March 8, 2023

M E E T I N G   N O T I C E

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
Aaron Baker, Chief Operating Officer
Brian Hopper, Sr. Assistant District Counsel
Anthony Fulcher, Sr. Assistant District Counsel
Leslie Orta, Sr. Assistant District Counsel
Joseph Aranda, Assistant District Counsel
Rita Chan, Assistant District Counsel
Andrew Gschwind, Assistant District Counsel
Mike Cook, Deputy Administrative Officer
Tony Ndah, Deputy Administrative Officer
Donald Rocha, Deputy Administrative Officer
Emmanuel Aryee, Deputy Operating Officer
Christoper Hakes, Deputy Operating Officer
Bhavani Yerrapotu, Deputy Operating Officer
Anthony Mendiola, Program Adminstrator
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, March 15, 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 | 5750 Almaden Expressway, San Jose, CA 95118-3686 | (408) 265-2600 | **www.valleywater.org**

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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, March 15, 2023
2:00 PM

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
www.valleywater.org

Santa Clara Valley Water District
Board Audit Committee
REGULAR MEETING
AGENDA

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 at a video conferenced meeting, during public comment or on any item listed on the agenda, should use the "Raise Hand" tool located in the Zoom meeting link listed on the agenda, 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=TojJpYCxXm0

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

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 h t t p s : / / e m m a . m s r b . o r g /   a n d 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 Committee on any item not listed on the agenda should access the "Raise Hand" tool located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in order requests are received and granted speaking access to address the Committee. Speakers comments should be limited to three minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If 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 Committee may take action on any item of business appearing on the posted agenda.

3. **APPROVAL OF MINUTES:**

3.1.   Approval of February 15, 2023 Board Audit Committee Minutes.   23-0243

    Recommendation: Approve the minutes.

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

    Attachments: Attachment 1: 021523 BAC Minutes

4.   REGULAR AGENDA:

4.1.   Review and Discuss the 2023 Board Audit Committee (BAC) Work   23-0237
Plan.

    Recommendation: Review and discuss topics of interest raised at prior 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 2023

4.2.   Discuss the 2022-2024 Annual Audit Work Plan.   23-0238

    Recommendation: A. Discuss the 2022-2024 Annual Audit Work Plan; and
        B. Provide further direction as needed.

    Manager: Darin Taylor, 408-630-3068

    Attachments: Attachment 1: 2022-2024 Annual Audit Work Plan

4.3.   Receive the Fiscal Year 2022-2023 Second Quarter Financial Status   23-0149
Update.

    Recommendation: Receive the Fiscal Year 2022-2023 second quarter financial status update as of December 31, 2022.

    Manager: Darin Taylor, 408-630-3068

    Attachments: Attachment 1: PowerPoint

4.4.   Receive and Discuss a Status Update on the Capital Improvement   23-0245
Program Performance Audit from Chief Audit Executive, Sjoberg
Evashenk Consulting.

    Recommendation: Receive and discuss a status update on the Capital Improvement Program Performance Audit from Chief Audit Executive, Sjoberg Evashenk Consulting.

    Manager: Darin Taylor, 408-630-3068

    Attachments: Attachment 1: 2022-2024 Annual Audit Work Plan

        Attachment 2: CIP Performance Scope

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 April 19, 2023.

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Santa Clara Valley Water District

File No.: 23-0243

Agenda Date: 3/15/2023
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

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

SUBJECT:
Approval of February 15, 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.

ATTACHMENTS:
Attachment 1: 021523 BAC Minutes

UNCLASSIFIED MANAGER:
Candice Kwok-Smith, 408-630-3193

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BOARD AUDIT COMMITTEE MEETING

DRAFT MINUTES

REGULAR MEETING
WEDNESDAY, FEBRUARY 15, 2023
2:00 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 2:00 p.m.

1.1   Roll Call.

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

Staff members in attendance were: Huggen Angeles, Emmanuel Aryee, Ingrid Bella, Sarah Berning, Kathy Bradley, Jessica Collins, Concepcion Gayotin, Walter Gonzalez, Andy Gschwind, Christopher Hakes, Brian Hopper, Robert Marmito, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Tony Ndah, Carlos Orellana, Luz Penilla, Alison Phagan, Donald Rocha, Amandeep Saini, Manpreet Sra, Darin Taylor, Sherilyn Tran, Kristen Yasukawa, and Tina Yoke.

Guest in attendance was: George Skiles (Sjoberg Evashenk Consulting).

Public in attendance was: None.

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. ELECTION OF OFFICERS:

3.1. Election of 2023 Board Audit Committee and Vice Chair.

Recommendation: Nominate and Elect the 2023 Board Audit Committee Chair and Vice Chair.

The Committee considered Item 3.1 without a staff presentation.

Public Comments: None.

It was moved by Director Santos and seconded by Director Beall, and unanimously carried that Chairperson Keegan remain Chairperson and Director Beall would become Vice Chairperson.

4. APPROVAL OF MINUTES:

4.1. Approval of December 9, 2022 and January 20, 2023 Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the December 9, 2022 and January 20, 2023 Committee meetings.

Public Comments:
None.

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

The Committee noted a clerical error on the Board Agenda Memorandum referring to the Agricultural Water Advisory Committee instead of the Board Audit Committee and deemed it as corrected.

5. REGULAR AGENDA:

5.1. Review and Discuss the 2023 Board Audit Committee (BAC) Work Plan.

Recommendation: Review 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.

Public Comments:
None.

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

- The Capital Improvement Program (CIP) Performance Audit Status Update from the Chief Audit Executive (CAE) will be added as a new March BAC agenda topic and included in the BAC Work Plan.
- The Committee requested staff to provide final reports with Management's responses regarding audits completed in the last 10 years.

5.2.   Discuss the Board Audit Committee's 2023 Annual Self-Evaluation Process.

Recommendation: Discuss the Board Audit Committee's 2023 Annual self-evaluation process.

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

Public Comments:
None.

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

- Staff's support of the overall Recommendation Status Report to continue to be provided semi-annually.
- The CAE will provide updates periodically to the full Board regarding status of audits.
- The Committee requested staff to create an Audit Repository to facilitate access and to include a link on the BAC web page.

5.3   Receive and Discuss a Status Update on the Implementation of Audit Recommendations, Authorize Staff to Close Completed Board-Directed Audits and Provide Additional Direction as Necessary, and Discuss Timing of Next Update.

Recommendation: A.   Receive and discuss a status update on the implementation of Audit Recommendations;
B.   Authorize staff to close completed Board-directed audits and provide additional direction as necessary;
C.   Discuss timing of next update.

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

Public Comments:
None.

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

- The Committee expressed concern about the independence of staff reporting on the implementation of audit recommendations versus the Chief Audit Executive (which is the practice at the State level) and requested further discussion.
- The Committee was not ready to close the completed Board-directed audits at this time and the timing for the next update report will require further discussion.
- The Committee requested staff to bifurcate Management-directed audits from Board-directed audits and share the recommendation tracker with the Committee including details for all open and closed audits for the past 10 years.

5.4   Discuss the 2022-2024 Annual Audit Work Plan.

Recommendation: A.   Discuss the 2022-2024 Annual Audit Work Plan; and
                 B.   Provide further direction as needed.

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

Public Comments:
None.

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

- The CAE will solicit feedback regarding the priorities from the full Board and other interested parties for the Annual Audit Work Plan and will provide a status update report.
- The Committee requested for the CAE to consider a gap analysis for the Management-directed, HR Audit.
- The Committee requested for the CAE to review the Risk Assessment based on the current environment and return with recommendations.

5.5.   Receive and Discuss a Report from the Independent Chief Audit
Executive (CAE), Sjoberg Evashenk Consulting, Regarding their
performance in Calendar Year 2022, and Evaluate the Performance of the
CAE.

Recommendation: A.   Receive and discuss a report from the
independent Chief Audit Executive (CAE),
Sjoberg Evashenk Consulting, regarding their
performance in calendar year 2022; and
B.   Evaluate the performance of the CAE.

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

Public Comments:
None.

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

- The Committee provided positive feedback to the CAE regarding
their performance in the Calendar Year 2022.

6.   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.*

The Committee confirmed with Nicole Merritt the Committee Member Requests
regarding additional audit information for Items 5.1 and 5.3.

7.   Adjourn:

7.1.   Adjourn to Regular Meeting at 2:00 p.m. on March 15, 2023.

Chairperson Keegan adjourned the meeting at 3:41 p.m., to the Regular
Meeting at 2:00 p.m. on March 15, 2023.

Nicole Merritt
Assistant Deputy Clerk II

Date Approved:

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Santa Clara Valley Water District

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 (BAC) Work Plan.

RECOMMENDATION:
Review and discuss topics of interest raised at prior 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. Committee Work Plans also serve as Annual Committee Accomplishments Reports.

Per the BAC's Charter, Article IX, Paragraph 1, "The Committee shall periodically review the Audit Charter and shall make any recommendations regarding changes to the Board for final approval." In order to comply with the charter, the BAC workplan includes a discussion of the audit charter, which is scheduled for the May 2023 BAC Meeting.

Updates to the BAC Work Plan versus the prior February 15, 2023 BAC meeting include adding the CIP Performance Audit status update to the March BAC meeting, and adding a discussion regarding the process for reporting on implemented audit recommendations, and for closing Board-directed audits to the April BAC meeting.

Looking forward, the topics of discussion identified for the April 19th, 2023, BAC Meeting can be summarized as follows:

1. 2023 BAC Work Plan
2. 2022-2024 Annual Audit Work Plan
3. Discuss process for reporting on implemented audit recommendations, and for closing Board-directed audits.

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

ATTACHMENTS:
Attachment 1: 2023 BAC Work Plan

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		20-Jan	15-Feb	15-Mar	19-Apr	17-May	21-Jun	19-Jul	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	7	4	3	6	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. NOTE: This is an "as needed" topic
3	Review and Update 2023 BAC Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	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: Actual Training will be scheduled by Board Scheduler and provided to CI Team (will not be conducted during regular mtg.)
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

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

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Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		20-Jan	15-Feb	15-Mar	19-Apr	17-May	21-Jun	19-Jul	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
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	Tri-annual Risk Assessment (CY 2024)													Recommendation: Discuss the scope of work for the 2024 Risk Assessment. Note: Initiate discussions in February 2024; Deliverable due by September 2024
	Board Audit Committee Special Requests													
11	External Financial Auditor Meeting with Individual Board members													Note: Schedule as needed.
12	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													
13	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

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

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Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		20-Jan	15-Feb	15-Mar	19-Apr	17-May	21-Jun	19-Jul	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
14	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.
15	Receive QEMS Annual Internal Audit Report								•					Recommendation: Receive information regarding the Quality and Environmental Management System.
16	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
	Board Independent Auditor - Sjoberg Evashenk Items													
17	Review and Update Annual Audit Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	Recommendation: Discuss the Annual Audit Work Plan and update, if necessary.
	Audit - 2019 Contract Change Order Audit													
18	Recommendation Implementation Status (Annual Rpt. in August; Target Completion = TBD)									•				Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2020 District Counsel Audit													
19	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.
	Audit - 2020 Real Estate Audit													
20	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 Febrauary BAC Update, this effort was completed in 2022 and is closed.
	Audit - 2020 SCW Program Grants Management													
21	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.
	Audit - 2021 Permitting Best Practices													

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		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	17-May	21-Jun	19-Jul	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
22	Recommendation Implementation Status (Annual Rpt. in May; Target Completion = TBD)					•								Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2023 CIP Performance Audit													
23	Receive notification of initiated Audit													Note: Audit Objectives - What is the objective of this audit?
24	Review Audit Progress Report			•										Recommendation: Receive an update on the status of the on-going audit.
25	Review Audit Draft Report Presentation													Recommendation: Receive and discuss the Final Draft Audit Report.
26	Review Management's Response to Audit Final Draft Report													Recommendation: A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Authorize staff work with the CAE to finalize the Audit Report and present it to the Board of Directors.
	Management Audits - PMA, MGO, and 3rd Party Items													
	Audit - 2014 Transparency Compliance Audit													
27	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
	Audit - 2015 Consultant Contracts Audit													
28	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
	Audit - 2019 Lower Silver Creek Audit													
29	Recommendation Implementation Status (Semi Annual Rpt. in February; Delayed to September)									•				Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	2022 QEMS Improvements Implementation													
30	Recommendation Implementation Status (Annual Rpt. in August)								•					Recommendation: Receive and discuss a status update on the opportunities for improvement.
	Miscellaneous BAC Work Plan Items													

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

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Attachment 1
1/7/2023 - 10:02 AM
Page 4 of 5

Item #	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		20-Jan	15-Feb	15-Mar	19-Apr	17-May	21-Jun	19-Jul	16-Aug	20-Sep	18-Oct	15-Nov	20-Dec	
31	Financial Status - Quarterly Update			•		•				•		•		Note: suggested frequency is as follows: February for mid-year review; May for Q3 review; September for unaudited close (slipped to October); November for Q1 review
32	Financial Audit - Periodic Update							•						Schedule as needed\n\nRecommendation:\nDiscuss the Financial Audit
33	Board's Auditor Pool RFP Status Update													Schedule as needed\n\nRecommendation:\nReceive a status update regarding the Request for Proposal (RFP) for Board Auditing Services
34	Process to report on implementation of audit recommendations, and to close Board-directed audits				•									Stand-alone Topic\n\nRecommendation:\nDiscuss process roles and responsibilities related to reporting on implementation of audit recommendations and closing Board-directed audits.

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

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Santa Clara Valley Water District

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

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

SUBJECT:
Discuss the 2022-2024 Annual Audit Work Plan.

RECOMMENDATION:
    A. Discuss the 2022-2024 Annual Audit Work Plan; and
    B. Provide further direction as needed.

SUMMARY:
On January 11, 2022, the proposed 2022-2024 Annual Audit Work Plan was approved by the Board. At its January 19th meeting, the Board Audit Committee (BAC) identified the top 3 areas of interest to be audited in 2022: 1) ID #1, CIP Process; 2) ID #3, Emergency Response; and 3) ID #6, Data Management.

At its April 20th meeting, the BAC authorized staff to seek approval from the full Board to initiate the CIP Process Audit as the first audit for 2022 and to authorize Sjoberg Evashenk Consulting, Inc. to conduct the audit.

At its May 24th, 2022, meeting, Valley Water's Board of Directors authorized staff to proceed with the CIP Process Audit, and authorized Sjoberg Evashenk Consulting, Inc. to conduct the audit.

On October 19th, 2022, the BAC authorized staff to seek agreement from the full Board regarding the recommendation to modify the 2022-2024 Annual Audit Work Plan (Attachment 1) by removing the audit objective related to the organizational alignment of Risk Management from the work plan. At the November 22nd, 2022, Board Meeting, the Board agreed with the recommendation, and authorized staff to modify the 2022-2024 Annual Audit Work Plan accordingly.

At its January 20th, 2023, meeting, the BAC authorized staff to inform the full Board of plans for the Chief Audit Executive (CAE) to review the most recent Risk Assessment, and to solicit feedback from Board members and executive management regarding risk-related themes as it relates to the Annual

Audit Work Plan. Upon completion of this exercise, the CAE will return to the BAC to discuss the feedback gathered and to recommend proposed changes to the Annual Audit Work Plan if any, that would then be brought to the full Board for approval.

For this item, the BAC is asked to discuss the annual audit work plan and provide any further direction as necessary.

ATTACHMENTS:
Attachment 1: 2022-2024 Annual Audit Work Plan

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

TAPInternational

FY 2022-2024 Annual Audit Work Plan

Updated as of November 22, 2022

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ANNUAL AUDIT WORK PLAN

The Audit Work Plan serves as a tool for communicating audit priorities as determined by the Santa Clara Valley Water District's Board Audit Committee (BAC) and Board of Directors. The selection of audits for formal review and approval by the Board of Directors is an important responsibility of the Audit Committee.

Audits are an important oversight tool because they provide independent and fact-based information to management and elected officials. Those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making.

Audits can:

- Verify that programs, services, and operations are working based on your understanding.

- Assess efficiency and effectiveness.

- Identify the root cause or problems.

- Assess the progress of prior audit recommendations.

- Identify the impact of changes

- Identify leading practices.

- Assess regulatory compliance.

- Develop policy options.

- Assess the accuracy of financial information reported.

The types of audits that can be conducted include:

- Internal audits: Internal audits review the environment, information, and activities that are designed to provide proper accountability over District operations.

- Compliance audits: Compliance audits review adherence to policies and procedures, state regulatory requirements, and/or federal regulatory requirements.

- Performance audits (impact or prospective audits): Performance audits review the economy, efficiency, and effectiveness of Valley Water programs, services, and operations.

- Desk reviews: Small and quick audits.

- Follow up audits: Follow up audits assess the implementation status of recommendations included in prior audit reports.

- Best practices reviews: Compares current operations to best practices.

This proposed audit work plan is divided into sections. Section A describes anticipated ongoing support services to be provided by the independent auditor as well as other quality assurance activities planned by Valley Water's executive management. Section B describes the audits planned for implementation by the Independent Auditor.

SECTION A

ONGOING SUPPORT SERVICES AND SPECIAL PROJECTS

The following table lists non-audit services and special projects for the FY 2022 to 2024 audit work plan:

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
Board of Director & Board Audit Committee Requests for Information/ Independent Auditor	**Ongoing.** Should the Board of Directors request information on activities implemented by other public agencies or on other matters of interests applicable to enhancing the efficiency and effectiveness of operations, the independent auditor will collect and summarize information.	80	80	80
Audit Training/ Independent Auditor	**Annual**. The Board Audit Committee Charter describes a requirement to provide audit training to Board Audit Committee members at least annually.	2	2	2
Support Services/ Independent Auditor	**Ongoing.** Provide support services to Board Directors and Valley Water staff applicable to specific initiatives or planning projects to prevent potential service delivery risks.	40	40	40
QEMS/Valley Water Continual Quality Improvement Unit	**Ongoing.** Provide services to ensure proper oversight and accountability.	As needed	As needed	As needed

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| Management Reviews/Valley Water Management | **Ongoing.** Valley Water's Chief Executive Officer ,as needed, will initiate internal quality assurance reviews of business practices and operations. These reviews are to be shared with the audit committee. | As needed | As needed | As needed |

SECTION B

AUDIT SERVICES – INDEPENDENT AND ON-CALL AUDITORS

Labor Summary

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
Independent and On-Call Auditors	Audits and Follow-up Audits Based on the Audit Work Plan	TBD	TBD	TBD

Recommended Audits

The Board Audit Committee will select and recommend audits described below for approval by the Board of Directors.

ID	Risk Area(s)	Risk Factor	Audit Topic	Type of Audit	Suggested Audit Objectives
1	CIP Planning Process Financial Management	☒Financial ☒Reputational ☒Operational	CIP Planning Process	Cross-Functional Performance Audit	1. Are there opportunities to improve the capital improvement project planning process (project initiation to CIP plan approval)? 2. To what extent can early participation of Valley Water support units (environmental planning, permitting, purchasing, warehousing) on large capital projects prevent project delays and reduce cost overruns? 3. Can the Capital Improvement Plan be better right sized that considers the Agency's funding and staffing levels?
2	Inventory Control	☐Financial ☒Reputational ☒Operational	Inventory Management	Cross-Functional Performance Audit	1. Does Valley Water effectively manage, account for and record inventory across the agency? 2. What resources (e.g., staffing, systems, facilities) and business processes (communication and coordination) are necessary to meet current and future needs including centralizing inventory management?
3	Emergency Response Emergency Detection Emergency Management	☐Financial ☐Reputational ☒Operational	Program Monitoring	Cross-Functional Performance Audit	1. To what extent do the emergency management plans variously established by Valley Water contain gaps and activities to ensure proper prevention, detection, response, and recovery activities? 2. Do gaps exist in surveillance and detection of potential problems across Valley Water's infrastructure?

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					3. To what extent is the virtual Emergency Operations Center aligned with FEMA best practices?
					4. Are there lessons learned from past emergencies to prevent disruptions to regular operations while providing additional manpower and resources to respond to emergencies?
4	Emergency Cost Recovery Data Management & Accuracy	☒ Financial ☐ Reputational ☐ Operational	Financial Management	Cross-Functional Performance Audit	1. To what extent has Valley Water been able to claim the full reimbursement of costs for eligible expenses from FEMA? 2. Are business practices aligned with federal and state aid requirements for emergency cost reimbursement? To what extent are information systems and other business processes configured to capture information needed for cost reporting and recovery?
5	Financial Oversight Purchasing and Contracting Processes	☒ Financial ☐ Reputational ☐ Operational	Financial Management	Performance Audit	1. To what extent do Valley Water procurement programs for low dollar purchases (i.e., P-Cards, & Standing Orders) comply with established policies and procurement limits? 2. Are added policies and procedures needed to control spending and prevent work arounds to formal competitive bids?
6	Data Management Date Integrity Data Accuracy	☐ Financial ☒ Reputational ☒ Operational	Business Process	Cross Functional Performance Audit	1. To what extent does Valley Water use multiple data stores for the same information?
7	Plan Implementa-tion Plan Monitoring	☐ Financial ☐ Reputational ☒ Operational	Organizational Culture	Culture Audit	1. How has Valley Water's organizational culture impacted implementation of plan established across the agency? 2. To what extent does Valley Water demonstrate and practice common cultural characteristics including:

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					a) Defining organization's values and proactively emphasize and model those values.

a) Defining organization's values and proactively emphasize and model those values.
b) Ensuring strategies are consistent with the values and holding management accountable.
c) Executing their duties within the organization's risk appetite.
d) Management reinforces the values and culture through clear communication of expectations across the organization.
e) Management actively gathers and listens to feedback.
f) All levels are open to constructive criticism and problem solving through methods including information obtained from second- and third-line functions via inputs such as well-received and acknowledged employee suggestion/question program, ethics hotlines, open door policies, employees' events, and meetings, and more.
g) All employees (to the extent possible) are engaged in objective setting and strategy discussions.

| 8 | Grant Management

Financial Management Coord. & Comm.

Financial Oversight

Data Accuracy | ☒Financial
☐Reputational
☐Operational | Grant Reimbursement | Performance Audit | 1. Can Valley Water's process for tracking labor and expense activities on state grants awarded to Valley Water benefit from updating?
2. How timely are claims for reimbursement submitted to awarding state agencies?
3. What circumstances have contributed to lost opportunities |

for reimbursement by awarding state agencies?

#					
9	Plan Monitoring	☐Financial ☐Reputational ☒Operational	Human Resources Management	Cross-Functional Performance Audit	1. What progress has been made in implementing existing workforce development and succession planning plans? 2. What evidenced-based factors have been significant in facilitating the hiring of technical and operational staff? 3. To what extent have position descriptions and classification evolved to ensure that Valley Water has the technical capability to meet future demands to solve complex problems in an agile and creative manner?
10	Aging Infrastructure Detection Aging Infrastructure Monitoring	☒Financial ☐Reputational ☒Operational	Asset Management	Cross-Functional Performance Audit	1. To what extent do Valley Water divisions and units ensure compliance to specification standards to prevent substandard replacements of parts, equipment, and capital assets? 2. Is Valley Water adequately meeting the needs of equipment maintenance?
11	Data Accuracy	☒Financial ☐Reputational ☐Operational	Unmetered Groundwater Measurement	Desk Review	1. Is the methodology supporting unmetered groundwater usage measurement valid and include all applicable methodological assumptions?
12	CIP Planning Process Financial Management	☒Financial ☐Reputational ☐Operational	Capital Project Budgeting	Performance Audit	1. Are there areas of Valley Water's capital project budgeting practices that can benefit from adopting best practices?
13	IT Security Management	☐Financial ☐Reputational ☒Operational	SCADA	Performance Audit	1. What is the status of implementation of prior audit recommendations? 2. Will the recommendations as implemented by Valley Water accomplish intended goals and objectives?

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					3. Are changes needed in the frequency of communications to the Board on the progress and status of cybersecurity and other IT needs?
14	Plan Monitoring Management Plan Implementation	☒Financial ☐Reputational ☐Operational	Strategy Development and Implementation	Cross-Functional Performance Audit	1. To what extent are management plans underway or completed across Valley Water? 2. To what extent do the plans need a completion date or require updating? 3. Are strategy and management plans developed across the Agency right sized to the divisions and/or units' staffing levels and workloads? 4. What progress has Valley Water made in implementing management plans to manage risks?
15	Program Monitoring Governance Management	☐Financial ☐Reputational ☒Operational	Homelessness Programs	Performance Audit	1. To what extent has Valley Water implemented its homelessness plan? 2. Can other cost-effective strategies implemented in other jurisdictions to prevent the creation and establishment of homeless encampments on Valley Water property? 3. How can Valley Water enhance its homelessness encampment clean-up activities to ensure the protection of health and safety of employees?
16	Grant Management	☒Financial ☒Reputational ☒Operational	Financial Management	Follow-Up Audit	1. Have improvements occurred in the timeliness of grant reimbursements? 2. To what extent has the grant management and administration implemented prior audit recommendations? 3. What improvements in program outcomes have occurred in the timeliness of grant application review, reimbursement, and accomplishment of deliverables?

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17	Program Monitoring Management	☐Financial ☒Reputational ☒Operational	Encroachment Program	Performance Audit	1. Is Valley Water implementing its encroachment licensing program consistent with the Board's guiding principles?
18	Data Management Data Accuracy	☐Financial ☒Reputational ☒Operational	Business Process	Cross Functional Performance Audit	1. To what extent have Valley Water units established business processes to ensure accurate data collection and input? 2. What gaps remain in automating data collection and input?
19	Operations	☐Financial ☐Reputational ☒Operational	Risk Management	Performance Audit	1. Can risk management business processes benefit from updating? (i.e., overall operations, data management, contract claims, workers compensation, small claims, claims administration and management, workers compensation administration, and all risk management activities, including insurance & self-insurance.
20	Emergency Management	☐Financial ☐Reputational ☒Operational	Peer Review	Best Practices Review	1. Can regulatory permitting practices administered by other utilities districts help reduce barriers and other challenges experienced by Valley Water?
21	IT Project Management & Communication Data Accuracy	☐Financial ☐Reputational ☐Operational	System Implementation	Post IT Implementation Audit	1. Has the current large ERP project implementation produced the desired functionality? 2. To what extent have all contract deliverables been met? 3. To what extent have data quality issues surfaced post-implementation? 4. What lessons learned can apply to future information system implementations?

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22	Emergency Response Emergency Management	☐Financial ☒Reputational ☒Operational	Procurement	Performance Audit	1. Have Valley Water's procurement policies been flexible and agile to effectively and timely respond to and recover from past emergencies? 2. Are other procurement and operational activities needed to ensure prompt and reliable emergency services?
23	Environmental Sustainability Framework Development Program Monitoring Governance	☐Financial ☒Reputational ☒Operational	Program Measurement & Evaluation	Cross-Functional Performance Audit	1. What level of success has Valley Water's environmental stewardship activities had on preventing environmental damage and promoting environmental sustainability? 2. To what extent has Valley Water adopted sustainability indicators on specific projects to measure progress? 3. To what extent has Valley Water adopted sustainability indicators in its decision-making?
24	Program Monitoring Management	☐Financial ☐Reputational ☒Operational	Program Outcomes Business Process	Performance Audit	1. To what extent has Valley Water mitigated the environmental hazards caused by non-use of the percolator ponds? 2. In a non-drought year, are barriers present that prevent Valley Water from filling percolator ponds? 3. What processes need development to prevent expiration of groundwater charge permits?
25	Financial Management Coord. & Comm. Financial Oversight	☒Financial ☐Reputational ☐Operational	Capital projects	Desk Review	1. What potential financial risks could occur on the California WaterFix project?
26	CIP Monitoring	☐Financial ☒Reputational ☒Operational	Capital Project Evaluation and Monitoring	Cross-Functional Performance Audit	1. Have completed capital projects met their intended goals? 2. To what extent does Valley Water include performance measures to measure success and monitor financial management?

					Are there lessons learned that can be adopted in future capital project plans to ensure goal accomplishments as well as implementation of alternative strategies to facilitate early communication to the Board of Directors of potential and actual problems, and to predict success such as performing cost vs. benefit analysis?
27	IT Security Management	☐Financial ☐Reputational ☒Operational	IT Risk Management	Desk review	1. To what extent is IT risk management activities aligned with best practices, such as National Institute of Standards and Technology (NIST) guidance, including whether acceptable risk appetites and risk tolerances have been formally documented and approved by the Board of Directors?
28	Purchasing and Contracting Processes	☐Financial ☐Reputational ☒Operational	Financial Oversight	Desk Review	1. Can Valley Water benefit from updating its qualifications and experience criteria to include in future competitive bids for external financial audit services?
29	IT Strategic Planning Emergency Management	☐Financial ☒Reputational ☒Operational	Disaster Planning	Performance Audit	1. Does Valley Water's prioritization for systems and data recovery meet the agency's needs for sustained business continuity? 2. To what extent does Valley Water's process for determining the prioritization of systems and data recovery adhere to best practices (ex. NIST)?
30	Plan Development Plan Implementation Plan Monitoring	☐Financial ☐Reputational ☒Operational	Decision-Making	Cross-Functional Performance Audit	1. What lessons has Valley Water learned from its ad hoc cross-functional efforts to proactively address current or emerging risks?
31	Financial Oversight	☒Financial ☐Reputational ☒Operational	Outsourcing of Legal Services	Desk Review	1. How have changes occurred in District Counsel Office spending

for contracting external legal services?

2. To what extent are the nature of services provided by contracted legal firms presently outside of the District Counsel Office's expertise?

3. Can expanding outsourced legal services prevent project delivery delays?

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Section c

Audit services – Valley Water responsibility

QEMS Activities

Under development

Compliance and Financial Audits

FINANCIAL AUDITS
Financial Audits
Treasurer's Report
Appropriation's Limit
Compensation and Benefit Compliance (odd years)
Travel Expenses Reimbursement (even years)
Single Audit (if applicable)
WUE Fund Audit

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Santa Clara Valley Water District

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 2022-2023 Second Quarter Financial Status Update.

RECOMMENDATION:
Receive the Fiscal Year 2022-2023 second quarter financial status update as of December 31, 2022.

SUMMARY:
Valley Water's Fiscal Year 2022-23 Second Quarter closed on December 31, 2022. The second 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 December 31, 2022.

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 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/>.

ATTACHMENTS:
Attachment 1: PowerPoint

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

Q2 FY2022-23 Financial Status Update

Board Audit Committee: March 2023

The FY 2022-23 unaudited financial statements contained herein have been prepared by Valley Water for information only and have not been audited by the external auditor. These financial statements remain subject to change by Valley Water and remain subject to review by external auditor. Changes made by the external auditor, including changes in response to the outsider auditor's review, could be material. No party is authorized to disseminate these unaudited financial statements to the State Comptroller or any nationally recognized rating agency nor post these statements on EMMA 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 Valley Water bonds, notes or other obligations and investors and potential investors should rely 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/.

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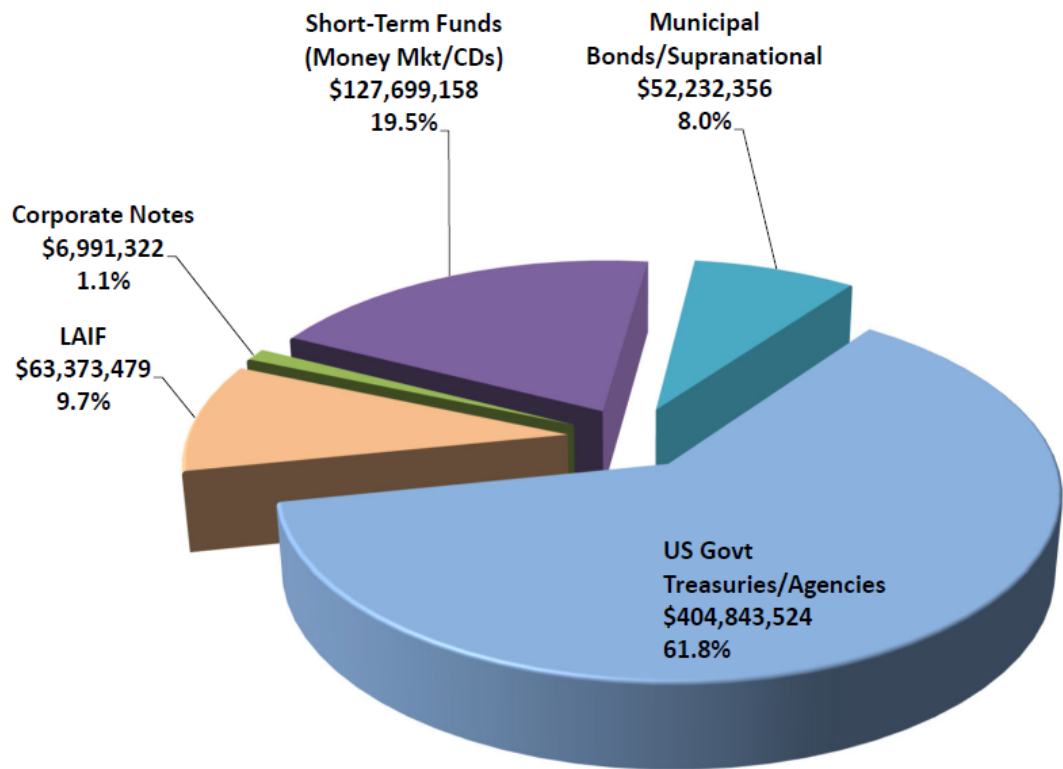
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Agenda

- **Financial Status**

    - **Cash and Investments**
    - **Debt Portfolio**

- **Q2 FY23 Financial Status Update**

    - **Revenue**
    - **Operating and Capital Expenditures**
    - **Reserves**

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Financial Status Update – Cash & Investments

$330M or 50% of portfolio very liquid (<1-year maturity)

SCVWD Investment Portfolio Composition

- Short-Term Funds (Money Mkt/CDs) $127,699,158 19.5%
- Municipal Bonds/Supranational $52,232,356 8.0%
- Corporate Notes $6,991,322 1.1%
- LAIF $63,373,479 9.7%
- US Govt Treasuries/Agencies $404,843,524 61.8%

SCVWD Portfolio Book Value as of December 31, 2022: $655,139,839

Valley Water Portfolio Aging Report
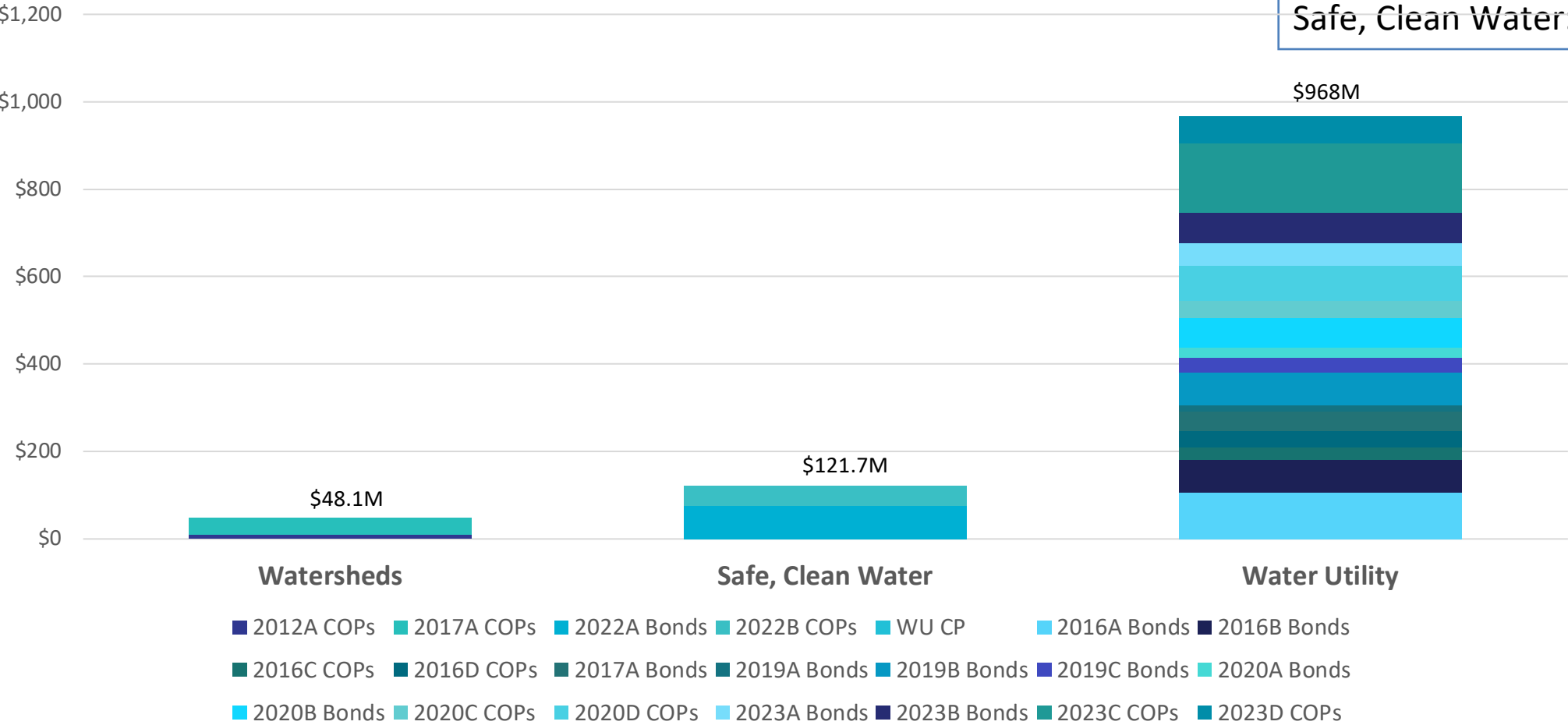**Dec 31, 2022**
Portfolio Book Value: $ 655.1 Million

- 0 days: $218.8
- 1 - 180 days: $64.0
- 181 - 365 days: $48.0
- 2 Years: $99.1
- 3 Years: $140.9
- 4 - 5 Years: $84.3

($ Millions / Maturity)

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Financial Status Update – Projected Outstanding Debt

FY 2023 Debt Service Budget: $72.5M
Water Utility: $56.9M
Watersheds: $11.6M
Safe, Clean Water: $4M

Projected Outstanding Debt 6/30/23: $1,138 Million

$968M

$121.7M

$48.1M

Watersheds | Safe, Clean Water | Water Utility

Legend:
- 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

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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 Plan

- Board approved SCW & WU Refunding Revenue Bonds (Bonds) and Certificates of Participation (COPs) on 11/8/22

  - SCW: $75M Bonds and $46M COPs, priced 11/16/22 and closed 12/6/22

  - WU: $121M Bonds and $222.3M COPs, priced 1/10/23 and closed 1/19/23

WIFIA Loan Program:

- $147M SCW approved by Board 10/25/22, closed 2/14/23

- $2B WU WIFIA Loan approved by Board 12/13/22; closed $580M 2/14/23 for Anderson; Pacheco portion pending March 16, 2023 Special Board Meeting

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Q2 FY23 - Revenues
Majority of revenues are anticipated to end the year at budgeted estimates

($ in millions)	FY23 Adj Budget	Q2 FY23 Actuals	Q2 FY23 % Rec'd	Q2 FY22 Actuals	Q2 FY22 % Rec'd*
Groundwater Production Charges	$ 122.0	$ 58.5	48%	$ 58.1	46%
Treated Water Revenue	139.7	78.9	56%	70.6	49%
Surface/Recycled Water Revenue	3.2	1.3	41%	0.1	5%
1% Ad-valorem Property Tax	126.1	50.7	40%	46.9	40%
Safe Clean Water Special Parcel Tax	49.6	-	0%	-	0%
Benefit Assessment	13.3	-	0%	-	0%
State Water Project Tax	27.0	0.9	3%	0.5	2%
Capital Reimbursements	37.1	2.3	6%	10.0	46%
Interest Income & Other	13.0	7.5	58%	7.8	38%
Total Revenue	**$ 531.0**	**$ 200.1**	**38%**	**$ 194.0**	**36%**

*Q2 FY22 % received based Q2 YTD Actuals divided by FY22 Total Actuals

($ in millions)	FY23 Adj Budget	Q2 FY23 Actuals	Q2 FY23 % Rec'd	Q2 FY22 Actuals	Q2 FY22 % Rec'd*
General Fund	$ 10.5	$ 4.4	42%	$ 4.7	41%
Watershed Stream Stewardship Fund	137.3	44.9	33%	44.7	37%
Safe Clean Water Fund	53.0	2.1	4%	5.0	9%
Water Utility Enterprise Fund	316.5	148.3	47%	139.1	42%
Service Funds	0.4	0.4	100%	0.5	65%
Benefit Assessment Funds	13.3	-	0%	-	0%
Total Revenue	**$ 531.0**	**$ 200.1**	**38%**	**$ 194.0**	**36%**

*Q2 FY22 % received based Q2 YTD Actuals divided by FY22 Total Actuals

Observations

- Q2 FY23 revenue was $200.1M or 38% of FY23 Budget

- SCW Special Parcel, Benefit Assessment and State Water Project Tax revenues will be received in second-half of the fiscal year

- Groundwater production charges $58.5M or 48% of Budget and $0.4M higher than Q2 FY22 actuals

- Treated water revenue $78.9M or 56% of Budget and $8.3M higher than Q2 FY22 actuals

- Capital reimbursements of $2.3M, which varies year-over-year depending on progress of grant-funded projects

- Interest Income and Other $7.5M, or 58% of budget

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Q2 FY23 - Operating and Capital Expenditures
Operating & Capital expenditures estimated to end FY within budgeted levels

($ in millions)	FY23 Adj Budget	Q2 FY23 Actuals	Q2 FY23 % Spent	Q2 FY22 Actuals	Q2 FY22 % Spent
General Fund	$ 82.7	$ 35.2	43%	$ 36.3	47%
Watershed Stream Stewardship Fund	76.8	35.7	46%	32.3	47%
Safe Clean Water Fund	37.5	13.0	35%	8.8	29%
Water Utility Enterprise Fund	333.2	145.0	44%	155.8	52%
Service Funds	39.9	15.2	38%	13.2	38%
Benefit Assessment Funds	11.2	1.1	10%	1.2	11%
Total Operating Expenditures	**$ 581.3**	**$ 245.2**	**42%**	**$ 247.6**	**48%**

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments
Note 2: Budgetary Basis Actuals includes actuals and encumbrances as of 12/31/22

($ in millions)	FY23 Adj Budget	Q2 FY23 Actuals	Q2 FY23 % Spent	Q2 FY22 Actuals	Q2 FY22 % Spent
General Fund	$ 7.0	$ 1.4	20%	$ 1.8	30%
Watershed Stream Stewardship Fund	58.9	35.2	60%	34.7	40%
Safe Clean Water Fund	74.5	33.3	45%	41.2	36%
Water Utility Enterprise Fund	366.9	168.4	46%	113.0	35%
Service Funds	8.9	1.2	13%	5.7	37%
Total Capital Expenditures	**$ 516.2**	**$ 239.5**	**46%**	**$ 196.4**	**36%**

Note 1: Capital Project Adjusted Budget includes Adopted Budget and prior year capital carryforward budget
Note 2: Budgetary Basis Actuals includes actuals and encumbrances as of 12/31/22

Observations

- Q2 FY23 Operating Expenditures of $245.2M or 42% of FY23 Adjusted Budget

- Water Utility Enterprise, Safe Clean Water and Watershed Stream Stewardship Funds on target with results approximately in the 40th percentile YTD

- Benefit Assessment Funds expenses occur in second half of fiscal year

- Q2 FY23 Capital Expenditures of $239.5M or 46% of Adjusted Budget; 10% higher as compared to the same period of FY22

- General Fund lower than expected due to timing of the Headquarters Operations Building project

- Service Funds capital expenditures expected in the second half of the fiscal year

- Spending rate higher than comparable time of last year

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Reserve Balances

- FY23 Projected Year-end reserve balances higher than FY23 Adopted Budget due to unexpended capital project funds carried forward from FY22 to FY23

($ in millions)	FY23 Adopted Budget	FY23 Projected Year-end	FY23 Projected vs Adopted
Restricted Reserves			
Safe Clean Water Fund	$ 151.7	$ 211.1	$ 59.4
Water Utility Enterprise Fund	67.3	66.8	(0.5)
Restricted Reserves Subtotal	**219.0**	**277.9**	**58.9**
Committed Reserves			
General Fund	9.1	8.2	(0.9)
Watershed & Stream Stewardship Fund	102.2	109.7	7.5
Water Utility Enterprise Fund	56.3	97.4	41.1
Service Funds	15.9	21.5	5.6
Committed Reserves Subtotal	**183.5**	**236.8**	**53.3**
Total Reserves	**$ 402.5**	**$ 514.7**	**$ 112.2**

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Q2 FY23 Financial Update Summary

- Will continue to monitor performance of revenues in second half of fiscal year

- Operating expenditures estimated to end FY within budgeted levels

- First half capital expenditures trending higher than prior fiscal year

- Highlight any significant developments as well as identify any potential budget actions necessary in second half of fiscal year

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Santa Clara Valley Water District

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

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

SUBJECT:
Receive and Discuss a Status Update on the Capital Improvement Program Performance Audit from Chief Audit Executive, Sjoberg Evashenk Consulting.

RECOMMENDATION:
Receive and discuss a status update on the Capital Improvement Program Performance Audit from Chief Audit Executive, Sjoberg Evashenk Consulting.

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. Since 2017, the BAC has engaged an Independent Board Auditor / Chief Audit Executive (CAE) to serve as an advisor to the BAC in fulfilling its duties, responsibilities, and functions, including conducting Board-directed performance audits. In 2022, the Board of Directors contracted with Sjoberg Evashenk Consulting, Inc., to serve as the independent CAE.

At its January 19th meeting, the BAC identified three areas of interest to be audited in 2022. The first audit selected was Valley Water's Capital Improvement Program (CIP) Process, which was the top-ranked audit topic, ID #1, in the 2022-2024 Annual Audit Work Plan. For reference purposes, the current Board-approved 2022-2024 Annual Audit Work Plan is attached (See Attachment 1).

At the April 20, 2022, BAC meeting, the CAE reviewed the audit scoping document for the CIP Process Audit (Attachment 2). On May 24, 2022, the full Board approved the initiation of the CIP Process Audit and approved Sjoberg Evashenk Consulting, Inc. as the auditor to conduct the audit. The CIP Process Audit was approved with an estimated cost of $117,325.

The objective of the CIP Process Audit is to evaluate the capital project planning process employed by Valley Water to determine the extent to which the process is consistent with relevant requirements, policies, and best practices. Consistent with this objective, the 2022-2024 Annual Audit

Work Plan identified seven key questions related to the CIP process, including:

1. Are there opportunities to improve the capital improvement project planning process (project initiation to CIP plan approval)?
2. To what extent can early participation of Valley Water support units (environmental planning, permitting, purchasing, warehousing) on large capital projects prevent project delays and reduce cost overruns?
3. Can the Capital Improvement Plan be better right sized that considers the Agency's funding and staffing levels?
4. Are there areas of Valley Water's capital project budgeting practices that can benefit from adopting best practices?
5. Have completed capital projects met their intended goals?
6. To what extent does Valley Water include performance measures to measure success and monitor financial management?
7. Are there lessons learned that can be adopted in future capital project plans to ensure goal accomplishments as well as implementation of alternative strategies to facilitate early communication to the Board of Directors of potential and actual problems, and to predict success such as performing cost vs. benefit analysis?

As of this report, audit fieldwork is approximately 85 percent complete. Fieldwork relating to CIP process mapping, benchmarking (including general best practices and similarly situated water districts), project financing, revenue forecasting, and project selection and prioritization is nearing completion-as is our assessment of recent process improvements related to change order management and the implementation of the new project management system.

Remaining fieldwork includes continued evaluation of historic trends, including project budgets, expenditures, target and actual completion dates, and other key metrics established to define and evaluate successful project delivery and program performance. In addition to remaining fieldwork, the bulk of the remaining project work will consist of completing the draft audit report, obtaining the views and perspectives of management, and finalizing the audit report for delivery to the BAC.

As of March 1, 2023, Sjoberg Evashenk Consulting has charged $78,184 (or 67 percent) against the total $117,325 project budget, as shown in Exhibit 1 below.

Exhibit 1. Budget to Actual

	Original Budget	Charged To-Date	Percent
CIP Planning Audit	$117,325	$78,184	67%

Originally scheduled for completion in December 2022, the CIP Process Audit experienced delays throughout the fall. With Valley Water's CIP team focused on several time-sensitive priorities, the audit team extended deadlines to provide necessary documentation and to schedule key interviews until late January. The CIP Process Audit is now scheduled for completion in April 2023.

ATTACHMENTS:
Attachment 1: 2022-2024 Annual Audit Work Plan
Attachment 2: CIP Performance Scope

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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TAPInternational

FY 2022-2024 Annual Audit Work Plan

Updated as of November 22, 2022

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ANNUAL AUDIT WORK PLAN

The Audit Work Plan serves as a tool for communicating audit priorities as determined by the Santa Clara Valley Water District's Board Audit Committee (BAC) and Board of Directors. The selection of audits for formal review and approval by the Board of Directors is an important responsibility of the Audit Committee.

Audits are an important oversight tool because they provide independent and fact-based information to management and elected officials. Those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making.

Audits can:

- Verify that programs, services, and operations are working based on your understanding.

- Assess efficiency and effectiveness.

- Identify the root cause or problems.

- Assess the progress of prior audit recommendations.

- Identify the impact of changes

- Identify leading practices.

- Assess regulatory compliance.

- Develop policy options.

- Assess the accuracy of financial information reported.

The types of audits that can be conducted include:

- Internal audits: Internal audits review the environment, information, and activities that are designed to provide proper accountability over District operations.

- Compliance audits: Compliance audits review adherence to policies and procedures, state regulatory requirements, and/or federal regulatory requirements.

- Performance audits (impact or prospective audits): Performance audits review the economy, efficiency, and effectiveness of Valley Water programs, services, and operations.

- Desk reviews: Small and quick audits.

- Follow up audits: Follow up audits assess the implementation status of recommendations included in prior audit reports.

- Best practices reviews: Compares current operations to best practices.

This proposed audit work plan is divided into sections. Section A describes anticipated ongoing support services to be provided by the independent auditor as well as other quality assurance activities planned by Valley Water's executive management. Section B describes the audits planned for implementation by the Independent Auditor.

SECTION A

ONGOING SUPPORT SERVICES AND SPECIAL PROJECTS

The following table lists non-audit services and special projects for the FY 2022 to 2024 audit work plan:

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
Board of Director & Board Audit Committee Requests for Information/ Independent Auditor	**Ongoing.** Should the Board of Directors request information on activities implemented by other public agencies or on other matters of interests applicable to enhancing the efficiency and effectiveness of operations, the independent auditor will collect and summarize information.	80	80	80
Audit Training/ Independent Auditor	**Annual**. The Board Audit Committee Charter describes a requirement to provide audit training to Board Audit Committee members at least annually.	2	2	2
Support Services/ Independent Auditor	**Ongoing.** Provide support services to Board Directors and Valley Water staff applicable to specific initiatives or planning projects to prevent potential service delivery risks.	40	40	40
QEMS/Valley Water Continual Quality Improvement Unit	**Ongoing.** Provide services to ensure proper oversight and accountability.	As needed	As needed	As needed

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Management Reviews/Valley Water Management	**Ongoing.** Valley Water's Chief Executive Officer ,as needed, will initiate internal quality assurance reviews of business practices and operations. These reviews are to be shared with the audit committee.	As needed	As needed	As needed

SECTION B

AUDIT SERVICES – INDEPENDENT AND ON-CALL AUDITORS

Labor Summary

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
Independent and On-Call Auditors	Audits and Follow-up Audits Based on the Audit Work Plan	TBD	TBD	TBD

Recommended Audits

The Board Audit Committee will select and recommend audits described below for approval by the Board of Directors.

ID	Risk Area(s)	Risk Factor	Audit Topic	Type of Audit	Suggested Audit Objectives
1	CIP Planning Process Financial Management	☒Financial ☒Reputational ☒Operational	CIP Planning Process	Cross-Functional Performance Audit	1. Are there opportunities to improve the capital improvement project planning process (project initiation to CIP plan approval)? 2. To what extent can early participation of Valley Water support units (environmental planning, permitting, purchasing, warehousing) on large capital projects prevent project delays and reduce cost overruns? 3. Can the Capital Improvement Plan be better right sized that considers the Agency's funding and staffing levels?
2	Inventory Control	☐Financial ☒Reputational ☒Operational	Inventory Management	Cross-Functional Performance Audit	1. Does Valley Water effectively manage, account for and record inventory across the agency? 2. What resources (e.g., staffing, systems, facilities) and business processes (communication and coordination) are necessary to meet current and future needs including centralizing inventory management?
3	Emergency Response Emergency Detection Emergency Management	☐Financial ☐Reputational ☒Operational	Program Monitoring	Cross-Functional Performance Audit	1. To what extent do the emergency management plans variously established by Valley Water contain gaps and activities to ensure proper prevention, detection, response, and recovery activities? 2. Do gaps exist in surveillance and detection of potential problems across Valley Water's infrastructure?

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				3. To what extent is the virtual Emergency Operations Center aligned with FEMA best practices? 4. Are there lessons learned from past emergencies to prevent disruptions to regular operations while providing additional manpower and resources to respond to emergencies?	
4	Emergency Cost Recovery Data Management & Accuracy	☒Financial ☐Reputational ☐Operational	Financial Management	Cross-Functional Performance Audit	1. To what extent has Valley Water been able to claim the full reimbursement of costs for eligible expenses from FEMA? 2. Are business practices aligned with federal and state aid requirements for emergency cost reimbursement? To what extent are information systems and other business processes configured to capture information needed for cost reporting and recovery?
5	Financial Oversight Purchasing and Contracting Processes	☒Financial ☐Reputational ☐Operational	Financial Management	Performance Audit	1. To what extent do Valley Water procurement programs for low dollar purchases (i.e., P-Cards, & Standing Orders) comply with established policies and procurement limits? 2. Are added policies and procedures needed to control spending and prevent work arounds to formal competitive bids?
6	Data Management Date Integrity Data Accuracy	☐Financial ☒Reputational ☒Operational	Business Process	Cross Functional Performance Audit	1. To what extent does Valley Water use multiple data stores for the same information?
7	Plan Implementa-tion Plan Monitoring	☐Financial ☐Reputational ☒Operational	Organizational Culture	Culture Audit	1. How has Valley Water's organizational culture impacted implementation of plan established across the agency? 2. To what extent does Valley Water demonstrate and practice common cultural characteristics including:

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					a) Defining organization's values and proactively emphasize and model those values.
					b) Ensuring strategies are consistent with the values and holding management accountable.
					c) Executing their duties within the organization's risk appetite.
					d) Management reinforces the values and culture through clear communication of expectations across the organization.
					e) Management actively gathers and listens to feedback.
					f) All levels are open to constructive criticism and problem solving through methods including information obtained from second- and third-line functions via inputs such as well-received and acknowledged employee suggestion/question program, ethics hotlines, open door policies, employees' events, and meetings, and more.
					g) All employees (to the extent possible) are engaged in objective setting and strategy discussions.
8	Grant Management Financial Management Coord. & Comm. Financial Oversight Data Accuracy	☒Financial ☐Reputational ☐Operational	Grant Reimbursement	Performance Audit	1. Can Valley Water's process for tracking labor and expense activities on state grants awarded to Valley Water benefit from updating? 2. How timely are claims for reimbursement submitted to awarding state agencies? 3. What circumstances have contributed to lost opportunities

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					for reimbursement by awarding state agencies?	
9	Plan Monitoring	☐Financial ☐Reputational ☒Operational	Human Resources Management	Cross-Functional Performance Audit	1.	What progress has been made in implementing existing workforce development and succession planning plans?
					2.	What evidenced-based factors have been significant in facilitating the hiring of technical and operational staff?
					3.	To what extent have position descriptions and classification evolved to ensure that Valley Water has the technical capability to meet future demands to solve complex problems in an agile and creative manner?
10	Aging Infrastructure Detection\n\nAging Infrastructure Monitoring	☒Financial ☐Reputational ☒Operational	Asset Management	Cross-Functional Performance Audit	1.	To what extent do Valley Water divisions and units ensure compliance to specification standards to prevent substandard replacements of parts, equipment, and capital assets?
					2.	Is Valley Water adequately meeting the needs of equipment maintenance?
11	Data Accuracy	☒Financial ☐Reputational ☐Operational	Unmetered Groundwater Measurement	Desk Review	1.	Is the methodology supporting unmetered groundwater usage measurement valid and include all applicable methodological assumptions?
12	CIP Planning Process\n\nFinancial Management	☒Financial ☐Reputational ☐Operational	Capital Project Budgeting	Performance Audit	1.	Are there areas of Valley Water's capital project budgeting practices that can benefit from adopting best practices?
13	IT Security Management	☐Financial ☐Reputational ☒Operational	SCADA	Performance Audit	1.	What is the status of implementation of prior audit recommendations?
					2.	Will the recommendations as implemented by Valley Water accomplish intended goals and objectives?

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					3. Are changes needed in the frequency of communications to the Board on the progress and status of cybersecurity and other IT needs?
14	Plan Monitoring Management Plan Implementation	☒Financial ☐Reputational ☐Operational	Strategy Development and Implementation	Cross-Functional Performance Audit	1. To what extent are management plans underway or completed across Valley Water? 2. To what extent do the plans need a completion date or require updating? 3. Are strategy and management plans developed across the Agency right sized to the divisions and/or units' staffing levels and workloads? 4. What progress has Valley Water made in implementing management plans to manage risks?
15	Program Monitoring Governance Management	☐Financial ☐Reputational ☒Operational	Homelessness Programs	Performance Audit	1. To what extent has Valley Water implemented its homelessness plan? 2. Can other cost-effective strategies implemented in other jurisdictions to prevent the creation and establishment of homeless encampments on Valley Water property? 3. How can Valley Water enhance its homelessness encampment clean-up activities to ensure the protection of health and safety of employees?
16	Grant Management	☒Financial ☒Reputational ☒Operational	Financial Management	Follow-Up Audit	1. Have improvements occurred in the timeliness of grant reimbursements? 2. To what extent has the grant management and administration implemented prior audit recommendations? 3. What improvements in program outcomes have occurred in the timeliness of grant application review, reimbursement, and accomplishment of deliverables?

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17	Program Monitoring Management	☐Financial ☒Reputational ☒Operational	Encroachment Program	Performance Audit	1. Is Valley Water implementing its encroachment licensing program consistent with the Board's guiding principles?
18	Data Management Data Accuracy	☐Financial ☒Reputational ☒Operational	Business Process	Cross Functional Performance Audit	1. To what extent have Valley Water units established business processes to ensure accurate data collection and input? 2. What gaps remain in automating data collection and input?
19	Operations	☐Financial ☐Reputational ☒Operational	Risk Management	Performance Audit	1. Can risk management business processes benefit from updating? (i.e., overall operations, data management, contract claims, workers compensation, small claims, claims administration and management, workers compensation administration, and all risk management activities, including insurance & self-insurance.
20	Emergency Management	☐Financial ☐Reputational ☒Operational	Peer Review	Best Practices Review	1. Can regulatory permitting practices administered by other utilities districts help reduce barriers and other challenges experienced by Valley Water?
21	IT Project Management & Communication Data Accuracy	☐Financial ☐Reputational ☐Operational	System Implementation	Post IT Implementation Audit	1. Has the current large ERP project implementation produced the desired functionality? 2. To what extent have all contract deliverables been met? 3. To what extent have data quality issues surfaced post-implementation? 4. What lessons learned can apply to future information system implementations?

22	Emergency Response Emergency Management	☐Financial ☒Reputational ☒Operational	Procurement	Performance Audit	1. Have Valley Water's procurement policies been flexible and agile to effectively and timely respond to and recover from past emergencies? 2. Are other procurement and operational activities needed to ensure prompt and reliable emergency services?
23	Environmental Sustainability Framework Development Program Monitoring Governance	☐Financial ☒Reputational ☒Operational	Program Measurement & Evaluation	Cross-Functional Performance Audit	1. What level of success has Valley Water's environmental stewardship activities had on preventing environmental damage and promoting environmental sustainability? 2. To what extent has Valley Water adopted sustainability indicators on specific projects to measure progress? 3. To what extent has Valley Water adopted sustainability indicators in its decision-making?
24	Program Monitoring Management	☐Financial ☐Reputational ☒Operational	Program Outcomes Business Process	Performance Audit	1. To what extent has Valley Water mitigated the environmental hazards caused by non-use of the percolator ponds? 2. In a non-drought year, are barriers present that prevent Valley Water from filling percolator ponds? 3. What processes need development to prevent expiration of groundwater charge permits?
25	Financial Management Coord. & Comm. Financial Oversight	☒Financial ☐Reputational ☐Operational	Capital projects	Desk Review	1. What potential financial risks could occur on the California WaterFix project?
26	CIP Monitoring	☐Financial ☒Reputational ☒Operational	Capital Project Evaluation and Monitoring	Cross-Functional Performance Audit	1. Have completed capital projects met their intended goals? 2. To what extent does Valley Water include performance measures to measure success and monitor financial management?

						Are there lessons learned that can be adopted in future capital project plans to ensure goal accomplishments as well as implementation of alternative strategies to facilitate early communication to the Board of Directors of potential and actual problems, and to predict success such as performing cost vs. benefit analysis?
27	IT Security Management	☐Financial ☐Reputational ☒Operational	IT Risk Management	Desk review	1.	To what extent is IT risk management activities aligned with best practices, such as National Institute of Standards and Technology (NIST) guidance, including whether acceptable risk appetites and risk tolerances have been formally documented and approved by the Board of Directors?
28	Purchasing and Contracting Processes	☐Financial ☐Reputational ☒Operational	Financial Oversight	Desk Review		1. Can Valley Water benefit from updating its qualifications and experience criteria to include in future competitive bids for external financial audit services?
29	IT Strategic Planning Emergency Management	☐Financial ☒Reputational ☒Operational	Disaster Planning	Performance Audit	1. 2.	Does Valley Water's prioritization for systems and data recovery meet the agency's needs for sustained business continuity? To what extent does Valley Water's process for determining the prioritization of systems and data recovery adhere to best practices (ex. NIST)?
30	Plan Development Plan Implementation Plan Monitoring	☐Financial ☐Reputational ☒Operational	Decision-Making	Cross-Functional Performance Audit		1. What lessons has Valley Water learned from its ad hoc cross-functional efforts to proactively address current or emerging risks?
31	Financial Oversight	☒Financial ☐Reputational ☒Operational	Outsourcing of Legal Services	Desk Review		1. How have changes occurred in District Counsel Office spending

for contracting external legal services?

2. To what extent are the nature of services provided by contracted legal firms presently outside of the District Counsel Office's expertise?

3. Can expanding outsourced legal services prevent project delivery delays?

SECTION C

AUDIT SERVICES – VALLEY WATER RESPONSIBILITY

QEMS ACTIVITIES

Under development

COMPLIANCE AND FINANCIAL AUDITS

FINANCIAL AUDITS
Financial Audits
Treasurer's Report
Appropriation's Limit
Compensation and Benefit Compliance (odd years)
Travel Expenses Reimbursement (even years)
Single Audit (if applicable)
WUE Fund Audit

2022 Audit Plan Item

Review of Valley Water's Capital Project Planning Process.

Audit Objectives

To evaluate the capital project planning process employed by Valley Water to determine the extent to which the process is consistent with relevant requirements, policies, and best practices.

Audit Scope

Valley Water activities associated with planning, developing, executing, and monitoring the Capital Improvement Program.

Audit Approach

Phase I—Audit Planning

- Through interviews, document review, and system and process walk-throughs, gain an understanding of Valley Waters procedures and activities related to its CIP.

- Obtain and review criteria relevant to Valley Water's capital project planning process, including statutes, Board policies, management policies and procedures, and best practices.

- Identify roles and responsibilities of key departments, units, and staff in planning, developing, executing, and monitoring the CIP.

Phase II—Audit Fieldwork

- Assess the processes employed to identify projects for inclusion on the CIP, update the CIP, and to prioritize projects to ensure practices are in-line with the Board's intent and goals for the CIP. This includes evaluating aging infrastructure and condition assessments, system monitoring and detection systems, internal and external stakeholder input, Board priorities, and long-term planning.

- Through interviews and process walk-throughs, develop a high-level understanding of the protocols employed to identify and secure funding sources to implement the CIP, including grant funding and administration, rate setting, debt financing.

- Map out the CIP cycle, identifying key parties involved and business processes; identify the time and resources required for each step in the process (depending on information available), as well as potential gaps, inefficiencies, or opportunities for improvement.

- Evaluate historic trends relating to the CIP, including target start and completion dates, project budgets, and project goals, and compare to actual results; evaluate metrics established to define and evaluate project success or measure program performance.

- Evaluate Valley Water's protocols for monitoring the CIP program, project delivery, project outcomes, and overall performance.

- Conduct a high-level evaluation of Valley Water's approach to implementing the CIP and project delivery. This will include interviews with project management staff and reviews of select project files, and will focus on Valley Water's project management approaches, selection of contractors, contract oversight and monitoring, project strategy and organization, project controls and risk

management, change order management, project reporting, budget and performance indicators, and schedule management.

- Conduct benchmarking research to identify best practices in CIP planning and monitoring among large water districts and public works agencies in California. Compare results with practices observed at Valley Water, and identify potential opportunities for improvement.

Phase III—Reporting

- Develop Draft Report and obtain management's response.

- Develop Final Report and presentation.

Proposed Project Budget & Schedule

	Partner	Director	Sr. Consultant	Associate Consultant	Total Hours	Total Cost
HOURLY RATE:	$230	$180	$115	$90		
Task Description						
Project Initiation & Planning	45	45	45		135	$23,625
Fieldwork	40	150	200	160	550	$73,600
Draft & Final Report	60	35			95	$20,100
Total Hours	**145**	**230**	**245**	**160**	**780**	
Total Project Costs						**$117,325**

MILESTONE	TIMELINE											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Project Planning					▆	▆						
Fieldwork						▆	▆	▆	▆			
Draft Report									▆	▆		
Final Report										▆	▆	