

September 13, 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  
Tina Yoke, Chief Operating Officer  
Darin Taylor, Chief Financial Officer  
Rachael Gibson, Chief of External Affairs  
Rechelle Blank, Chief Operating Officer  
Chris Hakes, Chief Operating Officer  
Aaron Baker, Chief Operating Officer  
Brian Hopper, Sr. Assistant District Counsel  
Leslie Orta, Sr. Assistant District Counsel  
Joseph Aranda, Assistant District Counsel  
Rita Chan, Sr. Assistant District Counsel  
Andrew Gschwind, Assistant District Counsel  
Alexander Gordon, Assistant Officer  
Marta Lugo, Deputy Administrative Officer  
Tony Ndah, Deputy Administrative Officer  
Donald Rocha, Assistant Officer  
Emmanuel Aryee, Deputy Operating Officer  
Bhavani Yerrapotu, Deputy Operating Officer  
Anthony Mendiola, Program Administrator  
Manpreet Sra, Management Analyst  
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, September 20, 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>.





## **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, September 20, 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, September 20, 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 during public comment or on any item listed on the agenda, may do so by filling out a Speaker Card and submitting it to the Clerk or using the “Raise Hand” tool located in the Zoom meeting application to identify yourself in order to speak, at the time the item is called. Speakers will be acknowledged by the Board Chair in the order requests are received and granted speaking access to address the Board.

- Members of the Public may test their connection to Zoom Meetings at: <https://zoom.us/test>
- Members of the Public are encouraged to review our overview on joining Valley Water Board Meetings at: <https://www.youtube.com/watch?v=ToJpYCxXm0>

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

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 <http://emmas.msrb.org/> and <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>, respectively.

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

**Join Zoom Meeting:**

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

**Meeting ID: 916 0807 9873**

**Join by Phone:**

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

**1. CALL TO ORDER:**

1.1. Roll Call.

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

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

### 3. APPROVAL OF MINUTES:

- 3.1. Approval of August 16, 2023 Board Audit Committee Minutes. [23-0917](#)

Recommendation: Approve the minutes.

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

Attachments: [Attachment 1: 081623 BAC Minutes](#)

### 4. REGULAR AGENDA:

- 4.1. Receive an Update on the Status of the 2023 Risk Assessment. [23-0903](#)

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

Manager: Darin Taylor, 408-630-3068

- 4.2. Receive the Fiscal Year 2022-23 Fourth Quarter Financial Status Update of June 30, 2023. [23-0902](#)

Recommendation: Receive the Fiscal Year 2022-23 fourth quarter financial status update as of June 30, 2023.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: PowerPoint Presentation](#)

- 4.3. Review and discuss audit requirements pertaining to Joint Powers Authority (JPA) Agreements. [23-0904](#)

Recommendation: Review and discuss audit requirements pertaining to JPA Agreements.

Manager: Darin Taylor, 408-630-3068

- 4.4. Review and Discuss the 2023 Board Audit Committee Work Plan. [23-0714](#)

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](#)

- 4.5. Receive Annual Audit Training from Board Independent Auditor. [23-0935](#)

Recommendation: Receive Annual Audit Training from Board Independent Auditor.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: The Audit Process 09.11.23](#)

**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 18, 2023.

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# Santa Clara Valley Water District

**File No.:** 23-0917

**Agenda Date:** 9/20/2023

**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 August 16, 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.

### **ENVIRONMENTAL JUSTICE IMPACT:**

There are no Environmental Justice impacts associated with this item.

### **ATTACHMENTS:**

Attachment 1: 081623 BAC Minutes

### **UNCLASSIFIED MANAGER:**

Candice Kwok-Smith, 408-630-3193





BOARD AUDIT COMMITTEE MEETING

# DRAFT MINUTES

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**REGULAR MEETING & CLOSED SESSION  
WEDNESDAY, AUGUST 16, 2023  
2:00 PM**

(Paragraph numbers coincide with agenda item numbers)

**1. CALL TO ORDER:**

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

**1.1 Roll Call.**

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

Staff members in attendance were: Yvonne Arroyo, Emmanuel Aryee, Lisa Bankosh, Sarah Berning, Patrick Carter, Rosie Cofre, Jessica Collins, Walter Gonzalez, Alexander Gordon, Brian Hopper, Michele King, Candice Kwok-Smith, Dave Leon, Jennifer Martin, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Tony Ndah, Carlos Orellana, Max Overland, Luz Penilla, Alison Phagan, Don Rocha, Blanca Sanchez-Cruz, Michelle San Miguel, Manpreet Sra, Darin Taylor, Sherilyn Tran, Kristen Yasukawa, and Tina Yoke.

Public in attendance were: Mike Brown, (PMA Consultants), George Skiles (Sjoberg Evashenk Consulting), Katja Irvin (Sierra Club-Loma Prieta Chapter), Emer Fabro, Roger Martinez, Elisa Stilwell, and Hing Wan (Vasquez & 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 June 21, 2023 Board Audit Committee Meeting Minutes.**

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the June 21, 2023 Committee meeting.

Public Comments:  
None.

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

**4. REGULAR AGENDA:**

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

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

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

George Skiles and Darin Taylor were available to answer questions.

Public Comments:  
None.

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

- The Committee noted interviews are currently being conducted, and the 2023 Risk Assessment is on track with a draft report scheduled for the September or October 2023 BAC meeting.

**4.2. Receive and Discuss 2023 Capital Improvement Program (CIP) Process Performance Audit Report with Management's Response, and Recommend to the Board that Staff Present to CIP Committee and Full Board at a Future Date.**

Recommendation: A. Receive and discuss 2023 CIP Process Performance Audit Report with Management's Response; and

- B. Recommend that the Board direct staff to present the Audit to the CIP Committee and to the Board at a future date.

George Skiles reviewed the information on this item, per the attached Committee Agenda Memo, and per the information on Pages 55 – 59 contained in Attachment 2.

George Skiles, Darin Taylor, Luz Penilla, and Jessica Collins were available to answer questions.

Public Comments:

None.

It was moved by Vice Chairperson Beall and seconded by Director Santos, that the Committee approved as amended the recommendation that the audit report be referred to the CIP Committee to include research of financial and staffing resources and presented to the Board at a future date.

- 4.3. Receive a Status Update on the Implementation of Audit Recommendations and Completed Audits Pending Final Review by Chief Audit Executive (CAE); and Discuss Timing of Next Update.

- Recommendation:
- A. Receive a status update on the implementation of audit recommendations and completed audits pending final review from the CAE; and
  - B. Discuss timing of the next update.

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

Anthony Mendiola and Darin Taylor were available to answer questions.

Public Comments:

None.

The Committee received the information, took no formal action, and noted the next status update would be in 6 months (February 2024.)

- 4.4. Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year Ended June 30, 2022.

Recommendation: Receive and discuss the audit report of the Water Utility Enterprise funds for the fiscal year ended June 30, 2022.

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 and took no formal action.

4.5. Receive Information Regarding the Quality and Environmental Management System (QEMS) Internal Audit Program.

Recommendation: Receive information regarding the QEMS Internal Audit Program.

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

Darin Taylor, Anthony Mendiola, and Mike Brown were available to answer questions.

Public Comments:  
None.

The Committee noted the information and took no formal action.

4.6. Receive Information on the Quality and Environmental Management System (QEMS) Improvements Implementation Effort.

Recommendation: Receive information regarding the QEMS Improvements Implementation effort.

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

Darin Taylor, Anthony Mendiola, and Blanca Sanchez-Cruz were available to answer questions.

Public Comments:  
None.

The Committee noted the information and took no formal action.

4.7. 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, George Skiles, 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 noted for staff to continue the discussion of construction cost indexes during the Covid pandemic and potential future costs for public works' construction and materials for Director Beall at a future CIP Committee meeting.

Chairperson Keegan moved the Agenda to Item 6.1.

**6. CLOSED SESSION:**

6.1. CLOSED SESSION  
THREAT TO PUBLIC SERVICES OR FACILITIES  
Pursuant to Government Code Section 54957(a)  
Consultation with Alex Gordon, Assistant Officer

6.2. District Counsel Report on Closed Session.

Brian Hopper reported that in regard to Item 6.1., the Committee met in Closed Session with all members participating and took no reportable action.

Chairperson Keegan returned the Agenda to Item 5.

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

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

Nicole Merritt confirmed Item 4.2 was approved as amended to be referred to the CIP Committee and to be presented for Board consideration.

**7. Adjourn:**

7.1. Adjourn to Regular Meeting at 2:00 p.m. on September 20, 2023.

Chairperson Keegan adjourned the meeting at 3:50 p.m., to the regular meeting at 2:00 p.m. on September 20, 2023.

Nicole Merritt  
Assistant Deputy Clerk II

Date Approved:

09/07/2023

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# Santa Clara Valley Water District

**File No.:** 23-0903

**Agenda Date:** 9/20/2023

**Item No.:** 4.1.

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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:

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
HOURLY RATE:	\$230	\$115	\$90		
Task Description	Budget	Budget	Budget	Budget	Assigned
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
Total Project Hours	300	100	220	620	
Total Project Costs					\$ 100,300

	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 developing profiles reflecting each key program and operational unit within Valley Water, completing a review of key organizational information, interviewing Board members, and interviewing management throughout the organization. During the month of September, the audit team will complete interviews of remaining management personnel, finalize department risk profiles, provide the risk profiles to management for review and comment, and prepare the draft report for the BAC's review and discussion. As of August 31, 2023, Sjoberg Evashenk Consulting had charged \$41,500 (or 42 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	\$41,500	42%

The audit team remains on target to complete the 2023 Risk Assessment draft report by the end of September, with a presentation to the BAC in October.

#### ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item. Risk Assessments are a tool used by the BAC to determine which business areas could benefit from a focused analysis. There are no environmental impacts that result from this analysis.

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**File No.:** 23-0903

**Agenda Date:** 9/20/2023  
**Item No.:** 4.1.

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**ATTACHMENTS:**

None.

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068





# Santa Clara Valley Water District

**File No.:** 23-0902

**Agenda Date:** 9/20/2023

**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:

Receive the Fiscal Year 2022-23 Fourth Quarter Financial Status Update of June 30, 2023.

### RECOMMENDATION:

Receive the Fiscal Year 2022-23 fourth quarter financial status update as of June 30, 2023.

### SUMMARY:

Valley Water's Fiscal Year 2022-23 Fourth Quarter closed on June 30, 2023. The fourth 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 June 30, 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 (Electronic Municipal Market Access) System or any similar financial reporting outlets or redistribute the information without the express written authorization of the Chief Financial Officer of Valley Water. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the World Wide Web at <https://emma.msrb.org/>.

### ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice Impacts associated with this item. The unaudited financial data is provided to the committee for reference purposes only and the various projects identified within the presentation will provide an Environmental Justice Impact statement at the project level.

**ATTACHMENTS:**

Attachment 1: PowerPoint

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

# **Q4 YTD FY2022-23 Financial Status Update**

**September 20, 2023  
Board Audit Committee**

# Agenda

2

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

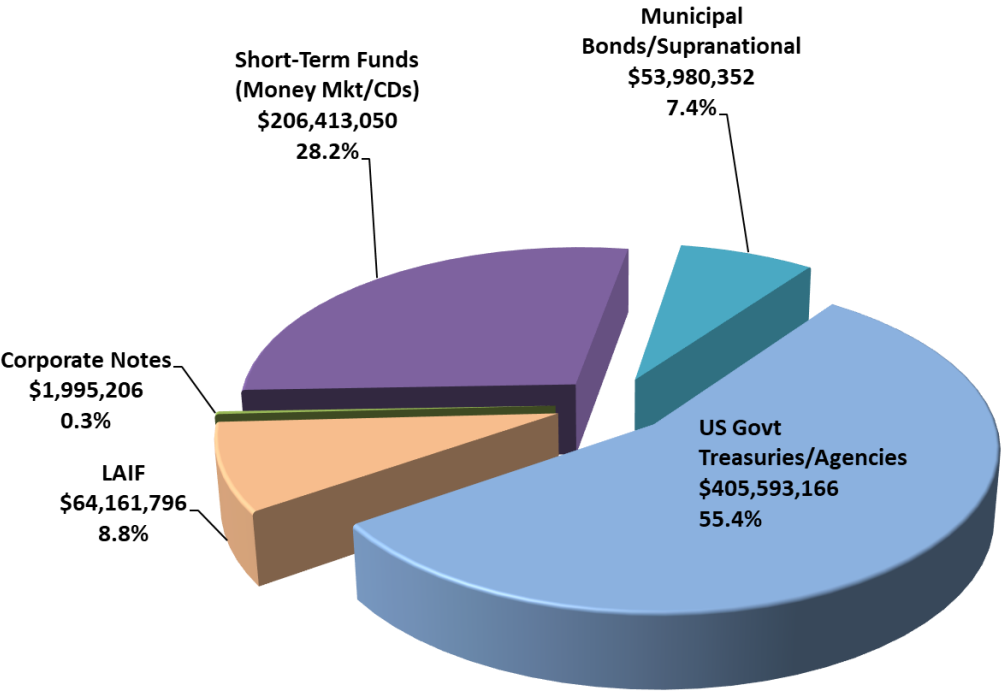


# Financial Status Update – Cash & Investments

*\$385M or 53% of portfolio very liquid (<=1-year maturity)*

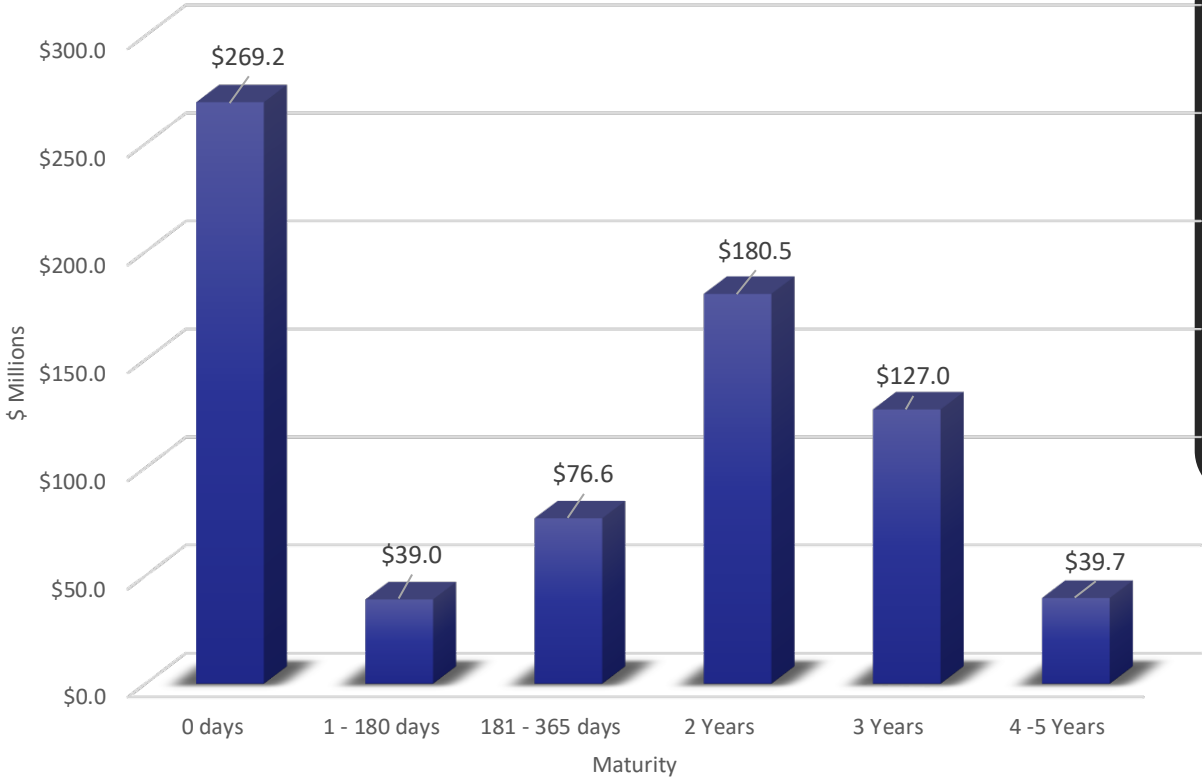
3

SCVWD Investment Portfolio Composition



SCVWD Portfolio Book Value as of June 30, 2023: \$732,143,570

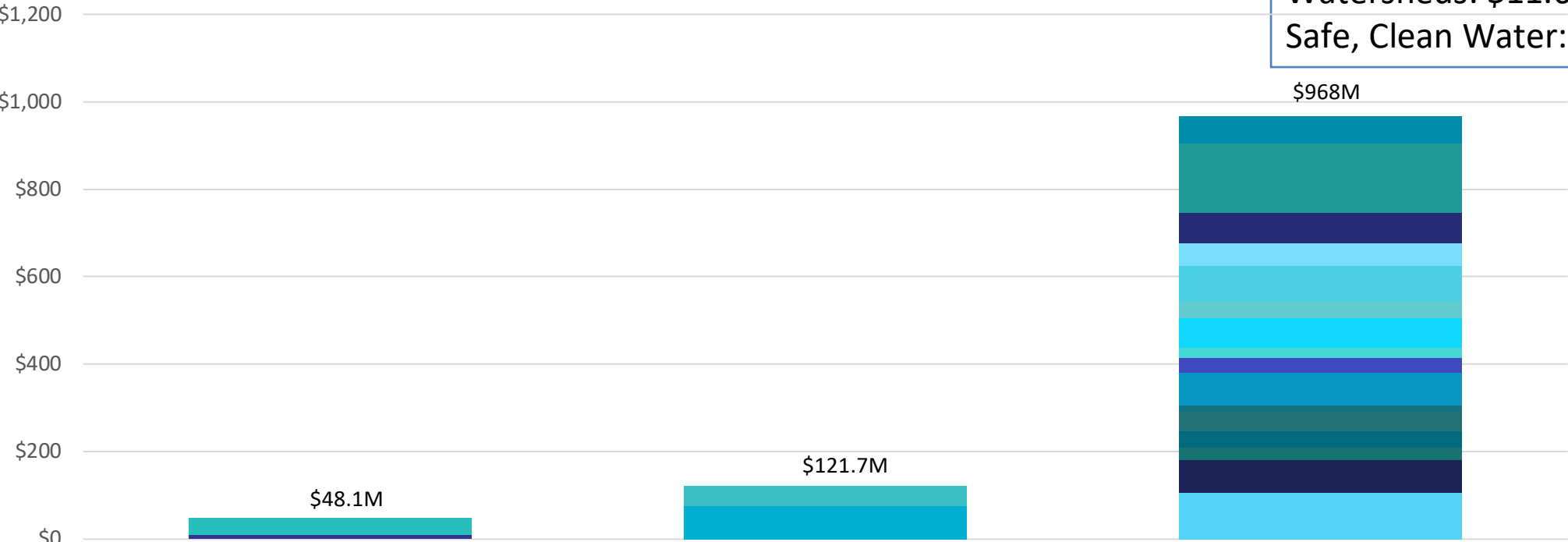
Valley Water Portfolio Aging Report  
June 30, 2023  
Portfolio Book Value: \$ 732 Million



# Financial Status Update – Outstanding Debt

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 late 2023

## **FY 2024 Financing Plan**

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

# FY23 Unaudited Close – Revenue by Category and Fund

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

6

(\$ in millions)	FY23 Adj Budget	FY23 Actuals	Over/(Under) Budget	FY23 % Rec'd	FY22 Actuals	FY22 % Rec'd
Groundwater Production Charges	\$ 122.0	\$ 110.1	\$ (11.9)	90%	\$ 125.0	93%
Treated Water Revenue	139.7	159.2	19.5	114%	145.3	97%
Surface/Recycled Water Revenue	3.2	2.8	(0.4)	88%	2.0	96%
1% Ad-valorem Property Tax	126.1	138.8	12.7	110%	127.3	108%
Safe Clean Water Special Parcel Tax	49.6	49.5	(0.1)	100%	47.0	100%
Benefit Assessment	13.3	13.2	(0.1)	99%	13.4	100%
State Water Project Tax	27.0	28.9	1.9	107%	30.0	115%
Capital Reimbursements	37.1	35.2	(1.9)	95%	21.4	63%
Interest Income & Other	13.0	27.1	14.1	208%	20.6	191%
<b>Total Revenue</b>	<b>\$531.0</b>	<b>\$564.8</b>	<b>\$ 33.8</b>	<b>106%</b>	<b>\$532.0</b>	<b>98%</b>

(\$ in millions)	FY23 Adj Budget	FY23 Actuals	Over/(Under) Budget	FY23 % Rec'd	FY22 Actuals	FY22 % Rec'd
General Fund	\$ 10.5	\$ 13.8	\$ 3.3	131%	\$ 11.6	116%
Watershed Stream Stewardship Fund	137.3	135.4	(1.9)	99%	122.0	99%
Safe Clean Water Fund	53.0	62.3	9.3	118%	54.2	96%
Water Utility Enterprise Fund	316.5	339.2	22.7	107%	329.9	99%
Service Funds	0.4	0.9	0.5	225%	0.8	225%
Benefit Assessment Funds	13.3	13.2	(0.1)	99%	13.5	99%
<b>Total Revenue</b>	<b>\$531.0</b>	<b>\$564.8</b>	<b>\$ 33.8</b>	<b>106%</b>	<b>\$532.0</b>	<b>98%</b>

## Observations

- FY23 revenue was \$564.8M or 106% of FY23 Budget
- Groundwater production charges \$110.1M or 90% of Budget due to mix shift from groundwater to treated water
- Property Tax Revenue of \$138.8M or 110% of Budget
- Treated water revenue \$159.2M or 114% of Budget due to higher treated water consumption and less groundwater consumption
- Capital reimbursements of \$35.2M, varies year-over-year depending on progress of grant-funded projects
- Interest Income and Other exceeds budget due to CSJ Water Treatment facility payment, insurance reimbursement, and higher interest income

# FY 23 Unaudited Close - Operating and Capital Expenditures

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

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(\$ in millions)	FY23 Adj Budget	FY23 Actuals	Remaining Budget	FY23 % Spent	FY22 Actuals	FY22 % Spent
General Fund	\$ 81.9	\$ 74.8	\$ 7.1	91%	\$ 74.8	94%
Watershed Stream Stewardship Fund	76.3	68.6	7.7	90%	62.5	92%
Safe Clean Water Fund	34.4	22.1	12.3	64%	17.2	61%
Water Utility Enterprise Fund	316.3	274.2	42.1	87%	280.8	94%
Service Funds	39.0	34.1	4.9	87%	34.5	91%
Benefit Assessment Funds	11.2	10.9	0.3	97%	11.0	98%
<b>Total Operating Expenditures</b>	<b>\$559.1</b>	<b>\$484.7</b>	<b>\$ 74.4</b>	<b>87%</b>	<b>\$480.8</b>	<b>92%</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 6/30/23

(\$ in millions)	FY23 Adj Budget	FY23 Actuals	Remaining Budget	FY23 % Spent	FY22 Actuals	FY22 % Spent
General Fund	\$ 6.1	\$ 4.3	\$ 1.8	70%	\$ 3.3	58%
Watershed Stream Stewardship Fund	60.5	44.5	16.0	74%	66.3	76%
Safe Clean Water Fund	78.7	46.9	31.8	60%	52.8	45%
Water Utility Enterprise Fund	375.0	313.1	61.9	83%	237.9	83%
Service Funds	8.9	7.0	1.9	79%	12.5	82%
<b>Total Capital Expenditures</b>	<b>\$529.2</b>	<b>\$415.8</b>	<b>\$ 113.4</b>	<b>79%</b>	<b>\$372.7</b>	<b>73%</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 6/30/23

## Observations

- FY23 Operating Expenditures of \$484.7M or 87% of FY23 Adj Budget
- SCW Fund \$12.3M lower than budget primarily due to delay in CP/WIFIA issuance (\$1.9M), deferral of the 2022A bond issuance (\$5.3M) and Stream Capacity Vegetation Control (\$1.2M)
- WUE Fund \$42.1M lower than budget primarily due to delay in debt related issuances (\$10M), end of drought related expenses (\$10M, emergency water purchases / conservation activities) and IW San Felipe Division Deliveries project (\$8M)

- FY23 Capital Expenditures of \$415.8M or 79% of Adjusted Budget; spending trend percentage improvement vs FY22
- GF Fund 70% spent due to HQ Ops Building project delay (\$1.7M)
- SCW Fund 60% spent primarily due to Almaden Lake Improvement project being placed on hold until funding becomes available (\$10M)
- WUE Fund 83% spent primarily due to less spending than anticipated for Anderson Dam related projects (\$17.6M) and RWTP Reliability Improvement project (\$7.2M)
- Service Funds 79% spent primarily due to IT expenses related to computer and software costs expected to occur in FY24

# Reserve Balances

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- FY23 Year-end reserve balances higher than FY23 Adopted Budget due to unexpended capital project funds carried forward from FY22 to FY23 and lower expenditures in the Water Utility Enterprise fund

(\$ in millions)	FY23 Adopted Budget	FY23 Projected YE Reserve	FY23 Est. YE Actuals	FY23 Est. Actual vs Projected
<b>Restricted Reserves</b>				
Safe Clean Water Fund	\$ 151.7	\$ 210.8	\$ 204.4	\$ (6.4)
Water Utility Enterprise Fund	67.3	66.9	85.6	18.7
Restricted Subtotal	\$ 219.0	\$ 277.7	\$ 290.0	\$ 12.3
<b>Committed Reserves</b>				
General Fund	\$ 9.1	\$ 10.3	\$ 15.8	\$ 5.5
Watershed & Stream Stewardship Fund	102.3	111.1	117.1	6.0
Water Utility Enterprise Fund	56.3	99.4	157.3	57.9
Service Funds	15.9	21.5	28.3	6.8
Committed Subtotal	183.6	242.3	318.5	76.2
<b>Total Reserves</b>	<b>\$ 402.6</b>	<b>\$ 520.0</b>	<b>\$ 608.5</b>	<b>\$ 88.5</b>

# FY 23 Financial Update Summary

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- Performance of revenues affected by higher treated water consumption and other revenue line items
- Operating expenditures 87% of budget
- Capital expenditures 79% of budget, spending rate trending higher than prior years

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# Santa Clara Valley Water District

File No.: 23-0904

Agenda Date: 9/20/2023

Item No.: 4.3.

## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

### SUBJECT:

Review and discuss audit requirements pertaining to Joint Powers Authority (JPA) Agreements.

### RECOMMENDATION:

Review and discuss audit requirements pertaining to JPA Agreements.

### SUMMARY:

Santa Clara Valley Water District (Valley Water) is currently a member of several JPAs. While audit requirements for these agencies are set forth under statute and may be broadened under the respective Joint Exercise of Powers Agreements leading to the creation of the individual JPAs, given the current language of the BAC's Audit Charter, there is no direct role for this committee in the review of these audits. The BAC may wish to propose charter modifications in the future to establish this role.

#### A. Background re JPAs

Under the Joint Exercise of Powers Act (California Government Code sections 6500, et seq.), public agencies can make agreements with other agencies in order to jointly exercise powers they have in common. The powers to be exercised by a joint power agency ("JPA") cannot be greater than the powers shared by each of the JPA's constituent members. Generally, a Joint Powers Agreement defines the powers and limitations of the JPA formed by parties to the agreement. Among other things, the JPA agreement must provide for strict accountability of its funds and report of receipts and disbursements. (Govt. Code §6505(a).)

#### B. JPA Auditor

The Joint Exercise of Powers Act defines who may serve as an auditor for a JPA. The officer performing the function of auditor or controller for the JPA must be of the same agency as the designated treasurer. (Govt. Code §6505.5.) However, where a certified public accountant ("CPA") has been designated as the JPA's treasurer, the auditor of one of the contracting parties or of the

county in which at least one of the contracting parties is located, shall be designated as the JPA's auditor. (*Id.*) In lieu of designating an auditor pursuant to section 6505.5, the JPA may appoint one of its officers or employees to the position. (Govt. Code §6505.6.) In that case, such officer or employee shall cause an independent audit to be made by a CPA or public accountant in compliance with section 6505.

### C. Audit Requirements Under the Joint Exercise of Powers Act

As noted above, JPAs are formed pursuant to joint powers agreements. These agreements may set out specific audit requirements for the new entity. Apart from any optional provisions relating to audits that may be established through agreement, the Joint Exercise of Powers Act sets out certain minimum requirements relating to audits that must be followed:

- Section 6505 - The JPA's auditor shall either make or contract with a CPA or public accountant to make an annual audit of the accounts and records of the JPA. Note, this obligation is excused where an annual audit of the accounts and records is already conducted by any agency of the state or United States only as to those accounts and records which are already subject to state or federal audit;
- The JPA, by unanimous request of its governing body, may replace the annual audit with one covering a two-year period. (Govt. Code §6505(f));
- Annual audits by the JPA must meet the minimum requirements prescribed by the California Controller for special districts under Government Code section 26909 and must conform to generally accepted auditing standards. (Govt. Code §6505(b));
- Where the audit is completed by a CPA or public accountant, the audit report must be filed as public records with each of the contracting parties to the JPA and with the county auditor of the county where the home office of the JPA is located. (Govt. Code §6505(c));
- The JPA's annual audit reports are due within twelve months of the end of the fiscal year being examined. (Govt. Code §6505(d));
- JPAs are exempt from the annual audit requirement where their financial statements are audited by the Controller to satisfy federal audit requirements. (Govt. Code §6505(g).)

These are the statutory requirements with respect to audits for a JPA. As noted above, a JPA may always elect to have greater audit obligations by including such requirements in its Joint Exercise of Powers Agreement. At any time, JPAs may also proceed with additional audits when action is taken by their governing bodies (e.g., through a passed motion to proceed with an audit of a particular subject).

### D. The Current BAC Audit Charter Does Not Extend to JPA Audits

While Valley Water has representatives sitting on the governing bodies of JPAs and is supposed to receive copies of completed audit reports from the JPAs, the BAC currently has no role with respect to such audits given the BAC Audit Charter. The BAC's jurisdiction is prescribed by the terms of the BAC Audit Charter. Charter Article I, Section 7 holds that the BAC is responsible for carrying out audits in Board approved Annual Audit Work Plans, has oversight over audits initiated by Valley Water management, has authority to review and comment upon final audits initiated by third-party

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governmental or administrative agencies, and has the authority to conduct Limited Investigations. Article VII, Section 3 clarifies that the third-party audits relate to audits of Valley Water, so this reference does not cover audits by a JPA. In short, absent some specific referral from Valley Water's Board, the BAC does not possess jurisdiction under its Charter to review final JPA audits or to provide any recommendations to Valley Water's Board regarding recommended audits for a particular JPA.

If desired, the BAC can make recommendations for future BAC Audit Charter changes to create a formal role in the review of JPA audits, to establish jurisdiction to make recommendations to Valley Water's Board regarding additional audits to propose for a JPA through Valley Water's JPA representative, or to make other related recommendations.

**ENVIRONMENTAL JUSTICE IMPACT:**

There are no Environmental Justice impacts associated with this item.

**ATTACHMENTS:**

None

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068





# Santa Clara Valley Water District

**File No.:** 23-0714

**Agenda Date:** 9/20/2023

**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:

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.

At its January 10, 2023, board meeting, the board approved designating July 2023 as a Board and Committee meeting recess period, with the next regularly scheduled BAC meeting occurring after the recess on August 16, 2023.

During a preparatory discussion, BAC Chair approved staff's suggestion to conduct the Annual Audit Training from Board Independent Auditor during the last hour of the September 20, 2023, BAC meeting. The scope of the training will encompass the audit process, risk assessment, audit selection, audit planning, field work, and reporting with an emphasis on risk assessment. Additionally, staff was asked to add a topic to the September 20, 2023, meeting regarding a review and discussion of audit requirements pertaining to JPA Agreements (new item #38). These changes have been captured in the BAC Work Plan (Attachment 1).

Looking forward, the topics of discussion identified for the October 18, 2023, BAC Meeting can be

summarized as follows:

1. 2023 BAC Work Plan
2. Risk Assessment Draft Report

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

**ENVIRONMENTAL JUSTICE IMPACT:**

There are no Environmental Justice impacts associated with this item. The Board Audit Committee Work Plan serves as a tool utilized by the BAC to identify topics to be discussed during the public meeting and when that topic may be presented.

**ATTACHMENTS:**

Attachment 1: 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	0	8	5	2	5	3	Note: For informational purposes only. This value excludes Item 12 because that items is prepared by the Committee Clerk, not the CI Team, and is for the Full Board, not just the BAC.
	Meeting Dates	•	•	•	•	•	•		•	•	•	•	•	Note: The BAC approved a regular meeting schedule for 2023, to meet monthly, on the third Wednesdays at 2:00 p.m.
	Board Audit Committee Management													
1	Election of 2023 BAC Chair and Vice Chair		•											Recommendation: Nominate and elect the 2023 Board Audit Committee Chair and Vice Chair.
2	Board Audit Committee Audit Charter					•	•							Recommendation: Propose modifications to the Board Audit Committee Audit Charter to be presented to the full Board.
3	Review and Update 2023 BAC Work Plan	•	•	•	•	•	•		•	•	•	•	•	NOTE: This is an "as needed" topic Recommendation: A. Review and Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan; and B. Approve the updated 2023 Board Audit Committee Work Plan.
4	Discuss Scope of Annual Audit Training from Board Independent Auditor						•							Recommendation: Discuss scope of Annual Audit Training from Board Independent Auditor.
5	Receive Annual Audit Training from Board Independent Auditor									•				Recommendation: Receive Annual Audit Training from Board Independent Auditor.  Notes: Training will be conducted by the Chief Audit Executive during the regular September BAC Meeting
6	Conduct Annual Self-Evaluation	•	•											Jan. Recommendation: A. Discuss Annual Self-Evaluation Process; and B. Authorize Staff to initiate the process and return to BAC with results at a later date  Feb. Recommendation: A. Receive and Discuss the Results of the Annual Self-Evaluation Discussions; and B. Authorize staff to Prepare Formal Report and Present to the full Board.  Note: Jan = Discuss the Eval process and alert BAC to upcoming interviews; Feb = Discuss results of interviews and seek authorization to present to the full Board; Apr = Present interview summary to Full Board
7	Receive and Discuss CAE Activity Report to Evaluate Auditor Performance	•	•											Jan. Recommendation: Request CAE Activity Report from Sjoberg Evashenk to evaluate CAE Performance.  Mar. Recommendation: 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													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	Provide a Progress Update of the current Risk Assessment						•		•	•				Recommendation: Receive a Progress Update for the 2023 Risk Assessment.
11	Provide Report on Tri-annual Risk Assessment (CY 2023)										•	•		Recommendation: Discuss the scope of work for the 2023 Risk Assessment.  Note: 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 10/2023 for Draft and 11/2023 for Final)
	Board Audit Committee Special Requests													
12	External Financial Auditor Meeting with Individual Board members													Note: Schedule as needed.
13	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
	Management and Third Party Audits													
14	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

**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	
15	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.
16	Receive QEMS Annual Internal Audit Report								•					Recommendation: Receive information regarding the Quality and Environmental Management System.
17	Audit Recommendations Implementation Status		•						•				•	Recommendation: Receive and discuss a status update on the implementation of audit recommendations.  Note: 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	•	•	•	•	•	•						•	Recommendation: 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)													Recommendation: 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)													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; 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)													Recommendation: Receive and discuss a status update on the implementation of audit recommendations.  Note: Per the February BAC Update, this effort was completed in 2022 and is closed.
<b>Audit - 2020 SCW Program Grants Management</b>														
22	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.
<b>Audit - 2021 Permitting Best Practices</b>														
23	Recommendation Implementation Status (Annual Rpt. in May; Target Completion = TBD)					•								Recommendation: 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			•										Recommendation: Receive an update on the status of the on-going audit.
26	Review Audit Draft Report Presentation					•								Recommendation: Receive and discuss the preliminary Draft Audit Report.
27	Review Management's Response to Audit Draft Report													Recommendation: A. Receive and discuss the Management Response to the Draft Audit Report; and B. Provide feedback to staff as appropriate.
28	Receive Final Report with Management's response and Auditor's comments								•					Recommendation: A. Receive the Final Audit Report; and B. Authorize staff to take the report to the full Board.
<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)	•												Recommendation: Receive and discuss a status update on the implementation of audit recommendations.  NOTE: 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.	•												Note: 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  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.  This audit is complete: final report was provided in January 2023
<b>Audit - 2019 Lower Silver Creek Audit</b>														
31	Recommendation Implementation Status (Semi Annual Rpt. in February; Delayed to September)													Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
<b>2022 QEMS Improvements Implementation</b>														



**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	
32	Recommendation Implementation Status (Annual Rpt. in August)								•					Recommendation: Receive and discuss a status update on the opportunities for improvement.
Miscellaneous BAC Work Plan Items														
33	Financial Status - Quarterly Update			•			•			•		•		Note: suggested frequency is as follows: February for mid-year review; May for Q3 review; September for unaudited close; November for Q1 review Schedule as needed
34	Financial Audit - Periodic Update						•							Recommendation: Discuss the Financial Audit Schedule as needed
35	Board's Auditor Pool RFP Status Update													Recommendation: 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				•									Recommendation: Discuss process roles and responsibilities related to reporting on implementation of audit recommendations and closing Board-directed audits.
37	Threat to Public Services or Facilities								•					CLOSED SESSION: Pursuant to Government Code Section 54957(a) Consultation with Alex Gordon, Assistant Officer
38	BAC Authority as it relates to Joint Powers Authority agreements (JPAs)									•				Stand-alone Topic

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# Santa Clara Valley Water District

**File No.:** 23-0935

**Agenda Date:** 9/20/2023

**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 Annual Audit Training from Board Independent Auditor.

### RECOMMENDATION:

Receive Annual Audit Training from Board Independent Auditor.

### SUMMARY:

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

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

On June 21, 2023, the CAE introduced several potential training topics and facilitated a discussion with the BAC. Based on this discussion, the BAC requested the CAE to prepare and deliver training on the audit process, including risk assessment, audit selection, audit planning, field work, and reporting.

The purpose of this item is to receive training on this topic.

### ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item. Audit training is provided to the BAC members to keep them up to date on the latest audit best practices in order for them to perform their role.

### ATTACHMENTS:

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**File No.:** 23-0935

**Agenda Date:** 9/20/2023  
**Item No.:** 4.5.

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Attachment 1: PowerPoint

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

# INTRODUCTION TO THE PERFORMANCE AUDIT PROCESS

SEPTEMBER 20, 2023

Presented by:  
George Skiles



# INTRODUCTION TO AUDITING & CONSULTING

## ■ Introductions and Training Objectives

- Provide an introduction to the key phases of the audit process, including risk assessment, audit selection, audit planning, field work, and reporting—i.e., the performance audit lifecycle
- Identify how audit standards provide the framework for the audit lifecycle

# AUDITING STANDARDS

9/11/2023

SJOBERG  EVASHENK

3

# INTRODUCTION TO AUDITING STANDARDS

- Generally Accepted Government Auditing Standards, issued by the Government Accountability Office (Yellow Book)
- International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditing (Red Book)



# PURPOSES OF PERFORMANCE AUDITS

- To provide **governing bodies** (e.g. Audit Committee of the Board or Legislative leaders) with information that enables them to oversee management's performance in fulfilling the mission of the organization; execution of pertinent statutes, regulations, and policies; and to identify ways to better ensure success.
- To provide **management** with information regarding the successful execution of his/her responsibilities.
- To serve the **public** interest and promote accountability through transparency through objective and nonpartisan assessments.

# PURPOSES OF AUDIT STANDARDS

- Provide a Framework for:
  - Structuring the Internal Audit Shop within the Organization it is Charged to Audit
  - Conducting Specific Audit Engagements
- Provide Confidence to the Audience that it Can Rely on the Audit Results
  - Competency of Audit Personnel
  - Structured Approach to Conducting Audits
  - Quality Control Measures
  - Independent Reviews & Verifications
- Establish the Basis for the Evaluation of Internal Audit Performance

# INTRODUCTION TO AUDITING STANDARDS

- **General Attributes of Audit Personnel and Functions**
  - The Auditor—the Individual, the Audit Team, and the Audit Organization
  - Quality Control—routine quality assessment and improvement
  - Managing the Internal / Performance Audit Activity
- **Performing Audit Engagements**
  - Planning
  - Fieldwork
  - Reporting

# GENERAL / ATTRIBUTE STANDARDS

## ■ The Auditor

- Ethical Principles
- Independence and Objectivity
- Competence & Due Professional Care

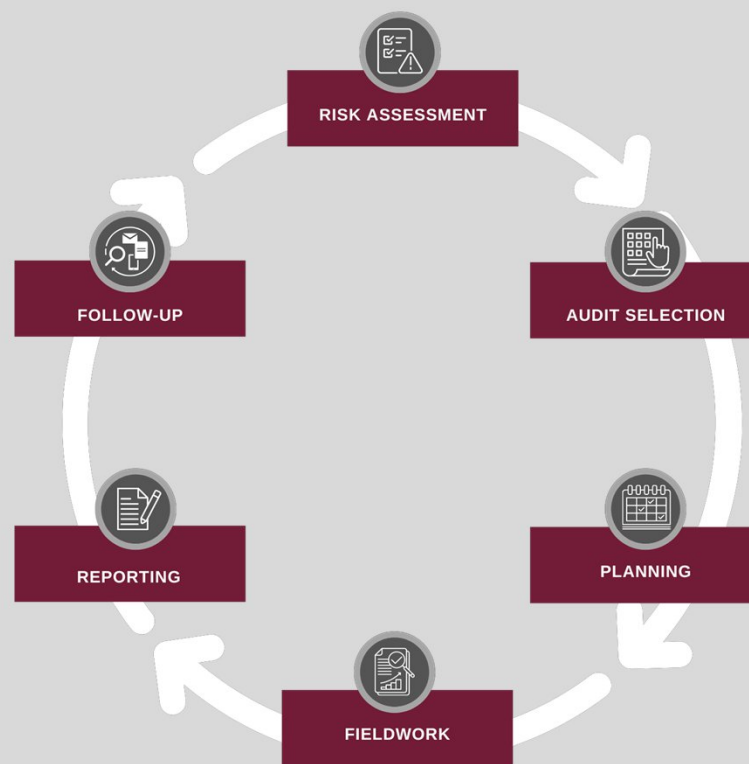
## ■ Quality Control

- Internal Quality Control
  - Policies & Procedures
  - Quality Control Reviews
  - Annual Self Evaluation
- External Quality Control Review

# GENERAL / ATTRIBUTE STANDARDS

- IIA Standards (Red Book)
  - Managing the Internal Audit Activities
    - Audit & Committee Charters
    - Interaction with the Board
    - Enterprise-Wide Risk Assessment & Audit Planning

# THE AUDIT LIFECYCLE



# UNIVERSAL RISK ASSESSMENT & AUDIT PLANNING

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# DEVELOPING THE AUDIT PLAN

## THE UNIVERSAL RISK ASSESSMENT

- Risk Assessment: the consideration of inherent risks and the determination that audit resources could yield value to the organization by assessing systems of internal control to mitigate such risk.
- Universal Risk Assessment Process Overview
  - Identify the Audit Universe
  - Identify Core Purposes & Objectives
  - Identify Risks to Achievement of Purposes & Objectives
  - Measure and Quantify Risks
  - Design Audits to Address Identified Risks
  - Ranking The Potential Audits by Priority



# DEVELOPING THE AUDIT PLAN

## THE UNIVERSAL RISK ASSESSMENT

### ■ Identify the Audit Universe

- Audit Universe – The sum of all auditable units.
- Auditable Unit – Parts of the organization that are exposed to sufficient risks that control, including audit, is appropriate.
- Categories of Auditable Units: departments, programs, projects, IT systems, cross-functional business processes.

### ■ Criteria for selecting Auditable Units

- Contribute to the organization's goals.
- Are significant enough to have a noticeable impact on the organization.
- Are important enough to justify the cost of controls or improvements.

# CONSIDERATION OF RISK FACTORS

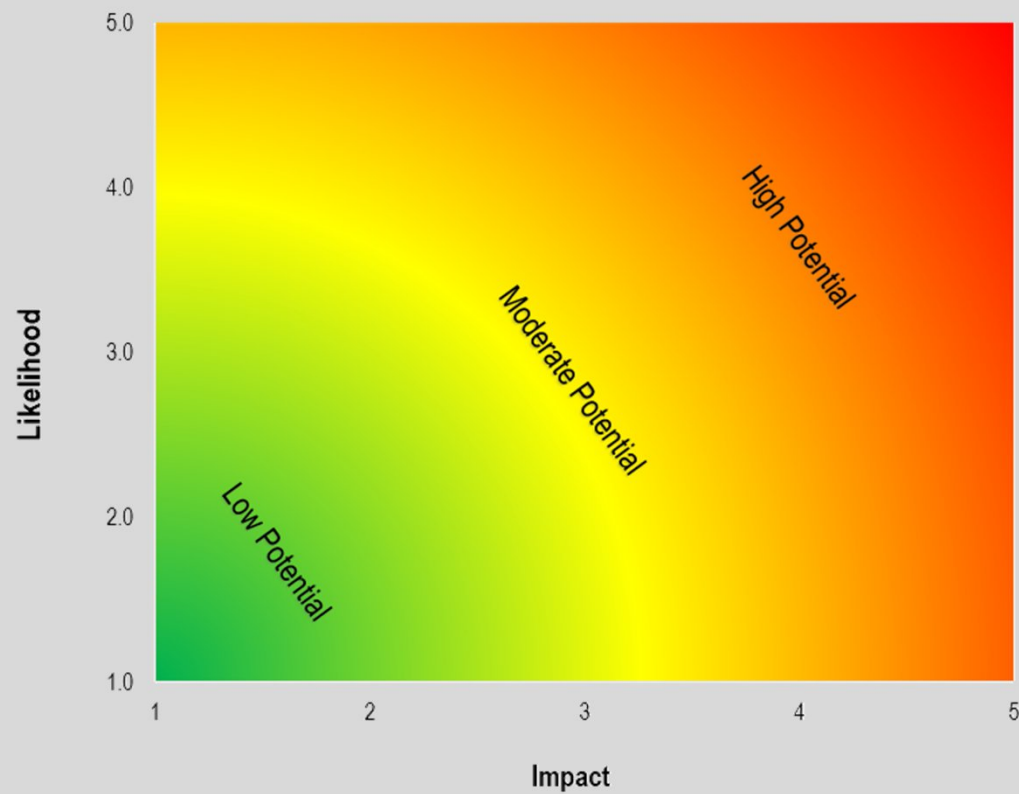


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# RISK MAPPING



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# AUDIT PLAN CONSIDERATIONS

- **Audit Plan Considerations**
  - Moderate- to high-risk audit topics
  - Sufficient audit coverage throughout the agency to achieve an effective audit cycle
  - Time is ripe / current events
  - Budget resources
- Develop 1-page audit scoping documents for potential audit engagements
  - Audit objective, scope, approach
  - Proposed schedule and budget

# PERFORMING AUDIT ENGAGEMENTS

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# PLANNING THE ENGAGEMENT

## Key Considerations

- General Familiarization
- Identify Legal Requirements
- Observations & Walk-through Key Systems and Processes
- Understand Reporting & Performance Measurement
- Understand Governance & Risk Management Practices
- Understand Key Control Activities
- Assess Risks Associated with Fraud, Waste, & Abuse
- Audit Follow-Up

# PLANNING THE ENGAGEMENT

## TYPES OF RISKS

- **Inherent Risk:** the susceptibility or probability of an event occurring within a specific program or business activity that will have an impact on the achievement of objectives.
- **Control Risk:** the risk that such an event will not be prevented or detected in a timely manner by the entity's systems of internal controls.
- **Detection Risk:** the risk that the audit procedures designed by the audit team will not detect a significant risk or the occurrence of a significant event that impacts the entity's success in achieving its objective.

# AUDIT FIELDWORK

## Executing the Audit

- Potential Methods of Gathering Evidence
- Systems of Internal Control
- Elements of a Finding
- Requirement of Sufficient & Appropriate Evidence



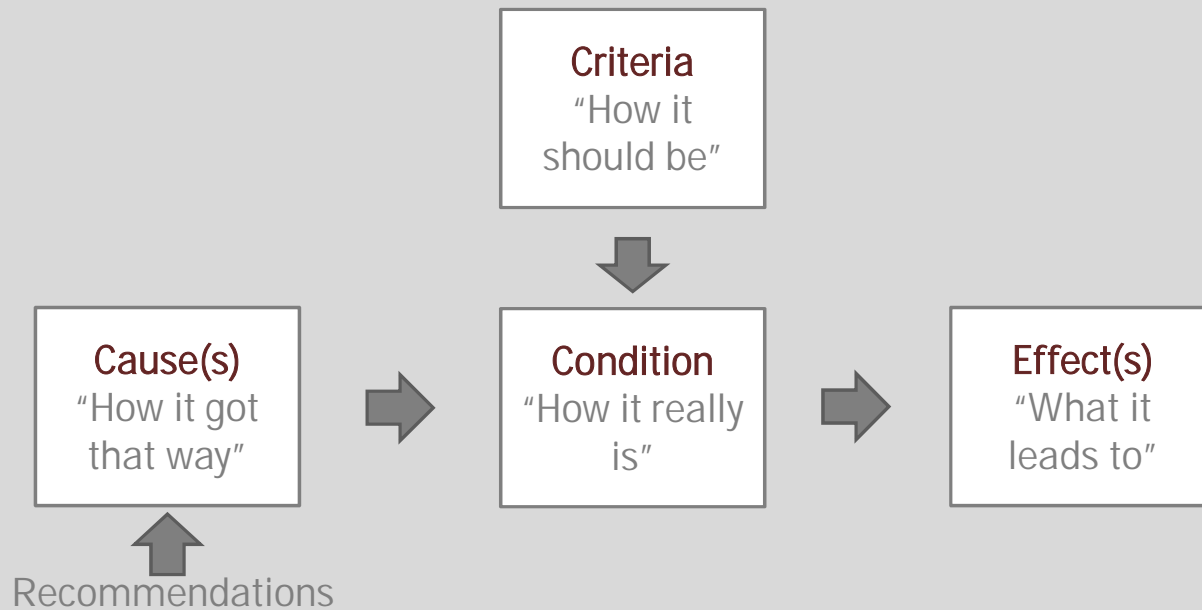
# AUDIT FIELDWORK

## Key Methodological Considerations

- Interviews
- Observations & Walkthroughs
- Sampling Techniques
  - Random v. Judgmental
  - Statistical v. Non-statistical
- Compliance Testing
- Data Analytics
- Performance Measures
- Benchmarking & Research
- Focus Groups, Surveys & Questionnaires

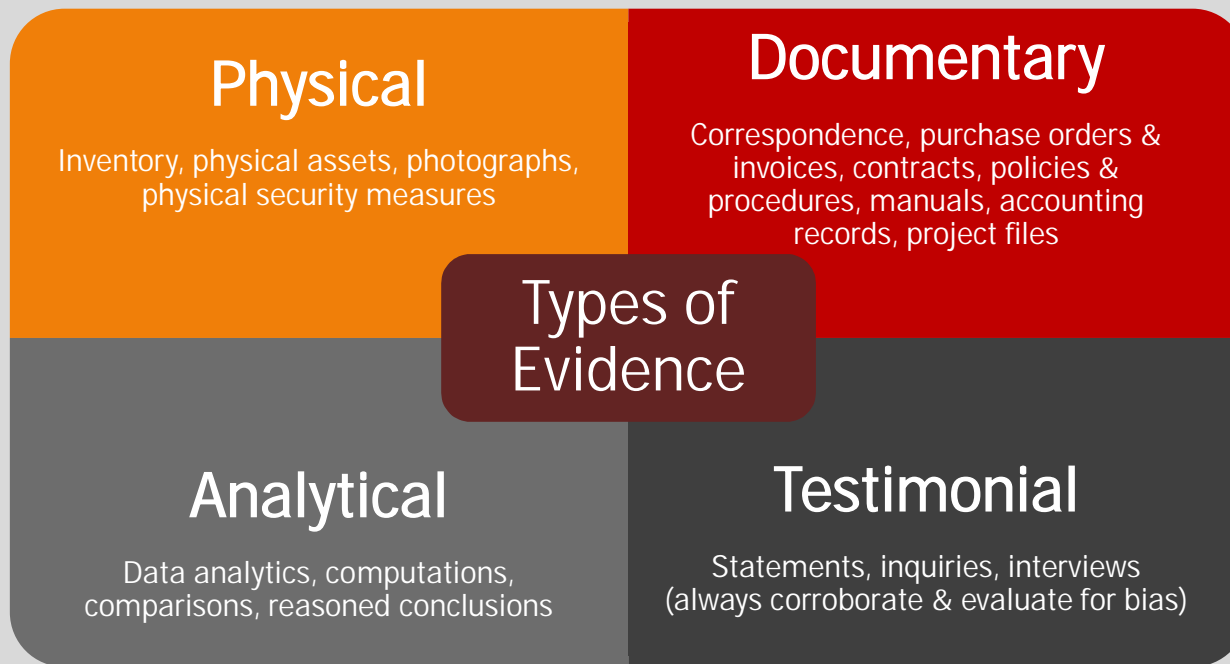
# ELEMENTS OF A FINDING

- Government Auditing Standards detail the basic elements that should constitute an audit finding: the Condition, Criteria, Cause and Effect.



# TYPES OF EVIDENCE

Each of these methods yield evidence of varying quality



# SYSTEMS OF INTERNAL CONTROL

- Systems of Internal Control
  - Review system of internal controls.
    - Control Environment
    - Risk Assessment
    - Control Activities
    - Information and Communication
    - Monitoring

# REPORTING

- Form
- Timeliness
- Contents
- Quality and Critical Review
- Exit Conference and Auditee Review
- Draft Report
- Exit Conference
- Final Report Distribution & Presentation

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