



Santa Clara Valley Water District Board Audit Committee Meeting

HQ. Bldg. Boardroom, 5700 Almaden Expressway, San Jose, California
Join Zoom Meeting: <https://valleywater.zoom.us/j/91608079873>

REGULAR MEETING AND CLOSED SESSION AGENDA

**Wednesday, March 19, 2025
1:00 PM**

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

BOARD AUDIT COMMITTEE

Jim Beall, Chairperson - District 4

Shiloh Ballard, Vice Chairperson - District 2

Tony Estremera, Member - District 6

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
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Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

**Santa Clara Valley Water District
Board Audit Committee**

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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 during public comment or on any item listed on the agenda, may do so by filling out a Speaker Card and submitting it to the Clerk or using the “Raise Hand” tool located in the Zoom meeting application to identify yourself in order to speak, at the time the item is called. Speakers will be acknowledged by the Board/Committee 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>

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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

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<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 Board/Committee on any item not listed on the agenda may do so by filling out a Speaker Card and submitting it to the Clerk or using the "Raise Hand" tool located in the Zoom meeting application to identify yourself to speak. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and granted speaking access to address the Board/Committee. Speakers' comments should be limited to three minutes or as set by the Chair. The law does not permit Board/Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Board/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 Board/Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

3.1. Approval of February 19, 2025 Board Audit Committee Minutes. [25-0261](#)

Recommendation: Approve the minutes.

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

Attachments: [Attachment 1: 02192025 BAC Minutes](#)

4. REGULAR AGENDA:

4.1. Receive and Discuss 2024 Human Resources (HR) Performance Audit Report with Management Response; Refer the Final 2024 HR Performance Audit Report to the Board. [25-0230](#)

Recommendation:

- A. Receive and discuss the 2024 Human Resources Performance Audit Report with Management Response, and
- B. Refer the final 2024 Human Resources Performance Audit Report to the Board.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: HR Perf. Audit Final Report w Mgmt. Responses](#)
[Attachment 2: PowerPoint](#)

4.2. Receive a Status Update on the Implementation of Audit Recommendations; [25-0128](#) and Discuss Timing of Next Update.

Recommendation:

- A. Receive a status update on the implementation of audit recommendations; and
- B. Discuss timing of the next update.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 2: Audit Recommendation Status Update \(detailed\)](#)
[Attachment 1: Audit Recommendation Status Table](#)

4.3. Discuss Proposed Updates to the Board Audit Committee Audit Charter [25-0229](#) and Provide Further Direction as Needed.

Recommendation:

- A. Discuss Proposed Updates to the Board Audit Committee Audit Charter; and
- B. Provide Further Direction as Needed.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Redlined BAC Audit Charter](#)
[Attachment 2: PowerPoint](#)

4.4. Discuss the Results of the Board Audit Committee's (BAC) Annual Self-Evaluation for Calendar Year (CY) 2024. [25-0227](#)

Recommendation: Discuss the results of the BAC's Annual Self-Evaluation for CY 2024.

Manager: Darin Taylor, 408-630-3068

4.5. Receive and Discuss Report from Independent Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Regarding Their Performance in Calendar Year (CY) 2024, and Evaluate Performance of CAE. [25-0228](#)

Recommendation: A. Receive and discuss a report from the independent CAE, Sjoberg Evashenk Consulting, regarding their performance in CY 2024; and
B. Evaluate the performance of the CAE.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: 2024 Annual Performance Report](#)

4.6. Discuss Process and Scope of 2025 Annual Audit Training from Chief Audit Executive (CAE). [25-0226](#)

Recommendation: Discuss process and scope of 2025 Annual Audit Training from CAE.

Manager: Darin Taylor, 408-630-3068

4.7. Discuss 2025 Annual Audit Plan (Capital Project Delivery; Contracting Practices; Conservation Strategies; Water Usage/Demand Forecasting), and Provide Feedback as Needed. [25-0225](#)

Recommendation: A. Discuss 2025 Annual Audit Plan; and
B. Provide feedback as needed.

Manager: Darin Taylor, 408-630-3068

4.8. Review and Discuss 2025 Board Audit Committee (BAC) Work Plan. [25-0224](#)

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

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

Attachments: [Attachment 1: BAC Work Plan](#)

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. CLOSED SESSION:

6.1. CLOSED SESSION [25-0164](#)
THREAT TO PUBLIC SERVICES OR FACILITIES
Pursuant to Government Code Section 54957(a)
Consultation with Alex Gordon, Assistant Officer.

6.2. District Counsel Report on Closed Session

7. ADJOURN:

7.1. Adjourn to Regular Meeting at 1:00 p.m., on April 16, 2025.



Santa Clara Valley Water District

File No.: 25-0261

Agenda Date: 3/19/2025

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 19, 2025 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.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The approval of minutes is not subject to environmental justice analysis.

ATTACHMENTS:

Attachment 1: 02192025 BAC Minutes

UNCLASSIFIED MANAGER:

Candice Kwok-Smith, 408-630-3193

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BOARD AUDIT COMMITTEE MEETING
DRAFT MINUTES

**REGULAR MEETING SESSION
WEDNESDAY, FEBRUARY19, 2025
1:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

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

1.1 Roll Call.

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

The Board Member in attendance via Zoom utilizing AB 2449 due to illness was District 6 Director Tony Estremera.

Nicole Merritt requested that Director Estremera state for the record if there are any individuals over 18 years of age present in the room, and if so, state the general relationship to the individual and confirmed that all votes for the meeting would be roll call votes in compliance with AB 2449.

Director Estremera confirmed there were no individuals over the age of 18 present in the room.

Staff members in attendance were: Emmanuel Aryee, Sarah Berning, Kevin Brown, Jessica Collins, Enrique De Anda, Amy Fonseca, Rachael Gibson, Walter Gonzalez, Brian Hopper, Candice Kwok-Smith, Cecil Lawson, Jennifer Martin, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Olive Manaloto, Tony Ndah, Max Overland, Luz Penilla, Steve Peters, Alison Phagan, Manpreet Sra, Kirsten Struve, Darin Taylor, Kristen Yasukawa, and Tina Yoke.

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

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

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

2.1. Election of 2025 Board Audit Committee (BAC) Chairperson and Vice Chairperson.

Recommendation: Nominate and elect the 2025 BAC Chairperson and Vice Chairperson.

The Committee considered this Item without a staff presentation.

Public Comments:

None.

It was moved by Director Estremera and seconded by Director Ballard and unanimously carried that Vice Chairperson Beall would become the Chairperson and Director Ballard would become the Vice Chairperson.

3. APPROVAL OF MINUTES:

3.1. Approval of January 15, 2025 Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the January 15, 2025 Committee meeting.

Public Comments:

None.

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

4. REGULAR AGENDA:

4.1. Receive Progress Report on Implementing the Grants Management Performance Audit Recommendations.

Recommendation: Receive progress report on implementing the Grants Management Performance Audit recommendations.

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

Kristen Yasukawa was available to answer questions.

Public Comments:

None.

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

following:

- The Committee confirmed the overall feedback on the new redesign is well received by grantees commenting the grant applications are easier with the requirements and the transition to the agreement process being more manageable and streamlined.
- The Committee noted the yearly grantee satisfaction survey will be completed after the grant cycle to collect feedback on the redesigned standard grants.
- The Committee noted that after the standard grant cycle closes this year, information will be available on the types of activities and organizations that are seeking funding.
- The Committee noted the update under the standard grants for education and research will increase grantee eligibility and staff's ongoing networking efforts with other public grant maker agencies.
- Chairperson Beall noted support for not removing any Diversity, Equity, and Inclusion (DEI) grants and confirmed that the DEI action plan is currently still being implemented.
- The Committee noted appreciation for staff's work on improving the grant processes.

4.2. Receive and Discuss the Single Audit Report for Fiscal Year (FY) Ending on June 30, 2024.

Recommendation: Receive and discuss the Single Audit Report for FY ending June 30, 2024.

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

Darin Taylor was available to answer questions.

Public Comments:
None.

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

- The Committee noted the current report had no notable findings and confirmed that the previous finding's corrective action plan was accepted by the Vasquez and Company LLP and their feedback on the safeguard implementations will be presented at a future Board meeting.

4.3. Receive the Fiscal Year (FY) 2024-2025 Second Quarter Financial Status Update.

Recommendation: Receive the FY 2024-2025 second quarter financial status update as of December 31, 2024.

Steve Peters, Enrique De Anda and Luz Penilla reviewed the information on this item, per the attached Committee Agenda Memo and Attachment 1, and the corresponding presentation materials contained in Attachment 1 were reviewed by staff as follows: Steven Peters reviewed Slides 1 - 5, Enrique De Anda reviewed Slides 6 - 7 and 9 – 10, and Luz Penilla reviewed Slides 7 - 8.

Steve Peters, Enrique De Anda, and Luz Penilla were available to answer questions.

Public Comments:
None.

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

- The Committee confirmed that the Anderson WIFIA loan noted on Page 5 of Attachment 1 is referring to the Anderson Dam Seismic Retrofit Project along with the Coyote Percolation Dam and does not include the Anderson Dam tunnel or any other Federal Energy Regulatory Commission Order Compliance Project (FOCP).
- Chairperson Beall noted interest in tracking the federal reimbursements regarding how much money Valley Water is expecting versus the actual reimbursements received for existing projects.

4.4. Discuss 2025 Annual Audit Plan, (Capital Project Delivery; Contracting Practices; Conservation Strategies; Water Usage/Demand Forecasting), and Provide Feedback as Needed.

Recommendation: A. Discuss 2025 Annual Audit Plan,
B. Provide feedback as needed.

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

George Skiles and Darin Taylor were available to answer questions.

Public Comments:
None.

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

- The Committee confirmed the Water Conservation Strategies audit will include evaluating Valley Water's relationships/contracts with other water retailers/districts and Chairperson Beall noted including conservation green codes for building standards as a potential strategy.
- The Committee noted the audits as being on track and confirmed this agenda item is a standing item for status updates on the audit topics and allows the time for questions or feedback on topics of interest.

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

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

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

Darin Taylor and George Skiles were available to answer questions.

Public Comments:
None.

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

- Chairperson Beall noted the potential of an auditor screening audit reports of agencies partnering with Valley Water regarding audit compliance.
- The Committee confirmed results of any audit report will not be discussed or released until the audit report is finalized.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:

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

Nicole Merritt confirmed the Committee approved electing Director Beall as the 2025 Chairperson and Director Ballard as the 2025 Vice Chairperson under Item 2.1; received and noted the progress report on implementing the Grants Management Performance Audit Recommendations under Item 4.1; received and noted the Single Audit Report for FY ending June 30, 2024 under Item 4.2; received and noted the FY 2024-2025 Second Quarter Financial Status Update with the status request of the federal reimbursements under Item 4.3; noted the on track status for the 2025 Annual Audit Plan under Item 4.4; and noted the BAC Work Plan update and the request for reviewing the potential of an auditor screening audits of other partnering agencies under Item 4.5.

6. ADJOURN:

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

Chairperson Beall adjourned the meeting at 1:54 p.m., to the regular meeting at 1:00 p.m. on March 19th, 2025.

Nicole Merritt, Assistant Deputy Clerk II

Date approved:

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Santa Clara Valley Water District

File No.: 25-0230

Agenda Date: 3/19/2025

Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Receive and Discuss 2024 Human Resources (HR) Performance Audit Report with Management Response; Refer the Final 2024 HR Performance Audit Report to the Board.

RECOMMENDATION:

- A. Receive and discuss the 2024 Human Resources Performance Audit Report with Management Response, and
- B. Refer the final 2024 Human Resources Performance Audit Report to the Board.

SUMMARY:

The Board Audit Committee (BAC) was established by the Santa Clara Valley Water District Board of Directors (Board) to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

Per the BAC Charter, Article VII, Paragraph 5, Comment Upon Draft Audit Responses, the Committee Chair and the Committee may ask questions about or make comments upon any draft audit responses. However, they shall not attempt to direct Valley Water staff in its response to any audit.

On December 12, 2023, the Board accepted the Risk Assessment conducted by the Chief Audit Executive (CAE). At its meeting on December 20, 2023, the BAC identified four (4) topics from the Risk Assessment to audit in Fiscal Year 2024 (FY24), and the recommendation for three (3) of the topics, including the HR Performance topic, was approved by the full Board at its meeting on January 23, 2024.

The requested audit of Human Resources (HR) functions focused on reviewing Valley Water's HR management activities and identifying opportunities for improvement. The review focused on several areas to identify potential risks and areas for improvement related to HR management in the areas of: hiring and recruiting, classification and compensation, employee recordkeeping, HRIS functionality and system controls, employee relations and performance management, benefits administration, workplace investigation, professional and workforce development, training, succession planning, equal employment opportunity program, and state and federal compliance.

On February 14th, 2025, Moss Adams LLP (the auditor) submitted their audit report (Attachment 1)

with the draft management responses (see Appendix B in the report) for BAC review and comment. The auditor will also provide a presentation regarding the audit (Attachment 2).

The BAC is requested to receive the 2024 HR Performance Audit Report with Management Response and refer the final report to the full Board at a future date.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The proposed Recommendation(s) is not subject to environmental justice analysis. Actions taken by the Board Audit Committee are reviewed on a case-by-case basis.

ATTACHMENTS:

Attachment 1: HR Performance Audit Final Report with Management Responses

Attachment 2: PowerPoint

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Proprietary & Confidential

FINAL REPORT

Santa Clara Valley Water District

HUMAN RESOURCES PERFORMANCE AUDIT

February 14, 2025

Moss Adams LLP
999 Third Ave, Suite 2800
Seattle, WA 98104
(206) 302-6500



MOSSADAMS

This report is intended for the internal use of the Santa Clara Valley Water District, and may not be provided to, used, or relied upon by any third parties.

Attachment 1
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I. EXECUTIVE SUMMARY

A. INTRODUCTION

The Santa Clara Valley Water District (the District) engaged Moss Adams LLP (Moss Adams) to conduct a performance audit of its Human Resources Department (HR, the Department). The District's most recent risk assessment identified the HR function as a priority area for further evaluation. We conducted this performance audit between August and November 2024 using a four-phased approach consisting of project planning and management, fact-finding, analysis, and reporting.

B. SUMMARY OF FINDINGS AND RECOMMENDATIONS

Findings and recommendations are grouped into two sections: (1) Internal HR Operations and (2) External Services. Detailed findings and recommendations are provided in [Section IV](#) of this report. Management's response to the recommendations is included in Appendix B.

| FINDINGS AND RECOMMENDATIONS | | |
|------------------------------|-----------------------|---|
| Internal HR Operations | | |
| 1 | Finding | Due to leadership changes and insufficient communication, HR employees struggle to trust Department leadership. |
| | Recommendation | <ul style="list-style-type: none">A. Continue to enhance communication practices within the Department to build trust.B. Develop a Departmental operating plan that details key initiatives to build confidence in the strategic direction of the Department.C. Review HR employee classifications for HR staff to determine whether their job function suggests they should be confidential positions. |
| 2 | Finding | Staff report that changes to processes, systems, and departmental organization are not always well-communicated, resulting in confusion and inconsistent change adoption. |
| | Recommendation | <ul style="list-style-type: none">A. Employ the principles of change management to effectively communicate and integrate changes within the Department.B. Consider providing change management and communication training to HR leadership. |



| FINDINGS AND RECOMMENDATIONS | | |
|------------------------------|-----------------------|---|
| | Finding | The Department is experiencing challenges using Infor, the District's enterprise resource planning system (ERP), as its human resource information system (HRIS) due to challenges with system implementation and lack of system integration. |
| 3 | Recommendation | <ul style="list-style-type: none">A. As the District seeks a new ERP system, ensure that a representative from HR with a strong understanding of system needs is highly involved in evaluating system capabilities against HR's system needs.B. After a new system is selected, conduct a thorough implementation process to support successful system adoption. |
| External Services | | |
| | Finding | Equal Employment Opportunity (EEO) complaints increased at the District in recent years, which can indicate organizational culture and safety issues. |
| 4 | Recommendation | Adopt proactive measures to prevent harassment from occurring, including demonstrating leadership accountability, regularly communicating the District's harassment policy, developing an effective and accessible harassment complaint system, and implementing regular EEO training for all staff. |
| | Finding | Staff reported supervisors across the District are not always as prepared as they need to be for their role as a people manager, which has contributed to challenges with effective people management. |
| 5 | Recommendation | <ul style="list-style-type: none">A. Continue to prioritize required training for all new supervisors.B. To enhance the effectiveness of the supervisory training program, incorporate additional topics focused on leadership skills and people management practices. |



II. BACKGROUND, SCOPE, AND METHODOLOGY

A. INTRODUCTION

The Santa Clara Valley Water District (the District) engaged Moss Adams LLP (Moss Adams) to conduct a performance audit of its Human Resources Department (HR, the Department). The District's most recent risk assessment identified the HR function as a priority area for further evaluation.

The District's HR Department is led by a Deputy Administrative Officer and is split into two teams: 1) Talent Acquisition and Career Pathways and 2) Labor Relations and Total Rewards.

Talent Acquisition and Career Pathways focuses on developing future talent, enhancing workforce skills, attracting and hiring qualified candidates, and ensuring effective job alignment and employee placement. This team is comprised of the:

- Next Gen Program
- Workforce Development and Technical Training Program
- Recruitment and Selection Program
- Classification and Selection Program

Labor Relations and Total Rewards is dedicated to promoting a fair workplace, managing employee benefits, and leveraging data analytics. This team is comprised of the:

- Labor Relations Program
- Equal Employment Opportunity Program
- Benefits and Wellness Program
- Human Resources Information System (HRIS) and Data Analytics Program

The HR Department's budgeted staffing for FY25 is 32 full-time equivalent (FTE) employees.

B. SCOPE AND METHODOLOGY

The purpose of this performance audit was to review the District's HR management activities and identify opportunities for improvement. We reviewed the following areas to determine key risks and opportunities for improvement related to HR management:

- Hiring and recruiting
- Classification and compensation
- Employee recordkeeping
- HRIS functionality and system controls
- Employee relations and performance management
- Benefits administration
- Workplace investigations
- Professional and workforce development, training, and succession planning



- State and federal compliance

Based on our assessment of key risks from the above areas, we identified several commendations and opportunities for improvement, which are identified throughout this report. This audit was conducted between August and November 2024 and consisted of four phases that are detailed below.

| PHASE | DESCRIPTION |
|--|--|
| 1 Project Planning and Management | This phase focused on initiating the project and managing its progress, which included conducting a kickoff meeting, scheduling interviews with key staff and stakeholders, submitting a document and data request list, identifying organizations for peer benchmarking, and providing ongoing progress reporting and quality assurance. |
| 2 Fact-Finding | <p>This phase involved comprehensive data collection through interviews, document review, and peer benchmarking.</p> <ul style="list-style-type: none">• Interviews: We conducted interviews and focus groups with HR staff and leadership, and with staff from across the District who work with or receive services from HR. Overall, we spoke with 55 District employees. The purpose of these interviews was to gain insight into the current operational environment, strengths, and opportunities for improvement in HR's operations.• Document and Information Review: We reviewed a variety of documents, data, and information provided by the HR Department, including job descriptions, policies and procedures, staffing data, performance documentation, and past audits. We used this information to supplement our understanding of the current conditions of the HR Department.• Peer Benchmarking: We compared the District's HR staffing and organizational structure to five peer organizations that were identified in collaboration with the District: Alameda County Water District, City of San Jose, Contra Costa Water District, East Bay Municipal Utility District, and Santa Clara Valley Transit Authority. Peer information was gathered from interviews with each organization and publicly available information. |
| 3 Analysis | Based on the information gained during our fact-finding phase, we conducted and consolidated research on relevant industry standards and best practices. Based on this research, we identified potential areas for improvement and developed practical recommendations. |
| 4 Reporting | We communicated the results of our analysis with findings and recommendations presented first in a draft report that was reviewed with management to confirm the practicality and relevance of recommendations before finalizing the report. |

C. STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



III. COMMENDATIONS

Based on the insights gathered throughout our audit, we noted several areas of strength at the District that can be leveraged to support ongoing performance of HR:

- **Customer Service:** Interviewed customer departments generally expressed satisfaction with and appreciation for the quality of internal service provided by HR, and noted that HR staff are great partners, knowledgeable, and responsive.
- **Equity:** HR exhibits a commitment to making processes more equitable. For example:
 - *Pay Equity:* HR added a dedicated classification and compensation position to promote fair and equitable compensation based on roles, responsibilities, and market standards. This role focuses on conducting regular salary reviews, analyzing compensation data, and implementing strategies to promote equitable pay practices across the District. Staff reported HR also conducts a salary analysis for all new hires, promotions, reassignments, or reclassifications to support equitable pay practices. The salary analysis includes a compaction review to ensure supervisor salaries are at least 5% higher than any direct report.
 - *Equity in Recruiting:* HR made changes to the recruiting process to improve equity. This includes providing unconscious bias training to staff involved in hiring and instituting an applicant scoring system to promote consistency when evaluating applicants.
- **Internal Collaboration:** A 2021 audit of HR processes found that HR units operated in siloes, with most staff unaware of the inner workings of other units within HR. HR has since instituted weekly, monthly, and annual meetings to increase cross-unit collaboration. Staff generally reported that collaboration between groups within HR has improved.
- **Organizational Structure:** HR leadership made recent changes to the Department's organizational structure to improve communication and efficiency. These changes have included reorganizing the Department into two teams (Talent Acquisition and Career Pathways, and Labor Relations and Total Rewards); combining the Department's workforce development and technical training teams; adding a data analytics team to support data integrity; and splitting the labor relations team and equal employment opportunity (EEO) program team to promote a clearer distinction between the two functions. HR departments at peer organizations typically include similar functions as the District's HR Department does, including recruiting, benefits, employee relations, professional development, and talent management. Refer to [Appendix A](#) for peer benchmarking results pertaining to organizational structure.
- **Policies and Procedures:** The Department maintains standard policies and procedures for an HR department, including policies and procedures related to recruitment, compensation, harassment, disciplinary action, and compliance. HR staff are pursuing an initiative to ensure policies and procedures are updated as needed.
- **Progress Since Last Audit:** HR has made progress on implementing many of the recommendations in the 2021 audit previously mentioned, including expanding the use of its technical training platform (TPC Online), updating its conflict-of-interest code, and moving toward making the recruiting process more consistent with scoring systems and improved documentation.
- **Recruiting:** Staff reported recruiting processes have improved in recent years. In a survey conducted by HR, surveyed customer departments consistently rated recruiting processes highly, with 89% of respondents between August 2020 and May 2024 responding that they were satisfied with the overall hiring process for their new hire. The District implemented three programs to advance its recruiting efforts, including a veterans hiring initiative, a fair chance hiring



program, and a disabled hiring program, all of which collectively promote a more inclusive and diverse workforce.

- **Staffing:** HR appears to be well-staffed compared to peers. The District's ratio of HR staff to total District employees (3.5 HR staff per 100 employees) is slightly higher than the average among peers (2.4 HR staff per 100 employees). Its HR supervisor-to-staff ratio (3.2 HR staff per supervisor) is slightly lower than the average among peers (5.3 HR staff per supervisor). However, both ratios are more closely aligned with peers of a similar size. Refer to [Appendix A](#) for peer benchmarking results pertaining to staffing.
- **Workforce Development:** HR is pursuing several strategies to develop the District's workforce. This includes an apprenticeship program, an emerging leaders program, and a career pathways program that involves partnering with universities and programs that serve underrepresented individuals. In addition, HR has implemented LinkedIn Learning for all staff.



IV. FINDINGS AND RECOMMENDATIONS

Findings and recommendations are grouped into two sections: 1) Internal HR Operations and 2) External Services.

A. INTERNAL HR OPERATIONS

Trust and Communication

| | | |
|-----------|-----------------------|---|
| 1. | Finding | Due to leadership changes and insufficient communication, HR employees struggle to trust Department leadership. |
| | Recommendation | <ul style="list-style-type: none">A. Continue to enhance communication practices within the Department to build trust.B. Develop a Departmental operating plan that details key initiatives to build confidence in the strategic direction of the Department.C. Review HR employee classifications for HR staff to determine whether their job function suggests they should be confidential positions. |

Interviewed employees shared that communication practices within the Department have reduced trust in HR leadership. Challenges with trust appear to be a result of recent changes in leadership roles and structure, the departure of key personnel with essential knowledge of HR processes, and challenges with change management. For example, the Deputy Administrative Officer, Assistant Officer, and Administrative Services Manager positions either turned over or were created in the past three years. Such changes have contributed to fragmented communication and diminished confidence in the strategic direction of the Department.

Staff also reported another contributing factor to communication issues within HR is that HR employees are not classified as confidential employees. As a result, when changes occur that impact HR operations, HR staff often do not receive critical information until late in the process due to potential conflicts of interest with their represented status. This delay creates frustration among HR staff, as they must quickly implement changes without adequate preparation or understanding of the rationale behind them. This lack of timely communication exacerbates feelings of mistrust and can impact the effectiveness of the Department's operations.

HR leadership is aware of these concerns and recently provided programming during the Department's annual HR retreat to build trust and improve internal communications. Following the retreat, staff reported that HR employees are expected to integrate their commitments to accountability, communication, respect and nonjudgement, integrity and intention, and reliability into their performance goals for FY2025. In general, staff reported that communication is improving under current HR leadership.

In addition to the collaborative work done at the retreat, HR leadership should continue to address trust and communication issues within the Department through the following strategies:



- **Acknowledgement of challenges:** It is important for HR leadership to acknowledge the challenges the Department has faced in the last several years. Leading with transparency and authenticity can help build trust and improve employee morale.¹
- **Increased communication from leadership:** HR leadership should continue to enhance communication between leadership and staff by actively engaging with employees, listening to their concerns, and providing updates on organizational changes and initiatives. When communication successfully cascades from HR leadership, to management, to front-line staff, it drives clarity and alignment around HR's direction and goals.
- **Fostering a culture of teamwork and collaboration:** HR leadership should continue to take steps to foster a culture of teamwork and collaboration, including encouraging open communication, providing team-building activities, recognizing and rewarding teamwork and collaboration, and providing training and development opportunities. Such efforts to strengthen collaboration and encourage employees to support each other are important to enhance efficiency and increase morale and well-being.
- **Consideration of changes to the confidential classification of certain HR positions:** The California Employment Relations Board (PERB) has established rules and guidelines regarding the classification of confidential and non-confidential employees.² District leadership should review employee classifications within HR to ensure they are appropriate and seek changes as needed. HR leadership should also continue to communicate to staff how confidentiality in bargaining units affects HR operations, so they understand the limits on information sharing and how it may impact communication.

To develop confidence in the strategic direction of the Department and help facilitate communication between teams within HR, HR leadership should also develop an operating or strategic plan that details the Department's vision and key initiatives over the next several years. The plan should include the Department's key strategies, objectives, and priorities, and clarify how all teams work together toward common goals through team-level work plans.

The operating or strategic plan should also define reporting requirements to Department and District leadership. Often, internal department reporting occurs quarterly to enable staff who are responsible for or contributing to goals to course-correct if needed. Reporting to District leadership may occur once or twice per year.

Examples of strategic or operational plans include:

- The [County of San Mateo's HR Department Strategic Plan](#), which sets priorities for the department and defines goals for each division that support those priorities.
- The [University of Maryland's HR Services Strategic Plan](#), which sets goals for each functional area within HR and defines outcome metrics to evaluate the success of their strategies.
- [Lakehead University's Human Resources Operational Plan](#), which sets strategic priorities for each specialization area within HR.

¹ <https://www.harvardbusiness.org/good-leadership-it-all-starts-with-trust/>

² https://www.leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=4.&title=1.&part=&chapter=10.&article=



Change Management

| | | |
|-----------|-----------------------|--|
| 2. | Finding | Staff report that changes to processes, systems, and departmental organization are not always well-communicated, resulting in confusion and inconsistent change adoption. |
| | Recommendation | <ol style="list-style-type: none">A. Employ the principles of change management to effectively communicate and integrate changes within the Department.B. Consider providing change management and communication training to HR leadership. |

HR has implemented many recent changes, including improved processes, new systems, and reorganizations. Staff reported challenges with many of these initiatives not being implemented effectively, mostly due to a lack of communication and clarity of process surrounding the changes. For example:

- **New Processes:** HR recently reorganized the Benefits team so that staff function as generalists as opposed to specialists. While preparations for this change included updated performance goals, work assignments, and updated policies and procedures, staff reported it was still difficult to understand updated processes. For example, staff reported procedures and standard operating processes for processing leaves of absences and pay differentials are unclear, which has led to confusion among employees regarding their responsibilities, as well as inconsistent application of policies, potential errors in payroll, and increased employee frustration.
- **Interdepartmental Collaboration:** Communication challenges have resulted in frustration and strained relationships between the Benefits team and the Payroll team (within Finance). Staff reported changes are not always communicated timely between parties, such as when changes are made to benefits programs or when an employee's pay has changed. In addition to creating frustration among staff, this can also make processes less efficient.
- **New Systems:** As described in [HRIS System Efficacy](#), the Department did not update its processes when switching systems, which has resulted in a lack of clarity around how to use the system effectively.
- **Turnover:** The Department has experienced significant recent personnel changes, including turnover among leadership and shifting assignments due to a hiring freeze, business needs, and staff interests. Staff report that because these changes were not well-communicated, they have contributed to a sense of instability and have had operational impacts on some teams who lost personnel unexpectedly.

It is important for changes to be effectively communicated and implemented to ensure employees understand the reasons behind changes, feel supported throughout transitions, and are equipped to adapt to new processes and systems. Staff reported that being asked to implement changes without understanding the reasons behind the changes, or without knowing that the change is happening, has resulted in frustration, confusion, and inefficient operations.

To effectively communicate and integrate changes within the Department, HR leaders should employ the principles of change management when adopting any updates to processes, systems, or organizational structure. Wherever possible, prior to announcing new changes, employees should be engaged to define the problem, provide input on potential concerns, and provide suggestions to



improve implementation. It is important for changes to be effectively communicated and implemented to ensure employees understand the reasons behind changes, feel supported throughout transitions, and are equipped to adapt to new processes and systems.

Key elements for implementing successful change management include:

- *Actively align HR leadership:* The first element of change management is to clearly define the reason for the change and ensure it is well-understood by Department leadership. Without alignment and commitment, any change management initiative is likely to fail. Developing and referring to an operating plan, as recommended in [Trust and Communication](#), can help to actively align leadership along a common path.
- *Communicate the need for change:* Excellent communication is critical to change management. Affected employees should be aware of the business need for change and buy into potential solutions. HR leadership should build awareness around the Department's needs and the risk in remaining with the status quo. Where appropriate, impacted stakeholders should be involved in defining initiative requirements and the design process. The project's leaders should ensure clear and open lines of communication throughout the change management process and advocate for two-way dialogue to provide answers and reassure stakeholders.
- *Plan for and understand the ramifications of the change:* Change should occur in a multi-step, well-communicated process that includes ample training and no surprises to staff. HR leadership should clearly identify what is changing, how it is changing, who will be affected, how they will be affected, and when the change will occur. This should include ensuring that all related policies and procedures are updated to reflect any changes. Key communication messages should be developed and disseminated to ensure staff are aware of progress towards implementation and are reminded of the personal benefits they can expect to derive from the new system or process. Depending on the nature of the change, leadership may also need to plan for negative ramifications of the change that impact employee morale and provide consistent messaging and support in change adoption.
- *Consider and design a method for staff education:* Throughout implementation, project leaders should build staff knowledge and abilities through planned and offered training opportunities. Following implementation, HR leadership should provide reinforcement and allow employees to provide feedback on the change and change process, making minor adjustments where necessary. HR leadership should also ensure consistent adoption by providing policies, procedures, and performance measures that reflect the change and can serve as staff resources.

To increase the team's capacity for effective change management, HR leadership can consider attending change management and communication training. This can increase individual knowledge and capacity to manage change and provide the leadership team with a commonly understood language to identify, discuss, and strategize around change management challenges.



HRIS System Efficacy

| | | |
|----|-----------------------|--|
| 3. | Finding | The Department struggles to effectively use Infor, the District's enterprise resource planning system (ERP), as its human resource information system (HRIS) due to challenges with system implementation and lack of system integration. |
| | Recommendation | A. As the District seeks a new ERP system, ensure that a representative from HR with a strong understanding of system needs is highly involved in evaluating system capabilities against HR's system needs. B. After a new system is selected, conduct a thorough implementation process to support successful system adoption. |

The Department uses Infor, the District's ERP, as its HRIS. The District adopted Infor in 2022. Since adopting Infor, HR has experienced challenges using it for HR processes. These challenges are largely related to a lack of system integration and incomplete implementation efforts.

Staff reported that when the District selected Infor, personnel involved in the system selection process did not have a sufficient understanding of HR's system needs and did not advocate for a system that would work well for the HR Department. As a result, staff report that Infor is not meeting the Department's needs. Some of the challenges noted by staff include:

- *Integration Challenges:* Infor is not sufficiently integrated with existing systems. For example, Infor does not effectively integrate with NeoGov, HR's recruiting system, which makes it difficult to transfer employee data between the two systems. Additionally, staff reported payroll and other HR processes are not well integrated in Infor, which contributes to manual work and inefficient payroll processes.
- *Process Documentation:* The Department did not update all related processes when Infor was implemented, which has resulted in a lack of clarity around system operations.
- *Reporting Capabilities:* Staff reported that they are not able to easily access or generate holistic reports on pay grade and position classification history. This makes it difficult for staff to understand personnel history and create reports that support decision-making.
- *Manual Processes:* Staff reported frustration over manual processes that are used to navigate Infor. For example, staff reported when updating an employee's manager, the Infor user must currently manually update that information in three separate locations in the system.
- *Security and Confidentiality:* Staff report that Infor is not currently set up to have sufficient security to limit who can view and edit disciplinary and salary-related information in the system.
- *Time-Limited Processes:* Staff reported that there is a short window of time each month during which it is possible to make changes within the system. This creates heavy workloads for staff during that period, and staff shared that it is difficult to complete all the transactions that need to be completed during the time available. In addition, Infor does not allow updates to be made in advance (for example, a promotion that will become effective the following month cannot be updated in the current month).

Difficulty effectively leveraging HR systems was a common experience among peers, who all mentioned challenges with system integration and functionality. As shown in the table below, four of

five peer organizations are currently seeking a new HRIS or ERP system or are intending to in the near future.

| PEER ORGANIZATION | MAJOR SYSTEMS USED | SEEKING NEW SYSTEM? | REPORTED DRIVER OF SYSTEM CHALLENGES |
|--------------------------------------|--|----------------------------|---|
| Alameda County Water District | • JD Edwards used as ERP | • Yes (ERP with HR module) | • JD Edwards reportedly does not meet needs |
| City of San Jose | • PeopleSoft used as HRIS • NeoGov used for recruitment • SimpliGov used for contract signings, travel, and performance evaluations | • No | • PeopleSoft does not contain a performance evaluation module, and does not integrate with NeoGov |
| Contra Costa Water District | • Finance Enterprise used as HRIS • NeoGov used for applicant tracking, performance evaluation, and onboarding • Culture Amp used for KPI reporting | • Yes (HRIS) | • Finance Enterprise not designed as HRIS |
| East Bay Municipal Utility District | • PeopleSoft used as HRIS • Variety of applications developed in-house that integrate with PeopleSoft • NeoGov used for recruitment • OnBase used for records management | • Yes (HRIS) | • PeopleSoft does not integrate with NeoGov or OnBase |
| Santa Clara Valley Transit Authority | • SAP used as ERP, but doing most work manually due to lack of functionality | • Yes (ERP) | • SAP reportedly does not meet needs |

Having an effective HRIS benefits an HR team by centralizing core functions, giving HR employees visibility into data, empowering staff to update important information on their own, and reducing errors and duplicative tasks.³ Due in part to the Department's challenges, the District has decided to replace Infor. As evidenced by the widespread challenges with systems experienced among peers, it is important to carefully approach system selection and undergo a robust implementation process. As the search for a new ERP system unfolds, the Department should ensure that a representative from HR is highly involved in system selection. The representative should have a strong understanding of HR processes and systems and be responsible for advocating for a system that meets the Department's specific needs. The Society for Human Resource Management (SHRM) recommends assessing the following elements:⁴

- Integration with payroll and recruiting systems

³ <https://blog.neoGov.com/best-hris-softwares-list-government-hr#improves>

⁴ <https://www.shrm.org/topics-tools/tools/how-to-guides/how-to-select-hris>



- Performance management capabilities
- Reporting capabilities
- Job and pay history data availability
- Benefits management
- Electronic form processing
- Employee self-service functionality
- Training management
- Integration with general ledger
- Training requirements and support

The HR representative should also engage stakeholders from across the Department and from departments that work closely with HR to gather input on system functionality needs and evaluate possible systems.

After selecting a system, the Department should commit to undergoing a robust implementation process to ensure that staff are equipped to operate within the new system effectively. System implementation can often take up to a year and requires significant change management efforts. The Department should build a team that will develop an implementation timeline, manage related trainings, and oversee communications to keep HR staff informed about implementation progress.⁵ This team should also ensure that all related policies and procedures are updated prior to system implementation to minimize disruption and potential operational challenges during implementation.

B. EXTERNAL SERVICES

Employee Relations

| | | |
|-----------|-----------------------|--|
| 4. | Finding | Equal Employment Opportunity (EEO) complaints increased at the District in recent years, which can indicate organizational culture and safety issues. |
| | Recommendation | Adopt proactive measures to prevent harassment from occurring, including demonstrating leadership accountability, regularly communicating the District's harassment policy, developing an effective and accessible harassment complaint system, and implementing regular EEO training for all staff. |

EEO complaints have increased at the District in recent years, which can be a sign of workplace culture issues and contribute to turnover or legal action. EEO complaints increased from three complaints in FY21 to 20 complaints in FY22. There were 10 complaints in FY23. During that time, most complaints were related to harassment and discrimination, as shown in the table below.

| EEO INVESTIGATIONS JULY 2021 – JUNE 2024 | |
|--|-----|
| Harassment/Discrimination | 29% |

⁵ <https://blog.neogov.com/prepare-hris-implementation-checklist#hris-implementation-checklist>



| | |
|--------------------------|-----|
| Discrimination | 31% |
| Harassment | 11% |
| Abusive Conduct | 11% |
| Retaliation | 6% |
| Ethics | 3% |
| Hostile Work Environment | 3% |
| Bullying/Retaliation | 3% |
| Sexual Harassment | 3% |

Of the 33 EEO complaints filed between FY21 and FY23, staff reported ten of those cases were substantiated. The District's staffing levels also increased over this time period by 50 FTE. While important context, these factors do not negate the importance of the increasing number of complaints. The rise in complaints suggests underlying issues may exist within the District's workplace culture. Furthermore, staff reported concerns about workplace culture issues in interviews. A growing number of complaints, particularly related to harassment and discrimination, can reflect a lack of trust and safety among employees, which can lead to decreased morale, increased turnover, and potential legal liabilities for the organization.

HR management shared that a thorough analysis of EEO complaint trends has not yet been conducted, but that the increase in EEO complaints related to harassment and discrimination may be due, in part, to a lack of supervisory training. HR management also reported that the COVID-19 vaccine mandate contributed to an increase in complaints. Of note, the 2023 Employee Survey of all District employees showed a low rating of trust in reporting concerns due to a fear of retaliation, which could lead to underreporting of complaints.

EEO complaints can lead to legal and financial risks for an organization, including costly lawsuits and settlements. They can damage an organization's reputation, decrease employee morale, and disrupt operations. Proactively understanding and addressing the root causes of EEO complaints can help mitigate these risks and promote a healthier work environment.

The U.S. Equal Employment Opportunity Commission's (EEOC) Task Force on the Study of Harassment in the Workplace identified the following five core principles that are effective to prevent and address harassment:⁶

- Committed and engaged leadership
- Consistent and demonstrated accountability
- Strong and comprehensive harassment policies
- Trusted and accessible complaint procedures

⁶ <https://www.eeoc.gov/laws/guidance/promising-practices-preventing-harassment>



- Regular, interactive training tailored to the audience and organization

In addition, SHRM advises that strategies to prevent EEO complaints are most effective when they address the root cause of the complaints.⁷ The District should pursue the EEOC's principles to address the root cause of EEO complaints and foster an inclusive and healthy work environment. This work should include:

- *Leadership and accountability:* District leaders should continue to clearly and consistently demonstrate their commitment to a culture in which harassment is not tolerated.
- *Trusted and accessible complaint procedures:* The District's complaint procedure is currently relatively brief as defined in the Employees' Association Memorandum of Understanding (MOU), which states that employees are encouraged to bring complaints of discrimination to the attention of the EEO Program Administrator or a supervisor or manager. The District should work to ensure that its complaint system continues to be robust and fair, including providing multiple methods of submitting a complaint, conducting prompt and neutral investigations, protecting the privacy of complainants, and imposing appropriate consequences for harassment or related misconduct. This procedure should be documented in District procedures as well as in MOUs where appropriate, and easily accessible to District staff and management.
- *Regular, interactive training tailored to the audience and organization:* According to SHRM and EEOC, it is best practice to provide recurring training to staff at all levels about the District's EEO values and policies. Although the Department includes Ethics and EEO in the New Hire Curriculum, it should continuously reinforce EEO-related topics by expanding the supervisory training it plans to offer related to EEO in 2025 (as described in the following section, [Supervisory Training](#)) to cover the District's EEO values and policies. The District should also consider expanding recurring EEO-related training to staff at all levels. Training should clearly describe the District's policies regarding discrimination and harassment and explain the consequences of violating EEO policies.

HR management reported the District is currently filling an EEO program administrator position who will support implementation of additional training and resources for supervisors and employees related to EEO to continue to promote a more positive workplace culture.

⁷ <https://www.shrm.org/topics-tools/tools/toolkits/managing-equal-employment-opportunity>



Supervisory Training

| | | |
|-----------|-----------------------|---|
| 5. | Finding | Staff reported supervisors across the District are not consistently prepared for their role as a people manager, which has contributed to challenges with effective people management. |
| | Recommendation | <ul style="list-style-type: none">A. Continue to prioritize required training for all new supervisors.B. To enhance the effectiveness of the supervisory training program, incorporate additional topics focused on leadership skills and people management practices. |

The District has not consistently provided training to new supervisors to develop their skills. Consequently, staff reported that supervisors across the District are not always as prepared as they need to be for their role as a people manager. This has likely contributed to a high volume of complaints (as shown in [Employee Relations](#)) and challenges with effective management. It is important for supervisors to have key skills, such as those related to conflict management, communication, effective delegation, and employee development, to support a positive and productive workplace and encourage employee engagement. Although HR has not historically required supervisory training for District employees, the District will begin requiring training for all supervisors in 2025. Currently, four topics are planned:

- How We Operate (covering approval processes, safety, and resources)
- Money Matters (covering budgets and procurement)
- People Power – Recruitment, Engagement, Development, and Inclusion (REDI) (covering recruitment, schedules, and timesheets)
- Labor Relations, EEO, and More (covering performance management, reasonable accommodations, and ethics)

HR should continue to prioritize this training for all new supervisors. Additionally, while the planned supervisory training covers the policies and processes related to being a supervisor at the District, it does not incorporate topics related to effective people management or building leadership skills. To enhance the effectiveness of this training, the Department should incorporate topics such as conflict resolution, effective communication, managing team dynamics, giving meaningful performance feedback, and strategies for motivating employees. Training leaders on these skills will help create an effective and positive team environment, which can improve retention, morale, and employee performance.⁸

⁸ <https://www.shrm.org/topics-tools/tools/toolkits/developing-management>

APPENDIX A: PEER BENCHMARKING

The following table compares the District's staffing and organizational structure to its peers, including East Bay Municipal Utility District, Santa Clara Valley Transit Authority, Alameda County Water District, Contra Costa Water District, and City of San Jose. Data is informed by interviews with peers and publicly available information.

| | SANTA CLARA VALLEY WATER | EAST BAY MUNICIPAL UTILITY DISTRICT | SANTA CLARA VALLEY TRANSIT AUTHORITY | ALAMEDA COUNTY WATER DISTRICT | CONTRA COSTA WATER DISTRICT | CITY OF SAN JOSE |
|----------------------------------|---|---|---|--|--|---|
| HR Departments | <ul style="list-style-type: none"> Talent Acquisition and Career Pathways Total Rewards Labor Relations and Equal Employment Opportunity | <ul style="list-style-type: none"> Recruitment and Classification Employee Services and Retirement System Employee Relations | <ul style="list-style-type: none"> Workforce Development and Recruitment Benefits and Health and Wellness Retirement and Class and Comp Accessibility, Civil Rights and Equity Employee Relations (includes Labor Relations) | <ul style="list-style-type: none"> HR Department | <ul style="list-style-type: none"> Two Divisions within People and Culture Department: <ul style="list-style-type: none"> Human Resources and Risk Management DEI | <ul style="list-style-type: none"> Employment Services Training and Development Strategic Support Benefits Health and Safety |
| Number of Staff by HR Department | <ul style="list-style-type: none"> Talent Acquisition and Career Pathways: 18 FTE Total Rewards: 8 FTE Labor Relations and Equal Employment Opportunity: 4 FTE | <ul style="list-style-type: none"> Recruitment and Classification: 14 FTE Employee Services and Retirement System: 9 FTE Employee Relations: 5 FTE | <ul style="list-style-type: none"> Workforce Development/ Recruitment: 13 FTE Benefits/Health and Wellness: 15 FTE Retirement/Class and Comp: 14 FTE Accessibility, Civil Rights and Equity: 9 FTE Employee Relations (includes Labor Relations): 10 FTE | <ul style="list-style-type: none"> HR Department: 7 FTE | <ul style="list-style-type: none"> HR: 6 FTE – 3 Analysts, 1 Technician, 1 Management Assistant, 1 Manager Risk Management: 1 FTE – 1 Risk Management Officer DEI: 3 FTE – 1 Workforce Development Program Manager, 1 Management Assistant, 1 Manager | <ul style="list-style-type: none"> Employment Services: 27 FTE Training and Development: 8 FTE Strategic Support: 13 FTE Benefits: 10 FTE Health and Safety: 6 FTE |
| Total # Staff (FTE) | 921 | 2,159.3 | 2,409 | 244 | 333 | 7,145 |
| Total # HR Staff (FTE) | 32 | 45 | 63 | 7 | 11 | 69 |

| | SANTA CLARA VALLEY WATER | EAST BAY MUNICIPAL UTILITY DISTRICT | SANTA CLARA VALLEY TRANSIT AUTHORITY | ALAMEDA COUNTY WATER DISTRICT | CONTRA COSTA WATER DISTRICT | CITY OF SAN JOSE |
|--|--|--|--|--|--|---|
| HR FTE per 100 Employees Ratio | 3.47 | 2.08 | 2.62 | 2.87 | 3.30 | 0.97 |
| Total # HR Supervisors (FTE) | 10 | 5 | 17 | 1 | 3 | 21 |
| HR Supervisor to Staff FTE Ratio | 3.2 | 9.0 | 3.7 | 7.0 | 3.7 | 3.3 |
| Relocation Support and Hiring Incentives | No | No | <ul style="list-style-type: none"> ● Yes, but only for some executive positions, up to \$20,000 | No | No | <ul style="list-style-type: none"> ● Yes – Offers on a case-by-case basis, usually in management or hard-to-fill positions ● Offered an increase up to \$1,200 for employee referral program for the hard-to-fill positions |
| Key Performance Indicators (KPIs) Used | <ul style="list-style-type: none"> ● District headcount ● Turnover ● Staff attrition forecast ● Staff demographics ● Vacancy time to fill | <ul style="list-style-type: none"> ● Currently developing | <ul style="list-style-type: none"> ● Vacancy time to fill ● Turnover rate ● Engagement (percentage of staff who would recommend working at the Authority) ● Staff gender ratio | <ul style="list-style-type: none"> ● Recruitment (not specified) ● Retention rate ● Vacancy rate ● Risk management and compensation statistics (not specified) | <ul style="list-style-type: none"> ● Not yet established | <ul style="list-style-type: none"> ● Currently developing, but most of their performance metrics are based on: <ul style="list-style-type: none"> ○ Employment ○ Turnover rate ○ Worker's compensation |
| Operational Planning | <ul style="list-style-type: none"> ● No – work guided by District vision, mission, and annual goals | <ul style="list-style-type: none"> ● Currently developing | <ul style="list-style-type: none"> ● No – currently developing a strategic plan | <ul style="list-style-type: none"> ● No – using P&Ps to guide work ● Working to enhance desk manuals to capture workflow on major processes | <ul style="list-style-type: none"> ● No – using District's Strategic Plan and DEI 5-year strategic plan to guide priorities | <ul style="list-style-type: none"> ● No – not as a department, but some divisions within HR have own operating plans |

| | SANTA CLARA VALLEY WATER | EAST BAY MUNICIPAL UTILITY DISTRICT | SANTA CLARA VALLEY TRANSIT AUTHORITY | ALAMEDA COUNTY WATER DISTRICT | CONTRA COSTA WATER DISTRICT | CITY OF SAN JOSE |
|--------------------------|---|--|---|-------------------------------|--|--|
| Major Systems Used by HR | <ul style="list-style-type: none"> ● Infor ● NeoGov ● Vemo | <ul style="list-style-type: none"> ● PeopleSoft used as HRIS ● Variety of applications developed in-house that integrate with PeopleSoft ● NeoGov used for recruitment ● OnBase used for records management | SAP used as ERP, but doing most work manually due to lack of functionality | JD Edwards used as ERP | <ul style="list-style-type: none"> ● Finance Enterprise used as HRIS ● NeoGov used for applicant tracking, performance evaluation, and onboarding ● Culture Amp used for KPI reporting | <ul style="list-style-type: none"> ● PeopleSoft used as HRIS ● NeoGov used for recruitment ● SimpliGov used for contract signings, travel, and performance evaluations |



Peer Benchmarking Themes

In addition to the data reported above, below is a high-level summary of themes from interviews with five peer organizations.

HR Structure and Staffing

- All five peers are organized similarly. There are not any major HR functions in peer organizations that the District lacks.
- Four peers reported that their HR staffing levels are appropriate. One peer, a larger organization, said that staffing feels lean.
- All peers mentioned significant focuses on diversity, equity, and inclusion (DEI). Two peers have a DEI-related team that sits within the same division or department as HR.

Hiring and Recruitment

- All peers mentioned the difficulty of hiring technical engineering positions, including water treatment engineers, electrical engineers, technical architect positions, maintenance engineers, overhead line workers, and electricians. To help address this, several peers have developed in-house training and apprenticeship programs that allow junior engineers without certifications to join the organization at an entry level and gain skills and certifications on the job. This has involved updating documented career paths and changing hiring requirements to no longer require professional engineering certifications for assistant-level engineer roles.
- No peers offer relocation support on a regular basis, though many have considered doing so for executive-level roles. One peer has offered to pay candidates' moving expenses but does so on a case-to-case basis for high-level leadership positions.
- To support recruitment, some peers have increased the amount of money offered to employees as a bonus for referring successful candidates to hard-to-fill positions.

Planning and Reporting

- No peers follow an HR-specific operational plan, although two peers intend to develop strategic plans for HR in the future. These organizations expect that the implementation of strategic plans will enhance their ability to communicate priorities effectively to their teams and provide clear overall direction for their work. In addition, one peer refers to their organization-wide strategic plan, which includes HR-specific activities, to guide their work.
- Three peers have HR-specific KPIs that they regularly report on. All five peers mentioned the need to strengthen and improve their KPIs.



APPENDIX B: MANAGEMENT RESPONSE

| RECOMMENDATION | | RESPONSIBLE PARTY | MANAGEMENT'S RESPONSE / IMPLEMENTATION PLAN |
|----------------|--|-------------------|--|
| 1 | <p>Finding: Due to leadership changes and insufficient communication, HR employees struggle to trust Department leadership.</p> <p>Recommendation:</p> <ul style="list-style-type: none">A. Continue to enhance communication practices within the Department to build trust.B. Develop a Departmental operating plan that details key initiatives to build confidence in the strategic direction of the Department.C. Review HR employee classifications for HR staff to determine whether their job function suggests they should be confidential positions. | Patrice | <p><input checked="" type="checkbox"/> Agree</p> <p><input type="checkbox"/> Disagree</p> <p>Although Management agrees with this finding, we believe there is more to it. Valley Water's employment engagement survey conducted in 2023 resulted in a focus on trust and communication as an entire agency. Over the last year, Human Resources (HR) has diligently focused on these areas. The annual 2024 department retreat concentrated on this area, and all employees committed to adding 2025 performance goals, a clear sign of our collective dedication to improving trust and communication.</p> <p>A. Monthly Meetings – The Department conducts monthly all-employee team meetings and will continue this practice, focusing on building communication and trust.</p> <p>B. Operation Plan – During the January 2025 all-employee meeting, the HR leadership communicated the 2025 goals and objectives. The department will also develop an operating plan that provides information on key initiatives.</p> <p>C. Position Evaluation- Management will review and evaluate the positions within the Human Resources Department to address confidentiality.</p> <p>Implementation Date:</p> <ul style="list-style-type: none">A. <u>Completed</u> – Monthly MeetingsB. <u>Q3 2025</u> – Operations PlanC. <u>Q2 2025</u> – Position Evaluation |
| 2 | <p>Finding: Staff report that changes to processes, systems, and departmental organization are not always well-communicated, resulting in confusion and inconsistent change adoption.</p> | Patrice | <p><input checked="" type="checkbox"/> Agree</p> <p><input type="checkbox"/> Disagree</p> |



| RECOMMENDATION | RESPONSIBLE PARTY | MANAGEMENT'S RESPONSE / IMPLEMENTATION PLAN |
|--|----------------------|--|
| <p>Recommendation:</p> <ul style="list-style-type: none">A. Employ the principles of change management to effectively communicate and integrate changes within the Department.B. Consider providing change management and communication training to HR leadership. | | <p>Although Management agrees with this finding, we believe there is more to this finding. There are times when information is provided to staff, but the timelines implementation is quick, which can cause staff concerns. Human Resources Management is committed to a Human Resources Environment that is fair and transparent and changes are implemented in the best way for the department.</p> <p>The Human Resources management team will be meeting for training in March 2025 to go over the areas of communication, trust, and change management. The Leadership team will do more trainings and implement the principles to the department by the full department retreat. In the meantime, HR Leadership will be debriefing with their teams directly after monthly HR Leaders Meetings to ensure staff are hearing about all areas of HR albeit control for confidential information that cannot be shared.</p> <p>Implementation Date:</p> <p><u>Q2 2025</u> – Change Management Principles Training and implementation</p> <p><u>February 2025</u> – Implemented staff debriefs from HR Leaders Meetings</p> |
| 3 Finding: The Department is experiencing challenges using Infor, the District's enterprise resource planning system (ERP), as its human resource information system (HRIS) due to challenges with system implementation and lack of system integration. | Human Resources & IT | <p><input checked="" type="checkbox"/> Agree</p> <p><input type="checkbox"/> Disagree</p> |
| <p>Recommendation:</p> <ul style="list-style-type: none">A. As the District seeks a new ERP system, ensure that a representative from HR with a strong understanding of system needs is highly involved in evaluating system capabilities against HR's system needs. | | <p>Management agrees with the recommendations and are in process of obtaining an ERP to address our HRIS deficiencies. Human Resources recently implemented an HRIS unit within the department. Not having the unit greatly hindered the ability to understand the functionality and interfaces needed for an effective and efficient ERP system. Key HR staff have been identified to be part of the evaluation and implementation of the ERP. In addition to an ERP system Valley Water will contract with an implementation partner certified in implementing the solution provider's software. The Request for Proposal (RFP) for both the software solution and the implementer was published in January 2025.</p> |



| RECOMMENDATION | | RESPONSIBLE PARTY | MANAGEMENT'S RESPONSE / IMPLEMENTATION PLAN |
|----------------|---|-------------------|--|
| | B. After a new system is selected, conduct a thorough implementation process to support successful system adoption. | | Implementation Date: Q2 2026 – RFP is currently out for bid with a deadline of February 12, 2025. Estimated implementation is anticipated to be Q1/Q2 6. |
| 4 | Finding: Equal Employment Opportunity (EEO) complaints increased at the District in recent years, which can indicate organizational culture and safety issues. | Human Resources | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |
| | Recommendation: Adopt proactive measures to prevent harassment from occurring, including demonstrating leadership accountability, regularly communicating the District's harassment policy, developing an effective and accessible harassment complaint system, and implementing regular EEO training for all staff. | | Management agrees with the recommendation and in the process of creating a new position that will be a dedicated person to address and resolve employee concerns at the lowest possible level. This position will help employees access the various resources available ranging from training, mentoring, mediation, and our Employee Assistance Program. In addition, this position will also provide robust and regular training for all staff. Management is dedicated in increasing our communication regarding our policy and expectation. Implementation Date: Q2 2025 – Selections process will be complete by Q2 2025. |
| 5 | Finding: Staff reported supervisors across the District are not always as prepared as they need to be for their role as a people manager, which has contributed to challenges with effective people management. | Human Resources | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |
| | Recommendation: A. Continue to prioritize required training for all new supervisors. B. To enhance the effectiveness of the supervisory training program, incorporate additional topics focused on leadership skills and people management practices. | | Management agrees with the recommendation and have rolled out a Supervisor Core Training. All supervisors are required to attend the 8-hour session which is scheduled throughout the year. Professional coaches are also available and have been assigned to focus on leadership skills, goal achieving, and strategic decision making. In addition, supervisors will also be required to take 2 additional trainings through our Learning Management System or LinkedIn Learning curriculum. Implementation Date: Completed |





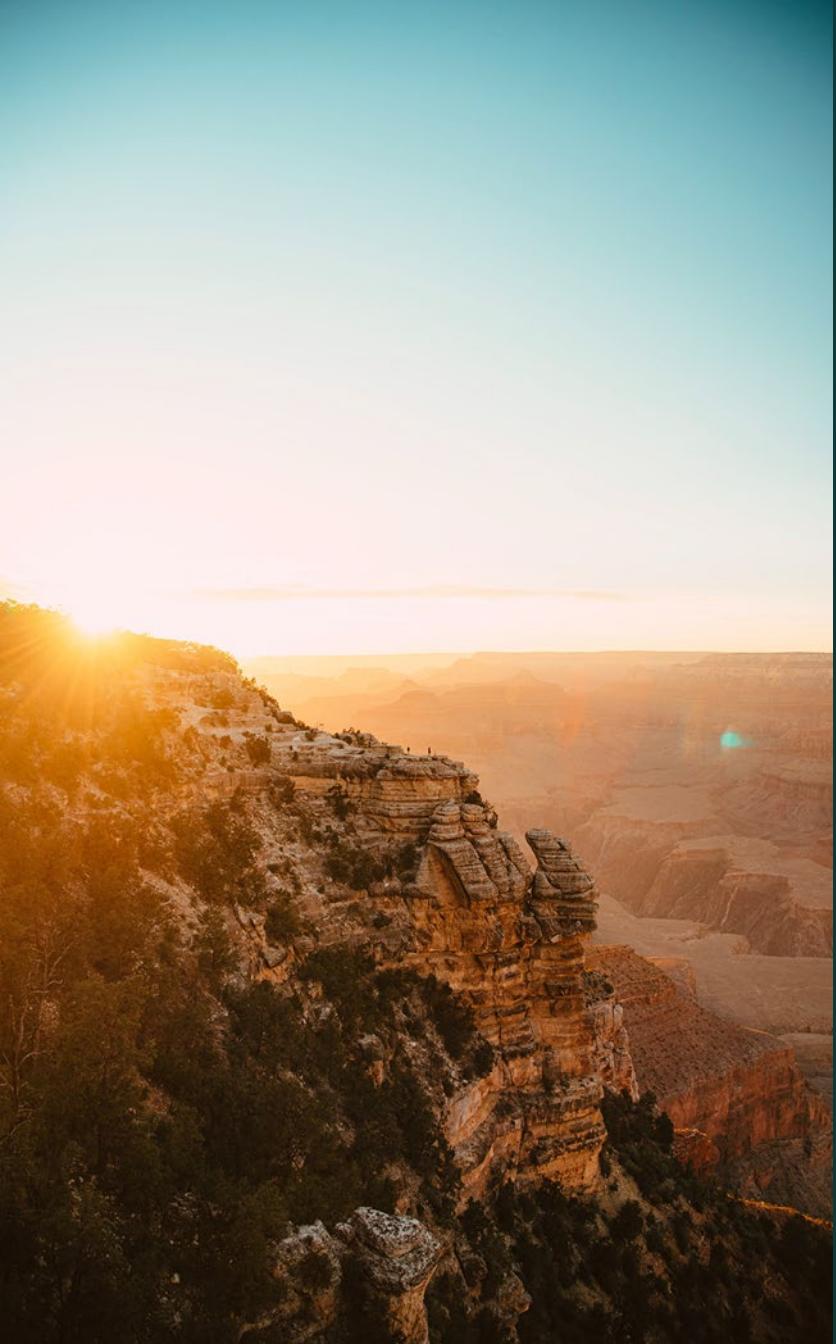
MOSSADAMS

Santa Clara Valley Water District

Human Resources Performance Audit

Board Audit Committee Meeting

March 19, 2025



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Agenda

01 OBJECTIVES AND SCOPE

02 METHODOLOGY

03 COMMENDATIONS

04 FINDINGS AND RECOMMENDATIONS



Objectives and Scope

The purpose of this performance audit was to review the District's HR management activities and identify areas for improvement. The District's most recent risk assessment indicated HR was a priority area for further evaluation.

We reviewed the following areas to determine key risks and opportunities:

- Hiring and recruiting
- Classification and compensation
- Employee recordkeeping
- HRIS functionality and system controls
- Employee relations and performance management
- Benefits administration
- Workplace investigations
- Professional and workforce development, training, and succession planning
- State and federal compliance



Methodology

This audit was conducted between August and November 2024 and consisted of four major phases (project initiation and management, fact finding, analysis, and reporting). Fact-finding and analysis was informed by:

- *Interviews*: We conducted interviews and focus groups with 55 employees from HR and across the District.
- *Document and Information Review*: We gathered relevant documentation for review including job descriptions, policies and procedures, staffing data, performance documentation, and past audits.
- *Industry Best Practice*: We conducted research into relevant industry standards and best practices.
- *Peer Benchmarking*: We compared the District's HR staffing and organizational structure to five peer organizations that were identified in collaboration with the District: Alameda County Water District, City of San Jose, Contra Costa Water District, East Bay Municipal Utility District, and Santa Clara Valley Transit Authority.



Commendations

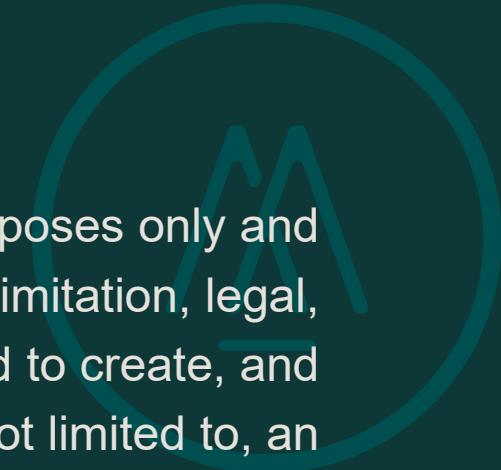
- Customer departments satisfied with quality of HR internal service and sense of partnership
- Commitment to equitable processes
- Improvements to internal collaboration processes
- Changes to organizational structure support improved communication and efficiency
- Standard policies and procedures in place and maintained as needed
- Good progress since last audit
- Improved recruiting processes



Summary of Recommendations

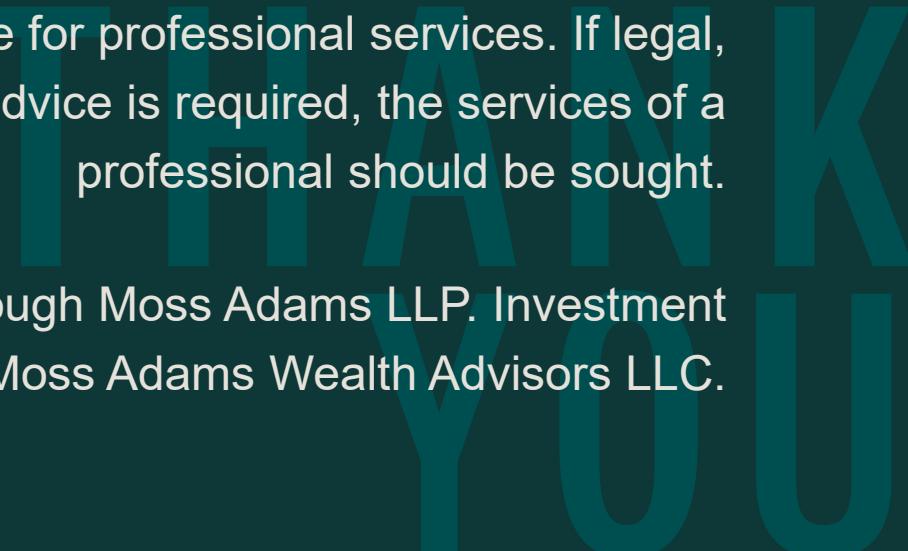
- Develop a Departmental operating plan to enhance communication and reinforce the strategic direction of the Department
- Evaluate employee classifications to determine whether they should be confidential positions
- Continue to enhance communication and change management practices internally
- Take steps to enhance HR system functionality as the District seeks a new ERP system
- Continue to provide enhanced supervisory training, including leadership development and people management skills





The material appearing in this presentation is for informational purposes only and should not be construed as advice of any kind, including, without limitation, legal, accounting, or investment advice. This information is not intended to create, and

receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although this information may have been prepared by professionals, it should not be used as a substitute for professional services. If legal, accounting, investment, or other professional advice is required, the services of a professional should be sought.



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Santa Clara Valley Water District

File No.: 25-0128

Agenda Date: 3/19/2025

Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Receive a Status Update on the Implementation of Audit Recommendations; and Discuss Timing of Next Update.

RECOMMENDATION:

- A. Receive a status update on the implementation of audit recommendations; and
- B. Discuss timing of the next update.

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.

The last status report provided to the BAC was in August 2024. The three (3) Board-directed audits, one (1) Management-directed audit, and one (1) Program-required audit identified as "Open" at that time remain open as of this report (see Attachment 1). Also as of this report, there are a total of nineteen (19) active audit recommendations that have not been fully resolved and are identified as "Pending/Underway". Additionally, there are four (4) audit recommendations that are identified as "Completed/Implemented" since the August report (see Attachment 2).

A brief high-level summary about the efforts made by staff to address pending recommendations for a given audit based on the detailed updates provided by recommendation owners in Attachment 2 are provided below.

- **2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT**

On September 2, 2020, TAP International, Inc., along with subconsultants Greta McDonald and Drummond Kahn, initiated the Grants Management Performance Audit to: (1) determine the extent to which Valley Water's grants management and administration program is operating effectively, and (2) determine if opportunities exist to better align Valley Water's

grant management and administration program and processes with best practices for grants management internal controls. Presentation of the Safe, Clean Water Program Grant Management Audit final report was approved by the Board Audit Committee on January 13, 2021, and was presented to the full Board at the March 23, 2021, Board meeting. The audit identified 11 recommendations to enhance operating effectiveness and identify opportunities to incorporate best practices. As of this report, seven (7) recommendations have been achieved, and four (4) recommendations remain "Pending/Underway." Progress on all open recommendations has been made, and an update was presented at the February 19th, 2025, BAC meeting. The remaining open recommendations are on target to be completed with the completion of the grants redesign approved by the Board at its May 28th, 2024, public meeting. On May 28, 2024, the Board approved the Grants Redesign Project recommendations to update and improve the administration of the Safe, Clean Water Grants and Partnerships Program. This included updates for all grant types, the Mini-Grant Program, and the Standard Grant Program that addresses the audit recommendations. Staff continues to work with consultants and internal subject matter experts to implement the approved Grants Redesign Project recommendations. The redesigned Mini-Grant Program was launched in Fall 2024 and accepts applications year-round. The redesigned Standard Grant Program will include a streamlined application, reduced or removed match funding requirements, expanded eligible project costs, and a project readiness criterion to evaluate due diligence and financial viability. It will include a streamlined budget template and reduced invoicing and reporting requirements. Insurance costs will be an eligible cost for both grant opportunities. Staff estimates that upon the launch of the FY25 Standard Grant cycle, the audit recommendations will be achieved. Currently, the Office of Civic Engagement returns to the BAC every six months to provide an update until all recommendations have been implemented/achieved.

- **2021 PERMITTING BEST PRACTICES AUDIT**

On October 13, 2020, TAP International Inc. was requested to conduct the Permitting Best Practices Audit that resulted in fourteen (14) recommendations to enhance communication and processing speed, introduce best practices where appropriate, and improve the customer experience. Presentation of the Permitting Best Practices Audit final report was approved and recommended by the Board Audit Committee on May 26, 2021, and presented to the full Board at the July 13, 2021, Board meeting. Since July 2021, six (6) of the fourteen (14) recommendations have been implemented. Key improvements include establishing dedicated environmental planner support and streamlined California Environmental Quality Act (CEQA) review, identifying IT system requirements, and launching a procurement process for permit database upgrades, creating a Billing Process and Policy to address financial controls, updating permit forms, and increasing webpage visibility. To date, eight (8) out of the fourteen (14) audit recommendations are identified as "Pending/Underway." Key accomplishments include reducing processing time for low-risk, repetitive permit applications. The CPRU Manager and staff improved guidance for new employees, clarifying the process. Financial management controls were implemented for invoicing and collection of payments, and a consultant helped develop a billing and revenue collection policy based on best practices. The next steps are updating the fee rate schedule by CPRU staff due to finance resource limitations, updates to the water resources protection manual with contract staff, collaborating with the Timmons Group for Cityworks implementation, and creating an IT invoicing solution linked to Valley Water's financial system. Staff will continue to provide updates via the annual

audit status report to the BAC until all recommendations have been addressed.

- **2023 CAPITAL IMPROVEMENT PROGRAM (CIP) PERFORMANCE AUDIT**

On May 24, 2022, the Board approved the initiation of the CIP Performance Audit, which resulted in eight (8) problem statements, each with a recommendation (some with sub-recommendations) for a total of fifteen (15) individual recommendations intending to improve the CIP planning processes, enhance the CIP 5-year plan, and improve transparency and consistency of the information reported in the CIP. Presentation of the CIP Performance Audit final report was approved by the BAC on August 16, 2023, and presented to the full Board at the October 24, 2023, Board meeting. Since October 2023, staff has initiated the implementation of the recommendations. Implementation of the recommendations should ensure projects are selected and prioritized using defined criteria, that key goals and milestones in the CIP plan are achievable given agency resources, continue ongoing efforts to implement leading practices as identified in the audit final report, enhance quality assurance procedures, and ensure compliance with Change Management procedures. As of this report, twelve (12) recommendations have been implemented, three (3) of which were implemented since the last report. Currently, three (3) recommendations are still pending and estimated to be fully completed by Q4 of FY26. Staff continues to work on implementing the remaining recommendations and will return to provide a status report at the August 20th, 2025, BAC meeting. The CIP team will return annually thereafter to provide an update until all recommendations have been implemented.

- **2023 INFORMATION TECHNOLOGY SURPLUS EQUIPMENT PROCESSING AUDIT (a Management-directed audit):**

On January 20, 2023, the CEO requested the Continual Improvement (CI) team initiate an audit of the IT Surplus Equipment process which resulted in eight (8) recommendations intended to align the process with best practices, improve asset management tracking, identify and update any outdated work instructions, improve record keeping, ensure proper disposal of surplus equipment, and assure follow-up documentation is received and retained accordingly. On January 30, 2024, the Chief Operating Officer (COO) of Administrative Services reviewed the findings, observations, and management's response with the CEO. Following that, the report with management's responses was provided to the BAC Chair in accordance with the BAC Charter. As of this report, seven (7) of the recommendations have been implemented, and one (1) remains as "pending/underway". The last remaining recommendation was recently reassigned from IT to Procurement because they own the specific documents that need to be updated. Staff have already begun circulating the revised documents for internal review and still anticipate completing the task by Q2 of FY25. Staff continues to work on implementation of the remaining recommendation and will provide an updated status to the CI team as requested.

- **2023 CLOSE-OUT AUDIT OF THE 2012 SAFE, CLEAN WATER PROGRAM**

(a Program-required audit):

On April 27, 2023, Valley Water engaged Moss Adams LLP (Auditor) to conduct the performance close-out audit of the voter-approved 2012 Program (Measure B), which ended in June 2021. The result of the audit produced five (5) recommendations intended to develop a conflict of interest policy that applies to the Independent Monitoring Committee, continue implementing the remaining recommendations of the grants management and administration performance audit, examine project key performance indicators (KPIs) in future iterations of the program and make revisions as needed to better reflect KPIs that are within Valley Water's control and focus on outcome-based KPIs, implement strategies to promote project continuity for projects heavily reliant on external agency cooperation, and conduct robust training and establish annual refresher training for staff involved in contracting processes. Staff presented the audit report with management's responses to the BAC at its March 20th, 2024, BAC meeting, and subsequently to the full Board at its April 23rd, 2024, Board meeting. Since then, two (2) of the recommendations related to project continuity among staff and staff training have been implemented. One (1) recommendation related to grants management and administration is expected to be completed by Q4 of FY25, upon the launch of the FY25 grant cycle. Another recommendation related to the development of a Conflict-of-Interest (COI) policy to be applied to the Independent Monitoring Committee (IMC) for the renewed Safe, Clean Water (SCW) program is being considered by Valley Water's Board. Staff is currently addressing concerns raised by the IMC Chair. At this time, staff anticipates the updated COI policy will go to the Board by March 2025. The last recommendation related to the program KPIs is expected to be completed by Q2 of FY26; an independent professional audit of the Renewed Safe, Clean Water Program by PMA Consultants, LLC is currently underway.

The BAC is requested to receive the information and provide guidance to staff as necessary. Staff intends to return to provide the next general update at the August 20th, 2025, BAC meeting.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The proposed recommendations are not subject to environmental justice analysis. Audits are conducted to identify areas that may expose Valley Water to risk, or areas that may need to implement new processes in order to meet the Board's priorities.

ATTACHMENTS:

Attachment 1: Audit Recommendation Status Table
Attachment 2: Audit Recommendation Status Updates (detailed).

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

District Management Audit Program
External Audits and Internal Reviews - Implementation Summary Report

| Line # | Audit Name | Action Item Owner | Ref # | Sub Ref # | Finding | Summary of Recommendation | Status | Recent Updates/Notes |
|--------|---|----------------------------|-------|-----------|--|---|------------------|--|
| 308 | 2020 Safe, Clean Water Program Grant Management Audit | Office of Civic Engagement | 1 | | <p>F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out)</p> <p>F2: Valley Water Needs to Standardize Internal Policies and Processes</p> <p>F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function</p> | <p>Valley Water should consider developing clear guidelines for "right-sized" application and reporting processes, meaning that application and reporting requirements should be scaled to fit the size, risk, and complexity of each individual grant: a. Valley Water should develop a formal due diligence policy and perform a due diligence review for high risk grant projects. A due diligence review of applicants determines the reasonableness of the grant and grantee's ability to perform and assess the extent of the grantee's reliance on grant funds. This would include analysis of managerial and fiscal capacity and past performance. For example, verify grantees have the requisite financial management systems that will produce invoice detail required by the grant agreement, or, gain an understanding of the type of system capabilities the non-profit has to assess whether they can comply with financial reporting required by the grant agreement. b. For high-risk grants where financial statements are required, analyze fiscal health indicators of the entity and formalize the analysis within the grant file. For areas where Valley Water already implements a number of best practices such as checking GuideStar to verify the non-profits current status and to view the grantee's IRS Form 990, staff should also memorialize its analysis in the grant file. c. For smaller non-profits or community groups, based on risk, Valley Water should consider simplifying reporting requirements or developing alternative requirements for projects under a dollar threshold, like \$25,000, or establish a tiered structure and treat smaller projects similar to mini-grants.</p> | Pending/Underway | <p>Management agrees with the concept of "right-sizing" the application and reporting processes. a. Management agrees that assessing the risk for grant projects would increase the agency's due diligence to prevent fraud and waste. An initial risk assessment would also help staff evaluate if any additional special provisions or tailored invoicing requirements and/or review are recommended in the agreement and during the grant monitoring. Management recommends that the risk assessment be conducted after the grant is awarded and before grant agreement is executed, and reviewed with the grantee at the mandatory kick-off/orientation meeting. The development and implementation of a risk assessment review and financial reporting system compliance review could also lengthen the time between award and execution of the agreement. These processes would require collaboration with subject matter experts in Risk Management and Finance. Staff will continue to review each invoice as it is submitted, in addition to conducting the risk assessment. Management also recommends that the grant agreement include a clause that grantees are still responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees understand and are held accountable for being responsible stewards of public funds, especially if they know staff is not reviewing invoices. b. Management agrees with requiring financial statements from applicants. currently, all standard grant applicants are required to submit audited financial statements or Form 990 as part of the standard grant application. This is not required for mini-grants or partnerships. Applicants and grantees have expressed that audited financial statements are costly and not feasible for smaller non-profit organizations. Therefore, Valley Water accepts the Form 990 as an alternative to audited financial statements. The audited financial statements and Form 990 are memorialized in the grantee's project application, which turns into the project file, in the Fluxx grants management system. Staff will continue to review each invoice as it is submitted, in addition to requiring the audited financial statements. This financial review would be completed during the application process to serve as another due diligence check to ensure public funds are awarded to organizations with financial capacity and sustainability to carry out the requirements of the project. Invoice review levels would be determined during the risk assessment after the funding is approved by the Board. c. Management agrees with simplifying reporting requirements and recommends using the risk assessment to identify the tiered thresholds, instead of setting a dollar amount. While the dollar amount is identified per project, the collective number of projects within that dollar amount could add up to be a high dollar amount granted with minimal oversight.</p> <p>1/10/25: Status is "In Progress - Target FY25"</p> <p>On May 28, 2024, the Board approved the Grants Redesign Project recommendations to update and improve the administration of the Safe, Clean Water Grants and Partnerships Program. This included updates for all grant types, the Mini-Grant Program, and Standard Grant Program that addresses the audit recommendations. Staff is working with consultants and internal subject matter experts to implement the approved Grants Redesign Project recommendations in FY25.</p> |
| 312 | 2020 Safe, Clean Water Program Grant Management Audit | Office of Civic Engagement | 5 | | <p>F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out)</p> <p>F2: Valley Water Needs to Standardize Internal Policies and Processes</p> <p>F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function</p> | <p>In addition to right sizing invoicing requirements based on the grant's risk level, Valley Water should right-size the level of progress reporting detail required for smaller dollar value standard grants, for example, under \$25,000.</p> | Pending/Underway | <p>Management agrees and staff will develop "right sized" reporting guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. Currently, progress reporting is based on the scope and deliverables identified by the grantees and outlined in the executed grant agreement. Staff refers to the original grant agreement and ensures that what is in the grant agreement is being reported in the progress report. Staff does not request additional reporting outside of what is listed in the agreement.</p> <p>1/10/25: Status is "In Progress - Target FY25"</p> <p>On May 28, 2024, the Board approved the Grants Redesign Project recommendations to update and improve the administration of the Safe, Clean Water Grants and Partnerships Program. This included updates for all grant types, the Mini-Grant Program, and Standard Grant Program that addresses the audit recommendations. Staff is working with consultants and internal subject matter experts to implement the approved Grants Redesign Project recommendations in FY25.</p> |

District Management Audit Program
External Audits and Internal Reviews - Implementation Summary Report

| Line # | Audit Name | Action Item Owner | Ref # | Sub Ref # | Finding | Summary of Recommendation | Status | Recent Updates/Notes |
|--------|---|----------------------------|-------|-----------|--|---|------------------|---|
| 313 | 2020 Safe, Clean Water Program Grant Management Audit | Office of Civic Engagement | 6 | | <p>F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out)</p> <p>F2: Valley Water Needs to Standardize Internal Policies and Processes</p> <p>F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function</p> | <p>Valley Water should explore where, within existing District policies, it can augment grant requirements for grant agreements and invoicing for certain grantees based on risk: partnerships, repeat grantees, establish grant value thresholds, and determine whether the number of approvals and signatures for payments are appropriate. At a minimum, for smaller, lower risk grants, Valley Water should re-assess its reporting and invoicing requirements based on risk, dollar value, and project complexity. a. For example, Valley Water could treat grant agreements up to \$25,000 like mini-grants and expedite payment for low-risk grants and low dollar amount invoices from trusted long-term grantees. Valley Water could consider paying unquestioned amounts earlier, and focus more scrutiny on riskier, larger dollar amount invoices from new grantees. b. Valley Water could also consider reimbursing expenses when invoiced and then using the closeout process to reconcile remaining amounts below a reasonable threshold. For example, if a grantee bills \$10,000 for its performance, and Valley Water questions \$500 of that amount, it could consider paying the unquestioned amount first, then resolve the questioned amount by project. c. Staff should focus their review on whether grantee costs are reasonable, allocable and allowable in accordance with the project budget and grant agreement guidelines. Spot checks would be performed to ensure calculations are correct and that receipts match the totals. The level of scrutiny applied and depth of review would be based on the grant and grantee risk factors, as determined by management.</p> | Pending/Underway | <p>Management agrees that assessing the risk for grant projects would increase the agency's due diligence to prevent fraud and waste. An initial risk assessment would also help staff evaluate if any additional special provisions or tailored invoicing requirements and/or review are recommended in the agreement and during the grant monitoring. Staff recommend that the risk assessment be conducted after the grant is awarded and before the grant agreement is executed, and reviewed with the grantee at the mandatory kick-off/orientation meeting. The development and implementation of a risk assessment review and financial reporting system compliance review could also lengthen the time between award and execution of the agreement. These processes would require collaboration with subject matter experts in Risk Management and Finance. The risk assessment would supplement staff's review of each invoice. Management also recommends that the grant agreement include a clause that grantees are still responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees understand and are held accountable for being responsible stewards of public funds, especially if they know staff is not reviewing invoices. Management recommends considering equity and inclusion in the development of the risk assessment guidelines and criteria. Applying varying standards for returning grantees would result in inequitable treatment and would disproportionately provide privilege to grantees who are already familiar with the grants program. The grants program continues to improve and be updated, so meeting the prior requirements may or may not mean that a returning grantee meets and understands the current program requirements. Additionally, varying guidelines and criteria per grantee agency could deter new agencies from applying if they feel that returning grantees have an advantage. a. While management agrees with the concept of streamlining the invoicing process, management feels that this approach may also expose Valley Water to potential complaints of disparate and inequitable treatment. Management recommends the following alternative as a consideration to avoid being vulnerable to such complaints. Management recommends developing and implementing a spot check process to review and/or audit grantees using an outside consultant, if the Board adopts this recommendation. While some grantee agencies are returning applicants and grantees, those agencies may have new staff managing the projects. Therefore, even though the grantee agency is not new, the agency staff changes does not guarantee that the projects are carried forward consistently. Staff agrees with simplifying reporting requirements and recommends using the risk assessment to identify the tiered thresholds, instead of setting a dollar amount. While the dollar amount is identified per project, the collective number of projects within that dollar amount may add up to be a high dollar amount granted with minimal oversight. b. Management agrees with this recommendation and will formalize this process. Staff currently implements this practice informally, depending on the type of outstanding items are included in the invoice. Staff will develop "right sized" invoicing guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. c. Management agrees, and staff currently focuses their review on grantee costs that are not reasonable, allocable and allowable in accordance with the project budget and grant agreement guidelines, such as items that were not included in the budget; costs that are not related to any identifiable/reportable work in the grant scope; costs that have no supporting documentation; overspending on a specific task without prior approval; and submitting reimbursement requests for activities that have already been paid out. These improper payment requests are sometimes due simply to grantee staff turnover, among other factors.</p> <p>1/10/25: Status is "In Progress - Target FY25"</p> <p>On May 28, 2024, the Board approved the Grants Redesign Project recommendations to update and improve the administration of the Safe, Clean Water Grants and Partnerships Program. This included updates for all grant types, the Mini-Grant Program, and Standard Grant Program that addresses the audit recommendations. Staff is working with consultants and internal subject matter experts to implement the approved Grants Redesign Project recommendations in FY25.</p> |
| 314 | 2020 Safe, Clean Water Program Grant Management Audit | Office of Civic Engagement | 7 | | <p>F1: Valley Water Needs to Right-size Oversight in all Phases of the Grants Management Cycle (Pre-Award, Award, Post-Award, and Close-out)</p> <p>F2: Valley Water Needs to Standardize Internal Policies and Processes</p> <p>F3: Valley Water can Change Staffing Assignments to Enhance the Grant Management Function</p> | <p>Should Valley Water decide to continue to require the same information for progress and invoice submission, they should: a. Confirm the integrity of grantee financial management system data used for review before award. b. Include language in the grant agreement such as, "Failure to submit an accurate financial invoice in a timely manner may result in payments being withheld, delayed, or denied, and will result in payment delays".</p> | Pending/Underway | <p>Management will develop "right sized" invoicing guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. The items recommended below will be analyzed in the development of the new guidelines.</p> <p>a. Management agrees that confirming the integrity of the grantee financial management system data before award is warranted. One caveat is that these additional steps of both developing and implementing a risk assessment and financial reporting system compliance review could lengthen the time on the front end of the process, between the award period and the final execution of the agreement. The development and implementation of these processes would require collaboration with subject matter experts in Risk Management and Finance. Management agrees with this recommendation to clearly state that an accurate financial invoice is required to complete the payment request. Staff also recommends including language in the template grant agreement for grantees to consent to still being responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees follow through with being responsible stewards of public funds, especially if they know staff is not reviewing invoices. These expectations would be reviewed with the grantee during the kick-off/orientation meeting after the agreement is executed.</p> <p>1/10/25: Status is "In Progress - Target FY25"</p> <p>On May 28, 2024, the Board approved the Grants Redesign Project recommendations to update and improve the administration of the Safe, Clean Water Grants and Partnerships Program. This included updates for all grant types, the Mini-Grant Program, and Standard Grant Program that addresses the audit recommendations. Staff is working with consultants and internal subject matter experts to implement the approved Grants Redesign Project recommendations in FY25.</p> |

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| 294 | 2021 Permitting Best Practices Audit | Community Projects Review Unit (CPRU) | 2 | | <p>F2: CPRU's Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication</p> <ul style="list-style-type: none"> - Permittees Want Faster Permit Processing and Better Communication with Applicants - CPRU Has Mixed Success in Meetings Its Goals for Timely Permit Processing <p>F3: Timeliness Concerns Attributed to Multiple Factors</p> <ul style="list-style-type: none"> - Engineers Spend More Time Reviewing Permits - Bottlenecks Occur at the End of the Permit Review Process - Permit Applicants Experience Challenges in Meeting Insurance Requirements - Some Permit Applications Are Not Recorded on a Timely Basis - Permit Review Activities Need Better Standardization and Clarity - Permit Processing is Primarily a Manual Process - CPRU Does Not Consistently Plan for Large Reviews | <p>The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.</p> | Pending/Underway | <p>Management Response: Management agrees with the recommendation. CPRU will update and complete the existing permit review policies, practices, and instruction guidance for various types of transactions to bring consistency in the review of projects. Target Implementation Date: June 2022</p> <p>Auditor Response: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 02/2025: Ongoing Staff is working with legal to finalize updates to the Water Resources Protection Ordinance. Updates on the Fee Rate Schedule are now scheduled to be performed by CPRU staff rather than finance staff due to limited staff resources in finance which delayed the rate analysis. Updates to the Water Resources Protection Manual are underway with the assistance of contract staff. For IT-based improvements, see Recommendation 6.</p> <p>Revised Target Implementation Date: July 2025 for Fee Rate Schedule and WRPO, December 2025 for Water Resources Protection Manual</p> |
| 297 | 2021 Permitting Best Practices Audit | Community Projects Review Unit (CPRU) | 5 | | <p>F2: CPRU's Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication</p> <ul style="list-style-type: none"> - Permittees Want Faster Permit Processing and Better Communication with Applicants - CPRU Has Mixed Success in Meetings Its Goals for Timely Permit Processing <p>F3: Timeliness Concerns Attributed to Multiple Factors</p> <ul style="list-style-type: none"> - Engineers Spend More Time Reviewing Permits - Bottlenecks Occur at the End of the Permit Review Process - Permit Applicants Experience Challenges in Meeting Insurance Requirements - Some Permit Applications Are Not Recorded on a Timely Basis - Permit Review Activities Need Better Standardization and Clarity - Permit Processing is Primarily a Manual Process - CPRU Does Not Consistently Plan for Large Reviews | <p>The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.</p> | Pending/Underway | <p>Management Response: Management partially agrees with the recommendation. In general, the assignment of liaison responsibilities will increase confusion and will take more time of the staff reviewing the permit to provide and explain the details of customer's request to the liaison. CPRU Manager will explore the role of a liaison where this may increase efficiency and coordinate with IT to explore other tools to integrate with the database (See response to Recommendation 6). CPRU Manager will request additional resources from Management. Use of additional technicians to assist in background research for projects and review of routine, low-risk tasks will free up time to allow engineers to ensure consistent and timely communication on permit applications. Target Implementation Date: October 2022</p> <p>Auditor Response: Management's response generally addresses the recommendation. The use of additional resources – either a liaison or technician(s) – to perform provide customer service, would allow engineers more time to perform the technical reviews of permit applications and help to reduce review times. These additional resources may be critical to meeting customer's expectations while Valley Water's planned implementation of a new information systems for customer resource management (CRM) is undertaken that will also interface with another new information system that is planned to replace the current CPRU database. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 2/2025: Ongoing. Since April 2024, VW executed an agreement with Timmons Group for implementation services for the Cityworks Software. CPRU and IT have been working with the Timmons Group on the design requirements for Cityworks as a replacement for the current CPRU database. For IT-based improvements, see Recommendation 6.</p> <p>Revised Target Implementation Date: June 2026 (IT improvements)</p> |

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| 298 | 2021 Permitting Best Practices Audit | Community Projects Review Unit (CPRU) | 6 | | <p>F4: Local Agencies' Strategies Could Benefit Valley Water</p> <ul style="list-style-type: none"> - Some Agencies Utilize Online Customer Service Portals to Upload Permit Application and to Check Permit Status - One Agency Uses a Project Coordinator to Facilitate Communication and Timely Processing - Other Agencies Identify Themselves Differently; Renaming CPRU May Avoid Confusion - Other Agencies Outreach Annually to Publicize Agency's Permit Services | <p>The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:</p> <ul style="list-style-type: none"> a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file. b. Expanded search function for researching past projects and permits. c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance. d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders. e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system. f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units. | Pending/Underway | <p>Management Response: Management agrees and will approach the implementation of this recommendation in phases:</p> <ol style="list-style-type: none"> 1. Modernize processes, support submission of permit applications, track requests, complete reviews, facilitate online reporting for customers and reduce administrative burden of tracking and reporting through the selection and implementation of a new CPRU online portal. Management will consider options to include this functionality within other active projects such as the Wells Management System Upgrade and Access Valley Water. (6a, d, e, f) 2. Expand search/research functions and reduce administrative burden via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022. (6b, f) 3. Create Dashboards and reports via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022, the ERP Capital Project currently underway. (6c)" <p>Target Implementation Date: Varies</p> <p>Auditor Response: Management's response generally addresses the recommendation. A target date to complete all activities should be established and a follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 2/2025: Ongoing.</p> <ol style="list-style-type: none"> 1. Ongoing. Work with the Timmons Group to implement Cityworks is underway. Timmons currently estimates that the new online portal will take approximately 1 year to implement. 2. Ongoing. CPRU has specified that its online customer service portal must have expanded and agile search capabilities. 3. Ongoing. CPRU has specified that its online customer service portal must have configurable dashboards for management. <p>Revised Target Implementation Date: June 2026</p> |
| 302 | 2021 Permitting Best Practices Audit | Community Projects Review Unit (CPRU) | 10 | | <p>F5: Update Needed for Fee Schedule and Cost Recovery Strategy</p> <ul style="list-style-type: none"> - Valley Water Recovers Only a Small Percentage of CPRU's Operating Costs from Permit Fees and Other Services - Updating Valley Water's Fee Schedule, Based on a Fee Study, Could Help Ensure Appropriate Cost Recovery - Updated Guidance for Billing for Staff Time Spent Reviewing Permits is Needed - Other Local Water Agencies Charge Hourly Rate Instead of Flat Fee for Inspections | <p>Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.</p> | Pending/Underway | <p>Management Response: Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal.</p> <p>Target Implementation Date: August 2022</p> <p>Auditor Response: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status update 02/2025: Ongoing</p> <p>CPRU staff begun the analysis to update the fee rate schedule and recommended target cost recovery goal. Due to a reduction in CPRU resources, finalization of the analysis is delayed by approximately 4-6 months.</p> <p>Revised Target Implementation Date: July 2025.</p> |
| 303 | 2021 Permitting Best Practices Audit | Community Projects Review Unit (CPRU) | 11 | | <p>F5: Update Needed for Fee Schedule and Cost Recovery Strategy</p> <ul style="list-style-type: none"> - Valley Water Recovers Only a Small Percentage of CPRU's Operating Costs from Permit Fees and Other Services - Updating Valley Water's Fee Schedule, Based on a Fee Study, Could Help Ensure Appropriate Cost Recovery - Updated Guidance for Billing for Staff Time Spent Reviewing Permits is Needed - Other Local Water Agencies Charge Hourly Rate Instead of Flat Fee for Inspections | <p>The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.</p> | Pending/Underway | <p>Management Response: Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal.</p> <p>Target Implementation Date: August 2022</p> <p>Auditor Response: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status update 02/2025: Ongoing</p> <p>CPRU staff begun the analysis to update the fee rate schedule and recommended target cost recovery goal. Due to a reduction in CPRU resources, finalization of the analysis is delayed by approximately 4-6 months.</p> <p>Revised Target Implementation Date: July 2025.</p> |

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| 304 | 2021 Permitting Best Practices Audit | Community Projects Review Unit (CPRU) | 12 | | F5: Update Needed for Fee Schedule and Cost Recovery Strategy - Valley Water Recovers Only a Small Percentage of CPRU's Operating Costs from Permit Fees and Other Services - Updating Valley Water's Fee Schedule, Based on a Fee Study, Could Help Ensure Appropriate Cost Recovery - Updated Guidance for Billing for Staff Time Spent Reviewing Permits is Needed - Other Local Water Agencies Charge Hourly Rate Instead of Flat Fee for Inspections | The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced. | Pending/Underway | <p>Management Response: Management agrees with this recommendation.</p> <p>a. CPRU Manager will consider strategies to reduce processing time for low-risk, repetitive types of permit applications. CPRU Manager and experienced staff, through permit guidance instructions will add further clarity for new and less experienced staff and reduce ambiguity in the process. (Target Date: June 2022)</p> <p>b. Implementation of Recommendation 6 via the implementation of the Data Consolidation Capital Project Proof of Concept and the ERP Capital Project and the results of the fee study with the implementation of Recommendation 11, and results from Recommendation 13 will provide better information and insight to strategize the tracking and invoicing of permit applications and other processing tasks. (Target Date: June 2023 depending on the research outcome in Recommendation 13)</p> <p>Target Implementation Date: Varies</p> <p>Auditor Response: Management's response generally satisfies the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 2/2025: a. Complete b. Ongoing. See Recommendations 6, 10, and 11.</p> <p>Revised Target Implementation Date: Recommendation 6—June 2026, and Recommendations 10 and 11—July 2025.</p> |
| 305 | 2021 Permitting Best Practices Audit | Community Projects Review Unit (CPRU) | 13 | | F6: Robust Internal Control Framework Needed to Ensure Accurate and Timely Invoicing and Collection of Fee Payments | The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments, and deposits. One option to consider is to use Valley Water's core financial management information system. | Pending/Underway | <p>Management Response: Management agrees and will engage in the research, specification, selection, procurement, and implementation of a comprehensive tool capable of ensuring accurate recording of invoices, payments, and deposits.</p> <p>Target Implementation Date: June 2023 depending on research outcome.</p> <p>Auditor Response: Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 2/2025: Ongoing. See Recommendations 2 and 6 for IT upgrade status. CPRU has specified that its online customer service portal must have an ability to integrate invoicing.</p> <p>Revised Target Implementation Date: Recommendation 2—July 2025 and Recommendation 6—June 2026</p> |
| 306 | 2021 Permitting Best Practices Audit | Community Projects Review Unit (CPRU) | 14 | | F6: Robust Internal Control Framework Needed to Ensure Accurate and Timely Invoicing and Collection of Fee Payments | The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation. | Pending/Underway | <p>Management Response: Management agrees and will approach the implementation of this recommendation in phases:</p> <ol style="list-style-type: none"> 1. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021). 2. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022). 3. Implement an IT solution for invoicing that is linked to Valley Water's core financial system and aligns with Valley Water's billing and revenue collection policy (Target date – June 2023 depending on the research outcome (R13)) <p>Target Implementation Date: Varies.</p> <p>Auditor Response: Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 2/2025: a. Complete. b. Complete. c. Ongoing. See Recommendation 6 for IT upgrade status. CPRU has specified that its online customer service portal must have an ability to integrate invoicing. Currently CPRU has to create invoices in Oracle and MuniBilling which created additional work to address the recommendation in the interim.</p> <p>Revised Target Implementation Date: June 2026</p> |

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| 335 | 2023 Information Technology Surplus Equipment Processing Audit | Purchasing and Consultant Contracts Services | 1 | | According to staff interviewed, IT was told to follow work instructions W-741-092 and was not aware that the work instructions did not align with the Policy until questions arose in the fall of calendar year 2022. On December 8, 2022, the Chief Operating Officer directed IT to adhere to the Policy and send all surplus computer electronics for disposal to the Purchasing Unit. The inconsistencies between the Policy and applied work instructions resulted in unauthorized disposals of computer electronic property by IT over approximately a five (5) year period. From April 2021 through November 2022, Valley Water staff identified 40 computer electronic items to be surplused through the use of the FC-1733 forms provided by Valley Water. | Valley Water should revise work instructions W-751-073 - Disposal of Computer Electronics and Non-Computer Electronics Work Instructions to be consistent and comply with the Policy and W-741-092 – Disposition of Surplus Valley Water Property. | Pending/Underway | Valley Water Management response: Acknowledge. The work instruction is being updated. <u>December 2024 status update:</u> This item was reassigned to the Procurement team because they own the documents to be updated. IT Staff has reviewed and commented on the draft revisions currently circulating for internal review. The revised work instruction is undergoing final stakeholder review. Revised completion by end of Q3, FY 25. |
| 338 | 2023 Information Technology Surplus Equipment Processing Audit | IT Management Team | 2 | c | Disposal Method Options: IT opts for all computer electronics to be recycled and has not evaluated other disposal options, such as auction or donation. | Work with the Purchasing Unit to determine an appropriate and consistent disposal method for categories of surplus IT equipment identified for disposal. | Completed/Implemented | Valley Water Management response: Acknowledge. The work instruction, which includes instruction on the methods of disposal for equipment categories and asset types, is being updated. <u>December 2024 status update:</u> Purchasing has secured a vendor to handle the disposal of IT equipment not suitable for auction. |
| 344 | 2023 Capital Improvement Program Performance Audit | Business Planning and Analysis (CIP Team) | 1 | b | Schedule and spending targets established in the CIP 5-Year Plan may not be achievable. | Improve CIP goal attainment, including the likelihood that expenditure and schedule targets are met, by identifying specific staff and contract resources required to complete projects, including the type of resource, quantity of resource, and timing of the need for the resource | Pending/Underway | Management agrees and believes this recommendation will be addressed through the implementation of our new resource planning/staff forecasting tool VEMO. 12/19/24: The implementation and testing of Vemo is underway. In the interim, the Budget Office has developed a tool for Capital Project managers to use for estimating labor hours. Estimated to be fully implemented by Q4, FY26. |
| 345 | 2023 Capital Improvement Program Performance Audit | Business Planning and Analysis (CIP Team) | 1 | c | Schedule and spending targets established in the CIP 5-Year Plan may not be achievable. | Improve CIP goal attainment, including the likelihood that expenditure and schedule targets are met, by conducting and formally memorializing analyses of common cost and schedule delays in the Lessons Learned database in ProjectMates and share results agency-wide | Pending/Underway | Management agrees and will implement this recommendation through ProjectMates. 12/19/24: Implementation of the Lessons Learned database in ProjectMates is underway. Estimated to be fully implemented by Q4, FY26. The documentation and formal memorialization of common cost and schedule delays, via the new Table 5 in Vena is deemed complete. Change Management Categories are tracked and monitored. |
| 346 | 2023 Capital Improvement Program Performance Audit | Business Planning and Analysis (CIP Team) | 2 | a | Valley Water's performance in delivering capital projects is obscured by the lack of a robust performance measurement system | Develop a performance measurement system that effectively demonstrates Valley Water's performance in achieving the goals of the CIP and the capital infrastructure goals of its master plans. This includes monitoring and reporting overall CIP performance and using this information to identify areas where improvements can be made to both capital project delivery and delivery of the capital improvement program. | Completed/Implemented | Management agrees and has developed dynamic reports at the project and program level. The PowerBI quarterly reporting tool tracks project-level and program-level metrics, with data provided via Vena, Infor, ProjectMates, and using CIP historic data. A performance measurement system has been developed using these enhanced tools for reporting and monitoring. Management has identified Key Performance Indicators (KPIs) for Capital Projects, and set triggers for corrective action. 12/19/24: Complete. Additional goals will be identified based on an analysis of historical and industry trends. |
| 347 | 2023 Capital Improvement Program Performance Audit | Business Planning and Analysis (CIP Team) | 2 | b | Valley Water's performance in delivering capital projects is obscured by the lack of a robust performance measurement system | Develop a performance measurement system that effectively demonstrates Valley Water's performance in achieving the goals of the CIP and the capital infrastructure goals of its master plans. This includes establishing tangible targets to measure the effectiveness of the CIP in meeting established agency goals. | Completed/Implemented | Management agrees and has developed dynamic reports at the project and program level. The PowerBI quarterly reporting tool tracks project-level and program-level metrics, with data provided via Vena, Infor, ProjectMates, and using CIP historic data. A performance measurement system has been developed using these enhanced tools for reporting and monitoring. Management has identified Key Performance Indicators (KPIs) for Capital Projects, and set triggers for corrective action. 12/19/24: Complete. Additional goals will be identified based on an analysis of historical and industry trends. |

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| 348 | 2023 Capital Improvement Program Performance Audit | Business Planning and Analysis (CIP Team) | 2 | c | Valley Water's performance in delivering capital projects is obscured by the lack of a robust performance measurement system | Develop a performance measurement system that effectively demonstrates Valley Water's performance in achieving the goals of the CIP and the capital infrastructure goals of its master plans. This includes incorporating anticipated timelines within which the results of recent process improvements are expected to be evident and measurable in CIP outcomes. | Pending/Underway | Management agrees. Management is proposing a two-year implementation period for ProjectMates, with a follow-up audit to validate success (e.g. follow-up audit to be initiated in FY26 to allow time for implementation of ProjectMates and Vemo). 12/19/24: Implementation underway. Estimated to be fully implemented by Q4, FY26. |
| 352 | 2023 Capital Improvement Program Performance Audit | Business Planning and Analysis (CIP Team) | 6 | | While the CIP 5-Year Plan includes information regarding anticipated operations and maintenance (O&M) costs, additional information regarding the factors contributing to potential O&M costs, particularly when costs have not yet been fully determined, is essential. Business | When operations and maintenance costs associated with programmed capital projects are unknown, include additional detail within the CIP 5-Year Plan regarding why the costs are unknown, what factors may impact the costs, and when they will be determined. | Completed/Implemented | Management agrees and has incorporated additional detail for projects with unknown O&M costs, including why they are unknown, what factors may impact them, and when staff anticipates they will be determined. The O&M costs are reflected in the CIP 5-Year Plan when information is available and included in both the Financial Planning/Summary Chapter, as well as a new Appendix. The information is then utilized by O&M managers and forecasted in the related operating projects through the Long-Term Forecast. 12/19/24: Completed. O&M Impacts to be published in the CIP FY 2026-30 Five-Year Plan (new Appendix section) to be published by June 27, 2025. |
| 358 | 2023 Close-out Audit of the 2012 Safe, Clean Water Program | Chief of Staff/District Counsel | 1 | | Valley Water does not have a conflict-of-interest policy that applies to the Independent Monitoring Committee (IMC) members. Conflicts of interest, whether real or perceived, can harm the Program's reputation and integrity. | Develop a conflict-of-interest policy that applies to IMC members and incorporate education on conflicts of interest into IMC orientation and training procedures. | Pending/Underway | Management Response: Management agrees with the recommendation. Staff will evaluate the processes and committees to which the conflict-of-interest policy would be applicable. A plan and policy are expected to be in place by October 2024. Completion Target Date: March 2025 1/14/25: Status is "In Progress - Target FY25" Development of a Conflict-of-Interest (COI) policy to be applied to the Independent Monitoring Committee (IMC) for the renewed Safe, Clean Water (SCW) program is being considered by Valley Water's Board. Staff is currently addressing concerns raised by the IMC Chair. At this time, staff does not have an exact target completion date, but anticipates presenting the COI policy to the Board at one of the March 2025 Board meetings. |
| 359 | 2023 Close-out Audit of the 2012 Safe, Clean Water Program | Office of Civic Engagement | 2 | | According to a 2021 performance audit, grant management and administration during the 2012 Program experienced challenges with processes, timeliness, and reporting. | Continue implementation of the remaining recommendations made in the 2021 grants management and administration performance audit. | Pending/Underway | Management Response: Management agrees with this recommendation to continue implementing the recommendations made in the 2021 grants management and administration performance audit. Of the 11 audit recommendations, seven have been implemented and four remain in progress and on target to be implemented with the completion of the grants redesign. Staff will continue to provide bi-annual updates to the Board Audit Committee until all recommendations are achieved. Completion Target Date: Q4 of FY2025 (June 2025) 1/10/25: Status is "In Progress – Target FY25" On May 28, 2024, the Board approved the Grants Redesign Project recommendations to update and improve the administration of the Safe, Clean Water Grants and Partnerships Program. This included updates for all grant types, the Mini-Grant Program, and Standard Grant Program that addresses the audit recommendations. Staff continues to work with consultants and internal subject matter experts to implement the approved Grants Redesign Project recommendations. The redesigned Mini-Grant Program was launched in Fall 2024 and accepts applications year-round. The redesigned Standard Grant Program is expected to launch the FY25 grant cycle in Winter 2025 for grant awards to be made in Spring 2025. Upon the launch of the FY25 grant cycle, the audit recommendations will be achieved. |

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| Line # | Audit Name | Action Item Owner | Ref # | Sub Ref # | Finding | Summary of Recommendation | Status | Recent Updates/Notes |
|--------|--|---|-------|-----------|--|--|------------------|---|
| 360 | 2023 Close-out Audit of the 2012 Safe, Clean Water Program | Business Planning and Analysis (SCW Team) | 3 | | <p>Some Program KPIs relied on external organizations for completion, which made them more difficult to achieve on schedule. Additionally, some KPIs were based on outputs instead of outcomes, which created limitations in the measurement of the Program's impact on the community.</p> | <p>Examine KPIs in future iterations of the Program and make revisions as needed to better reflect KPIs that are within Valley Water's control and focus on outcome-based KPIs. Where KPIs are not able to be fully within Valley Water's control, consider defining Valley Water's level of responsibility (e.g., primary or contributing responsibility) and develop strategies for addressing external factors that limit the ability of the KPIs to be achieved.</p> | Pending/Underway | <p>Management Response: Staff acknowledges the recommendation and sees the upcoming independent audit of the renewed Safe, Clean Water and Natural Flood Protection Program (Renewed Program Audit) as the appropriate opportunity to review the KPIs. The renewed Program replaced the 2012 Program in its entirety and includes a new priority, new projects, and KPIs. The renewed Program replaced the 2012 Program in its entirety and includes a new priority, new projects, and KPIs. The renewed Program has three categories of KPIs, namely Performance-based, requiring completion of a specific activity; Fiscal-based, requiring full allocation to be expended to accomplish desired outcomes; and Schedule-based, requiring project completion according to a timeline, and these will be reviewed as part of the Renewed Program Audit.</p> <p>Background: The Safe, Clean Water Program Resolution No. 20-64, Section Q states "While the Safe, Clean Water and Natural Flood Protection program is in effect, the Board of Directors shall conduct independent professional audits of the Program to provide for accountability and transparency at least every five years." Following a recommendation from the Independent Monitoring Committee in February 2023, the Board approved two separate audits: a closeout audit for the 2012 Program (the current audit) and a distinct audit for the renewed Safe, Clean Water Program. The renewed Program, which voters approved in 2020 and became effective on July 1, 2021, is now in its third year of implementation. Staff expects to engage an auditor for the renewed Program by July 2024 and will share the 2012 Program closeout audit recommendations with the new auditor</p> <p>Completion Target Date: Q2 of FY26 (Nov./Dec. 2025)</p> <p>Update as of 12-31-2024</p> <p>An independent professional audit of the Renewed Safe, Clean Water Program by PMA Consultants, LLC is currently underway.</p> |

Attachment 2

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2/11/2025

Table 1:

| Board-directed Audit Name | Total Number of Recommendations | # of Recommendations Not Selected for Further Analysis | % | # of Recommendations Either Pending or Underway | % | # of Recommendations Either Completed or Implemented | % |
|--|---------------------------------|--|-----------|---|------------|--|------------|
| 2020 Safe, Clean Water Program Grant Management Audit | 11 | 0 | 0% | 4 | 36% | 7 | 64% |
| 2021 Permitting Best Practices Audit | 14 | 0 | 0% | 8 | 57% | 6 | 43% |
| 2023 Capital Improvement Program Performance Audit | 15 | 0 | 0% | 3 | 20% | 12 | 80% |
| 2024 Information Technology Performance Audit (in progress) | | | | | | | |
| 2024 Human Resources Performance Audit (in progress) | | | | | | | |
| 2024 Board Policies Compliance Audit (in progress) | | | | | | | |
| Subtotal: | 40 | 0 | 0% | 15 | 38% | 25 | 63% |

RED TEXT = New Audits underway; Data will be added when final report is accepted

Table 2:

| Management-directed Audit Name | Total Number of Recommendations | # of Recommendations Not Selected for Further Analysis | % | # of Recommendations Either Pending or Underway | % | # of Recommendations Either Completed or Implemented | % |
|--|---------------------------------|--|-----------|---|------------|--|------------|
| 2023 Information Technology Surplus Equipment Processing Audit | 8 | 0 | 0% | 1 | 13% | 7 | 88% |
| Subtotal: | 8 | 0 | 0% | 1 | 13% | 7 | 88% |

Table 3:

| Program Audit Name | Total Number of Recommendations | # of Recommendations Not Selected for Further Analysis | % | # of Recommendations Either Pending or Underway | % | # of Recommendations Either Completed or Implemented | % |
|---|---------------------------------|--|-----------|---|------------|--|------------|
| 2023 Close-out Audit of the 2012 Safe, Clean Water Program | 5 | 0 | 0% | 3 | 60% | 2 | 40% |
| 2024 Renewed Safe, Clean Water Program Performance Audit (in progress) | | | | | | | |
| Subtotal: | 5 | 0 | 0% | 3 | 60% | 2 | 40% |

RED TEXT = New Audits underway; Data will be added when final report is accepted

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Santa Clara Valley Water District

File No.: 25-0229

Agenda Date: 3/19/2025

Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Discuss Proposed Updates to the Board Audit Committee Audit Charter and Provide Further Direction as Needed.

RECOMMENDATION:

- A. Discuss Proposed Updates to the Board Audit Committee Audit Charter; and
- B. Provide Further Direction as Needed.

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. On September 26, 2018, the BAC directed that an Audit Committee Charter be developed, and on August 27, 2019, the Board formally approved the BAC Audit Charter. The BAC Audit Charter was last amended by the Board at its regular meeting on May 28, 2024.

A. Recommended Changes

Article X, Section 1 of the Charter states that the BAC shall periodically review the Audit Charter and make any recommendations to the Board for final approval. In accordance with this requirement, the following recommended changes are proposed:

First, Article VI, §7 addresses Valley Water management responses to audits and currently requires that:

Valley Water Management must review, for technical accuracy, and provide comments on any preliminary draft audit report within ten working days from issuance.

Staff has reported that in practice this ten working day deadline can sometimes be difficult to meet. As an alternative to extending this deadline (e.g., fifteen working days), the Chief Audit Executive has

suggested changing the requirement to holding an exit conference with the Auditor regarding any preliminary draft report. This will allow prompt discussion of any issues that could impact the report within a reasonable time frame.

Second, Article VI, §7 also sets forth a deadline for management to review and respond to draft audit report recommendations included in Board initiated audits:

Valley Water Management must review and respond to draft audit report recommendations included in Board Initiated audits within fifteen working days from issuance of any draft audit report, unless the Auditor requires the Management response in a shorter amount of time.

In recognition of the possible exchange of information and drafts earlier in the process, it is recommended that “issuance of any draft audit report” be changed to “issuance of the final draft audit report.” This change will help to avoid any ambiguity in the process and recognizes that management is preparing a draft management response for Board Audit Committee (Committee) review based only on the final draft report.

Third, since Article VI, §7 of the Charter references “working days” in two places, it is recommended that the remaining reference to “days” in the Charter (Article VII, §§3-4) include the qualifier “calendar” for clarity. While the existing references to “days” in Article VII are unqualified and should therefore be interpreted to mean calendar days, adding the qualifier “calendar” will avoid any ambiguity or future questions regarding deadlines.

Fourth, Article III, §4 includes a minor grammatical correction: changing “consider” to “considers.”

These recommended changes are all set forth in the redlined Charter (Attachment-1), and input is sought from the Committee regarding whether to recommend them to the full Board for adoption in the Charter.

B. BAC Input Regarding Further Charter Changes

Input is also requested from the Committee regarding any additional modifications to propose for the Charter. Once a final set of changes has been approved by the Committee, the proposed updated Charter would be presented to the full Board for approval.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The BAC Charter is not subject to environmental justice analysis. The BAC Charter serves as a guide utilized by the BAC to describe how the BAC will carry out its function as it relates to the Board's priorities.

ATTACHMENTS:

Attachment 1: Red-lined Board Audit Committee Charter

Attachment 2: PowerPoint

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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SANTA CLARA VALLEY WATER DISTRICT
BOARD AUDIT COMMITTEE
AUDIT CHARTER

ARTICLE I - PURPOSE

1. This Charter shall govern the operation of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee).
2. Valley Water's Board of Directors (Board) is responsible for ensuring that Valley Water provides Silicon Valley with safe, clean water for a healthy life, environment, and economy.
3. Audits constitute an important oversight tool as they provide independent and fact-based information to an agency's elected officials and management. Information derived from audits can be used by those responsible with governance and oversight to use it to improve program performance and operations, confirm regulatory compliance, reduce costs, and facilitate decision making.
4. The Committee shall assist the Board, consistent with direction from the full Board, by identifying potential areas for audit and audit priorities, and to review, update, plan and coordinate execution of Board audits.
5. Through its oversight of the audit process, the Committee serves a critical role in providing oversight of Valley Water's governance, risk management, ethics program, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. It is the Committee's responsibility to provide the Board with independent, objective advice on the adequacy of Valley Water management's arrangements with respect to the aspects of the management of Valley Water being evaluated.
6. In carrying out its functions, the Committee shall emphasize: (a) the identification of organizational risk; (b) service delivery; (c) operational efficiency; (d) effectiveness of Valley Water programs; (e) project delivery; (f) establishment of an Annual Workplan and an Annual Audit Workplan to guide the Committee's work; and (g) oversight and monitoring of Valley Water operations and compliance with all applicable regulatory requirements.
7. In addition to carrying out audits in a Board approved Annual Audit Plan, the Committee's purpose also includes oversight of audits initiated by Valley Water management, review and comment upon final audits initiated by third-party governmental or administrative agencies, and the conduct of Limited Investigations of potential fraud, waste or violations of law or policy as set forth herein. The

Committee's oversight of Annual Financial Statement Audits shall include the additional elements set forth in Article VIII herein.

8. The Committee shall serve to reinforce the wholeness of the Board's job and shall never interfere with delegation from the Board to the Board Appointed Officers.
9. Through its oversight of the audit process, the Committee shall provide the Board with independent advice and guidance regarding the adequacy and effectiveness of Valley Water's management practices and potential improvements to those practices.

ARTICLE II - COMPOSITION

1. Number of Committee members/Appointment - The Committee shall consist of at least three members of the Board and shall be appointed by the Board in accordance with the Board's Governance Policies. Committee members shall serve one-year terms.
2. Quorum - The quorum for the Committee shall be a majority of the members.
3. Committee Chair - A Committee Chair shall be elected by a majority of the Committee at the first Committee meeting of the calendar year and shall serve for a one-year term. The Committee Chair shall be responsible for approving agendas for Committee meetings (which shall include the right to add agenda items and, subject to the restrictions of Governance Process sections 6.3 and 6.3.1, review agenda items prior to posting agendas), approving the payment of invoices to Auditors, and making all initial efforts to resolve any conflicts that may arise during an audit, including but not limited to meeting with auditors and Valley Water executive management to discuss audit results and corrective action plans. To the extent the Chair is unable to resolve conflicts arising during the audit, the matter shall be referred to the Committee for attempted resolution.
4. Committee Vice-Chair - A Committee Vice-Chair shall be elected by a majority of the Committee at the first Committee meeting of the calendar year and shall serve for a one-year term. The Vice-Chair shall assume the duties of the Chair during the Chair's absence.

ARTICLE III – OPERATIONAL PRINCIPLES

1. Committee Values. The Committee shall conduct itself in accordance with Valley Water's values as set forth in Valley Water's Governance Policies of the Board of Directors, Governance Process No. GP-7 (Values Statement).

2. Communications – The Committee expects that all communication with management and staff of Valley Water as well as with any external auditors will be direct, open, and complete. The Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Committee will communicate directly with the Board and will not exercise actual authority over Valley Water employees.
3. Disclosure of Impairment to Independence – The Auditor shall disclose the details of any audit-related impairment in fact or in appearance to the Committee (e.g., one which threatens the ability to carry out audit responsibilities in an unbiased manner, including matters of audit identification, scope, procedures, frequency, timing, and report content).
4. Access to Information - Except where action by the full Board is required (such as for the waiver of a legal privilege), the Committee shall have unrestricted access to records, data, reports, and all other relevant information it considers necessary to discharge its duties. If access to requested documents is denied due to legal or confidentiality reasons, the Committee shall follow any prescribed, Board approved mechanism for resolution of the matter.
5. Authority – This Charter sets out the authority of the Committee to carry out the responsibilities established for it by the Board. In the event of any conflict between this Charter and either the District Act or the Board Governance Policies, the provisions of the District Act and Board Governance Policies shall prevail.
6. Annual Work Plan –
 - 6.1. 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 Valley Water staff. Work Plans are dynamic documents managed by Committee chairs and are subject to change. Annual Work Plans establish a framework for committee discussion and action during the annual meeting schedule. Committee Work Plans also serve as Annual Committee Accomplishments Reports.
 - 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.

7. Annual Audit Plan

7.1. While the Annual Work Plan governs the overall work of the Committee, the Committee shall also develop a proposed “Annual Audit Plan” which shall list each of the individual audits to be performed over the course of the year.

7.2. By November 30 of each year, the Committee shall submit its recommended Annual Audit Plan to the full Board for consideration and direction. Following the Board’s adoption of the Annual Audit Plan, the Committee shall execute the Annual Audit Plan. Any proposed substantive changes to the Annual Audit Plan (e.g., combining audits, adding or removing an audit, or significantly delaying initiation of an audit) must be approved by the Board. Recommended changes should be evidence based.

7.3. Only audits properly included in an approved Annual Audit Plan, as set forth in section 7.2 above, may be undertaken by the Committee.

7.4. Risk Assessment – The Committee shall endeavor to complete a Valley Water-wide risk assessment, at a minimum, tri-annually and to annually update Valley Water-wide audit risk assessment to include objectively recommended audits ranked based upon the potential level of risk to Valley Water. The results of this Valley Water-wide audit risk assessment should be relied upon to develop the proposed Annual Audit Plan.

8. Valley Water Independent Auditor – Upon approval of the Board following recommendation by the Committee, Valley Water may retain an Independent Auditor to serve as support to the Committee, to make recommendations for the Annual Work Plan, and to recommend audits for inclusion in the Annual Audit Plan. The Independent Auditor shall not be an employee of Valley Water. The Independent Auditor must report directly to the Audit Committee but is subject to the final authority of the Board. Valley Water staff shall not direct or attempt to direct the work of the Independent Auditor. The Committee may recommend that the Independent Auditor perform individual audits but shall ensure that additional auditors are recommended for use in planned audits so that no single firm conducts a disproportionate number of audits in a given fiscal year.

9. Committee Evaluation of Auditor Performance – The Committee shall evaluate the performance of the Independent Auditor and any other Auditor retained by the Board. The Committee may make a recommendation to the Board to discharge

such Independent Auditors or other Auditors where they are not adequately fulfilling their contracted duties.

10. Preparation and Attendance – Committee members are obligated to prepare for and participate in Committee meetings.
11. Conflicts of Interest – It is the responsibility of Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee regarding any matters coming before or considered by the Committee.

ARTICLE IV – MEETINGS

1. Meeting Agendas – Guided by the Audit Charter, Annual Work Plan, and Annual Audit Plan, the Committee Chair will establish agendas for Committee meetings in consultation with Committee members, Valley Water Management, and the Clerk of the Board.
2. Meetings – The Committee will conduct its meetings in accordance with the provisions of the Brown Act. The Committee shall meet at least four times per year. Beyond this minimum, there shall be no limit to the number of meetings held over the course of the year.

ARTICLE V – AUDIT PRINCIPLES

1. Audit Purposes – Audits can serve several purposes including, but not limited to:
 - a. Verifying that programs, services, and operations are working based upon the Committee's understanding;
 - b. Assuring efficiency and effectiveness;
 - c. Identifying the root cause of any problems experienced by Valley Water;
 - d. Assessing future risks facing Valley Water;
 - e. Assessing the progress of prior audit recommendations;
 - f. Identifying any impact that changes in Valley Water operations have had on financial performance and service delivery;
 - g. Identifying leading practices;
 - h. Assessing regulatory compliance;
 - i. Developing policy options; and
 - j. Assessing the accuracy of financial information reported by Valley Water.
2. Audit Types – The types of audits that may be conducted on behalf of Valley Water include, but are not limited to, the following:

- a. Financial audits – Valley Water hires an outside independent audit firm to perform Valley Water's financial statement audit;
- b. Internal audits – Internal audits (aka, Management Audits) review the environment, information, and activities that are designed to provide proper accountability over Valley Water operations;
- c. Compliance audits – Compliance audits review adherence to Valley Water policies and procedures, state regulatory requirements, or federal regulatory requirements;
- d. Performance audits – Performance audits review the economy, efficiency, and effectiveness of Valley Water's programs, services and operations. Performance audits can evaluate current impact or assess operations prospectively;
- e. Desk reviews – Small and quick assessments of limited size or duration for the purpose of determining if a full performance audit is needed. Board approval is not required for Desk reviews, however the Committee shall, as soon as is practicable, provide the Board with notice following the Committee's approval to initiate any Desk review;
- f. Follow up audits – Audits evaluating to what extent prior audit recommendations have been implemented. Follow up audits may also assess other actions taken to respond to or prevent the occurrence of problems;
- g. Best practice reviews – Audits which compare current Valley Water operations to best practices.
- h. Program audits – Program audits are conducted to evaluate whether a particular Valley Water program is effectively accomplishing its goals and are mandated pursuant to state or federal statute or regulation, ordinance, resolution, ballot measure, grant requirement, or contractual requirement. Program audits are unique in that they are mandated by program requirements, not directed by management or the Board. Program audits fall within the responsibility of Valley Water management except when specifically referred to the Committee by the Board.

3. Audit Objectives – Audit objectives must be developed for every audit conducted on behalf of Valley Water. These audit objectives are questions posed by management, Committee members, Board members, or auditors about the specific nature of the issue or concern that is the subject of the audit. Suggested Audit Objectives shall be referenced in the Annual Audit Plan for every

audit listed therein. The audit objectives may be subject to revision as necessary during the planning phase of the audit.

4. Audit Standards – Audits conducted by or on behalf of the Committee shall conform with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (RED Book) or the Generally Accepted Government Auditing Standards established by the U.S. Government Accountable Standards (YELLOW Book), or both.
5. Limited Investigations.
 - a) Purpose. In lieu of an audit, the Committee shall also have discretion to conduct or request Limited Investigations to address any discrete issue or concern regarding fraud, waste, or violations of law or policy at Valley Water. The Committee shall not have jurisdiction to conduct Limited Investigations on any other matters. Prior Board approval is not required for the initiation of Limited Investigations.
 - b) Scope. Such Limited Investigations may or may not be subject to the Audit Standards set forth above and shall be undertaken only where: (1) the Limited Investigation is designed to determine the existence or nonexistence of discrete facts involving alleged fraud, waste, or violations of law or policy at Valley Water; (2) the Committee has determined that an audit is not appropriate to address the concern; and (3) the Limited Investigation does not address any matters covered or potentially covered by Board Governance Policy GP-6 (Board Members' Code of Conduct).
 - c) Classified Employees. Classified employees who are parties to any Limited Investigation shall be afforded all applicable rights under the Meyers-Milias-Brown Act and the Memorandum of Understanding then in effect with the employee's union.
 - d) Timely completion. All Limited Investigations must be completed in a timely manner.
 - e) Report of Results. The Committee shall advise the Board of the results of all completed Limited Investigations.
6. Protection of Confidential or Privileged Information – The Committee shall take all necessary steps to prevent the unnecessary disclosure of privileged or confidential information arising in the audit process, arising in the final reports on the audits, arising in the Limited Investigation process, or arising in final reports issued on Limited Investigations.

ARTICLE VI – COMMITTEE OVERSIGHT OF BOARD INITIATED AUDITS

1. Committee recommendation of Auditors – The Committee shall make recommendations to the full Board for the selection of all Auditors to perform audits in the approved Annual Audit Plan. In making such recommendations, the Committee shall consider multiple auditors in order to avoid having any single auditor perform a disproportionate number of audits in a given fiscal year. Following such recommendation, the Board shall make the final decision regarding the selection of such auditors.
2. Board Auditors and Valley Water Staff – Valley Water staff may assist the Committee in its work and may provide information to, assist, or work with Auditors retained by the Board, as necessary. Valley Water staff shall not, however, attempt to direct any Auditors retained by the Board. Auditors retained by the Board shall have a duty to the Board and shall not take direction from Valley Water staff.
3. Communications with Auditors – Individual Committee members shall have the right to speak with Auditors directly regarding the Auditor's assignments. However, direction to Auditors shall come from the Committee as a whole.
4. Completion of Annual Audit Plan – The Committee shall ensure that audits on the Annual Audit Plan are initiated and completed in an accurate and timely manner.
5. Review of Final Audit Results/Notice to Board – The Committee shall review the observations and conclusions of all audits conducted pursuant to the Annual Audit Plan. Upon finalization of the audits and any related reports, the Committee shall provide the Board with the results and make any recommendations to the Board regarding improvement of program performance and operations, cost reductions, and best practices. Prior to referring any final audit report to the Board, the Committee may refer final audit reports to other Board committees for review and discussion. The Board may also direct that any final audit reports be referred to specified Board committees for review and discussion before being referred to the Board.
6. Draft Audit Reports - Subject to any requirements of the California Public Records Act or any other applicable state or federal law or regulation, Draft Audit Reports shall be treated as confidential records. Despite any contrary prior practice, Draft Audit Reports shall not be presented to the Committee or any other Valley Water committee for review or any other purpose.

7. Valley Water Management Response to Audits – Valley Water Management must hold an exit conference with the Auditor regarding any preliminary draft audit report within ten working days from issuance. Valley Water Management must review and respond to draft audit report recommendations included in Board Initiated audits within fifteen working days from issuance of the final draft audit report, unless the Auditor requires the Management response in a shorter amount of time. The Committee, at the request of Valley Water management, may extend the review and comment periods on an audit-by-audit basis. The Committee may ask questions about or make comments on any responses to the draft audit report recommendations. However, the Committee shall not attempt to direct Valley Water staff in its response to any audit.
8. Follow-up/close out of audits – The Committee may request a report regarding Valley Water's implementation of measures to address recommendations from individual audits. Where not all audit recommendations have been implemented, this shall be a reported in a Follow-up report, and where all recommendations have been implemented, this shall be reported in a Close-out Report. As designated by the Committee, the report shall be prepared by either the Auditor completing the audit or the Independent Auditor. Where no remedial measures have been identified by Valley Water management, the Close-out Report shall address whether management has elected to accept the associated risk or whether the risk no longer exists. Following consideration of the Close-out Report, the Committee may vote to close an audit where it is satisfied that the audit recommendations are adequately addressed or where the risk associated with any unaddressed recommendation is acceptable or no longer exists.
9. Board Monitoring of Committee Performance – The Committee shall provide the Board with timely and periodic reports regarding its activities, its progress on individual audits, its progress on the Annual Work Plan, its progress on the Annual Audit Plan, the results of completed audits, and the Committee's recommendations based upon the audit results. The Committee may also identify any recognizable trends in the audit results as part of its periodic reports. The Committee shall provide such reports to the Board at least four times per calendar year.

ARTICLE VII – THIRD-PARTY AND MANAGEMENT INITIATED AUDITS

1. Third-Party Audits – Third-Party Audits are audits initiated by a separate governmental agency (entities other than Valley Water).

2. Management Initiated Audits – Management Initiated Audits are audits requested by Valley Water management (i.e., internal audits) and audits mandated by specific program requirements (i.e., Program Audits). Nothing in this Charter shall restrict the ability or discretion of Valley Water management to undertake any audits it deems required or recommended.
3. Notice to Committee of Third-Party Audits – The Committee shall be promptly notified in writing of the existence and results of any Third-Party audits of Valley Water. Where Valley Water has been given an opportunity to submit a response before the Third-Party audit is finalized, the Committee Chair shall be immediately notified by email or telephone and shall determine whether to have the Committee review and comment upon any draft Valley Water response at a regularly scheduled or specially noticed Committee meeting. Where possible, Valley Water management shall provide the Committee with at least fifteen calendar days for such review and comment. Where timely review and comment by the full Committee is not reasonably possible, the Committee Chair may conduct such review and comment himself/herself and shall report upon such review and comment at the next scheduled Committee meeting. The Committee Chair may also delegate this responsibility to the Vice Chair for any particular Third-Party Audit, where the Committee Chair is unavailable. The Committee shall be provided with copies of any final reports on Third-Party Audits.
4. Notice to Committee of Management Initiated Audits – Valley Water management shall notify the Committee in writing of any planned Management Initiated Audits before commencing the same. Upon request by the Board Chair, Valley Water management shall provide a report to the Committee of the scope and nature of all planned Management Initiated Audits at the next scheduled Committee meeting. Where circumstances require any Management Initiated Audit to commence before the next regularly scheduled Committee meeting, the Committee Chair shall be advised of this need, and the audit need not be delayed. Where the Management Initiated Audit allows for a response by Valley Water staff before it is finalized, the Committee Chair shall be immediately notified by email or telephone and shall determine whether to have the Committee review and comment on any draft Valley Water response at a regularly scheduled or specially noticed Committee meeting. Where possible, Valley Water management shall provide the Committee with at least fifteen calendar days for such review and comment. Where timely review and comment by the full Committee is not reasonably possible, the Committee Chair may conduct such review and comment himself/herself and shall report upon such review and comment at the next scheduled Committee meeting. The Committee Chair may

also delegate this responsibility to the Vice Chair for any particular Management Initiated Audit, where the Committee Chair is unavailable. The Committee shall be provided with copies of any final reports on Management Initiated Audits.

5. Comment Upon Draft Audit Responses – The Committee Chair and the Committee may ask questions about or make comments upon any draft audit responses. However, they shall not attempt to direct Valley Water staff in its response to any audit.
6. Audit Results – The Committee may request a report by Valley Water Staff on any response to Management Initiated or Third-Party Audits and any plans by Valley Water staff to implement changes as a result of the audits.
7. Board Report of Audit Results – In its periodic reports to the full Board, the Committee may include information regarding Third-Party Audits or Management Initiated Audits.

ARTICLE VIII – ANNUAL FINANCIAL STATEMENT AUDIT

1. Annual Financial Statement Audit - The Committee shall participate in Valley Water's procurement process for Valley Water's annual financial statement audit.
2. The Committee's participation shall include, but not be limited to, providing input to Valley Water management on the selection criteria and desired qualifications of the public accounting firm. The selected external financial auditor shall submit to the Committee Valley Water's audited financial statements annually, including all related management letters to the Committee for review and comment.
3. Financial Statement audit results and pertinent information identified during the course of the audit shall be communicated, in writing or verbally, to the Board Audit Committee. For purposes of this section, "pertinent information" is defined as issues, concerns, practices, programs, or activities that may pose a reputational, operational, financial, or service delivery risk to Valley Water regardless of the magnitude of the apparent risk, as well as any issue deemed pertinent in the auditor's professional judgment.
4. Valley Water contracts for performance of the Annual Financial Statement Audit entered into after December 13, 2022 shall include express contractual obligations in accordance with the aforementioned ARTICLE VIII, Section 3.

ARTICLE IX – REVIEW OF JPA AUDITS

1. For purposes of this Article, “JPA” means any Joint Powers Authority formed under the California Joint Exercise of Powers Act (Government Code sections 6500 et seq.) to which Valley Water is a member pursuant to a Joint Powers Agreement.
2. The Committee shall have the authority to review any formally issued JPA audit reports and, except as set forth below, shall retain discretion regarding what JPA audit reports it may wish to review.
3. Through its review of JPA audits, the Committee may evaluate:
 - a) Whether the JPAs are complying with applicable legal requirements;
 - b) The financial condition of the JPAs;
 - c) Whether the JPAs are complying with the terms of their respective JPA Agreements;
 - d) Whether Valley Water’s interests are being met;
 - e) Whether there are any trends of concern in the activities of the JPA;
 - f) Whether there are any recommended areas for future audits for the JPA; and
 - g) Any specific questions of Valley Water’s Board.
4. The Board may refer specific JPA audits to the Committee for review and/or recommendation as to questions or subjects identified by the Board.
5. In conducting its review, the Committee may seek input from the Independent Auditor, Valley Water staff, and others as needed.
6. The review of any JPA audits shall be included in the Committee’s Annual Work Plan.
7. The Committee may report out to the Board regarding any JPA audit review results and any related recommendations of the Committee.
8. The Committee’s authority to review JPA audits set forth herein does not include any corresponding right to directly communicate with JPAs on behalf of Valley Water or assume any direct responsibilities of Valley Water’s formal representatives on the JPAs. This shall not limit the activities or functions of any Valley Water JPA representative who is also member of the Committee.

ARTICLE X – PERFORMANCE MANAGEMENT

1. The Committee shall periodically review the Audit Charter and shall make any recommendations regarding changes to the Board for final approval.

2. The Board may make any changes to the Audit Charter it deems to be appropriate.
3. Education – The Annual Work Plan shall include some component of planned Committee training on audit principles, practices, or standards. The Independent Auditor shall provide Committee training and other knowledge transfer on some component of audit principles, practices, and standards. While the Committee shall endeavor to schedule and complete such training annually, some component of training must be scheduled and completed by the Committee at least every two years.
4. At least annually, the Committee shall conduct an evaluation of its performance to determine whether it is functioning effectively and to discuss with the Independent Auditor any observations related to the effectiveness of the Committee. The Committee shall prepare a formal report based upon each such self-evaluation and shall provide such report to the full Board following its adoption by the Committee.



Valley Water

Clean Water • Healthy Environment • Flood Protection

Board Audit Committee Charter - Proposed Revisions March 19, 2025

Charter History

- The Board Audit Committee Charter was first adopted in August 2019.
- Art. X, Sec. 1: “The Committee shall periodically review the Audit Charter and shall make any recommendations regarding changes to the Board for final approval.”
- The most recent amendments were approved by the Board in May 2024.

Proposed Revision 1 – Exit Conference

- Article VI, Sec. 7 currently requires that management must review for technical accuracy and provide comments on any preliminary draft audit report within 10 working days of issuance.
- Staff reports this deadline is sometimes problematic to meet.
- The Board Independent Auditor recommends amending this section so that management must have an **exit conference** with the Auditor within 10 working days.

Proposed Revision 2 – Final Draft Audit Report

- Article VI, Section 7 sets forth a 15 working day deadline for management to review and respond to ***any*** draft audit report recommendations.
- The current process could include earlier exchanges of drafts.
- For clarity, it is recommended that management's deadline run from issuance of ***the final*** draft audit report recommendations.

Proposed Revision 3 – Calendar Days

- Article VI, Section 7 includes references to “working” days in its deadlines.
- The Charter’s remaining references to “days” are in Article VII, Sections 3-4, and these do not include the qualifier “working”
- To avoid ambiguity, it is recommended that the Article VII references to “days” be changed to “calendar days”

Proposed Revision 4 – “Considers”

- Article III, §4 includes a minor grammatical correction: changing “consider” to “considers.”
- “Except where action by the full Board is required (such as for the waiver of a legal privilege), the Committee shall have unrestricted access to records, data, reports, and all other relevant information it **considers** necessary to discharge its duties.”

ADDITIONAL RECOMMENDED CHANGES?

QUESTIONS



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Santa Clara Valley Water District

File No.: 25-0227

Agenda Date: 3/19/2025

Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Discuss the Results of the Board Audit Committee's (BAC) Annual Self-Evaluation for Calendar Year (CY) 2024.

RECOMMENDATION:

Discuss the results of the BAC's Annual Self-Evaluation for CY 2024.

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 audit priorities, and to review, update, plan, and coordinate execution of Board-directed audits.

According to Article 9, paragraph 4 of the BAC Audit Charter, the BAC shall conduct a self-evaluation of its performance annually. The Committee shall conduct the evaluation of its performance to determine whether it is functioning effectively and to discuss with the Chief Audit Executive (CAE) any observations related to the effectiveness of the Committee. The BAC shall prepare and submit a formal report based upon each such self-evaluation to the full Board.

At its February 19, 2025, meeting the BAC discussed potential approaches to the self-evaluation process, including the use of questionnaires and interviews, and requested the CAE to schedule interviews with each member of the BAC to obtain insight regarding the Committee's performance as well as opportunities for improvement.

Interviews with BAC members occurred between February 28 and March 6, 2025. Consistent with prior years, members of the BAC generally agreed that the overall governance and activities of the committee were aligned with its charter; members have a clear understanding of the role and responsibility of the BAC, strive to ensure the BAC acts independently of Valley Water management, meet regularly as scheduled, adhere to the annual work plan, maintain open lines of communication with the Independent auditor, engage in ongoing assessments of corrective action taken by management in response to audit findings and recommendations, routinely evaluate risk and systems of internal control, and strive for continuous improvement. However, members did raise specific areas where improvements may be achieved, and value added. These include:

- Identifying, and incorporating into the audit plan, areas within Valley Water's operations and capital program that should be audited on a cyclical basis. This could potentially require the full Board's approval of a multi-year audit program.
- Considering potential ways the performance audit function could review Board operations and governance practices.
- Continuing to improve and streamline the iterative process currently employed to develop the Annual Audit Work Plan, recommend the plan to the full Board, identify auditors to conduct the audits, etc.
- Promoting transparency by developing a way to report on improvements that Valley Water has made as a result of the audit process-e.g., the results or outcomes of Board-directed audits, management audits, and other audits, repository of Board-commissioned audits
- Continuing to emphasize Valley Water's collaborative approach to audits, focusing on continuous improvement while minimizing the potentially adversarial nature of audits and building buy-in from management and staff

The purpose of this agenda item is to discuss the results of the 2024 annual self-evaluation.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

There are no Environmental Justice impacts associated with this item. The discussion is an opportunity for the BAC members to identify areas where the committee is doing well, and/or areas where the committee could improve their efforts to meet the Board's priorities.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 25-0228

Agenda Date: 3/19/2025

Item No.: 4.5.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Receive and Discuss Report from Independent Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Regarding Their Performance in Calendar Year (CY) 2024, and Evaluate Performance of CAE.

RECOMMENDATION:

- A. Receive and discuss a report from the independent CAE, Sjoberg Evashenk Consulting, regarding their performance in CY 2024; and
- B. Evaluate the performance of the CAE.

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.

Per the BAC Charter, Article III, Paragraph 9, the BAC is tasked annually with evaluating Board Auditor performance.

On February 19, 2025, the Committee requested the CAE to prepare and submit the annual performance report. For this agenda item, the CAE will present the 2024 Annual Performance Report for consideration and evaluation.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

There are no Environmental Justice impacts associated with this item.

ATTACHMENTS:

Attachment 1: 2024 Annual Performance Report

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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Client Memorandum

To: Board Audit Committee, Santa Clara Valley Water District

From: George Skiles, Partner, Sjoberg Evashenk Consulting, Inc.

Date: March 10, 2025

Subject: **2024 Annual Performance Report of the Independent Chief Audit Executive**

The Santa Clara Valley Water District (Valley Water) 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; support its efforts to advance open and accountable government; assess operational risks and advise on potential audits to ensure the District is in compliance with its policies, procedures, and regulations; assist in preparing an annual program of audits with associated calendars, schedules and budgets; conduct Board-directed performance audits and other audit engagements; and prepare formal and informal reports and presentations to the Audit Committee and the full Board of Directors.

In 2022, the Board of Directors contracted with Sjoberg Evashenk Consulting, Inc., to serve as the independent Chief Audit Executive. The scope of services required of the independent Chief Audit Executive include:

- Provide advice and recommendations on audits of government programs
- Develop an annual audit program, calendar, and budget
- Conduct audits as directed by the Audit Committee
- Prepare and deliver formal and informal audit reports and presentations
- Attend Audit Committee and Board meetings
- Meet with District staff as needed
- Provide additional staff resources as determined by the Audit Committee
- Conduct certain audits as directed by the Board

Summary of 2024 Audit Activity

Below is a summary of the work performed by the Chief Audit Executive during the 2024 Calendar Year.

Attended Board and Board Committee Meetings

Sjoberg Evashenk Consulting attended all 11 Board Audit Committees held in 2024, and performed the following activities:

- Participated in Board Audit Committee planning and debrief meetings
- Reviewed agenda items
- Provided audit process guidance
- Researched and provided information on best practices for relevant subject areas
- Provided progress reports on ongoing audit activities completed

Sjoberg Evashenk Consulting also attended three other Board meetings to discuss the proposed 2024 Annual Audit Plan and recommend changes to the Board Audit Committee Charter, as well as to present to the full Board the CAE's training on audit standards.

In addition to our attendance at relevant Board meetings and Committee meetings, the CAE also monitored Board meetings by reviewing meeting videos and documentation posted subsequent to the meetings. Where the meetings were not directly related to audit activities, our efforts were not billed to Valley Water. It is our belief that such efforts increase our familiarity with Valley Water operations and help inform future audit decisions.

Developed the Proposed BAC Annual Audit Plan

In support of the BAC's annual practice of identifying potential audit topics for the Board's consideration, Sjoberg Evashenk Consulting reviewed the recently completed 2023 Risk Assessment and provided input regarding the potential audit topics identified in the Risk Assessment for BAC consideration. In consultation with the BAC, four audits were selected for inclusion in the 2025 Annual Audit Work Plan.

Sjoberg Evashenk Consulting developed and submitted the audit plan for discussion at the November 20, 2025, BAC meeting. At the January 28, 2025, Board meeting, the Board approved all four (4) proposed topics to proceed as the 2025 Annual Audit Work Plan, as noted below, with the following assignments and preliminary schedule:

- 1) Capital Project Delivery: Assigned to Sjoberg Evashenk with possible start in late Q2 2025 and conclude in Q1 of 2026
- 2) Centralized and Decentralized Contracting Practices: Assigned to Sjoberg Evashenk with possible start in Q2 2025 and conclude in Q4 of 2025
- 3) Water Conservation Strategies: Assigned to Moss Adams with possible start in Q1 2025 and conclude in Q3 of 2025
- 4) Water Usage and Demand Forecasting: Assigned to Moss Adams with possible start in Q3 2025 and conclude in Q1 of 2026

Conducted Audit Training

The BAC Audit Charter (Article 10, Paragraph 3) requires the Board Independent Auditor shall provide the Committee with training related to Audit Principles, Practices, or Standards at least every two years. Audit training typically includes topics relating to auditing standards or some aspect of the audit process. At the request of the BAC, the CAE presented training to the full Board at the June 18, 2024, Special Board Meeting on audit standards, including best practices, and how Valley Water compares to other similar agencies.

Supported efforts to update the BAC Audit Charter

Beginning in 2020, with advice from the BAC's prior CAE, the BAC revisited and updated the Audit Charter as part of its annual review as described in its Annual Performance Work Plan. This effort continued in 2024. The Valley Water's Board Audit Committee Audit Charter serves to administer a framework for providing the BAC oversight of the governance, risk management, and audit activities of Valley Water. The Audit Charter also describes the general responsibilities of the Independent Auditor. To support the BAC's work, Sjoberg Evashenk Consulting reviewed the proposed revisions to the Audit Charter, particularly as they related to incorporating clarifying language and a November 30 deadline for the BAC to submit a complete audit plan recommendation to the full Board for consideration. A revised Audit Charter was approved by the Board of Directors on May 28, 2024.

Completed Four Board Audit Follow-Up Reviews

In 2022, as directed by the BAC, Sjoberg Evashenk provided input regarding best practices in public sector audit committees. Sjoberg Evashenk Consulting conducted research of professional standards and best practices, met with Valley Water personnel responsible for overseeing and administering the audit follow-up process, and reviewed past audit follow-up reporting provided to the BAC, particularly reporting related to the status of outstanding or un-implemented audit recommendations. In 2023, at the direction of the BAC, Valley Water management modified its process for reporting on the status of prior audit recommendations. This included requiring the CAE to conduct audit follow-up reviews on Board-directed audits and having Valley Water management continue its follow-up efforts related to all non-Board audits. Based on this direction, Sjoberg Evashenk Consulting completed its review of four prior Board-directed audits:

- 2014 Transparency Compliance Audit
- 2019 Contract Change Order Audit
- 2020 District Counsel Audit
- 2020 Real Estate Services Audit.

This analysis revealed that Valley Water management had substantively addressed the findings in three of the reports (2014 Transparency Compliance Audit, 2019 Contract Change Order Audit, and 2020 District Counsel Audit) by implementing the auditor recommendations or alternative corrective actions. For the one remaining audit, the CAE will continue follow-up reviews until all recommendations are determined complete.

Financial Overview

In 2024, Sjoberg Evashenk Consulting charged Valley Water about \$93,922 for audit and support services, as shown in Table 1.

EXHIBIT 1: 2024 INDEPENDENT AUDITOR CHARGES

| | |
|---|--------------------|
| Audit Services (Audits & Follow-Ups) | \$52,264.00 |
| Support Services | |
| General Audit Committee Services | \$35,777.29 |
| Project Management | \$5,880.52 |
| Total | \$93,921.81 |

Conclusion

Sjoberg Evashenk Consulting is proud to be a partner with Valley Water and a part of the larger transparency and accountability apparatus established by Valley Water, which includes the BAC, Board audit function, Valley Water's management audit function, and general governance responsibilities. We look forward to working with the BAC in its efforts to promote continuous improvement, furthering the development of the Board audit function through the addition of one or more independent audit firms, and continuing to build and strengthen Valley Water's audit functions.



Santa Clara Valley Water District

File No.: 25-0226

Agenda Date: 3/19/2025

Item No.: 4.6.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Discuss Process and Scope of 2025 Annual Audit Training from Chief Audit Executive (CAE).

RECOMMENDATION:

Discuss process and scope of 2025 Annual Audit Training from CAE.

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.

Per Article 9, paragraph 3 of the BAC Audit Charter, the Board Independent Auditor shall provide the Committee with annual training related to Audit Principles, Practices, or Standards. Audit Training may include training on auditing standards, the audit process, and financial statement audits. For example, potential audit topics include, but are not limited to, the following:

- Audit standards, including Generally Accepted Government Auditing Standards issued by the Government Accountability Office and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
- The Role of Audit Committees in overseeing organizational audit activities.
- Incorporating Diversity, Equity, and Inclusion in performance auditing in the public sector.
- Auditing construction projects.
- Auditor independence and avoiding potential conflicts of interest.
- Fundamentals of Internal Control in public sector agencies.
- Best practices of board audit committees in the public sector.
- Fraud in Government

The purpose of this item is to discuss the process and scope of the training to be provided by the CAE.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The BAC Annual Audit Training is not subject to environmental justice analysis. Training is an essential task that ensures the BAC and other Board members are kept up to date regarding the latest principles and best practices of auditing.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 25-0225

Agenda Date: 3/19/2025

Item No.: 4.7.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

Discuss 2025 Annual Audit Plan (Capital Project Delivery; Contracting Practices; Conservation Strategies; Water Usage/Demand Forecasting), and Provide Feedback as Needed.

RECOMMENDATION:

- A. Discuss 2025 Annual Audit Plan; and
- B. Provide feedback as needed.

SUMMARY:

On November 20, 2024, the Chief Audit Executive (CAE) presented the proposed topics for the 2025 Annual Audit Plan to the Board Audit Committee (BAC) based on his individual interviews with each of the Board members. The BAC discussed and ultimately agreed to recommend the following topics to the full Board:

- 1) Capital project delivery activities, including Valley Water's overall approach to project and construction management, the contract vehicles employed on capital projects, methods for monitoring contractors and evaluating contract compliance, and execution. The factors may include project timelines, budget management, staffing resources, inter-departmental coordination, contractor performance, and compliance with environmental and regulatory requirements for capital projects within the watersheds.
- 2) Centralized and decentralized contracting processes, including:
 - a. Determining consistency with Santa Clara Valley Water District (Valley Water) policies, procedures, best practices, and other relevant guidance;
 - b. Assessing timeliness of contracting and procurement practices, including the identification of potential bottlenecks;
 - c. Evaluating the appropriateness of the procurement vehicles used for different types of procurements, including the purchases of goods and supplies, professional services, construction contractors, operations and maintenance contractors, and other types of procurements; and
 - d. Benchmarking research, including the extent to which Valley Water's procurement

practices compare with other public sector agencies.

- 3) Water conservation strategies, including evaluating Valley Water's relationships with other water agencies, evaluating best practices among water districts, assessing how monies dedicated to conservation activities are being spent, and identifying opportunities to enhance Valley Water's conservation goals.
- 4) Water usage and demand forecasting, including identifying best practices employed by benchmark agencies, and how forecasting models are used to inform the Water Supply Master Plan.

At its meeting on January 28, 2025, the Board approved the audit assignments and respective target start dates for each audit:

- 1) Capital Project Delivery
 - assign to Sjoberg Evashenk with possible start in late Q2 2025 and conclude in Q1 of 2026
- 2) Centralized and Decentralized Contracting Practices
 - assign to Sjoberg Evashenk with possible start in Q2 2025 and conclude in Q4 of 2025
- 3) Water Conservation Strategies
 - assign to Moss Adams with possible start in Q1 2025 and conclude in Q3 of 2025
- 4) Water Usage and Demand Forecasting
 - assign to Moss Adams with possible start in Q3 2025 and conclude in Q1 of 2026

The purpose of this agenda item is to discuss the 2025 Annual Audit Plan, discuss any new related information as appropriate, and receive any feedback the BAC deems appropriate.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

There are no Environmental Justice impacts associated with this item. The Annual Audit Workplan serves as a tool for communicating audit priorities as determined by the BAC and the Board of Directors.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 25-0224

Agenda Date: 3/19/2025

Item No.: 4.8.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

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

SUBJECT:

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

RECOMMENDATION:

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

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.

Since the last report provided at the February 19th, 2025, BAC meeting, there have been no significant changes to the BAC Work Plan to report.

Looking forward, the topics of discussion identified for the April 16th, 2025, BAC Meeting can be summarized as follows:

1. 2025 BAC Work Plan
2. 2025 Annual Audit Plan

Upon review, the BAC may make changes to be incorporated into the work plan.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The BAC Work Plan is not subject to environmental justice analysis. The BAC Work Plan serves as a tool utilized by the BAC to identify topics to be discussed during the public meeting and when that topic may be presented.

ATTACHMENTS:

Attachment 1: 2025 BAC Work Plan

UNCLASSIFIED MANAGER:

Candice Kwok-Smith, 408-630-3193

BOARD AUDIT COMMITTEE 2025 WORKPLAN

January 1, 2025 to December 31, 2025

| | DATE: No. of Topics: | Jan-15 | Feb-19 | Mar-19 | Apr-16 | May-21 | Jun-18 | Jul-16 | Aug-20 | Sep-17 | Oct-15 | Nov-19 | Dec-17 |
|--|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | | 5 | 6 | 9 | 2 | 4 | 6 | 3 | 6 | 5 | 4 | 4 | 3 |
| # Board Audit Committee Management | | | | | | | | | | | | | |
| 1 | Conduct Annual Self-Evaluation | • | | • | | | | | | | | | |
| 2 | Receive and Discuss CAE Activity Report to Evaluate Performance | • | | • | | | | | | | | | |
| 3 | Election of BAC Chair and Vice Chair | | • | | | | | | | | | | |
| 4 | Discuss Board Audit Committee Audit Charter | | | • | | | | | | | | | |
| 5 | Discuss Scope of Annual Audit Training | | | • | | | | | | | | | |
| 6 | Receive Annual Audit Training | | | | | | • | | | | | | |
| 7 | Review and Update BAC Work Plan | • | • | • | • | • | • | • | • | • | • | • | • |
| 8 | Provide Draft BAC Work Plan for Upcoming Year | | | | | | | | | | | | • |
| Board Audit Committee Special Requests | | | | | | | | | | | | | |
| 9 | Review of Joint Powers Authority (JPA) audits | | | | | | | • | | | | | |
| 10 | Discuss Board's CAE Contract (expires 11/22/25) | | | | | | | • | • | | | | |
| 11 | Discuss the purpose of Board directed audits | • | | | | | | | | | | | |
| Board-directed Audits | | | | | | | | | | | | | |
| 12 | 2020 SCW Program Grants Management | | • | | | | | | | • | | | |
| 13 | 2021 Permitting Best Practices | | | | | | • | | | | | | |
| 14 | 2023 CIP Performance | | | | | | | | | • | | | |
| 15 | 2024 Human Resources Audit | | | • | | | | | | | | | |
| 16 | 2024 Information Technology Audit | | | • | | | | | | | | | |
| 17 | 2024 Board Policies and Compliance Audit | | | | | | | | | | | | |
| 18 | 2025 Audit - TBD | | | | | | | | | | | | |
| CAF Standing Topics | | | | | | | | | | | | | |
| 19 | Review and Update Annual Audit Plan | • | • | • | • | • | • | • | • | • | • | • | • |
| 20 | Discuss next Annual Audit Plan | | | | | | | | • | • | | | |
| 21 | Discuss Draft 2026 Annual Audit Plan | | | | | | | | | | • | | |
| 22 | Discuss Proposed 2026 Annual Audit Plan, Assign Audit Firms, and Recommend Proposed 2026 Annual Audit Plan with assignments for Board Approval | | | | | | | | | | | | • |
| Miscellaneous 3rd-Party Financial Audits | | | | | | | | | | | | | |
| 23 | Financial Status - Periodic Updates | | • | | | | | • | | | • | | |
| 24 | Audit Report of the Water Utility Enterprise Funds | | | | | | | | | | • | | |
| 25 | Audited Financial Statements | | | | | | | • | | | | | • |
| 26 | Single Audit Report | | • | | | | | | | | | | |
| Staff Standing Topics | | | | | | | | | | | | | |
| 27 | Audit Recommendations Implementation Status | | | • | | | | | • | | | | |
| 28 | Receive Audit Analysis Report from CAE | | | | | | | | | | • | | |
| Committee Clerk Action Items (not included in count shown in Row 3 above) | | | | | | | | | | | | | |
| 29 | Provide BAC Summary Report to full Board | • | • | • | • | • | • | • | • | • | • | • | • |

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Santa Clara Valley Water District

File No.: 25-0164

Agenda Date: 3/19/2025

Item No.: 6.1.

NON-EXHIBIT/CLOSED SESSION ITEM

SUBJECT:

CLOSED SESSION

THREAT TO PUBLIC SERVICES OR FACILITIES

Pursuant to Government Code Section 54957(a)

Consultation with Alex Gordon, Assistant Officer.

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