



BOARD AUDIT COMMITTEE MEETING

MINUTES

REGULAR MEETING SESSION
WEDNESDAY, JANUARY 15, 2025
1:00 PM

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 1:00 p.m.

1.1 Roll Call.

Committee members in attendance were: District 2 Director Shiloh Ballard, Director 6 Tony Estremera, and District 4 Director Jim Beall, Vice Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were: Emmanuel Aryee, Sarah Berning, Jessica Collins, Queen Douglas, Rachael Gibson, Walter Gonzalez, Alexander Gordon, Diahann Hudson, Cecil Lawson, Jennifer Martin, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Tony Ndah, Carlos Orellana, Max Overland, Luz Penilla, Alison Phagan, Don Rocha, Manpreet Sra, Darin Taylor, Kristen Yasukawa, and Tina Yoke.

Public in attendance were: Valley Water District 7 Director Rebecca Eisenberg, Katja Irvin (Sierra Club), and George Skiles (Sjoberg Evashenk Consulting).

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

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

3. APPROVAL OF MINUTES:

3.1. Approval of November 20, 2024 Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the November 20, 2024 Committee meeting.

Public Comments:
None.

It was moved by Director Estremera and seconded by Director Ballard and was carried by unanimous vote that the minutes be approved.

4. REGULAR AGENDA:

4.1. Discuss the Purpose of Board Directed Audits and Provide Recommendations to the Board as Needed.

Recommendation: Discuss the purpose of Board Directed audits and provide recommendations to the Board as needed.

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

Darin Taylor and George Skiles were available to answer questions.

Public Comments:
None.

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

- The Committee noted the types of audits conducted by Valley Water, the historical background on how the BAC was established as an independent review to assist with addressing the public's questions/concerns about Valley Water's performance, and the current applied audit standards and processes.
- The Committee noted support for the type of internal and external audit systems in place at Valley Water.

4.2. Discuss Board Audit Committee's (BAC) Annual Self-Evaluation Process of Calendar Year 2024 Activities; Provide Guidance Regarding Preferred Method to Conduct Process; and Direct Chief Audit Executive (CAE) to Conduct Self-evaluation Process and Return to Provide Summary of Discussions.

Recommendation: A. Discuss BAC's annual self-evaluation process of calendar year 2024 activities;
B. Provide guidance regarding preferred method to conduct process; and
C. Direct CAE to conduct self-evaluation process and return to provide summary of discussions.

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

Darin Taylor and George Skiles were available to answer questions.

Public Comments:
None.

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

- The Committee noted the CAE will reach out to the Committee members for their input regarding insight on areas for improvement or topics of interest, will conduct the self-evaluation process, and report back at a future BAC meeting.
- Director Ballard noted a request for the BAC's Annual Self-Evaluation Reports for the past 3 years.

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

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

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

Darin Taylor was available to answer questions.

Public Comments:
None.

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

- The Committee noted support for staff's recommendations to request the CAE activity report and to direct the CAE to present the report at a future BAC meeting.

4.4. Discuss Proposed 2025 Annual Audit Plan, Recommend Assignments of Audit Firms to Conduct Each Performance Audit to Full Board, and Provide Further Guidance as Needed.

Recommendation: A. Discuss proposed 2025 Annual Audit Plan,
B. Recommend assignments of audit firms to conduct each performance audit to full Boards; and
C. Provide further guidance as needed.

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

George Skiles, Darin Taylor, Luz Penilla, and Carlos Orellana were available to answer questions.

Public Comments:

None.

The Committee received the information, and noted the following:

- The Committee noted the CAE's proposed recommendation for the assignments/general schedule for the audit firms for the following performance audits:
 - Capital project delivery activities: Plante Moran firm with estimated audit start in February/March 2025
 - Centralized and decentralized contracting processes: Sjoberg Evashenk Consulting firm with estimated audit start in Spring 2025
 - Water conservation strategies: Moss Adams firm with estimated audit start in February/March 2025
 - Water usage and demand forecasting: Moss Adams firm with estimated audit start in Summer 2025
- The Committee noted support for including best practices for audits to assist with decision making including looking at other countries for water conservation strategies and confirmed agency benchmarking is included in the audit process.
- The Committee noted the audits generally take 6 months with an additional 1 to 2 months for reporting.
- The Committee noted support for staying informed on any updates to the federal government funding for California to avoid potential project delays.
- The Committee confirmed the Capital project delivery activities audit will focus on the project management delivery of capital projects, how contractors are paid, and the actual expenditures to confirm if project managers may be able to address further areas that may be contributing to projects being behind schedule or over budget.
- The Committee confirmed that the Districtwide Risk Assessment should be completed at least every 3 years which is standard for the public sector and is scheduled to be completed next in 2026.
- The Committee noted the Capital Improvement Program (CIP) staff's verbal request to utilize an audit firm that is familiar with the CIP program and the recommendation to delay the Capital project delivery activities audit start time to use Sjoberg Evashenk Consulting, provide time for CIP staff to address current project deadlines, and to continue implementing the tools from the previous CIP audit completed by Sjoberg Evashenk Consulting.
- The Committee noted the CAE's concerns that Sjoberg Evashenk Consulting who specializes in Capital project audits may not be able to complete the Capital project delivery activities audit in a timely manner this calendar year due to other cyclical contractual capital project audit obligations.
- The Committee noted the importance of efficiency and continuity for the audit process and confirmed their support for working with Sjoberg Evashenk Consulting again to complete the Capital project delivery activities audit.

It was moved by Director Estremera and seconded by Director Shiloh Ballard and unanimously approved to recommend acceptance by the full Board the CAE's proposed recommendation for the audit firm

assignments/general schedule with amendment to provide 2 options for the Capital project delivery activities audit: (Option 1) Sjoberg Evashenk Consulting conducts the audit once available (Option 2) Plante Moran conducts the audit starting in February/March 2025, but additional time may be needed to familiarize with CIP processes.

4.5. Review and Discuss the 2025 Board Audit Committee (BAC) Work Plan.

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2025 BAC Work Plan.

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

Darin Taylor was available to answer questions.

Public Comments:
None.

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

- The Committee noted support of the BAC 2025 Work Plan, and Vice Chairperson Beall noted interest in an update at the BAC May 2025 meeting regarding tracking federal funding, the presidential actions that may lead to federal funding delays and protecting Valley Water assets which BAC staff will meet with the CEO for further guidance on this request.

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 the Committee discussed the purpose of Board directed audits under Item 4.1; discussed the BAC annual self-evaluation process, noted the CAE will conduct the self-evaluation process and report back at a future BAC meeting and Director Ballard's request for previous reports under Item 4.2; noted support to request the CAE activity report and to direct the CAE to present the report at a future BAC meeting under Item 4.3; approved by unanimous vote to recommend acceptance by the full Board the CAE's proposed recommendation for the audit firm assignments/general schedule with amendment to provide 2 options for the Capital project delivery activities audit under Item 4.4; and Vice Chairperson Beall's interest in a federal funding update under Item 4.5.

6. ADJOURN:

6.1. Adjourn to Regular Meeting at 1:00 p.m. on February 19, 2025.

Vice Chairperson Beall adjourned the meeting at 2:33 p.m., to the regular meeting at 1:00 p.m. on February 19th, 2025.

Nicole Merritt, Assistant Deputy Clerk II

Date approved: February 19, 2025