



BOARD AUDIT COMMITTEE MEETING

# MINUTES

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**SPECIAL MEETING SESSION  
TUESDAY, AUGUST 6, 2024  
2:00 PM**

(Paragraph numbers coincide with agenda item numbers)

**1. CALL TO ORDER:**

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

1.1 Roll Call.

Committee members in attendance were: District 1 Director John L. Varela joined the meeting via teleconference, 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: Emmanuel Aryee, Sarah Berning, James Bohan, Kevin Brown, Jessica Collins, Enrique De Anda, Alicia Fraumeni, Walter Gonzalez, Chris Hakes, Diahann Hudson, Brian Hopper, Michele King, Stephanie Lei-Morales, Simon Lo, Jennifer Martin, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Tony Ndah, Gary Ohea, Luz Penilla, Don Rocha, Manpreet Sra, Darin Taylor, Odilia Teixeira, Cheryl Togami, Kristen Yasukawa, and Tina Yoke.

Public in attendance were: Valley Water Director Rebecca Eisenberg, Mike Brown (PMA Consultants), Cid Conde, Emer Jayson Fabro, and Roger Martinez, (Vasquez and Company LLP.), Katja Irvin (Sierra Club), John Mahoney (Tanner Pacific, Inc.), and George Skiles (Sjoberg Evashenk Consulting).

**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.

Vice Chairperson Beall requested that staff confirm per the recent stock market situation if there are any negative effects on the Water District and the status of the

large cash reserves (cash on hand/semi-liquid money/assets) that the Water District has accumulated. (Individual Board Member Request, iBMR, 24-0011.)

Public Comments:

None.

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

3.1. Approval of June 18, 2024 Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the June 18, 2024 Committee meeting.

Public Comments:

None.

It was moved by Director Varela and seconded by Chairperson Keegan and was carried by majority vote that the minutes be approved by roll call vote. Vice Chairperson Beall abstained from the vote due to not being present at the June 18, 2024 meeting.

Yea: B. Keegan, J. Varela.

Nay: None.

Abstain: J. Beall.

Recuse: None.

Absent: None.

Summary: 2 Yea; 0 Nay; 1 Abstain; 0 Absent.

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

4.1. Receive and Discuss the Single Audit Report for Fiscal Year (FY) Ending June 30, 2023.

Recommendation: Receive and discuss the Single Audit Report for FY ending June 30, 2023.

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

Darin Taylor, Roger Martinez, Cid Conde, Emer Jayson Fabro, and George Skiles were available to answer questions.

Public Comments:

None.

The Committee received the information, and noted the following:

- The Committee noted an internal control finding that is not anticipated to impact federal grant funding.
- The Committee noted staff's corrective action plan that includes

updating year-end checklists and running quarterly reports to ensure all expenditures are tracked within the appropriate FY, recruiting for a Program Administrator to be responsible for grants compliance District wide, and evaluating grant tracking software systems.

- The Committee confirmed this was a unique situation and noted the upcoming 2024 audit will provide an update on if the proposed corrective action plan was implemented and if the matter is in progress or resolved.
- The Committee requested for staff to submit a formal memo to the Board regarding this matter noting an update to be included with the upcoming Annual Comprehensive Financial Report (ACFR) to ensure full disclosure.

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

**Recommendation:** Receive information on the QEMS Improvements Implementation effort.

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

Mike Brown, John Mahoney, Darin Taylor, and Luz Penilla were available to answer questions.

**Public Comments:**  
None.

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

- The Committee noted climate change and managing assets for long term cost savings as potential future topics of interest.
- The Committee noted support of the goal of moving towards a greater consistency of managing per industry standards.
- The Committee noted support of having a consistent schedule to review/update the Construction Management Manual thoroughly because the construction industry changes quickly and because of potential external legal issues.
- The Committee noted support of the bifurcated process for the Capital Construction Project Risk Management Enhancement and the inclusion of a feedback loop for risk management development.
- The Committee noted support for ensuring advanced asset efficiency within the Asset Management Process, the importance of the Board and the public to understand the asset management reasoning, and the asset strategies in Valley Water's Master Plans.
- The Committee confirmed the best practice matrix was included to identify potential risks for embarking on Alternate Deliveries and noted support for reviewing the pros/cons of Alternate Delivery

methods per potential resources and cost/time saving measures.

- The Committee confirmed that the Continual Improvement Team will go beyond just identifying the problem, and will work towards a tangible outcome, and an improved new process.
- The Committee noted support for identifying and defining principals, and desired outcomes for Environmental Justice.

Director Varela concluded participation by teleconference and did not rejoin.

4.3. Discuss Proposed Hourly Rate Adjustments to the On-Call Services Agreement with Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Inc.

Recommendation: Discuss proposed hourly rate adjustments to the On-Call Services Agreement with the CAE, Sjoberg Evashenk Consulting, Inc. and provide any input to staff.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and per 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 no objections to the proposed 8% increase for the hourly rate amendment to the On-Call Services Agreement with the CAE to be incorporated into the BAC recommendation agenda memo for the full Board's approval to extend the CAE's contract by one year.

4.4. Discuss 2024 Annual Audit Plan (Including Information Technology (IT), Human Resources (HR), and Board Policies Audits) and Provide Further Guidance as Needed.

Recommendation:

- A. Discuss 2024 Annual Audit Plan;
- B. Provide further guidance as needed;
- C. Receive information regarding initiation of Information Technology.

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

George Skiles was available to answer questions.

Public Comments:  
None.

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

- The Committee noted the HR audit is in progress, the IT audit is delayed per ensuring security measures to be started shortly along with the Board Policies Audit.
- The Committee confirmed the 2024 audits are still on track to be completed by December 2024, and the CAE will work with management to lessen impacts to staff.
- The Committee confirmed the audit delays will not impact the start of the 2025 Annual Audit Plan.

**4.5. Review and Discuss the 2024 Board Audit Committee (BAC) Work Plan.**

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

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

Darin Taylor was available to answer questions.

**Public Comments:**

None.

The Committee received the information, took no formal action, and noted the importance of the development of an audit training program for onboarding Board members to the BAC and support of the new assigned BAC members having interest, time, and experience with the audit function.

**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 iBMR noted from Vice Chairperson Beall regarding the effects on Valley Water per the stock market fluctuations and status of cash reserves under Item 2; the Committee received and discussed the Single Audit Report and requested a formal memo sent to the Board under Item 4.1; received and provided feedback on the QEMS Improvements Implementation Effort under Item 4.2; noted no objections to hourly rate amendment to the On-Call Services Agreement with CAE under Item 4.3; noted Annual Audit Plan update under Item 4.4; and noted 2024 BAC Work Plan update and support for developing an audit training program for upcoming Board assigned BAC members under Item 4.5.

**6. ADJOURN:**

**6.1. Adjourn to Regular Meeting at 1:00 p.m. on August 21, 2024.**

Chairperson Keegan adjourned the meeting at 3:25 p.m., to the regular meeting at 1:00 p.m. on August 21, 2024.

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