



Santa Clara Valley Water District Board Audit Committee Meeting

Via Zoom Teleconference

2:00 PM REGULAR MEETING AGENDA

Wednesday, June 16, 2021
2:00 PM

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
Richard P. Santos - District 3

During the COVID-19 restrictions, all public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available to the public through the legislative body agenda web page at the same time that the public records are distributed or made available to the legislative body, or through a link in the Zoom Chat Section during the respective meeting. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to participate in the legislative body's meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

DARIN TAYLOR
Committee Liaison

MAX OVERLAND
Assistant Deputy Clerk II
Office/Clerk of the Board
(408) 630-2749
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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
2:00 PM REGULAR MEETING
AGENDA**

Wednesday, June 16, 2021

2:00 PM

Via Zoom Teleconference

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" tool 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 <https://emma.msrb.org/> and <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>, respectively.

Under the Brown Act, members of the public are not required to provide identifying information in order to attend public meetings. Through the link below, the Zoom webinar program requests entry of a name and email address, and Valley Water is unable to modify this requirement. Members of the public not wishing to provide such identifying information are encouraged to enter "Anonymous" or some other reference under name and to enter a fictional email address (e.g., attendee@valleywater.org) in lieu of their actual address. Inputting such values will not impact your ability to access the meeting through Zoom.

Join Zoom Meeting:

<https://valleywater.zoom.us/j/91608079873>

Meeting ID: 916 0807 9873

Join by Phone:

1 (669) 900-9128, 91608079873#

1. CALL TO ORDER:

1.1. Roll Call.

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

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

3. APPROVAL OF MINUTES:

3.1. Approval of Minutes.

[21-0667](#)

Recommendation: Approve the minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 052621 BAC Comm Mins](#)

Est. Staff Time: 5 Minutes

4. ACTION ITEMS:

- 4.1. Discuss Options for 2021 Annual Audit Training and Select a Topic for Training. [21-0660](#)
Recommendation: A. Discuss Options for 2021 Annual Audit Training, and
B. Select a Topic for Training.
Manager: Darin Taylor, 408-630-3068
Est. Staff Time: 5 Minutes
- 4.2. Review and Discuss the 2021 Board Audit Committee Work Plan. [21-0634](#)
Recommendation: Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: 2021 BAC Work Plan](#)
Est. Staff Time: 5 Minutes
- 4.3. Discuss and Approve any Updates to the Annual Audit Work Plan. [21-0635](#)
Recommendation: Discuss and approve any updates to recommend to the Board, if necessary.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Annual Audit Work Plan](#)
Est. Staff Time: 5 Minutes

5. INFORMATION ITEMS:

- 5.1. Receive an Update on the Status of the Pacheco Reservoir Expansion Fact-Finding Investigation. [21-0637](#)
Recommendation: Receive an update on the status of the Pacheco Reservoir Expansion fact-finding investigation.
Manager: Darin Taylor, 408-630-3068
Est. Staff Time: 10 Minutes
- 5.2. Receive an Update on the 2021 Risk Assessment. [21-0638](#)
Recommendation: Receive an update on the 2021 Risk Assessment.
Manager: Darin Taylor, 408-630-3068
Est. Staff Time: 5 Minutes

5.3. Discuss the Fiscal Year 2020-21 Financial Audit.

[21-0668](#)

Recommendation: Receive and discuss information regarding the Statement of Auditing Standards (SAS) 114 as it relates to the upcoming Fiscal Year 2020-21 financial audit, presented by Maze and Associates.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Statement of Auditing Standards Discussion](#)

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 July 21, 2021, 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

File No.: 21-0667

Agenda Date: 6/16/2021
Item No.: 3.1.

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: 052621 Rescheduled BAC Minutes

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

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BOARD AUDIT COMMITTEE MEETING

MINUTES

**RESCHEDULED REGULAR MEETING
WEDNESDAY, MAY 26, 2021
2:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A Rescheduled 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 2:00 p.m.

1.1 Roll Call.

Committee members in attendance were District 2 Director Barbara Keegan, Chairperson presiding. Committee member participating by teleconference was District 7 Director Gary Kremen, constituting a quorum of the Committee.

District 3 Director Richard P. Santos arrived as noted below.

Director Linda LeZotte attended via teleconference.

Staff in attendance were M. Overland. Staff members participating by teleconference were R. Blank, U. Chatwani, M. Cook, E. De Anda, A. Fraumeni, B. Hopper, A. Mendiola, D. Taylor, K. Wong, S. Tippets, S. Tran, P. Trieu, D. Wickman, and T. Yoke.

Also, in attendance by teleconference were Ms. Denise Callahan, and Ms. Kate Kousser, TAP International, Inc. (TAP); and Mr. David Alvey, Maze and Associates.

2. PUBLIC COMMENT:

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

Chairperson Keegan declared time open for public comment on any Item not on the agenda. There was no one who wished to speak.

3. APPROVAL OF MINUTES:

3.1 Approval of Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the April 2, 2021 Special Committee meeting and the April 26, 2021, Rescheduled Regular Committee meeting. It was moved by Director Kremen, seconded by Chairperson Keegan, and unanimously carried that the minutes be approved.

District 3 Director Richard P. Santos arrived.

4. INFORMATION ITEMS:

4.1 Receive and Discuss the Permitting Best Practices Audit Final Report and Management Response; and Approve the Permitting Best Practices Audit Final Report for Presentation to the Full Board.

Recommendation: A. Receive and discuss the Permitting Best Practices Audit Final Report and Management Response; and
B. Approve the Permitting Best Practices Audit Final Report and direct staff and TAP International, Inc. to present to the full Board at a future Board meeting.

Ms. Kate Kousser, TAP International, Inc. (TAP), 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, and requested the following information:

- Management response satisfies the recommendations;
- Add a follow-up audit in 2023 to assess the status of recommendation implementation;
- The Committee is concerned about data silos perpetuated by separate systems (data integration)
- Mr. Michael Cook, Deputy Administrative Officer, addressed the Committee's concerns by:
 - Information Technology (IT) collaborating with CPRU to address Recommendation No. 6, Attachment 1, Page 8; and
 - IT to return to a future Committee meeting to update the Committee when software solutions, which Valley Water already possesses, are identified that satisfy Recommendation No. 6, Attachment 1, Page 8.

It was moved by Director Kremen and seconded by Director Santos, and unanimously carried that the Committee recommended that before any procurement decision is made that the design or integration to our ticket management, CRM, and invoicing and payment ERP system is brought forward to the full board for consideration; and that the Committee approved the

Permitting Best Practices Audit Final Report and directed staff and TAP International, Inc. to present to the full Board at a future Board meeting.

4.2 Receive an Update on the Status of the On-call Management Services Agreement Request for Proposal and Provide Input as Needed.

- Recommendation:
- A. Receive an update on the status of the On-call Management Services Agreement Request for Proposal;
 - B. Approve moving into the negotiation phase of the procurement with the goal of adding 2 On-Call Auditors to complement the Chief Audit Executive; and
 - C. Provide further input as needed.

Mr. Darin Taylor, Chief Financial Officer, reviewed the information on this item, per the attached Committee Agenda Memorandum.

The Committee noted the information, and noted the following:

- The Committee noted that all three (3) firms have experience with agencies that are similar to Valley Water.

It was moved by Director Santos and seconded by Director Kremen, and unanimously carried that staff proceed into the negotiation phase of the procurement with the goal of adding 2 On-Call Auditors to complement the Chief Audit Executive.

4.3 Receive an update on the Status of the Board Audit consultant Services Agreement Request for Proposal and Select a Committee Member to Sit on the Evaluation Committee.

- Recommendation:
- A. Receive an update on the status of the Board Audit Consultant Services Agreement Request for Proposal; and
 - B. Select a Committee member to sit on the Evaluation Committee.

The Committee considered this item without a staff presentation.

It was moved by Director Kremen and seconded by Director Santos and unanimously carried that Committee Chairperson Keegan sit on the Evaluation Committee.

4.4 Review and Discuss the 2021 Board Audit Committee Work Plan.

- Recommendation: Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustment to the BAC Work Plan.

Mr. Taylor 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:

- Staff to add to the BAC Work Plan a Committee Mid-Year Self Evaluation at the August Committee meeting;
- Staff to have Maze and Associates present to the Committee a Fiscal year 2021 Audit at the June Committee meeting;
- Staff add the Contract Change Order Status to the June Committee meeting; and
- Staff add an update to the Work Plan regarding Grants Audit recommendations.

4.5 Discuss and Approve any Updates to the Annual Audit Work Plan.

Recommendation: Discuss and approve any updates to recommend to the Board, if necessary.

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

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

- The Committee has not selected the next audit to be conducted by the Board's auditor;
 - TAP is currently conducting the Risk Assessment that will result in the creation of the next Board Audit Committee Annual Audit Work Plan;
 - TAP's current agreement will expire after the Risk Assessment is completed; and
 - No changes were recommended by TAP to the Annual Audit Work Plan.

5. INFORMATION:

5.1 Receive an Update on the Status of the Pacheco Reservoir Expansion Audit.

Recommendation: Receive an update on the status of the Pacheco Reservoir Expansion audit.

Mr. Brian Hopper, Senior Assistant District Counsel, reviewed the information on this item, per the attached Board Agenda Memorandum, and per the information contained in Attachment 1.

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

- Legal Counsel clarified that this effort is not an "audit" and that this effort moving forward is a "fact-finding" investigation;
- Jackson Lewis is the firm that is performing this fact-finding investigation;

- Expected feedback is to shed light on what was known and when; and
- Staff estimates that Jackson Lewis will provide their findings to the Committee at the June, 2021 Committee meeting.

5.2 Fiscal year 2020-21 Third Quarter Financial Status Update.

Recommendation: Receive the Fiscal year 2020-21 third quarter financial status update as of March 31, 2021.

Mr. Enrique De Anda, Budget Manager, reviewed the information on this item, per the attached Board Agenda Memorandum, and per the information contained in Attachment 1.

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

- The Committee raised concerns about the reimbursements pending for Capital projects;
- The Committee requested that staff provide a more detailed breakdown of the finances in the next report; and
- The Committee requested that staff provide an analysis on Valley Water liabilities.

5.3 Receive an Update on the 2021 Risk Assessment.

Recommendation: Receive an update on the 2021 Risk Assessment.

Ms. Callahan reviewed the information on this item, per the attached Board Agenda Memorandum, and per the information contained in Attachment 1.

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

- There are two (2) phases to the Risk Assessment;
 - Phase 1 is a survey of contacts to identify risks;
 - Phase 2 is the analysis of the identified risks;
- TAP suggested excluding the group of non-elected committee members due to privacy protocols;
 - The Committee Chair will work with the Clerk of the Board to determine if there is a workaround in order to include the non-elected committee members; and
- TAP is to confirm that the list of State and Federal Partners is complete.

6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:

6.1 Clerk Review and Clarification of Committee Requests.

None.

7. ADJOURN:

- 7.1 Adjourn to Regular Meeting at 2:00 p.m., on June 16, 2021, 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.

Chairperson Keegan adjourned the meeting at 3:00 p.m., to the 2:00 p.m. Regular Meeting on June 16, 2021, 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



Santa Clara Valley Water District

File No.: 21-0660

Agenda Date: 6/16/2021
Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Discuss Options for 2021 Annual Audit Training and Select a Topic for Training.

RECOMMENDATION:

- A. Discuss Options for 2021 Annual Audit Training, and
- B. Select a Topic for Training.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

Per Article 9, paragraph 3 of the BAC Audit Charter, the Board Independent Auditor shall provide the Committee with annual training related to Audit Principles, Practices, or Standards.

The purpose of this item is to discuss options for the 2021 Annual Audit Training to be provided by the Board Independent Auditor (Note that the 2020 Annual Audit Training was provided on April 2, 2021 instead of during calendar year 2020 due to the Pandemic). Audit Training may include training on auditing standards, the audit process, and financial statement audits. Options for consideration are as follows:

- Financial Reporting for Public Agencies
- Grants Management Administration Requirements
- Capital Project Budgeting Best Practices

ATTACHMENTS:

None

File No.: 21-0660

Agenda Date: 6/16/2021
Item No.: 4.1.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 21-0634

Agenda Date: 6/16/2021
Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Review and Discuss the 2021 Board Audit Committee Work Plan.

RECOMMENDATION:

Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the 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 April 26, 2021 BAC meeting, no additional items were added to the work plan.

At the May 26, 2021 BAC meeting, the committee approved the inclusion of a mid-year Self-evaluation discussion in the August timeframe to discuss progress toward the opportunities for improvement noted during the annual self-evaluation exercise. The committee also requested staff bring back a status update of the Grant Audit Recommendation implementation at the earliest opportunity, the specific BAC meeting is yet to be determined.

Attachment 1 is the updated 2021 Board Audit Committee Work Plan. Upon review, the Committee may approve the updated 2021 Board Audit Committee Work Plan and/or make changes, as determined by the Committee.

ATTACHMENTS:

Attachment 1: 2021 BAC Work Plan

File No.: 21-0634

Agenda Date: 6/16/2021
Item No.: 4.2.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
Board Audit Committee Meeting Dates														
	Number of Agenda Items per Meeting Date	11	11	5	5	8	3	4	6	4	2	5	3	<u>Note:</u> For informational purposes only.
	Meeting Dates	•	•	•	•	•	•	•	•	•	•	•	•	<u>Note:</u> The BAC approved a regular meeting schedule for 2021, to meet monthly, on the third Wednesdays at 2:00 p.m.
Board Audit Committee Management														
1	Election of 2021 BAC Chair and Vice Chair		•											<u>Recommendation:</u> Nominate and elect the 2021 Board Audit Committee Chair and Vice Chair.
2	Board Audit Committee Audit Charter													<u>Recommendation:</u> Propose modifications to the Board Audit Committee Audit Charter to be presented to the full Board.
3	Review and Update 2021 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 2021 Board Audit Committee Work Plan.
4	Discuss Scope of Annual Audit Training from Board Independent Auditor		•											<u>Recommendation:</u> Discuss scope of Annual Audit Training from Board Independent Auditor.
5	Receive Annual Audit Training from Board Independent Auditor				See Note									<u>Recommendation:</u> Receive Annual Audit Training from Board Independent Auditor. <u>Note:</u> Training was conducted at Special BAC meeting on 4/2/2021
6	Conduct Annual Self-Evaluation	•	•	•					•					<u>Recommendation:</u> A. Conduct Annual Self-Evaluation; and B. Prepare Formal Report to provide to the full Board.
7	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.
8	Discuss Extension or Termination of Board Independent Auditor Contract for Board Independent Auditing Services Prior to Expiration of the Agreement Effective June 30, 2021.													<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 June 30, 2021; 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.
9	Chief Board Auditor - Request for Proposal: Review Panel					•								<u>Note:</u> Review Panel for the role of the Chief Board Auditor will be the BAC members

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BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
10	Tri-annual Risk Assessment		•		•	•				•				<p><u>Recommendation:</u> Discuss the scope of work for the 2021 Risk Assessment.</p> <p><u>Note:</u> Next Risk Assessment scheduled to be completed by September 2021. Risk Assessment scope was discussed at Special BAC meeting on 2/26/2021.</p>
Board Audit Committee Special Requests														
11	External Financial Auditor Meeting with Individual Board members							•						<p><u>Note:</u> Schedule as needed.</p>
12	Provide status report to full Board quarterly													<p><u>Note:</u> Report to be provided to Board in non-agenda the month after each BAC meeting.</p>
13	Discuss the Scope and Approach of the Ad-hoc Desk Reviews													<p><u>Recommendation:</u> Discuss the scope and approach of the ad-hoc Desk Reviews.</p>
14	Receive and Discuss Financial Analysis Regarding the Board Independent Auditing Services Contract		•											<p><u>Recommendation:</u> Receive and discuss Financial Analysis regarding the Board Independent Auditing Services Contract with TAP International, Inc.</p>
15	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>
16	Risk Management Organization	•												<p><u>Note:</u> At the Dec '20 BAC meeting, the BAC requested this item to be brought forth at the 1/13/2021 Committee meeting.</p> <p><u>Recommendation:</u> Review and discuss Risk Management Organization.</p>
17	Valley Water Policies Related to Financial Auditor Responsibility	•												<p><u>Note:</u> At the Dec '20 BAC meeting, the BAC requested this item to be brought forth at the 1/13/2021 Committee meeting.</p> <p><u>Recommendation:</u> Review and discuss Valley Water Policies Related to Financial Auditor Responsibility.</p>
18	Financial Auditor Selection Parameters	•												<p><u>Note:</u> Board transferred this item to the BPPC at the 2/9/2021 Board meeting</p>
Management and Third Party Audits														
19	Review Draft Audited Financial Statements	•										•		<p><u>Recommendation:</u> A. Review draft Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021; and B. Direct staff to have Financial Auditor to contact Board Members and present, if necessary.</p>
20	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>
21	Receive QEMS Annual Internal Audit Report								•					<p><u>Recommendation:</u> Receive information regarding the Quality and Environmental Management System.</p>

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BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
22	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>	
23	Review Contract Change Order Audit Report						•					•	<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>	
24	Audit Recommendations Implementation Status	•											•	<p><u>Note:</u> Staff periodic update.</p> <p><u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.</p>
Board Independent Auditor - TAP International, Inc. Items														
25	Review and Update Annual Audit Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	<p><u>Recommendation:</u> Discuss the Annual Audit Work Plan and update, if necessary.</p>
Audit - Grants Management														
26	Receive notification of initiated Grants Management Audit													<p><u>Note:</u> Audit Objectives - Performance audit of the efficiency and effectiveness of grant management and administration.</p>
27	Review Grants Management Audit Progress Report													<p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p>
28	Review Grants Management Audit Draft Report Presentation	•												<p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p>
29	Review Response to Grants Management Audit Final Draft Report		•											<p><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.</p>
Audit - Permitting Best Practices														
30	Receive notification of initiated Permitting Best Practices Audit													<p><u>Note:</u> Audit Objectives - How does Valley Water's permitting process compare with other agencies? Can alternative permit processing activities benefit Valley Water?</p>
31	Review Permitting Best Practices Audit Progress Report	•	•	•										<p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p>
32	Review Permitting Best Practices Audit Draft Report Presentation				•									<p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p>
33	Review Response to Permitting Best Practices Audit Final Draft Report					•								<p><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.</p>
Audit - Pacheco Reservoir Expansion														
34	Receive notification of initiated Pacheco Project Audit			•					•					<p><u>Note:</u> Audit Objectives - Determine how and why the initial Project Scope & Cost evolved and increased over time?</p>

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 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
35	Review Pacheco Project Audit Progress Report				•	•							<u>Recommendation:</u> Receive an update on the status of the on-going audit.	
36	Review Pacheco Project Audit Draft Report Presentation												<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.	
37	Review Response to Pacheco Project 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)														
38	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?	
39	Review Construction Project Management Audit Progress Report												<u>Recommendation:</u> Receive an update on the status of the on-going audit.	
40	Review Construction Project Management Audit Draft Report Presentation												<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.	
41	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.	
Audit - Supervisory Control and Data Acquisition (Tentative)														
42	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?	
43	Review Supervisory Control and Data Acquisition Audit Progress Report												<u>Recommendation:</u> Receive an update on the status of the on-going audit.	
44	Review Supervisory Control and Data Acquisition Audit Draft Report Presentation												<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.	
45	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.	
Audit - Risk Management (Tentative)														
46	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).	
47	Review Risk Management Audit Progress Report												<u>Recommendation:</u> Receive an update on the status of the on-going audit.	
48	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 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
49	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.
Audit - Billing and Collections (Tentative)														
50	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?
51	Review Billing and Collections Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
52	Review Billing and Collections Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
53	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.
Audit - Accountability (Tentative)														
54	Receive notification of initiated Accountability Audit													<u>Note:</u> Audit Objectives - Are there opportunities to enhance safe clean water audits?
55	Review Accountability Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
56	Review Accountability Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
57	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.
Audit - Community Engagement (Tentative)														
58	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? What are the best practices in planning and facilitating community engagement?
59	Review Community Engagement Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
60	Review Community Engagement Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
61	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.
Audit - Property Management (Tentative)														

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BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
62	Receive notification of initiated Property Management Audit													Note: Audit Objectives - Is Valley Water implementing encroachment licensing program consistent with the Board's guiding principles?
63	Review Property Management Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
64	Review Property Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
65	Review Response to Property 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.
Audit - Homelessness Analysis (Tentative)														
66	Receive notification of initiated Homelessness Analysis Audit													<u>Note:</u> Audit Objectives - How can Valley Water enhance its homelessness encampment clean-up activities that protect health and safety?
67	Review Homelessness Analysis Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
68	Review Homelessness Analysis Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
69	Review Response to Homelessness Analysis 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 - Classified Information (Tentative)														
70	Receive notification of initiated Classified Information Audit													<u>Note:</u> Audit Objectives - To what extent does Valley Water's Counsel's Office appropriately classify confidential information?
71	Review Classified Information Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
72	Review Classified Information Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
73	Review Response to Classified Information 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 - Local Workforce Hiring (Tentative)														
74	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?
75	Review Local Workforce Hiring Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
76	Review Local Workforce Hiring 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 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
77	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.
Audit - Equipment Maintenance (Tentative)														
78	Receive notification of initiated Equipment Maintenance Audit													Note: Audit Objectives - Is Valley Water adequately meeting the needs of equipment maintenance?
79	Review Equipment Maintenance Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
80	Review Equipment Maintenance Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
81	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.
Audit - Delta Conveyance (Tentative)														
82	Receive notification of initiated Delta Conveyance Audit													Note: Audit Objectives - What potential financial risks could occur on the California Water Fix project?
83	Review Delta Conveyance Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
84	Review Delta Conveyance Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
85	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.
BAC Work Plan Items Outside of the Current Term														
86	BAC Self-Evaluation Report													Note: Per the February 19, 2020 BAC meeting, the 2019 BAC Self-Evaluation form is to be completed and a formal report provided to the full Board at a future meeting. At the January 13, 2021 BAC meeting, the 2020 BAC Self-Evaluation form is to be completed by the Committee and a formal report provided to the full Board at a future meeting.
87	Sponsorship Program													<u>Recommendation:</u> Discuss the potential for a desk review or audit of the Sponsorship Program. <u>Note:</u> Board chose not to do a desk review or audit at the 1/12/2021 meeting.
88	Establishment of Additional Board Auditors					•				•				<u>Recommendation:</u> Discuss the potential master services agreement to recommend to the full Board for the establishment of additional Board Auditors.
89	Participate in financial statement audit procurement process													Note: Next procurement scheduled for January 2022.

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BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
90	Financial Audit - Quarterly Update					•			•		•		<u>Note:</u> suggested frequency is as follows: February for mid-year review; May for Q3 review; September for unaudited close; November for Q1 review	

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Santa Clara Valley Water District

File No.: 21-0635

Agenda Date: 6/16/2021
Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Discuss and Approve any Updates to the Annual Audit Work Plan.

RECOMMENDATION:

Discuss and approve any updates to recommend to the Board, if necessary.

SUMMARY:

On January 12, 2021 the Board recommended that an audit be performed to determine the timeline associated with cost increases for the Pacheco Reservoir Expansion Project. Accordingly, at its February 17, 2021 meeting, the Board Audit Committee (BAC) added an Ad Hoc Board Audit to the Annual Audit Work Plan.

On April 26, 2021 the BAC did not identify any changes to the Annual Audit Work Plan. During the meeting Legal Counsel advised the committee that Jackson Lewis L.L.C. has been identified as the firm to conduct fact-finding for the cost increases associated with the Pacheco Reservoir Expansion project.

On May 26, 2021 the BAC did not identify any changes to the Annual Audit Work Plan.

The BAC is requested to identify any potential changes to the Annual Audit Work Plan (Attachment 1) to recommend to the Board for approval.

ATTACHMENTS:

Attachment 1: Annual Audit Work Plan

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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

DRAFT AUDIT WORK PLAN – MAY 5, 2021

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
Board of Director/Audit Committee Requests for Information	Ongoing. Should the Board of Directors request information on activities implemented by other public agencies or on other matters of interests applicable to enhancing the efficiency and effectiveness of operations, the independent auditor will collect and summarize information.	80
Audit Training	Annual. The Board Audit Committee Charter describes a requirement to provide audit training to BAC committee members at least annually.	2
Support services	Ongoing. 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
QEMS – Independent Auditor	Ongoing. Provide services to ensure proper oversight and accountability.	As needed
Management reviews	Ongoing. 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.

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

FY 2019-20

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

ID	Audit Name	Audit Objectives	Planned Hours	Factors Considered
	Ad-hoc Board Audits	TBD	500-800	Relevance
	Audit Follow up	Review and monitor the status of audit recommendations	120	Relevance
	Sub Total		620-800	
13	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
2	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
7	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

4	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
3	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
11	Accountability audit	Are there opportunities to enhance safe clean water audits?	115-171	Health and Safety Relevance Improvement
Sub Total	5		1,800-2,317	

*The SCADA audit (ID 2) will be deferred and reconsidered during the next Risk Assessment given the master planning efforts underway for Valley Water's SCADA systems.

FY 2020-21

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

ID	Audit Name	Audit Objectives	Planned Hours	Factors Considered
	Ad-hoc Board Audits**	TBD	500-800	Relevance
	Audit Follow up	Review and monitor the status of audit recommendations	120	Relevance
	Subtotal		620-800	
	<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>
Ad Hoc Board Audit	Pacheco Reservoir Expansion (Lessons Learned)	(1) Develop a timeline of project costs (including contract change orders and professional services agreement amendments) and identify the types of expenses incurred.	220-270	Financial, Operational, and best practices improvements

		(2) Identify key drivers for project cost increases that were within and outside of VW's control. (3) Identify lessons learned in the planning, design and construction phases of the project.		
21	Community engagement	Can Valley Water benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities? What are the best practices in planning and facilitating community engagement?	417-543	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
20	Homelessness analysis	How can the Valley Water enhance its homelessness encampment clean-up activities that <u>protect health and safety</u> ?	290-371	Health and Safety Relevance Financial Operational
8	Classified information***	To what extent does the Valley Water's Counsel's office appropriately classify confidential information?	143-200	Relevance Operational
26	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
27	Equipment maintenance	Is Valley Water adequately meeting the needs of equipment maintenance?	143-229	Health and safety Operational Financial
33	Water Fix	What potential financial risks could occur on the California Water Fix project?	160-286	Financial Relevance
Sub Total	9		1,973-2,528	

**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 #	
Treated Water O&M DOO: TW Survey (customer service w/ WS DOO)	#515
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
Water Utility Capital Division	
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
Dam Safety & Capital Delivery Division	
CADD Services Unit	#366
Dam Safety Program & Project Delivery Unit	#595
Design and Construction Unit #3	#333
Pacheco Project Delivery Unit	#377
Water Supply Division DOO: TW Survey (customer service w/ TW O&M DOO)	#415
Wells & Water Measurement Unit	#475
Watersheds Design and Construction Division	
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
Associated Business Support Areas	
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



Santa Clara Valley Water District

File No.: 21-0637

Agenda Date: 6/16/2021
Item No.: 5.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Receive an Update on the Status of the Pacheco Reservoir Expansion Fact-Finding Investigation.

RECOMMENDATION:

Receive an update on the status of the Pacheco Reservoir Expansion fact-finding investigation.

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.

At its February 17, 2021 meeting, based on direction from the full Board, the BAC approved an update to the BAC Work Plan to include an audit of the Pacheco Reservoir Expansion Project, specifically to understand the timeline associated with cost increases during the exploratory phase of the effort. At its March 17, 2021 meeting, the BAC expressed a preference that the review be conducted by legal firm instead of an audit firm.

At the May 26, 2021 meeting, Legal counsel clarified that the effort being conducted is a “fact-finding investigation” not to be confused with an “audit.” Legal counsel will provide a verbal report regarding the status of the fact-finding investigation.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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Santa Clara Valley Water District

File No.: 21-0638

Agenda Date: 6/16/2021

Item No.: 5.2.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Receive an Update on the 2021 Risk Assessment.

RECOMMENDATION:

Receive an update on the 2021 Risk Assessment.

SUMMARY:

Per the Board Audit Committee (BAC) Audit Charter, Article 3, Section 7, Sub-paragraph 7.4, Risk Assessment, the Committee shall endeavor to complete a Valley Water-wide risk assessment, at a minimum, tri-annually and to annually update Valley Water-wide audit risk assessment to include objectively recommended audits ranked based upon the potential level of risk to Valley Water. The results of this Valley Water-wide audit risk assessment should be relied upon to develop the proposed Annual Audit Work Plan. The next Tri-annual Risk Assessment is due to be completed by October 2021.

At its January 26, 2021 meeting, the Board of Directors (Board) approved a recommendation from the BAC to have the Board's Independent Auditor, TAP International, Inc., conduct the 2021 Risk Assessment.

At its March 9, 2021 meeting, the Board approved the Scope of Work for the 2021 Risk Assessment. The scope of work includes a survey of multiple stakeholders to identify risks from their perspective as part of the initial audit planning assessment. The Board and BAC will then determine which risk factors are to be included in the final audit planning assessment at a later date.

At its May 26, 2021 meeting, staff informed the BAC that the State and Federal partnership contact details are still outstanding. Subsequently, the details were provided on Monday, June 7, 2021. TAP Int'l confirmed receipt and has initiated the survey outreach effort.

Following initiation of the risk assessment, the Committee shall discuss the status of the on-going risk assessment progress until the risk assessment is completed.

File No.: 21-0638

Agenda Date: 6/16/2021
Item No.: 5.2.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 21-0668

Agenda Date: 6/16/2021
Item No.: 5.3.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Discuss the Fiscal Year 2020-21 Financial Audit.

RECOMMENDATION:

Receive and discuss information regarding the Statement of Auditing Standards (SAS) 114 as it relates to the upcoming Fiscal Year 2020-21 financial audit, presented by Maze and Associates.

SUMMARY:

At the May 28, 2019, Board meeting, the Board of Directors approved the agreement with Maze and Associates for financial audit services for Fiscal Years 2018-19, 2019-20, and 2020-21.

Maze and Associates will provide an overview of the financial audit process for Fiscal Year 2020-21. Attachment 1 is the Statement of Auditing Standards Discussion, which covers Audit Timing, Scope, and Management Representations.

ATTACHMENTS:

Attachment 1: Statement of Auditing Standards Discussions

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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**SANTA CLARA VALLEY WATER DISTRICT
STATEMENT OF AUDITING STANDARDS DISCUSSION
For The Year Ended June 30, 2021**

Date of Meeting: TBD

Form of communication: Virtual Meeting

Audit Firm: Maze and Associates – Financial Statement Auditor

Purpose of meeting: Cover discussions related to fraud considerations as required by Statement of Auditing Standards (SAS) Statement 99 and 114.

The main purpose of this discussion is to **open up two-way communication between the auditors and those in charge of governance.**

SAS 114 – Audit Timing, Scope and Management Representation

Audit Timing

Interim phase fieldwork during the June 2021. The final phase fieldwork is scheduled for September 2021. The finalized drafts are scheduled to be presented at the December 2021 Board Meeting.

Audit Scope

Scope of work includes:

- Perform a risk assessment - brainstorm with team
- Create an audit plan tailored to the District
- Review and document our understanding of the District’s internal controls and segregation of duties. Here we have a focused attention on conflict of duties – employees with access to assets and related records used to control and account for those assets, and we test mitigating controls.
- Determine the most effective way to test significant audit areas and balances, usually by:

Interim Audit Phase

- Testing controls over key transaction cycles via sampling (such as disbursements, payroll and journal entries)
- Testing information system application controls
- Sending 3rd party confirmations when effective
- Testing accruals at year end

Final Audit Phase

- Analytical Review
- Testing accruals at year end
- Projections and forecasts
- Testing bank reconciliations
- Testing capital asset transactions

- Testing long-term debt transactions
- Reviewing actuarial studies utilized for Retirement Plans and OPEB
- Perform compliance tests
 - Certain Government code provisions applicable to cash and investments
 - Local policy compliance, typically:
 - Investment
 - Purchasing
 - Grants (Single Audits)
- Financial Statement preparation assistance
 - Staff has requested that we provide assistance with the preparation of financial statements and disclosures.
 - We are satisfied staff have the capability to perform this task themselves.

Management Representations

We will request representations from management that data and assertions provided are complete and accurate. We rely primarily on our audit verification tests and procedures; however, management assertions and judgment unavoidably affect financial data.

Roll of the Financial Statement Auditor

- Protect the public interest in the District
- Render an Audit Opinion on the financial statements at June 30, 2021
 - Free from material misstatement due to fraud or error

SAS 99 – Fraud Consideration

Fraud Considerations: Statement of Audit Standard (SAS) #99, *Consideration of Fraud in a Financial Statement Audit*. This Standard came out of the fall out of Enron/ WorldCom and other private sector frauds.

1. “Fraud” is defined as an intentional act that results in a *material misstatement in financial statements* that are subject to audit. In this case, fraud includes two concepts:
 - a. Fraudulent financial reporting:
 - i. Misstatement including misapplication of accounting principles, omission of data or disclosures, fictitious transactions or sham transactions
 - ii. Concealment
 - b. Misappropriations of assets:
 - i. Theft
 - ii. Concealment
 - iii. Conversion
2. SAS 99 requires an inquiry of client
 - a. Client officials to include:
 - i. Board Members
 - ii. Finance Staff
 - iii. Others outside Finance (optional)
 - b. Areas to be discussed:
 - i. Is management aware of known instances of fraud?
 - ii. Are there areas you believe are “Susceptible to Fraud”?
 - iii. Any known related party transactions?
 - iv. Do you doubt the integrity of any staff, especially finance staff, you have contact with?
 - c. Areas automatically deemed susceptible to fraud:
 - i. Improper revenue recognition
 - ii. Management override of Internal Control
3. SAS 99 also requires that we address our client’s “Fraud Risk Assessment and Monitoring Programs” (AKA internal controls plus)
 - a. Prevention techniques
 - b. Deterrence techniques
 - c. Detection techniques

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"We are in the business to help our clients succeed"

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