



BOARD AUDIT COMMITTEE MEETING

MINUTES

**SPECIAL MEETING SESSION
FRIDAY, FEBRUARY 23, 2024
1:00 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 1:00 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, Jessica Collins, Enrique De Anda, Amy Fonseca, Michele King, Cecil Lawson, Dave Leon, Patrice McElroy, Anthony Mendiola, Tony Ndah, Carlos Orellana, Luz Penilla, Steven Peters, Allison Phagan, Mario Rivas, Diahann Soleno, Manpreet Sra, Darin Taylor, Zuberi White, Kristen Yasukawa, and Tina Yoke.

Public in attendance were: Matthew Bohdan (Plante Moran), Valley Water Director Tony Estremera (District 6), Tammy Lohr (Moss Adams), Scott Petree (Plante Moran), and Brianna Pierce (MGO).

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.

2.1. Election of 2024 Board Audit Committee (BAC) Chairperson and Vice Chairperson.

Recommendation: Nominate and elect the 2024 BAC Chairperson and Vice Chairperson.

Public Comments:
None.

The Committee deferred this item until the Board's approval of the 2024 Board Committee Member Appointments.

3. APPROVAL OF MINUTES:

3.1. Approval of January 17, 2024 Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the January 17, 2024 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 a Status Update on the Implementation of Audit Recommendations; and Discuss Timing of Next Update.

Recommendation: A. Receive a status update on the implementation of audit recommendations; 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, Darin Taylor, Yvonne Arroyo, 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 confirmed there is enough staff anticipated to complete the Water Resources Protection Manual by December 2025 which includes public outreach efforts; and the permitting process will be streamlined by upcoming IT upgrades under the 2021 Permitting Best Practices Audit.

- The Committee noted their support for receiving regular progress updates for the 2023 Capital Improvement Program Performance Audit; and noted the next update scheduled for the BAC August 2024 meeting.

4.2. Receive and Discuss Management Response to Information Technology (IT) Surplus Equipment Processes Audit and Provide Comments.

Recommendation: A. Receive and discuss Management response to IT Surplus Equipment Processes Audit; and
B. Provide comments.

Cecil Lawson and Tina Yoke reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

Cecil Lawson, Tina Yoke, and Tony Ndah were available to answer questions.

Public Comments:
None.

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

- The Committee noted positive support for the IT Surplus Equipment Processes Audit as it is a management audit done internally to facilitate continual improvement.
- The Committee confirmed that equipment noted as surplus goes through an auction process and the rare unsold items can be donated per CEO approval.
- Director Beall requested staff follow up on the revenue from the surplus equipment auctioned from last year.
- Director Santos requested staff follow up with the CEO on the potential of donating surplus equipment to assist the unhoused.

4.3. Receive the Fiscal Year 2023-2024 Second Quarter Financial Status.

Recommendation: Receive the Fiscal Year 2023-2024 second quarter financial status update as of December 31, 2023.

Steven Peters and Enrique De Anda reviewed the information on this item, per the attached Committee Agenda Memo and Attachment 1, and the corresponding presentation materials contained in Attachment 1 were reviewed by staff as follows: Steven Peters reviewed Slides 1 - 5 and Enrique De Anda reviewed Slides 6 - 9.

Enrique De Anda, Steven Peters, 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 confirmed that staff will continue to reach out to small banks for participation in 2024 for the bank letter of credit solicitation.
- The Committee confirmed that staff does not anticipate drawing on the line of credit for the Pacheco WIFIA Master Agreement until 2026 based on expected expenses per the 2023 short term interim notes currently funding the design and planning phase.
- The Committee noted support for the applications submitted for the Anderson and Dam Safety Program per community interest.
- The Committee confirmed the first half of capital expenditures are trending lower than prior fiscal year due to the timing of the projects associated with the Watershed Stewardship Fund and the Safe Clean Water Fund; and staff anticipates expenditures to show up by end of the fiscal year with more information available in the third quarter update.

4.4. Discuss and Approve Proposed 2024 Annual Audit Work Plan, Recommend Auditors to Full Board for Approval, Recommend the Proposed Audit Scopes of Work to Full Board for Approval, and Provide Further Guidance as Needed.

- Recommendation:
- A. Discuss and approve the proposed 2024 Annual Audit Work Plan;
 - B. Recommend auditors for three audits within the 2024 Annual Audit Work Plan to the full Board for approval; and
 - C. Recommend the audit scopes of work to the full Board for approval; and
 - D. Provide further guidance as needed.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo; and per the information contained in Attachments 1 - 3.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee confirmed staff supported the noted recommendations for the auditors and audit scopes from the Chief Audit Executive per their skills and experience. Auditors and audit scopes recommended as follows:

Information Technology – Plante Moran (Scope identified on Attachment 1)

Human Resources – Moss Adams (Scope identified on Attachment 2)

Board Policies – Sjoberg Evashenk Consulting (Scope identified on Attachment 3)

It was moved by, Director Santos, seconded by Chairperson Keegan, voted no by Vice Chairperson Beall; and the following Recommendations were carried by majority vote:

- A. Discuss and approve the proposed 2024 Annual Audit Work Plan;
- B. Recommend auditors for three audits within the 2024 Annual Audit Work Plan to the full Board for approval; and
- C. Recommend the audit scopes of work to the full Board for approval;

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 and noted the following:

- The Committee noted the importance of having items ready to go to avoid any further delays with upcoming audits for next year especially with the CIP Audit.
- Director Beall requested staff to follow up with a list of the Joint Power Authorities and how much money is associated with each one; and the Committee confirmed for staff to provide this update at the BAC March meeting.
- The Committee re-confirmed support for having an earlier meeting start time for upcoming meetings.

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.

Dave Leon confirmed that Tina Yoke will follow up with the CEO on the possibility of donating surplus equipment to organizations that work with the unhoused under Item 4.2; and the following were noted under Item 4.5, the request to staff to provide a list of Joint Power Authorities with their associated expenditures; and the request to confirm an earlier BAC meeting time for upcoming meetings.

6. ADJOURN:

6.1. Adjourn to Regular Meeting at 2:00 p.m. on March 20, 2024.

Chairperson Keegan adjourned the meeting at 2:18 p.m., to the regular meeting that was subsequently confirmed to still occur at 2:00 p.m. on March 20, 2024.

Date approved: March 20, 2024

Nicole Merritt
Assistant Deputy Clerk II