



BOARD AUDIT COMMITTEE MEETING **MINUTES**

**SPECIAL MEETING SESSION
FRIDAY, OCTOBER 25, 2024
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 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: Carlo Achdjian, Emmanuel Aryee, Lisa Bankosh, Sarah Berning, Jessica Collins, Enrique De Anda, Brian Hopper, Candice Kwok-Smith, Cecil Lawson, Michael Lee, Jennifer Martin, Patrice McElroy, Nicole Merritt, Carlos Orellana, Luz Penilla, Mario Rivas, Manpreet Sra, Darin Taylor, Tina Yoke, Beckie Zisser.

Public in attendance were: Valley Water District 1 Director John L. Varela, Valley Water District 7 Director Rebecca Eisenberg, 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. There was no one present who wished to speak.

3. APPROVAL OF MINUTES:

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

Recommendation: Approve the minutes.

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

Public Comments:
None.

It was moved by Vice Chairperson Beall and seconded by Chairperson Keegan and was carried by unanimous vote that the minutes be approved.

4. REGULAR AGENDA:

4.1. Receive and Discuss Audit Follow-Up Conducted by Chief Audit Executive (CAE); and Provide Feedback as Needed.

Recommendation: A. Receive and Discuss audit follow-up conducted by CAE; and
 B. Provide feedback as needed.

George Skiles reviewed the information on this item, per the attached Committee Agenda Memo, and per information contained in Attachments 1 - 4.

George Skiles and Carlos Orellana were 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 the CAE's recommendation for the following audits to be closed: the 2019 Contract Change Order Audit per most recommendations were implemented and the remaining is related to a subsequent Capital Improvement Program (CIP) audit; the 2020 District Counsel Audit per all recommendations were implemented with an additional performance audit recommended for future consideration to address the length of Valley Water's centralized contracting process; and the 2014 Transparency Compliance Audit per Valley Water has addressed the 2 identified minor failures to comply out of 37 requirements.
- The Committee confirmed the roadmap for improving performance metrics for Recommendation #7 of the 2019 Contract Change Order Audit on Page 3 of Attachment 1 can be addressed by the proposed 2025 audit topic for Capital project delivery, noted previous update of staff's progress with capturing CIP's performance measures, and the potential of dashboards providing visible, real time performance information for Capital projects.
- The Committee confirmed how other government agencies are streamlining their best practices and resource strategies for

staffing, labor/training, and materials will be included in a future proposed audit.

- The Committee noted support for staff to include flexibility regarding the On-Call Agreements for Independent Cost Estimating Services for Recommendation #1 of the 2019 Contract Change Order Audit on Page 1 of Attachment 1 per the reallocation of funding from the Upper Guadalupe River Flood Project.
- The Committee confirmed the new service level agreement template which assists with setting legal review timelines and consistent expectations for work product was recently approved for Recommendation #1 of the 2020 District Counsel Performance Audit on Page 1 of Attachment 2 and noted staffing levels have contributed to some of the delays.
- The Committee noted support for the CAE's recommendation for the following audit to remain open: the 2020 Real Estate Services Audit per some of the recommendations have not been fully implemented and up to date in part due to staffing changes, noted looking forward to the report back to the Committee in about 6 months regarding the policy and procedure improvements; and Vice Chairperson Beall noted the option of using inter-governmental real estate agreements to accelerate real estate acquisition timelines which the CAE suggested could be a consideration for a future audit.

4.2. Discuss Potential Audit Topics for 2025 Annual Audit Plan and Provide Further Guidance as Needed.

Recommendation: Discuss potential audit topics 2025 Annual Audit Plan, and provide further guidance as needed.

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

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 the 7 proposed audit topics: Capital project delivery activities, Centralized and decentralized contracting processes, Valley Water's role in and approach to Joint Powers Authorities (JPAs), Water conservation strategies, Imported water contracts, Water usage and demand forecasting, and Human Resources' practices related to

labor negotiations, and unanimously confirmed support for the Capital project delivery activities as the #1 proposed audit topic.

- The Committee expressed support for the proposed audit topic: water usage and demand forecasting to assist with projected future water rates and prioritization of projects and noted the related consultant study being conducted for revenue and water supply planning purposes through most of 2025 which includes topics of demand elasticity and affordability.
- The Committee expressed support for the proposed audit topic: water conservation strategies per the potential for cost savings, collaboration with cities, and the potential of a management-directed audit.
- The Committee expressed support for centralized and decentralized contracting processes for the review of new policies and practices.
- Vice Chairperson Beall noted a new audit topic regarding monitoring federal and state partnerships/funding to accommodate for changes in the political environment which Chairperson Keegan noted could be covered by expanding the audit topic of Valley Water's role in and approach to JPAs to include external partnerships.
- The Committee expressed support for staff's work and noted the the CAE will reach out to Director Varela for feedback with a report back to the BAC in November 2024 with the refined proposed audit topic list.

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

Recommendation: A. Discuss 2024 Annual Audit Plan;
B. Provide feedback as needed;

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

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 audits for IT, HR, and Board Policies remain on track with the target for the HR audit to be completed by the end of 2024 and the IT and Board Policies audits to be completed by the 1st quarter of 2025.

4.4. 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 following:

- Vice Chairperson Beall noted support of the review of the Annual Comprehensive Financial Report (ACFR) and to extend an invite to the newly elected Board member to attend the BAC November 2024 meeting.

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

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

None.

6. **ADJOURN:**

6.1. Adjourn to Regular Meeting at 1:00 p.m. on November 20, 2024.

Chairperson Keegan adjourned the meeting at 11:05 a.m., to the regular meeting at 1:00 p.m. on November 20, 2024.

Nicole Merritt, Assistant Deputy Clerk II

Date approved: November 20, 2024

THIS PAGE INTENTIONALLY LEFT BLANK