



## Santa Clara Valley Water District Board Audit Committee Meeting

Via Zoom Meeting

### **\*AMENDED/APPENDED 2:00 PM REGULAR MEETING AGENDA**

**Wednesday, August 19, 2020  
2:00 PM**

**\*ITEMS AMENDED AND/OR APPENDED SINCE THE ORIGINAL PUBLICATION OF THIS AGENDA  
ARE IDENTIFIED BY AN ASTERISK (\*) HEREIN**

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

#### BOARD AUDIT COMMITTEE

Barbara Keegan, Chair, District 2  
Gary Kremen, Vice Chair, District 7  
Linda J. LeZotte, District 4

All public records relating to an 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 for public inspection at the Office of the Clerk of the Board at the Santa Clara Valley Water District Headquarters Building, 5700 Almaden Expressway, San Jose, CA 95118, 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 attend Board of Directors' meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

DARIN TAYLOR  
Committee Liaison

MAX OVERLAND  
Assistant Deputy Clerk II  
Office/Clerk of the Board  
(408) 630-2749  
moverland@valleywater.org  
www.valleywater.org

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

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

## **\*AMENDED/APPEDED 2:00 PM REGULAR MEETING AGENDA**

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**Wednesday, August 19, 2020**

**2:00 PM**

**Via Zoom Meeting**

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### **IMPORTANT NOTICES**

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20 issued on March 17, 2020 that allows attendance by members of the Committee, staff, and the public to participate and conduct the meeting by teleconference, videoconference, or both.

Members of the public wishing to address the Committee during a video conferenced meeting on an item not listed on the agenda, or any item listed on the agenda, should use the "Raise Hand" or "Chat" tools located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in the order requests are received and granted speaking access to address the Committee.

Santa Clara Valley Water District (Valley Water) in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in Valley Water Committee meetings to please contact the Clerk of the Board's office at (408) 630-2711, at least 3 business days before the scheduled meeting to ensure that Valley Water may assist you.

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has not been prepared with a view to informing an investment decision in any of Valley Water's bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water's bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and Valley Water's Investor Relations website, maintained on the World Wide Web at [htttps://www.valleywater.org/how-we-operate/financebudget/investor-relations](http://htttps://www.valleywater.org/how-we-operate/financebudget/investor-relations) and [www.valleywater.org/how-we-operate/financebudget/investor-relations](http://www.valleywater.org/how-we-operate/financebudget/investor-relations), respectively.

**Join Zoom Meeting:**  
**<https://valleywater.zoom.us/j/91608079873>**  
**Meeting ID: 916 0807 9873**  
**Join by Phone:**  
**1 (669) 900-9128, 91608079873#**

**1. CALL TO ORDER:**

1.1. Roll Call.

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

*Notice to the Public: Members of the public who wish to address the Committee on any item not listed on the agenda should access the "Raise Hand" or "Chat" tools located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in order requests are received and granted speaking access to address the Committee. Speakers comments should be limited to three minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Committee may take action on any item of business appearing on the posted agenda.*

**3. APPROVAL OF MINUTES:**

3.1. Approval of Minutes.

[20-0703](#)

Recommendation: Approve the minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 071520 BAC Minutes](#)

Est. Staff Time: 5 Minutes

**4. ACTION ITEMS:**

4.1. Set Date and Time for the Annual Audit Training from Board Independent Auditor.

[20-0302](#)

Recommendation: Set date and time for the Annual Audit Training from the Board Independent Auditor.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Audit Process Training](#)

Est. Staff Time: 20 Minutes



4.2. Receive an Update on the Status of the District Counsel Audit. [20-0614](#)

Recommendation: Receive an update on the status of the on-going District Counsel Audit.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: District Counsel Audit Progress Report](#)

Est. Staff Time: 5 Minutes

4.3. Review and Approve the Updated 2020 Board Audit Committee Work Plan. [20-0615](#)

Recommendation: A. Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan; and  
B. Approve the updated 2020 BAC Work Plan.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Updated 2020 BAC Work Plan](#)

Est. Staff Time: 5 Minutes

4.4. Recommended Updates to Board Independent Auditor (TAP International, Inc.) Annual Audit Work Plan. [20-0619](#)

Recommendation: Discuss the Annual Audit Work Plan and approve any updates to recommend to the Board, if necessary.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Annual Audit Work Plan \(July 2020 Update\)](#)

Est. Staff Time: 10 Minutes

\*4.5. Discuss Audit Objectives Based on the Board Independent Auditor's Recommendation Regarding the Safe, Clean Water Program Grant Management Ad-hoc Desk Review. [20-0623](#)

Recommendation: Discuss Audit Objectives Based on the Board Independent Auditor's Recommendation Regarding the Safe, Clean Water Program Grant Management Ad-hoc Desk Review.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Grants Management Ad-hoc Desk Review](#)

[\\*Attachment 2: Task Order 40 Grants Management Performance Audit](#)

[\\*Handout 4.5-A,T. Mulvey Comments](#)

Est. Staff Time: 5 Minutes

- 4.6. Discuss Modifications to the Board Audit Committee Audit Charter. [20-0021](#)
- Recommendation: Discuss modifications to the Board Audit Committee Charter and present to the full Board for adoption at a future Board meeting.
- Manager: Darin Taylor, 408-630-3068
- Attachments: [Attachment 1: BAC Audit Charter](#)
- Est. Staff Time: 30 Minutes
- 4.9. Consider Recommending the Establishment of Additional Board Auditors to the Full Board of Directors. [20-0689](#)
- Recommendation: Discuss staff recommendation to consider establishing additional Board Auditors and decide whether or not to recommend the idea to the full Board.
- Manager: Darin Taylor, 408-630-3068
- Est. Staff Time: 5 Minutes
- 5. INFORMATION ITEMS:**
- 5.1. Quality Environmental Management System (QEMS) Internal Audit Program and 2019 QEMS Internal Audit Report. [20-0257](#)
- Recommendation: Receive information regarding the QEMS Internal Audit Program and 2019 QEMS Internal Audit Report.
- Manager: Darin Taylor, 408-630-3068
- Attachments: [Attachment 1: QEMS Annual \(2019\) Internal Audit Report](#)
- Est. Staff Time: 20 Minutes
- \*5.2. Receive an Update on the Status of the Board Agenda Preparation Ad-hoc Desk Review. [20-0306](#)
- Recommendation: Receive an update on the status of the on-going Board Agenda Preparation Ad-hoc Desk Review.
- Manager: Darin Taylor, 408-630-3068
- Attachments: [Attachment 1: Board Agenda Preparation Ad-hoc Desk Review](#)  
[\\*Attachment 2: PowerPoint](#)  
[\\*Handout 5.2-A, M. King Comments](#)
- Est. Staff Time: 5 Minutes

- 5.3. Valley Water Comprehensive Annual Financial Report Transparency and Policy Issues. [20-0620](#)  
Recommendation: Discuss content and format of the Valley Water Comprehensive Annual Financial Report (CAFR) and determine whether or not to recommend policy changes to the full Board.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: PAFR 2017-18 City of Los Altos](#)  
[Attachment 2: PAFR 2018-19 Las Virgenes Water District](#)  
Est. Staff Time: 10 Minutes
- 5.4. Status Update on the Lower Silver Creek Watershed Project Audit. [20-0621](#)  
Recommendation: Receive and discuss a status update on the State Controller Office Audit of Flood Control Subventions Program for Claim Numbers 86-91, submitted during the audit period, 08/01/2012 - 05/12/2016.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: LSC Watershed Project Audit Report](#)  
Est. Staff Time: 5 Minutes
- 5.5. Status Update on the Annual Federal Grants Audit. [20-0627](#)  
Recommendation: Receive and discuss a status update on the Annual Federal Grants Audit.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: Single Audit Report](#)  
Est. Staff Time: 10 Minutes
- 5.6. Receive a Response to the Board Audit Committee's Inquiries Regarding the Real Estate Services Audit Report Findings. [20-0645](#)  
Recommendation: Receive a response to the Board Audit Committee's inquiries regarding the Real Estate Services Audit Report Findings.  
Manager: Darin Taylor, 408-630-3068  
Attachments: [Attachment 1: BAC Request for RESU Information](#)  
Est. Staff Time: 10 Minutes

**6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.**

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

**7. ADJOURN:**

- 7.1. Adjourn to Regular Meeting at 2:00 p.m., on September 16, 2020, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.



# Santa Clara Valley Water District

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**File No.:** 20-0703

**Agenda Date:** 8/19/2020

**Item No.:** 3.1.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Approval of Minutes.

**RECOMMENDATION:**

Approve the minutes.

**SUMMARY:**

In accordance with the Ralph M. Brown Act, a summary of Committee discussions, and details of all actions taken by the Board Audit Committee, during all open and public Committee meetings, is transcribed and submitted to the Committee for review and approval.

Upon Committee approval, minutes transcripts are finalized and entered into the Committee's historical records archives and serve as historical records of the Committee's meetings.

**ATTACHMENTS:**

Attachment 1: 071520 BAC Minutes

**UNCLASSIFIED MANAGER:**

Michele King, 408-630-2711

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BOARD AUDIT COMMITTEE MEETING

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# MINUTES

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**Wednesday, July 15, 2020  
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 District Headquarters Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 1:00 PM.

**1.1 Roll Call.**

Committee members in attendance were District 2. Director B. Keegan, Chairperson presiding. Board members participating by teleconference were District 5 Director N. Hsueh, and District 7 Director G. Kremen, constituting a quorum of the Committee.

Staff members participating by teleconference were D. Alvey, C. Cannard, M. Cook, G. Del Rosario, A. Gordon, D. Hester, B. Hopper, D. Taylor, and T. Yoke.

Also in attendance by teleconference was D. Callahan and K. Kousser, TAP International, Inc. (TAP).

Chairperson Keegan confirmed that the Committee would adjourn to Closed Session for consideration of Item 2.1.

**2. CLOSED SESSION:**

**2.1 CLOSED SESSION  
THREAT TO PUBLIC SERVICES OR FACILITIES**

Pursuant to Government Code Section 54957(a)  
Consultation with Alex Gordon – Emergency and Security Manager;  
Mike Cook – Deputy Admin. Officer, Information Technology Div.

Upon return to Open Session, the same Committee members and staff were present.

2.2 District Counsel Report.

Mr. Brian Hopper, Senior Assistant District Counsel, reported that in regard to Item 2.1, the Committee met in Closed Session with all members present, and gave direction to staff.

2.3 Time Open for Public Comment on any Item not on the Agenda.

Chairperson Keegan declared time open for public comment on any Item not on the agenda.

Ms. Dierdre Des Jardins, California Water Research, requested that the Committee consider performing a full audit of the Grant Management process in the near future.

**3. APPROVAL OF MINUTES:**

3.1 Approval of Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the February 19, 2020, meeting. It was moved by Director LeZotte, seconded by Director Kremen, and unanimously carried that the minutes be approved.

**4. ACTION ITEMS**

4.1 Receive an Update on the Status of the Grant Management Ad-hoc Desk Review. (Continued from February 19, 2020)

Recommendation: Discuss the Board Independent Auditor's recommendation regarding the Grant Management Ad-hoc Desk Review.

Ms. Denise Callahan, TAP International, Inc. (TAP) reviewed the information on this Item, per the attached Committee Agenda Memorandum, and per the information contained in Attachment 1.

Ms. Trish Mulvey, Palo Alto resident, requested that the Committee consider performing an Audit regarding Valley Water's Sponsorship Program. The Committee requested that staff place this Item on a future Committee agenda for further discussion.

Ms. Diedre Des Jardins, California Water Research, requested that the Committee consider separating the Grant Management Audit into a performance audit and a management audit.

It was moved by Director Kremen and seconded by Director LeZotte, and unanimously carried that at the July 21, 2020 Special Board meeting that staff bring to the full Board for approval a recommendation from the Committee that TAP hire a sub-contractor to perform a comprehensive Valley Water Grant Management Performance Audit to assess the efficiency and effectiveness of this program. TAP recommended that this performance audit should focus on the grant application, evaluation and award activities, scope of work development, and grant administration; the Valley Water Grant Management Ad-



hoc Desk Review be included as an attachment; that staff bring to the full Board on July 28, 2020, a recommendation from the Committee requesting funding of the Valley Water Grant Management Performance Audit, with a not-To-Exceed dollar amount; and that the Management Audit for Valley Water Grant Management be performed a later date and will be under the direction of Mr. Darin Taylor, Chief Financial Officer.

4.2 Discuss Independent Auditor Recommendations Regarding Hiring Practices Ad-hoc Desk Review. (Continued from February 19, 2020)

Recommendation: Discuss Independent Auditor recommendation regarding hiring practices ad-hoc desk review.

Ms. Callahan reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- The Committee requested that staff consider having the CEO perform a Management Audit of the Valley Water hiring processes; and
- The Committee requested that staff bring to the full Board a report of the findings of the Hiring Practices Desk Review and a recommendation from the Committee that the full Board consider a recommendation from the Committee to consider performing a comprehensive background checks for new employees and existing employees who are being considered for Executive Level positions or those being considered for positions with a fiduciary responsibility.

4.3 Discuss Potential Recommendation to Board to Authorize Release of Attorney-Client Privileged Documents to Board Independent Auditor. (Continued from February 19, 2020)

Recommendation: Discuss potential recommendation to Board to authorize release of attorney-client privileged documents to Board Independent Auditor.

Mr. Brian Hopper, Senior Assistant District Counsel, reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- The Board is the governing body which holds the attorney-client privilege;
- Recommendations to avoid risks associated with attorney-client privilege follow:
  - Review of attorney-client privileged documentation by Board members who are attorneys including a discussion with BAOs regarding findings;
  - Identification of Best Practices by TAP to preserve attorney-client privilege;
  - Sub-Committee of the Board select the records and review to ensure that the records in question do not compromise or are not vulnerable when it comes to attorney-client privilege; and

- Discussion of the more sensitive documentation without disclosing the content of the communications at a public meeting.

#### 4.4 Review and Approve the Updated 2020 Board Audit Committee Work Plan.

- Recommendation:
- A. Review and discuss topics of interest raised at prior Board Audit Committee (BAC) meetings and make any necessary adjustments to the BAC Work Plan; and
  - B. Approve the updated 2020 BAC Work Plan.

Mr. Taylor reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- Staff to add the Sponsorship Program Audit to the Work Plan.

#### 4.5 Discuss the Options to Increase the Board Independent Auditing Services Agreement Not-To-Exceed Amount.

- Recommendation:
- A. Discuss the option to increase the Board Independent Auditing Services Agreement Not-To-Exceed Amount; and
  - B. Approve recommendation to the full Board to:
    - i. Exercise the option to increase the Board Independent Auditing Services Agreement not-to-exceed amount by \$500,000 from \$1,005,000 to \$1,505,000; or
    - ii. Continue with the current not-to-exceed amount of \$1,005,000 for the Board Independent Auditing Services Agreement with TAP International.

Mr. Taylor reviewed the information on this Item, per the attached Committee Agenda Memorandum.

It was moved by Chair Keegan and seconded by Director Kremen, and carried that Board Independent Auditing Services Agreement Not-To-Exceed Amount be increased by \$250,000 to a not-to-exceed amount of \$1,255,000.

Director LeZotte explained that she voted in opposition to the Item because she believed that the remaining \$400,000 was enough money to perform 4 more audits without an increase in the not-to-exceed dollar amount.

#### 4.6 Discuss and Approve for Issuance the Preliminary Draft of the Real Estate Services Audit Report for Formal Comment.

- Recommendation:
- A. Discuss the preliminary draft of the Real Estate Services Audit Report; and
  - B. Approve for issuance the preliminary draft of the Real Estate Services Audit Report for formal comment.

Ms. Kate Kousser, TAP International, Inc., reviewed the information on this Item, per the attached Committee Agenda Memorandum, and per the information contained in Attachment 1.

The Committee noted the information without formal action and requested the following:

- The Committee requested staff to return to the Committee with information regarding the difference between Real Estate being first contact instead of CPRU;
- The Committee requested staff to return to the Committee with information regarding the best practices regarding environmental assessments taking 6 months or is there room for improvement;
- The Committee requested that staff return to the Committee with information regarding the frequency and extent of District Counsel's review throughout the real estate transaction process in an effort to increase efficiency; and
- The Committee requested that the preliminary draft of the Real Estate Services Audit report be released for formal comment.

## **5. INFORMATION ITEMS**

### **5.1 Receive an Update on the Status of the District Counsel Audit.**

Recommendation: Receive an update on the status of the on-going District Counsel Audit.

Ms. Callahan reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action.

### **5.2 Board Independent Auditor Annual Audit Work Plan – TAP International, Inc.**

Recommendation: Discuss the Annual Audit Work Plan and approve any updates to recommend to the Board, if necessary.

Mr. Taylor reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- The Committee requested that staff add the Valley Water Grant Management Performance Audit to the Annual Audit Work Plan and to include it on the August Agenda.

## **6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.**

### **6.1 Clerk Review and Clarification of Committee Requests.**

Mr. Max Overland, Assistant Deputy Clerk of the Board, confirmed that there were no new Committee Recommendations or Requests.

## **7. ADJOURN**

- 7.1 Adjourn to Regular Meeting at 2:00 p.m., on August 19, 2020, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.

Chair Keegan adjourned the meeting at 4:45 p.m., to the 2:00 p.m. Regular Meeting on August 19, 2020, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.

Max Overland  
Assistant Deputy Clerk of the Board



# Santa Clara Valley Water District

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**File No.:** 20-0302

**Agenda Date:** 8/19/2020

**Item No.:** 4.1.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Set Date and Time for the Annual Audit Training from Board Independent Auditor.

**RECOMMENDATION:**

Set date and time for the Annual Audit Training from the Board Independent Auditor.

**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 August 27, 2019, the Board approved the BAC Audit Charter to provide detailed guidance regarding how the BAC should carry out its functions and to guide the work of TAP International, Inc. The BAC Charter describes a requirement to provide audit training to BAC members at least annually.

At the January 22, 2020, BAC meeting, the BAC determined the scope of the Annual Audit Training to be conducted on the audit process. The full Board and identified staff will be invited to attend the Annual Audit Training on the audit process (Attachment 1). The purpose of this item is to discuss scheduling for the training to be provided by the Board Independent Auditor. The Annual Audit Training will be provided at a later date in 2020.

**ATTACHMENTS:**

Attachment 1: Audit Process Training

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068


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# The Audit Process



**TAP**International





# Value of Performing Audits

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# Value of Audits

## **FINANCIAL AUDITS**

Provides transparency, truth, and facilitates trust in the numbers

## **COMPLIANCE AUDITS**

Verifies that a public agency is adhering to requirements

## **PERFORMANCE AUDITS**

Identifies how performance can be enhanced by assessing the efficiency, economy, and effectiveness of programs, services, business processes, departments, and agencies.



# Auditor Responsibility

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# Auditor Responsibility

Determines that management and officials that manage government resources use their authority properly and in compliance with laws and regulations

Determines whether government programs are achieving their objectives and desired outcomes

Determines whether government services are provided effectively, efficiently, economically, and ethically

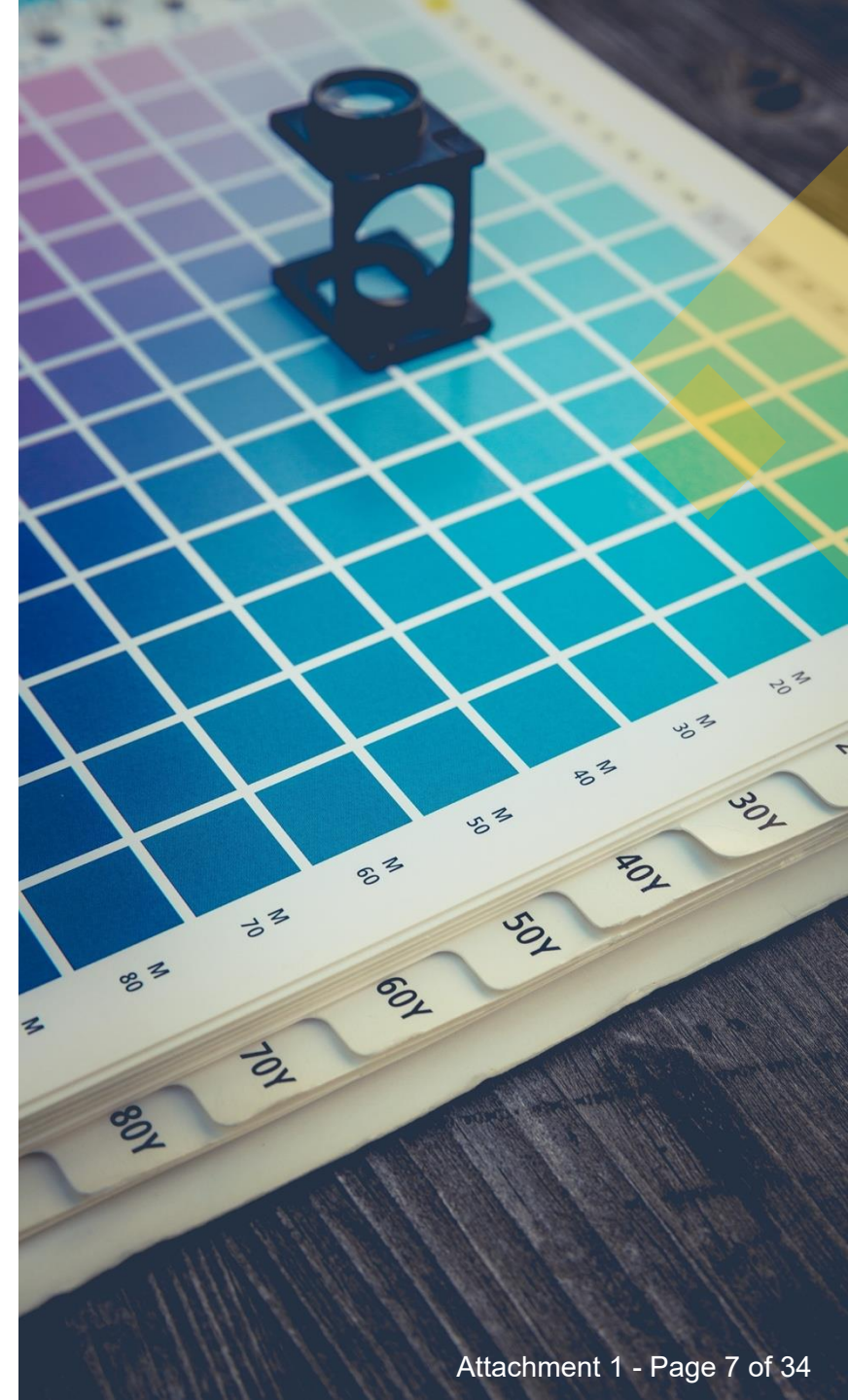


# Services Auditors Can Provide

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# Services Auditors Can Provide

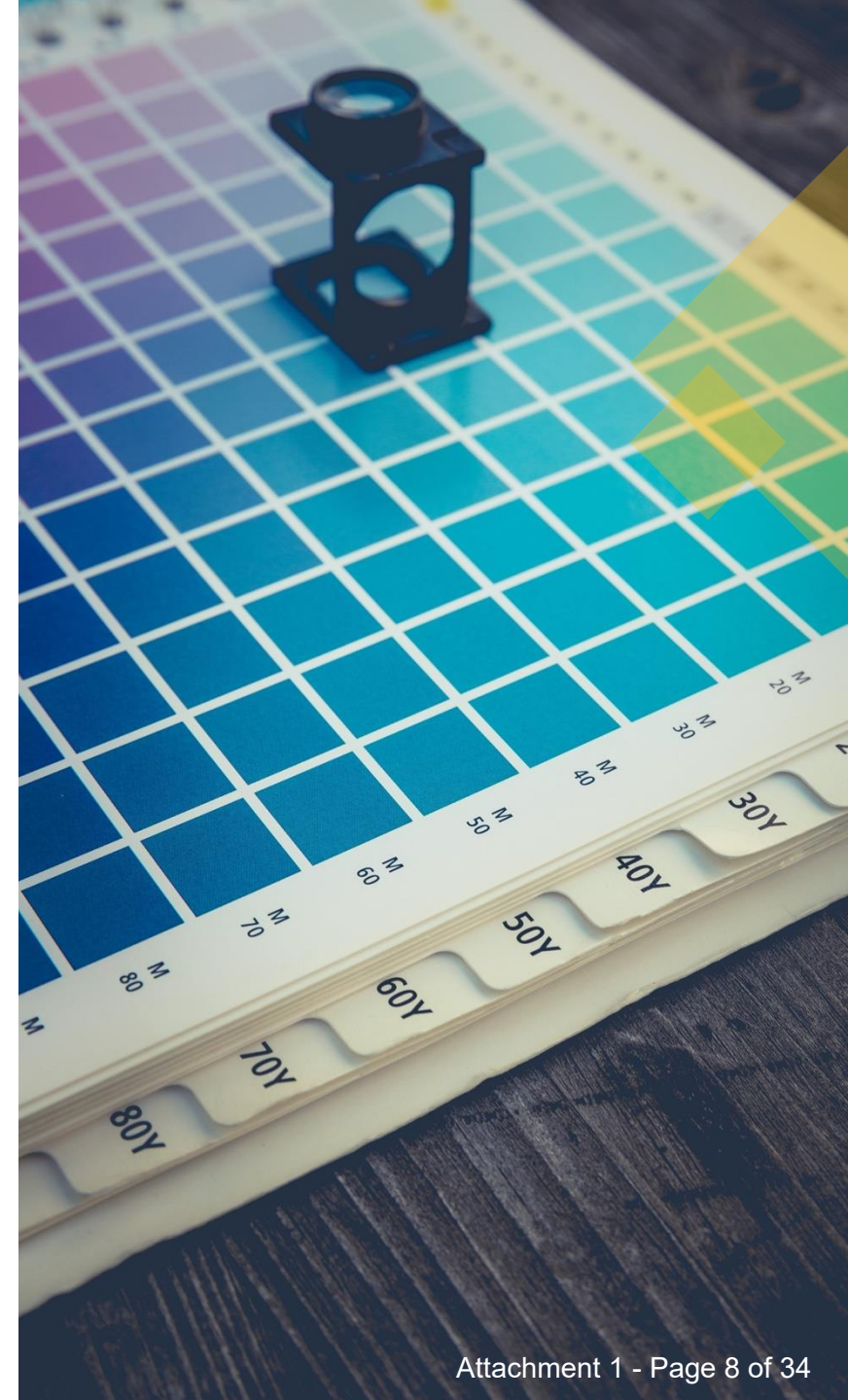
1. Providing advice to the audited entity on an accounting matter as an ancillary part of the overall financial audit; (CPAs only)
2. Providing advice to the audited entity on routine business matters; educating the audited entity about matters within the technical expertise of the auditors
3. Providing information to the audited entity that is readily available to the auditors, such as best practices and benchmarking studies. Providing information or data to a requesting party without auditor evaluation or verification of the information or data.





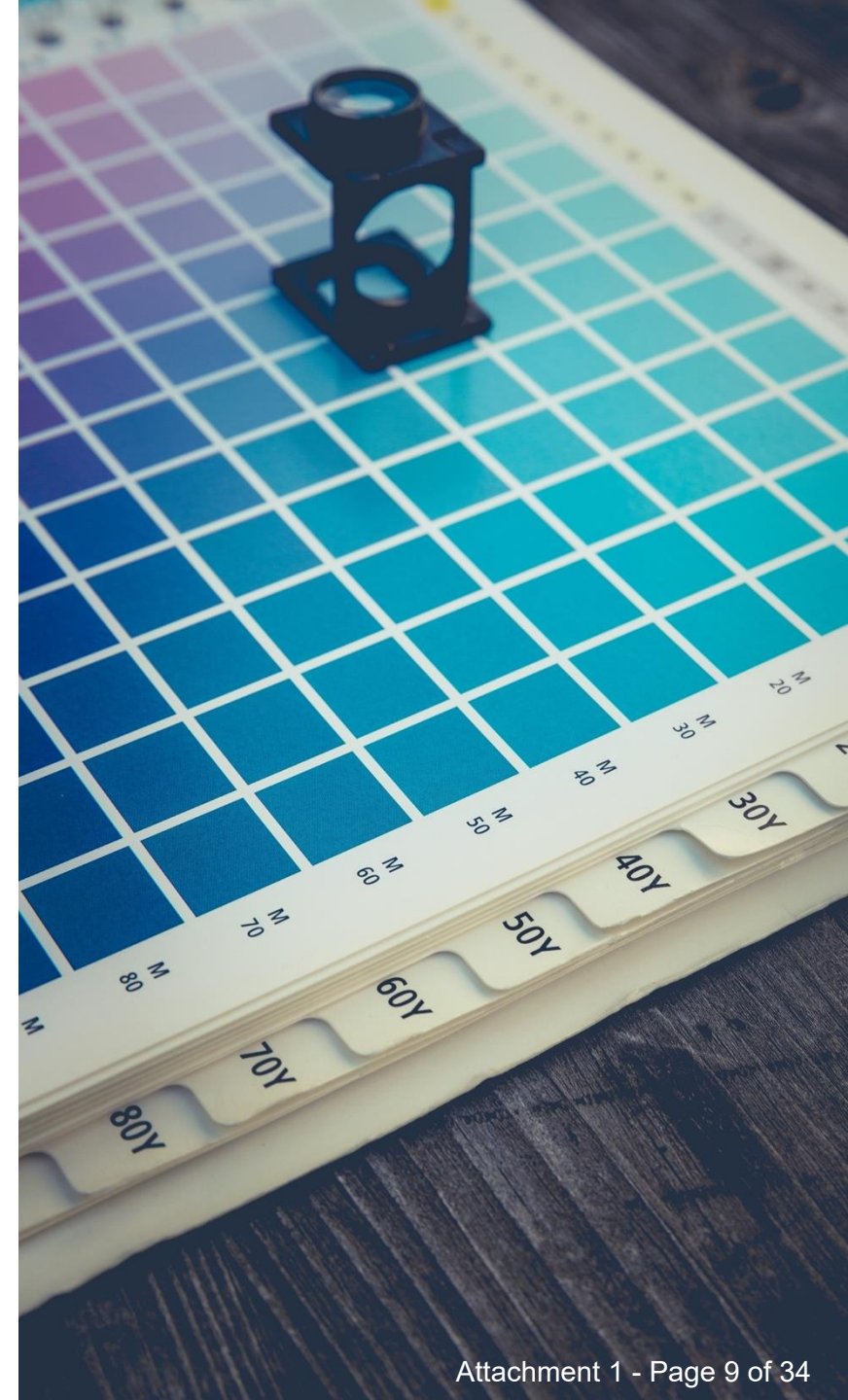
# Services Auditors Can Provide

4. Developing standards, methodologies, audit guides, audit programs, or criteria for use throughout the agency or for use in certain specified situations
5. Collaborating with other professional organizations to advance auditing of government entities and programs
6. Developing question and answer documents to promote understanding of technical issues or standards



# Services Auditors Can Provide

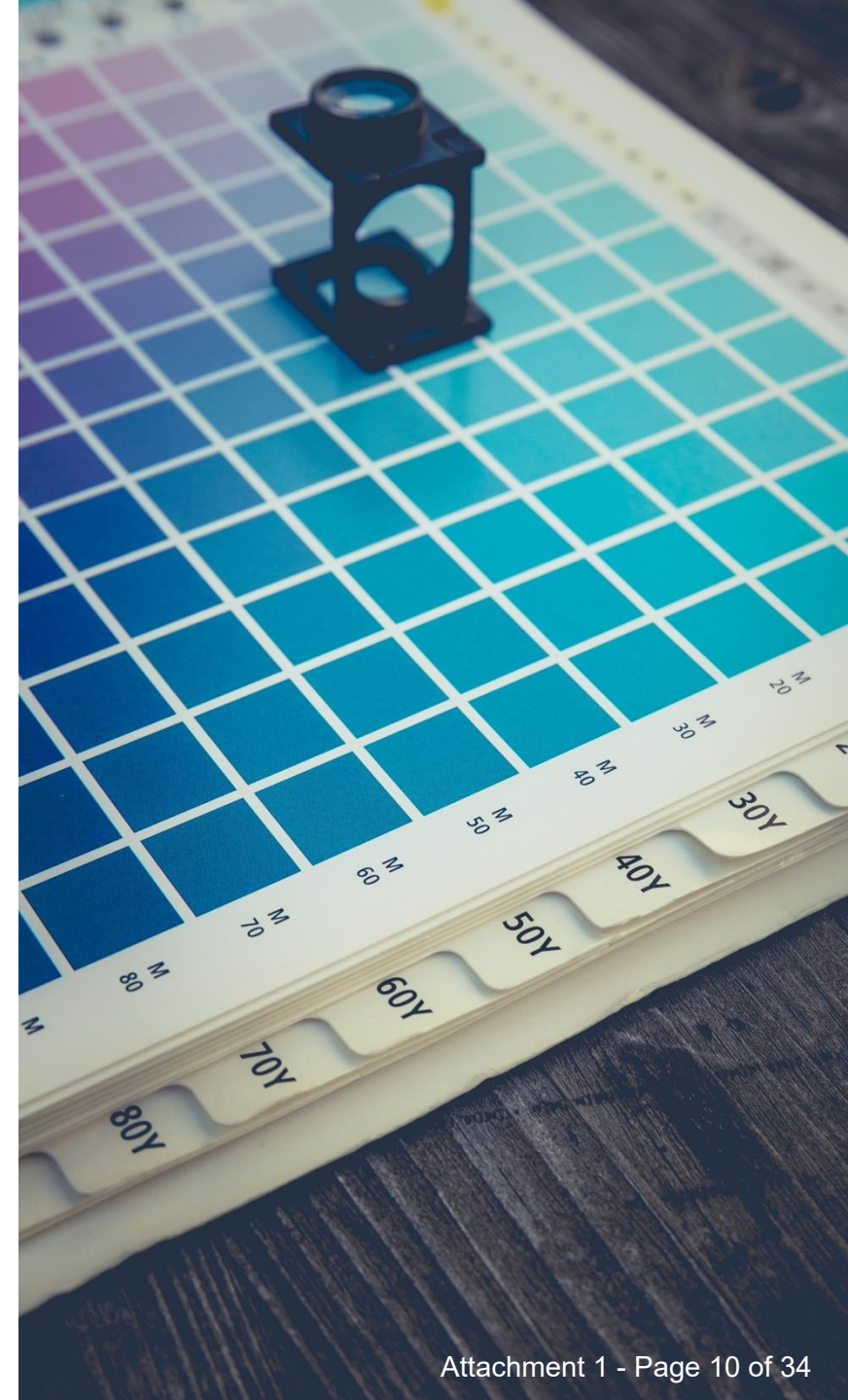
7. Providing assistance and technical expertise to legislative bodies or independent external organizations
8. Assisting elected officials by developing questions for use at meetings
9. Providing training and technical presentations





# Services Auditors Can Provide

7. Providing assistance in reviewing budget submissions; i. contracting for audit services on behalf of an audited entity and overseeing the audit contract, as long as the overarching independence principles are not violated and the auditor under contract reports to the audit organization and not to management
8. Providing audit, investigative, and oversight-related services that do not involve applying generally accepted government auditing standards, such as:
  - investigations of alleged fraud, violation of contract provisions or grant agreements, or abuse
  - periodic audit recommendation follow-up engagements and reports; and identifying best practices or leading practices for use in advancing the practices of government organizations







# Acronyms and Terminology

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# Acronyms and Terminology

- **Outcome** – a type of performance measurement that assesses the effect of providing services.
- **Output** – a type of performance measurement that shows the volume of a result produced by implementing a program or service.
- **GAGAS** – set of auditing standards contained in a 220 page “Yellow Book” that provide the foundation for government auditors to ensure audit independence, transparency, accountability, and quality.
- **Entrance conference** – first meeting with the auditee that discusses audit objectives, scope and methodology.
- **Efficiency** – to accomplish something with the least waste of time and effort.
- **Effectiveness** – the degree to which programs or service delivery are successful at producing a desired result.
- **Economical** – to accomplish something effectively and efficiency without high cost
- **Scoping** – an exploration of limited time and resources of potential issues and concerns. The results may or may not show further in-depth analysis and review is needed.

# Acronyms and Terminology

- **Exit conference** – final meeting that takes place with the auditee to discuss audit findings. Can be referred to as a Results Meeting.
- **Technical review** – auditee's third party review of information presented in a draft report.
- **Agency comment** – auditee's formal response to audit recommendations.
- **Working paper** – document prepared by the auditor that describes or summarizes information, or work performed.
- **Stakeholder** – persons or entities that participate in the delivery of services; or are recipients of services provided by the auditee; or those that are impacted the results of the audit.
- **Internal Controls** – policies, procedures, processes, or activities that prevent fraud, waste, and abuse.
- **Risk assessment** – an evaluation of services, business processes, and operations that identifies areas that should be of concern to executive management and elected officials. The results are used to develop an annual audit work plan.



# Types of Reviews

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# Financial Audits

**Financial audits provide independent assessments of whether entities' reported financial information (e.g., financial condition, results, and use of resources) is presented fairly, in all material respects, in accordance with recognized criteria.** Financial audits conducted in accordance with GAGAS include financial statement audits and other related financial audits.

# Performance Audit

- **Performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight** with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.
- Performance audits are the most complex of all the types of audits and require the most: research, planning, time, data collection, and analysis, because every audit is different.

# Compliance Audit

**Compliance Audits are an assessment of compliance with criteria established by provisions of laws, regulations, contracts, and grant agreements, or other requirements** that could affect the acquisition, protection, use, and disposition of the entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers. Compliance requirements can be either financial or nonfinancial.

# Agreed Upon Procedures

**An auditor performs specific procedures on subject matter or an assertion and reports the findings without providing an opinion or a conclusion on it.** The specified parties to the engagement agree upon and are responsible for the sufficiency of the procedures for their purposes. The specified parties are the intended users to whom use of the report is limited.



# Desk Reviews

- **A desk review is an important part of an overall audit — by collecting, organizing and synthesizing available information about an area or issue, risks and/or gaps identified may need further examination** that could be related to a larger concern.
- A Desk Review performed by a qualified auditor is sometimes called a preliminary review, scoping review, or ad-hoc audit. It is not a comprehensive financial, internal, or performance audit where all GAGAS standards must be met and the full audit process is implemented. A desk review allows an auditor to potentially identify whether risks and/or gaps exist that may warrant the need to transition into a full performance audit. The document that is prepared generally contains a brief summary of results of the work and a recommendation of whether to continue auditing.

# Internal Controls Audit

**An assessment of one or more aspects of an entity's system of internal control that is designed to provide reasonable assurance** of achieving effective and efficient operations, reliability of reporting for internal and external use, or compliance with provisions of applicable laws and regulations. Internal control objectives also may be relevant when determining the cause of unsatisfactory program performance. Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity.

Financial  
Audits

Performance  
Audits

Compliance  
Audits

Agreed Upon  
Procedures

Desk  
Reviews

Internal Controls  
Audit

Grant/Contract  
Audit

# Grant / Contract Audit

**An assessment that examines the extent that contractual terms and conditions have been met.**

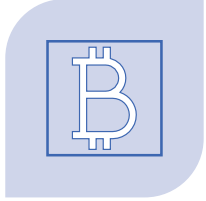


# When to Conduct an Audit

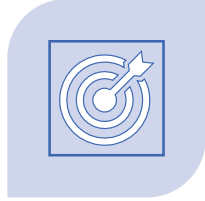
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# Reasons to Audit



High risk of fraud, waste, and abuse



High risk of hindering progress towards goals and objectives



Change in executive management (prior to new hire)



Desire to accomplish cost savings



Need to identify revenue enhancement opportunities



Need to improve accountability



Need to improve performance

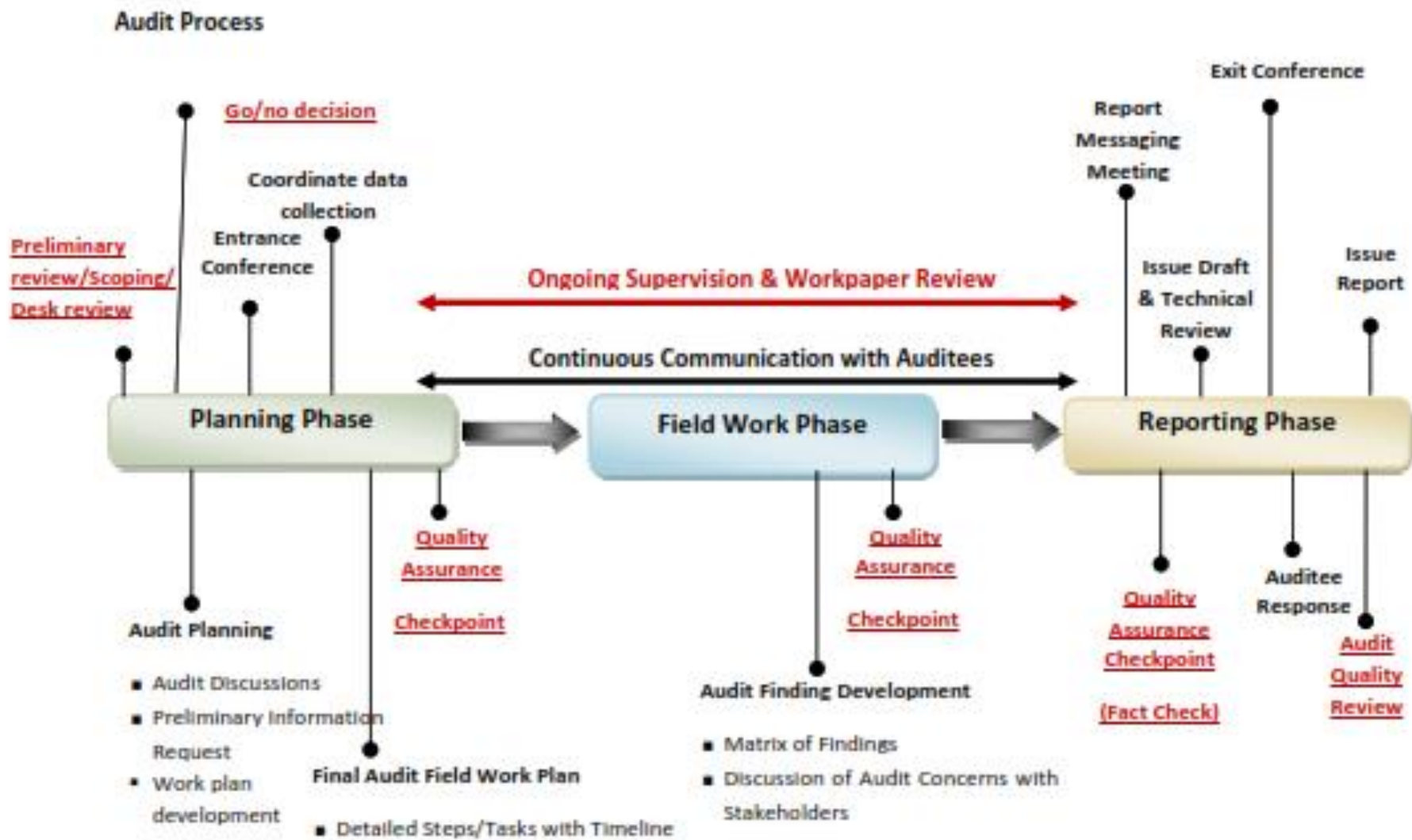


# Performance Audit Process

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# Audits can range from 6 weeks to 12+ months to complete.



# Key Components







# Planning Phase – Key Activities

- **Opening Conference**
  - Discussion of audit objectives
  - Discussion of audit areas,
  - Discussion of approach, scope, and time required to complete the service or project,
  - Auditee roles and responsibilities
  - Communication activities that will take place on the audit a
  - Discussion of the preliminary data request, and
  - Overview of recent changes by auditee



# Planning Phase – Key Activities

- **Project Plan Development**
  - Assessment of project risks
  - Detailed description of audit activities
  - Assignment of audit team roles and responsibilities
  - Development of data collection Instruments (DCIs)
- **GAGAS review of the project plan**



# Planning Phase – Key Activities

- **Development of Background Information**
  - Identification of key stakeholders
  - Detailed description of audit activities
  - Assignment of audit team roles and responsibilities
  - Development of data collection Instruments (DCIs)
  - Identification and review of laws, codes, and regulations.



# Implementation Phase: Data Collection Data Analysis

- The implementation phase is designed to develop information that answers the audit questions.
- **The information collected and analyzed must address the “elements of a finding”:**
  - Criteria – What should be?
  - Condition – What is actually happening?
  - Cause – Why is it happening?
  - Effect – What impact has the “condition” had on efficiency and effectiveness.



# Implementation Phase: Data Collection Data Analysis

## Required Activities Include:

- Assessment of risks applicable to the specific audit – areas that could impact the completion of the audit.
- Assess the reliability of information if the information to be used forms the basis of audit conclusions.
- Assess the adequacy of internal controls if the controls are applicable to the audit objectives/questions.
- Third party review of all working papers.



# Implementation Phase: Data Collection Data Analysis

## Common Audit Activities:

- Scheduling, preparing for and conducting Interviews
- Developing databases
- Development and computing performance measures
- Analyzing data and other documentation
- Identifying root causes of potential findings
- Preparing working papers in accordance with GAGAS standards.
- Verifying qualitative information



# Implementation Phase: Data Collection Data Analysis

- Data collection methods can include over 26 quantitative and qualitative methodologies.
- Qualitative examples: Interviews, surveys, workshops, meeting attendance, physical observation.
- Quantitative examples: Documentation review, trend analysis, statistical analysis, performance measurement.



# Reporting Phase: Draft Report Final Report

## Key Activities:

- Results Meeting: Discussion of preliminary findings prior to draft the report, which allows one last opportunity for the auditee to provide information.
- Technical draft report: Preparation of preliminary draft report that is to be reviewed by the auditee
- GAGAS Review: Internal review performed by third party auditor to confirm adherence of the report to GAGAS
- Draft report: Final draft report presented to the Board Audit Committee
- Review of Agency Comments: Board Audit Committee and Auditor review of Management's response to the Audit Recommendations.
- **Final report.**





# Santa Clara Valley Water District

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**File No.:** 20-0614

**Agenda Date:** 8/19/2020

**Item No.:** 4.2.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Receive an Update on the Status of the District Counsel Audit.

**RECOMMENDATION:**

Receive an update on the status of the on-going District Counsel Audit.

**SUMMARY:**

On February 26, 2019, the Board approved the recommendation by the Board Audit Committee (Committee) for TAP International, Inc. (TAP) to conduct three performance audits recommended by the Board Audit Committee. The three audits include performance audits of the District Counsel's office, Construction Contract Change Order management processes, and Real Estate services.

An amendment to the Board independent auditing services agreement was initiated to increase the not-to-exceed amount from \$405,000 to \$1,005,000 to complete all three proposed audits and approximately three additional future audits. On June 7, 2019, the amendment was completed, therefore, TAP initiated the performance audits of the District Counsel's office and Real Estate services.

Following initiation of the audits, the Committee shall discuss the status of on-going audits (Attachment 1) until the audits are completed.

**ATTACHMENTS:**

Attachment 1: District Counsel Audit Progress Report.

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

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## Project Progress

Overall Status: ● On Track

Project Name: Performance Audit of Valley Water District Counsel's Office

Date: July 10, 2019 – July 31, 2020

### Status Code Legend

- On Track: Project is on schedule
- At High Risk: Project at high risk of going off track
- At Risk: Project at risk of going off track
- Off Track: Date will be missed if action not taken

### Summary narrative –

- On Track, adjusting scope, adjusting timeline

### Key Activities Completed during the Period

- ◆ Prepared preliminary results meeting presentation.
- ◆ Coordinated and conducted meeting to discuss preliminary results with District Counsel Office representative.
- ◆ Received request and coordinated second preliminary results meeting with District Counsel Office to discuss outstanding issues and questions from first meeting.

### Key Activities Planned for August 1, 2020 to August 15, 2020

- ◆ Conduct follow up preliminary results meeting with District Counsel Office.
- ◆ Finalize preliminary draft report
- ◆ Submit the preliminary draft report for technical review.

### Outstanding Item to Discuss with BAC

- none

## Updated Timeline – Performance Audit of District Counsel Office

Audit Activity	Estimated Due Date
Complete Data Collection and Analysis	4/30/2020
Initial Preliminary Results Meeting	7/29/2020
Secondary Preliminary Results Meeting	8/6/2020
Technical Review of Preliminary Draft Report	Aug. 2020
Draft Report Submittal to Audit Committee	Aug/Sept, 2020
Draft Report Response by Valley Water Management	Sept/Oct, 2020
Final Report	Oct. 2020

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# Santa Clara Valley Water District

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**File No.:** 20-0615

**Agenda Date:** 8/19/2020

**Item No.:** 4.3.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Review and Approve the Updated 2020 Board Audit Committee Work Plan.

**RECOMMENDATION:**

- A. Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan; and
- B. Approve the updated 2020 BAC Work Plan.

**SUMMARY:**

Under direction of the Clerk, Work Plans are used by all Board Committees to increase Committee efficiency, provide increased public notice of intended Committee discussions, and enable improved follow-up by staff. Work Plans are dynamic documents managed by Committee Chairs and are subject to change. Committee Work Plans also serve as Annual Committee Accomplishments Reports.

At the July 15, 2020, BAC meeting, under direction of the Committee, the 2020 Board Audit Committee Work Plan was updated to include a recommendation to the full Board for approval of an audit or desk review of the Sponsorship Program for the timeframe outside of the current calendar year. Pending full Board approval, the audit or desk review of the Sponsorship Program will be added to the Annual Audit Work Plan. Attachment 1 is the updated 2020 Board Audit Committee Work Plan. Upon review, the Committee may approve the updated 2020 Board Audit Committee Work Plan and/or make changes, as determined by the Committee.

**ATTACHMENTS:**

Attachment 1: Updated 2020 Board Audit Committee Work Plan

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

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BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
	Board Audit Committee Meeting Dates													
1	Meeting Dates	•	•					•	•	•	•	•	•	<u>Note:</u> The BAC approved a regular meeting schedule for 2020, to meet monthly, on the third Wednesdays at Noon, with the exception of January.
	Board Audit Committee Management													
2	Election of 2020 BAC Chair and Vice Chair	•	•											<u>Recommendation:</u> Nominate and elect the 2020 Board Audit Committee Chair and Vice Chair.
3	Board Audit Committee Audit Charter								•					<u>Recommendation:</u> Propose modifications to the Board Audit Committee Audit Charter to be presented to the full Board.
4	Review and Update 2020 BAC Work Plan	•	•					•	•	•	•	•	•	<u>Recommendation:</u> A. Review and Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan; and B. Approve the updated 2020 Board Audit Committee Work Plan.
5	Discuss Scope of Annual Audit Training from Board Independent Auditor	•												<u>Recommendation:</u> Discuss scope of Annual Audit Training from Board Independent Auditor.
6	Receive Annual Audit Training from Board Independent Auditor								•					<u>Note:</u> Training will be given to the full Board on the audit process. Management to identify staff to attend the training. <u>Recommendation:</u> Receive Annual Audit Training from Board Independent Auditor on the Audit Process.
7	Conduct Annual Self-Evaluation	•	•											<u>Recommendation:</u> A. Conduct Annual Self-Evaluation; and B. Prepare Formal Report to provide to the full Board.
8	Receive and Discuss Board Auditor Activity Report to Evaluate Board Auditor Performance	•	•										•	<u>Recommendation:</u> Receive and discuss Board Auditor Activity Report from TAP International, Inc. to evaluate Board Auditor Performance.
9	Discuss Extension or Termination of Board Independent Auditor Contract for Board Independent Auditing Services Prior to Expiration of the Agreement Effective May 8, 2020.		•											<u>Recommendation:</u> A. Discuss option to extend Board Independent Auditor Contract with TAP International, Inc. for Board Independent Auditing Services currently scheduled to expire effective May 8, 2020; and B. Approve recommendation to the full Board to: 1. Allow the expiration of the Board Independent Auditor Contract with TAP International; or 2. Exercise option to extend Board Independent Auditor Contract with TAP International, Inc. for one year and increase the not-to-exceed amount by \$600,000 from \$1,005,000 to \$1,605,000.

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**BOARD AUDIT COMMITTEE 2020 WORKPLAN**

January 1, 2020 to December 31, 2020

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
10	Discuss the Options to Increase the Board Independent Auditing Services Agreement Not-To-Exceed Amount							•						Recommendation: A. Discuss the Option to Increase the Board Independent Auditing Services Agreement; and B. Approve recommendation to the full Board to: 1. Exercise the option to increase the Board Independent Auditing services Agreement not-to-exceed amount by \$600,000 from \$1,005,000 to \$1,605,000; or 2. Continue with the current not-to-exceed amount of \$1,000,005 for the Board Independent Auditing Services Agreement with TAP International.
<b>Board Audit Committee Special Requests</b>														
11	Discuss Potential Recommendation to Board to Authorize Release of Attorney-Client Privileged Documents to Board Independent Auditor		•					•						<u>Recommendation:</u> Discuss Potential Recommendation to Board to Authorize Release of Attorney-Client Privileged Documents to Board Independent Auditor.
12	External Financial Auditor Meeting with Individual Board members													<u>Note:</u> Schedule as needed.
13	Provide status report to full Board quarterly													<u>Note:</u> Report to be provided to Board in non-agenda the month after each BAC meeting.
14	Discuss the Scope and Approach of the Ad-hoc Desk Reviews	•												<u>Recommendation:</u> Discuss the scope and approach of the ad-hoc Desk Reviews.
15	Grant Management Ad-hoc Desk Review		•					•	•					<u>Recommendation:</u> Discuss the status of the on-going desk review.
16	Hiring Practices Ad-hoc Desk Review		•					•						<u>Recommendation:</u> Discuss the status of the on-going desk review.
17	Board Agenda Preparation Ad-hoc Desk Review		•						•					<u>Recommendation:</u> Discuss the status of the on-going desk review.
18	Receive a Response to the Board Audit Committee's Inquiries Regarding the Real Estate Services Audit Report Findings								•					<u>Recommendation:</u> The BAC requested staff to return to the BAC with the following information: (1) information regarding the difference between Real Estate being first contact instead of CPRU; (2) information regarding the best practices regarding environmental assessments taking six months or if there is room for improvement; and (3) information regarding the frequency and extent of District Counsel's review throughout the real estate transaction process in an effort to increase efficiency.
19	Receive and Discuss Financial Analysis Regarding the Board Independent Auditing Services Contract	•	•											<u>Recommendation:</u> Receive and discuss Financial Analysis regarding the Board Independent Auditing Services Contract with TAP International, Inc.
20	Valley Water Comprehensive Annual Financial Report Transparency and Policy Issues								•					<u>Recommendation:</u> Discuss and provide direction on the content and format of the Valley Water Comprehensive Annual Financial Report. A. Receive and discuss update on research regarding valuing water as an asset and other policy issues.

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BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

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21	QEMS & ISO Overview and Continuous Improvement Methodology Benchmarking Analysis											•	•	<p><u>Note:</u> At the Dec '19 BAC meeting, the BAC approved new PO for \$25K min for Tanner Pacific, Inc. to prepare QEMS Methodology Benchmarking Analysis.</p> <p><u>Recommendation:</u> Review and discuss overview of QEMS Process Improvement post ISO de-certification, and Benchmarking Analysis for 2020.</p>
<b>Management and Third Party Audits</b>														
22	Review Draft Audited Financial Statements												•	<p><u>Recommendation:</u> A. Review draft Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020; and B. Direct staff to have Financial Auditor to contact Board Members and present, if necessary.</p>
23	Audit Report of the Water Utility Enterprise Funds for the Fiscal Year									•				<p><u>Recommendation:</u> Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year.</p>
24	Receive QEMS Annual Internal Audit Report								•					<p><u>Recommendation:</u> Receive information regarding the Quality and Environmental Management System.</p>
25	Status Update on the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit Conducted by Navigant Consulting, Inc. and the Consultant Contracts Improvement Process.											•		<p><u>Note:</u> Staff CAS update every 6 months.</p> <p><u>Recommendation:</u> Receive and discuss a status update on the implementation of the recommendations made by Navigant in the 2015 Consultant Contracts Management Process Audit and on the Consultant Contracts Improvement Process.</p>
26	Review Contract Change Order Audit Report									•				<p><u>Note:</u> Staff periodic update.</p> <p><u>Recommendation:</u> Receive and discuss a status update on the implementation of the recommendations made by TAP International, Inc. in the Contract Change Order Audit Report.</p>
27	Status Update on the Lower Silver Creek Watershed Project Audit								•					<p><u>Recommendation:</u> Receive and discuss a status update on the State Controller Office Audit of Flood Control Subventions Program for Claim Numbers 86 - 91, submitted during the audit period, 08/01/2012 - 05/12/2016.</p>
28	Status Update on the Annual Federal Single Audit of Federal Grants Audit								•					<p><u>Recommendation:</u> Receive and discuss a status update on the audit of an entity that expends \$750,000 or more of federal assistance received for its operations. Once completed, the Single Audit must be submitted to the Federal Audit Clearinghouse.</p>
29	Audit Recommendations Implementation Status											•		<p><u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.</p>

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BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

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Board Independent Auditor - TAP International, Inc. Items														
30	Review and Update Annual Audit Work Plan	•	•					•	•	•	•	•	•	<u>Recommendation:</u> Discuss the Annual Audit Work Plan and update, if necessary.
Audit - Change Order														
31	Final Draft Management Response for the Contract Change Order Audit	•												<u>Recommendation:</u> Discuss the Final Draft Management Response to Draft Contract Change Order Audit Report.
32	Receive and Discuss Auditor Response to Final Draft Management Response for the Contract Change Order Audit		•											<u>Recommendation:</u> A. Receive and discuss the Auditor Response to the Final Draft Management Response to Draft Contract Change Order Audit Report; and B. Direct staff to have TAP International, Inc. to present the Final Draft Audit Report and Management Response to the Board of Directors.
Audit - District Counsel														
33	Review District Counsel Audit Progress Report	•	•					•	•					<u>Recommendation:</u> Receive an update on the status of the on-going audit.
34	Review District Counsel Audit Draft Report Presentation									•				<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
35	Review Response to District Counsel Audit Final Draft Report										•			<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Real Estate														
36	Review Real Estate Audit Progress Report	•	•											<u>Recommendation:</u> Receive an update on the status of the on-going audit.
37	Review Real Estate Audit Draft Report Presentation							•						<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
38	Review Response to Real Estate Audit Final Draft Report								•					<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Construction Project Management (Tentative)														
39	Receive notification of initiated Construction Project Management Audit													<u>Note:</u> Audit Objectives - What areas of Valley Water’s capital project budgeting practices can benefit from adopting best practices?
40	Review Construction Project Management Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
41	Review Construction Project Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.

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BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

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		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
42	Review Response to Construction Project Management Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
<b>Audit - Supervisory Control and Data Acquisition (Tentative)</b>														
43	Receive notification of initiated Supervisory Control and Data Acquisition Audit													<u>Note:</u> Audit Objectives - Does Valley Water's Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?
44	Review Supervisory Control and Data Acquisition Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
45	Review Supervisory Control and Data Acquisition Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
46	Review Response to Supervisory Control and Data Acquisition Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
<b>Audit - Permitting Best Practices (Tentative)</b>														
47	Receive notification of initiated Permitting Best Practices Audit													<u>Note:</u> Audit Objectives - How does Valley Water's permitting process compare with other agencies? Can alternative permit processing activities benefit Valley Water?
48	Review Permitting Best Practices Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
49	Review Permitting Best Practices Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
50	Review Response to Permitting Best Practices Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
<b>Audit - Risk Management (Tentative)</b>														
51	Receive notification of initiated Risk Management Audit													<u>Note:</u> Audit Objectives - Can risk management business processes be implemented more effectively? (i.e. contract claims, workers compensation, small claims).
52	Review Risk Management Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
53	Review Risk Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.

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**BOARD AUDIT COMMITTEE 2020 WORKPLAN**

January 1, 2020 to December 31, 2020

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
54	Review Response to Risk Management Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
<b>Audit - Billing and Collections (Tentative)</b>														
55	Receive notification of initiated Billing and Collections Audit													<u>Note:</u> Audit Objectives - Are there opportunities to enhance Valley Water's billing and collection processes?
56	Review Billing and Collections Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
57	Review Billing and Collections Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
58	Review Response to Billing and Collections Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
<b>Audit - Accountability (Tentative)</b>														
59	Receive notification of initiated Accountability Audit													<u>Note:</u> Audit Objectives - Are there opportunities to enhance safe clean water audits?
60	Review Accountability Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
61	Review Accountability Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
62	Review Response to Accountability Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
<b>Audit - Community Engagement (Tentative)</b>														
63	Receive notification of initiated Community Engagement Audit													<u>Note:</u> Audit Objectives - Can Valley Water benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities?
64	Review Community Engagement Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
65	Review Community Engagement Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
66	Review Response to Community Engagement Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.

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BOARD AUDIT COMMITTEE 2020 WORKPLAN

January 1, 2020 to December 31, 2020

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
Audit - Property Management (Tentative)														
67	Receive notification of initiated Property Management Audit													Note: Audit Objectives - Is Valley Water implementing encroachment licensing program consistent with the Board's guiding principles?
68	Review Property Management Audit Progress Report													Recommendation: Receive an update on the status of the on-going audit.
69	Review Property Management Audit Draft Report Presentation													Recommendation: Receive and discuss the Final Draft Audit Report.
70	Review Response to Property Management Audit Final Draft Report													Recommendation: A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Homelessness Analysis (Tentative)														
71	Receive notification of initiated Homelessness Analysis Audit													Note: Audit Objectives - How can Valley Water enhance its homelessness encampment clean-up activities that protect health and safety?
72	Review Homelessness Analysis Audit Progress Report													Recommendation: Receive an update on the status of the on-going audit.
73	Review Homelessness Analysis Audit Draft Report Presentation													Recommendation: Receive and discuss the Final Draft Audit Report.
74	Review Response to Homelessness Analysis Audit Final Draft Report													Recommendation: A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Classified Information (Tentative)														
75	Receive notification of initiated Classified Information Audit													Note: Audit Objectives - To what extent does Valley Water's Counsel's Office appropriately classify confidential information?
76	Review Classified Information Audit Progress Report													Recommendation: Receive an update on the status of the on-going audit.
77	Review Classified Information Audit Draft Report Presentation													Recommendation: Receive and discuss the Final Draft Audit Report.
78	Review Response to Classified Information Audit Final Draft Report													Recommendation: A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Local Workforce Hiring (Tentative)														
79	Receive notification of initiated Local Workforce Hiring Audit													Note: Audit Objectives - What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?

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

**BOARD AUDIT COMMITTEE 2020 WORKPLAN**

January 1, 2020 to December 31, 2020

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
80	Review Local Workforce Hiring Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
81	Review Local Workforce Hiring Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
82	Review Response to Local Workforce Hiring Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
<b>Audit - Equipment Maintenance (Tentative)</b>														
83	Receive notification of initiated Equipment Maintenance Audit													Note: Audit Objectives - Is Valley Water adequately meeting the needs of equipment maintenance?
84	Review Equipment Maintenance Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
85	Review Equipment Maintenance Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
86	Review Response to Equipment Maintenance Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
<b>Audit - Community Engagement (Tentative)</b>														
87	Receive notification of initiated Community Engagement Audit													Note: Audit Objectives - What are the best practices in planning and facilitating community engagement?
88	Review Community Engagement Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
89	Review Community Engagement Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
90	Review Response to Community Engagement Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
<b>Audit - Delta Conveyance (Tentative)</b>														
91	Receive notification of initiated Delta Conveyance Audit													Note: Audit Objectives - What potential financial risks could occur on the California Water Fix project?
92	Review Delta Conveyance Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
93	Review Delta Conveyance Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.

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



**BOARD AUDIT COMMITTEE 2020 WORKPLAN**

January 1, 2020 to December 31, 2020

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		22-Jan	19-Feb	18-Mar	15-Apr	20-May	17-Jun	15-Jul	19-Aug	16-Sep	21-Oct	18-Nov	16-Dec	
94	Review Response to Delta Conveyance Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
<b>BAC Work Plan Items Outside of the Current Term</b>														
95	BAC Self-Evaluation Report													<u>Note:</u> Per the February 19, 2020 BAC meeting, the BAC Self-Evaluation form is to be completed and a formal report provided to the full Board at a future meeting.
96	Sponsorship Program Recommendation													<u>Recommendation:</u> Consider recommending to the full board for approval the audit or desk review of the Sponsorship Program.
97	Prepare risk assessment tri-annually									•				<u>Note:</u> Next Risk Assessment scheduled to be completed in October 2021.
98	Participate in financial statement audit procurement process													<u>Note:</u> Next procurement scheduled for January 2022.

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# Santa Clara Valley Water District

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**File No.:** 20-0619

**Agenda Date:** 8/19/2020

**Item No.:** 4.4.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Recommended Updates to Board Independent Auditor (TAP International, Inc.) Annual Audit Work Plan.

**RECOMMENDATION:**

Discuss the Annual Audit Work Plan and approve any updates to recommend to the Board, if necessary.

**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.

On May 23, 2017, the Board approved an on-call consultant agreement with TAP International, Inc. (TAP) for Board independent auditing services.

On September 26, 2018, TAP presented the final Risk Assessment Model to the BAC, which provided an assessment of operational risks to the Santa Clara Valley Water District ("Valley Water"). The Risk Assessment Model developed heat maps of Valley Water operational areas based on risk impact (low, moderate, and high risk). The results of the risk assessment included input from Valley Water's Board of Directors, management and staff, and was used to assist in the development of an Annual Audit Work Plan. The highest risk areas included procurement, contract change order management, succession planning, and fraud prevention.

On February 26, 2019, the Board approved the BAC's recommendation for TAP to conduct three performance audits. The three audits included performance audits of the District Counsel's office, contract change order management processes, and real estate services. On June 7, 2019, an amendment to the Board independent auditing services agreement was completed to increase the not-to-exceed amount from \$405,000 to \$1,005,000 to complete all three proposed audits and approximately three additional future audits.

On June 25, 2019, the Board approved the Annual Audit Work Plan for FY 2018-2019 through FY 2020-2021 (Annual Audit Work Plan) (Attachment 1). In addition to carrying out audits in the Board approved Annual Audit Work Plan, the BAC shall discuss and update the Annual Audit Work Plan, if necessary.

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The Board previously approved updates to the Annual Audit Work Plan to include the FY 2020-2021 Property Management Audit, to audit whether Valley Water is implementing the encroachment program consistent with the Board's guiding principles. As part of the FY 2020-2021 Ad-hoc Board Audits included in the Annual Audit Work Plan, the BAC also identified three desk reviews to be performed by TAP: key controls and financial management regarding the extension of grants; risk management review of Valley Water hiring practices; and review of the Board Agenda preparation process. These desk reviews are not full and formal audits, and they are designed to quickly identify the need, or lack of need, for a formal audit. To the extent formal audits are recommended as a result of the desk reviews, approval will be sought from the full Board before their initiation.

The BAC is requested to identify any potential changes to the Annual Audit Work Plan to recommend to the Board for approval.

**ATTACHMENTS:**

Attachment 1: Annual Audit Work Plan (July 2020 Update)

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

# Santa Clara Valley Water District Annual Audit Work Plan, FY 18/19 to FY 20/21.

DRAFT AUDIT WORK PLAN – JULY 30, 2020

SANTA CLARA VALLEY WATER DISTRICT BOARD OF DIRECTORS DRAFT  
ANNUAL WORK PLAN, FY 18/19 TO FY 20/21

## OVERVIEW

The selection of audits is an important responsibility of the Audit Committee. The formulation of this audit work began in 2018 when the Valley Water's Board of Director provided input and approved the enterprise risk assessment that was administered across agency operations. The audit work plan is a culmination of a comprehensive effort to consider input on auditable areas from Valley Water employees, mid-level management, executive management, and Board Directors.

The proposed audit work plan considers factors that, if addressed, will provide opportunities to mitigate those risks and improve operations. These factors include:

- **Operational** – Are Valley Water programs/activities performed and services delivered in the most efficient, effective, and economical manner possible, and do they represent sound business decisions, including appropriate responses to changes in the business environment?
- **Financial** – Is there an opportunity to improve how Valley Water manages, invests, spends, and accounts for its financial resources?
- **Regulatory** – Do Valley Water programs and activities comply with applicable laws and regulations?
- **Health and Safety** – Are Valley Water services delivered in a manner that protects our residents and employees from unnecessary exposure to environmental factors?
- **Information Security** – Are Valley Water's information systems and networks protected against unauthorized access, use, disclosure, disruption, modification, inspection, recording, or destruction?

In addition, the proposed audit work plan considers several other factors in the selection of audits.

- **Relevance** – Does the audit have the potential to affect Board decision-making or impact Valley Water customers and residents?
- **Best Practices** – Does the audit provide the opportunity to compare current performance to best practices?
- **Return on Investment** – Does the audit have the potential for cost savings, cost avoidance, or revenue generation?
- **Improvement** – Does the audit have the potential to result in meaningful improvement in how Valley Water does its business?
- **Risk** - The audit work plan also considers risks related to major functions, as identified through a 2017 enterprise risk assessment conducted by TAP International.
- **Audit Frequency** – Individual Divisions at Valley Water should not be subject to more than two audits per year.

## AUDIT WORK PLAN, FY 18/19 TO FY 20/21

This proposed audit work plan is divided into section. Section A describes ongoing non-audit (e.g. advisory) responsibilities of the Independent auditor and well as other quality assurance activities planned by executive management. Section B describes the audits planned for implementation by the Independent Auditor and other audits planned by Valley Water's executive management.

### SECTION A

#### NON-AUDIT SERVICES AND SPECIAL PROJECTS

The following table lists non-audit services and special projects for the FY 2019-20 audit work plan:

Project	Scope	Planned Hours
<b>Board of Director/Audit Committee Requests for Information</b>	<b>Ongoing.</b> Should the Board of Directors request information on activities implemented by other public agencies or on other matters of interests applicable to enhancing the efficiency and effectiveness of operations, the independent auditor will collect and summarize information.	80
<b>Audit Training</b>	<b>Annual.</b> The Board Audit Committee Charter describes a requirement to provide audit training to BAC committee members at least annually.	2
<b>Support services</b>	<b>Ongoing.</b> Provide support services to Board Directors and Valley Water staff applicable to specific initiatives or planning projects to prevent potential service delivery risks, such as the planning of a new ERP system.	40
<b>QEMS – Independent Auditor</b>	<b>Ongoing.</b> Provide services to ensure proper oversight and accountability.	As needed
<b>Management reviews</b>	<b>Ongoing.</b> Valley Water 's CEO as needed will initiate internal quality assurance reviews of business practices and operations. These reviews are to be shared with the audit committee.	As needed

**SECTION B: AUDIT SERVICES****AUDIT WORK PLAN – INDEPENDENT AUDITOR****FY 2018-19**

The following audits have been approved in FY 2018-19 by the Board of Directors and will continue into the FY 2019-20 audit work plan.

<b>ID</b>	<b>Audit</b>	<b>Audit Objectives</b>	<b>Planned Hours</b>
<b>1</b>	District Counsel Office Review	Are there structural, organizational, and process improvement opportunities for the District Counsel's Office?	664
<b>5</b>	Contract Change Order Processing	What types of business process improvements are necessary for contract change order processing?	429
<b>6</b>	Real Estate Review	How can the Real Estate improve its financial and service delivery performance?	574
<b>Total</b>	3 audits		1,667

**FY 2019-20**

The following audits have been selected for approval for the FY 2019-20 audit work plan.

<b>ID</b>	<b>Audit Name</b>	<b>Audit Objectives</b>	<b>Planned Hours</b>	<b>Factors Considered</b>
	Ad-hoc Board Audits	TBD	500-800	Relevance
	Audit Follow up	Review and monitor the status of audit recommendations	120	Relevance
	<b>Sub Total</b>		<b>620-800</b>	
<b>13</b>	Construction project management	What areas of Valley Water's capital project budgeting practices can benefit from adopting best practices?	314-371	Financial Improvement Risk Best practices
<b>2</b>	SCADA audit	Does Valley Water's Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?	714-857	Information Security Relevance Improvement Risk
<b>7</b>	Permitting best practices	How does Valley Water's permitting process compare with other agencies? Can alternative permit processing activities benefit Valley Water?	171-229	Operational Best practices Improvement



<b>4</b>	Risk Management	Can risk management business processes be implemented more effectively? (i.e. contract claims, workers compensation, small claims).	143-260	Relevance Financial Operational Best practices
<b>3</b>	Billing and Collections audit	Are there opportunities to enhance Valley Water's billing and collection processes?	343-429	Relevance Financial Regulatory Improvement Risk Return on Investment
<b>11</b>	Accountability audit	Are there opportunities to enhance safe clean water audits?	115-171	Health and Safety Relevance Improvement
<b>Sub Total</b>	<b>6</b>		<b>1,800-2,317</b>	

**FY 2020-21**

The following audits have been selected for approval for the FY 2020-21 audit work plan.

<b>ID</b>	<b>Audit Name</b>	<b>Audit Objectives</b>	<b>Planned Hours</b>	<b>Factors Considered</b>
	Ad-hoc Board Audits*	TBD	500-800	Relevance
	Audit Follow up	Review and monitor the status of audit recommendations	120	Relevance
	<b>Subtotal</b>		<b>620-800</b>	
	<u>Grants Management</u>	<u>Performance audit of the efficiency and effectiveness of grant management and administration</u>	<u>Outsourced-TBD</u>	<u>Financial improvement</u> <u>Operational Best practices</u>
<b>21</b>	Community engagement	Can Valley Water benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities?	371-457	Financial Improvement Operational Best practices
	Property Management	<u>Is Valley Water implementing its encroachment licensing program consistent with the Board's guiding principles?</u>	400	Operational
<b>20</b>	Homelessness analysis	How can the Valley Water enhance its homelessness encampment clean-up	290-371	Health and Safety Relevance

		activities that <u>protect health and safety</u> ?		Financial Operational
<b>8</b>	Classified information**	To what extent does the Valley Water's Counsel's office appropriately classify confidential information?	143-200	Relevance Operational
<b>26</b>	Local workforce hiring	What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?	200-229	Operational
<b>27</b>	Equipment maintenance	Is Valley Water adequately meeting the needs of equipment maintenance?	143-229	Health and safety Operational Financial
<b>30</b>	Community engagement	What are the best practices in planning and facilitating community engagement?	46-86	Best practices Operational
<b>33</b>	Water Fix	What potential financial risks could occur on the California Water Fix project?	160-286	Financial Relevance
<b>Sub Total</b>	<b>7</b>		<b>1,125 -1,661</b>	

\*Ad-Hoc Audits to be added to the Board performance plan upon identification and approval of reviews.

\*\*This issue was included in the project plan for the performance audit of the District Counsel's office.

## AUDIT WORK PLAN – VALLEY WATER RESPONSIBILITY

### FY 18/19 THRU FY 19-20

### QEMS

QUALITY ENVIRONMENTAL MANGEMENT SYSTEM INTERNAL AUDITS	
AUDIT DESCRIPTION AND UNIT #	
<b>Treated Water O&amp;M DOO: TW Survey (customer service w/ WS DOO)</b>	<b>#515</b>
Laboratory Services Unit	#535
North Water Treatment Operations Unit	#565
South Water Treatment Operations Unit	#566
Treatment Plant Maintenance Unit (North & South WTP)	#555
Water Quality Unit	#525
<b>Water Utility Capital Division</b>	
Capital Program Planning and Analysis Unit	#335
Construction Services Unit	#351

Pipelines Project Delivery Unit	#385
East Side Project Delivery Unit	#375
West Side Project Delivery Unit	#376
<b>Dam Safety &amp; Capital Delivery Division</b>	
CADD Services Unit	#366
Dam Safety Program & Project Delivery Unit	#595
Design and Construction Unit #3	#333
Pacheco Project Delivery Unit	#377
<b>Water Supply Division DOO: TW Survey (customer service w/ TW O&amp;M DOO)</b>	#415
Wells & Water Measurement Unit	#475
<b>Watersheds Design and Construction Division</b>	
Design and Construction Unit #1	#331
Design and Construction Unit #2	#332
Design and Construction Unit #4	#334
Design and Construction Unit #5	#336
Land Surveying and Mapping Unit	#367
Real Estate Services Unit	#369
<b>Associated Business Support Areas</b>	
Facilities Management Unit	#887
Infrastructure Services Unit/IT	#735
Equipment Management Unit	#885
Business Support & Warehouse Unit	#775
Purchasing & Consultant Contracts Services Unit	#820
Emergency Services & Security	#219
Environmental, Health & Safety Unit	#916
Workforce Development (Training)	#915
Core ISO Procedures: Continual Improvement Unit	#116
Office of Communications (Customer Service)	#172
Office of the Clerk of the Board (Customer Service)	#604

## COMPLIANCE AND FINANCIAL AUDITS

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

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# Santa Clara Valley Water District

**File No.:** 20-0623

**Agenda Date:** 8/19/2020

**Item No.:** \*4.5.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

#### **SUBJECT:**

Discuss Audit Objectives Based on the Board Independent Auditor's Recommendation Regarding the Safe, Clean Water Program Grant Management Ad-hoc Desk Review.

#### **RECOMMENDATION:**

Discuss Audit Objectives Based on the Board Independent Auditor's Recommendation Regarding the Safe, Clean Water Program Grant Management Ad-hoc Desk Review.

#### **SUMMARY:**

On January 14, 2020, the full Board approved, as recommended by the Board Audit Committee (BAC), TAP International's updated FY 2018-2019 to FY 2020-2021 Annual Audit Work Plan. As part of the FY 2020-2021 Ad-hoc Board Audits included in the Annual Audit Work Plan, the Board Audit Committee also identified three desk reviews to be performed by TAP International: key controls and financial management regarding the extension of grants under the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program); risk management review of Valley Water hiring practices; and review of the Board Agenda preparation process.

These desk reviews are not full and formal audits, and they are designed to quickly identify the need, or lack of need, for a formal audit. To the extent formal audits are recommended as a result of the desk reviews, approval will be sought from the full Board before their initiation.

On February 19, 2020, the BAC discussed the status of the Safe, Clean Water Program Grant Management ad-hoc desk review. The Board's Independent Auditor, TAP International, recommended that a subject matter expert auditor on the topic of grant management, conduct a formal audit. The BAC received a status update at its July 15, 2020 meeting and directed staff to return with additional information in the August 2020 BAC meeting to facilitate a discussion of audit objectives for a proposed scope of work (Attachment 2) based on the desk review (Attachment 1).

#### **ATTACHMENTS:**

Attachment 1: Safe, Clean Water Program Grant Management Ad-hoc Desk Review

\*Attachment 2: Task Order 40 Grants Management Performance Audit

\*Handout 4.5-A, T. Mulvey Comments

#### **UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068





TAPInternational

# Desk Review of Valley Water Grant Management

Brief

February 13, 2020

## **INDEPENDENT AUDITOR OVERVIEW**

In 2017, the Santa Clara Valley Water District (Valley Water) Board of Directors approved the selection of its first independent auditor, TAP International. TAP International reports and is accountable to the Board Audit Committee and the full Board of Directors. The Board of Directors initiated an independent audit function to support their efforts to advance open and accountable government through accurate and objective audits; and assessments that seek to improve the economy, efficiency, and effectiveness of Valley Water.

As described in Valley Water's Request for Proposal and subsequently required under the contract executed in 2018, the scope of services required of the Independent Auditor 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.

## **WHY A DESK REVIEW WAS CONDUCTED**

In October 2019, the Board of Directors discussed amendments with Valley Water staff to multiple grant agreements that would extend the time and/or add funding to existing agreements. In subsequent discussions between the Independent Auditor and the Board Audit Committee about the efficiency and effectiveness of the grant management process, the Board Audit Committee requested the Independent Auditor conduct a limited review that would assess the need to complete a comprehensive performance audit of Valley Water's grant management and administration. The Board Audit Committee specifically requested that the Independent Auditor contact and receive feedback from grantees about Valley Water's grant application, award, and reimbursement processes. This review did not examine sponsorship activities.

## **HOW THE WORK WAS CONDUCTED**

To perform the limited review, the Independent Auditor conducted the following procedures:

- Randomly selected and contacted 10 grant recipients from Valley Water Safe Clean Water and Natural Protection Year 2018-2019, Appendix C: Cumulative Partnerships and Grants Information for Projects A2, B3, B7, and D3 (2014 to 2019). Six of the 10 grant recipients contacted agreed to provide feedback to the Independent Auditor about Valley Water's grant application, award, and payment processes.



- Randomly selected 19 of 50 grant agreements awarded to organizations by Valley Water other than to a public agency. These agreements were identified from Valley Water Safe Clean Water and Natural Protection Year 2018-2019, Appendix C: Cumulative Partnerships and Grants Information for Projects A2, B3, B7, and D3 (2014 to 2019). The review evaluated the frequency of awarding grants to the same organization to help identify any potential risks about the award process. The value of the 19 grant agreements totaled approximately \$3 million.

The work performed does not constitute a performance audit. Had a performance audit been performed, audit activities would have included procedures to develop sufficient evidence to draw conclusions regarding the efficiency, effectiveness, and economy of Valley Water grant management and administration. Examples of these procedures include:

- Assessment of internal controls,
- Examination of the reliability of the data received by Valley Water,
- Detailed review of grant management awards,
- Assessment of Valley Water grant management policies and procedures, and
- Review of compliance to grant agreements.

## RESULTS

### Grant Application

The grant recipients participating in this limited review reported different experiences with the grant application process. For example, one grant recipient reported having no recollection of having to respond to an RFP, while others reported that the grant application process was challenging and time-consuming, especially on applications with short submittal deadlines.

### Grant Award

- The grant recipients participating in this limited review also reported different experiences with the grant award process as follows:
  - Almost all reported had a moderate to high satisfaction with the timeliness of the award process and the timeframes established for completing the deliverables.
  - A few of the grant recipients reported concerns about Valley Water cutting funding after the award, which adversely affected program implementation and program results.
- Our review of 19 grant agreements shown in Valley Water Safe Clean Water and Natural Protection Year 2018-2019, Appendix C: Cumulative Partnerships and Grants Information for Projects A2, B3, B7, and D3 (2014 to 2019) identified potential risks that may require further review.
  - One nonprofit organization received multiple awards in the same year. For this

- organization, four awards were granted, valued at about \$480,000.
- Further review of the grant application process may be needed regarding disclosures submitted by the applying organization.
  - Two organizations on the list of the 19 grants that we reviewed and named on the Valley Water's list of "in-process" grants are incorrectly identified. Based on information reported by the original grant recipients, the current grant recipients assumed control of the grants in 2016 and 2017. Generally, changes in ownership applicable to a grant agreement or contract should be reported, reviewed, and approved by Valley Water so that grant agreement information can be updated.

### Grant Reimbursement

Most of the grantees we interviewed were low to moderately satisfied with the timeliness of invoice payment. According to Valley Water practices, reimbursement to grantees should be issued after completion of a deliverable. When grantees submit invoices for approval even with supporting documentation, lengthy payment delays reportedly occurred, ranging from six months to up to 18 months. At Valley Water, invoices are approved by program staff before payment by Financial Planning and Management Services. Grantees had explained that little or no information was provided by Valley Water about the delays. When information was provided, Valley Water program staff attributed the delays to staffing or other structural changes.

### **NEXT STEPS**

The Chair of the Board Audit Committee should consider placing on the next Board Audit Committee meeting agenda the following item:

1. Discussion and approval to forward a request to the Board of Directors to conduct a comprehensive performance audit to assess the efficiency and effectiveness of Valley Water's grants management program. This performance audit should focus on the grant application, evaluation and award activities, scope of work development, and grant administration.

Task Order No. 40

Title: Grants Management Performance Audit

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

District Supervising Program Administrator: Darin Taylor

Consultant Project Manager: Denise Callahan, President

**Dollar Amount of Task Order: Fixed Fee \$61,950**

1. Upon full execution of this Task Order No. 40 as set forth in the Standard On-Call Consultant Agreement Section Twelve, subsection 13., Task Orders, and the issuance of a notice to proceed by the District Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the notice to proceed will be considered outside the contracted scope of Services and will not be eligible for payment.
2. Both the scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A, which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
  - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
  - B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
  - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
  - D. Project schedule for completing the scope of Services.
3. The Consultant shall be compensated at fixed fees or at the hourly rates established in the Agreement, Attachment A to the Scope of Services, Fees, and Payments. The Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order will become effective on the date of full execution by authorized representatives of the Parties and remain in effect until the earlier of: termination of this Agreement; completion of the tasks set forth in Attachment A.
5. Copies of applicable local, state, and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to the District.

6. The Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the terms and conditions of the Agreement.

7. Signatures: 

TAP INTERNATIONAL INC.  
Denise Callahan  
President, Lead Auditor

7/30/2020  
DATE

Signature: 

SANTA CLARA VALLEY WATER DISTRICT  
Darin Taylor

8/3/2020  
DATE

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**Task Order No. 040****Attachment A – TAP International, Inc.****Board Meeting Attendance**

- A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
- B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
- C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
- D. Project schedule for completing the Scope of Services.

Activity	Assigned Consultant	Hours	Rate	Sub Total	Project Schedule Completion Date
See Attached Scope of Work and Cost Proposal – Subcontractors Greta Bernard and Drummond Kahn	Independent Contractors	354	\$175	\$61,950	11/30//2020
TAP International, Contract management				\$0	\$0 *
Total Fixed Fee Amount				\$61,950	

\* TAP International per the Board's aproval will serve as the contracting

vehicle only. TAP International will serve as communicaion liasion to the VW contract management team that will entail fowarding emails,

documents, and other files from the independnet subcontractors to the VW contract management team. The time required is minimal.

# Grant Management Performance Audit Guidelines

Submitted by: Greta MacDonald and Drummond Kahn, Independent Contractors.

The following audit guidelines provide an overview of the performance audit of Valley Water's Grants program, which include a general description of the key components of the work to be conducted. A more detailed audit workplan will be provided at a later time to the Audit Committee for review and approval.

## Project Overview

The Santa Clara Valley Water District (Valley Water) Audit Committee has requested a comprehensive performance audit to assess current grant management and administration practices. This audit will include a comparison of current policies, procedures and practices to grants management best practices, for streamlining the grants key process including program funding allocations, award, monitoring and closeout. This audit assesses whether Valley Water can provide assurance that risks are being managed appropriately and whether or not the department's internal control environment is operating effectively to ensure the safeguarding of rate-payer funds.

## Objectives

The Audit Committee has requested a performance audit to determine the extent to which the current grants management and administration program promotes transparency and accountability through the following objectives:

1. Determine the extent to which Valley Water's grants management and administration program is operating effectively.
2. Determine if opportunities exist to better align Valley Water's grant management and administration program and processes with best practices.

## Performance Audit Process

Performance Audits can be divided into three distinct phases: (1) planning, (2) implementation, and (3) reporting. While there are distinct phases and tasks, each are interdependent upon the other. For example, throughout the planning and implementation phase, we will be developing components of the draft report (in the form of an outline) and ensuring that sufficient, relevant and appropriate data is collected for analysis to support our conclusions.

### Phase I: Project Planning (August 2020)

Project planning is a critical step to successful project outcomes. We will conduct a scoping exercise to determine what information we need to address our objectives and how best to collect data. Based upon the results of our scoping activities, we list below the activities that we will perform:

#### Project Kick-Off(s)

We will conduct an entrance conference with the appropriate Valley Water representatives and plan to subsequently meet once the detailed workplan is reviewed.

### **Submit Initial Data Request**

We will promptly submit a data request as soon as authorized to begin work.

### **Conduct Risk Assessment**

As required by GAGAS, we will assess risk by identifying major threats to the grant program, while considering management controls to mitigate threats. We will also identify sources and reliability of evidence. This will allow us to develop audit procedures to test the controls in place, and to focus testing to areas that are most vulnerable, which will provide Valley Water with a more cost-effective audit. The risk assessment serves as the foundation for the detailed audit plan.

Risks associated with grants and grants management include misuse of grant funds, failure to achieve grant objectives, violations of grant or contract requirements, unreported or misstated grant performance, all of which can result in reputational damage.

### **Develop Submit Detailed Audit Plan**

To ensure that our audit meets standards as well as TAP International and the Audit Committee's expectations and to ensure that all parties are in agreement, we will develop and submit our detailed workplan, including final objectives and scope, as well as criteria we will use for best practices.

## **Phase II: Implementation (Field Work) (August-September 2020)**

The implementation phase, also commonly referred to as the Field Work phase, is simply the execution of our detailed Audit Work Plan. The Audit Work Plan will guide us through the steps necessary to complete audit fieldwork. This will generally entail review, analysis and testing steps necessary to achieve our audit objectives and will enable us to present well-supported findings and conclusions.

### **General Steps**

#### **Objective 1: Determine the extent to which Valley Water's grants management and administration program is operating effectively:**

Task A. Assess control environment:

1. Are roles and responsibilities among staff involved in grants management clearly defined?
2. Are written policies and procedures in place?
3. Are staff regularly trained – project management and grant training?
4. Are there internal controls in place? (Segregation of duties, approval and authorization, verification, documentation, monitoring and reporting.)
5. Is there oversight both within the department and by the Board? Is there management oversight and approval of grant reports?
6. Is there regular tracking of grant timelines and milestones?
7. Is grant financial and performance information centralized and contain adequate supporting documentation?
8. Are grant performance updates shared with the Board on a regular basis? Are there timely and accurate reconciliations performed?
9. Does the current financial system and grant tracking database allow for staff to track grant fund usage?

Task B: Assess key internal control points within the Grants Management cycle, focus testing on most vulnerable areas, as indicated by the Risk Assessment:

1. **Grant Allocation and Acceptance:** How are the grant programs developed and how are allocations determined? To what extent do programs and their subsequent allocations link to Valley Water's mission? What are the Boards current funding priorities? What internal controls are in place to ensure that funds are appropriately deployed?
2. **Request for Applications/Notice of Funding Available:** How are notices made available to potential grantees, e.g. email, NOFA websites, etc.
3. **Awarding Grant Funds:** is criteria consistently applied to potential grantees in the selection process? Is it documented? How is Valley Water assured that grantees can perform the work and have adequate financial systems and processes to provide both financial and performance reports? What controls are in place to verify participants meet program criteria to receive grant funding? Is there senior management approval on the application and utilization of grants?
4. **Contract Execution:** Are contract terms consistently applied for each grant? Are there financial and performance reporting requirements included in the contracts?
5. **Contract Compliance:** Are policies and procedures (controls) in place that govern Valley Water compliance checks of grantees, per contract requirements? Are grantees routinely monitored for meeting goals, objectives or deliverables included in the grant agreement, and any other applicable compliance requirements, during the life of the grant? We will examine contracts for compliance requirements such as allowable activities, allowable costs, cash management, eligibility, period of performance, etc.?
6. **Financial and Grantee Reporting:** Are financial and performance reports requested, reviewed and reported to the Board with regularity? How do Valley Water staff verify that financial reporting is accurate and timely?
  - a. We will examine the disbursement of funds and how the grantees report both expenditures and activities.
  - b. We will review financial system disbursement data to assess the validity of grant reimbursements and also verify that expenditures occur within the granting period.
7. **Compliance Monitoring:** Are grantees regularly monitored for contract compliance by Valley Water staff? To what extent are monitoring activities documented in the grant file? Are updates provided to the Board on grantee project progress?
8. **Contract Extensions:** Are contracts extended to grantees on a regular basis? To what extent, is this consistent with Board Policy; and determine if any patterns exist.
9. **Contract Closeout:** Assess closeout procedures for appropriate internal controls such as reconciliations, and final reporting requirements are met.

**Objective 2: Determine if opportunities exist to align current grant management and administration activities with best practices.**

Task A: Identify criteria for Grants Management best practices in the following areas:

- Internal control systems
- Performance measures
- Pre-selection/award process
- Managing grantee performance (monitoring)
- Reporting results

Task B: Document Valley Water's current practices, policies and process flows within the same categories and key control points, and using information obtained in Objective 1:

- Compare existing conditions with best practice criteria (gap analysis, testing key control points, review of contracts/grant agreements)
- Identify the cause for where gaps exist.
- Develop recommendations to address causes, gaps, to better align Valley Water's policies, procedures and processes with best practices.

Once we complete our review, analysis and testing, we will develop findings, conclusions and ensure our workpapers are prepared according to GAGAS.



## **Phase III: Project Reporting (September-October 2020)**

### **1. Hold preliminary results meeting**

Prior to submitting the preliminary draft report, we will meet with the Audit Committee to present our preliminary findings. This will likely be presented in a power-point style format containing findings and recommendations. None of the information will be new; we will have shared the information during the bi-weekly progress reports.

### **2. Submit preliminary draft report**

Prior to completing the field work, we will start developing a report outline. The report outline will describe the overall message of the report and a description of the findings supporting the report message. As discussed in the preliminary results meeting, we will then provide our preliminary draft report for discussion and comment.

### **3. Submit the draft report to the Audit Committee for comment**

This task provides representatives from the Audit Committee the opportunity to then formally review and comment on the draft report, as required by GAGAS. Throughout the reporting period, we will work with the Audit Committee to respond to report review questions and issues upon receipt by each reviewer. Tasks to be performed include:

- Meet with the Audit Committee to address comments
- Agree on changes
- Update the draft report
- Submit to the Audit Committee
- Receive additional comments
- Update the draft report with responses.

### **4. Prepare final report (November 2020)**

The final report will be submitted to the Audit Committee within 3-5 days upon receipt of final comments.

## COST PROPOSAL – PERFORMANCE AUDIT OF GRANTS ADMINISTRATION AND MANAGEMENT

### Project Cost Assumptions

Our approach and cost estimate presented below assumes full cooperation from the personnel in the areas being reviewed and that unanticipated situations will not be encountered during the course of our audit. Should we encounter conditions that hinder our audit, or that otherwise affects our ability to complete the engagement within our budget and timeline estimate, we will confer with both TAP International and the Audit Committee prior to conducting further work.

Please note our pricing is based on our extensive experience in conducting performance audits as requested by the Audit Committee. We have provided a cost estimate based on the scope of work documented in the Audit Guidelines presented separately. Other cost assumptions factored into our pricing are as follows:

- All applicable Valley Water staff (working in grants and finance) will be available for requested meetings (via Zoom or teleconference) within the time frame of our audit.
- Requested documentation will be received within a reasonable time frame and will be complete.
- A point of contact will be provided to us to assist with grant data retrieval both electronically and hard copy.
- All meetings will take place via Zoom, teleconference or other video conferencing platforms that will enable screen sharing. No in-person meetings will be required, e.g. no travel costs have been included.

### Cost Proposal to Provide Performance Auditing Services

Team Member	Planning	Implementation	Reporting	Total	Rate	Cost
Drummond Kahn	18	12	80	110	\$175.00	\$19,250.00
Greta MacDonald	40	124	80	244	\$175.00	\$42,700.00
				<u>354</u>	<b>Total Cost</b>	<u><b>\$61,950.00</b></u>

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### **Cost Proposal to Provide Performance Auditing Services**

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# Greta (Bernard) MacDonald, MPA

## Independent Consultant

### PROPOSED ROLE & RESPONSIBILITIES

- Develops performance audit plan, establishing audit project objectives and scope.
- Designs structured interview guides, data collection instruments.
- Conducts all data analysis, subsequent workpapers, and performs report writing.
- Ensures all workpapers are prepared in accordance with Generally Accepted Government Auditing Standards (GAGAS).

### SUMMARY

Most recently serving as Director of Advisory Services for a top 100 CPA firm, Greta is now an independent consultant with over 18 years of professional experience managing and directing performance audits and consulting engagements for public sector entities. She has participated in over 50 performance audits conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), ranging from large metropolitan transportation agency construction projects to overtime audits within a utility district. As such, she was selected by the Attorneys General of the State of Illinois to provide expert witness services in a 2017 federal arbitration related to performance auditing requirements. The results of her performance audits include practical recommendations which often identify opportunities for improvement related to strengthening internal controls, performance measures, procedural improvements, and use of automated tools for streamlining processes in order to improve the efficiency and effectiveness of operations.

### EDUCATION

- Master of Public Administration, University of Southern California (USC)
- Bachelor of Economics, California State University Chico

### REPRESENTATIVE CLIENT EXPERIENCE

**Metrolink - Southern California Regional Rail Authority:** As project manager, of the Grants Management Audit, performed an internal audit to assess grant management and reporting activities to internal and external stakeholders. Specifically, we determined the accuracy and appropriateness of charges applied to specific grants, and the adequacy of business processes and internal controls used to ensure compliance with grant requirements, such as OCTA Measure M grant requirements. Our recommendations provided a framework for the agency to better align itself with best practices and enhance existing controls to mitigate potential fraud, waste and abuse.

**Omnitrans (conducted under contract with the County of San Bernardino Auditor-Controller):** As part of an agency-wide performance audit, a significant focus of the review was related the grants management and administration process, specifically related to financial reporting. We compared policies, procedures and process flows to best practices and developed recommendations to improve internal controls specifically related to monitoring and ensure accurate financial reporting.

#### **Los Angeles County Metropolitan Transportation Authority (LACMTA aka Metro):**

1. Concerned about the substantial cost overruns experienced in the construction of the Expo Phase 1 project, we were directed to perform an audit to determine: (1) The causes of cost overruns in Phase 1, (2) The lessons learned, and; (3) How risks have been mitigated in Phase 2. Our audit found multiple factors contributing to the cost growth on the Phase I project, including project design changes, utility relocations and contractor claims, unreimbursed soft costs for betterments, use of negotiated design-build contracting strategy, insufficient project contingency budgeting, and higher than normal escalation. Our report provided five recommendations to Expo and MTA on ways to enhance communication to ensure that MTA executive management and the Board are kept up-to-date on the status of Phase 2. The recommendations describe a more comprehensive approach to addressing board oversight, expanding current MTA and Expo practices that have been successful, and consider meetings at higher levels of MTA Management inclusive of all stakeholder departments.

2. SBE/DBE certification Program Performance Audit – Evaluated the program’s effectiveness in improving supplier diversity, assessed how the program could be improved, from process flow to use of supplier data, and conducted a case study of program outcomes from leading supplier diversity programs.

**Triennial Performance Audits of Regional Transportation Planning Agencies (RTPAs)- Placer County Transportation Commission, San Joaquin Council of Governments, and Stanislaus Council of Governments and their associated transit operators:** Conducted 16 triennial performance audits of RTPAs and their operators in accordance with CalTrans’ Performance Audit Guidebook and GAGAS to assess performance metrics for transit operations, assess internal controls, and identify areas for improved efficiencies and effectiveness. As part of the CalTrans Guidelines, we reviewed TDA grant awards, expenditures and financial reporting.

- Stanislaus Council of Governments – City of Ceres Transit, City of Turlock Transit, Modesto Area Express, Riverbank Oakdale Transit Authority and Stanislaus Regional Transit.
- Placer County Transportation Commission – Auburn Transit, Lincoln Transit, Placer County Transit, Roseville Transit and Pride Industries (Dial-A-Ride Services).
- San Joaquin Council of Governments – ACE Rail, Ripon Transit, San Joaquin Rapid Transit.

**County of Alameda, Auditor Controller:** Performed a performance audit of its ambulance service provider, Paramedics Plus Ambulance Inc. (PPlus) operations. After PPlus requested a subsidy from the County due to operational losses, the County requested that MGO assist the County by conducting a review of PPlus’s financial operations through a performance audit.

**County of Stanislaus – Employee Benefits Division:** Directed and performed an operational review of their Deferred Compensation (457) program. This review included a governance best practices comparison where we researched leading practices specific to Retirement Board committees; documented components related to plan governance; and compared against Committee activities as documented in the minutes over a three-year period. We assessed general oversight activities, communication protocols, and other relevant criteria such as fiduciary responsibility of each/all parties.

**Investment Unit, Treasury Department (Contracted by the County of Alameda, Auditor-Controller):** Conducted an operational review of the County’s Investment Unit to assess the performance of the County’s portfolio to assess the operations of the Investment Unit of the Treasurer-Tax Collector, including compliance, best practices and organizational structure. We undertook a review of the Unit’s investment performance, organizational structure, operating environment, work processes and reporting activities. We developed recommendations to strengthen its Investment Policy, better assess its performance, improve the reliability of its data and plan for future staffing.

**Payroll Department, City of Irvine:** Performance Audit of Payroll Services. We assessed the adequacy and effectiveness of segregation of duties and internal control procedures, including that of automated systems, the adequacy and accuracy of payroll systems and processes. Our evaluation identified several areas within the payroll and benefit payment process that required additional reconciliation and oversight to help ensure accuracy and completeness. Our evaluation identified several process and control areas that could be improved. We developed 10 prioritized recommendations for the City to enhance and improve operations.

**Procurement Department – City of Oakland:** Performance audit of the operational efficiency of its Administrative Services Department’s Fiscal Services Division Purchasing function. We examined the extent to which the procurement process allows management to provide effective oversight and how the City’s purchasing processes and organizational structure compare with similar organizations and leading practices, i.e., are delegated authority levels comparable with cities of similar size and procurement models. We then developed recommendations to increase operational efficiency and effectiveness in the procurement process, as well as strengthen internal controls, mitigate risks, and better align current processes with best practices and industry standards.

**County of San Mateo Assessor Clerk-Recorder’s Assessment Appeals Process:** Audited the Assessment Appeals Process, which involved understanding the real and commercial appraisal and appeals processes, workflows between the Assessor’s office and Clerk-Recorder’s office. Examined the workflow process between the Clerk, staff in the Real Property Appraisal Services Unit, including the Appeals coordinator, Principal Commercial and Residential Appraiser, the Deputy Information Management System manager, the Deputy Assessor-County Clerk Recorder, the Special Assistant to the Assessor, and County Counsel. Conducted a peer review of the Counties of Orange, San Diego, Sacramento, San Francisco, Santa Clara, and Ventura to determine what practices, if any, were in place that could be applied to the property tax appeals process administered by the County of San Mateo. The results of our audit included 10 recommendations which identified opportunities for improvement related to training, staffing structure and assignment, performance measures, procedural improvements, and use of automated tools for streamlining processes in both the Assessor’s Office and the Clerk-Recorder’s office (related to the appeals process).



# Drummond Kahn, CIA, CGFM,

## Qualifications and Background

Drummond brings over 27 years of responsible work as an auditor, including Federal, State, and Local experience conducting audits and advising management, including conducting risk assessment, development of audit work plans, overseeing the audit work performed by staff, preparing reports and presenting audit reports to city management and elected officials. A former Director of Auditing for the City of Portland, Drummond has extensive experience directing audit functions for governments with a \$2 Billion budget and 7,000-employees, as well as managing the work of professional auditors in accordance with auditing standards. Drummond has conducted numerous audits covering numerous subject areas related to city government, such as internal controls, financial management, parks and recreation, parking management, public works, and utility billing. He is highly sought after to perform Quality Assurance Reviews under IIA Standards and external quality control reviews (Peer Reviews) under GAO Standards. He has led QARs of the audit functions at Florida International University (2009, 2014), City and County of Denver, City of Oakland, Clark County, Nevada, Republic of Palau, and Nevada Department of Transportation.

Drummond has received numerous awards for his achievement in performance and internal auditing, as follows:

2014: Top 15 Most Influential Professionals in Government Auditing, American Center for Government Auditing, Institute of Internal Auditors

2013: Frank Greathouse Distinguished Leadership Award, Association of Government Accountants

2007: "Forty Under Forty" Award, Portland Business Journal

2003: Excellence Award, Oregon Department of Transportation

2002: Commitment to Quality Improvement Award, Institute of Internal Auditors

1997: National Special Achievement Award, Association of Government Accountants

1995: Regional Manager's Award, U.S. General Accounting Office

## Licenses, Certifications, and Education

### Education

- 1990: Master of Science, University of Oregon, Eugene, Oregon
- 1989: Bachelor of Arts, Whitman College, Walla Walla, Washington
- Completed professional coursework at:
- U.S. GAO Training Institute (Washington, D.C.)
- U.S. Treasury Department Federal Law Enforcement Training Center (Glynco, Georgia)

### Professional Associations

- Institute of Internal Auditors (2000-Present)
- Chair, Chief Audit Executives' Council, Salem Chapter, 2000-2002

- Presented to IIA Chapters including Costa Rica, Vancouver, Toronto, Sacramento, Olympia, and Las Vegas; Presented to IIA International Conference, Regional Conferences, and General Audit Management Conference
- Comptroller General's Advisory Council on Government Auditing Standards  
Chair, 2016-Present  
Member, 2009-2016
- Association of Government Accountants (1990-Present)
- President, Portland Chapter 1994-1995
- Member, National Committee on State and Local Government
- Member, Editorial Board, Journal of Government Financial Management
- Pacific Northwest Intergovernmental Audit Forum (1991-2017)  
Assistant Executive Director, 1991-1995
- Board of Directors (State Representative), 2000-2005
- Board of Directors (Local Representative), 2015-Present
- Association of Local Government Auditors (2005-Present)  
National President (2012-13)  
National President-Elect (2011-12)  
Board of Directors Member (At-Large) (2008-2011)  
Member, Education Committee (2005-Present)  
Member, Strategic Planning Committee (2007-2008)  
Team Member and Team Leader, Peer Reviews  
Past-President of local chapter of Association of Government Accountants.
- Past National President of Association of Local Government Auditors.

#### **Certifications**

- Certified Internal Auditor,
- Certified Government Financial Manager,
- Certified Government Auditing Professional.

## **Employment History**

#### **Portland State University**

- **Adjunct Assistant Professor** (1998-2006)
- **Adjunct Associate Professor** (2007-Present)
- **Adjunct Professor** (2017-Present)

**Director of Audit Services, City of Portland,** February 2005 – August 2017:

**University of Oregon,** 2000-Present, Faculty

**Teach graduate course in the Master's of Accountancy program in the Lundquist College of Business.**

**Teach one course per year, Accounting 642: Advanced Assurance Services (Advanced Auditing).**

**Adjunct Faculty, USDA Graduate School (Now Graduate School, USA) 1993-Present,**

Teach professional courses in auditing and financial management to federal, state and local officials throughout the U.S. through the Government Audit Training Institute and more than twelve courses overseas through the International Institute. Courses include Performance Auditing and Financial Management.



**Interim Director, Oregon Secretary of State Audits Division, March 2009 – May 2009:** Lead Oregon state government's audit function in accordance with national standards. Lead office to release several reports and manage transition issues in a short time.

**Chief of Audit Services, Oregon Department of Transportation, August 2000 – February 2005:**

Directed the internal (2000-2005) and external/contract (2004-2005) audit functions for state transportation department (\$2 Billion, 5,000-employee organization), one of the largest departments in State government. Manage the work of professionals, including internal auditors, performance measurement specialists, and the fraud reporting program. Led office to receive a 2002 Commitment to Quality Improvement Award from the Institute of Internal Auditors, the first state agency so recognized.

**State Audit Administrator, Oregon Secretary of State Audits Division, April 1998 – August 2000:**

Lead teams of auditors conducting audits of state programs, managing up to 4-5 audit teams at the same time. Testify to Oregon Legislative Committees and to agency governing bodies.

**Principal Performance Auditor, Oregon Department of Transportation, November 1995 – April 1998**

**Evaluator/ Site Senior, U.S. General Accounting Office (now U.S. Government Accountability Office),**  
August 1990 – October 1995

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TO: Hon. Barbara Keegan, Chair, Hon. Gary Kremen and Hon. Linda LeZotte  
Valley Water Board Audit Committee  
CC: Michele King, Darin Taylor, Max Overland and Interested Parties  
FR: Trish Mulvey (650) 326-0252 or *mulvey@ix.netcom.com*  
ON: August 18, 2020  
RE: Concerns with Grants Management Audit expectations

Please know that I do not pretend to understand the nuances of audit vocabulary, but I am concerned about this description (my emphasis added in **bold**):

#### Project Overview

- The Santa Clara Valley Water District (Valley Water) Audit Committee has requested a comprehensive performance audit to assess current grant management and administration practices. This audit will include a comparison of current policies, procedures and practices to grants management best practices, for streamlining the grants key process including program funding allocations, award, monitoring and closeout. **This audit assesses whether Valley Water can provide assurance that risks are being managed appropriately and whether or not the department's internal control environment is operating effectively to ensure the safeguarding of rate-payer funds.**

It appears that the auditors are seeking to understand whether not enough is being done to adequately and effectively manage risk and safeguard funds. My concern is heightened after reading the entire proposed scope of services.

Please consider whether the need for this Grants Management Audit might better be described as focusing on seeking opportunities to appropriately streamline the Valley Water grants management process in order to address the multiple grantee concerns -- especially about timeliness of contract approvals, and grant payments and closeouts-- that were discussed at the last Audit Committee meeting.

I will appreciate your attention to these details as you decide whether to approve the Task Order. It is encouraging to see that the auditors anticipate completing this audit by the end of November. Accordingly, I would like to make sure "we are on the same page" as this important project is launched.

Thanks for considering these thoughts.

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# Santa Clara Valley Water District

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**File No.:** 20-0021

**Agenda Date:** 8/19/2020

**Item No.:** 4.6.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Discuss Modifications to the Board Audit Committee Audit Charter.

**RECOMMENDATION:**

Discuss modifications to the Board Audit Committee Charter and present to the full Board for adoption at a future Board meeting.

**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 June 26, 2019, it approved of a final version of the Charter to recommend for approval by the Board. At its regular meeting of August 27, 2019, the Board formally approved the BAC Audit Charter (Attachment-1).

As currently written, the Audit Charter requires Board approval of all audits. (Audit Charter, Art. III, Secs. 6.2-6.3.) Desk Reviews are specifically defined under Audit Types in the Audit Charter as: "Small and quick *audits* of limited size or duration." (emphasis added) (Audit Charter, Art. V, Sec. 2 (e).) Consequently, Desk Reviews require formal Board approval under the current terms of the Audit Charter. The Committee shall discuss whether to recommend modifications to the Audit Charter to eliminate the need for Board approval of Desk Reviews.

The Committee shall also discuss whether to recommend modifications to the Audit Charter to establish BAC responsibility for: (1) financial monitoring, and (2) review of external financial auditor selection. The current Audit Charter only gives the BAC an express role in the procurement of the auditor for the Annual Financial Statement Audit. (Audit Charter, Art. VIII.)

**ATTACHMENTS:**

Attachment 1: Board Audit Committee Audit Charter

**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 Board Audit Committee (Committee).
2. The Santa Clara Valley Water District's Board of Directors (Board) is responsible for ensuring that the District 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 the District'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 District management's arrangements with respect to the aspects of the management of the District 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 District 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 District operations and compliance with all applicable regulatory requirements.
7. In addition to carrying out audits in a Board approved Annual Audit Work Plan, the Committee's purpose also includes oversight of audits initiated by District 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 the District'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, approving the payment of invoices to Auditors, and making all initial efforts to resolve any conflicts that may arise during an audit. 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 the District's values as set forth in the District'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 the District 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 District employees.

3. 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 consider 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.
4. 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.
5. Annual Work Plan –
  - 5.1. 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 District 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.
  - 5.2. The Committee shall, in coordination with the District’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.
6. Annual Audit Work Plan
  - 6.1. While the Annual Work Plan governs the overall work of the Committee, the Committee shall also develop a proposed “Annual Audit Work Plan” which shall list each of the individual audits to be performed over the course of the year.
  - 6.2. At least annually, the Committee shall develop and submit a proposed Annual Audit Work Plan to the full Board for consideration and approval. Following such Board consideration and approval, the Annual Audit Work Plan shall be automatically updated to include any additional audits formally referred to the Committee by the full Board.

- 6.3. Only audits properly included in an approved Annual Audit Work Plan, as set forth in section 6.2 above, may be undertaken by the Committee.
- 6.4. Risk Assessment – The Committee shall endeavor to complete a District-wide risk assessment, at a minimum, tri-annually and to annually update the District-wide audit risk assessment to include objectively recommended audits ranked based upon the potential level of risk to the District. The results of this District-wide audit risk assessment should be relied upon to develop the proposed Annual Audit Work Plan.
7. District Independent Auditor – Upon approval of the Board following recommendation by the Committee, the District may retain an Independent Auditor to serve as support to the Committee, to recommend audits, and to conduct a broad scope of audits in an approved Annual Audit Work Plan. The Independent Auditor shall not be an employee of the District. The Independent Auditor must report directly to the Audit Committee and District staff shall not direct or attempt to direct the work of the Independent Auditor. The District's retention of an Independent Auditor shall not preclude the retention of additional Auditors to perform individual audits.
8. 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.
9. Preparation and Attendance – Committee members are obligated to prepare for and participate in Committee meetings.
10. 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 Work Plan, the Committee Chair will establish agendas for Committee meetings in consultation with Committee members, District 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 the District;
  - d. Assessing future risks facing the District;
  - e. Assessing the progress of prior audit recommendations;
  - f. Identifying any impact that changes in District 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 the District.
2. Audit Types – The types of audits that may be conducted on behalf of the District include, but are not limited to, the following:
  - a. Financial audits – The District hires an outside independent audit firm to perform the District’s financial statement audit;
  - b. Internal audits – Internal audits review the environment, information, and activities that are designed to provide proper accountability over District operations;
  - c. Compliance audits – Compliance audits review adherence to District policies and procedures, state regulatory requirements, or federal regulatory requirements;
  - d. Performance audits – Performance audits review the economy, efficiency, and effectiveness of the District’s programs, services and operations. Performance audits can evaluate current impact or assess operations prospectively;
  - e. Desk reviews – Small and quick audits of limited size or duration;
  - 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 District operations to best practices.
3. Audit Objectives – Audit objectives must be developed for every audit conducted on behalf of the District. These audit objectives are questions posed by management, Committee members, or Board members 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 Work 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 (Standards) (RED Book) and the Generally Accepted Government Auditing Standards established by the U.S. Government Accountability Standards (YELLOW Book).
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 the District. 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 the District; (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 Work Plan. Following such recommendation, the Board shall make the final decision regarding the selection of such auditors.
- 2. Board Auditors and District Staff – District staff may assist the Committee in its work and may provide information to, assist, or work with Auditors retained by the Board, as necessary. District 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 District 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 Work Plan – The Committee shall ensure that audits on the Annual Audit Work Plan are initiated and completed in an accurate and timely manner.
- 5. Review of Audit Results/Notice to Board – The Committee shall review the observations and conclusions of all audits conducted pursuant to the Annual Audit Work 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.
- 6. Draft Audit Reports - The Committee may request the opportunity to review and comment on any draft audit reports before such reports are finalized by the auditor.

7. District Management Response to Audits - District 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. The Committee, at the request of District management, may extend the comment period on an audit by audit basis. The Committee may ask questions about or make comments on any such draft responses. However, the Committee shall not attempt to direct District staff in its response to any audit.
8. 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 Work 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 the District).
2. Management Initiated Audits – Management Initiated Audits are audits requested by District management. Nothing in this Charter shall restrict the ability or discretion of District 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 the District. Where the District 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 District response at a regularly scheduled or specially noticed Committee meeting. Where possible, District management shall provide the Committee with at least fifteen 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 – District management shall notify the Committee in writing of any planned Management Initiated Audits before commencing the same. Upon request by the Board Chair, District 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 District 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 District response at a regularly scheduled or specially noticed Committee meeting. Where possible, District management shall provide the Committee with at least fifteen 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 District staff in its response to any audit.
6. Audit Results – The Committee may request a report by District Staff on any response to Management Initiated or Third-Party Audits and any plans by District 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 the District's procurement process for the District's annual financial statement audit.
2. The Committee's participation shall include, but not be limited to, providing input to District management on the selection criteria and desired qualifications of the public accounting firm. The selected external financial auditor shall submit to the Committee the District's audited financial statements annually, including all related management letters to the Committee for review and comment.

## **ARTICLE IX – 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 Committee training on audit principles, practices, or standards. At least annually, the Independent Auditor shall provide Committee training and other knowledge transfer on some component of audit principles, practices, and standards
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.

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# Santa Clara Valley Water District

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**File No.:** 20-0689

**Agenda Date:** 8/19/2020

**Item No.:** 4.9.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Consider Recommending the Establishment of Additional Board Auditors to the Full Board of Directors.

**RECOMMENDATION:**

Discuss staff recommendation to consider establishing additional Board Auditors and decide whether or not to recommend the idea to the full Board.

**SUMMARY:**

Staff requests the Board Audit Committee to consider recommending to the full Board the idea of establishing additional Board Auditors. The rationale behind this recommendation is to eliminate any perceived conflict of interest in situations where the Board Auditor has performed a desk review of an area and is recommending a Board audit as the next step. In this situation, the additional Board auditor could be engaged to do the recommended next step work, which would help eliminate any appearance of self-feeding. In addition, additional Board Auditors could potentially bolster the areas of expertise that Board auditors could deploy to assist Valley Water.

**ATTACHMENTS:**

None

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

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# Santa Clara Valley Water District

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**File No.:** 20-0257

**Agenda Date:** 8/19/2020

**Item No.:** 5.1.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Quality Environmental Management System (QEMS) Internal Audit Program and 2019 QEMS Internal Audit Report.

**RECOMMENDATION:**

Receive information regarding the QEMS Internal Audit Program and 2019 QEMS Internal Audit Report.

**SUMMARY:**

Valley Water's Quality and Environmental Management System (QEMS) is based on an International Organization for Standardization (ISO) framework, specifically, ISO 9001 Quality Management System and ISO 14001 Environmental Management System standards. Valley Water's QEMS is one of the programs that assists the organization to continually improve.

Valley Water's QEMS framework encompasses processes and standard operating procedures Valley Water uses to organize, manage, and improve its work to achieve organizational objectives. Specifically, the QEMS consists of Valley Water's Document Control System, because it captures staff knowledge and organizes work in a predictable way. Valley Water's Corrective and Preventive Action Request (CPAR) System, including regular CPAR Review Committee meetings, drives improvement to operations. Internal Audits are conducted to monitor and improve the performance of the QEMS. This framework ensures the continuity of daily operations, facilitates succession planning by managing a robust employee knowledge base, and assists the organization's continual improvement.

At the December 3, 2018, Board Audit Committee (BAC) meeting, the BAC directed staff to return to the BAC to present an update on Valley Water's compliance with QEMS procedures and work instructions after the 2019 Internal Audit cycle.

Monitoring and Measurement of QEMS Performance: Internal Audits

Internal audits are conducted by trained Valley Water staff and are a reliable tool to ensure that the management system is meeting Valley Water requirements. When assessing the management system, auditors are objective and impartial in their observations and keep management and staff informed of their findings.

Audit results are used by management to identify areas to improve operations and customer satisfaction. Summarized findings and nonconformities resulting from an audit are documented in

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Valley Water's Corrective and Preventive Action Request (CPAR) System and are reviewed for effectiveness at the regular CPAR Review Committee meetings.

In 2019, several changes to the Internal Audit Program occurred. These changes were due to staff's time restraints in April and October, the two months to conduct the Internal Audit cycle; the FY 2017-2019 Internal Audit Team (staff volunteers), which consisted of 16 certified ISO 9001 and ISO 14001 internal auditors, 3-year term concluding on June 30, 2019; and several reorganizations.

Therefore, the Internal Audit cycle was adjusted to be conducted throughout the months of April through December. Recruitment efforts began on February 12, 2019, for new volunteers for the Internal Audit Team and the scope of the QEMS was adjusted appropriately due to the reorganization of specific units.

The recruitment efforts resulted in six new Internal Auditors joining the Internal Audit Team and being certified as ISO 9001 and ISO 14001 internal auditors. Also, six existing internal auditors re-committed to a 3-year term in 2019.

During the Internal Audit cycle (April - December 2019), twenty-nine audit interviews were conducted of the 31 in-scope business areas/processes. Zero non-conformities, one opportunity for improvement (OFI), three recommendations and several areas of merit and observations were reported. Staff is following Valley Water's requirements as outlined in its QEMS processes. For details of the 2019 internal audits, please see Attachment 1, 2019 QEMS Internal Audit Report.

#### Enhancement to the Internal Audit Program

On May 3, 2019, executive management provided direction to enhance the Internal Audit Program by directing staff to establish a Request for Proposals (RFP) for a third-party internal auditor.

Valley Water's 3<sup>rd</sup> party internal auditor will be responsible for conducting QEMS internal audits using the current scope of Treated Water Operations & Maintenance Division, Water Utility Capital, Watersheds Capital, and the supporting business units. As needed, they will also be responsible for assisting executive management with their continual improvement efforts by performing ad-hoc audits and providing recommendations to improve processes. This allows additional time for staff to focus on the Board's priorities in their business areas and helps to drive continual improvement of business areas and the Internal Audit Program.

The Continual Improvement team has established the RFP and will be responsible for managing the agreement with the 3<sup>rd</sup> party auditor. This effort will include, but is not limited to, managing the schedule of the internal audits and ensuring that no overlap of the QEMS internal audits with the Board Independent Auditor's audits occurs.

#### **ATTACHMENTS:**

Attachment 1: 2019 QEMS Internal Audit Report.

#### **UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



## QEMS INTERNAL AUDITOR REPORT – 2019 CALENDAR YEAR

### A. OBJECTIVES

Internal audits of Santa Clara Valley Water District's (Valley Water) Quality and Environmental Management System (QEMS) are required as part of maintaining an ISO-compliant management system and are regularly performed to:

- Assess conformity to ISO 9001:2015 and ISO 14001:2015 requirements
- Assess conformity to Valley Water processes and procedures
- Continually identify and guide improvements to Valley Water operations and performance
- Provide feedback to management to evaluate the effectiveness of the QEMS

Audit results communicated to management via this report.

### B. EXECUTIVE SUMMARY

Valley Water's Internal Audit Program applies to the scope of the QEMS. Internal audits are necessary to continue to utilize ISO 9001 and 14001 as guidelines to maintain the management system and to facilitate process improvement. In 2018, Valley Water decided to no longer pursue the external ISO re-certification of QEMS and to continue to support the conformity of QEMS to ISO 9001 and 14001 standards through internal and Board-commissioned audits. During 2019, several changes to the Internal Audit Program had occurred, as described below.

On June 30, 2019, the 2017 Internal Audit Team's 3-year term concluded and recruitment efforts for new internal auditors began in February 2019. Seven new auditors were recruited, trained, and certified in the new ISO 9001:2015 and ISO 14001:2015 standards and begin auditing in-scope business areas in 2019.

Prior to 2019, internal audits of the in-scope units were scheduled during a two-week time frame, which did not allow flexibility for either the auditors or auditees. In response to management and staff's concerns regarding the timeframe of audits, the 2019 internal audit plan and schedule was updated to occur on a monthly basis beginning April through December, which allowed both the auditors and auditees to select which timeframe would be best suited for both parties.

Additionally, in 2019, several re-organizations occurred at Valley Water that affected the internal audit plan and schedule that was approved on April 4, 2019. A few units identified in the approved schedule were re-organized and therefore rescope. Thirty-one audit interviews were conducted April through December for the following in-scope operations. The detailed audit findings are in Section E of this report and hyperlinked below. To preserve the integrity of the auditors' observations and independence of reporting, their findings have not been edited.

1. [Treated Water Operations & Maintenance Deputy Operating Officer Water Supply Division Deputy Operating Officer: Retailer Survey \(customer service\)](#)
2. [Laboratory Services Unit](#)
3. [North Water Treatment Operations Unit](#)
4. [South Water Treatment Operations Unit](#)
5. [Treatment Plant Maintenance Unit](#)
6. [Water Quality Unit](#)  
[Capital Program Planning and Analysis Unit \(This unit was reorganized to an out of scope business area in September 2019\)](#)
7. [Construction Services Unit](#)




## QEMS INTERNAL AUDITOR REPORT – 2019 CALENDAR YEAR


8. [East Side Project Delivery Unit \(merged with and renamed Pipelines Project Delivery Unit\)](#)  
[Pipelines Project Delivery Unit \(merged with East Side Project Delivery Unit\)](#)
9. [Treatment Plant Project Delivery Unit \(previously known as West Side Project Delivery Unit\)](#)
10. [CADD Services Unit](#)
11. [Dam Safety Program & Project Delivery Unit](#)
12. [Design and Construction Unit 3](#)  
[Pacheco Project Delivery Unit \(This unit was reorganized to an out of scope business area in September 2019\)](#)
13. [Wells & Water Measurement Unit](#)
14. [Design and Construction Unit 1](#)
15. [Design and Construction Unit 2](#)
16. [Design and Construction Unit 4](#)
17. [Design and Construction Unit 5](#)
18. [Land Survey and Mapping Unit](#)
19. [Real Estate Services Unit](#)
20. [Facilities Management](#)
21. [Infrastructure Services/IT](#)
22. [Equipment Management](#)
23. [Purchasing & Consultant Contracts Services Unit \(previously known as Purchasing, Consultant Contract, and Warehouse unit\)](#)
24. [Business Support and Warehouse Unit \(Audit of Warehouse services only. This unit was combined with Purchasing & Consultant Contracts Services Unit and previously known as Purchasing, Consultant Contract, and Warehouse unit\)](#)
25. [Security and Emergency Services](#)
26. [Environmental Health and Safety](#)
27. [Workforce Development \(Training\)](#)
28. [Core ISO Procedures: Continual Improvement Unit: District Document Control](#)
29. [Core ISO Procedures: Continual Improvement Unit: QEMS Internal Audit Program](#)
30. [Office of Communications \(Customer Service\)](#)
31. [Office of the Clerk of the Board \(Customer Service\)](#)

Continual Improvement Unit staff conclude that the processes from business areas included in this audit appear to be in a good state of readiness, based on the following areas of merit and observations:

### **INNOVATION**

-  In August 2019, the State Water Board's Division of Drinking Water (DDW) updated its guidelines for local water agencies to follow in detecting and reporting the presence of per- and polyfluoroalkyl substances (PFAS) in drinking water. The guidelines lowered the notification levels based on updated health recommendations from the Office of Environmental Health Hazard Assessment (OEHHA), which is part of the California Protection Agency.

To prepare for the updated guidelines testing, Laboratory Services Unit purchased a state-of-the-art technology, Liquid Chromatography with tandem mass spectrometry, to test for the low-level testing requirements of PFAS. The machine is one of its kind and will be able to detect the required parts per trillion in the testing and could be used as a model for other agencies with similar analytical testing needs.

-  The Information Technology Division's ability to manage over 100 projects with the ERP upgrade is a good measure on the structure and management skills demonstrated by the team. Keeping staff continuously trained to maintain the capability to do its jobs as technology moves quickly and District





## QEMS INTERNAL AUDITOR REPORT – 2019 CALENDAR YEAR

staff continues to retire should not go unrecognized as a big challenge and big achievement currently and moving forward.

- ✚ The Communications team uses a web-based project/task management web application called Trello to organize and coordinate their teams' work. They stated that this application has allowed them to make improvements to their work process and has allowed more efficiency as each team member can access project tasks and it reduces time spent chasing down information.

### **CUSTOMER SERVICE**

- ✚ The Office of the Clerk of the Board is to be commended for the automation of its Board Communications process. Specifically, for an improvement of its BiTrak system, which now offers the option to add attachments.
- ✚ Office of Communication staff demonstrated great tools and reports used in the method of how they monitor customer satisfaction. Creating FAQs from the comment cards and Q&A sessions at public meetings also demonstrates great customer service and responsiveness.
- ✚ The Land Survey and Mapping Unit worked with IT to create a digital platform for Survey Requests, including converting requests and work output pre-dating the online tool which brought the Unit's work to a nearly paperless process. The auto-population of folders in the Unit's working folders saves a good deal of time with each request, allowing staff more time to respond to the request. The database is user friendly and intuitive.
- ✚ During the audit of the Procurement of General Services (Q-741-004), auditors were made aware of an internal audit program and associated audit plan that Tom Esch, Procurement manager, developed with his staff using rigorous mechanisms and principles developed by the Federal Transit Administration (FTA). With the District no longer possessing ISO certification, but still required to be fiscally responsible and accountable, it is commendable that the Purchasing and Consultant Contracts Unit is developing its own audit program which integrates the spirit of ISO: say what you do, do what you say, prove it and improve it.
- ✚ The Maximo system is a great tool that allows EMU to create and track work orders, vehicles and equipment records, and send out customer service surveys. Overall, EMU has very thorough work instructions and forms, which follows legal and regulatory requirements.

### **EMERGENCY**

- ✚ Emergency Services and Security Unit staff conduct an annual review of their procedures and work instructions to ensure compliance with Board Ends policies as well as Federal and State regulations. The reports that are produced from tabletop exercises ensure emergency preparedness and readiness.
- ✚ Laboratory Services Unit is a part of the California Mutual-Aid Laboratory Network (CAMALNet) and is one of a few labs in California that has capabilities to support analytical testing needs of other agencies in an emergency situation.

### **TEAMWORK**

- ✚ On October 23, 2018, America's Water Infrastructure Act (AWIA) was signed into law and Section 2013 requires community (drinking) water systems serving more than 3,300 people to develop or update risk assessments and emergency response plans (ERPs). The deadline for certification for



## QEMS INTERNAL AUDITOR REPORT – 2019 CALENDAR YEAR

community water systems serving  $\geq 100,000$  is March 31, 2020, on the subject of risk and resilience assessment. As part of the efforts, North Water Treatment Operations staff are supporting Asset Management Unit to conduct the chemical supply resilience evaluation with the help of consultants West Yost retained for this project.

### C. AUDIT FINDINGS

Zero non-conformities, one opportunity for improvement (OFI), and three recommendations were reported as noted below:

#### **OFI**

1. Stated in the work instruction under Section 6. Monitoring & Measurement is the following, "Monitoring and Measurement of purchasing activities will be performed monthly by the Purchasing Unit Manager to ensure quality and timely delivery of services." There is no evidence that the UM developed formal metrics therefore no monthly assessment regarding the quality or timely delivery of service is being evaluated. It is recommended that the UM develop such metrics to track delivery times and ensure quality service is provided.

#### **RECOMMENDATIONS**

1. During discussion of the "Water Meter Installation Process", information was shared with the audit team which indicated a lapse in the process currently overseen by the Revenue Management Unit, which is currently not in scope of the QEMS. The lapse in process is based on a study completed by Revenue Management between 2015/2016, which reviewed water production statements to determine if Meter Installation Requests (MIR) are needed. Through this study, it was determined that approximately 300 wells meet the requirements for a MIR. Since the completion of this study, no MIR's have been submitted to the Water Measurement for the wells identified.

The internal audit team recommends that the lapse in action identified in the "Water Meter Installation Process" be formally addressed for resolution by the Wells and Water Measurement Unit Manager through further discussion with the responsible parties, or through Valley Water's Corrective or Preventive Action Request (CPAR). Revenue Management and its associated processes are not within the QEMS scope, thus the recommendation to initiate a CPAR.

2. Valley Water's record retention schedule, update 9/18/19, for record series number RS-003 (Work Plans, Budget-Finance, Schedule, Project Scope, Correspondence, Outreach, Project Logs) is listed as Completion + 10 years or After Funding Agency Audit, if required, whichever is longer. The record retention period for record series number RS-0054 (Neighborhood Communications: Outreach / Community Files / Good Neighbor Program / Log of Community Calls Received / Correspondence) is listed as 'When no longer required - minimum 2 years'. Capital project related communications are stored by the Office of Communications, which was not in the scope of this internal audit. It was suggested to the Office of Communications staff to review the details of record series RS-0054 for alignment to capital projects related outreach and communications records series RS-003.
3. Update document Q-751-013 to include flow charts, if necessary, or remove the statement from page 3 of document W-730-122 that refers to flow charts. Update the appendices for document W-730-122 to include the correct document number in the footer for ease of use/traceability.



# QEMS INTERNAL AUDITOR REPORT – 2019 CALENDAR YEAR

## D. AUDIT SCHEDULE

QUALITY ENVIRONMENTAL MANGEMENT SYSTEM INTERNAL AUDITS										
AUDIT DESCRIPTION	2019									
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
Treated Water O&M DOO: TW Survey (customer service w/ WS DOO)					X					
Water Supply Division DOO: TW Survey (customer service w/ TW O&M DOO)										
Laboratory Services Unit										X
North Water Treatment Operations Unit										X
South Water Treatment Operations Unit										X
Treatment Plant Maintenance Unit										X
Water Quality Unit								X		
<b>Water Utility Capital Division</b>										
Capital Program Planning and Analysis Unit (reorged to out of scope division in Sept.							X			
Construction Services Unit										X
East Side Project Delivery Unit (merged with and renamed Pipelines Project Delivery	X									
Pipelines Project Delivery Unit (merged with East Side Project Delivery Unit)										X
Treatment Plant Project Delivery Unit (previously known as West Side Project Delivery										X
<b>Dam Safety &amp; Capital Delivery Division</b>										
CADD Services Unit		X								
Dam Safety Program & Project Delivery Unit						X				
Design and Construction Unit 3										X
Pacheco Project Delivery Unit (reorged to out of scope business area in Sept. 2019)										X
Wells & Water Measurement Unit	X									
<b>Watershed Design and Construction Division</b>										
Design and Construction Unit 1						X				
Design and Construction Unit 2								X		
Design and Construction Unit 4								X		
Design and Construction Unit 5								X		
Land Survey and Mapping Unit										X
Real Estate Services Unit			X							
<b>Associated Business Support Areas</b>										
Facilities Management			X							
Infrastructure Services/IT		X								
Equipment Management					X					
Purchasing & Consultant Contracts Services Unit (previously known as Purchasing, Consultant Contract, and Warehouse unit)	X									
Business Support and Warehouse Unit (Audit of Warehouse services only. This unit was combined with Purchasing & Consultant Contracts Services Unit and previously known as Purchasing, Consultant Contract, and Warehouse unit)		X								
Security and Emergency Services				X						
Environmental Health and Safety		X								
Workforce Development (Training)				X						
Core ISO Procedures: Continual Improvement Unit			X							
Core ISO Procedures: Continual Improvement Unit			X							
Office of Communications (Customer Service)			X							
Office of the Clerk of the Board (Customer Service)	X									



## **QEMS INTERNAL AUDITOR REPORT – 2019 CALENDAR YEAR**

### **E. ADDENDA**

See Auditor Reports starting on Page 7.

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## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Customer Communications/Satisfaction: External Communications – Water Retailer Satisfaction Survey
<b>Business Unit</b>	Treated Water Division (Unit 515) Water Supply Division (Unit 415)
<b>ISO Requirement</b>	ISO 9001:2015 8.2.1 – Customer Communication ISO 9001:2015 9.1.2 – Customer Satisfaction
<b>District Requirement</b>	F723W01: Water Retailer Annual Satisfaction Survey Implementation Checklist  <b>Ends 2.3.2:</b> Maintain effective relationships with the retailer and other stakeholders to ensure high quality, reliable drinking water.
<b>Regulatory/Legal Requirement</b>	Title 22 requirements for drinking water.
<b>Audit Findings</b>	<p>The annual survey was in-progress and was anticipated to finalize by December 2019. Therefore, this survey was last completed in 2018. Therefore, auditors observed objective evidence that regular customer communication with retailers and mechanisms to obtain feedback is conducted and maintained through quarterly retailer meetings and various subcommittee meetings, e.g. water quality subcommittee meetings. Specifically, an annual water retailer satisfaction survey is sent out to gather feedback from retailers per <i>F723W01: Annual Water Retailer Satisfaction Survey Implementation Checklist</i> on Valley Water's programs, services, and on information provided to them throughout the year and quarterly retailer meetings are held (and for several years a knowledge sharing tour of Valley Water and retailer facilities).</p> <p>Thus, meeting the Strategies S 2.3.2.1 and S 2.3.2.2, outlined in the Outcome Measure OM 2.3.2.a. for Valley Water's Ends Policy 2.3.2, which states that the Valley Water will maintain effective relationships with the retailer and other stakeholders to ensure high quality, reliable drinking water.</p> <p>The survey was last conducted in 2018 and 90% of the retailers gave an average rating of good to excellent and 10% gave the rating of fair on the question: Rate the Job the Water District Does Managing Water Resources. The results of the survey were discussed internally for process improvement and shared during the January 2019 retailer meeting.</p>
<b>Objective Evidence</b>	Quarterly Water Retailer Meeting Notes from January 2019
<b>Areas(s) of Merit</b>	Staff is regularly identifying efficiencies and incorporating/updating F723W01 Water Retailer Annual Satisfaction Survey Implementation Checklist (last update was on 8/13/19, previous versions were dated 6/15/13 and 5/14/19).
<b>Non-Conformance</b>	None.
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	N/A



## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Treated Water Operations and Maintenance
<b>Business Unit</b>	Laboratory Services Unit (LSU) #535
<b>ISO Requirement</b>	Q -4.1 Understanding Org & its context Q-4.2 Understanding needs & expectations of interested parties Q-6 Planning E-4 Context of the organization E-6 Planning
<b>District Requirement</b>	Support the District in providing Silicon Valley with safe clean water by performing compliance and general water quality monitoring in support of Valley Water's Water Utility Enterprise, both to maintain Title 22 compliance and support raw and treated water operations and maintenance. The Water Utility is comprised of the raw and treated water distribution systems, local surface waters (reservoirs), water treatment plants, local groundwater basins, and groundwater recharge facilities.
<b>Regulatory/Legal Requirement</b>	<ul style="list-style-type: none"><li>• Comply with California Title 22 Regulations related to drinking water.</li><li>• Accredited by the California Department of Public Health, Environmental Testing Certificate #1205</li><li>• Comply with US EPA Safe Drinking Water Act (SDWA).</li><li>• Approved by the United States Environmental Protection Agency for cryptosporidium analysis.</li></ul>
<b>Audit Findings</b>	<p>In August 2019, the State Water Board's Division of Drinking Water (DDW) updated its guidelines for local water agencies to follow in detecting and reporting the presence of these chemicals in drinking water. The guidelines lower the notification levels from 14 parts per trillion (ppt) to 5.1 ppt for PFOA and from 13 ppt to 6.5 ppt for PFOS. These levels are based on updated health recommendations from the Office of Environmental Health Hazard Assessment (OEHHA), which is part of the California Environmental Protection Agency.</p> <p>Drinking water containing perfluorooctanoic acid (PFOA), perfluorooctanesulfonic acid (PFOS) – and the larger family of per- and polyfluoroalkyl substances (PFAS) – has become an increasing concern due to the persistence of these chemicals in the environment and their tendency to accumulate in groundwater. Scientific studies indicate that exposure to PFOA and PFOS can lead to significant health effects such as cancer, immune system issues, liver and thyroid problems, and harm to a developing fetus or infant. There are thousands of specific chemicals within the large group of PFAS with varying degrees of understanding of toxicity and environmental occurrence. Of all PFAS compounds, perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFOA) have been the most extensively produced and studied.</p> <p>In August 2019, the State Water Board's Division of Drinking Water (DDW) updated its guidelines for local water agencies to follow in detecting and reporting the presence of these chemicals in drinking water. The guidelines lower the notification levels from 14 parts per trillion (ppt) to 5.1 ppt for PFOA and from 13 ppt to 6.5 ppt for PFOS. These levels are based on updated health recommendations from the Office of Environmental Health Hazard Assessment (OEHHA), which is part of the California Environmental Protection Agency.</p>



## QEMS INTERNAL AUDITOR REPORT

	<p>To prepare for the updated guidelines testing, LSU purchased a state-of-the-art technology, Liquid Chromatography with tandem mass spectrometry, to test for the low-level testing requirements of PFAS. The machine is one of its kind and will be able to detect the required parts per trillion in the testing and could be used as a model for other agencies with similar analytical testing needs.</p> <p>Prior to the Silicon Valley Advanced Water Purification Center being built in 2014, emerging contaminants in wastewater with potential impact to human health and environment were not yet regulated and therefore were not required to be tested. At that time, LSU responded to the analytical needs for the testing of pharmaceutical and personal care products, and hormones through the purchase of new equipment, and developing the in-house capacity to test for contaminants of emerging concern.</p> <p>LSU is also a part of the California Mutual-Aid Laboratory Network (CAMALNet) and is one of a few labs in California that has capabilities to support analytical testing needs of other agencies in an emergency situation.</p> <p>In addition, LSU manages a robust Internal (internal) audit program and performs audits on a three-month basis. Any corrective or preventive actions identified during their audits are captured in their Internal (internal) CPAR database system, which is tracked and monitored by the Quality Assurance manager.</p> <p>LSU is a leader in California and the country with innovative technology and being ahead of the game, such as purchasing the PFAS detecting machine and being positioned to perform testing under emergency situations. LSU is also a leader in Valley Water, as they have demonstrated through creating and obtaining a Quality Assurance manager position, implementing an Internal (internal) audit program and CPAR tracking.</p>
<b>Objective Evidence</b>	<ul style="list-style-type: none"> <li>WI State Laboratory of Hygiene Cryptosporidium Proficiency Testing Program lab results, report #CA00193-1623.1-201910-01 dated 11/7/19</li> <li>Laboratory Services Annual Internal Audit Plan (FY 2020)</li> <li>Internal Audit Training Record LF-QA013-01 for Unit 535 staff, training conducted by Amy Lazzini on 6/19/19</li> <li>Document Change Request (DCR) and SOP Annual Evaluation Form DF_GEN028-01, submitted by Mark Ellison on 10/30/19, approved by QA manager on 12/4/19 and Technical Manager on 12/5/19</li> <li>Title 22. Social Security, Division 4. Environmental Health, Chapter 19. Certification of Environmental Laboratories, Article 1. Definitions</li> <li>Quality Assurance Manual approved 2/28/19 by Laboratory Manager</li> </ul>
<b>Areas(s) of Merit</b>	<ul style="list-style-type: none"> <li>Robust Internal (internal) Audit Program</li> <li>Internal Corrective/Preventive Action system</li> <li>New position resourced: Quality Assurance/Control Manager</li> <li>Purchasing new equipment to analyze Per- and polyfluoroalkyl substances (PFAS)</li> </ul>
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Penitencia Water Treatment Plant (PWTP)
<b>Business Unit</b>	North Water Treatment Operations Unit #565
<b>ISO Requirement</b>	<p>ISO 9001:2015 Clause 8.2.2: Determining the requirements for products and services</p> <p>ISO 9001:2015 Clause 8.2.3: Review of the requirements for products and services</p> <p>ISO 9001:2015 Clause 8.7: Control of nonconforming outputs</p> <p>ISO 9001:2015 Clause 9.1.1: General – Monitoring, measurement, analysis and evaluation</p> <p>ISO 9001:2015 Clause 9.1.3: Analysis and evaluation</p>
<b>District Requirement</b>	<ul style="list-style-type: none"> <li>Operations Plan for Penitencia Water Treatment Plant (WQ-W_001), Revised June 2019</li> <li>Board Ends Policy 2.2: Raw water transmission and distribution assets are management to ensure efficiency and reliability.</li> </ul>
<b>Regulatory/Legal Requirement</b>	<ul style="list-style-type: none"> <li>State of CA, Surface Water Treatment Rule (SWTRP) regulations, Title 22, Section 64661 and Section 116360 of the Health and Safety Code</li> <li>American Water Infrastructure Act requirements</li> </ul>
<b>Audit Findings</b>	<p>PWTP delivers treated water to retail water suppliers who subsequently provide drinking water to east San Jose and to the southern and western portions of the City of Milpitas. The plant receives most of its raw water from the Sacramento Delta as part of California's State Water Project.</p> <p>The water is pumped via the South Bay Aqueduct to the terminal tank located adjacent to PWTP. The treatment plant can also receive raw water from the Valley Water's local reservoirs (Anderson and Calero) and San Luis Reservoir via the Penitencia Force Main, by reversing the normal direction of flow through the Central Pipeline.</p> <p>Throughout the treatment process there is numerous online instruments that monitor a variety of water quality parameter (e.g. pH, turbidity, chlorine residual). In addition to online process monitoring, plant operation staff also routinely grab samples from various location within the treatment process and analyze these sample in their water quality lab. These grabs samples are taken and analyzed as a mean to verify that online instrumentation are operating within acceptable limits. The frequency for obtaining verification samples varies among the different water quality parameters and is specified on the PWTP <i>Operations Plan</i>. Valley Water also operates a State certified drinking water laboratory, located at the Almaden Campus, which provides a full array of laboratory support serves to all three Valley Water's Water Treatment Plant facilities (WTP).</p> <p>Monthly, Valley Water submits a combined Monitoring Report to the State's Division of Drinking Water for all three WTPs. Some of the items addressed in this monthly report are; summary of water quality complaints, turbidity monitoring results, and disinfection process data. The portion of the report related to Penitencia WTP operations is signed by the Plant Supervisor, John Cook, T-5 Operator. The <i>December 2019 Monitoring Report</i> was provided to the auditor.</p> <p>PWTP operations staff has a good grasp of requirements and is very knowledgeable on various treatment processes. PWTP staff routinely verify that plant operations are</p>



## QEMS INTERNAL AUDITOR REPORT

	running smoothly through a variety of checks, such as verification sampling, plant rounds, and a weekly plant meeting attended by both Operations & Maintenance staff. Also, there appears to be good communication internally between the Water Quality Unit and externally with local retailers.
<b>Objective Evidence</b>	<ul style="list-style-type: none"> <li>December 9, 2019 Monitoring Report Submitted to State Water Resource Control Board – Division of Drinking Water</li> <li>Master List of PWTP SOPs</li> <li>American Water Infrastructure Act requirements</li> <li>WQ-W_004 Drinking Water Quality Parameters for PWTP, R3, dated 7/1/19</li> </ul>
<b>Areas(s) of Merit</b>	<p>On October 23, 2018, America's Water Infrastructure Act (AWIA) was signed into law. AWIA Section 2013 requires community (drinking) water systems serving more than 3,300 people to develop or update risk assessments and emergency response plans (ERPs). The law specifies the components that the risk assessments and ERPs must address and establishes deadlines by which water systems must certify to EPA completion of the risk assessment and ERP.</p> <p>The deadline for certification for community water systems serving <math>\geq 100,000</math> is March 31, 2020, on the subject of risk and resilience assessment. As part of the efforts, North Water Treatment Operations staff are supporting Asset Management Unit to conduct the chemical supply resilience evaluation with the help of consultants West Yost retained for this project.</p>
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	<i>[if applicable, create a brief, clear title for the new CPAR]</i>

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Water Treatment Plant Operations and Maintenance
<b>Business Unit</b>	South Water Treatment Plant Operations (Unit # 566 and Unit # 555)
<b>ISO Requirement</b>	<ol style="list-style-type: none"> <li>1) Control of Production and Service Provision – Water Treatment Process (Q-8.5.1, Q-8.5.5)</li> <li>2) Control of Production and Service Provision -Maintenance Operations (Q-8.5.1, Q-8.5.5)</li> <li>3) Release of Products and Services (Q-8.6)</li> <li>4) Control of Documented Information (Q-7.5.2, 7.5.3)</li> <li>5) Monitoring and Measuring Resources (Q-7.1.5)</li> <li>6) Control of nonconforming outputs (Q-8.7)</li> <li>7) Competence and Awareness (Q 7.2, 7.3)</li> <li>8) Non-conformity and Corrective Action (Q 10.2)</li> <li>9) Hazardous and Universal Waste Handling (E-9.1.1, 9.1)</li> <li>10) Compliance Obligations (E-6.1.3, 8.1, 9.1.2)</li> <li>11) Emergency Preparedness and Response (E-8.2)</li> </ol>
<b>District Requirement</b>	<ul style="list-style-type: none"> <li>• Board Ends Policy E-2.3.1 (Reliable high quality drinking water is delivered)</li> <li>• Outcome Measures (OM's) <ul style="list-style-type: none"> <li>◦ 2.3.1a. (100% of treated water that meets primary drinking water standards)</li> </ul> </li> <li>• Operations Plan for RWTP</li> <li>• Drinking Water Quality Parameters for RWTP</li> <li>• District Records Retention Schedule:  <a href="http://www.aqua.gov/home/scvwd/main/admin/records/Retention2017.pdf">http://www.aqua.gov/home/scvwd/main/admin/records/Retention2017.pdf</a> </li> </ul>
<b>Regulatory/Legal Requirement</b>	<ul style="list-style-type: none"> <li>• State of California, Surface Water Treatment regulations, Title 22, Section 64661,</li> </ul>
<b>Audit Findings</b>	<ol style="list-style-type: none"> <li>1) <b>Knowledge and Awareness:</b> Unit staff is aware of QEMS requirements and associated website. Documentation of QEMS Training however could not be found. Supervisor routinely quizzes employees to make sure staff knows about QEMS.   Note: Training records were not available on SST. Need to ensure that they are available for review. Maintenance staff needs to take the new version of ISO Training.</li> <li>2) <b>Operations and Maintenance Processes:</b> Rinconada Water Treatment Plant (RWTP) has Standard Operating Procedures (SOPs) and an Operations Plan which gives an overview of the process. The Operations Plan is prepared by the Water Quality Unit for submittal to the State Water Resources Control Board, Department of Drinking Water (DDW). A change management process is use to document any change to the process. A new treatment process using Ozone is expected to be on line at RWTP by June 2020. At that point a new operations plan will be filed with DDW. DDW will issue a permit amendment within 90 days.   RWTP equipment needs life cycle management, asset management work. Maintenance uses the Maximo system to track work. Maintenance conducts Preventive Maintenance (PM's) and Annual Maintenance (AM's). Corrective</li> </ol>

## QEMS INTERNAL AUDITOR REPORT

Maintenance assigned to team members. Plant Maintenance Repair (PMR).

- 3) **Product requirements:** Documented in Operations Plan. Water produced by the plant must meet California Drinking Water Standards.

Regular maintenance improves reliability. Equipment uptime provides the best value.

- 4) **Succession Planning:** Water Treatment Plant Operators are continuously trained to maintain their certification. Work is delegated between staff to ensure all operators know plant operations. Succession Planning is also done through acting assignments. All new staff must go through an annual evaluation to show their understanding of RWTP operations.

In maintenance, seniors provide mentorship, entry level staff goes through an apprentice program. There are several in-house training processes

- 5) **Statutory and Legal Requirements:** Statutory requirements are primarily provided by DDW. Customer requirements are gauged through a survey of retailers by the Water Utility Division Office. There are 5 retailers on the West Pipeline and 2 on the east pipeline. There are quarterly meetings to discuss current issues. RWTP does not provide water to south county.

Maintenance compliance issues are similar water quality. Water Distribution licenses, D-1 through D-5 are required in this unit. Safety Training expectations to be maintained at 90 %.

- 6) **Leadership and Commitment:** Monitoring is done continuously by on line analyzers to ensure water meets water quality requirements. In addition, grab samples are collected every 4 hours to verify results. These results are reviewed and approved by the District's laboratory operations group. The Plant Operations Plan only requires a daily grab sample.

Plant SOPs are reviewed and updated once per year. Continual Improvements are incorporated. SST training on how to deal with hazardous material spill (e.g., sulfuric acid spill). SOPs are revised to reflect events which take place.

Maintenance has Key Process Indicators (KPI's) that need to be met.

- 7) **Context of the Organization:** RWTP has internal limits with alarms to let the operator know of any malfunctions. Internal limits are lower than state standards to ensure that any malfunction is caught before the state standard is exceeded. A monthly operations report including data from each water treatment plant is filed and submitted to the DDW. There are several checks and balances. The Water Quality Unit provides process control.

Key stakeholders for maintenance are: Health and Safety, Asset Management, Water supply and Procurement. From March 15 through November 15 RWTP equipment needs to be operational.

## QEMS INTERNAL AUDITOR REPORT

- 8) **Monitoring and Measurement:** a) The District's certified lab takes samples to verify data. Water Quality Lab samples are used to check some parameters (T22, compliance sampling); The plant maintenance group runs Preventive Measures (PMs) and troubleshooting of online meters. Unusual field data verified with senior ops staff while following SOPs. KPI report is used to manage performance.
- b) How are human errors prevented?
- SOPs are adjusted if human error is suspected. Per SOP and communication with senior staff.
- c) How are outsourced processes controlled?
- Chemical delivery and sludge hauling processes are outsourced. Plant support is contracted out. RWTP has well established contracts with vendors for these activities. No outsourcing for processes, except for process support like hauling off sludge. In maintenance, Contractors scope is clearly defined work with in house staff.
- 9) **Control of nonconforming output:** If grab sample results do not match the on-line analyzer reading, a work order is written for maintenance to check the analyzer. For turbidity, online analyzer trouble shooting is performed by the maintenance group. The plant maintains an operator's log book: Ops log book from Raw and Treated: anything and everything; legal document. The industry standard to have a hand-written log book. RWTP has had no violations or fines from DDW. Due to checks and balances there have been no non-conforming outputs.
- 10) **Compliance Obligations:**
- The plant is following DDW requirements. Environmental permits are handled by the District EH&S group. It is highly recommended that a member from EH&S be present during the audit to respond to environmental questions. EH&S keeps these records and communicates them to staff and contractors. Air quality records for emergency generators are maintained at RWTP.
- 11) **Hazardous and Universal Waste Handling:** Plant Maintenance conducts weekly inspections of hazardous and universal waste storage areas. EH&S maintains the HAZMAT Business Plan, chemical inventories, and plant cleanliness/housekeeping. Monthly Hazmat inspection checklists are maintained by ESH. Plants operators make daily rounds to check if wastes are appropriately handled.
- Maintenance conducts weekly HMBP inspections put in binder. Maintain records for 3 years
- 12) **Health and Safety Information:**
- EH&S has an on-line database for all onsite chemicals. New chemicals are introduced once per year. They need to be approved by EH&S before being brought on site. Safety Data Sheets (SDS) sheets are located on District homepage; Steve Twitchell navigated to site: no hard copy on site. EH&S trains operations staff on new chemical use with Ops when a new chemical is used.

## QEMS INTERNAL AUDITOR REPORT

Vendor change will lead to new SDS. Example of new chemical in maintenance is rare. Safety Training is provided by ESH staff. Records are maintained on SST. The plant supervisor ensures staff safety training is up to date

Safety Training is conducted by Environmental, Health, and Safety. Goal is to maintain it at 90%.

13) **Accidental Releases:** RWTP has a risk management plan for Ammonia. Annual training is provided by the EH&S group. Annually, Steve Twitchell and Eric Karo sit down and go through the RMP document. There is a tank isolation mechanism in case of accidental release.

14) **Emergency Preparedness and Response:** RWTP has processes for emergency preparedness and response. All emergencies are recorded in a log book. All liquid spills and leaks are contained in a berm and sent for offsite treatment.

15) **Historical CPARs:** There are no current open CPARs. Previous CPARs have been addressed.

CPAR 644: Internal Audit: Chemical inventories not being maintained at the RWTP

CPAR 657: Internal Audit: Improper Hazardous Waste Labeling and Storage at Rinconada Water Treatment Plant

CPAR 653: B-407 LOTO failure. –

CPAR 654: West Pipeline Pressure Loss. Multi-layer checks installed like supervisory check box pop up before line valve is closed.

### Summary Report:

The South Water Treatment Operations Unit (# 566) and the Treatment Plant Maintenance Unit (# 555) are responsible for operating maintaining the RWTP, and meeting regulatory requirements. RWTP receives raw water from District reservoirs and the South Bay Aqueduct and treats it to California Drinking Water Standards. Drinking Water is provided to seven retailers in Santa Clara County. RWTP has an operations plan that highlights key processes at the plant. The operations plan was submitted to the California Department of Drinking Water (DDW) in June 2019. Unit staff has been trained in the RWTP Operations Plan. RWTP uses standard operating procedures (SOPs) to operate and maintain the plant. Unit staff has been trained in RWTP SOPs. SOPs are available on-line and easy to access. Unit staff is aware of QEMS requirements, and has completed required training. RWTP has an onsite Risk Management Plan (RMP) to handle toxic gases. Plant operators have been trained in RMP requirements. In addition, annual ultrasonic testing is conducted by certified vendors. RWTP has emergency response procedures to handle emergencies.

All records are maintained on-line; processes are monitoring continuously and instrumentation is calibrated on a weekly basis. Calibration records were available for review. RWTP uses District QEMS process for storage and handling of hazardous and universal wastes. RWTP has an updated Hazardous Material Business Plan (HMBP) to record chemical storage on site. Staff has been trained on the HMBP.

## QEMS INTERNAL AUDITOR REPORT

	<p>During the December 24, 2019 audit, staff conducted a site inspection following the audit interview. During the on-site inspection, all waste storage areas were adequately maintained and appropriately labelled.</p> <p>Overall the plant is clean and well maintained. Maintenance maintains a tight control on chemical and waste storage. The maintenance unit monitors performance by using KPIs.</p>
<b>Objective Evidence</b>	<p>Operations:</p> <ol style="list-style-type: none"> <li>1. RWTP Operations Plan</li> <li>2. Treatment change recommendation form.</li> <li>3. November 2019 Treatment Plant Monitoring Reports</li> <li>4. 2019 Water retailer survey Results</li> <li>5. Annual Review (Ammonia Risk Management Plan)</li> <li>6. Emergency Electrical Outage checklist</li> <li>7. SOP QA/QC Review</li> <li>8. Excel sheet showing operator training (check)</li> </ol> <p>Maintenance:</p> <ol style="list-style-type: none"> <li>1. KPI Report</li> <li>2. Training Records</li> <li>3. Advancement policy</li> <li>4. Weekly Inspection log (completed)</li> </ol>
<b>Areas(s) of Merit</b>	<p>16. Areas of merit observed during the audit:</p> <ol style="list-style-type: none"> <li>1. Staff is competent and well trained</li> <li>2. There are no regulatory violations from DDW.</li> <li>3. Processes are well documented and known to staff</li> <li>4. Plant is well maintained</li> </ol>
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity for Improvement
<b>CPAR Title</b>	<i>[if applicable, create a brief, clear title for the new CPAR]</i>

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Water Quality Management Plan (Q-851-025), Revision H, Effective Date: 8/28/2019
<b>Business Unit</b>	Water Quality Unit (525)
<b>ISO Requirement</b>	<p>ISO 9001:2015 Clause 8.2.2: Determining the requirements for products and services</p> <p>ISO 9001:2015 Clause 8.2.3: Review of the requirements for products and services</p> <p>ISO 9001:2015 Clause 8.7: Control of nonconforming outputs</p> <p>ISO 9001:2015 Clause 9.1.1: General – Monitoring, measurement, analysis and evaluation</p> <p>ISO 9001:2015 Clause 9.1.3: Analysis and evaluation</p>
<b>District Requirement</b>	Ends Policy 2.3: Reliable high quality drinking water is delivered.
<b>Regulatory/Legal Requirement</b>	California Code of Regulations, Title 22 (drinking water regulations)
<b>Audit Findings</b>	<p>The Water Quality Unit (WQU) provides support to the Treated Water Operations and Maintenance managers and Water Treatment Plant (WTP) supervisors and operators. WQU oversees water quality operations, processes, and special projects. Examples of these integrated roles include daily filter analysis and pipeline disinfection. WQU also oversees the Source Water Quality Management and the Invasive Mussel Prevention Programs.</p> <p>WQU is guided by California's drinking water regulations (Title 22) and the Board's Ends Policy 2.3 to provide high-quality drinking water for Santa Clara County. A liaison from WQU is assigned to each WTP to monitor operations and communicate any water quality issues. WTPs and the Water Quality Lab (WQL) perform tests on a monthly, weekly, daily, or continuous schedule, depending on the type of test. Tests are done on the source water as well as before, during and after the treatment process at the WTPs. WQU reviews these tests daily.</p> <p>Based on the test results, WQU provides guidance on adjustments to the treatment process to keep product water within the Treated Water Quality Goals detailed in the Water Quality Management Plan, which is more rigorous than the minimum required by the state. WQU may also request additional testing in order to monitor anomalies and/or the progress of a prescribed treatment.</p> <p>Any potentially non-conforming product is caught well before distribution to the public and treated as necessary to reach desired levels. The source water can also be changed as needed to provide additional options to produce a conforming product.</p> <p>WQU has good communication with its internal customers (WQL, Treated Water Operations) and is accessible to its external customers (water retailers, public) through Access Valley Water.</p>
<b>Objective Evidence</b>	Water Quality Management Plan (Q-851-025), Revision H, Effective Date: 8/28/2019 Completed Source Change Request/Approval Form
<b>Areas(s) of Merit</b>	Staff interviewed showed good teamwork and knowledge of water quality processes and had examples on-hand. WQU also has good communication with Treated Water Operations, which allows swift changes to the treatment process when necessary.

## QEMS INTERNAL AUDITOR REPORT

<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	N/A



## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	<ul style="list-style-type: none"> <li>• Construction Processes</li> <li>• Design and Development Controls</li> <li>• Operational Planning and Controls</li> <li>• Emergency Preparedness and Response</li> <li>• Operational planning and control</li> <li>• Release of products and services</li> <li>• Regulatory Compliance Process</li> <li>• Training Process – Contractor awareness &amp; training</li> </ul>
<b>Business Unit</b>	<i>Construction Services Unit 351</i>
<b>ISO Requirement</b>	ISO 9001:2015 8.5.1 Control of production and service provision ISO 9001:2015 8.5.5 Post-delivery activities ISO 9001:2015 8.3.4 Design and development controls ISO 9001:2015 8.6 Release of products and services ISO 14001:2015 8.1 Operational planning and control ISO 14001:2015 8.2 Emergency preparedness and response ISO 14001:2015 9.1.1 General ISO 14001:2015 9.1.2 Evaluation of compliance ISO 14001:2015 7.2 Competence ISO 14001:2015 7.3 Awareness
<b>District Requirement</b>	<ul style="list-style-type: none"> <li>• Capital Project Contract for the Pacheco Conduit Rehabilitation and Coyote Warehouse</li> <li>• Capital Project Delivery Procedure Q-751-013</li> </ul>
<b>Regulatory/Legal Requirement</b>	None reviewed as part of this audit
<b>Audit Findings</b>	<p>Construction is the third of four phases of project delivery. It is initiated following completion of the design phase and takes place prior to the close-out phase. Output from the construction phase includes, but is not limited to, the following deliverables:</p> <ul style="list-style-type: none"> <li>• Progress payment records</li> <li>• Change control documents including Change Orders and the associated logs.</li> <li>• Construction Submittals and District comments</li> <li>• As-built's</li> <li>• Operations &amp; Maintenance Manuals (if required)</li> <li>• Weekly Construction Meeting Minutes</li> <li>• Inspector's Daily Diaries and Contractor Daily Diaries</li> </ul> <p>Construction begins immediately after the award of a construction contract.</p> <p>Tim Bramer is the manager of the Construction Services Unit (construction team) and communicated how his unit uses documented processes during the construction phase.</p> <p><b><u>Processes:</u></b></p> <p>A design team/transition report is prepared by the design team and reviewed by construction team before finalizing. The design team prepares a construction work plan to submit to the construction team. The design team stays on board through the completion of construction. The Construction Services Unit oversees work within this step.</p> <p>The Plans and Specifications define what is to be constructed and do not reflect changes or modifications made to a project during its construction.</p>

## QEMS INTERNAL AUDITOR REPORT

	<p>The map and construction plan for the Penitencia Delivery Main and Penitencia Force Main Seismic Retrofit Project conformed copy dated 4-18-16, Volume I and Volume II was observed. The Addenda that was part of the original bid package becomes part of the contract known as the plans and specifications.</p> <p>Project's specifications was reviewed – specification for earth work to be conducted (excerpt from section 02300).</p> <p><b>1. <u>Release of Products and Services:</u></b> Tim was able to describe overall process related to transferring projects to operations and maintenance per the Capital Project Delivery Process.</p> <p>How is it known if the completed construction project meets the customer's requirements and what evidence is available? During the design phase, there can be multiple influences shaping the project and directing changes, which are heavily influenced by regulatory issues. The planning and design phase issues are vetted.</p> <p><b>2. <u>Training Process – Contractor Awareness and Training:</u></b> How are construction contractors deemed competent to perform work? Prior to awarding the construction contract the District specifies the competency through stated qualifications and required licensing. After the project is awarded, the Capital Program Planning &amp; Analysis Unit looks for the proper contractor license, bonds, and insurance.</p> <p>QEMS awareness is required training to be completed by contractors before starting work and completed training is documented on a sign-in sheet. Training records are maintained in the field. Records of completed training are not maintained and not received as part of the permanent construction files.</p> <p>During the audit interview, training records for this unit were reviewed. 20 employees will complete the required QEMS Awareness Training by 06/2020.</p> <p>Tim was able to locate the QEMS Policy and Objectives and Targets on the QEMS Homepage.</p>
<p><b>Objective Evidence</b></p>	<ul style="list-style-type: none"> <li>• Online construction management database, EADOCS</li> <li>• Daily Diary entry dated September 2019 prepared by John Luna, on-site inspector, and contractor Daily Diaries filed in the shared District's database.</li> <li>• Project Plans and Specifications: Section 17. Permits and Regulations and Section 18. Environmental Requirements</li> <li>• Project Monthly Environmental Compliance Inspection Report (FC1467) prepared on 09/16/19.             <ol style="list-style-type: none"> <li>1. The district emergency hotline number for hazardous materials coordinator work was sampled and functions. The hazardous waste and spills number is 1-888-510-5151.</li> <li>2. Penitencia Delivery Main and Penitencia Force Main Seismic Retrofit Project, dated 4/18/16</li> <li>3. Monthly Environmental Compliance Inspection Report for the SVAWC Potable Water Line Project.</li> </ol> </li> </ul>

## QEMS INTERNAL AUDITOR REPORT

	<p>4. Construction Phase WBS Item Description And Instruction (W73006, Revision: C, Effective Date: 2/15/11)</p> <ul style="list-style-type: none"> <li>AD 8.10 Construction Contract Management</li> <li>AD 8.11 Construction Contract Advertisement and Award</li> <li>AD 8.12 Construction Contract Change Orders and Extra Work</li> </ul>
<b>Areas(s) of Merit</b>	<p>The unit manager demonstrated competent understanding of construction processes as demonstrated by their thorough knowledge of Board, staff, contractor, and regulatory agency roles and responsibilities and project processes and an ability to easily search the online construction management database to retrieve Project documentation and evidence. The audit interview with Tim Bramer was conducted in the Construction Services work area on the second floor of the Head Quarters building. While interviewing Tim regarding the work of the Construction Services Unit, there was a clear understanding to their work processes. Tim was fluent in the QEMS processes and procedures. The work area was clean and organized. The QEMS documents were easily produced to sample. Tim was knowledgeable and able to navigate to site location.</p>
<b>Non-Conformance</b>	<i>None</i>
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	<i>Not applicable</i>

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Planning, Design, Construction and Closeout Processes
<b>Business Unit</b>	East Side Project Delivery – Unit 375
<b>ISO Requirement</b>	<p>ISO 9001:2015 8.1 – Operational planning and control</p> <p>ISO 9001:2015 8.2 – Requirements for products and services</p> <p>ISO 9001:2015 8.3 – Design and development of products and services</p> <p>ISO 9001:2015 8.5 – Production and service provision</p> <p>ISO 14001:2015 6.1.3 – Compliance obligations</p> <p>ISO 14001:2015 6.1.4 – Planning action</p>
<b>District Requirement</b>	<p>W-730-124 Planning Phase WBS Item Descriptions and Instructions</p> <p>W-730-122 Design Phase WBS Item Descriptions</p> <p>W-730-116 Construction Phase WBS Item Descriptions and Instructions</p>
<b>Regulatory/Legal Requirement</b>	N/A
<b>Audit Findings</b>	<p>East Side Project Delivery unit has six projects they are currently managing. Each of the projects are in different phases. Three projects are in the planning phase, one project is in the construction phase, and two projects are in close-out.</p> <p>A sampling of the PWTP Clearwell and SCADA Remote Architecture &amp; Communications Upgrade projects were requested and discussed.</p> <p>During the interview the project manager for PWTP Clearwell project, currently in close-out, provided information demonstrating his knowledge of the Planning, Design, and Construction Phase WBS Item Descriptions and Instructions of the project.</p> <p>Here is the list of deliverables described in the Planning Phase WBS Item Descriptions and Instructions W-730-124 captured on the Master List of QEMS documents:</p> <ul style="list-style-type: none"> <li>- background and data collection source document</li> <li>- final problem definition/refined objective report</li> <li>- feasible alternatives report</li> <li>- final staff-recommended alternative report</li> <li>- QC approved form for the Planning Study Report (PSR)</li> <li>- approved PSR, CEQA document</li> <li>- planning phase close-out checklist</li> </ul> <p>Here is the list of deliverables identified from the Design Phase WBS Item Descriptions and Instructions W-730-122 captured on the Master List of QEMS documents:</p> <ul style="list-style-type: none"> <li>- Complete CEQA Document</li> <li>- 60% &amp; 90% design submittal with plans, specifications, construction cost estimate, comments, responses, and design review meeting minutes</li> <li>- Approved design technical memoranda</li> <li>- Approved design analysis and calculations</li> <li>- 100% PS&amp;E</li> <li>- Approved updated business case report</li> <li>- Signed/approved plans &amp; specifications</li> <li>- Final construction cost estimate</li> <li>- Design phase close out checklist</li> </ul>

## QEMS INTERNAL AUDITOR REPORT

	<p>Here is the list of deliverables described in the Construction Phase WBS Item Descriptions and Instructions W-730-116 captured on the Master List of QEMS documents:</p> <ul style="list-style-type: none"> <li>- Internal pre-construction meeting notes</li> <li>- Pre-construction conference agenda &amp; minutes</li> <li>- Submittal review, requests for information (RFI), change orders, claims, contract administration, construction inspection, construction meetings, environmental monitoring and compliance, contractor construction safety plan, testing and start up, final inspection, and as-builts are all stored in the EADOC (a web-based construction management application)</li> </ul> <p>For the deliverables not captured in planning and design had approved waivers with appropriate justifications. Which shows the project did meet project deliverable described in all three phases.</p> <p>Additionally, the SCADA project is in the planning phase. The project objectives are to: 1) provide a back-up raw water control center, and 2) upgrade the SCADA remote telemetry communications cables/infrastructure. Data collection was performed and multiple meetings with the Project Owner and project stakeholders were held to discuss and finalize scope, criteria, and alternatives. The following planning phase deliverables from the Planning Phase WBS Item Descriptions and Instructions W-730-124 have been completed and accepted by the Project Owner (Raw Water O&amp;M Division DOO): Problem Definition/Refined Objectives Report and Alternatives Selection Report. The Planning Study Report has been completed and is with the Project Owner for review and acceptance.</p>
<b>Objective Evidence</b>	<p>Master List of QEMS Documents for the PWTP Clearwell project with all quality documents identified in the Planning, Design, and Construction Phase WBS Item Descriptions and Instructions were all accounted for.</p> <p>Alternatives Selection Report for the SCADA Remote Architecture &amp; Communications Upgrade was provided.</p>
<b>Areas(s) of Merit</b>	None
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Planning, Design, and Closeout Processes
<b>Business Unit</b>	Treatment Plant Project Delivery Unit
<b>ISO Requirement</b>	<p>ISO 9001:2015 8.1 – Operational planning and control</p> <p>ISO 9001:2015 8.2 – Requirements for products and services</p> <p>ISO 9001:2015 8.3 – Design and development of products and services</p> <p>ISO 9001:2015 8.5 – Production and service provision</p> <p>ISO 14001:2015 6.1.3 – Compliance obligations</p> <p>ISO 14001:2015 6.1.4 – Planning action</p>
<b>District Requirement</b>	<p>W-730-124 Planning Phase WBS Item Descriptions</p> <p>W-730-122 Design Phase WBS Descriptions and Instructions</p> <p>W-730-116 Construction Phase WBS Item Descriptions and Instructions</p>
<b>Regulatory/Legal Requirement</b>	Capital projects are required to prepare CEQA documents and obtain permits. The Environmental Impact Report identifies specific permits obtained with the town such as wood rat relocation and tree removal.
<b>Audit Findings</b>	<p>The Treatment Plant Project Delivery Unit provides for the planning, design, and construction of all capital projects delivery for all four of the treatment plants. The current RWTP Reliability Improvement Project was initiated in 2011 and has evolved with QEMS changes over the years. The RWTP Reliability Improvement Project is to upgrade the facilities and provide for regulatory criteria to fit within Board Ends Policies. This project is currently in the construction phase.</p> <p>The Treatment Plant Project Delivery Unit is aware and knowledgeable of the QEMS uniform steps and deliverables. The Treatment Plant Project Delivery Unit has completed the QEMS training video in SST. For continual improvement, planning and design phase lessons learned have been captured. Lessons learned for the construction phase are reserved toward the end of the project close-out.</p> <p>For external stakeholders, Public Relations handles stakeholder feedback. For internal stakeholders, 2 to 3 groups composed of operations and maintenance confer with Unit Managers to determine who to include as stakeholders depending on the subject. Responses to stakeholder concerns are addressed in meetings and outside consultants prepare reports, for which changes in scope may occur based on the feedback given. Consultants are selected based on RFP and ranking. Key performance indicators are outlined in the consultant agreements for adherence to the QEMS process. 30/60/90 review meetings involve detailed records containing persons, project, comments, and changes. For operations or maintenance changes, change orders are filled out requiring scope, cost, timing, and Deputy approval.</p>
<b>Objective Evidence</b>	<p>Samples of the following were reviewed to support audit findings:</p> <ol style="list-style-type: none"> <li>1. Draft Problem Definition/Refined Objectives Report</li> <li>2. Final Report on Staff-Recommended Alternative</li> <li>3. Planning Study Report</li> <li>4. Project-Owner Approved Planning Study Report</li> <li>5. Project Requirements Checklist</li> <li>6. Design Review Checklist</li> <li>7. Internal Preconstruction Meeting Minutes</li> <li>8. Design Work Plan</li> <li>9. Construction Management Work Plan</li> <li>10. Construction Review Checklist</li> </ol>

## QEMS INTERNAL AUDITOR REPORT

	<p>Master List of QEMS Documents for the RWTP Reliability Improvement Project with all quality documents identified in the Planning Phase WBS Item Descriptions and Instructions, Design Phase WBS Descriptions and Instructions, and Construction Phase WBS Item Descriptions and Instructions were all accounted for.</p> <p>Approved QEMS Waiver Request form F-422-092 for the RWTP Reliability Improvement Project was provided.</p>
<b>Areas(s) of Merit</b>	<p>All records in the P drive have a sample index spreadsheet that lists and hyperlinks them to the P drive.</p> <p>In addition to 30/60/90, 75 review meetings were held and meeting minutes as well as a 2 to 3-day workshop on deliverables were implemented.</p>
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	None

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	<i>Operational Planning and Control (Q-8.1, 8.2 and 8.5, E-4.3.2)</i>
<b>Business Unit</b>	<i>CADD Services Unit (Unit 366)</i>
<b>ISO Requirement</b>	<i>ISO 9001: 2015: Q-8.1, 8.2 and 8.5 ISO 14001:2015: E-4.3.2</i>
<b>District Requirement</b>	<ul style="list-style-type: none"> <li>• Board Ends Policy No E-2 – There is a reliable, clean water supply for current and future generations.</li> <li>• Board Ends Policy No E-3 – There is a healthy and safe environment for residents, businesses, and visitors, as well as for future generations.</li> <li>• CADD Standards Manual.</li> <li>• No QEMS documents identified.</li> </ul>
<b>Regulatory/Legal Requirement</b>	<i>None</i>
<b>Audit Findings</b>	<ul style="list-style-type: none"> <li>• This project provides for the centralized management and administration of the District-wide Computer Aided Design and Drafting (CADD) system, which is used for engineering design and drafting work for the District's Capital Improvement &amp; Operations projects, architectural drafting work for District facilities &amp; space program, survey, mapping &amp; plat preparation work, documentation of the operation and maintenance work by field staff, review of plans submitted during District approved permit work, etc.</li> <li>• The goal of this project is to ensure the efficient and effective management and administration of the District-wide CADD System. The system consists of six (6) CADD Software packages – AutoCAD Civil 3D, AutoCAD Raster, AutoCAD Design Review, Hydraflow Express for Civil 3D, Hec-Ras and H2O Net; Fifty-three plus (53+) CADD Software Network &amp; standalone licenses; Four (4) CADD Equipment/Hardware (Large Format plotters, High Resolution color scanner and printer) and licenses; and Hundred plus (100+) District CADD users.</li> <li>• I reviewed CADD request(s) #7272, #7246, #7328. All requests were assigned and completed as per requirement. All requests are available online via CADD database: <a href="http://www.aqua.gov/iframe/search-cadd-request-database">http://www.aqua.gov/iframe/search-cadd-request-database</a> and additionally also filed and maintained via hard copy in the CADD Services Unit Managers office.</li> <li>• There are no active CPARs for the CADD services unit.</li> <li>• I reviewed CADD Unit Quarterly Performance Measures and Worksheet for FY19 Q3 (ending in March, 2019).</li> </ul>
<b>Objective Evidence</b>	<ul style="list-style-type: none"> <li>• CADD Request online application(s) #7272, #7246, #7328.</li> <li>• CADD Unit Quarterly Performance Measures and Worksheet.</li> </ul> <div data-bbox="537 1623 609 1686" data-label="Image"> </div> <p>CADD performance measure analysis-Q3</p> <ul style="list-style-type: none"> <li>○ CADD services unit “satisfaction” rating was at 98% vs. target of 80%.</li> <li>○ CADD services unit “On-time” rating was at 86% vs. target of 80%.</li> </ul>
<b>Areas(s) of Merit</b>	CADD Services Unit process(es) seem to be very well implemented. A quarterly performance measure tracking is in place to ensure they are meeting the needs of their stakeholders. CADD services manual is on-line



## QEMS INTERNAL AUDITOR REPORT

<b>Non-Conformance</b>	<i>None</i>
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	<i>[if applicable, create a brief, clear title for the new CPAR]</i>

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Dam Safety Program (Unit 595)
<b>Business Unit</b>	Dam Safety and Project Delivery Unit
<b>ISO Requirement</b>	Q 8.2.2 Determining the requirements for products and services Q 8.2.3 Review of requirements for products and services Q 8.7 Control of Nonconforming outputs Q 9.1.1 Monitoring, measurement, analysis and evaluation
<b>District Requirement</b>	Capital Project Delivery Q-751-013, Rev. I, 11/30/16 District Records Retention Schedule: <a href="http://www.aqua.gov/home/scvwd/main/admin/records/Retention2017.pdf">http://www.aqua.gov/home/scvwd/main/admin/records/Retention2017.pdf</a>
<b>Regulatory/Legal Requirement</b>	Regulatory requirements established by the Division of Safety of Dams (DSOD), and Federal Energy Regulatory Commission (FERC)
<b>Audit Findings</b>	<p>The Dam Safety Unit (DSU) is responsible for overseeing the safety of Dams through the following elements:</p> <ol style="list-style-type: none"> <li>1. Operations – addressing situations such as emergency draw downs.</li> <li>2. Maintenance – Corrective and Preventive maintenance to address issues such as vegetation, burrows, patching, spalling, and repairs.</li> <li>3. Monitoring and Surveillance – Annual reports to DSOD and FERC</li> <li>4. Special Studies</li> <li>5. Emergency Action Plan and Security – DSU collaborates with Security and Emergency Services Unit to develop Emergency Action Plans and to conduct annual drills.</li> </ol> <p>Q 8.2.2 Determining the requirements for products and services</p> <p>The Unit staff was aware of the requirements from DSOD and FERC and had mechanisms in place to track requirements and associated submittals. Unit staff is very familiar with QEMS requirements and is required to complete training through annual workplans</p> <p>Q 8.2.3 Review of requirements for products and services</p> <p>Regular inspections are held to ensure that Dams are performing as required. An annual report is made to DSOD on the performance of each Dam.</p> <p>Q 8.7 Control of Nonconforming outputs</p> <p>Regulatory agencies such as DSOD and FERC will issue a letter if a Dam is not conforming to standards. Unit 595 will then negotiate the schedule for correction. Any adjustments or corrections are reflected in the annual reports to these agencies.</p> <p>Q 9.1.1 Monitoring, measurement, analysis and evaluation</p> <p>Each Dam has calibration and maintenance equipment the maintained by contractors. An annual report is prepared and submitted on each Dam. All Dams are satisfactorily meeting compliance.</p>

## QEMS INTERNAL AUDITOR REPORT

<b>Objective Evidence</b>	1) Annual Surveillance Reports 2) FERC reports 3) Regular Inspection and Reporting
<b>Areas(s) of Merit</b>	The Unit Manager clearly understood the compliance obligations related to Dam Safety and the awareness of the QEMS was evident.
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity for Improvement
<b>CPAR Title</b>	<i>[if applicable, create a brief, clear title for the new CPAR]</i>

## QEMS INTERNAL AUDITOR REPORT

Process/Area Assessed	Capital Project Delivery: Sunnyvale East and Sunnyvale West Channels Flood Protection Project (San Francisco Bay to Inverness Way and Almanor Avenue – Sunnyvale)															
Business Unit	Water Utility: Design and Construction Unit #3															
ISO Requirement	<ul style="list-style-type: none"><li>• Clause 8.1: Operational Planning and Control</li><li>• Clause 8.2: Requirements for Products and Services</li><li>• Clause 8.5: Control of Production and Service Provision, Post-Delivery Activities</li></ul>															
District Requirement	<ul style="list-style-type: none"><li>• Safe, Clean Water and Natural Flood Protection Program (Other Capital Flood Protection Projects)</li><li>• Capital Project Delivery Procedure Q-751-013</li></ul>															
Regulatory/Legal Requirement	Following agencies provide Permits under the Clean Water Act below. Permit approvals also provided by the City of Sunnyvale. <table><tr><th>Resource Agency</th><th>Permit Application Type</th></tr><tr><td>SFRWQCB</td><td>CWA 401 Discharge Permit</td></tr><tr><td>USACE</td><td>CWA 404 Individual</td></tr><tr><td>CDFW</td><td>1600 SAA</td></tr><tr><td>EPA</td><td>CWA 404 Individual</td></tr><tr><td>USFWS</td><td>Sec. 7 Consultation</td></tr><tr><td>BCDC</td><td>Administrative Permit</td></tr></table>		Resource Agency	Permit Application Type	SFRWQCB	CWA 401 Discharge Permit	USACE	CWA 404 Individual	CDFW	1600 SAA	EPA	CWA 404 Individual	USFWS	Sec. 7 Consultation	BCDC	Administrative Permit
Resource Agency	Permit Application Type															
SFRWQCB	CWA 401 Discharge Permit															
USACE	CWA 404 Individual															
CDFW	1600 SAA															
EPA	CWA 404 Individual															
USFWS	Sec. 7 Consultation															
BCDC	Administrative Permit															
Audit Findings	<p>Clause 8.1:</p> <p>The Sunnyvale East and Sunnyvale West Channels Flood Protection Project (Project) was initiated through the District's voter-mandated Clean, Safe Creeks and Natural Flood Protection Program (CSC) and funding for this Project continues through the District's current Safe, Clean Water and Natural Flood Protection Program.</p> <p>The purpose of the Project is to alleviate flooding and expand the channel capacity to accommodate a 100-year flood to improve flood protection for 1,618 parcels along the channels. The Project also incorporates a trail system.</p> <p>At the completion of the Project, Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps will be updated. FEMA maintains official maps of a community on which FEMA has outlined both the special hazard areas and the risk premium zones applicable to the community.</p> <p>To ensure the Project is being carried out, as planned, a Conceptual Alternative Analysis Report, a.k.a., the planning phase for projects, is developed, which includes the Project's financials. The Project is also documented in the District's Capital Improvement Plan (CIP).</p> <p>Further, monthly Project status is reported to the Division Deputy to ensure the schedule and scope are on-track. Finally, bi-weekly Project Team Meetings are held to monitor daily Project progress.</p> <p>Clause 8.2:</p> <p>Project requirements were determined as part of the development of the CSC Measure B ballot measure and documented in a Conceptual Alternative Report. Preferred Project alternatives were discussed in community meetings as part of California Environmental Quality Act's Environmental Impact Report (EIR) process.</p>															

## QEMS INTERNAL AUDITOR REPORT

	<p>Requirements and public input is captured and documented in the Final EIR. Public input is also responded to by District Project staff and documented in the Final EIR. Project requirements are communicated through the Final EIR and on the Project webpage at <a href="https://www.valleywater.org/project-updates/creek-river-projects/sunnyvale-east-and-west-channels-flood-protection">https://www.valleywater.org/project-updates/creek-river-projects/sunnyvale-east-and-west-channels-flood-protection</a>. The Project webpage includes updates, public reports, Board Agenda Items, etc.</p> <p>Clause 8.5: Process outputs for this Project include Plans, Specifications, and Estimates (for bid planning), an Operations and Maintenance Manual, Transition Report from design to construction, and a final set of construction plans, a.k.a., As-Builts.</p> <p>Each Project phase closeout – planning, design, and construction – can be waived per the Capital Project Delivery Procedure, Q-751-013. Project phase closeout can also occur when a project is completed. The planning phase of this Project was waived as evidenced by the QEMS Waiver Request dated November 3, 2011, and signed by the Watersheds Deputy.</p> <p>Project changes are documented through a Change Management Memo and focused on scope, budget, and schedule. Additionally, a Project Decision Memo is sent to the customer for their approval of a recommended Project approach. This was evidenced by the August 17, 2011, memo from the Project's Senior Project Manager to the customer. Signatories included the Senior Project Manager, Unit Manager, Deputy Manager for "Concurrence" and the customer for "Approval."</p> <p>Improvements to the project delivery process are captured as part of the Project's lessons-learned session, which occurs at the end of the Project's Close-Out design phase. At final Project completion, the Construction Close-Out procedures includes a Lessons Learned Conference. On an as needed basis, the Lessons Learned conference reviews and documents complexity design and construction issues.</p> <p>Process improvements are also documented using the District's Corrective and Preventive Action Request (CPAR) System. Improvements resulting from the lessons-learned sessions and CPARs are captured and documented in future project plans and specifications.</p>
<b>Objective Evidence</b>	<ul style="list-style-type: none"> <li>• Project status at <a href="https://www.valleywater.org/project-updates/creek-river-projects/sunnyvale-east-and-west-channels-flood-protection">https://www.valleywater.org/project-updates/creek-river-projects/sunnyvale-east-and-west-channels-flood-protection</a></li> <li>• Project input in the Final EIR – letters from California Department of Transportation, City of Sunnyvale, California Department of Fish and Wildlife, and Santa Clara County of Environmental Health</li> <li>• Sample of District response to public input in the Final EIR</li> <li>• QEMS Waiver Request for Project's planning phase, dated November 3, 2011, signed by the Watersheds Deputy</li> <li>• Project Decision Memo, dated August 17, 2011, signed by the Senior Project Manager, Unit Manager, Deputy for Concurrence and signed by the Customer (Deputy manager) for Approval</li> </ul>
<b>Areas(s) of Merit</b>	<p>Unit staff were prepared for the audit as evidenced by their documentation at the interview, ability to respond to questions and demonstrate thorough knowledge of their roles and project processes, and were able to readily search the project webpage at <a href="http://www.valleywater.org">www.valleywater.org</a> and their shared-drive system to retrieve documentation and evidence.</p>

## QEMS INTERNAL AUDITOR REPORT

	Karen and Bill are fluent in the QEMS processes and procedures. The work folders are very organized and it's easy to find objective evidence, if needed, in the shared folder. The QEMS documents were easily produced to sample. Karen and Bill are knowledgeable and able to navigate to site location.
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	Not applicable

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	<ul style="list-style-type: none"> <li>Operational Planning and Control</li> <li>Evaluation of Compliance</li> </ul>
<b>Business Unit</b>	Wells & Water Measurement Unit - 475
<b>ISO Requirement</b>	ISO 9001: 2015 – 7.1.5 Monitoring and Measuring Resources ISO 9001: 2015 – 7.5 Documented Information ISO 9001: 2015 – 8.1 Operational Planning and Control ISO 9001: 2015 – 8.2 Requirements for Products and Services ISO 14001:2015 – 8.1 Operational Planning and Control
<b>District Requirement</b>	The following process documents were reviewed during the audit: WM-W_500 Rev 1: Treated Water Meter Operational Verification Testing WM-W_700 Rev 1: Backflow Prevention Assembly Test and Repair WM-W_850 Rev 3: Treated Water Meter Reading and Read Processing WM-W_900 Rev 1: Water Meter Installation Process
<b>Regulatory/Legal Requirement</b>	NA
<b>Audit Findings</b>	<p>The Wells and Water Measurement Unit ensures that wells and other deep excavations are constructed, maintained, and decommissioned in such a manner that they do not harm Valley Water's groundwater resources and provide accurate measurement of treated water, raw water, and groundwater production. The Unit also operates the Vasona Meter Shop, which provides services for meter reading, meter installation, testing of meters, and the preventative and corrective maintenance of groundwater, treated water, and raw water meters. Additionally, testing and maintenance services are performed for the backflow prevention devices owned and operated by Valley Water.</p> <p>The Unit Manager explained the process for document updates, changes, revisions and review cycles. Any updates made are communicated to affected staff by the Unit Manager. The audit team verified and reviewed documented training records.</p> <p>Under the Process "Treated Water Meter Operational Verification Testing" (per SOP WM-W_500 Rev 1: Treated Water Meter Operational Verification Testing) staff ensures operational verification of Valley Waters treated water meters. As part of the verification process, flow rates from the portable ultrasonic flow meter are compared to those on the local control box flow display, the mechanical billing totalizer, the treatment plant flow readings, and by verifying that TW billing meter electronics are operating according to manufacturer's specifications on a semi-annual basis. During verification, if any of the following findings occur, a corrective maintenance work order is created.</p> <ul style="list-style-type: none"> <li>The flows measured by the remote totalizer or ODMS data vary more than +/- 2% from the flows measured by the local meter</li> <li>The flows measured by the ultrasonic meter are more than +/- 3% from the historical variance between the ultrasonic and site turnout flow meter.</li> <li>Meter electronics verification testing indicates that the meter is not operating per manufacturer's parameters</li> </ul> <p>Corrective maintenance required from other Units is requested through the MAXIMO new service request process.</p>

## QEMS INTERNAL AUDITOR REPORT

No regulatory compliance agencies oversee or monitor meter performance criteria for billing of water. Per Valley Water processes, the Unit Manager reviews meter data for accuracy and compares it to Revenue Management data. Discrepancies between data are identified and the root cause for the discrepancy is investigated, e.g. physical inspection of the meter or maintenance.

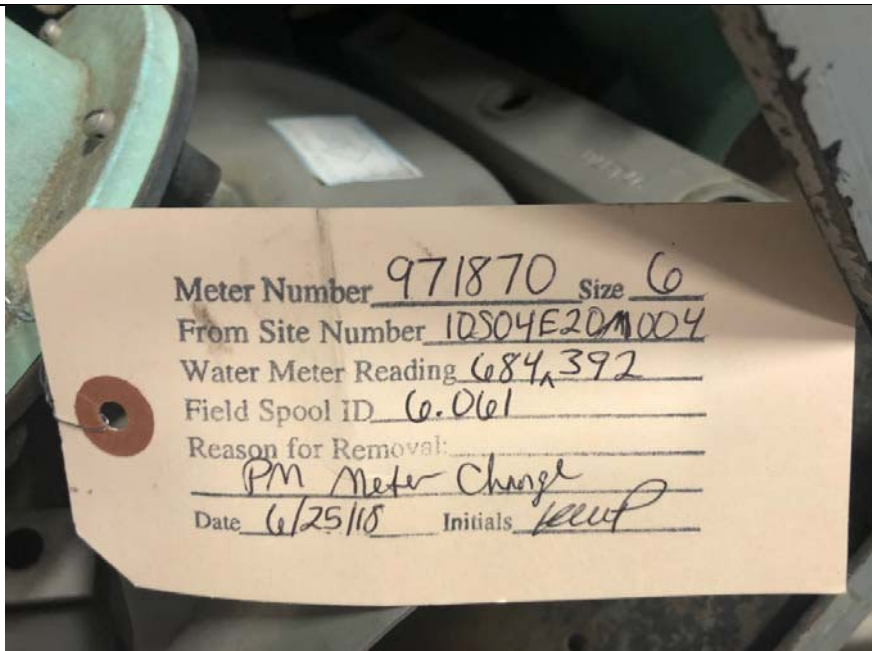
During discussion of the “Water Meter Installation Process”, information was shared with the audit team which indicated that a lapse in the process currently overseen by Revenue Management Unit, which is currently not in scope of the QEMS. Under the Water Installation Process, roles are shared between the Revenue Management Unit and Wells and Water Measurement Unit. Triggers for initiating new meter installation falls under Revenue Management. These triggers consist of determining if facilities’ ground water production exceeds those set by the Board, notifying affected owners that exceed limits and creating a Meter Installation Request (MIR). The lapse in process is based on a study completed under Revenue Management between 2015/2016, which reviewed water production statements to determine if MIR’s are needed. Through this study, it was determined that approximately 300 wells meet the requirements for an MIR. Since the completion of this study, no MIR’s have been submitted to the Water Measurement for the wells identified. It was also reported that based on current resources and availability, it was estimated that Water Measurement could install only 25-30 new meters per year. Concern was communicated over the quantity of meters identified as needing MIR’s vs the estimated volume of new meters that can be installed by water measurement.

Moreover, the scope of this internal audit is focused on the business processes associated with Wells and Water Measurement Unit. It is the recommendation of the internal audit team that the lapse in action identified in the “Water Meter Installation Process” be formally addressed for resolution by the Wells and Water Measurement Unit Manager through further discussion with the responsible parties, or through Valley Water’s Corrective or Preventive Action Request (CPAR). Revenue Management and its associated processes are not within the QEMS scope, thus the recommendation to initiate a CPAR.

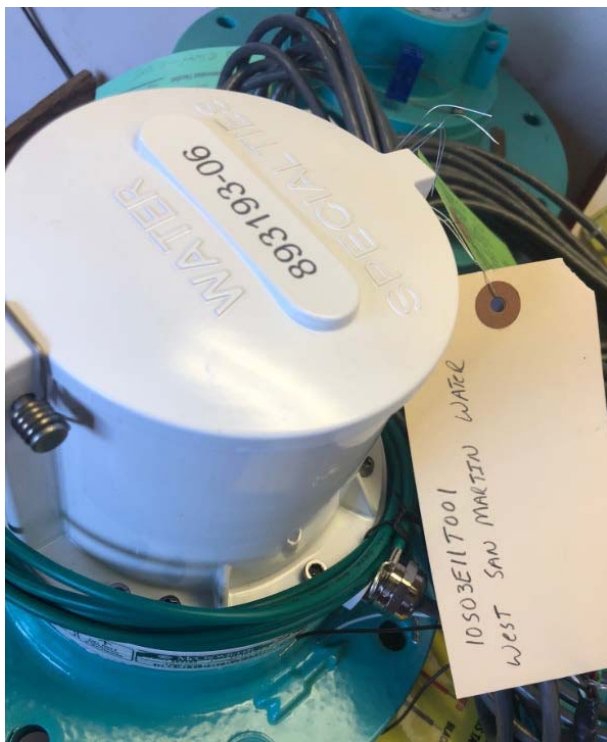


# QEMS INTERNAL AUDITOR REPORT

## Objective Evidence



Example Meter Tag



Meter/tag use to verify calibration records (meter 893193)

# QEMS INTERNAL AUDITOR REPORT

**CERTIFIED TEST REPORT**

CUSTOMER: SANTA CLARA  
MODEL NO: ML04D-06  
METER SERIAL NO: 893193

**CONFIGURATION**

METER INSIDE DIAMETER: 6.026  
DIAL: AFT X 0.001 1200 GPM  
INDEX: 0.2056  
TEST DATE: 4/8/2019  
TEST FACILITY: Volumetric

**As Calibrated**

**CALIBRATION DATA**

	FLOW RATE GPM	% ACCURACY
1	1221.75	108.54

CERTIFIED BY: Robert Galusha ID#: 176785 PRINT DATE: 4/8/2019

This calibration was performed on a gravimetric or volumetric test facility, traceable to the National Institute of Standards and Technology (NIST). The indicated flow measurement uncertainty of the calibration facilities are:

**Meter Test Report**

Santa Clara Valley Water District

Meter No 893193 Test Date 4/22/2019 Test Type FAT  
Tester ST

Facility No 10503E11T001 Install Date            (Meter In) Beg read 0.0000  
AF Production (from WO) 0.0000 Remove Date            (Meter Out) End read 0.0000

Meter Size 6.000" MFR WGS Meter Type ML Meter Index #Bull  
Register No 02086 Register Type FC-101 Register Multiplier 0.0010 Register Units AF  
Gear A 0 Gear A Type            Gear B 0 Gear B Type            Register Index 0.1702  
Transmitter No 02086 Transmitter Type FC-101 mA Span 1200  
Spool type FS-ST/PL Extension Tube           

Test ID 6.0500 Correction Factor 100.83  
Site ID 6.0260  
Control Method FM-1 AP? 326550 CP? 1

High Flow	Mid Flow	Low Flow
HF Beg Read: <u>1216.31</u> gpm	MF Beg Read: <u>617.13</u> gpm	LF Beg Read: <u>127.29</u> gpm
HF End Read: <u>6.0000</u>	MF End Read: <u>21.0000</u>	LF End Read: <u>29.0000</u>
HF Weight <u>1</u>	MF Weight <u>1</u>	LF Weight <u>1</u>
HF Control Gallon <u>3953.0000</u>	MF Control Gallon <u>1981.0000</u>	LF Control Gallons <u>987.0000</u>
HF Time <u>3.25</u> min.	MF Time <u>3.21</u> min.	LF Time <u>5.24</u> min.
HF% Accuracy <u>98.66</u>	MF% Accuracy <u>98.88</u>	LF% Accuracy <u>97.81</u>
HF% Accy corr. to pipe ID <u>99.71</u>	MF% Accy corr. to pipe ID <u>99.48</u>	LF% Accy corr. to pipe ID <u>98.49</u>
HF Transmitter Output mA: <u>20.060</u> <u>1200</u> gpm	MF Transmitter <u>12.120</u> <u>600</u> gpm	LF Transmitter Output mA: <u>5.670</u> <u>125</u> gpm

Enter Lowest % Accy (decimal) 0.9771 Enter Highest % Accy (decimal) 0.9892

Pipe ID Range (for this test) 6.0410 THRU 6.9580

Trouble Code:           

Tester Notes:           

Meter Test Report for Meter 893193

## Non-Conformance

*No non-conformities or opportunities for improvements OFI's were observed.*

<b>CPAR Type</b>	<input checked="" type="checkbox"/> None	<input type="checkbox"/> Corrective Action	<input type="checkbox"/> Preventive Action	<input type="checkbox"/> Opportunity For Improvement
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<b>CPAR Title</b>	<i>NA</i>
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## QEMS INTERNAL AUDITOR REPORT


<b>Process/Area Assessed</b>	<ul style="list-style-type: none"> <li>• Capital Project Delivery</li> <li>• Planning, Design, and Closeout Processes</li> <li>• Project Phase Transition Process</li> <li>• Change Management Process</li> <li>• Project-related Public Communications</li> </ul>
<b>Business Unit</b>	Watersheds Design & Construction Unit #1
<b>ISO Requirement</b>	ISO 9001: 2015 – 8.1 Operational Planning and Control ISO 9001: 2015 – 8.3 Design and Development of Products and Services ISO 9001: 2015 – 8.5.6 Control of Changes ISO 14001:2015 – 7.4 Communication ISO 14001:2015 – 7.5.3 Control of Documented Information ISO 14001:2015 – 8.1 Operational Planning and Control
<b>District Requirement</b>	<ul style="list-style-type: none"> <li>• Capital Project Delivery Q-751-013, Rev. K, 03/06/2019</li> <li>• Change Management Practice W-751-125, Rev. F, 9/30/19</li> <li>• Valley Water Records Retention Schedule</li> </ul>
<b>Regulatory/Legal Requirement</b>	None reviewed or required during this audit
<b>Audit Findings</b>	<p><b>Project Selected:</b> Permanente Creek – Flood Protection, Ecosystem Restoration, Recreation</p> <p><b>Project Elements:</b></p> <ol style="list-style-type: none"> <li>1. Flood detention areas, recreational improvements and enhanced habitat at County of Santa Clara's Rancho San Antonio Park;</li> <li>2. Flood detention area and recreational improvements at City of Mountain View's McKelvey Park, and</li> <li>3. Channel Improvements.</li> </ol> <p><b>Current Phase:</b> <u>Construction:</u></p> <ol style="list-style-type: none"> <li>1. Rancho San Antonio estimated completion: March 2020</li> <li>2. McKelvey Park estimated completion: End of 2019</li> <li>3. Channel Improvements: Completed</li> </ol> <p><b>Project Owner:</b> Deputy Operating Officer, Watersheds Design and Construction Division</p> <p><b>Audit Focus:</b></p> <ul style="list-style-type: none"> <li>• Management of key Capital Project Delivery processes and assurance that they are carried out effectively.</li> <li>• Control of documented information and completion of quality records.</li> <li>• Change management associated with cost, schedule, and regulatory requirements.</li> <li>• Financial impact of project changes and associated communications to the Project Owner and Valley Water Board of Directors.</li> </ul>

## QEMS INTERNAL AUDITOR REPORT

**Audit Summary:** Watersheds Design & Construction Unit #1 manage a variety of Capital projects in Watershed Operations. Permanente Creek project was randomly selected for this audit.

**Channel Improvements:** Although the Channel Improvements is element of the Permanente Creek project, it had its separate and distinct design and construction phase work.

**Suggestion:** An opportunity was discussed to close out the Channel Improvement element of this project as the construction work has been completed. Per the project manager, the closeout phase would be completed once the O&M Plan is finalized.

**Use of most current version of released documents:** The internal auditors observed use of obsolete documents, such as F75101 from 2016 for Close-out checklist, instead of current version, F-751-098 Rev K. It was recommended that the unit reviews copies of all controlled documents in use to ensure that the current versions are used at all times.

In a follow-up email dated 9/30/19, the auditees reassured the auditors that the Unit members navigate to Capital Program Resources Process Management page on District's intranet page and retrieve the latest version of forms prior to routing for signature(s).

**Change Management Process:** Per document W-751-125 Rev E for Change Management Practice (Effective 4/15/19, and at the time of this audit), whenever there is a project change, the project manager is to assess the change and prepare a decision memo/change management memo. Quality records for decision memo/change management memo were not available at the time of this audit for several changes to the Permanente Creek project, such as change in cost, schedule, and scope. However, the auditees reported that that work instruction W-751-125 Rev E does not apply to Watersheds projects. Upon request for follow-up information, the Deputy Operating Officer of Watersheds Design and Construction Division informed the auditors that the process was updated after August 2016 to capture all project changes in Vena software instead of the memos required by the work instruction. The work instruction had not been updated to reflect the change.

Following the audit, revision of this work instruction was initiated by Unit staff and updated W-751-125 Rev F was released on 10/9/19.

As an objective evidence, the auditors were provided a copy of project change documentation from Vena software for the Permanente Creek project during the period of 2017-2018, which captured decisions related to changes in project cost, schedule, scope, etc. Change History is located in the Additional Inputs tab in Vena and approved by the Deputy Operating Officer.

**Record Retention:** Record retention period in the Valley Water's record retention schedule, update date 9/18/19, for record series number RS-003 (Work Plans, Budget-Finance, Schedule, Project Scope, Correspondence, Outreach, Project Logs) is listed as Completion + 10 years or After Funding Agency Audit, if required, whichever is longer. The record retention period for record series number RS-0054 (Neighborhood Communications: Outreach / Community Files / Good Neighbor Program / Log of Community Calls Received / Correspondence) is listed as 'When no longer required - minimum 2 years'. Auditors requested additional information about alignment of these record series.

In a follow up response on 9/30/19, the auditors were informed that all of the outreach materials created for projects are saved in respective project folders overseen by Office of Communications and achieved once the project is completed. Achieved files are kept as permanent records for reference purposes by the Office of Communications.

**Suggestion:**  
Records for capital projects related communications are stored by Office of Communications, which was not in the scope of this internal audit. It was suggested to the Office of

## QEMS INTERNAL AUDITOR REPORT

	Communications staff to review the details of record series RS-0054 for alignment to capital projects related outreach and communications.
<b>Objective Evidence</b>	<ul style="list-style-type: none"> <li>• <i>W-751-125 Rev F Change Management Practice</i></li> <li>• <i>W-751-125 Rev E Change Management Practice</i></li> <li>• <i>Permanente Creek Quarterly Update FY19Q4, July 16, 2019</i></li> <li>• Project change documentation in Vena software for the Permanente Creek project during the period of 2017-2018</li> </ul>
<b>Non-Conformance</b>	<i>None</i>
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	<i>[if applicable, create a brief, clear title for the new CPAR]</i>

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	<ul style="list-style-type: none"> <li>• Capital Project Delivery</li> <li>• Planning, Design, and Closeout Processes</li> <li>• Risk Management Process</li> </ul>
<b>Business Unit</b>	Watersheds Design & Construction Unit #2
<b>ISO Requirement</b>	ISO 9001: 2015 – 8.1 Operational Planning and Control ISO 9001: 2015 – 8.2 Requirements for Products and Services ISO 9001: 2015 – 8.3 Design and Development of Products and Services ISO 9001: 2015 – 8.5 Production and Service Provision ISO 14001:2015 – 6.1.3 Compliance Obligations ISO 14001:2015 – 6.1.4 Planning Action
<b>District Requirement</b>	<ul style="list-style-type: none"> <li>• Risk Management Process W-710-128, Rev. B, 04/15/2019</li> <li>• Capital Project Delivery, Q-751-013, Rev. K, 09/19/2019</li> <li>• Design Phase WBS Descriptions and Instructions W-730-122, Rev. L, 09/09/2019</li> <li>• Ends Policy 3.2: Reduce potential for flood damages</li> <li>• Ends Policy 4.1: Protect and restore creek, bay, and other aquatic ecosystems</li> <li>• Ends Policy 4.2: Improved quality of life in Santa Clara County through appropriate public access to trails, open space, and District facilities.</li> </ul>
<b>Regulatory/Legal Requirement</b>	None reviewed or required during this audit
<b>Audit Findings</b>	<p><b>Project Selected:</b> Lower Berryessa Creek Flood Protection Project</p> <p><b>Project Elements:</b></p> <ul style="list-style-type: none"> <li>• Build flood walls</li> <li>• Improve levees</li> <li>• Widen the creek channel to accommodate high flows</li> <li>• Enhance and enlarge tidal and freshwater wetland and riparian habitat.</li> </ul> <p><b>Current Phase:</b></p> <ul style="list-style-type: none"> <li>• Phase 1: Construction completed</li> <li>• Phase 2, Section 1: Design completed</li> <li>• Phase 2, Section 2: Design in progress</li> <li>• Phase 2: Construction in progress (est. completion Dec. 2019)</li> <li>• Phase 3: Planning to begin FY 2026</li> </ul> <p><b>Project Owner:</b> Deputy Operating Officer, Watersheds Design and Construction Division</p> <p><b>Audit Focus</b></p> <ul style="list-style-type: none"> <li>• Management of key Capital Project Delivery processes and assurance that they are carried out effectively.</li> <li>• Control of documented information and completion of quality records.</li> <li>• Risk management throughout project phases.</li> <li>• Financial impact of project changes and associated communications to the Project Owner and Valley Water Board of Directors.</li> </ul>

## QEMS INTERNAL AUDITOR REPORT

**Audit Summary:** Watersheds Design & Construction Unit #2 manages a variety of Capital projects in Watershed Operations. The Lower Berryessa Creek project was randomly selected for this audit.

**Risk Register:** A risk register for this project was created while the project was in the 90% design-phase in July 2019. The register for this project was available for review by the internal auditors as objective evidence. Per document W-170-128, the register is re-evaluated every 6 months and/or with important milestones. Per the project manager, the register will be re-evaluated prior to the start of construction, which is expected to begin May 2020.

**Identification of Stakeholders:** The planning for projects lead by the Design and Construction Unit #2 occurs within a different unit. It is during this phase that stakeholders are identified. On 12/11/19, the Lower Berryessa Creek Project Planning Phase Work Plan was provided that includes and documents the identification of stakeholders for the project.

**Capital Project Delivery:** Per document Q-751-013, monthly meetings for project update status are conducted. As objective evidence, the monthly meeting agenda for the 11/6/19 meeting was reviewed by the internal audit team. Also, per document Q-751-013, project close-out reports are generated as a quality record. As the Lower Berryessa Creek Project is still in-progress, a close-out report for the Cunningham project was available for review by the internal audit team as objective evidence and is signed by the project manager.

**Design Phase WBS:** Per document W-730-122, a large number of deliverables are generated through the steps of the design phase. These deliverables are tracked in the VENA software system. A “dashboard” view for the project was shown as objective evidence.

Controlled Document Review: During review of documents W-730-122 and Q-751-013, the auditors noted:

- Page 3 of W-730-122 states that the flow charts available in Appendix F are also found in document Q-751-013, however, the flow charts could not be located.
- The footnotes to appendices A, B, D, E, F, H, J and K of document number W-730-122 reference document number W73004.
- Appendices G and I of document number W-730-122 lack a footnote/document reference.

**Suggestion:** Update document Q-751-013 to include the flow charts, if necessary, or remove the statement from page 3 of document W-730-122. Update the appendices for document W-730-122 to include the correct document number in the footer for ease of use/traceability.

### Objective Evidence

- Risk Register (F-170-111) for Lower Berryessa Creek Project
- Lower Berryessa Creek Project Planning Phase Work Plan
- Monthly Meeting Agenda from 11/6/19 meeting
- Close-out report for Cunningham project
- W-730-122 deliverables tracked in VENA software. Documentation for Lower Berryessa Creek Project shown.



## QEMS INTERNAL AUDITOR REPORT

<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	NA

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	<ol style="list-style-type: none"> <li>1. Capital Project Delivery</li> <li>2. Planning, Design and Closeout Processes</li> <li>3. Project Phase Transition Process</li> </ol>
<b>Business Unit</b>	Design & Construction Unit #4
<b>ISO Requirement</b>	<p>Q: 8.1 Operation planning and control</p> <p>8.2 Requirements for products and services</p> <p>8.3 Design and development of products and services</p> <p>8.5 Production and service provision</p> <p>8.6 Release of products and services</p> <p>E: 6.1.3 Compliance obligations</p> <p>6.1.4 Planning action</p>
<b>District Requirement</b>	<ul style="list-style-type: none"> <li>• Capital Project Delivery – Q-751-013, Rev K, 03/06/2019</li> <li>• District File Instructions for Capital Projects – W-423-127, Rev G, 10/29/2018</li> <li>• Create Work Plan – W-751-123, Rev J, 04/11/2019</li> </ul>
<b>Regulatory/Legal Requirement</b>	None reviewed or required during this audit
<b>Audit Findings</b>	<p><b>Project Selected:</b> Lower Penitencia Creek Improvements Project</p> <p><b>Current Phase:</b> Design – reviewing 100% Design submittals. Comments from the QC team have begun to come in. Project Team demonstrated knowledge of where these documents are stored and discussed the next steps to prepare transition reports from Design to Construction and prepare to go to Construction in mid-2020, with anticipated completion of Construction at end of 2021.</p> <p><b>Project Owner:</b> Deputy Operating Officer, Watersheds Design and Construction Division</p> <p><b>Audit Focus:</b></p> <ul style="list-style-type: none"> <li>• Management of key Capital Project Delivery processes and assurance that they are carried out effectively.</li> <li>• Control of documented information and completion of quality records.</li> <li>• Change management/history associated with cost, schedule and regulatory requirements.</li> <li>• As there had been a prior CPAR related to records retention, the Project Team was asked to demonstrate ability to identify records retention requirements and provided evidence that retention schedules are aligned on the Project's File Key document.</li> </ul> <p><b>Audit Summary:</b> Watersheds Design &amp; Construction Unit #4 manage a variety of Capital projects in Watershed Operations. The Lower Penitencia Creek Improvements Project was selected for this audit as it is the one project within the unit that falls under the parameters of the ISO standards.</p> <p><b>Design Phase Status:</b> As the project is in the 100% Design phase review, this audit focused on ensuring that controlled documents up to this phase have been completed, signed where necessary, and filed correctly within the project files.</p> <p><b>Suggestion:</b> When reviewing the Close Out document for the Planning phase, it was discovered that the Project Owner Customer Satisfaction Survey (Form F-831-099)</p>

## QEMS INTERNAL AUDITOR REPORT

	<p>(POCSS) had been filed in Work Space. While having it available somewhere in the files is certainly best, it was suggested that a copy of it <u>also</u> be filed with the Close-Out Report in Controlled Documents. Document #W-730-124 discusses a Deliverable of the Close-Out Checklist, document #F-751-098. Appendix A: of W-730-124 has various examples of Key Deliverables, all of which include a Close Out checklist. The Close Out Checklist, document #F-751-098, indicates that, when completed for that phase, a POCSS should be attached to the Close-Out Checklist. As such, the POCSS is part of the overall Close Out Report.</p> <p><b>Controlled Document Repository:</b> The Project Team adequately demonstrated that required controlled documents had been placed in the proper project folders.</p> <p><b>Use of the most current version of released documents:</b> As the Project Team prepares to create Close Out and Transition Reports, the Auditors reminded them to ensure they are using the most current versions of forms prior to routing for signature(s).</p> <p><b>Record Retention:</b> The Project Team readily demonstrated compliance with record retention requirements for controlled documents, as well as listing retention schedules in the working document, the File Key.</p>
<b>Objective Evidence</b>	<p><i>Shown during the interview:</i></p> <ul style="list-style-type: none"> <li>• Planning Close Out Report</li> <li>• File Key</li> <li>• Waiver document</li> </ul> <p><i>Other:</i></p> <ul style="list-style-type: none"> <li>• Project change history documentation in Vena software</li> <li>• Lower Penitencia Fact Sheet</li> <li>• Lower Penitencia Creek Improvements web page</li> </ul>
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Planning, Design, and Closeout Processes
<b>Business Unit</b>	Design and Construction Unit 5 – Unit 336
<b>ISO Requirement</b>	<p>ISO 9001:2015 8.1 – Operational planning and control</p> <p>ISO 9001:2015 8.2 – Requirements for products and services</p> <p>ISO 9001:2015 8.3 – Design and development of products and services</p> <p>ISO 9001:2015 8.5 – Production and service provision</p> <p>ISO 14001:2015 6.1.3 – Compliance obligations</p> <p>ISO 14001:2015 6.1.4 – Planning action</p>
<b>District Requirement</b>	<p>W-730-124 Planning Phase WBS Item Descriptions and Instructions</p> <p>W-751-123 Create Work Plan</p> <p>Q-751-013 Capital Project Delivery</p>
<b>Regulatory/Legal Requirement</b>	N/A
<b>Audit Findings</b>	<p>Design and Construction Unit 5 has a Program called Watershed Asset Rehabilitation Program (WARP) and a Project called Palo Alto Flood Basin Tide Gate Structure Improvement Project (PABTGSI). Both WARP and PABTGSI have Project Plans in the VENA system. Under WARP, Design and Construction Unit 5 performs multiple O &amp; M Projects as Small Capital Projects. PABTGSI is a continuation of an old Project that Design and Construction Unit 5 took over in the beginning of 2018. PABTGSI is in the planning phase with a Planning Phase document and WBS.</p> <p>A sampling of the Watershed Asset Rehabilitation Program and the Palo Alto Flood Basin Tide Gate Structure Improvement Project was requested and discussed.</p> <p>For WARP, the deliverables not captured in planning had approved waivers with appropriate justifications, which evidences that the project did meet project deliverables described in the planning phase.</p> <p>During the interview, the project manager for PABTGSI, currently in planning, provided information demonstrating his knowledge of the Planning Phase WBS Item Descriptions and Instructions, Create Work Plan, and Capital Project Delivery of the project.</p> <p>Additionally, the PABTGSI project is in the planning phase. The project objectives are to: 1) replace or repair the existing structure to improve the functionality of the flood barrier system; 2) reduce the possibility of flooding in the lower reaches of Matadero, Adobe, and Barron Creeks; 3) prevent environmental impacts due to submergence of habitat areas within the PAFB for Salt Marsh Harvest Mouse, California Clapper Rail, and the Black Rail; and 4) prevent impacts to flood protection due to future sea level rise. Multiple meetings with the Project Owner and O&amp;M/Small Caps were held to discuss and finalize scope, criteria, and alternatives. The following planning phase deliverables from the Planning Phase WBS Item Descriptions and Instructions W-730-124 have been completed and accepted by the Project Owner (Watersheds Design &amp; Construction Division DOO): Planning Phase Work Plan and Customer, Partner, and Stakeholder list. There is a draft Planning Study Report with the Project Owner for finalizing, review, and acceptance.</p> <p>Here is the list of deliverables identified from the Planning Phase WBS Item Descriptions and Instructions W-730-124 captured on the Master List of QEMS documents:</p> <ul style="list-style-type: none"> <li>- Planning Phase Work Plan</li> </ul>

## QEMS INTERNAL AUDITOR REPORT

	<ul style="list-style-type: none"> <li>- Project Plan</li> <li>- Relevant reports, data and drawings that are useful for project-related work</li> <li>- Customer, partner and Stakeholder list</li> <li>- Planning Phase Quality Control Plan</li> <li>- Draft Problem Definition/Refined Objectives Report</li> <li>- Outreach Strategy Plan</li> <li>- Final Problem Definition/Refined Objectives Report</li> <li>- Planning-to-Design Transition Report</li> <li>- Planning Study Report</li> <li>- Planning Phase Close-Out Checklist</li> </ul> <p>Here is the list of deliverables identified from the Create Work Plan W-751-123 captured on the Master List of QEMS documents:</p> <ul style="list-style-type: none"> <li>- Objectives</li> <li>- Description</li> <li>- Scope of Work/Work Breakdown Structure (WBS)</li> <li>- Resources</li> <li>- Schedule</li> <li>- Budget/Funding/Expenditures</li> <li>- Quality Control Plan</li> <li>- Role of Project Management Team</li> <li>- Outreach Strategy</li> <li>- Communications/Documents</li> </ul> <p>Here is the list of deliverables identified from the Capital Project Delivery Q-751-013 captured on the Master List of QEMS documents:</p> <ul style="list-style-type: none"> <li>- Project Status Agenda for monthly meetings w/Owner/Oversight Manager</li> <li>- Updated Business Case Report</li> <li>- QEMS Waiver Request Form F-422-092</li> </ul>
<b>Objective Evidence</b>	<p>Master List of QEMS Documents for the PABTGSI project with all quality documents identified in the Planning Phase WBS Item Descriptions and Instructions, Create Work Plan, and Capital Project Delivery were all accounted for.</p> <p>Approved QEMS Waiver Request form F-422-092 for the WARP was provided.</p>
<b>Areas(s) of Merit</b>	None
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Land Surveying and Mapping
<b>Business Unit</b>	Land Surveying and Mapping Unit - 367
<b>ISO Requirement</b>	ISO 9001:2015: <ul style="list-style-type: none"> <li>• 8.5.1 – Control of Production &amp; Services Provision</li> <li>• 8.5.5 – Post-Delivery Activities</li> </ul>
<b>District Requirement</b>	<ul style="list-style-type: none"> <li>• District Record Retention Schedule</li> <li>• Internal Desk Procedure – Land Surveying and Mapping Services Doc. No. 100.000</li> </ul>
<b>Regulatory/Legal Requirement</b>	None identified
<b>Audit Findings</b>	<p>The Land Surveying and Mapping Unit (LSMU) provides professional land surveying and mapping services in support of planning, design, construction, and maintenance of District water resource facilities. The work product falls generally into two categories: Right-of-Way Survey and Field Survey. Each area is led by a Supervising Land Surveyor who is a licensed Professional Land Surveyor (PLS). The supporting staff include Survey Party Chiefs, Senior Surveyors and Assistant Surveyors.</p> <p><b><u>8.5.1 - Control of Production &amp; Services Provision</u></b></p> <p>The LSMU receives requests for services via an online request. This database has been in development for a number of years, but within the last two years, significant collaboration with IT has produced a nearly paperless service production tool. The online request prompts the requestor to consider various aspects of their request and easily allows for attachments to assist the LSMU with the request, which make it a superior tool than the formerly used FC 136. After the request is submitted, an automatic email notifies senior staff, who review and assign the work. Upon acceptance of the task, the tool auto-populates a file with subfolders and creates a line item in the database. The database, accessible by LSMU staff only, is managed internally, with both “active” and “completed” lists.</p> <p><b><u>8.5.5 – Post-Delivery Activities</u></b></p> <p>The Unit’s customers are District personnel. The database has been loaded with historic requests and work delivered as well as current and ongoing services, for future reference. Upon completion of work, staff emails the report or other outcome to the requestor and includes a link to a SurveyMonkey survey offering the requestor an opportunity to provide feedback on the service they’ve received. This survey is also available on the LSMU website page on Aqua.gov.</p> <p><b><u>ISO Clause 7.2 Competence and 7.3 Awareness</u></b></p> <p>The Unit Manager stressed that significant training is made available to staff related to their job function. Additionally, within the Unit, staff is cross-trained to allow for “mini-rotations” or covering for staff who are out of office. The training required by the District is reviewed by the Unit Manager during mid-year and year-end reviews and communicated with staff.</p>
<b>Objective Evidence</b>	<ul style="list-style-type: none"> <li>• Digital Survey Request Form</li> <li>• Unit 367 Training Records</li> <li>• Land Surveying and Mapping Services Desk Procedure No. 100.000</li> </ul>

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	<ul style="list-style-type: none"> <li>During the interview, some minor edits to this procedure were noted, based on the recent change from a physical request, to the online request for services. These corrections were performed and the auditor was provided with an updated document within the week.</li> </ul>
<b>Areas(s) of Merit</b>	Creating the digital platform for Survey Requests was a long process, including converting requests and work output pre-dating the online tool, and brings this Unit's work to a nearly paperless process. The auto-population of folders in the Unit's working folders saves a good deal of time with each request, allowing staff more time to respond to the request. The database is user friendly and intuitive.
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	<i>[if applicable, create a brief, clear title for the new CPAR]</i>

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Watersheds Design and Construction Division – Real Estate Services
<b>Business Unit</b>	Real Estate Services
<b>ISO Requirement</b>	<p>ISO 9001:2015</p> <ul style="list-style-type: none"> <li>• Q-8.5.1 Control of Production and Service Provision</li> <li>• 8.5.5 Post Delivery Activities</li> </ul>
<b>District Requirement</b>	
<b>Regulatory/Legal Requirement</b>	All documents must be notarized and filed with the county recorder
<b>Audit Findings</b>	<p>During the audit, the Real estate unit was able to identify their customers, which is primarily internal customers only. They use a process management system (OCSR) that tracks all of their work requests and assigns it to the agent. The agent is able to work on the work request and track the progress as well as close it out once it is completed. Due to the complexity of some properties, there is no standard set completion time. In order to help prevent human error, the documents (titles, deeds ect.) are reviewed by the senior agents and/or our internal lawyers, prior to being submitted and completed.</p> <p>Once the project is completed, the post-delivery entails having the documents completed on a specific form and notarized prior to being submitted to the County to be recorded. Customers can submit feedback on the project via email, phone call or meeting. New staff members are trained on the management system through on the job training. They sit with the main system user prior to starting work on their own.</p>
<b>Objective Evidence</b>	Submitted County Recorded Documents: Temporary Construction Easement (Document 1028-173)
<b>Areas(s) of Merit</b>	All staff in the Unit completed QEMS refresher training.
<b>Non-Conformance</b>	No
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	



## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Refrigerant Use, Recovery and Disposal Work Instruction
<b>Business Unit</b>	Facilities Management (General Services Division – Unit 887)
<b>ISO Requirement</b>	ISO 14001:2015 6.1.2 – Environmental aspects ISO 14001:2015 6.1.3 – Compliance obligations ISO 14001:2015 8.1 – Operational planning and control ISO 14001:2015 9.1.2 – Evaluation of Compliance
<b>District Requirement</b>	Refrigerant Use, Recovery and Disposal Work Instruction
<b>Regulatory/Legal Requirement</b>	EPA Regulations - Clean Air Act, Section 608
<b>Audit Findings</b>	<p>The Facilities Management Unit provides building services, facilities project management, and space planning management for Valley Water. One team in this unit is the Heating, Venting and Air Conditioning or Refrigeration (HVACR) team. They maintain the HVACR systems in all of the facilities throughout Valley Water.</p> <p>During the interview, the supervising HVACR mechanic explained the process of how the team use, recover and dispose of the refrigerant. Refrigerant is used to cool the refrigeration systems. Each technician has a log sheet to capture why they had to use the refrigerant, the Supervising HVACR assigns the refrigerant to the tech, and the log is not returned to the Supervising HVACR until it's empty. Refrigerant stock and usage are documented on the Refrigerant Cylinder Inventory sheet and disposal is documented on the Refrigerant Disposal log. This process is captured in the Refrigerant Use, Recovery and Disposal Work Instructions which complies with EPA regulations under section 608 of the Clean Air Act including the record keeping requirements.</p> <p>A sampling of the two mechanic's Cylinder Refrigerant Log, Refrigerant Cylinder Inventory sheet, and Refrigerant Disposal Log was collected. During the review, it was discovered one of the mechanic's Cylinder Refrigerant Log was not complete and was missing the equipment # which links up to Maximo. The supervising HVACR mechanic decided the best way to ensure the consistency for all parties is to conduct a refresher training on how to complete the form properly. Corrective action was done when this refresher training was conducted on July 24, 2019 which was less than 30 days from when the internal audit was conducted. The unit confirms that a training on this process will be done in the future should new staff or turnover in the HVACR team occur and refreshers will continue to be scheduled, as determined by the Supervisor.</p>
<b>Objective Evidence</b>	Refrigerant Use, Recovery and Disposal Work Instructions Cylinder Refrigerant Log Refrigerant Cylinder Inventory Sheet Refrigerant Disposal Log
<b>Areas(s) of Merit</b>	CPAR 668 was closed pertaining to an intake system through Maximo to Facilities. The acting unit manager is working to revisit the topic to find a better key performance indicator to refine Maximo's data and tie it back to customer satisfaction. The team also plans to update the Refrigerant Use, Recovery and Disposal Work Instruction to ensure it's reflective of current processes and expects to do so by the end of October 2019.

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<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Infrastructure Services/IT – Information Technology Division
<b>Business Unit</b>	Information Technology Division Deputy's Office #715
<b>ISO Requirement</b>	<p><b>7.1.3 Infrastructure,</b>  7.1.5 Monitoring &amp; Measuring resources,  7.1.6 Organizational knowledge,  7.3 Awareness,  8.4.2 Type &amp; Extent of Control (of externally provided processes, products &amp; services)</p>
<b>District Requirement</b>	<p>EL-6 The BAO's shall protect and adequately maintain corporate assets. Further, a BAO shall:  6.1 Not unnecessarily expose the organization, its Board and staff to claims of liability.  6.2 Protect intellectual property, information and files from loss or significant damage.  6.3 Prepare the organization to respond and recover from an emergency or disaster.</p>
<b>Regulatory/Legal Requirement</b>	None
<b>Audit Findings</b>	<p>The Information Security processes are managed by the Information Technology Manager/Deputy whose unit provides the cyber-security risk management, information security governance, and cyber incident response management for the District and ensures that the confidentiality, integrity and availability of District information is met. This includes the planning, design, development, integration, implementation, administration and evaluation of District-wide cyber security standards, procedures, policies and systems for all aspects of the District's information technology (IT) systems.</p> <p>The process(es) addressed in this audit were related to the management of content or <b>content management</b> for the District (e.g. maps, photos, drawings, etc.). Currently, there is not a QEMS procedure that directly addresses this area, however, the audit's core focus was on processes that have a nexus to content management. Due to the limited time to cover all processes related to I.T., processes related to other I.T. areas of responsibility were not discussed but may be an area for a future auditor to consider.</p> <p><b>QEMS Awareness</b>  The team is well versed in QEMS and aware of the database where procedures and cpar are located. In fact, two of the team members participate in the continuous improvement committee. The manager/Deputy frequents the QEMS system for various needs.</p> <p><b>Content Management</b>  I.T. security administration includes controlling access to over 1,000 folders and is managed by two groups within I.T. One group is designated as the "read-only" group and the other is the "read/write" team. The application "Active Directory" by Microsoft managed services, stores all the user words and passwords used for security.</p> <p>To ensure proficient staff is in place to ensure proper management of content, training is</p>

## QEMS INTERNAL AUDITOR REPORT

scheduled and subsequently stored as record in the District's ATMS system. The Deputy showed this auditor a softcopy of the training form that is used by staff for training.

The consultants/contractors are also a potential risk to the District content management system. They are required to sign a non-disclosure agreement (NDA) stating that their own hardware/computer is secured from vulnerabilities and will not place the District's system or information at risk. A confidentiality agreement is signed and background checks for consultants/contractors is included as part of the process.

**Database Content:** In terms of managing database content, the past historical state of the District was as follows: if the stand-alone database (DB) was not supported by I.T. the individual unit with the DB could conceivably place the District's internal data at risk. For example, if the stand-alone DB owner leaves the unit or the District, then the data would become "stuck" placing project progress at risk. In the past this was flagged as an *opportunity for improvement (OFI)* that would address the data risk.

In 2019 the current effort to eradicate stand-alone databases are (1) the Deputy and Sr. Engineer are both on two different RFP committees and working with the purchasing department to circumvent possible internal rogue database implementations, (2) I.T. has Purchasing Card control when it comes to technology purchases. Purchasing has the P-Card policy/procedure.

### Training

Training is scheduled by staff using a form to state the specific course and skills to be gained. This week of the audit, 3 staff members are in training. Furthermore, with the impending ERP transition staff is earnestly gaining all necessary training for this big change. Staff (5 internal) will be paired with 5 consultants to form the ERP conversion team. They will take approximately 18-24 months for the conversion and will be located at the Santa Teresa office location. It is expected that with the new ERP, the security of the District's content will be enhanced.

The I.T. unit demonstrates a commitment not only to stay fresh on technical knowledge but a degree of control over maintaining systems/applications. No specific or canned classes are required as the need varies from position-to-position given the technical needs in this IT space and the knowledge gained, historically matures quickly. Again, all training records are stored in the ATMS system.

### Policy/Governance

There are a half-dozen policies for I.T. articulated in Board governance, EL-6 speaks to Asset Protection and provides direction for staff. In addition, a lot of what governs I.T. practices are industry Best Management Practices. The unit subscribes to Gartner Research and is well connected to what is best. For example, to determine what company provides the best firewall in the industry, Gartner accomplishes the research and provides evaluation and reporting to its customers like Valley Water. Gartner currently identifies Palo Alto Networks as the best fire-wall provider and that is precisely the company that Valley Water has hired. One final note, to best manage over 100 projects associated with the upcoming ERP conversion, the unit/division is in the process of forming an "I.T. Governance Committee" to help steer and prioritize all the projects.

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<b>Objective Evidence</b>	<p><i>[list the objective evidence that was reviewed during the audit to support audit findings, i.e., conformities, non-conformities, preventive actions, and opportunities for improvement]</i></p> <ol style="list-style-type: none"> <li>1. The manager demonstrated the ATMS system as visual evidence of the real-time system currently in place that holds training records to ensure staff competency.</li> <li>2. The manager showed an electronic training form that staff fills out to secure formal training</li> <li>3. The manager provided the actual PowerPoint presentation that was presented to executive staff communicating the strategic Objectives (pg. 10) on implementing the I.T. tactics to ensure integrity of I.T. infrastructure.</li> <li>4. For measurement of project progress, the manager provided an example of the application that tracks projects, for example when the District converted to Windows 10, he was able to see the progress on how many computers had been upgraded to Windows 10 and how much more workload was needed and the average time it was taking for each upgrade.</li> </ol>
<b>Areas(s) of Merit</b>	<p><i>[list any area(s) of merit observed during the audit]</i></p> <ol style="list-style-type: none"> <li>1. The ability to manage over 100 projects with the ERP upgrade is a good measure on the structure and management skills demonstrated by this team.</li> <li>2. Keeping staff continuously trained to maintain the capability to do its jobs as technology moves quickly and District staff continues to retire should not go unrecognized as a big challenge and big achievement currently and moving forward.</li> </ol>
<b>Non-Conformance</b>	<p><i>[if applicable, succinctly describe the non-conformance or indicate "None"]</i></p> <p>None</p>
<b>CPAR Type</b>	<p><input checked="" type="checkbox"/> None   <input type="checkbox"/> Corrective Action   <input type="checkbox"/> Preventive Action   <input type="checkbox"/> Opportunity for Improvement</p>
<b>CPAR Title</b>	

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Equipment Management Procedure (Q630D02), Equipment Management Unit (EMU) Document Control Instructions (W630D14), Vehicle replacement/disposal, chemical and hazardous waste handling.
<b>Business Unit</b>	Equipment Management Unit
<b>ISO Requirement</b>	<ul style="list-style-type: none"> <li>Hazardous, universal, and electronic waste handling processes (E-6.1.3, 8.1, 9.1.2)</li> <li>BMP Process (E-6.1.2, 8.1, 9.1.2)</li> <li>Chemical inventory and SDS Processes (E 6.1.2, 8.1, 9.1.2)</li> <li>Outdoor storage Process (E- 6.1.2, 8.1, 9.1.2) (Class IV Shop)</li> </ul>
<b>District Requirement</b>	<ul style="list-style-type: none"> <li>Executive Limitation 6 – Asset Management</li> <li>Administrative Policy Ad-5.5 – Disposition of Surplus District Property</li> <li>Board Ends Policies E-1 and E-7.4</li> </ul>
<b>Regulatory/Legal Requirement</b>	<ul style="list-style-type: none"> <li>California Code of Regulations Titles 13 and 17 for the California Air Resources Board</li> <li>California regulations regarding waste stream and emissions</li> </ul>
<b>Audit Findings</b>	<p>The Equipment Management Unit (EMU) provides overall planning, management, administrative oversight, maintenance and repairs for Valley Water's fleet and welding services, which includes approximately 300 vehicles and 550 pieces of equipment. This also includes certified mechanics and auto parts specialists.</p> <p><b>Findings:</b> EMU acting manager was familiar with the previous QEMS landing webpage and was able to navigate to the QEMS online database after internal auditing staff provided a demonstration.</p> <p>EMU implements written policies and procedures for the use and maintenance of Valley Water-owned motor pool vehicles, assigned vehicles, construction equipment, and Class I, II, III, and IV vehicles and equipment while conducting Valley Water business. Step-by-step instructions as well as which forms to use are detailed in their Equipment Management Process (Q630D02) controlled document. The process is very thorough and covers over 25 categories of fleet/equipment use. Generally, customers email or call the Fleet/EMU hotline and their request is entered in Maximo for EMU staff to be assigned the work order.</p> <p><b>Recommendation</b> The internal auditor recommends that staff update the process owner(s) of their documents and also conduct an annual review and update of their controlled document. This is also stated in their Equipment Management Unit Document Control Instructions (W630D14).</p> <p><b>Hazardous Chemicals and Waste, SDS, and Outdoor Storage Process</b> For the transport and storage of hazardous chemicals and waste, EMU implements the work instruction "Transport, Handling, and Storage of Hazardous Chemicals, Including Flammable and Combustible Liquids" (W640D18), which is owned by the Environmental, Health and Safety (EH&amp;S) unit. EMU labels and stores the hazardous waste in designated area and coordinates with EH&amp;S on a quarterly pick-up.</p> <p>EMU does not allow any chemicals from vendors which does not have a Safety Data Sheet (SDS), and staff can access all SDS via the database on the intranet.</p>

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	<p>Equipment and items in the Class IV Shop are stored in designated locations. No secondary containment should be out or left uncovered, which can catch contaminated rainfall, per CPAR 638. EMU has also purchased a storage/shed to keep equipment and items covered at all times.</p> <p><b>Customer Satisfaction Surveys</b>          EMU sends out an automated survey to customers once a work order is closed via Maximo, using Survey Monkey. The ratings include overall satisfaction with time, quality, completeness, overall experience, comments/feedback and follow-up. The results are used to better serve customers in the future. EMU manager did note that they may not receive responses to the surveys if it is a quick and simple job that has been done for the customer previously (i.e. an oil change). Since the 2017 implementation of the surveys, EMU has received positive customer satisfaction results:</p> <ul style="list-style-type: none"> <li>• Length of time to complete service/repair – 93.5% very satisfied or satisfied</li> <li>• Quality of service/repair – 94.98% very satisfied or satisfied</li> <li>• Completeness of service/repair – 94.26% very satisfied or satisfied</li> <li>• Overall experience – 95.14% very satisfied or satisfied</li> </ul> <p><b>Continual Improvement</b>          Currently, EMU is refining Class IV equipment (generators, pumps, lamps) and undergoing a live inventory in order to better prepare and assist O&amp;M during Stream Maintenance Program (SMP) season. This allows staff to plan the purchase or leasing of equipment with contractors prior to the busy SMP season.</p> <p>EMU is doing excellent in terms of customer service and they continue to send out and review the survey results to better improve their services.</p>
<b>Objective Evidence</b>	<ul style="list-style-type: none"> <li>• Fleet Work Order Sample</li> <li>• Maximo Survey Monkey Email</li> <li>• Satisfaction Survey (via Survey Monkey)</li> <li>• Survey Report with Results</li> </ul>
<b>Areas(s) of Merit</b>	The Maximo system is a great tool that allows EMU to create and track work orders, vehicles and equipment records, and send out customer service surveys. Overall, EMU has very thorough work instructions and forms, which follows legal and regulatory requirements.
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	N/A

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Procurement of General Services (Q-741-004)
<b>Business Unit</b>	Purchasing and Consultant Contracts Unit
<b>District Requirement</b>	
<b>Regulatory/Legal Requirement</b>	
<b>Audit Findings</b>	<p>For this audit, I asked Jeff Ham for a short list of vendors whose provision of goods and services to the District was below \$25,000. From this list, I chose to audit Xylem, the vendor associated with PR # 300181, versus the requirements noted in Q-741-004.</p> <p>The process of procuring vendor services as prescribed in Q-741-004 was followed and supporting quality records were provided as indicated below.</p> <ol style="list-style-type: none"> <li>1. The PR (#300181) was initiated by Matthew Sunseri (Field Operations Administrator) and approved by his unit manager, Jonathan Burgess, with an estimate of the goods and services to be provided by Xylem Water Solutions USA, Inc, Wedeco Products (Xylem).</li> <li>2. A quotation was provided by Xylem detailing the itemized parts and labor necessary to meet District requirements for a project at the Penitencia Treatment Plant.</li> <li>3. A Short Form Contract for Services (F741D19) was provided detailing the terms and conditions upon which the goods and services were provided by Xylem to the District.</li> <li>4. A copy of the Certificate of Liability Insurance and associated Endorsements for the vendor (Xylem) was provided.</li> <li>5. The PO (0000033728) was provided detailing the goods and labor to be provided by Xylem to the District.</li> </ol>
<b>Objective Evidence</b>	<ol style="list-style-type: none"> <li>1. PR (#300181) initiated by Matthew Sunseri for the procurement of goods and services under \$25,000.</li> <li>2. A quote provided by Xylem associated with PR #300181.</li> <li>3. Short Form Contract for Services (F741D19).</li> <li>4. Evidence of Insurance and associated endorsements.</li> <li>5. PO (0000033728) issued with authorized signature.</li> </ol>
<b>Areas(s) of Merit</b>	<p>During the audit of the procurement of general services (Q-741-004), we were made aware of an internal audit program and associated audit plan that Tom Esch, Procurement manager, developed with his staff using rigorous mechanisms and principles developed by the Federal Transit Administration (FTA). With the District no longer possessing ISO certification, but still required to be fiscally responsible and accountable, it is commendable that the Purchasing and Consultant Contracts Unit is developing its own audit program which integrates the spirit of ISO: say what you do, do what you say, prove it and improve it.</p>
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity for Improvement



## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Procurement of Goods and Related Services (Q-471-003)
<b>Business Unit</b>	Purchasing and Consultant Contracts Unit
<b>District Requirement</b>	
<b>Regulatory/Legal Requirement</b>	
<b>Audit Findings</b>	<p>For this audit, I chose to assess the procurement of goods over \$25,000 versus the Procurement of Goods &amp; Related Services (Q-741-003) work instruction. PR#: 2018923 was selected, given it was the purchase of an Uninterruptable Power Supply (UPS) system exceeding \$25,000. Overall, the process as described in Q-741-003 was followed and supporting documentation was readily available and well-organized as noted below.</p> <ol style="list-style-type: none"> <li>1. The PR was completed by Matt Sunseri, Maintenance Planner, and authorized by his UM, Jonathan Burgess. The PR specified the purchase of a specific piece of equipment, Eaton 9355 UPS, as specified by PR requestor.</li> <li>2. Upon receiving PR Procurement staff uploaded PR information into Quest which allows District staff to track progress of PR. Via Quest, the requestor could see the PR was assigned to Kimberly Grundy, Buyer.</li> <li>3. As Request for Quotation (F741-015) was sent to five vendors soliciting bids which included the following; 1) Instructions to Bidder, 2) product specification, 3) terms &amp; conditions of the contract, 4) required bid forms, and 5) bid due date.</li> <li>4. Bids were received from all five vendors and summarized on the Abstract of Bid form (F741D17) Bids received ranged from \$27,637.57 to \$39,137.25. Computerland provided the lowest bid price.</li> <li>5. Prior to awarding the PR to Computerland a Notice of Intent to Award was sent to all responding vendors informing them of the outcome. This Notice of Intent to Award provided information to each unsuccessful bidder on the bid protest process.</li> <li>6. Lastly, a PR was awarded to Computerland and a Purchase Order #: 33276 was established to support the purchase of the Eaton 9355 UPS.</li> </ol>
<b>Objective Evidence</b>	<ol style="list-style-type: none"> <li>1. PR generated by Matt Sunseri for the purchase of good greater than \$25,000</li> <li>2. Printout from Quest noting PR#218923 was assigned to Kimberly</li> <li>3. Request for Quotations (F-741-015) sent to Computerland. One of five sent such a request.</li> <li>4. Abstract of Bid (F741D07)</li> <li>5. Notice of Intent to Award</li> <li>6. PO issued to Computerland which includes Standard Term &amp; Conditions</li> </ol>
<b>Areas(s) of Merit</b>	<p>Based on my review of PR#:218923, supporting documentation resulted in PO#:33276 being issue to Computerland. It was demonstrated Procurement staff followed steps spelled out in Q-741-003. The files I reviewed were well organized, readily available for review, and present a clear methodology for awarding the PO to Computerland.</p>
<b>Non-Conformance</b>	None

## QEMS INTERNAL AUDITOR REPORT

<b>CPAR Type</b>	<input type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input checked="" type="checkbox"/> Opportunity for Improvement
	<p>Stated in the work instruction under Section 6. Monitoring &amp; Measurement is the following, "Monitoring and Measurement of purchasing activities will be performed monthly by the Purchasing Unit Manager to ensure quality and timely delivery of services." There is no evidence that the UM developed formal metrics therefore no monthly assessment regarding the quality or timely delivery of service is being evaluated. It is recommended that the UM develop such metrics to track delivery times and ensure quality service is provided.</p>

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Emergency Operations Plan (Q-830-016), Disaster Service Worker (DSW) Program (Q-830-017), District EOC Activation and Deactivation Process (W-830-103), Emergency Operations Center Switchboard Operations (W830D05), Violence in the Workplace (W-640-044), District Employee and Visitor Identification and Access Card – Access Control to District Facilities (W-640-102)
<b>Business Unit</b>	Emergency Services and Security Unit
<b>ISO Requirement</b>	<p>ISO 9001:2015</p> <ul style="list-style-type: none"> <li>8.5.1 - Control of production and service provision</li> <li>8.5.2 - Identification and traceability</li> </ul> <p>ISO 14001:2015</p> <ul style="list-style-type: none"> <li>8.2 - Emergency preparedness and response</li> </ul>
<b>District Requirement</b>	<p>Boards Ends Policies:</p> <ul style="list-style-type: none"> <li>2.1.6 - Prepare for and respond effectively to water utility emergencies.</li> <li>3.2.3 - Prepare and respond effectively to flood emergencies countywide to protect life and property.</li> <li>CPAR 646</li> <li>District Records Retention Schedule: <a href="http://www.aqua.gov/home/scvwd/main/admin/records/Retention2018.pdf">http://www.aqua.gov/home/scvwd/main/admin/records/Retention2018.pdf</a></li> </ul>
<b>Regulatory/Legal Requirement</b>	Regulatory/Legal requirements established by: The Department of Homeland Security National Response Framework, National Incident Management System (NIMS), CAL-OES National Incident Management System (NIMS), Federal Emergency Management Agency (FEMA), and California Standardized Emergency Management System (SEMS).
<b>Audit Findings</b>	<p>The mission of the Emergency Services and Security Unit (ESSU) is to help Valley Water shorten the disruption period and operational impacts of emergencies and disasters. This mission is accomplished by preparing Valley Water's management and staff to respond to emergencies and disasters including field responses, coordinating field responses, and coordinating with other government and county agencies. The ESSU complies with several emergency and disaster preparedness programs including the Department of Homeland Security's National Response Framework, the National Incident Management System (NIMS), the Federal Emergency Management Agency (FEMA), and the California Standardized Emergency Management System (SEMS). ESSU also provides security services in HQ and Admin Lobby and around Valley Water campuses, including Valley Water ID/access badges, security escorts for staff, and security consultations, warning and advisories.</p> <p><b><u>Area of Focus:</u></b></p> <p>Auditor evaluated ESSU's compliance of ISO 9001 Clause 8.5.1 Control of production and service provision; and 8.5.2 Identification and traceability. This was performed by reviewing:</p> <ul style="list-style-type: none"> <li>Disaster Service Worker (DSW) Program (Q-830-017)</li> <li>District EOC Activation and Deactivation Process (W-830-103)</li> <li>Violence in the Workplace (W-640-044)</li> <li>District Employee and Visitor Identification and Access Card – Access Control to District Facilities (W-640-102)</li> </ul> <p>Auditor also evaluated ESSU's compliance of ISO 14001 Clause 8.2 Emergency preparedness and response. This was performed by reviewing:</p> <ul style="list-style-type: none"> <li>Emergency Operations Plan (Q-830-016)</li> <li>CPAR 646 – Regularly scheduled emergency exercise drills</li> </ul>

## QEMS INTERNAL AUDITOR REPORT

### **Findings:**

Staff in ESSU were able to navigate to the QEMS online database and showed a previous report demonstrating staff completed QEMS training.

### **Disaster Service Worker (DSW) Program**

The purpose of this program is to prepare Valley Water and Valley Water staff for response in the event of an emergency or catastrophic disaster. This program includes program administration, staff preparedness and training, declaration of Disaster, and activation. The process of activation assures readiness by providing training of who can activate and at which level, binders and logs in the EOC, and quarterly testing of the hotline. Training is updated by Workforce Development on the SST system and reports are provided as needed. Training monitoring and measuring were met with 100% of signed DSW oaths on file and >80% of staff completing DSW training. There is also a spreadsheet maintained by ESSU and WFD staff which lists Valley Water staff with special skills, such as CPR trained, vehicle licenses, Radio Operator, etc. This allows the EOC to identify and deploy the rightfully skilled people to support during a large disaster.

### **EOC Activation and Deactivation Process**

The purpose of this work instruction is to describe the process and establish the authority for activation and deactivation of the Santa Clara Valley Water District Emergency Operations Center (EOC). Recently, the EOC Activation and Deactivation Process document had a major revision to align with the current Emergency Operations Plan (EOP) and state and federal guidelines in regards to categorization. There are now three levels of activation and a standby level:

- Standby
- Level 3 Monitoring
- Level 2 Partial
- Level 1 Full

The process steps were also simplified and the chiefs' nomenclature were updated.

### **Violence in the Workplace**

The Violence in the Workplace procedure provides guidance and steps focused on the prevention of, response to, and protection from threats or acts of workplace violence against any person or property at Valley Water facilities or elsewhere that affects the interests of Valley Water. The Incident Management Team (IMT) meets regularly and is more active as need. In-take form, interviews, evaluations and all other supporting documents during an investigation are confidential.

### **Staff and Visitor Access Control to Valley Water Facilities**

The Identification Access Card (IAC) procedure provides standards and requirements for facility access and displaying of identification; provides a consistent method of identification and facility access; provides an additional means of establishing a safe work place for employees; and provides a safe environment for the public to conduct business. All Valley Water employees, temporary employees, contractors, vendors, consultants, interns and others must display a valid Identification Access Card/Visitor Badge while at Valley Water facilities. Currently, the entire access card system is being updated campus-wide. There is also an access management policy being developed, which identifies levels of access to different areas depending on sensitivity of information.

### **CPAR 646 – Regularly scheduled emergency exercise drills**

## QEMS INTERNAL AUDITOR REPORT

	<p>As observed during the October 2015 Internal Audit, it was noted that staff resources are not in place to conduct regularly scheduled emergency exercise drills and there was an observed deficiency of documented processes to support carrying out such drills. This was the subject of a preventive action, which was completed and closed in September 2018. The following three documents were reviewed and sampled as part of this evaluation and were found to be thorough and verified.</p> <ol style="list-style-type: none"> <li>1. FY2019 Emergency Operations Plan (EOP) for FY2019</li> <li>2. Emergency Operations Center (EOC) Position Checklist - excerpt from EOC Responder Handbook</li> <li>3. FY2019 Training and Exercise Plan (TEP): Emergency Preparedness Response and Recovery</li> </ol> <p>There was an Anderson Dam Tabletop Exercise and EAP Drill conducted in October 2018 and Internal EOC Exercises in November 2018. Future EOC exercises are scheduled to be conducted from August-November 2019:</p> <ul style="list-style-type: none"> <li>• Water Utility Exercise: August 2019</li> <li>• Joint EAP: Sept. – Nov. 2019</li> <li>• Public Information Officers – September 2019</li> <li>• County-wide EOC Training – Oct. – Nov. 2019</li> <li>• SFC-MAC: In 2020</li> </ul> <p><b><u>Continual Improvement</u></b></p> <p>The ESSU manager indicated they gather feedback via surveys regarding the tabletop EOC exercises. There are also after-action reports that are sent to the State of CA. Staff use the feedback and reports to look at process improvements.</p>
<b>Objective Evidence</b>	<ul style="list-style-type: none"> <li>• Halogen Staff Special Skills Report</li> <li>• SST Training Report</li> <li>• Anderson Dam EAP Tabletop Exercise 2018 – After-Action Report/Improvement Plan</li> <li>• EAP Call Down Drill/Test Report</li> <li>• 2018 District EOC Exercise – After-Action Report-Improvement Plan</li> </ul>
<b>Areas(s) of Merit</b>	<p>ESSU staff conduct an annual review of their procedures and work instructions to ensure compliance with Board Ends policies as well as Federal and State regulations. The reports that are produced from tabletop exercises ensure emergency preparedness and readiness.</p>
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	N/A

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Contractor Safety Program Work Instructions (W640D07)
<b>Business Unit</b>	Environmental, Health & Safety (Audit Report 1 of 2)
<b>ISO Requirement</b>	Evaluation of Compliance (Q-8.1)
<b>District Requirement</b>	Environmental Health and Safety Management System Framework Document (Q640D01) Contractor Safety Program Work Instructions (W640D07)
<b>Regulatory/Legal Requirement</b>	Environmental Regulatory Compliance
<b>Audit Findings</b>	<p>The Environmental, Health and Safety Unit (EH&amp;S) provides technical expertise in working with Valley Water management, supervision and employees to ensure Valley Water meets its regulatory obligations for compliance with applicable environmental, occupational health and safety regulations.</p> <p><b><u>Areas of Focus:</u></b> Auditor evaluated EH&amp;S's compliance of ISO Clause 8.1 Operational planning and control, by reviewing the main procedure and a work instruction mentioned in the procedure:</p> <ul style="list-style-type: none"> <li>• Environmental Health and Safety Management System Framework Document (Q640D01)</li> <li>• Contractor Safety Program Work Instructions (W640D07)</li> </ul> <p>Auditor also evaluated EH&amp;S's QEMS Awareness and their commitment to continual improvement.</p> <p><b><u>Findings:</u></b> <b>QEMS Knowledge and Awareness, Training</b></p> <ul style="list-style-type: none"> <li>• Staff was able to navigate to the QEMS online database and bring up EH&amp;S Controlled Docs.</li> <li>• Staff has taken the required Valley Water trainings as indicated by Workforce Development's May 20<sup>th</sup> Stoplight Report (92.67% mastered).</li> </ul> <p><b>Environmental Health and Safety Management System Framework Document (Q640D01)</b> EH&amp;S's framework document is to support the environmental, health and safety compliance continuous improvement process, which includes planning, implementation, and measurement. It is the intent of the Valley Water to make environmental, health and safety compliance integral components of all Valley Water processes, services, and operations and this document serves as the structure for accomplishing that intent.</p> <ul style="list-style-type: none"> <li>• The last major revision made to this document was on January 2, 2013. While reviewing it with staff, it was pointed out that references to certain documents need to be updated. For example, the Internal Reference Documents on page 2 has outdated links and the document Q741D01 on page 10 has been made obsolete by the Purchasing Unit.</li> <li>• On page 15, Item #27, the process for Documents and Records Management is described. The intent of this step is to design and implement a system for creating, distributing, controlling, and managing documents and records prepared in support of the Environmental, Health and Safety Program. Staff indicated that there is no annual review of their Controlled Docs (over 40 forms and 50 work instructions).</li> </ul>

## QEMS INTERNAL AUDITOR REPORT

	<p><b>Contractor Safety Program Work Instructions (W640D07)</b></p> <p>This work instruction establishes the safety program requirements for contractors/vendors (the term contractor will represent both contractors and vendors throughout this work instruction) performing construction, maintenance, or other services that require qualification per the definition within this work instruction. This work instruction does not apply to construction projects sourced through the Construction Services Unit that are submitted and managed by Capital Programs Services since there are contractor safety qualifications integrated into the solicitation package.</p> <ul style="list-style-type: none"> <li>On Step 1, the work instruction refers to a Contractor Safety Qualification Package (F460D18) that is compiled by EH&amp;S staff. The form consists of the company's data (name, address, etc.), company history, work to be performed, workers' compensation insurance, OSHA lost workday incident rates and citation history, safety policies and procedures, and certification statement. This document is updated annually as long as the Contractor/Vendor is performing work for Valley Water. Staff provided a copy of Harris Blade Rental's packet.</li> <li>On step 6 of the work instruction, it states Valley Water must notify management of Contractor mishaps. EH&amp;S staff explained that notification and copies of incident reports depends on each Contractor as safety is their legal responsibility. The Contract must have the required legal language in their document to be qualified as a potential Contractor. If there is a mishap, the Project Manager notifies EH&amp;S as well. Staff provided a sample of the Contractor/Vendor Safety Guide which details safety procedures and rules, such as compliance to state and federal safety and environmental regulations, emergency evacuation, hazardous materials, personal protective equipment, etc. This guide is signed by the Contractor/Vendor and returned to EH&amp;S for their records. Staff provided a copy of the signed Safety Guide from Advance Chemical Transport.</li> </ul> <p><b><u>Recommendations</u></b></p> <ul style="list-style-type: none"> <li>Staff demonstrates great record keeping as well as providing a large amount of work instructions and forms for staff to use in order to perform their work. With that said, it is recommended that EH&amp;S perform an annual review (at a minimum) of their Controlled Documents to ensure accuracy as well as relevancy. For example, the Work Instructions reviewed had information that need to be updated throughout the document (see examples listed in findings above).</li> </ul>
<p><b>Objective Evidence</b></p>	<ul style="list-style-type: none"> <li>QEMS Online Database – EH&amp;S Folder</li> <li>Stoplight Report for the week of May 20, 2019</li> <li>Contractor Vendor Safety Guide (Blank)</li> <li>Contractor Vendor Safety Guide (Completed by Advance Chemical Transport)</li> <li>Contractor Safety Qualification Packet for Harris Blade Rental</li> </ul>
<p><b>Areas(s) of Merit</b></p>	<p>Staff demonstrates great record keeping and filing, and quickly provided examples of completed packets and forms. The unit also shows support of knowledge transfer, as they provide a large volume of work instructions and forms for staff to use in order to perform their work.</p> <p>EH&amp;S manager has a card posted on his office wall of each project/task within the unit and the progress of that task. This is a great example of project tracking and organization.</p>

## QEMS INTERNAL AUDITOR REPORT

<b>Non-Conformance</b>	None.
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	N/A

<b>Process/Area Assessed</b>	Chemical Inventory and Safety Data Sheets and Waste Accumulation
<b>Business Unit</b>	Environmental, Health & Safety (Audit Report 2 of 2)
<b>ISO Requirement</b>	Evaluation of Compliance (Q-8.1, E-6.1.3, 6.1.4, 9.1.2)
<b>District Requirement</b>	Environmental Health and Safety Management System Framework Document (Q640D01) Hazardous Waste Work Instructions
<b>Regulatory/Legal Requirement</b>	Environmental Regulatory Compliance
<b>Audit Findings</b>	<p>The Environmental, Health and Safety Unit (EH&amp;S) provides technical expertise in working with Valley Water management, supervisors and employees to ensure Valley Water meets its regulatory obligations for compliance with applicable environmental, occupational health and safety regulations.</p> <p><b><u>Areas of Focus:</u></b></p> <ul style="list-style-type: none"> <li>• Chemical inventory and Safety Data Sheets (SDS)</li> <li>• Evaluation of Compliance (Q-8.1, E-6.1.3, 6.1.4, 9.1.2)</li> <li>• Waste Accumulation (E-8.1, 9.1.2)</li> </ul> <p><b><u>Findings:</u></b></p> <p><b>Safety Data Sheets (SDS)</b> Staff provided examples of the Safety Data Sheets available online via MSDSONline HQ. There are over 20,000 SDS on the online database, which is available to all employees and is maintained by EH&amp;S staff.</p> <ul style="list-style-type: none"> <li>• <a href="http://www.aqua.gov/organization/divisions-offices/watersheds-operations/office-emergency-environmental-health-safety-services/msds">http://www.aqua.gov/organization/divisions-offices/watersheds-operations/office-emergency-environmental-health-safety-services/msds</a></li> </ul> <p>The SDS includes information such as the properties of each chemical; the physical, health, and environmental health hazards; protective measures; and safety precautions for handling, storing, and transporting the chemical. All hazardous chemicals on site must have an associated SDS and the records are kept as long as the chemicals are on site.</p> <p><b>Evaluation of Compliance</b> It is the Valley Water's objective to ensure a safe workplace environment for its employees and all services and activities ensure environmental regulatory compliance. EH&amp;S has made all Valley Water processes, services, and operations part of its compliance. Valley Water maintains a safety training record of all its employees, which includes job specific training that addresses safety hazards and risks, environmental aspects and impacts, prevention, and control practices that are conditions of employment. All employees can access training records or sign up for trainings at the Self-Service Training (SST) site.</p>



## QEMS INTERNAL AUDITOR REPORT

	<p>Inspections are conducted periodically in compliance with applicable environmental legal requirements through facility inspections. Routine periodic inspections are conducted by the responsible area's staff using checklists and protocols to report Valley Water environmental activities. EH&amp;S has a 3 Tier process approach to monitor and evaluate compliance with applicable environmental legal requirements.</p> <ul style="list-style-type: none"> <li>• Tier I Inspections are internal facility safety inspections performed monthly by a designated individual.</li> <li>• Tier II Inspections are internal performed by a designated individual from EH&amp;S performed twice a year. Random chemicals per facility are checked for compliance and the results are entered in the Quarterly Report.</li> <li>• Tier III Inspections are conducted by external inspectors from the Santa Clara County Hazardous Materials Compliance Division and San Jose Fire. This inspection is conducted annually.</li> </ul> <p>To mitigate, reduce, and/or eliminate risk, evaluations in the handling of chemicals are specific to the unit or area of work. Valley Water established an annual environmental health and safety plan in conjunction with the business planning cycle. The annual plan addresses risk reduction.</p> <p><b>Waste Accumulation</b> Handling or disposal of hazardous waste requires compliance with local, state and federal regulations and coordination of authorization from the General Services Division Facilities Management Haz Waste handling/disposal coordinator. Vendors must meet Cal/OSHA standards and utilized as identified by Valley Water procedures and Cal/OSHA regulations. Facilities has a chemical storage plan from the County, known as the Hazardous Material Business Plan (HMBP).</p> <p>Off-site hazardous waste disposal can be held for 180 days. Hazardous waste pick-up at Valley Water is regularly scheduled 3 times per year: April, August and December. A manifest of the hazardous waste to be picked up is communicated to the transporter prior to disposal pick-up to identify what type of disposal is needed. EH&amp;S staff reviews the manifest for accuracy and provides approval via signature. The vendor reviews the manifest upon pick-up and the disposal facility reviews the manifest upon delivery. This Cradle-to-Grave tracking is governed by state and federal agencies.</p>
<b>Objective Evidence</b>	<ul style="list-style-type: none"> <li>• SDS online database</li> <li>• Safety Data Sheet example for Aqua Ammonia</li> <li>• Transport, Handling, and Storage of Hazardous Chemicals, Including Flammable and Combustible Liquids Work Instruction (W640D18)</li> </ul>
<b>Areas(s) of Merit</b>	See Part 1 of EH&S Audit Report. Again, staff was able to readily provide copies of information as evidence of quality records. EH&S staff keeps meticulous records and have an exceptional filing system.
<b>Non-Conformance</b>	None.
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	N/A

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Training Process – Employees
<b>Business Unit</b>	Workforce Development Unit
<b>Related ISO Clauses</b>	ISO 9001:2015 7.2 Competence; ISO 9001:2015 7.3 Awareness ISO 14001:2015 7.2 Competence; ISO 14001:2015 7.3 Awareness ISO 14001:2015 8.1 Operational planning and control
<b>District Requirement</b>	N/A
<b>Regulatory/Legal Requirement</b>	N/A
<b>Audit Findings</b>	<p>The Workforce Development Unit (WFD) is responsible for training and development within the Santa Clara Valley Water District. Training may originate from WFD, the Environmental Health &amp; Safety Unit (EH&amp;S), or the division/unit of the employee. WFD maintains records of training in the organization.</p> <p>All employees are required to take a core curriculum of 9 EH&amp;S courses, such as Office Safety and Workplace Violence. In the past, these universally required compliance courses would have been added to each employee's required-training list manually. In the past year, WFD has upgraded its Learning Management Software, Self-Service Training (SST), to assign the core classes automatically to each employee's SST profile. SST tracks the completion dates and renewal timeline of each course and sends a reminder email to the employee and their supervisor when a required training course is nearing expiration. Automating this process has reduced labor time as well as the errors inherent in a manual, repetitive task.</p> <p>The need for additional safety training for specific work is evaluated by EH&amp;S and, if necessary, added to an employee's SST profile manually.</p> <p>Employees can access SST on the intranet to view their training status and sign up for training courses. A stoplight report can also be generated to more visually show the training status of an employee or unit.</p> <p>Feedback on classroom training is obtained via a questionnaire in Survey Monkey sent to attendees after the class. Answers are used to determine effectiveness and to make improvements. An employee's supervisor may also be contacted for feedback regarding certain targeted training programs, such as the Emerging Leaders Certification Program.</p> <p>WFD also keeps records of other non-WFD, non-EH&amp;S trainings. These may include training for a subset of employees in a specific unit or division, such as the Capital Program Services process training. The Individual Process Training forms (IPTs) from these other trainings are sent to WFD for record keeping and placed in an employee file. WFD does not actively track such training.</p> <p>A total of five documents were found on the QEMS Database relating to WFD and training. WFD staff acknowledged that the documents are out of date and need to be revised. CPO Anna Noriega stated that all Human Resources documents are currently being reviewed and updated, including those for WFD.</p> <p>Several Opportunities For Improvement were mentioned by the auditees:</p> <ol style="list-style-type: none"> <li>1. Simplify the method of adding additional job-specific safety courses to an employee's profile.</li> </ol>

## QEMS INTERNAL AUDITOR REPORT

	<p>2. Improve the communication between WFD and EH&amp;S regarding the addition of safety courses to an employee's profile. Develop a form for requesting changes.</p> <p>3. Transfer the storage of IPTs for non-WFD, non-EH&amp;S training to Records Management.</p>
<b>Objective Evidence</b>	<p>Observed navigation to an SST employee profile and the Learning tab.</p> <p>Observed a stoplight report in SST.</p> <p>Observed the WFD view of a training class and the attendance list in SST.</p>
<b>Areas(s) of Merit</b>	<p>WFD staff has good control over the primary training activities for the organization and utilizes their resources well.</p> <p>Continual improvement is incorporated into training feedback/follow-up.</p>
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	N/A

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	District Document Control Process ...
<b>Business Unit</b>	Continual Improvement Unit
<b>ISO Requirement</b>	<b><i>District Document Control Process</i></b> – ISO Related Clauses: ISO 9001:2015 7.5.2, 7.5.3
<b>District Requirement</b>	N/A
<b>Regulatory/Legal Requirement</b>	N/A
<b>Audit Findings</b>	<p><b>District Document Control Process</b></p> <p>The Continual Improvement Unit (CIU) ensures that the Document Control Process of the District's Quality and Environmental Management System (QEMS) is being followed by District Process Owners and Oversight Managers. This will ensure that only approved and current versions of QEMS Documents are available to staff.</p> <ul style="list-style-type: none"> <li>• Process Owners and Oversight Managers are responsible for approving revisions/changes to Controlled Documents.</li> <li>• When there are significant changes to a Controlled Document or process the Process Owner is responsible to announce and train staff on the new process.</li> <li>• The Document Control Administrator (DCA)/CIU maintains the Document Control Database. The Document Control Database keeps a log of all changes.</li> <li>• The Document Control Database is maintained on the Intelex software.</li> <li>• The Intelex software Document Control Database notifies Process Owners annually (the date the Controlled Document was initiated, unless changed by the DCA) to review and update their Controlled Document(s).</li> <li>• The Controlled Document Procedure Q-423-008 and Controlled Document Administrator Work Instructions W-423-048 explains the step-by-step process. The Controlled Document Procedure is reviewed annually by the CIU to ensure the procedure is current.</li> </ul> <p><b>Findings:</b></p> <p>The Document Control Process was clearly explained and the Controlled Documents were shown on the Intelex software by Felicia Hernandez and Peggy Lam. The process seems very clear and concise. The Intelex software's ability to notify and remind Process Owners to review and update their Controlled Document on an annual basis is a good automated feature to help keep the documents up-to-date. However, the system does not acknowledge a response nor follows up or escalate (e.g. if a process owner is not available/responding, the system does not attempt to contact their manager)</p>
<b>Objective Evidence</b>	<p><i>Intelex Software</i></p> <p><i>Review of:</i></p> <p><i>Q-423-008 – Controlled Document Procedure</i></p> <p><i>W-423-046 – Controlled Document Administrator Work Instructions</i></p>

## QEMS INTERNAL AUDITOR REPORT

<b>Areas(s) of Merit</b>	
<b>Non-Conformance</b>	<i>None</i>
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	<i>None</i>

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	QEMS Internal Audit Program
<b>Business Unit</b>	Continual Improvement Unit
<b>ISO Requirement</b>	<b>QEMS Internal Audit Program</b> – ISO 9001:2015 9.2, 10, 10.1, ISO 14001:2015 9.2
<b>District Requirement</b>	N/A
<b>Regulatory/Legal Requirement</b>	N/A
<b>Audit Findings</b>	<p><b>QEMS Internal Audit Program Process</b></p> <p>The Continual Improvement Unit (CIU) directed by the Chief Executive Officer (CEO) determines the Quality and Environmental Management Systems (QEMS) Annual Scope and Plan.</p> <p>The District's Internal Audit Program applies to the scope of the QEMS. Internal audits are necessary to maintain an ISO-Compliant management system and to facilitate process improvement.</p> <p>The District's QEMS Internal Audits:</p> <ul style="list-style-type: none"> <li>• Provide feedback to management to evaluate the effectiveness of the District's QEMS.</li> <li>• The QEMS Internal Audit Program Coordinator implements the Annual Internal Audit Program and maintains Procedures, Work Instructions, Forms and is responsible to ensure that internal auditors are competent to perform their duties, such as: <ul style="list-style-type: none"> <li>a. Completing Standards training on ISO 9001, 14001, and 19011 for new auditors;</li> <li>b. Provide training on any revisions of the internal audit procedures as needed;</li> <li>c. Provide audit tools, forms, and work instructions;</li> <li>d. Ensure attendance at Audit Planning Meetings; and</li> <li>e. Provide refresher training to ensure auditing skills are competent.</li> </ul> </li> <li>• Staff who wish to become District Internal Auditors must obtain approval from management to participate.</li> <li>• Internal auditors are trained and certified in auditing skills and the ISO standards.</li> <li>• Auditors must attend the QEMS Audit Team meetings and prepare for audits using auditing forms, and policies and procedures.</li> <li>• Auditors set-up interviews with staff that are responsible to perform the activities and perform the audit.</li> <li>• Utilizing interview notes and Interview Questionnaire, the auditor needs to summarize the findings and complete the Auditor Report.</li> </ul>

## QEMS INTERNAL AUDITOR REPORT

	<ul style="list-style-type: none"> <li>• There is a QEMS Audit Wrap-up Meeting to discuss and share audit findings and lessons learned.</li> </ul> <p><b>Findings:</b></p> <p>The QEMS Audit Program has changed. As of 2018, the District has chosen not to renew ISO certification, and as such, there are no more external ISO audits. However, Board-commissioned audits are being conducted.</p> <p>The District continues to conduct internal audits to ensure continual improvement of the Quality and Environmental Management System.</p> <p>Items no longer addressed by the Internal Audit Program include:</p> <ul style="list-style-type: none"> <li>• QEMS Policy (refer to Board policies)</li> <li>• ISO Management Review</li> <li>• External Audits</li> <li>• Environmental Aspects</li> <li>• Risk Assessment</li> <li>• Training (QEMS Awareness)</li> <li>• Documents of External Origin</li> </ul> <p>Commitment by managers and the auditing team are vital for the continued success of the QEMS Internal Audit Program. Commitment from managers and staff seems to have waived due to no external audits.</p> <p>Annual recruitment of new auditors and refresher training for existing auditors annually or as needed is imperative in:</p> <ul style="list-style-type: none"> <li>• Maintaining QEMS knowledge throughout the District</li> <li>• Ensuring QEMS process improvement continues.</li> </ul>
<b>Objective Evidence</b>	<p><i>Observed Controlled Documents on the Intelex software</i></p> <p><i>Review of the following documents:</i></p> <ul style="list-style-type: none"> <li>• Q-822-006 – QEMS Internal Audit Program Procedure</li> <li>• W-822-032 – QEMS Internal Audit Program Coordinator Work Instructions</li> <li>• W-822-033 – QEMS Internal Auditor Work Instructions</li> <li>• F-822-041 Rev: G – QEMS Internal Audit Interview Questionnaire</li> </ul>
<b>Areas(s) of Merit</b>	
<b>Non-Conformance</b>	None
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	None

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Customer Communications and Satisfaction
<b>Business Unit</b>	Office of Communications
<b>ISO Requirement</b>	ISO 9001:2015 Clauses 8.2.1 and 9.1.2
<b>District Requirement</b>	Access Valley Water Work Instructions to respond and communicate with customers (W-723-051).
<b>Regulatory/Legal Requirement</b>	N/A
<b>Audit Findings</b>	<p>The Office of Communications (Communications) provides customer service, community and public outreach, graphics and media (news and social media) services at Valley Water, with the purpose of improving communication. Many of the projects worked on by the Communications team reaches external audiences, i.e. neighborhoods and communities where projects occur, but also internal projects as well, i.e. new program launches and annual reports.</p> <p><b><u>Area of Focus:</u></b> Auditor evaluated Communications compliance of ISO Clause 8.2.1 Customer communication – the interface between the organization and the customer; and 9.1.2 Customer satisfaction – the organization’s monitoring of customers’ perception of the degree to which their needs and expectations have been fulfilled. This was performed by reviewing:</p> <ul style="list-style-type: none"> <li>• Access Valley Water Work Instruction (W-723-051)</li> <li>• Customer satisfaction survey reports and results</li> </ul> <p><b><u>Findings:</u></b> Staff in Communications was able to navigate to the QEMS online database and the Communications folders, where their controlled documents are stored:</p> <ul style="list-style-type: none"> <li>• Naming of District-Owned Land, Facilities and Amenities (Work Instruction)</li> <li>• Access Valley Water Work Instruction</li> <li>• Crisis Communications Plan (Work Instruction)</li> <li>• Naming of District Lands, Facilities, and Amenities Nomination Form</li> </ul> <p>The internal auditor recommended that staff in Communications update the process owners of their documents as the Program Administrator recently retired. Staff is also in the process of conducting the annual review and update of the above documents, as well as adding two new work instructions: the new customer relationship system (replacing Access Valley Water described below) and Graphics Services.</p> <p><b>Customer Service System - Access Valley Water</b> A major key role in the Office of Communications is that they provide customer service to the public regarding information requests, complaints, compliments, comments and questions. Currently, this is done using Access Valley Water (AVW), a customer relationship management system that can be accessed through Valley Water’s external website. Access Valley Water offers a comprehensive and seamless web-based approach to tracking email, postal mail, phone calls, and customer communications. Use of a customer relationship management system such as Access Valley Water saves time on administrative tasks by:</p> <ul style="list-style-type: none"> <li>• Automated routing and tracking of requests</li> <li>• Central database makes information easily accessible</li> <li>• Cases tracked to resolution with robust case management tools</li> </ul>



## QEMS INTERNAL AUDITOR REPORT

	<ul style="list-style-type: none"> <li>• Automatic notification of unresolved cases and open tasks</li> </ul> <p><b>Customer Satisfaction Reports</b></p> <p>In order to improve on the customer service provided to both internal and external customers, Communication's AVW System Administrator produces three reports which are provided to management:</p> <ul style="list-style-type: none"> <li>• Overdue Case Report</li> <li>• Aged Complaint Report</li> <li>• Customer Satisfaction Index (CSI) Report. This reports uses information from AVW and other sources, such as surveys.</li> </ul> <p>These reports provide useful information about response time and customer satisfaction. The surveys provided to the public include community meeting surveys and project update surveys. The surveys include questions and ratings of the event and the methods of communication. It allows the team to gauge whether projects are meeting customer expectations and offers an avenue for the community to provide feedback or ask questions. If there are many of the same questions regarding a project, the team develops a FAQ and distributes it to the community. The CSI Report for January to June 2019 had a combined index of 86%, which is Good – Excellent. The Graphics team utilizes an automatic email with a link to a satisfaction survey that is sent at the close of a request. In 2019, they received &gt;90% in customer satisfaction, which meets the goal on their work plan.</p> <p><b>Continual Improvement</b></p> <p>The Communications team uses a web-based project/task management web application called Trello to organize and coordinate their teams' work. They stated that this application has allowed them to make improvements to their work process and has allowed more efficiency as each team member can access project tasks and it reduces time spent chasing down information.</p>
<b>Objective Evidence</b>	<ul style="list-style-type: none"> <li>• Valley Water Customer Satisfaction Index January to June 2019 Report</li> <li>• 2018 Well Owner Survey (Sample)</li> <li>• Coyote Creek Public Meeting Event Survey and Comment Card</li> <li>• Saratoga Creek Hazard Tree Removal &amp; Restoration Project Event Survey and Comment Card</li> <li>• Upper Penitencia Public Meeting Event Survey and Comment Card</li> <li>• Anderson Dam Seismic Retrofit Project Meeting Survey and Comment Card</li> <li>• Trello Demonstration</li> </ul>
<b>Areas(s) of Merit</b>	<p>Staff demonstrated great tools and reports used in the method of how they monitor customer satisfaction. Creating FAQs from the comment cards and Q&amp;A sessions at public meetings also demonstrates great customer service and responsiveness.</p>
<b>Non-Conformance</b>	<p>None</p>
<b>CPAR Type</b>	<p><input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement</p>
<b>CPAR Title</b>	<p>N/A</p>

## QEMS INTERNAL AUDITOR REPORT

<b>Process/Area Assessed</b>	Customer Communications/Satisfaction: External Communications – customers including complaints through Board Correspondence
<b>Business Unit</b>	Office of the Clerk of the Board (Unit 604)
<b>ISO Requirement</b>	ISO 9001:2015 8.2.1 – Customer Communication ISO 9001:2015 9.1.2 – Customer Satisfaction
<b>District Requirement</b>	W-723-052 Board Correspondence Work Instruction Board Governance Policy EL 2.6
<b>Regulatory/Legal Requirement</b>	N/A
<b>Audit Findings</b>	<p>The Office of the Clerk of the Board (COB) manages the Board's correspondence process and monitors the Board Correspondence daily. The COB uses work instruction W-723-052 to respond to correspondence addressed to the Board. Responses are tracked via the BiTrak system and completed within the 14 calendar-day window for the final response deadline in accordance with Board Governance Policy EL 2.6. The electronic BiTrak system has useful features, such as automated reminders to ensure timely completion of correspondence.</p> <p>The COB demonstrated that they are well versed in this process and the District's Quality and Environmental Management System. Specifically, correspondence not requiring a response is noted and filed, and if there is a request(s) requiring a response, the COB assigns the task to the respective Chief and Unclassified Manager who in turn prepares a draft response and submits it to the COB by the due date assigned on the BiTrak report.</p> <p>When the response is submitted, the COB staff reviews and edits the response as needed, and forwards to the Board Chair or Director for final approval. Once final approval is received, the response is sent to the constituent.</p> <p>The COB is knowledgeable about analyzing the incoming requests and routing them to the respective business area for a response. It may be helpful for the COB to analyze the outputs of this process to assist in the continual improvement efforts.</p>
<b>Objective Evidence</b>	Board Correspondence Work Instruction (W-723-052)
<b>Areas(s) of Merit</b>	The Office of the Clerk of the Board is to be commended for the automation of its Board Communications process. Specifically, for an improvement of its BiTrak system, which now offers the option to add attachments.
<b>Non-Conformance</b>	None.
<b>CPAR Type</b>	<input checked="" type="checkbox"/> None <input type="checkbox"/> Corrective Action <input type="checkbox"/> Preventive Action <input type="checkbox"/> Opportunity For Improvement
<b>CPAR Title</b>	N/A



# Santa Clara Valley Water District

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**File No.:** 20-0306

**Agenda Date:** 8/19/2020

**Item No.:** \*5.2.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Receive an Update on the Status of the Board Agenda Preparation Ad-hoc Desk Review.

**RECOMMENDATION:**

Receive an update on the status of the on-going Board Agenda Preparation Ad-hoc Desk Review.

**SUMMARY:**

On January 14, 2020, the full Board approved, as recommended by the Board Audit Committee, TAP International's updated FY 2018-2019 to FY 2020-2021 Annual Audit Work Plan. As part of the FY 2020-2021 Ad-hoc Board Audits included in the FY 2018-2019 to FY 2020-2021 Annual Audit Work Plan, the Board Audit Committee also identified three desk reviews to be performed by TAP International including: key controls and financial management regarding the extension of grants; risk management review of Valley Water hiring practices; and review of the Board Agenda preparation process.

These desk reviews are not full and formal audits, and they are designed to quickly identify the need, or lack of need, for a formal audit. To the extent formal audits are recommended as a result of the desk reviews, approval will be sought from the full Board before their initiation.

On February 19, 2020, the BAC discussed the status of the Board Agenda Preparation ad-hoc desk review. The Board Independent Auditor, TAP International, recommends that staff perform a management review. The Committee is to receive an update on the status of the desk reviews until the desk reviews are complete. The Committee is to receive a progress report from TAP International on the status of the review of the Board Agenda Preparation Process.

**ATTACHMENTS:**

Attachment 1: Board Agenda Preparation Ad-hoc Desk Review

\*Attachment 2: PowerPoint

\*Handout 5.2-A, M. King Comments

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

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TAPInternational

# Desk Review of Valley Water's Standing Committee Meeting Preparation and Implementation Process

Brief

March 25, 2020

## **INDEPENDENT AUDITOR OVERVIEW**

In 2017 the Santa Clara Valley Water District (Valley Water) Board of Directors approved the selection of its first independent auditor, TAP International. TAP International reports to and is accountable to the Board Audit Committee and the full Board of Directors. The Board of Directors, seeking to advance open and accountable government, initiated an independent audit and assessment, which in turn will improve the economy, efficiency, and effectiveness of Valley Water.

As described in Valley Water's Request for Proposal and subsequently required under the contract executed in 2018, the scope of services required of the Independent Auditor include:

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

## **WHY A DESK REVIEW WAS CONDUCTED**

The Board Audit Committee requested that TAP International, serving as the Independent Auditor of the Board of Directors, conduct a limited review of how other public jurisdictions implement meeting processes applicable to standing committees governed by the Ralph M. Brown Act (Brown Act). The Brown Act was originally enacted in 1953 by the California Legislature to ensure that local public agencies deliberate and act on governmental matters at meetings open to the public and in which the public may participate. To further this goal, the Brown Act generally requires that all items proposed to be discussed or voted on at a local agency be noticed on a posted agenda. Agendas must include a brief description of each such item, and at a minimum, be posted at least 72 hours in advance of the scheduled meeting.

## **HOW THE WORK WAS CONDUCTED**

The Independent Auditor's review was limited to the following: (1) coordination of agenda preparation; (2) submission of agenda item documents; (3) responsibility for meeting minute preparation; (4) contents of meeting minutes; and (5) meeting coordination and attendance. To perform the work, the Independent Auditor selected five public jurisdictions that are known to have transparent, efficient, or effective meeting preparation and implementation processes. The five public jurisdictions selected were: City of San Mateo, City of Santa Barbara, City of Fresno, City of Sacramento, and the County of Colusa. TAP International contacted these five jurisdictions to collect information about their applicable meeting processes.

The work performed does not constitute a performance audit. A performance audit would have included the following procedures:

- an assessment of internal controls,
- verification of the completeness of meeting minutes,
- analysis of workloads, and
- performance measurement of business processes.

These procedures are necessary to determine the efficiency, effectiveness, and economy of Valley Water meeting preparation and implementation processes.

## RESULTS

In comparison to Valley Water, the five public jurisdictions included in this review have similarities and differences across key standing committee meeting administration and management activities. See Table A on page 5.

### 1. Coordination of Agenda Preparation

Valley Water Practice: The Clerk of the Board per Board policy coordinates the preparation of the meeting agenda and posts the agenda.

In comparison, two other jurisdictions have similar policies that require the Clerk's office to both coordinate preparation and post the agenda. In contrast, two other jurisdictions require the responsible department that supports the standing committee to coordinate agenda preparation while each of their Clerk's office posts the agenda. Finally, one jurisdiction splits responsibility for coordinating agenda preparation and posting depending on the nature of the standing committee. The Clerk's office for this jurisdiction coordinates the preparation and posting of the agenda for the City's Finance Committee, but the responsible department implements these responsibilities for the City's other standing committees.

### 2. Submission of Agenda Item Documents

Valley Water Policy<sup>1</sup>: Ten days prior to the meeting, if available. Valley Water opted for a 10-day period to accomplish better transparency to the public and to allow directors time to review the information before the meetings. In practice, however, Valley Water implements some flexibility and will allow submission of documents three days before the final posting of the agenda or the day of the meeting depending on the document availability.

In comparison, two of the five jurisdictions require the standing committees to submit agenda documentation three days prior to the meeting. Two other jurisdictions require documents three days before the meeting, if available. Otherwise, documents can be submitted on the day of the meeting. Finally, one jurisdiction requires submission of agenda item documentation five days prior to the meeting.

### 3. Responsibility for Meeting Minute Preparation

Valley Water Practice: The Clerk of the Board prepares the minutes of the meetings.

In comparison, two of the five jurisdictions also require the Clerk's office to prepare the minutes

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<sup>1</sup> Board Governance Policy GP-8 and EL-7.10.

of the meeting. In contrast, the three remaining jurisdictions require the responsible department that supports the standing committee to prepare meeting minutes. A City Clerk for one of the jurisdictions explained that the expertise of the supporting department places the responsible department in a better position to identify when agreements or next steps occur.

#### **4. Contents of Meeting Minute Preparation**

Valley Water Practice: Meeting minutes are generally action-item only. However, in accordance with long-standing Board direction, the Clerk of the Board, when applicable, documents the following areas: comments from the public, requests from committee/committee members, and if there is a dissenting vote, the reason given by the director.

In comparison, all the other jurisdictions require documentation of agreements/actions reached. An employee at one of these jurisdictions explained that their success varies in their goal to describe agreements only vary because staff sometimes include discussion detail.

#### **5. Meeting Coordination and Attendance**

Valley Water Practice: Serving as committee Clerks, Clerk of the Board staff coordinate meeting logistics and attend committee meetings.

In comparison, three other jurisdictions have similar practices requiring Clerk staff to coordinate meeting logistics and attend the meetings, but for one of these jurisdictions, meeting attendance by the Clerk's office is optional. In contrast, the remaining three jurisdictions require department staff supporting the standing committee to assume responsibility for meeting logistics and attendance.

#### **NEXT STEPS**

Option A: The Chair of the Board Audit Committee should consider conducting an internal review to examine the feasibility of having the supporting department be responsible for meeting management and administration for each of Valley Water's standing committees.

Option B: To potentially increase service delivery effectiveness, the Chair of the Board Audit Committee should consider including a performance audit on the annual audit work plan to conduct an analysis of workloads and cost-effectiveness of the standing committee agenda preparation and review process.



**Table A: Public Agency Standing Committee Management and Administration Activities**

	<b>Clerk or department responsible for coordinating meeting agenda preparation</b>	<b># of days prior to meeting that documents are due</b>	<b>Content of Minute meetings</b>	<b>Responsible party for preparing meeting minutes</b>	<b>Meeting logistics and attendance responsibility</b>
<b>San Mateo</b>	Department	5	Agreements only	Responsible department	Department
<b>Fresno</b>	Department	3, if available	Agreements only	Responsible department	Department, Clerk attendance is optional
<b>Sacramento</b>	Clerk	3	Agreements only	Clerk	Clerk
<b>Colusa County</b>	Clerk	3	Agreements only	Clerk	Clerk
<b>Santa Barbara</b>	Clerk for the finance standing committee; Responsible department for the other standing committees	3, if available	Agreements only	Responsible department	Department
<b>Valley Water</b>	Clerk	10, if available	Agreements but other information as needed	Clerk	Clerk

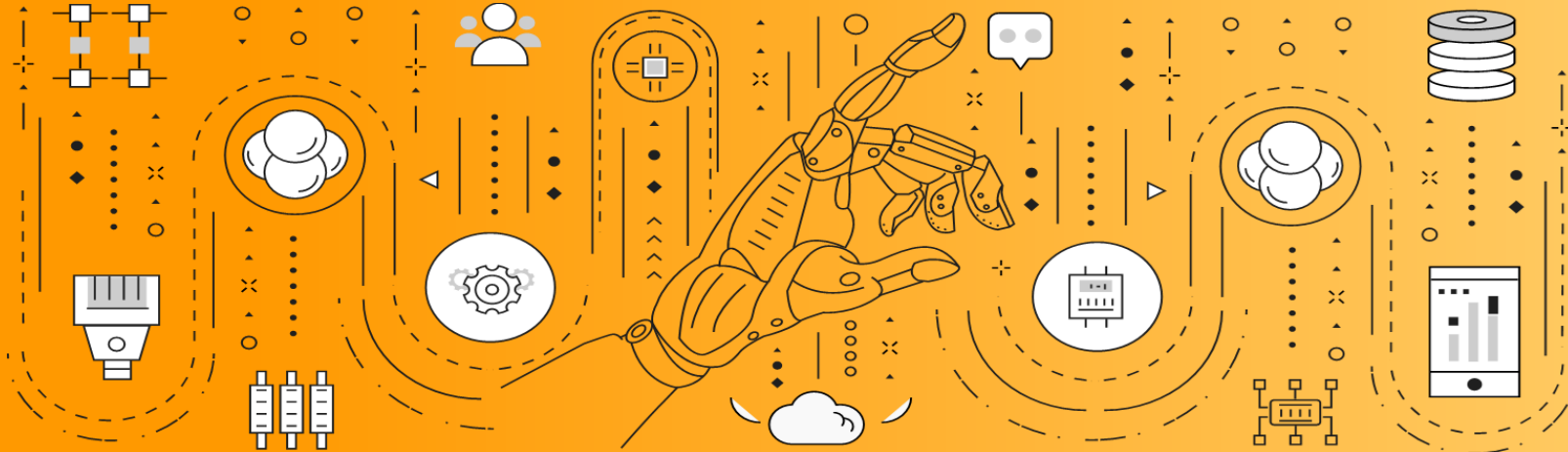


# DESK REVIEW: STANDING COMMITTEE MEETING PREPARATION AND IMPLEMENTATION PROCESS

August 2020



**TAP**International



# PURPOSE OF DESK REVIEW

To determine if a comprehensive audit is needed (e.g. go/no go decision)



# SCOPE OF WORK

Reviewed:

1. Coordination of agenda preparation
2. Submission of agenda item documents
3. Responsibility for meeting minute preparation
4. Contents of meeting minutes
5. Meeting coordination and attendance



# HOW THE DESK REVIEW WAS CONDUCTED

Compared agenda preparation and meeting coordination activities among five public jurisdictions:

1. City of San Mateo
2. City of Santa Barbara
3. City of Fresno
4. City of Sacramento
5. County of Colusa



# OVERALL RESULTS

Similarities and differences were identified among each of the five areas. Content of the meeting minutes had the most similarities regarding the content of meeting minutes, which emphasized describing agreements reached.



# DETAILED RESULTS

## 1. Coordination of Agenda Preparation

### Valley Water Practice:

The Clerk of the Board per Board policy coordinates the preparation of the meeting agenda and posts the agenda.

Area Examined	Clerk or department responsible for coordinating meeting agenda preparation
San Mateo	Department
Fresno	Department
Sacramento	Clerk
Colusa County	Clerk
Santa Barbara	Clerk for the finance standing committee; Responsible department for the other standing committees
Valley Water	Clerk





# RESULTS

## 2. Submission of Agenda Item Documents

Valley Water Practice:

Ten days prior to the meeting, if available. Valley Water opted for a 10-day period to accomplish better transparency to the public and to allow directors time to review the information before the meetings. In practice, however, Valley Water implements some flexibility and will allow submission of documents three days before the final posting of the agenda or the day of the meeting depending on the document availability.

Area Examined	# of days prior to meeting that documents are due
San Mateo	5
Fresno	3, if available
Sacramento	3
Colusa County	3
Santa Barbara	3, if available
Valley Water	10, if available

# RESULTS

## 3. Responsibility for Meeting Minute Preparation

### Valley Water Practice:

The Clerk of the Board prepares the minutes of the meetings.

Area Reviewed	Responsible Party for Preparing Meeting Minutes
San Mateo	Responsible department
Fresno	Responsible department
Sacramento	Clerk
Colusa County	Clerk
Santa Barbara	Responsible department
Valley Water	Clerk



# RESULTS

## 4. Contents of Meeting Minute Preparation

### Valley Water Practice:

Meeting minutes are generally action-item only. However, in accordance with long-standing Board direction, the Clerk of the Board, when applicable, documents the following areas: comments from the public, requests from committee/committee members, and if there is a dissenting vote, the reason given by the director.

Area Reviewed	Content of Minute meetings
San Mateo	Agreements only
Fresno	Agreements only
Sacramento	Agreements only
Colusa County	Agreements only
Santa Barbara	Agreements only
Valley Water	Agreements but other information as needed



# RESULTS

## 5. Meeting Coordination and Attendance

### Valley Water Practice:

Serving as committee Clerks, Clerk of the Board staff coordinate meeting logistics and attend committee meetings.

Area Reviewed	Meeting Logistics and Attendance Responsibility
San Mateo	Department
Fresno	Department, Clerk attendance is optional
Sacramento	Clerk
Colusa County	Clerk
Santa Barbara	Department
Valley Water	Clerk



# NEXT STEPS

## Option A

The Chair of the Board Audit Committee should consider conducting an internal review to examine the feasibility of having the supporting department be responsible for meeting management and administration for each of Valley Water's standing committees.

## Option B

To potentially increase service delivery effectiveness, the Chair of the Board Audit Committee should consider including a performance audit on the annual audit work plan to conduct an analysis of workloads and cost-effectiveness of the standing committee agenda preparation and review process.



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**From:** [Michele King](#)  
**To:** [Barbara Keegan](#)  
**Subject:** 8/19 BAC Committee Meeting - Board Standing Committee Desk Audit  
**Date:** Tuesday, August 18, 2020 12:20:28 PM

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Director Keegan,

May I request that the item on the agenda related to a desk audit of the standing committee meeting preparation and implementation process be removed from the agenda so that I can meet with the Auditor? I will not be able to join the BAC meeting. I have a PFFC meeting until 2:30 then the Chiefs meeting starting right after.

I'm concerned that the Board authorized and the committee agenda memo states that the auditor was authorized to perform a desk audit on the Board Agenda Preparation Process. However, the attachments are outcomes of a desk review of Standing Committee Meeting Preparation and Implementation Process. I answered questions regarding the Board Agenda Process (email attached), but I do not provide input on the standing committee meeting preparation and implementation process. I would like an opportunity to meet with the auditor and provide information that I think is not addressed in the item.

For instance, the review does not address the fact that the Board's standing and ad hoc committees are Brown Act committees (at the Board direction) and this requires that logistics, agendas, minutes, etc. be managed by the Clerk. I think this is very significant information and the exact reason these committees are managed by my staff. I am accountable to the Board, not the technical staff that COB staff works with. If there is a violation of the Brown Act it is reflected on the Board and me.

I appreciated your consideration of removing or continuing this item.

Thanks,  
Michele  
Clerk of the Board  
Santa Clara Valley Water District  
408-630-2711 (office)  
408-593-5803 (cell)

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# Santa Clara Valley Water District

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**File No.:** 20-0620

**Agenda Date:** 8/19/2020

**Item No.:** 5.3.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Valley Water Comprehensive Annual Financial Report Transparency and Policy Issues.

**RECOMMENDATION:**

Discuss content and format of the Valley Water Comprehensive Annual Financial Report (CAFR) and determine whether or not to recommend policy changes to the full Board.

**SUMMARY:**

The purpose of this agenda item is to discuss content and format of the Valley Water CAFR as well as certain CAFR related issues that could result in policy recommendations from the Board Audit Committee to the full Board.

### **CAFR Content and Format Flexibility**

Following both Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) accounting pronouncements, the CAFR is structured and presented to meet a stringent set of requirements in order to receive the annual Certificate in Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). The financial statements in the CAFR include governmental funds and enterprise funds, which are then consolidated into the Government-wide presentation. The financial statements, along with required Notes disclosures follow a specific checklist provided by GFOA. The CAFR is comprised of several parts including:

- The Letter of Transmittal
- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Basic Financial Statements
- Required Supplementary Information
- Supplemental Information

- Statistical Section

There is more format and content flexibility as it relates to the Letter of Transmittal and Management Discussion and Analysis, both of which are controlled by management. However, there is very little format and content flexibility as it relates to the rest of the CAFR parts as they fall under a stringent set of requirements. Valley Water's CAFR is similar to other agencies who submit their CAFRs for the same recognition, including the City of Palo Alto.

To make Valley Water's financial statements more understandable to the public, Valley Water could prepare a Popular Annual Financial Report (PAFR) as a companion to the CAFR, which is also submitted to GFOA for an award. The PAFR is a much shorter document (typically about 15 pages) that is specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance. See Attachments 1 and 2 for PAFR examples from the City of Los Altos, and the Las Virgenes Water District respectively.

### **Water Inventory**

Currently Valley Water does not recognize Water Inventory on the balance sheet. A review of California Water Enterprise Special Districts shows that some agencies carry water inventory on the balance sheet and some don't. Agencies that do include:

- Metropolitan Water District
- Easter Municipal water District
- Irvine Ranch Water District
- San Diego County Water Authority
- Santa Margarita Water District

Agencies that don't include:

- East Bay Municipal Utility District
- Contra Costa Water District
- Alameda County Water District
- Orange County Water District
- Marin Municipal Water District

As of June 30, 2020, Valley Water had 344,662 acre-feet (out of a 350,000 acre-foot allocation) in Semitropic groundwater reserves. Utilizing a three-year average rate of \$331 acre-foot cost, the current valuation is approximately \$114 million. Staff is waiting for additional guidance from audit

partners at Maze and Associates on how to best capture this inventory value for financial reporting purposes.

In addition, there was 61,462 acre-feet in local reservoir storage as of June 30, 2020. The vast majority of the water stored in local reservoirs comes from local runoff, as opposed to purchased imported water. Staff is waiting for additional guidance from audit partners at Maze and Associates on how to best determine a cost basis for this water inventory.

Groundwater in Santa Clara County is not owned by Valley Water, and therefore would not be inventoried, and other types of water inventory, such as water at treatment plants are relatively small, and therefore would be immaterial.

Per discussion with Valley Water's Bond Counsel and Financial Advisor, increasing assets on the balance sheet is likely to have minimal impact on Valley Water's credit ratings since Valley Water debt is secured by current revenues, not assets on the balance sheet which may be more typical for corporations. Instead, Valley Water's financial strengths for credit rating purposes are heavily dependent upon its management experience, Board willingness to raise rates to generate current revenues for current expense, debt service coverage ratio (two times net revenues or better), strength of local economy, and cash reserve balances (days cash on hand to cover operating expense).

Given that there is no legal or accounting rules board requirement to value water as inventory, doing so could be a policy recommendation from the Board Audit Committee to the full Board.

### **Allowance for Doubtful Accounts**

The current accounting practice for valuing the Allowance for Doubtful Accounts at the end of the Fiscal Year entails reviewing the Outstanding Receivables report at year end, and based on the payment delinquency by period, a percentage is assigned to each balance to calculate an adjustment allowance. Outstanding receivables three years or greater are assigned an allocation of 75%, while outstanding receivables between two to three years are assigned an allocation of 50%, and receivables outstanding one to two years are assigned an allocation of 20%. Payments received after factoring into the allowance will reduce the outstanding receivable and the Doubtful Accounts allowance is adjusted up or down at year end. While this accounting practice is not reflected in a Valley Water policy, it is a common accounting procedure.

In terms of revenue collection practices, staff regularly analyzes aging accounts with past due balances. If amounts are not received after the invoiced due date, staff will generally initiate collection efforts in the following order:

1. Call and gently remind the customer that payment is past due and should be paid immediately.
2. If the past due amount remains unpaid, send the customer a written demand that payment has not been received and should be paid immediately. Demand letters state that staff will seek judicial intervention by filing a lawsuit if the payment is not received within 30 days.

- 
3. Based on the customer's current financial situation, a payment plan may be developed to recover the past due amount. Payment plans are usually structured to provide for full payment within 3-months.
  4. If the past due amount remains unpaid greater than 30 days after a written demand was sent and agreement is not reached on a payment plan, staff will seek judicial intervention by filing a lawsuit (i.e. a small claims court action for past due amounts no more than \$5,000 and Santa Clara County Superior Court action for past due amounts greater than \$5,000).

The Board Audit Committee may consider recommending to the full Board, that the accounting practices related to the Allowance for Doubtful Accounts be elevated to a staff level or Board level policy.

### **Other Transparency or Policy Issues**

Staff would be happy to research any other transparency or policy issues that the Board Audit Committee or Board may raise.

### **ATTACHMENTS:**

Attachment 1: PAFR Example from City of Los Altos

Attachment 2: PAFR Example from Las Virgenes Water District

### **UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



CITY OF LOS ALTOS

# Popular Annual Financial Report

JULY 1, 2017 – JUNE 30, 2018





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The information in this report is drawn from the City of Los Altos Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2018. You may review the full CAFR online at [losaltosca.gov/cafr](http://losaltosca.gov/cafr) or request a copy by contacting Administrative Services Director Sharif Etman at [setman@losaltosca.gov](mailto:setman@losaltosca.gov). Questions about this report may be directed to Sharif as well.



# CITY MANAGER'S MESSAGE

I am pleased to present the City of Los Altos Popular Annual Financial Report (PAFR) for the fiscal year (FY) ended June 30, 2018. The purpose of the PAFR is to provide an overview of the City's financial condition in an easy to understand format.

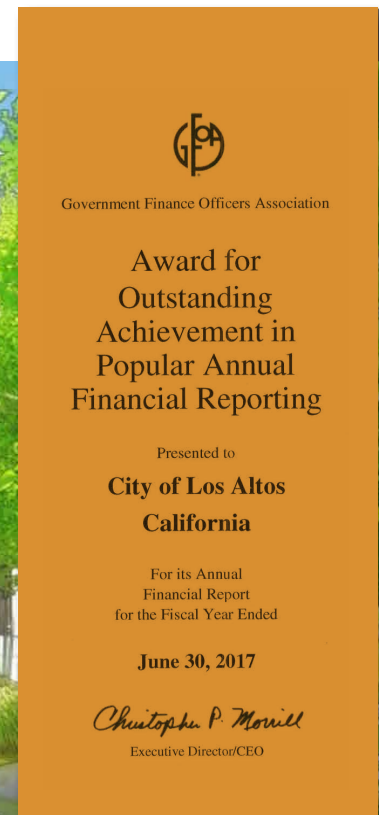
The City's first PAFR, mailed to you in December 2017, received the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association. Los Altos joins a small group of California municipalities to earn this award - a distinction we are immensely proud of.

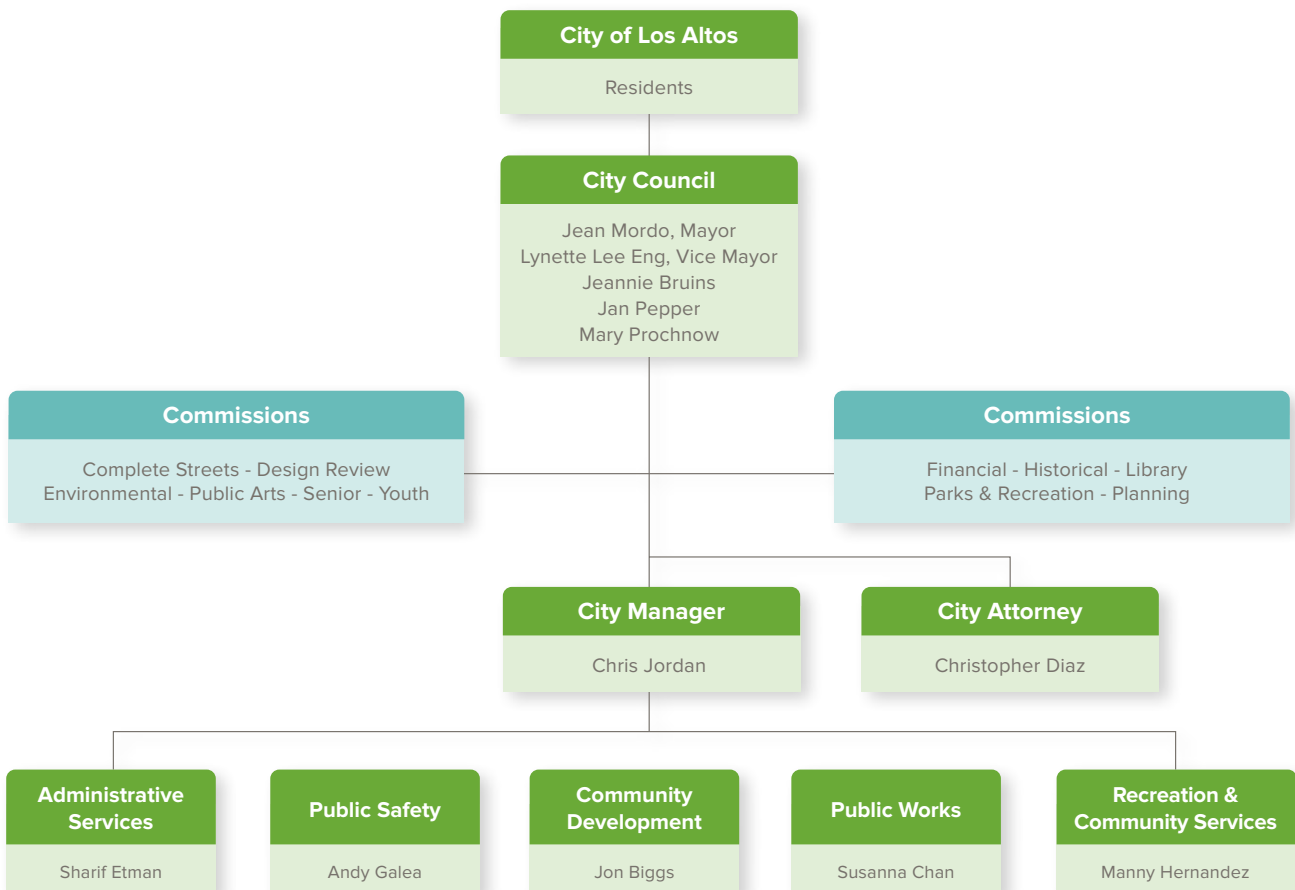
In addition to providing an overview of City financials, the PAFR presents an opportunity for the City to share information about important projects and activities. In the following pages you will learn more about the City Council's strategic priorities and progress made in each area over FY 2017/18.

Information contained in this report is pulled from the City's Comprehensive Annual Financial Report, which is available online at [losaltosca.gov/cafr](http://losaltosca.gov/cafr). Feedback or questions about this report can be sent to Administrative Services Director Sharif Etman at [setman@losaltosca.gov](mailto:setman@losaltosca.gov).



Christopher Jordan  
City Manager







# CITY OF LOS ALTOS AT A GLANCE

## GENERAL INFORMATION

Total number employees	133
Population	30,743
Capital budget	\$12 M
Operating budget	\$36.3 M

## POLICE

Arrests	211
Moving citations issued	1,203
Parking citations issued	1,879
Municipal code violations issued	115

## RECREATION & COMMUNITY SERVICES

Classes/programs	2,724
Facility rentals	4,141
Field/gymnasium permits	3,556

## PUBLIC WORKS

Crack sealing in lineal feet	174,040
Sewer cleaning and flushing in lineal feet	713,795
Catch basin/storm drain inlets cleaned	1,350
Street signs installed and replaced	320

## PLANNING

Plan applications submitted	686
-----------------------------	-----

## BUILDING

Permits issued	1,795
Plan checks submitted	569
Inspections	6,479

## TOP 10 TAX PAYERS

Property Tax is the City's single largest source of revenue, representing about 48% of general revenues. The top 10 Tax Payers contribute significantly to property tax revenues, further enabling the goals of the City Council to be met.

TAXPAYER	TOTAL ASSESSED VALUE	% OF CITY'S EST. TOTAL PROPERTY TAX REVENUE
Board of Trustees LSJU	\$86,779,819	0.59%
RLJ R Los Altos LP	\$65,906,770	0.45%
Los Altos Gardens II LP	\$54,402,179	0.37%
St Paul Fire and Marine Insurance Co	\$50,929,952	0.35%
Richard T Spieker Trustee	\$37,119,404	0.25%
Springwood Apartments	\$29,901,009	0.20%
Safeway	\$27,228,175	0.19%
Sutter Bay Medical Foundation	\$26,532,488	0.18%
KRC Los Altos Limited Partnership	\$23,671,378	0.16%
Compass Grand Los Altos LLC	\$23,636,281	0.16%

# CITY COUNCIL PRIORITIES

The following topics were identified as priorities by City Council for the 2018 calendar year. A brief narrative describes progress made in each area over FY 2017/18.

**Downtown Vision:** City Council adopted the Downtown Vision Plan in August 2018. The Plan will serve as a guiding document as the community evaluates future development in the downtown. *(see page 12 for more information about the Downtown Vision Plan)*

**Community Center:** Council approved the design for the new Community Center in September 2018. The construction documents are currently in progress and the project scheduled to go out for bids in spring/summer 2019. Groundbreaking is targeted for summer 2019 and project completion by the end of 2020. *(see page 10 for more information about the Community Center)*

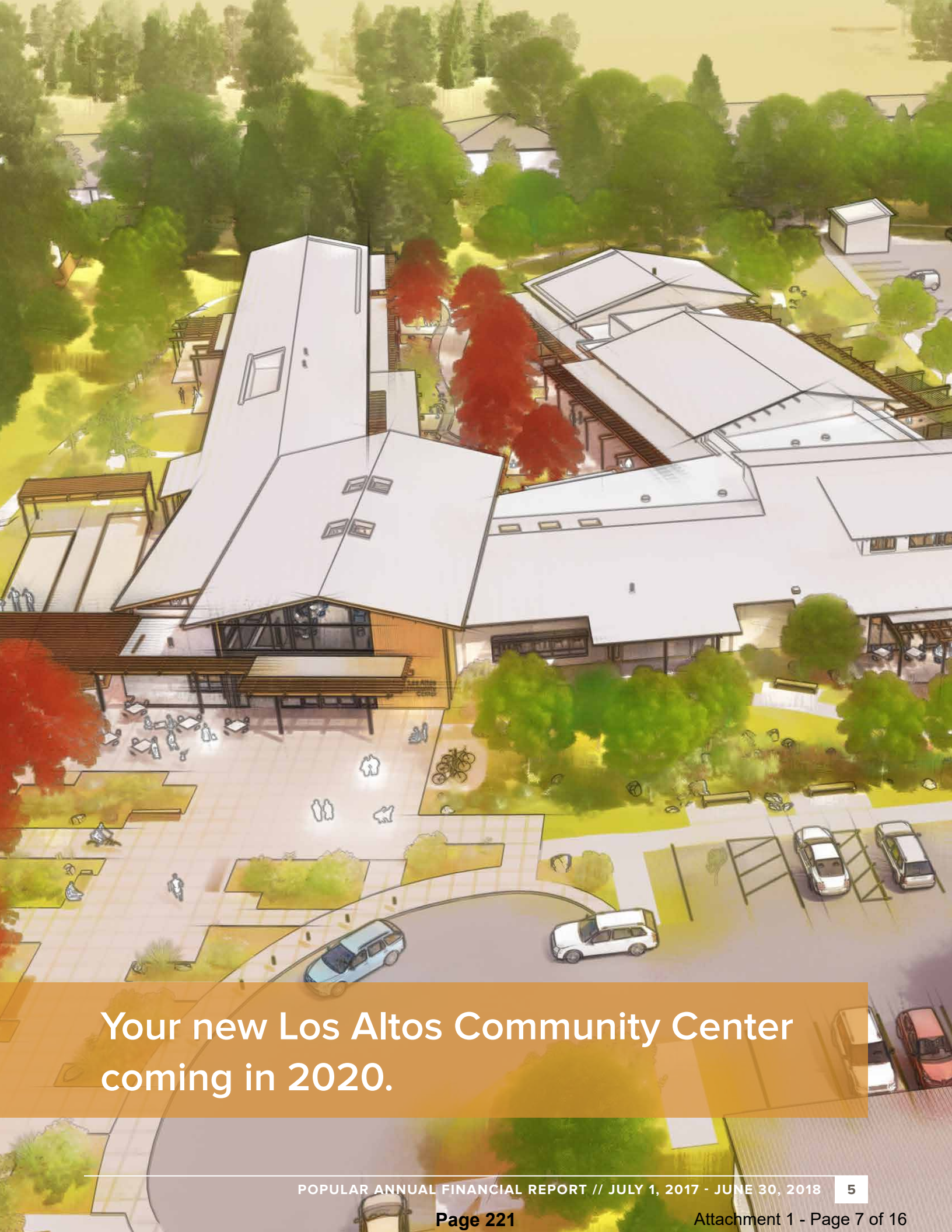
**10-year Capital Facilities and Operations, and Financial Capacity Analysis:** Updated in November 2017, the 10-year plan commits \$10 million over FY 2017-20 to improve city streets. Further, the North County Library Authority Task Force is exploring redevelopment options for the Main Library, and the City's 5-year facilities plan includes construction of a new Emergency Operations Center at the Police Department.

**Housing - Increase Housing and Affordable Housing:** In May 2018, Council adopted a Short-Term Rental Prohibition Ordinance to help protect the City's housing stock as well as an Affordable Housing Impact Fee requiring all new development to pay a fee to mitigate impacts on the supply of affordable housing. An updated Accessory Dwelling Unit ordinance was adopted in June 2018 removing the minimum lot size requirement and allowed for units to be up to 1,200 sq. ft.

**Traffic Safety:** The City implemented resident-requested traffic calming projects on Loukes Avenue and completed design for five Safe Routes to School improvement projects. These projects are currently under construction and will positively impact student safety at over ten local schools. Staff continues to coordinate with neighboring jurisdictions on projects that cross city boundaries.







Your new Los Altos Community Center  
coming in 2020.

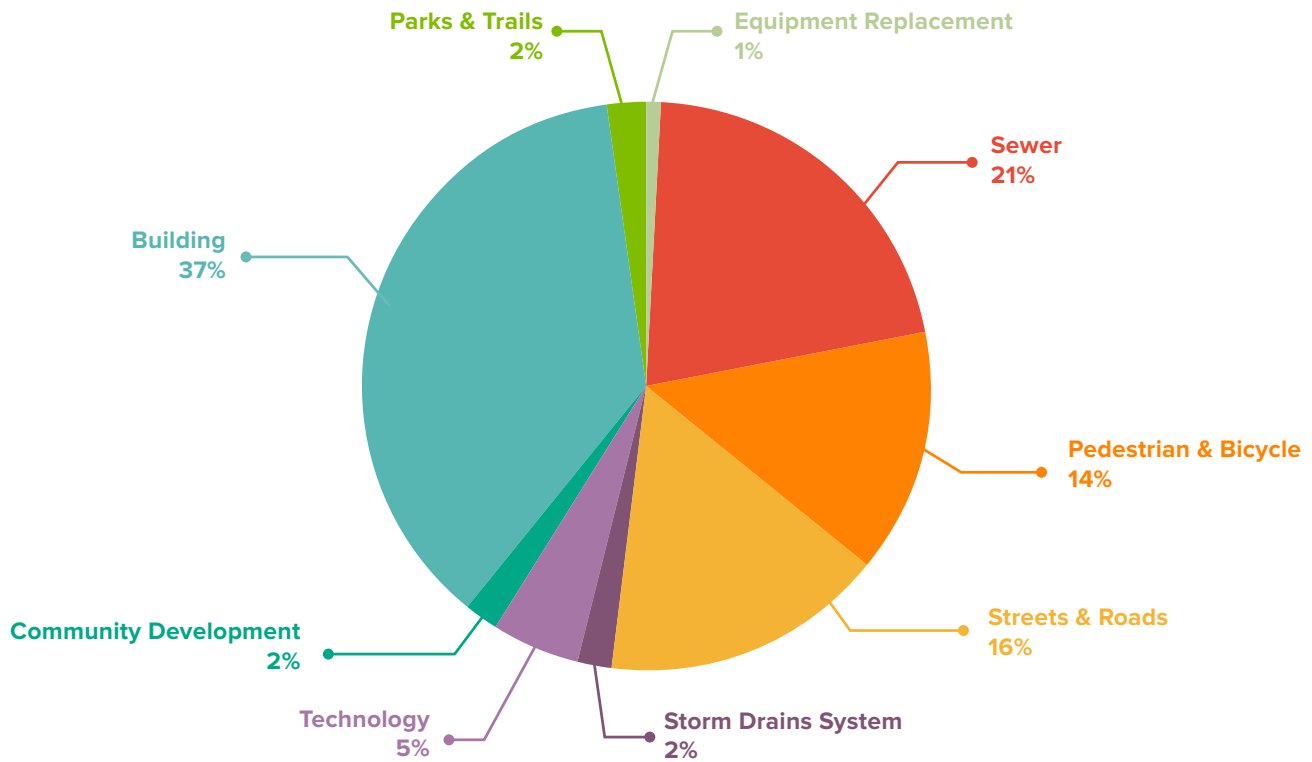


# MAKING YOUR DOLLARS COUNT

The City develops a 5-year Capital Improvement Program (CIP) that projects capital needs with a focus on public safety, transportation, street maintenance, parks, sewer systems, technology and general infrastructure.

In the FY 2018-22 CIP Budget, some key projects include the Los Altos Community Center, Safe Routes to School, annual road improvements and sewer system replacements.

## 5-YEAR CIP BUDGET BREAKDOWN BY KEY PROJECTS



# COMPLETED PROJECTS

In FY 2017/18, the following Capital Improvement Projects were completed with a total value of \$6,130,513.

PROJECT NAME	TOTAL EXPENSES
Annual Street Resurfacing	\$2,539,582
City Hall HVAC System Upgrade	834,825
CIPP Corrosion Replacement	460,992
Street Slurry Seal	430,870
Covington Road Bicycle and Pedestrian Improvement	398,584
Illuminated Crosswalk Replacement	345,189
University Avenue Crosswalk Improvements	292,466
W. Edith Avenue and University Avenue Crosswalk Improvements	288,262
Street Striping	203,052
Commercial Wayfinding Sign Program	150,580
City Hall Roof Replacement	106,616
Annual Pathway Rehabilitation	53,415
Fremont Avenue Pedestrian Bridge Feasibility Study	26,080
	<b>\$6,130,513</b>



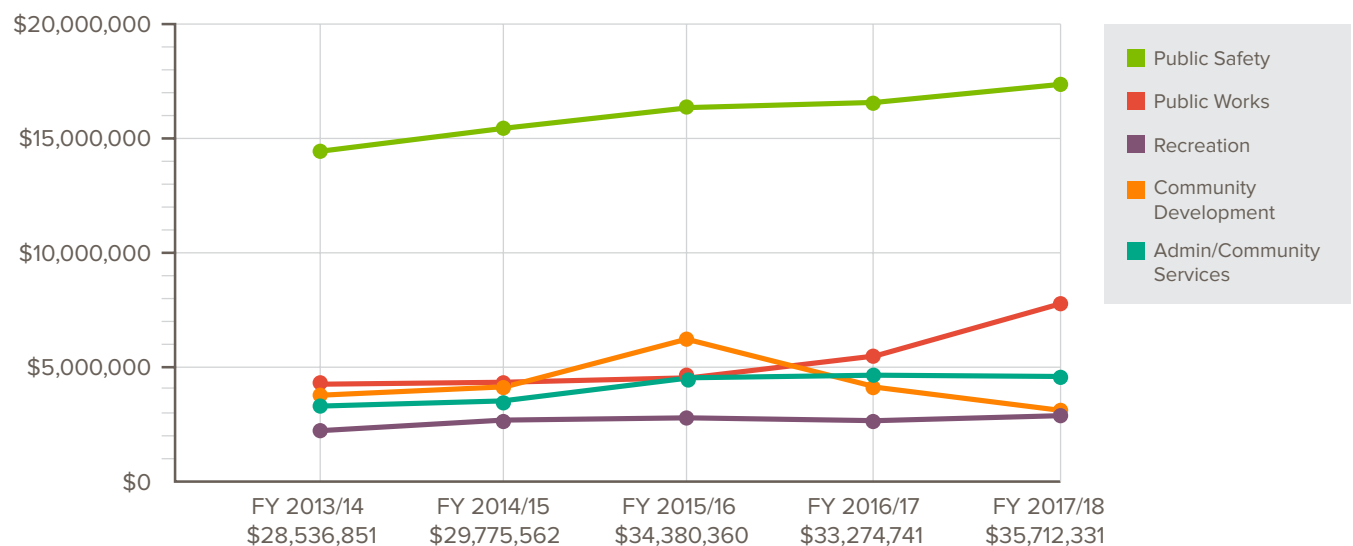
# GOVERNMENTAL ACTIVITIES FOR REVENUE & EXPENSES

Property Tax continues to be the City's single largest source of revenue representing about 48% of general government-wide revenues. The City's General Fund revenues, excluding transfers, increased by \$2.1M, or 5.3% over the prior year. This increase is due to higher than anticipated revenues from property tax and transient occupancy tax. General fund revenues totaled \$41.2M for FY 2017/18.

## KEY TAX REVENUE SOURCES

	FY 2017/18	FY 2016/17	FY 2015/16	FY 2014/15	FY 2013/14
Property Tax	\$21,428,501	\$19,863,197	\$18,775,472	\$17,479,882	\$15,586,329
Sales Tax	3,243,554	3,278,430	3,195,628	2,942,764	2,809,489
Business License	547,065	539,989	520,687	453,201	475,298
Utility Users	2,732,325	2,679,961	2,672,236	2,522,536	2,600,034
Transient Occupancy	3,072,982	2,985,201	2,608,368	2,450,488	2,168,556
Real Estate Transfer	732,409	668,242	617,355	616,500	583,581
Motor Vehicle License	16,530	14,046	12,119	12,281	12,639
Building Development	165,900	122,071	162,981	212,187	314,271
	<b>\$31,939,266</b>	<b>\$30,151,137</b>	<b>\$28,564,846</b>	<b>\$26,689,839</b>	<b>\$24,550,197</b>

The City's expenses increased by \$2.4M, or 7.3% over the prior year. This increase is attributed to fully staffing previously vacant positions. The total operating expenses equaled \$35.7M for FY 2017/18.



The City's revenue sources support its operating expenses and realized an operating surplus of \$5.5M, \$369K below the prior year. The revenue over expenses is used for the City's operating reserves, capital projects and funding the increased cost of CalPERS retirement benefits.



# STATEMENT OF NET POSITION

The Statement of Net Position reports all financial activity for FY 2017/18 and presents how the City's net position changes over time. The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). Governmental activities include general government services such as public safety, community development, public works and recreation. Business-type activities include sewer and solid waste collection management.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	FY 2017/18	FY 2016/17	FY 2017/18	FY 2016/17
Cash & Investments	\$62,893,649	\$61,567,878	\$14,442,173	\$12,862,007
Other Assets	3,449,368	3,698,982	81,929	308,637
Capital Assets	62,939,663	56,251,229	9,450,259	8,403,465
<b>Total Assets</b>	<b>\$129,282,680</b>	<b>\$121,518,089</b>	<b>\$23,974,361</b>	<b>\$21,574,109</b>
Deferred Outflows of Resources				
Related to Pension	10,568,156	10,683,014	440,433	463,343
Related to OPEB	132,990	-	10,010	-
Bond Debt	1,125,000	1,245,000	-	-
Other Liabilities	44,268,275	38,768,234	2,234,325	1,657,821
<b>Total Liabilities</b>	<b>\$45,393,275</b>	<b>\$40,013,234</b>	<b>\$2,234,325</b>	<b>\$1,657,821</b>
Deferred Inflows of Resources				
Related to Pension	1,841,274	1,917,607	83,284	78,058
Related to OPEB	42,780	-	3,220	-
Net Position				
Investments in Capital	61,524,823	54,724,833	9,450,259	8,403,465
Net of Related Debt Restricted	10,619,763	11,498,200	-	-
Unrestricted	20,428,921	24,047,229	12,643,706	11,906,716
Change due to Implementation of GASB75	-	(403,249)	-	(35,189)
<b>Total Net Position</b>	<b>\$92,573,507</b>	<b>\$89,867,013</b>	<b>\$22,093,965</b>	<b>\$20,274,992</b>

The City ended FY 2017/18 on a governmental-wide basis with a net position (excess of assets over liabilities) equaled \$114.7M, an increase of \$4.2M, or 3.7% over FY 2016/17. This increase is attributed to the City receiving significant grant and capital contributions; funds used for infrastructure maintenance and improvements.

# LOS ALTOS COMMUNITY CENTER

Let us first thank the many community members who contributed their thoughts and ideas as plans for the new Community Center were developed. The result of robust community engagement has led to a Community Center design the entire community can be proud of.

In December 2017, City Council received the Hillview Community Center Project Task Force (Task Force) recommendations for interior space allocation, site layout and exterior design of the new Community Center. The Task Force, consisting of eleven community members, gathered community input and worked with Noll & Tam Architects and City staff to arrive at the final design concept.

Task Force priorities included creating a high-quality, environmentally sustainable Community Center that highlights the unique character of Los Altos and serves all segments of the community. The new Community Center includes a café, dedicated space for seniors and teens, as well as indoor and outdoor community gathering space and flexible space to accommodate various recreational programs, activities and classes. Additional amenities include bocce ball courts, pickleball/basketball court, playground, commercial kitchen and a walking path around the building.







Prior to City Council's approval of the design review application in September 2018, plans were reviewed by the Complete Streets and Planning Commissions for traffic analysis, circulation, bicycle and pedestrian facilities as well as architectural and site design.

Members of the City's Environmental Commission were invited to participate in a LEED Charette along with staff and design and engineering consultants. The group reviewed and discussed the detailed LEED scorecard which rates sustainability elements and efforts such as water efficiency, sustainable sites, innovation and design process, indoor environmental quality, energy and atmosphere, and materials and resources. Within each category, LEED points may be given if targets are met for items such as heat island reduction, rainwater management, construction waste diversion from landfills, low-emitting interior components, acoustical performance, interior lighting levels, energy performance, and water and energy consumption. The Community Center has been designed to achieve LEED

Gold equivalency and will be an all-electric building with solar panels.

The City has actively engaged with existing users on the Civic Center Campus including representatives of the Bus Barn Theater, History Museum and Library to communicate plans and mitigate issues such as construction impacts, refuse locations and utilities. Additionally, the City has kept nearby residents informed of the project development through focused meetings and an Open House the entire community was invited to attend.

In January 2018, City Council confirmed a \$34.7 million project budget. The Community Center project is on schedule for construction documents to be developed for bidding in spring of 2019 with the next Council action to be approval of a construction contract anticipated in summer 2019. The project is on schedule to be completed in 2020. For more information, visit [losaltosca.gov/CommunityCenter](http://losaltosca.gov/CommunityCenter).



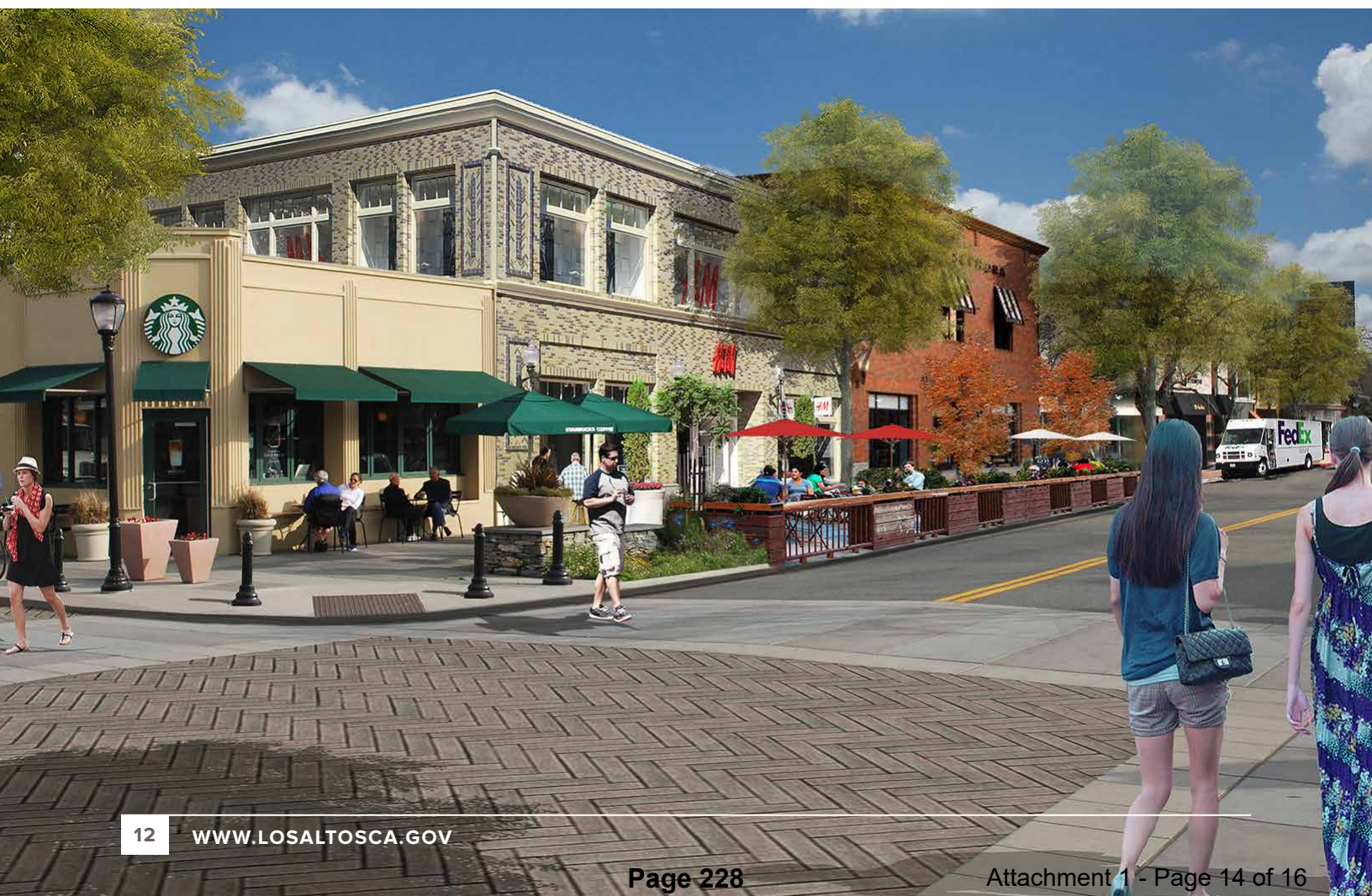
# DOWNTOWN VISION

Downtown Los Altos is often described as having a village-like charm – a quality that is deeply valued by community members. Reflective of these values, City Council set a goal to develop a vision that balances community-expressed desires for increased vibrancy with the existing village character.

The Downtown Vision – developed through a robust community engagement process that included approximately 30 events and two community questionnaires – is intended to guide future change and development over the next 20 years. An economic and fiscal evaluation assisted in the creation of a strategy that will achieve the level of economic vitality envisioned by the Plan for the future of downtown Los Altos. This strategy provides the underlying foundation upon which other elements of the Downtown Vision were developed.

Several key themes emerged during community outreach events, which are represented in the final Downtown Vision Plan. Some attributes the community was collectively most supportive of include preserving the downtown's unique character; encouraging outdoor dining and a greater variety of restaurants; strengthening bicycle safety and pedestrian-friendly walkability; introducing plazas to serve as community gathering spaces; increasing parking access and efficiency; and incorporating opportunities for a live theater, hotel, offices, affordable housing and mixed-use buildings that include a residential component.

The Downtown Vision Plan, while not a regulatory document, provides additional guidance and tools to the community, decision makers and staff as the City manages future change in the downtown area. The Plan maintains the exceptional character of Los Altos and honors its history and values while reflecting the City's commitment to enhancing a sense of place and creating a local destination that is attractive for residents, businesses and visitors. The full Downtown Vision Plan is available online at [losaltosca.gov/DowntownVision](http://losaltosca.gov/DowntownVision).



# FINANCIAL OUTLOOK

The financial outlook for the City of Los Altos continues to be strong. The City has continued its tradition of good stewardship and integrity of public funds. As this report shows, the City has invested heavily in capital projects designed to address community needs while maintaining Los Altos as a great place to live and raise a family.

The California Public Employees' Retirement (CalPERS) employer contribution rates continue to rise due to the decline in projections of the investment return. In FY 2009/10, the City Council authorized the use of PERS reserve funds in the amount of \$3.5M to pay down retirement benefit costs. The City currently has an additional \$4M set aside in a CalPERS reserve fund for the anticipated future rising costs of retirement benefits.

Los Altos voters recently approved Measure D, allowing the City to increase the Transient Occupancy Tax (TOT) rate from 11% to 14%. This tax is paid by hotel guests for transient occupancy of any hotel or lodging in Los Altos. The revenue from this increased TOT is anticipated to generate approximately \$700,000 annually for unrestricted general revenue purposes, until ended by voters. This revenue will assist the City as it completes several high priority capital projects including the new Community Center.

For more information about City of Los Altos finances, you may review the full Comprehensive Annual Financial Report posted on the City website at [losaltosca.gov/cafr](http://losaltosca.gov/cafr).







Los Altos City Hall  
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Tel: (650) 947-2700

[www.losaltosca.gov](http://www.losaltosca.gov)

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The mission of our city staff, council, commissions, committees and volunteers is to foster and maintain the City of Los Altos as a great place to live and raise a family.

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LOS ANGELES COUNTY, CALIFORNIA

# POPULAR ANNUAL FINANCIAL REPORT

fiscal year 2018-2019

# RESILIENCE

FOR THE COMMUNITIES WE SERVE

Tapia Water Reclamation Facility





Charles P. Caspary  
Division 1



Lynda Lo-Hill  
Division 2



Lee Renger  
Division 3



Leonard E. Polan  
Division 4



Jay Lewitt  
Division 5

Founded in 1958, Las Virgenes Municipal Water District (LVMWD) is a special district that provides potable water, wastewater treatment, biosolids composting and recycled water services for a 122-square-mile service area located in Western Los Angeles County. LVMWD is organized under the Municipal Water District Law of 1911 (California Water Code 71000).

### ***What is a “Popular Annual Financial Report”?***

This Popular Annual Financial Report (PAFR) represents LVMWD’s ongoing commitment to transparency in its operations and governance. Additional information, including the District’s Annual Budget, Comprehensive Annual Financial Reports (CAFR), planning documents and more can be found at [www.lvmwd.com/Financial-Reports](http://www.lvmwd.com/Financial-Reports). In recent years, the District has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) of the United States and Canada, for its CAFR and for its FY 2017-18 PAFR.



Resilience is the capacity to recover quickly following disaster.

In November 2018, the resiliency of Las Virgenes Municipal Water District (District) was tested as the Woolsey Fire burned 96,949 acres, destroyed 1,643 structures, and killed three people. At the height of the fire, nearly 300,000 people were evacuated in western Los Angeles County and southeastern Ventura County. Within the District, over 80 square miles were burned, 521 customers had homes damaged or destroyed, and nearly all of the District's 70,000 residential customers were evacuated. The District suffered \$6.5 million in damages to its facilities, including the Rancho Las Virgenes Composting Facility and Westlake Filtration Plant.



Through the dedicated effort of staff, long-term disaster planning, and system design, the District was able to continue to serve water and process wastewater throughout the fire. By the end of Fiscal Year 2018-19, the District was able to recover all operations, with the exception of the Rancho Las Virgenes Composting Facility. The District continues to rebuild and repair fire damage and is continuing to seek recovery of fire-related expenses through its insurance carrier, the State of California Office of Emergency Management (CalOES) and the Federal Emergency Management Agency (FEMA). In addition to the fire damage repair, the District also began work on several resiliency projects including expanding the number of stationary and mobile generators, increasing system redundancy, and improving the District's emergency management systems.

The Woolsey Fire followed a persistent drought that lasted from 2011 through 2014. This five-year period represented the driest in California history and led to the District's effort, through the Las Virgenes – Triunfo Joint Powers Authority, to develop the Pure Water Project Las Virgenes – Triunfo. The project will take recycled water from the Tapia Water Reclamation Facility and treat it to drinking water standards to create a local supply of water, increasing resiliency during droughts and natural disasters. During Fiscal Year 2018-19, the design of the Pure Water Demonstration Project and Garden was nearly completed. The demonstration project, located at the District's headquarters campus, is a small-scale water treatment facility that replicates the full-scale project, while providing training for staff and an educational experience for the public on the process of how recycled is purified to become safe, clean, reliable drinking water.

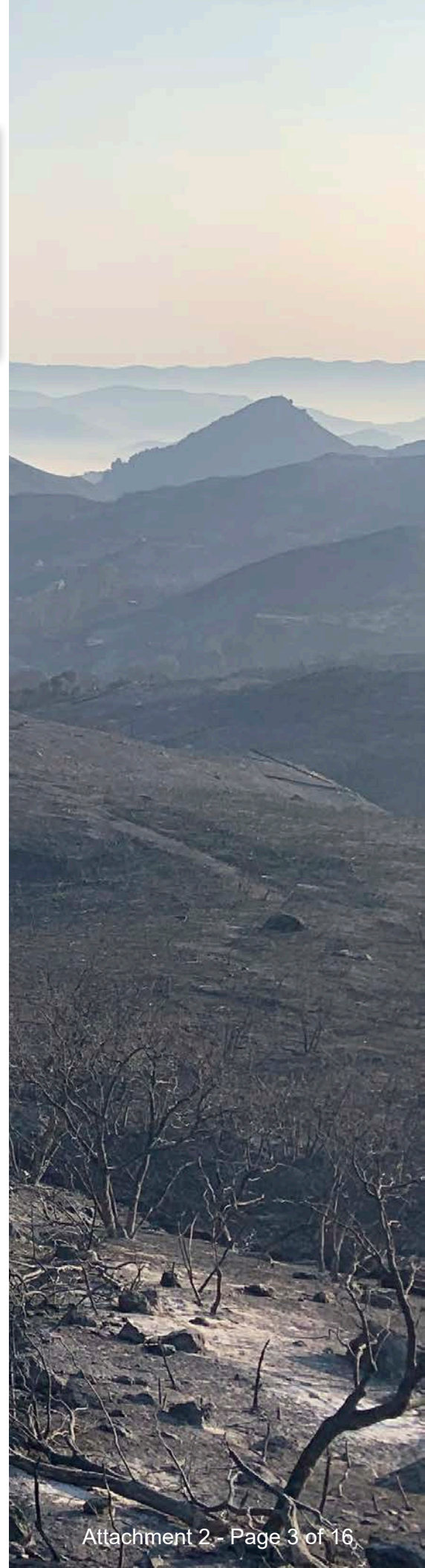
As we move forward, resilience will be key in a changing environment with more extremes in weather, longer fire seasons, and the constant threat of earthquakes. The Board and staff of Las Virgenes Municipal Water District are dedicated to have a high degree of resilience to continue to provide customers with reliable water and wastewater services into the future.

This report reflects the dedication of the Board and staff to provide high-quality, reliable, and safe water and sanitation services. It also provides a summary of the District's finances. I encourage you to review this document, along with the more detailed information found in the District's Comprehensive Annual Financial Report and Annual Budget, both of which are available at [www.lvmwd.com/Financial-Reports](http://www.lvmwd.com/Financial-Reports).

Sincerely,

A handwritten signature in black ink that reads "David W. Pedersen". The signature is fluid and cursive, with a long, sweeping underline.

David W. Pedersen, P.E.  
General Manager



We reliably deliver high quality drinking water to over 75,000 residents and businesses throughout western Los Angeles County.



We take all the water that flows from homes and businesses and treat it to a water quality standard suitable for irrigation or discharge to the ocean via Malibu Creek.



Treated wastewater or recycled water is distributed through 68 miles of pipes to 11 parks, 17 schools, 52 common areas for homeowners associations, 3 golf courses, and many street medians and parkways throughout the District.



Treated biosolids, a by-product of the wastewater treatment process, is transformed into EPA Class A compost at the Rancho Las Virgenes Composting Facility. This excellent soil amendment is available free of charge every Saturday.





## ***The Las Virgenes–Triunfo Joint Powers Authority (JPA)***

The JPA provides sanitation services for about 100,000 customers in western Los Angeles County and eastern Ventura County. Wastewater is treated at the Tapia Water Reclamation Facility, and the biosolids generated during this treatment are processed at the Rancho Las Virgenes Composting Facility. Both facilities are jointly owned and operated by the JPA. This partnership creates an efficient means to serve residents within the Malibu Creek watershed. The sanitation enterprise charges in this report reflect the total cost and revenue to provide these services for LVMWD customers. Financial statements of the JPA can be found at [www.lvmwd.com/Financial-Reports](http://www.lvmwd.com/Financial-Reports).



In 1964, LVMWD Board members approved a Joint Powers Authority agreement with Triunfo Sanitation District (now Triunfo Water and Sanitation District), the signing of which is shown above.

### **Did You Know?**

**Wastewater entering the Tapia Water Reclamation Facility is 99% water and only 1% solid and inert material.**





## About the District

6



### Established

1958

### Budget 2018-2019

\$75.7 million

### Governance

Five-member board of directors, publicly elected by geographic division

### Water served 2018-19

Potable 18,384 acre-feet

Recycled 4,104 acre-feet

### Customer Connections

Potable Water

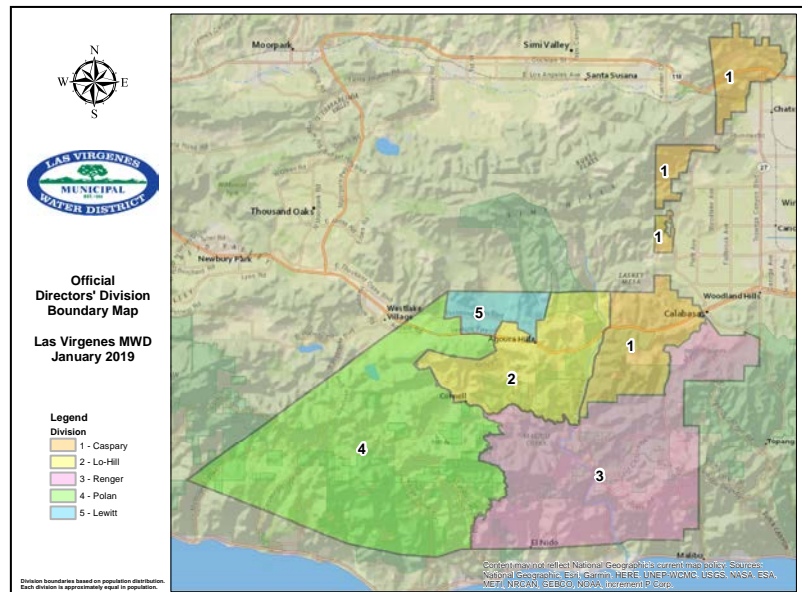
Residential 18,745

Commercial 830

Recycled Water 654

### Service area

122 square miles



### Population Served

LVMWD serves approximately 72,000 residents in Agoura Hills, Calabasas, Hidden Hills, Westlake Village, and parts of unincorporated Los Angeles County. Triunfo Sanitation District, its Joint Powers Authority partner, provides sanitation services to 30,000 residents in Ventura County.



Annually, LVMWD performs extensive state-mandated testing for water quality contaminants by collecting over 1,200 samples, taken from various locations throughout the drinking water conveyance system, and routinely conducts over 11,000 laboratory analyses on those samples at state-certified water quality labs.

These daily tests are conducted by our highly trained and skilled LVMWD professional staff to ensure that your water is safe to drink. In California, water utilities are required by the State Water Resources Control Board and the Division of Drinking Water to undergo arguably the most stringent and comprehensive water quality testing in the United States, if not the world. Like always, LVMWD met or exceeded all of the standards for safe and high quality drinking water as established by the state.

LVMWD conducted a recent survey to better understand water preferences and the perceptions of tap water versus bottled water of our customers. Over 68 percent of respondents routinely drink tap water albeit 60 percent of these customers filter the water first (e.g. Britta Filter™, PUR™, ZeroWater™, AquaGear™, et al). These customers primarily preferred tap water because it was convenient (41%), was better for the environment (24%) or was more cost effective (18%).

When you turn the faucet on, the water flows. At LVMWD, we utilize an extremely experienced and dedicated staff to manage and maintain our potable water distribution system. Routine maintenance protocols, emergency responses and timely repairs ensure that delicious and safe LV Tap water is reliably delivered into our customer's home 24/7.

Tap water is extremely affordable. For instance, one gallon of LVMWD tap water costs less than a penny delivered to your home from the Sierra Nevada Mountains over 400 miles away. In comparison, the same amount of bottled water can easily exceed \$1, or 100 times the cost. Foregoing bottled water and drinking from the sink can result in significant savings for LVMWD customers.

Tap water is the most sustainable drinking water product available. Tremendous amounts of plastic waste pile up in in landfills and oceans as a result from the manufacturing and sale of single-use bottled water. According to research on the subject, humans on this planet collectively purchase one million single-use plastic bottles every minute, 91 percent of which do not get recycled (Trevor Nace, "We're Now At a Million Plastic Bottles Per Minute – 91% of which are not Recycled", [www.forbes.com](http://www.forbes.com), 26 July, 2017, 5/28/19). For those single-use plastic bottles that are neither recycled nor placed in landfills, they end up in the environment where they are a visual blight and harmful to wildlife.

LV Tap is our initiative to highlight the benefits tap water presents for our customers and the communities we serve. Delivering safe, high quality drinking water reliably to our customers is our mission and LV Tap is an expression of that dedication. So when you are thirsty, join the majority of our community and experience the affordability, sustainability and convenience LV Tap delivers when you "drink from the sink." [www.ourLVTap.com](http://www.ourLVTap.com)





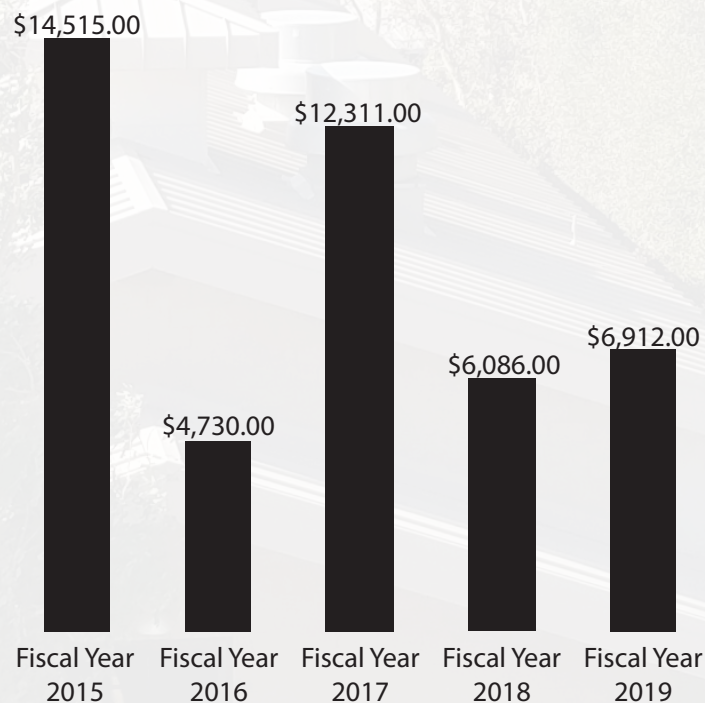


The District takes great pride in ensuring delivery of water and sanitation services to our customers through a comprehensive capital improvement program. Adequate investments are made to maintain a reliable system to address emergencies and unplanned service interruptions.

In Fiscal Years 2018-19 the District spent \$2.2 million on Process Air Improvements, \$1.9 million on the Tapia Water Reclamation Facility Rehabilitation, and \$1.9 million on the cleaning and repair of the Rancho Las Virgenes Composting Facility.

In Fiscal Years 2019-20, the District will be spending approximately \$6.5 million on Woolsey Fire related damages to the District's facilities. In November of 2018, the Board declared a state of emergency due to the Woolsey Fire that broke out on the afternoon of Thursday, November 8, 2018, in Ventura County. The District experienced significant damages at various facilities due to the fire. Since the event, staff has been working with the California Governor's Office of Emergency Services (CalOES), Federal Emergency Management Agency (FEMA), and the District's insurance provider on reimbursement for the damages.

In addition, in Fiscal Years 2019-20 the District will be spending \$3.5 million, it's share of the Las Virgenes-Triunfo Joint Powers Authority project, on construction of a demonstration facility located at the District's headquarters campus. Tour of the facility are intended to educate and promote public confidence in the treatment technology.



**Major Capital Improvement Projects**  
(in thousands of dollars)



**FY 2018-19 Financial Performance**

Las Virgenes Municipal Water District (LVMWD or the “Agency”) uses the accrual method of accounting in accordance with generally accepted accounting principles to produce its financial statements. The following table illustrates how the Agency uses the adopted budget to monitor and compare actual financial performance. GAAP and auditing standards do not require the adopted budget to be included in the audited financial statements.

The District’s Fiscal Year 2018-19 financial results reflect a decrease in potable water sales, the District’s primary revenue source, as a result of the District’s targeted outreach efforts. Wasteful water use penalties impose increasing fines on customers who exceed their water budgets by 200%. Potable water sales decreased 1.75% and recycled water sales decreased 8.5% in Fiscal Year 2018-19. The overall financial position of the District is stable.

Las Virgenes Municipal Water District operates a Joint Powers Authority (JPA) with Triunfo Water and Sanitation District for the transmission and treatment of sanitation. Additional information about the JPA can be found in both the District’s Comprehensive Annual Financial Report and the JPA Audited Financial Statements on the District’s website at [www.LVMWD.com/Financial-Reports](http://www.LVMWD.com/Financial-Reports).

**Financial Highlights**

The District’s net position increased by \$15.7 million to \$234.0 million

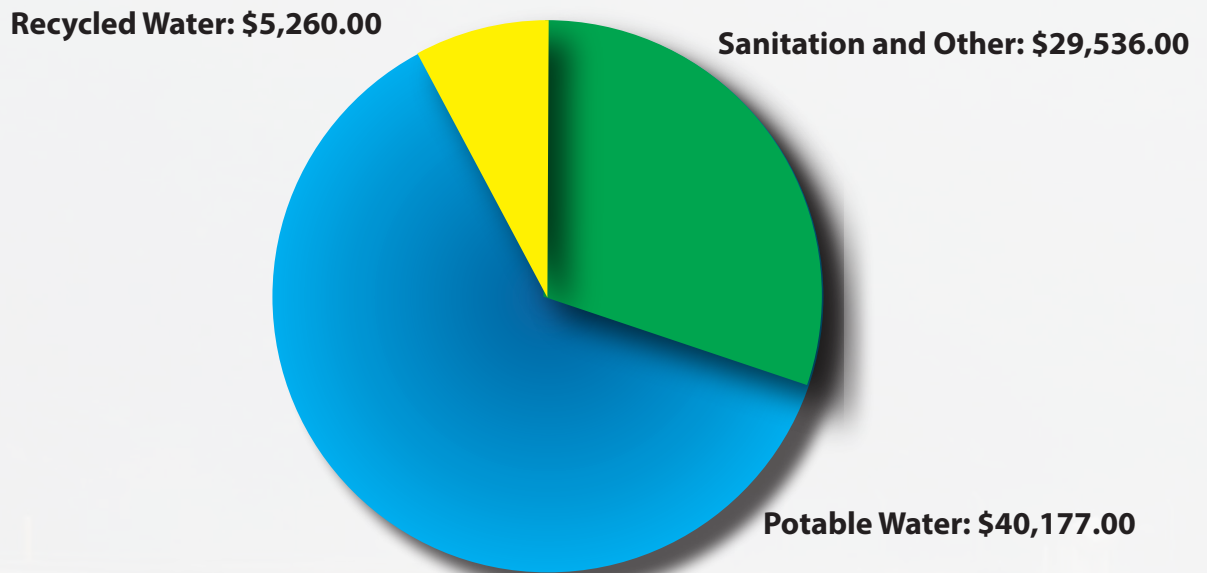
During the fiscal year, the District’s revenues decreased by 2.6% to \$64.9 million, expenses increased by 1.8% to \$43.1 million.

In Fiscal Year 2019, capital contributions to the District increased to \$3.9 million, 34.2% more than Fiscal Year 2018.

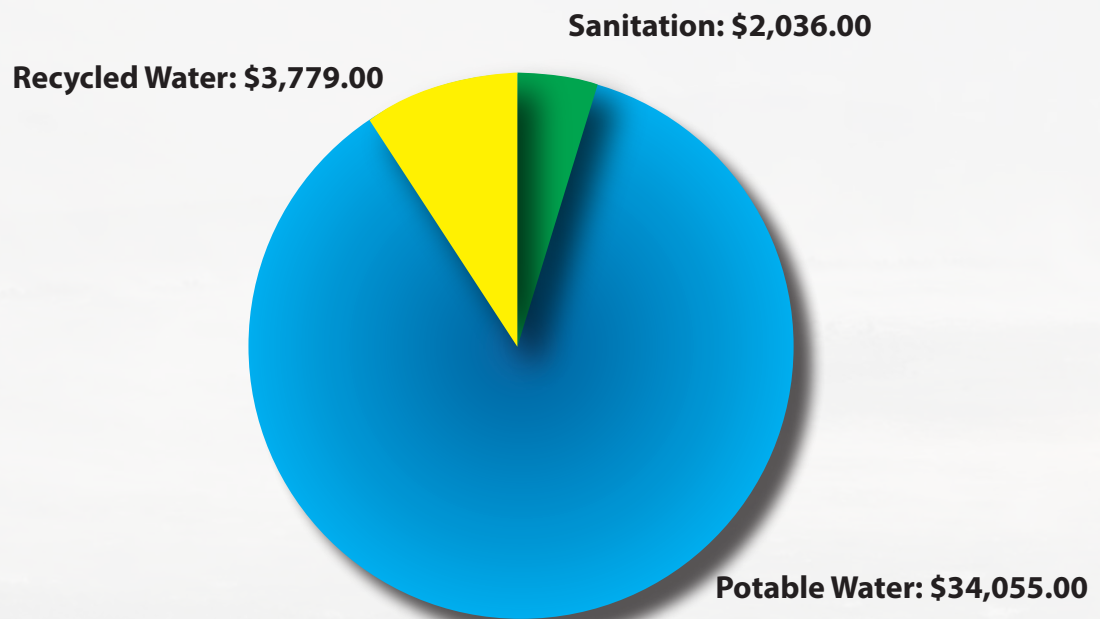
**Did You Know?**

Nearly 70% of the water delivered to LVMWD customers is used for irrigation.

# Operating Revenue (in thousands of dollars)



# Operating Expenses (in thousands of dollars)



# Audit of Agency’s Financial Statements by Independent Auditor

State statute requires an annual audit by independent Certified Public Accountants which is filed with the California State Controller’s Office. The Agency’s FY 2018-19 financial statements were audited by the Agency’s auditor, The Pun Group LLP, Irvine, CA, in accordance with GAAP auditing standards, and the statements met the State Controller’s Minimum Audit Requirements for California Special Districts. The Agency’s Audited Financial Statements and accompanying Independent Auditor’s Report can be found in the Agency’s Comprehensive Annual Financial Report (CAFR), available online at [www.LVMWD.com/Financial-Reports](http://www.LVMWD.com/Financial-Reports).



The analysis of the District is focused on the Financial Statements. The statements provide information on whether the District, as a whole, is in a stronger or weaker financial position compared to the last year. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide a means to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation.

**Condensed Statements of Net Position**  
(in thousands of dollars)

	<b>FY 2018</b>	<b>FY 2018</b>
Current and Other Assets	\$ 105,102	\$ 96,369
Capital Assets	123,727	124,526
Investment in JPA	64,137	62,521
<b>Total Assets</b>	<b>\$ 292,966</b>	<b>\$ 283,416</b>
<b>Deferred Outflow of Resources</b>	<b>\$ 8,718</b>	<b>\$ 9,065</b>
Long-Term Debt Outstanding	13,204	15,596
Net Pension Liability	16,055	20,493
Net OPEB Liability	19,301	19,183
Other Liabilities	15,466	16,592
<b>Total Liabilities</b>	<b>\$ 64,026</b>	<b>\$ 71,864</b>
<b>Deferred Inflows of Resources</b>	<b>3,636</b>	<b>2,274</b>
Net Position:		
Net Investment in Capital Assets,	\$ 111,229	\$ 109,794
Restricted	2,734	2,683
Unrestricted	120,058	105,866
<b>Total Net Position</b>	<b>\$ 234,021</b>	<b>\$ 218,343</b>

## Condensed Statements of Revenues, Expenses and Changes in Net Position

	FY 2019	FY 2018
Operating Revenues:		
Water Sales	\$ 45,437	\$ 46,250
Sanitation and Other	19,536	20,467
Non-operating Revenues:		
Taxes and Penalties	984	946
Interest Income and Other	4,195	1212
<b>Total Revenues</b>	<b>\$ 70,152</b>	<b>\$ 68,875</b>
Depreciation Expense	4,016	3,943
Other Operating Expenses	39,870	39,169
Share of JPA Net Expenses	13,958	13,718
Non-Operating Expenses	530	716
<b>Total Expenses</b>	<b>\$ 58,374</b>	<b>\$ 57,546</b>
Income (Loss) Before Capital	11,778	11,329
Capital Contributions	3,900	2566
Change in Net Position	15,678	13,895
Net Position - Beginning of Year	218,343	204,448
Net Position - End of Year	<b>\$ 234,021</b>	<b>\$ 218,343</b>

The Condensed Statements of Revenues, Expenses and Changes in Net Position table to the left summarizes LVMWD's operating and non-operating revenues and expenses. The largest source of revenue is water sales to customers. Total revenues decreased by 2.6% in Fiscal Year 2018-19, while expenses increased by 1.8%. The increase in revenues was due to decreased water sales based on targeted outreach efforts. Expenses were stable with increases predominantly due to salary and benefit increases.

## Definitions:

**Capital Assets:** Includes land, buildings, including water and sewer lines, wastewater facilities, reservoirs, tanks, distribution facilities, compost facility, maintenance and administration facilities, vehicles, and equipment net of depreciation.

**Currents and Other Assets:** Assets easily converted to cash or consumed within one year: cash, investments, receivables, and prepaid expenses.

**Deferred Outflow of Resources:** Represents outflow of resources that apply to future periods and that, therefore, will not be recognized as an expense until that time.

**Long-Term Debt Outstanding:** Payment due on LVMWD's 2009 Sanitation Refunding Bond that are more than 12 months in the future.

**Other Liabilities:** Payment due on obligations owed by LVMWD within the next 12 months.

**Restricted Assets:** Cash and investments set aside for a specific purpose.

**Total Net Position:** Equity associated with general government assets and liabilities.

**Unrestricted Assets:** Agency-owned assets that can be used for any purpose.

**Capital Contributions:** Funds that are used for capital and expansion projects.

**Change in Net Position:** The total of net income (loss) plus capital contributions.



Over the years and by the end of FY 2018-19, the District had invested \$240.2 million in a broad range of infrastructure including water and sewer lines, wastewater facilities, reservoirs, tanks, distribution facilities, compost facility, maintenance and administration facilities, vehicles and equipment and an investment in Joint Venture of \$64.1 million.

**Capital Assets**  
(In thousands of dollars)

	FY 2019	FY 2018	Dollar Change	Total Percent Change
Land	\$ 6,915	\$ 6,915	\$ 0	0.00%
Buildings and Improvements	22,094	22,094	0	0.00%
Machinery and Equipment	11,678	11,416	262	2.24%
Infrastructure	197,692	195,570	2,122	1.07%
Construction in Progress	1,855	1,290	565	30.46%
<b>Subtotal</b>	<b>240,234</b>	<b>237,285</b>	<b>2,949</b>	<b>1.23%</b>
Less Accumulated Depreciation	116,506	112,760	3,746	3.22%
<b>Net Property, Plant and Equipment</b>	<b>123,728</b>	<b>124,525</b>	<b>(797)</b>	<b>-0.64%</b>
<b>Investment in Joint Venture</b>	<b>64,138</b>	<b>62,521</b>	<b>1,617</b>	<b>2.52%</b>
<b>Total Capital Assets</b>	<b>\$ 187,866</b>	<b>\$ 187,046</b>	<b>\$ 820</b>	<b>0.44%</b>

## Definitions:

**Depreciation Expense:** If an asset is expected to produce a benefit in future periods, some of these costs must be deferred rather than treated as a current expense. LVMWD records depreciation expense in its financial reporting as the current period's allocation of such costs.

**Income (Loss) Before Capital Contributions:** The difference between total revenue less total expenses.

**Net Position:** The sum of total net position at the beginning of the fiscal year plus the change in net position resulting in ending net position at the end of the fiscal year.

**Non-Operating Revenues and Expenses:** Revenues and expenses that are incidental to LVMWD's main purpose and derived from activities not directly related to LVMWD's operations: taxes and penalties, interest earnings and rental income, and costs associated with debt.

**Operating Expenses:** Expenses incurred in the provision of potable water, sanitation, and recycled water services.

**Operating Revenues:** Revenues received for the sale of water to customers, services, inspections, and programs provided by LVMWD.

**JPA Expense:** LVMWD and Triunfo Sanitation District established a Joint Powers Authority (JPA) to construct, operate, maintain and provide for the replacement of joint sewerage system. The share of JPA net expenses is LVMWD's allocation of compined net revenue.

LVMWD maintains an “AA” rating from Standard & Poor’s for the refunding revenue bonds. One area that demonstrates the District’s financial strength and future borrowing capability is seen in its debt coverage ratio. Current bond covenants require that the debt coverage ratio must be greater than 1.10. The debt coverage ratio for FY 2019 was 2.59%.

Debt Coverage Ratio (In thousands of dollars)				
		<u>FY 2019</u>	<u>FY 2018</u>	<u>Total Percent Change</u>
Total Operating Revenues	\$	18,922	\$ 18,818	0.55%
Total Operating Expenses (less depreciation)		11,803	11,421	3.34%
<b>Net Earnings</b>		<u><b>7,119</b></u>	<u><b>7,397</b></u>	<u><b>-3.76%</b></u>
Maximum Annual Debt Service		2,751	2,752	-0.04%
<b>Debt Coverage Ratio</b>		<u><b>2.59</b></u>	<u><b>2.69</b></u>	<u><b>-3.72%</b></u>

## Did You Know?

The water that LVMWD serves to our customers travels over 400 miles and begins as snow in the Sierra Nevada Mountains.



Government Finance Officers Association

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Presented to

**Las Virgenes Municipal Water District  
California**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO



**Dedicated to providing high-quality water service in a cost-effective and environmentally sensitive manner.**

**Our business values:**

High Level of  
Customer Satisfaction

Transparency  
and Community  
Engagement

Highly Effective  
Workforce

Safe, High  
Quality Water

Protection of Public  
Health and  
the Environment

Maximum Reuse and  
Resource Recovery

Sound Financial  
Management

Reliable Water  
Supplies and Service

Sound Planning  
and Appropriate  
Investment

Innovative and  
Efficient Operations

**Las Virgenes Municipal Water District  
4232 Las Virgenes Road  
Calabasas, CA, 91302**

**818-251-2200**

**[www.LVMWD.com](http://www.LVMWD.com)  
[www.ourpureh20.com](http://www.ourpureh20.com)**



# Santa Clara Valley Water District

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**File No.:** 20-0621

**Agenda Date:** 8/19/2020

**Item No.:** 5.4.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Status Update on the Lower Silver Creek Watershed Project Audit.

**RECOMMENDATION:**

Receive and discuss a status update on the State Controller Office Audit of Flood Control Subventions Program for Claim Numbers 86-91, submitted during the audit period, 08/01/2012 - 05/12/2016.

**SUMMARY:**

On December 31, 2019, the Board Audit Committee was notified, per the Board Audit Committee Charter, Article VII - Third Party and Management Initiated Audits, Item 3, Notice to Committee of Third Party Audits, of the State Controller's Office audit of the Lower Silver Creek Watershed (LSCW) Project (Flood Control Subventions Program).

The State Controller's Office (SCO) audited Claim Numbers 86 through 91 submitted during the audit period August 1, 2012, through May 12, 2016 (4-week audit). The following items as listed were requested for review during this audit: (1) all claims submitted to the Department of Water Resources (DWR) for the LCSW Project; (2) DWR Claim Evaluation (engineering reports) for the audit period; (3) revenue summary reports for the audit period; (4) expenditure summary and detailed reports for the audit period; (5) fixed asset listing; (6) payroll registers showing rates and hours worked for the audit period; (7) payroll time cards; (8) list of employees whose salaries, either in part or whole, were charged to the LCSW Project; (9) independent auditor report (single audit); (10) chart of accounts; (11) organization chart; and (12) any and all supporting working papers and documents. The SCO completed the audit on June 29, 2020, and the final audit report is provided in Attachment 1.

**ATTACHMENTS:**

Attachment 1: LSC Watershed Project Audit Report

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

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# **SANTA CLARA VALLEY WATER DISTRICT**

Audit Report

## **FLOOD CONTROL SUBVENTIONS PROGRAM**

Lower Silver Creek Watershed Project

*August 1, 2012, through May 12, 2016*



**BETTY T. YEE**  
California State Controller

June 2020





**BETTY T. YEE**  
**California State Controller**

June 29, 2020

Eric Nichol, Assistant Division Chief  
Division of Flood Management  
Department of Water Resources  
3310 El Camino Avenue, Suite 120  
Sacramento, CA 95821

Dear Mr. Nichol:

The State Controller's Office audited claims submitted by Santa Clara Valley Water District under the Flood Control Subventions Program.

The district claimed costs of \$1,432,536 for the Lower Silver Creek Watershed project for the period of August 1, 2012, through May 12, 2016. Our audit found that \$1,424,136 is allowable and \$8,400 is unallowable. The state share of allowable costs is \$1,278,932. The state share represents the percentage of state funding stipulated in California Water Code section 12585.5.

The unallowable costs occurred because the district claimed \$8,400 in unallowable right-of-way costs. These costs are prohibited by the California Department of Water Resources' *Guidelines for State Reimbursement on Flood Control Projects*. The district received \$1,151,039 in reimbursements. Therefore, after the reduction of the \$8,400 in unallowable costs, the unreimbursed amount due the district is \$127,893.

If you have any questions, please contact Efren Lose, Chief, Local Government Audits Bureau, by telephone at (916) 324-7226.

Sincerely,

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

JLS/as

cc: Patrick Luzuriaga, Manager  
Flood Control Subventions Program  
Division of Flood Management  
Department of Water Resources  
Darin Taylor, Chief Financial Officer  
Santa Clara Valley Water District  
Anne Cooper, Acting Revenue Manager  
Santa Clara Valley Water District  
Nai Hsueh, Chairperson  
Board of Directors  
Santa Clara Valley Water District

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the reimbursement claims of the Santa Clara Valley Water District under the Flood Control Subventions Program. Our audit included the Lower Silver Creek Watershed project, for the period of August 1, 2012, through May 12, 2016.

The district claimed \$1,432,536 during the audit period. Our audit found that \$1,424,136 is allowable and \$8,400 is unallowable. The state share of allowable costs is \$1,278,932. The state share represents the percentage of state funding stipulated in California Water Code section 12585.5.

The unallowable costs occurred because the district claimed \$8,400 in unallowable right-of-way costs. These costs are prohibited by the California Department of Water Resources (DWR) *Guidelines for State Reimbursement on Flood Control Projects*. The district received \$1,151,039 in reimbursements. Therefore, after the reduction of the \$8,400 in unallowable costs, the unreimbursed amount due the district is \$127,893.

## Background

The State of California provides financial assistance to local agencies participating in the construction of federal flood control projects. Under the Flood Control Subventions Program (California Water Code, Division 6, Part 6, Chapters 1 through 4), the DWR pays a portion of the local agency's share of flood control project costs, including the costs of rights of way, relocation, and recreation and fish and wildlife enhancements.

California Water Code section 12832 requires the State Controller to audit the books and records of local agencies to determine whether the state funds received were expended for the purposes and under the conditions authorized.

## Objective, Scope, and Methodology

Our audit objective was to determine whether the claimed costs as presented in the Summary of Project Costs (Schedule) were:

- Allowable and in compliance with the DWR *Guidelines for State Reimbursement on Flood Control Projects*;
- Adequately supported and documented; and
- Reduced by applicable credits to program expenditures.

Our audit included the Lower Silver Creek Watershed project, for the period of August 1, 2012, through May 12, 2016.

To achieve our objective, we:

- Gained a limited understanding of the internal controls over the claim preparation process and the related accounting records by interviewing key personnel, completing an internal control

questionnaire, reviewing the district's organization chart, and assessing the reliability of computer-processed data;

- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing;
- Reviewed the district's prior SCO audit and single audit;
- Reviewed all of DWR's engineering reports on the district's claims;
- Determined whether the district received revenues that should be offset against the flood program expenditures;
- Reviewed the district's claim detail for any condemnation interest, and inquired of the district whether it had received interest on condemnation deposits;
- Determined whether the district received from DWR advances on its flood control project expenditures; and
- Verified that the costs claimed were supported by source documents by judgmentally selecting non-statistical samples for the following categories:
  - Land – We vouched to source documents all \$27,000 in total land acquisition costs claimed.
  - Relocation – We vouched claimed amounts to source documents for \$1,021,120 of \$1,396,345 in total relocation costs claimed.
  - Labor – We tested all \$9,191 in labor costs.

For the selected sample, errors found, if any, were not projected to the intended (total) population.

We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed are allowable for reimbursement. We considered the district's internal controls only to the extent necessary to plan the audit.

We conducted this performance audit under the general authority of Government Code section 12410 and the specific authority under California Water Code section 12832. We conducted the audit in accordance with generally accepted government auditing standards. 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 objective.

## Conclusion

Our audit found an instance of noncompliance with the requirements outlined above. This instance is quantified in the Schedule and described in the Finding and Recommendation section. Santa Clara Valley Water District claimed \$1,432,536 for the Lower Silver Creek Watershed project under the Flood Control Subventions Program for the period of August 1, 2012, through May 12, 2016.

Our audit disclosed that the claimed amounts for the audit period included allowable costs of \$1,424,136 and unallowable costs of \$8,400. The state share of allowable costs is \$1,278,932. The state share represents the percentage of state funding stipulated in California Water Code section 12585.5. The district received \$1,151,039 in reimbursements. Therefore, after the reduction of the \$8,400 of unallowable costs, the unreimbursed amount due the district is \$127,893.

**Follow-up on  
Prior Audit  
Findings**

The findings noted in our prior audit report, issued on February 10, 2016, have been satisfactorily resolved by the district.

**Views of  
Responsible  
Officials**

We discussed the audit results with the district's representatives during an exit conference conducted on June 2, 2020. In a letter dated June 2, 2020 (Attachment), Darin Taylor, Chief Financial Officer, agreed with the audit results. Mr. Taylor further agreed that a draft audit report was not necessary and that we could issue the audit report as final.

**Restricted Use**

This audit report is solely for the information and use of Santa Clara Valley Water District, the DWR, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record, and is available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

June 29, 2020

**Schedule—  
Summary of Project Costs  
August 1, 2012, through May 12, 2016**

Project/Claim Number	District Claim Number	Costs Claimed	Audit Adjustments <sup>1</sup>	Allowable Per Audit	State Share of Eligibility% <sup>2</sup>	State Share of Allowable Costs	Reimbursements Received by District	Reimbursement Due to District
LSCW 2014-01	86	\$ 907,387	\$ -	\$ 907,387	90%	\$ 816,648	\$ 734,983	\$ 81,665
LSCW FY 2013	87	9,191	-	9,191	90%	8,272	7,445	827
LSCW FY 2013	88	27,000	(8,400)	18,600	75%	13,950	12,555	1,395
LSCW 2014-04	89	458,466	-	458,466	90%	412,619	371,357	41,262
LSCW FY 2015-16	90	492	-	492	90%	443	399	44
LSCW FY 2015-16	91	30,000	-	30,000	90%	27,000	24,300	2,700
Total		<u>\$1,432,536</u>	<u>\$ (8,400)</u>	<u>\$1,424,136</u>		<u>\$ 1,278,932</u>	<u>\$ 1,151,039</u>	<u>\$ 127,893</u>

<sup>1</sup>See the Finding and Recommendation section.

<sup>2</sup>The state share of allowable project costs represents the percentage of state funding, as stipulated in the California Water Code, for each project cost category.



# Finding and Recommendation

## **FINDING— Unallowable right- of-way costs**

During the audit period of August 1, 2012 through May 12, 2016, the district submitted claims of \$27,000 for right-of-way costs associated with the Lower Silver Creek Watershed Project. We tested all \$27,000 in right-of-way costs and found that the district claimed right-of-way costs that exceeded the appraised value of the land by \$8,400.

The \$27,000 in right-of-way costs included \$25,000 in settlement costs and \$2,000 in title and escrow costs. The \$2,000 is allowable; however, the district could provide supporting appraisal documents for only \$16,600. Prior to our audit, DWR identified this error and reduced the district's claim from \$27,000 to \$18,600.

We concur with DWR's determination.

DWR's *Guidelines for State Reimbursement on Flood Control Projects*, Section VI, Part D specifies that DWR will reduce an agency's reimbursement claims for any item that it determines to be ineligible.

The district claimed unallowable right-of-way costs because it did not follow its policies and procedures to ensure that claimed costs were in accordance with the DWR guidelines.

### Recommendation

We recommend that the district follow its policies and procedures to ensure that claimed costs are in accordance with DWR's *Guidelines for State Reimbursement on Flood Control Projects*.

**Attachment—  
Santa Clara Valley Water District Response to  
Draft Audit Report**

---



Clean Water • Healthy Environment • Flood Protection

June 2, 2020

Mr. John Cobbinah  
Audit Specialist  
Division of Audits  
3301 C Street, Suite 710  
Sacramento, CA 95816

Dear Mr. Cobbinah:

As discussed at the telephone exit conference on June 2, Valley Water agrees with both findings from the Lower Silver Creek Flood Control Subventions Program Audit (August 1, 2012 through May 12, 2016). Please proceed with issuing the final report.

Yours truly,

A handwritten signature in blue ink that reads "Darin Taylor".

Darin Taylor  
Chief Financial Officer  
Office of the Chief Executive Officer

cc: A. Cooper  
C. Sun



**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250**

**<http://www.sco.ca.gov>**



# Santa Clara Valley Water District

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**File No.:** 20-0627

**Agenda Date:** 8/19/2020

**Item No.:** 5.5.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Status Update on the Annual Federal Grants Audit.

**RECOMMENDATION:**

Receive and discuss a status update on the Annual Federal Grants Audit.

**SUMMARY:**

On December 31, 2019, the Board Audit Committee was notified, per the Board Audit Committee Charter, Article VII - Third Party and Management Initiated Audits, Item 3, Notice to Committee of Third Party Audits, of the Annual Federal Single Audit of Federal Grants.

The Single Audit is a rigorous, organization-wide audit of an entity that expends \$750,000 or more of federal assistance received for its operations. Usually performed annually, the Single Audit's objective is to provide assurance to the US federal government as to the management and use of such funds by recipients. The audit is performed by an independent certified public accountant and encompasses both financial and compliance components. Once completed, the Single Audit must be submitted to the Federal Audit Clearinghouse.

The final audit report (Attachment 1) for the Single Audit for the fiscal year ended June 30, 2019, prepared by Maze and Associates is provided for discussion at the August 2020 BAC meeting.

**ATTACHMENTS:**

Attachment 1: Single Audit Report

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

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**SANTA CLARA VALLEY WATER DISTRICT**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**SANTA CLARA VALLEY WATER DISTRICT**

**SINGLE AUDIT REPORT  
For The Year Ended June 30, 2019**

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**SANTA CLARA VALLEY WATER DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2019**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?            Yes       X       No
- Significant deficiency(ies) identified?            Yes       X       None Reported

Noncompliance material to financial statements noted?            Yes       X       No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?            Yes       X       No
- Significant deficiency(ies) identified?            Yes       X       None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?       X       Yes            No

Identification of major program(s):

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.904</u>	<u>Watershed Protection and Flood Prevention</u>
<u>97.036</u>	<u>Disaster Grants – Public Assistance (Presidentially Declared Disasters)</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?            Yes       X       No

## SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 16, 2019 which is an integral part of our audits and should be read in conjunction with this report.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with Uniform Guidance.

### **Finding SA 2019-001    Timely submission of the SF-425 Federal Financial Reports**

**CFDA Number:** 10.904

**CFDA Title:** Watershed Protection and Flood Prevention

**Federal Agency:** Department of Agriculture

**Criteria:** The Department of Agriculture General Terms and Conditions – Reporting Requirements requires the filing of the SF-425 *Federal Financial Reports (FFR)* on a quarterly basis for the Watershed Protection and Flood Prevention Grant. Additionally, a final report must be submitted no later than 30 days subsequent to the quarter end date.

**Condition:** We noted that the District submitted the quarterly SF-425 Reports for Quarter 2 ending period December 31, 2018 and for Quarter 4 ending period June 30, 2019 respectively on April 17, 2019 and August 7, 2019.

**Effect:** The District is not in compliance with the program reporting requirements for the NRCS grant.

**Cause:** We understand that the reports have not been filed due to short staff at the time.

**Recommendation:** The District should develop a process to ensure timely submission of future reports.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the District.

**SANTA CLARA VALLEY WATER DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2019**

<b>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identifying Number</b>	<b>Federal Expenditures</b>
Department of Agriculture - <b>Direct Program:</b>			
Watershed Protection and Flood Prevention	10.904		
Lake Cunningham			<u>\$3,004,935</u>
Department of Homeland Security - <b>Direct Program:</b>			
Cooperating Technical Partners	97.045		
2016 Flood Risk Mapping			<u>338,443</u>
Department of Homeland Security <b>Pass-Through</b> Programs From:			
California Governor's Office of Emergency Services			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036		
Stevens Creek D/S Freemont Embankment Erosion Repair		FEMA-4308-DR-CA	250,830
Stevens Creek Erosion Repair		FEMA-4301-DR-CA	<u>2,578,099</u>
Subtotal Department of Homeland Security <b>Pass-Through</b> Programs			<u>2,828,929</u>
Total Department of Homeland Security			<u>3,167,372</u>
Total Expenditures of Federal Awards			<u><u>\$6,172,307</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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**SANTA CLARA VALLEY WATER DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2019**

**NOTE 1 – REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Santa Clara Valley Water District, California.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

**NOTE 3 – INDIRECT COST ELECTION**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – PRIOR YEAR ADJUSTMENTS**

The current year Schedule of Expenditures of Federal Awards includes expenditures from fiscal year 2017 and 2018 for the Department of Homeland Security – Disaster Grants – Public Assistance (Presidentially Declared Disasters) in the amount of \$1,629,059.

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**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors of the  
Santa Clara Valley Water District, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2019. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

he results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maze + Associates*

Pleasant Hill, California  
December 16, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors of the  
Santa Clara Valley Water District, California

***Report on Compliance for Each Major Federal Program***

We have audited Santa Clara Valley Water District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of the District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 16, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Maze + Associates*

Pleasant Hill, California  
May 27, 2020

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# Santa Clara Valley Water District

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**File No.:** 20-0645

**Agenda Date:** 8/19/2020

**Item No.:** 5.6.

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## COMMITTEE AGENDA MEMORANDUM

### Board Audit Committee

**SUBJECT:**

Receive a Response to the Board Audit Committee's Inquiries Regarding the Real Estate Services Audit Report Findings.

**RECOMMENDATION:**

Receive a response to the Board Audit Committee's inquiries regarding the Real Estate Services Audit Report Findings.

**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 May 23, 2017, the Board, approved an on-call consultant agreement with TAP International, Inc. (TAP) for Board independent auditing services.

On September 26, 2018, TAP presented the final Risk Assessment Model to the BAC assessing operational risks to the Santa Clara Valley Water District ("Valley Water"). The Risk Assessment Model developed heat maps of Valley Water operational areas based on risk impact (low, moderate, and high risk). The results of the risk assessment include input from Valley Water's Board of Directors, management, and staff and would be used to assist in the development of an Annual Audit Work Plan. The highest risk areas include procurement, contract change order management, succession planning, and fraud prevention.

On February 26, 2019, the Board approved the recommendation by the BAC for TAP to conduct three performance audits recommended by the BAC. The three audits include performance audits of the District Counsel's office, Construction Contract Change Order management processes, and Real Estate services.

An amendment to the Board independent auditing services agreement was initiated to increase the not-to-exceed amount from \$405,000 to \$1,005,000 to complete all three proposed audits and approximately three additional future audits. On June 7, 2019, the amendment was completed, therefore, TAP initiated the performance audits of the District Counsel's office and Real Estate services.

On July 24, 2020, TAP issued the preliminary draft of the real estate services audit report for formal comment. Management Response to the real estate services audit draft report will be submitted to

TAP within fifteen working days by August 14, 2020, for later discussion at the August 2020 BAC meeting.

At the July 15, 2020, BAC Meeting, the BAC requested staff to return to the BAC with the following information: (1) information regarding the difference between Real Estate being first contact instead of CPRU; (2) information regarding best practices as it relates to environmental assessments taking six months and if there is room for improvement; and (3) information regarding the frequency and extent of District Counsel's review throughout the real estate transaction process in an effort to increase efficiency. See Attachment 1.

**ATTACHMENTS:**

Attachment 1: BAC Request for RESU Information

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



## ADDITIONAL INFORMATION REQUESTED BY THE BAC

### **1. Information regarding the difference between Real Estate being first contact instead of CPRU:**

- A source of miscommunication are call-in inquiries from the general public. Real Estate Services Unit (RESU) frequently has calls forwarded to it by the receptionist staff that should really be directed to Community Projects Review Unit (CPRU), Wells, or Vegetation Management. RESU is planning to work with these units and the Business Support Unit to update their contact list to assure that each public inquiry is forwarded to the appropriate unit for a response.
- CPRU is the initial point of contact when an outside developer, individual or other agency wants to acquire or use a property right from Valley Water, such as an easement, fee, or temporary/encroachment permit.
- RESU is the initial point of contact when Valley Water wants to acquire a real property right from a private owner or other public agency, such as an easement, fee, or temporary permit.

As recommended in the audit report, RESU is planning to work with the Office of Communications to create a webpage site on valleywater.org to provide information to the public about the Real Estate Services Unit and the real estate acquisition process and property owner rights, including a FAQ page and related standard brochure, “When the Water District Buys Your Property”.

### **2. Information regarding best practices regarding environmental assessments taking six months or if there is room for improvement:**

- Valley Water’s Hazardous Substance Liability Assessments (HSLAs) or Environmental Site Assessments (ESA’s, known industry-wide) are conducted for all properties to be acquired by Valley Water through purchase, temporary and permanent easement, lease, gift, grant, or dedication, and for properties sold by Valley Water as “excess lands”. The Valley Water property transaction typically involves acquiring properties located along creeks and channels for purposes of ingress/egress and construction of water supply, flood protection, or stream stewardship.
- **Private versus Public Agency ESA/HSLA Requirements:** The ESA/HSLA requirements are the same for private entities and public agencies for commercial property transactions. Benchmarking: Local Bay Area Public Agencies that acquire real estate on a regular basis like Valley Water and conduct ESAs/HSLAs, include: Santa Clara Valley Transportation Authority, Santa Clara County Open Space Trust,

City and County of San Francisco, Port of San Francisco, City of Oakland, Port of Oakland, and City of San Jose.

- **Is Valley Water doing more than we need to?** No. HSLA waivers are performed on a case-by-case basis, where warranted, to minimize cost. An HSLA Waiver is recommended if a recent HSLA was performed by others, or where the property to be acquired is in a rural setting and presents limited potential for environmental concerns and financial liability for cleanup upon acquisition. Although HSLAs are recommended for all types of acquisitions (fee/title, temporary and permanent easement, lease, gift, grant, or dedication), the HSLA Waiver process is used on a case-by-case basis, to ensure that HSLAs are only performed where warranted to minimize cost.

**3. Information regarding the frequency and extent of District Counsel's review throughout the real estate transaction process to increase efficiency:**

- As recommended by the audit report, to increase service delivery timeliness of real estate agreements and documents through legal review, RESU is planning to request Legal Counsel staff to help create standard right of way agreement templates for the different types of right of way transactions, consistent with industry-wide best practices.
- Additionally, a monthly check-in meeting with RESU, CPRU and Legal Counsel staff will be implemented to go over outstanding requests and discuss current priority projects.
- To increase legal review and turn around efficiency, RESU will consider developing a request form and tracking mechanism for requesting legal review of real estate transactions. This system would help manage the number and types of requests coming in, assign a priority, and an automated list could be generated knowing how many real estate items are under review with an estimated completion date. The current process is simply an email to a Legal Counsel staff requesting review.