures to measure success and monitor financial management?

					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	☐Financial ☐Reputational ☒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	☐Financial ☐Reputational ☒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	☐Financial ☒Reputational ☒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	☐Financial ☐Reputational ☒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	☒Financial ☐Reputational ☒Operational	Outsourcing of Legal Services	Desk Review	1. How have changes occurred in District Counsel Office spending

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?

SECTION C

AUDIT SERVICES – VALLEY WATER RESPONSIBILITY

QEMS ACTIVITIES

Under development

COMPLIANCE AND FINANCIAL AUDITS

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

Santa Clara Valley Water District

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

SUBJECT:
Review and Discuss the 2022 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 BAC Work Plan.

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

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

Looking forward, the topics of discussion identified for the October BAC Meeting can be summarized as follows:
1. 2022 BAC Work Plan
2. 2022-2024 Annual Audit Work Plan
3. Risk Management Organizational Structure
4. 2015 Consultant Contract Management Audit Status Update
5. Financial Status - Quarterly Updates (FY 2021-22 Unaudited Close)

Attachment 1 is the updated 2022 BAC Work Plan. Upon review, the BAC may make changes to be incorporated into the next revision.

ATTACHMENTS:
Attachment 1: 2022 BAC Work Plan

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		19-Jan	16-Feb	16-Mar	20-Apr	23-May	6-Jul	Cancelled	31-Aug	21-Sep	19-Oct	16-Nov	21-Dec	
	Board Audit Committee Meeting Dates													
	Number of Agenda Items per Meeting Date	8	10	4	5	8	3	2	8	5	5	7	3	Note: For informational purposes only. This value excludes Item 12 because that items is prepared by the Committee Clerk, not the CI Team, and is for the Full Board, not just the BAC.
	Meeting Dates	•	•	•	•	•	•	•	•	•	•	•	•	Note: The BAC approved a regular meeting schedule for 2022, to meet monthly, on the third Wednesdays at 2:00 p.m.
	Board Audit Committee Management													
1	Election of 2022 BAC Chair and Vice Chair		•											Recommendation: Nominate and elect the 2022 Board Audit Committee Chair and Vice Chair.
2	Board Audit Committee Audit Charter		•											Recommendation: Propose modifications to the Board Audit Committee Audit Charter to be presented to the full Board.
3	Review and Update 2022 BAC Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	Recommendation: A. Review and Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan; and B. Approve the updated 2022 Board Audit Committee Work Plan.
4	Discuss Scope of Annual Audit Training from Board Independent Auditor				•	•								Recommendation: Discuss scope of Annual Audit Training from Board Independent Auditor.
5	Receive Annual Audit Training from Board Independent Auditor								•					Recommendation: Receive Annual Audit Training from Board Independent Auditor. Notes: Actual Training will be scheduled by Board Scheduler and provided to CI Team (will not be conducted during regular mtg.)
6	Conduct Annual Self-Evaluation	•		•	•									Recommendation: A. Conduct Annual Self-Evaluation; and B. Discuss the Results of the Annual Self-Evaluation; and C. Prepare Formal Report to provide to the full Board. Note: Jan = Discuss the Eval and provide forms; Feb = Discuss the results of the Eval; Mar = Provide a Summary Report of Evals; Apr = Present Eval Results to Full Board (Note that in 2022 efforts for March & April were delayed by a month)
7	Discuss Chief Audit Executive (CAE) Final Contract Close-out Report from TAP International, Inc. (Jan 2022) Receive and Discuss CAE Activity Report to Evaluate Auditor Performance (Starting in Jan 2023)	•												Recommendation for 2022: Receive Final Contract Close-out Report from TAP International, Inc. Recommendation for 2023: Receive and discuss CAE Activity Report from Sjoberg Evashenk to evaluate CAE Performance.

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		Q1			Q2			Q3			Q4			
Item #	ACTIVITY/SUBJECT	19-Jan	16-Feb	16-Mar	20-Apr	23-May	6-Jul	Cancelled	31-Aug	21-Sep	19-Oct	16-Nov	21-Dec	NOTES/RECOMMENDATIONS
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													Recommendation: 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)													Note: Review Panel for the role of the Chief Board Auditor will be the BAC members
10	Tri-annual Risk Assessment (CY 2024)													Recommendation: Discuss the scope of work for the 2024 Risk Assessment. Note: Initiate discussions in February 2024; Deliverable due by September 2024
	Board Audit Committee Special Requests													
11	External Financial Auditor Meeting with Individual Board members													Note: Schedule as needed.
12	Provide BAC Summary Report to full Board	•	•	•	•	•	•	•	•	•	•	•	•	Note: 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
13	Risk Management Organization				•						•			Note: In October 2021 The BAC suggested pushing discussion on this topic out a few months to allow new District Counsel time to ascertain effectiveness of current organizational structure (assume April 2022). Recommendation: Review and discuss Risk Management Organization.
14	Financial Auditor Selection Parameters	•	•											Recommendation: Discuss prior to the selection of the next financial auditor Note: Next procurement scheduled for January 2022.
	Management and Third Party Audits													
15	Review Draft Audited Financial Statements											•		Recommendation: A. Review draft Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022; and B. Direct staff to have Financial Auditor to contact Board Members and present, if necessary. Note: This is a Nov. agenda item

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		Q1			Q2			Q3			Q4			
Item #	**ACTIVITY/SUBJECT**	19-Jan	16-Feb	16-Mar	20-Apr	23-May	6-Jul	Cancelled	31-Aug	21-Sep	19-Oct	16-Nov	21-Dec	**NOTES/RECOMMENDATIONS**
16	Audit Report of the Water Utility Enterprise Funds for the Fiscal Year								•					Recommendation: Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year.
17	Receive QEMS Annual Internal Audit Report								•					Recommendation: Receive information regarding the Quality and Environmental Management System.
18	Audit Recommendations Implementation Status	•				•							•	Recommendation: Receive and discuss a status update on the implementation of audit recommendations. Note: This is a December/June item; January 2022 item was delayed from Dec 2021; ~~April~~ May 2022 return to BAC to provide missing updates from Jan. 2022; Return to the BAC every 6 months - Jan. & Jul. 2022 and then Dec. & Jun. thereafter
	Board Independent Auditor - Sjoberg Evashenk Items													
19	Review and Update Annual Audit Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	Recommendation: Discuss the Annual Audit Work Plan and update, if necessary.
	Audit - 2019 Contract Change Order Audit													
20	Recommendation Implementation Status (Annual Rpt. in August; Target Completion = TBD)									•				Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2020 District Counsel Audit													
21	Recommendation Implementation Status (Annual Rpt. in January; Target Completion = TBD)		•											Recommendation: Receive and discuss a status update on the implementation of audit recommendations. Note: This is a January item; February 2022 item was delayed from January
	Audit - 2020 Real Estate Audit													
22	Recommendation Implementation Status (Annual Rpt. in November; Target Completion = TBD)											•		Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2020 SCW Program Grants Management													
23	Recommendation Implementation Status (Semi-Annual Rpt. in March and September; Target Completion = June 30,2023)					•						•		Recommendation: Receive and discuss a status update on the implementation of audit recommendations. Note: Updates in 2022 slipped by 2 mos.
	Audit - 2021 Permitting Best Practices													
24	Recommendation Implementation Status (Annual Rpt. in May; Target Completion = TBD)					•								Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Pacheco Reservoir Expansion Investigation													

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		Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
Item #	ACTIVITY/SUBJECT	19-Jan	16-Feb	16-Mar	20-Apr	23-May	6-Jul	Cancelled	31-Aug	21-Sep	19-Oct	16-Nov	21-Dec	

BOARD AUDIT COMMITTEE 2022 WORKPLAN

Item #	ACTIVITY/SUBJECT	19-Jan	16-Feb	16-Mar	20-Apr	23-May	6-Jul	Cancelled	31-Aug	21-Sep	19-Oct	16-Nov	21-Dec	NOTES/RECOMMENDATIONS
25	Review Pacheco Project Investigation Progress Report		•											Recommendation: Receive an update on the status of the on-going investigation. Note: Work with District Counsel on this item
	Audit - To Be Determined													
26	Receive notification of initiated Audit													Note: Audit Objectives - What is the objective of this audit?
27	Review Audit Progress Report													Recommendation: Receive an update on the status of the on-going audit.
28	Review Audit Draft Report Presentation													Recommendation: Receive and discuss the Final Draft Audit Report.
29	Review Management's Response to Audit Final Draft Report													Recommendation: 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.
	Management Audits - PMA, MGO, and 3rd Party Items													
	Audit - 2014 Transparency Compliance Audit													
30	Recommendation Implementation Status (Annual Rpt. in November; Target Completion = TBD)											•		Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2015 Mitigation and Monitoring Compliance Audit													
31	Recommendation Implementation Status (Annual Rpt. in January; Target Completion = TBD)		•											Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2015 Consultant Contracts Audit													
32	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.		•								•			Note: Staff CAS update every 6 months. Recommendation: 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.
	Audit - 2019 Lower Silver Creek Audit													
33	Recommendation Implementation Status (Semi Annual Rpt. in February; Delayed to September)									•				Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2022 Human Resources Audit													
34	HR Audit Report - Review and Comment regarding Management's Response	•												Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	QEMS Improvements Implementation													
35	Recommendation Implementation Status (Annual Rpt. in August)								•					Recommendation: Receive and discuss a status update on the opportunities for improvement.
	Miscellaneous BAC Work Plan Items													

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36	Financial Status - Quarterly Update		•			•					•	•		Note: suggested frequency is as follows: February for mid-year review; May for Q3 review; September for unaudited close (delayed to Oct 2022); November for Q1 review
37	Financial Audit - Periodic Update								•					Schedule as needed Recommendation: Discuss the Financial Audit
38	SBCCC Partnership Grant Issue	•		•	•	•								Added per Darin's comments at the 12/15/21 BAC Meeting Recommendation: Receive and Discuss the SBCCC Partnership Grant Issue
39	BAC Audit Recommendation Status Report Format & Content								•					Added per BAC Chair request on 5/23 to return to BAC to discuss how to include content that clarifies the status of the effort and how far we have until completion Recommendation: Discuss the format and content of the status report to make it more meaningful
40	PMIS (Projectmates) - How does this application resolve many of the audit recommendations?									•				Added per BAC Chair request on 5/23 to return to BAC to discuss how the Projectmates application will resolve a lot of the open audit recommendations Recommendation: Receive information about Projectmates

BOARD AUDIT COMMITTEE 2022 WORKPLAN

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