



Santa Clara Valley Water District Board Audit Committee Meeting

Video Conference Zoom Meeting.

1:00 PM CLOSED SESSION AND 2:00 PM REGULAR MEETING AGENDA

Wednesday, July 15, 2020
1:00 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
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
1:00 PM CLOSED SESSION AND
2:00 PM REGULAR MEETING AGENDA**

Wednesday, July 15, 2020

1:00 PM

Video Conference Zoom Meeting.

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 <https://emma.msrb.org/> and <https://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 CERTAIN:

1:00 PM

Notice to the Public: The Board Audit Committee (Committee) meets in Closed Session in accordance with the Ralph M. Brown Act. Following the conclusion of Closed Session discussion, the Committee will return for the remaining items on the regular meeting agenda.

2.1. CLOSED SESSION

[20-0338](#)

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.

2:00 PM

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

2.2. District Counsel Report on Closed Session.

2.3. 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. [20-0310](#)

Recommendation: Approve the minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 021920 BAC Minutes](#)

Est. Staff Time: 5 Minutes

4. ACTION ITEMS:

4.1. Receive an Update on the Status of the Grant Management Ad-hoc Desk Review. (Continued from February 19, 2020). [20-0304](#)

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

Manager: Darin Taylor, 408-630-3068

Attachments: [*Handout 4.1-A, Trish Mulvey Comment](#)

Est. Staff Time: 5 Minutes

4.2. Discuss Independent Auditor Recommendations Regarding Hiring Practices Ad-hoc Desk Review. (Continued from February 19, 2020). [20-0305](#)

Recommendation: Discuss Independent Auditor Recommendations Regarding Hiring Practices Ad-hoc Desk Review.

Manager: Darin Taylor, 408-630-3068

Est. Staff Time: 5 Minutes

4.3. Discuss Potential Recommendation to Board to Authorize Release of Attorney-Client Privileged Documents to Board Independent Auditor. (Continued from February 19, 2020) [20-0317](#)

Recommendation: Discuss Potential Recommendation to Board to Authorize Release of Attorney-Client Privileged Documents to Board Independent Auditor.

Manager: Darin Taylor, 408-630-3068

Attachments: [*Handout 4.3-A, D. Muirhead Comments](#)

Est. Staff Time: 5 Minutes

- 4.4. Review and Approve the Updated 2020 Board Audit Committee Work Plan. [20-0259](#)
- 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: 2020 BAC Work Plan Rev 13](#)
- Est. Staff Time: 5 Minutes
-
- 4.5. Discuss the Options to Increase the Board Independent Auditing Services Agreement Not-To-Exceed Amount. [20-0303](#)
- 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 \$1,000,005 for the Board Independent Auditing Services Agreement with TAP International.
- Manager: Darin Taylor, 408-630-3068
- Est. Staff Time: 10 Minutes
-
- 4.6. Discuss and Approve for Issuance the Preliminary Draft of the Real Estate Services Audit Report for Formal Comment. [20-0308](#)
- Recommendation: A. Discuss the preliminary draft of the Real Estate Services Audit Report
 B. Approve for issuance the preliminary draft of the Real Estate Services Audit Report for formal comment.
- Manager: Darin Taylor, 408-630-3068
- Attachments: [Attachment 1: Preliminary Draft Real Estate Services Audit Report](#)
- Est. Staff Time: 30 Minutes

5. INFORMATION ITEMS:

- 5.1. Receive an Update on the Status of the District Counsel Audit. [20-0307](#)

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

- 5.2. Board Independent Auditor Annual Audit Work Plan - TAP International, Inc. [20-0309](#)

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 Rev 3](#)

Est. Staff Time: 5 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 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.

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Santa Clara Valley Water District

File No.: 20-0338

Agenda Date: 7/15/2020
Item No.: 2.1.

NON-EXHIBIT/CLOSED SESSION ITEM

SUBJECT:

CLOSED SESSION
THREAT TO PUBLIC SERVICES OR FACILITIES
Pursuant to Government Code Section 54957(a)
Consultation with Alex Gordon - Emergency and Security Manager;
Mike Cook - Deputy Admin. Officer, Information Technology Div.

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Santa Clara Valley Water District

File No.: 20-0310

Agenda Date: 7/15/2020
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: 021920 BAC Minutes

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

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BOARD AUDIT COMMITTEE MEETING

MINUTES

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

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the 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 Director L. LeZotte, District 7 Director G. Kremen, and District 2 Director B. Keegan, Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were A. Blackmon, A. Cooper, R. Fuller, C. Hakes, F. Hernandez, B. Hopper, N. Nguyen, A. Noriega, L. Orta, D. Taylor, and T. Yoke.

Also in attendance was D. Callahan, TAP International, Inc. (TAP).

2. TIME OPEN FOR 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 present 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 December 16, 2019, and January 22, 2020, meetings. It was moved by Director Keegan, seconded by Director Kremen, and unanimously carried that the minutes be approved.

Director LeZotte abstained because she was not a Committee member when the meetings took place.

4. ACTION ITEMS

4.1 Election of 2020 Board Audit Committee Vice Chair.

Recommendation: Nominate and elect the 2020 Board Audit Committee Vice Chair.

It was moved by Director LeZotte and seconded by Director Kremen, and unanimously carried that Director Kremen be the new Vice Chairperson.

4.2 Approve the Auditor Response to Final Draft Management Response for the Contract Change Order Audit for Presentation to the Full Board.

Recommendation: A. Receive and discuss the Auditor Response to the Final Draft Management Response to Draft Contract Change Order Audit Report; and
B. Approve the Final Draft Audit Report and Management Response for the Contract Change Order Audit and direct staff and TAP International, Inc. to present to the Full Board at a future Board meeting.

Ms. Denise Callahan, TAP International, Inc. (TAP) reviewed the information on the Item, per the attached Committee Agenda Memorandum.

The Committee noted the information and requested the follow:

- When staff brings this Item back to the Committee for review, the Committee requests that staff present the extent to which it is mitigating risk; and
- Staff to provide and update on the progress of implementing audit recommendations at a future Committee meeting.

It was moved by Director LeZotte and seconded by Director Kremen, and unanimously carried that the Committee approve Recommendation B.

4.3 Discuss the Options to Extend, Allow to Expire, or Terminate the Board Independent Auditing Services Agreement, with TAP International, Inc., Set to Expire Effective May 8, 2020.

Recommendation: A. Discuss options to extend, allow to expire, or terminate Board Independent Auditing Services Agreement 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:
i. Exercise option to extend Board Independent Auditing Services Agreement 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;
 - ii. Allow the expiration of the Board Independent Auditing Services Agreement with TAP International, Inc.; or
 - iii. Exercise option to terminate the Board Independent Auditing Services Agreement with TAP International, Inc. prior to the expiration date of May 8, 2020.

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

The Committee noted the information and requested the following:

- The Committee requested staff to move the start time of all future Committee meetings to 2:00 p.m.

It was moved by Director LeZotte and seconded by Director Kremen, and unanimously carried that the Committee approve a one year extension of the Board Independent Auditing Services Agreement with TAP International, Inc. with an expiration date of June 30, 2021; and the Committee to review the financial not-to-exceed amount at the March 18, 2020 Committee meeting.

4.4 Conduct Annual Self-Evaluation.

Recommendation: A. Conduct Annual Self-Evaluation; and
 B. Prepare Formal Report to provide to the full Board.

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 prepare the BAC Self-Evaluation Framework for Committee Chair review;
- Staff requested to complete the following edits to the BAC Self-Evaluation Framework form as contained in Attachment 1:
 - Page 1, No. 7, consider having a member of the public serve on the Committee in the future, and staff to review Committee members experience to ensure there is the appropriate skill set and diverse background for committee membership;
 - Page 1, No. 8, The Board Chair to have discretion regarding term lengths of Committee members, the Committee Chair to follow up with Board Chair regarding term lengths;
 - Page 1, No. 8, The Committee Chair to meet with Board Chair regarding Agenda posting requirements;
 - Page 2, No. 17, Change ~~“BAC reviews key decisions made by management that may impose material risk to Valley Water business areas”~~ to read “BAC refers to the Management

Response to determine if key decisions impose risk to Valley Water”;

- Page 3, No. 21, per staff there is revised language forthcoming; and
- The Self-Evaluation form to be completed and a formal report provided to the full Board at a future meeting.

4.5 Review and Approve the Updated 2020 Board Audit Committee (BAC) Work Plan.

- Recommendation:
- A. Review and discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan; and
 - B. Approve the updated 2020 Board Audit Committee 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 edit lines 18 and 20 to include but not limited to transparency issues.

5. INFORMATION ITEMS

5.1 Receive and Discuss Board Auditor Activity Report from TAP International, Inc. to Evaluate Board Auditor Performance. (Continued from January 22, 2020)

Recommendation: Receive and discuss Board Auditor Activity Report from TAP International, Inc. to evaluate Board Auditor performance.

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

The Committee noted the information without formal action.

5.2 Receive and Discuss Financial Analysis Regarding the Board Independent Auditing Services Contract with TAP International, Inc. (Continued from January 22, 2020)

Recommendation: Receive and discuss financial analysis regarding the Board Independent Auditing Services Contract with TAP International, Inc.

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

The Committee noted the information without formal action.

5.3 Board Independent Auditor Annual Audit Work Plan – TAP International, Inc.

Recommendation: Discuss the Annual Audit Work Plan and update, 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 requested the following:

- The Committee requested Audit ID 2 to be pushed out in the Annual Audit Work Plan.
- The Committee requested Audit ID 27 to be moved up in the cue in the Annual Audit Work Plan.

5.4 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 and requested the following:

- Ms. Callahan informed the Committee that the District Counsel's Final Audit Report may be ready to come to the Committee for review as early as mid-July.

5.5 Receive an Update on the Status of the Real Estate Audit.

Recommendation: Receive an update on the status of the on-going Real Estate Audit.

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

The Committee noted the information without formal action.

5.6 Receive an Update on the Status of the Grant Management Ad-hoc Desk Review.

Recommendation: Receive an update on the status of the on-going Grant Management 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:

- TAP recommended that the Committee consider outsourcing this Desk Review as a full audit;
- Committee Chair to meet with District Counsel regarding next steps; and
- The Committee continued this Item to the March 18, 2020 Committee meeting.

5.7 Receive an Update on the Status of the Hiring Practices Ad-hoc Desk Review.

Recommendation: Receive an update on the status of the on-going 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 concurred that a performance audit is not recommended now; and
- The Committee continued this Item to the March 18, 2020 Committee meeting.

5.8 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.

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 referred this to staff to perform a management review.

5.9 Discuss Potential Recommendation to Board to Authorize Release of Attorney-Client Privileged Documents to Board Independent Auditor.

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

The Committee continued this Item to the March 18, 2020 Committee meeting.

6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

6.1 Clerk Review and Clarification of Committee Requests.

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

7. ADJOURN

7.1 Adjourn to Regular Meeting at 2:00 p.m., on March 18, 2020, in the Santa Clara Valley Water District, Headquarters Board Conference Room A-124, 5700 Almaden Expressway, San Jose, California.

Chair Keegan adjourned the meeting at 4:30 p.m., to the 2:00 p.m. Regular Meeting on March 18, 2020, in the Santa Clara Valley Water District, Headquarters Board Conference Room A-124, 5700 Almaden Expressway, San Jose, California

Max Overland
Assistant Deputy Clerk II

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Santa Clara Valley Water District

File No.: 20-0304

Agenda Date: 7/15/2020

Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

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.

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 Grant Management ad-hoc desk review. The Board's Independent Auditor, TAP International, recommends that a subject matter expert auditor on the topic of grant management, conduct a formal audit. The purpose of this item is to facilitate BAC discussion on TAP's recommendation regarding the Grant Management ad-hoc desk review.

ATTACHMENTS:

*Handout 4.1-A, Trish Mulvey Comment

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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From: Trish Mulvey
To: [Max Overland](#); [Michele King](#); [Darin Taylor](#); [Clerk of the Board](#)
Cc: mulvey@ix.netcom.com
Subject: Comment for Board Audit Committee July 15, 2020, meeting rsupporting Grant Management Audit
Date: Monday, July 13, 2020 2:10:42 PM
Attachments: [TM_VW_BAC_071520 re Grant Management audit.docx](#)
[VW_BAC_021920 Grant Management Ad-hoc Desk Review by TAP.pdf](#)

Please provide the Board Audit Committee with the attached letter and TAP Desk Review findings for their consideration of Action Item 4.1 re a Grant Management Audit. I hope to ZOOM into the meeting in case there are any questions.

Thanks, trish

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TO: VW BAC: Hon. Barbara Keegan (Chair), Hon Gary Kremen, and Hon. Linda LeZotte
CC: Max Overland, Michele King, Darin Taylor and Interested Parties
FR: Trish Mulvey (650) 326-0252 or mulvey@ix.netcom.com
ON: July 13, 2020
RE: Support for Grant Management Ad-hoc Desk Review Recommendations (Action Item 4.1)

The attached TAP International Desk Review of Valley Water Grant Management that was presented at the February Audit Committee meeting noted:

“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.”*

It is clear from the Desk Review that such a performance audit is needed, and I would like to emphasize the importance of looking beyond a strictly financial audit to what is sometimes called an operational review. In particular, please include both:

- Sponsorships as well as grants in order to be inclusive, and
- Identification of potential factors affecting the high rate of staff turnover in what has become a revolving door of grant managers.

Additionally, I wanted you to know that recently I was discussing the following text from the CivicMakers “Discovery Summary” background information which was provided for the Board January 2020 Strategic Planning Retreat (page 12, my emphasis added) with a colleague who has more experience with the Valley Water grant program than I do:

“Implementing the Board Work Plan

How closely related to staff’s work are the major priorities of the current Board Work Plan?

- *Most of the priorities are substantially relevant to the work of staff, according to staff responses. However, few or no staff see the Environmental goals or strategies as substantially related to their work. Close to half see it as not related at all or only a little. This also goes for the advancing diversity and inclusion priority under the business management category.”*

My friend responded that in a recent conversation, a Valley Water Board member, was “...very concerned with that response from staff.” In addition, in regards to the three program areas of Valley Water - flood management, water supply, and environmental enhancement - my friend added: “I definitely feel there is a strong bias in funding, staffing, time and energy towards the first two and that the third has been left behind. Balance needs to be restored. The responses of staff captured in the Discovery Summary, as well as the recommendation for an audit of the grant programs, should send a clear signal that attention needs to be paid to the environmental component of the programs.”

Since understanding and embracing the Board’s Environmental goals and strategies are essential to successful grant stewardship, please support the proposed Grant Audit and ask that it be expedited so findings and recommendations are available as soon as possible.

Thank you for considering these suggestions.

Attachment



TAPInternational

Desk Review of Valley Water Grant Management

Draft 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.



Santa Clara Valley Water District

File No.: 20-0305

Agenda Date: 7/15/2020

Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

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

RECOMMENDATION:

Discuss Independent Auditor Recommendations Regarding Hiring Practices 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 Hiring Practices ad-hoc desk review. The Board's Independent Auditor, TAP International, does not recommend a performance audit on hiring practices at this time. The Committee is to receive an update on the status of the desk reviews until the desk reviews are complete. The Committee is to discuss TAP International's recommendations related to the risk management review of Valley Water hiring practices.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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Santa Clara Valley Water District

File No.: 20-0317

Agenda Date: 7/15/2020

Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

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.

SUMMARY:

Santa Clara Valley Water District (Valley Water) retained TAP International, Inc. (TAP International) to perform auditing services of the District Counsel Office as identified in the Annual Audit Work Plan and recommended by the Board Audit Committee as a result of the Risk Assessment Model. The Board approved an audit entitled "Classified Information" which is intended to evaluate to what extent does the District Counsel's Office appropriately classify confidential information. At the January 22, 2020 Board Audit Committee meeting, it was decided to separate the Classified Information audit from the ongoing District Counsel Office Review audit.

For the Classified Information audit, TAP International preliminarily indicated that it will want access to review the following information from the District Counsel's Office:

- (1) Closed Session Memos;
- (2) Quarterly District Counsel Status Reports; and
- (3) Confidential Non-Agenda Memos.

Since the full Board would need to approve the release records protected by the attorney-client privilege to consultant TAP International, the Committee can discuss whether it should recommend that the Board issue such an approval.

ATTACHMENTS:

*Handout 4.3-A, D. Muirhead Comments

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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From: D. Muirhead
To: [Max Overland](#)
Cc: [Clerk of the Board](#)
Subject: comment Audit Committee July 15 #4.3 Review Attorney-Client Privileged Documents
Date: Saturday, July 11, 2020 9:45:35 AM

Dear Water District Audit Committee,

A comment for your meeting on July 15 regarding
4.3. Discuss Potential Recommendation to Board to Authorize Release of
Attorney-Client Privileged Documents to Board Independent Auditor

I am in support of Releasing Attorney-Client Privileged Documents to the Board Independent Auditor. It has been two and one-half years since Director Kremen made the eminently reasonable request to review the use of Client Confidential status for memos used in Closed Session. District Administration responded to his request with 54 Closed Session Memos and 54 Confidential Memos for the period October 2015 to October 2017 as noted in the November 3-9, 2017 Chief Executive Officer Bulletin. We are now at July 15, 2020 with no action on this determination.

It is time for the Board and the public to know if information given to the Board is appropriately also made available to the public. The goal is to level the playing field between what the Board knows when considering an issue and what the public knows when attempting to also participate.

I define "transparency" as "If it can be known, it should be known."
I don't know what your definition is. This committee did sponsor the
TRANSPARENCY COMPLIANCE AUDIT AND BENCHMARKING REVIEW
FINAL REPORT November 2014
It reported that you complied with key transparency and accountability requirements mandated by applicable California Government regulations.

It also had this to say on the value of Transparency;
Transparency builds accountability both internally and externally.
In turn, increased accountability improves organizational performance.
The road to transparency is through public participation and collaboration.
Open access to information and public involvement in government decision-making facilitates public trust and promotes efficiency and effectiveness in government.

Thank you for your consideration. Doug Muirhead, Morgan Hill

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Santa Clara Valley Water District

File No.: 20-0259

Agenda Date: 7/15/2020

Item No.: 4.4.

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:

At the February 19, 2020, BAC meeting, under the direction of the Committee, the Hiring Practices Ad Hoc Desk Review was added as standing Item scheduled for each Committee meeting until completed, Line No. 16; Line No. 19, and Line No. 21 staff to include language that includes but isn't limited to transparency issues. (Attachment 1).

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 January 22, 2020, BAC meeting, under direction of the Committee, the 2020 Board Audit Committee Work Plan was updated to include additional line items such as the Audit Charter and Property Management Audit (Encroachment). The updated 2020 Board Audit Committee Work Plan is included in Attachment 1. Upon review, the Committee shall approve the updated 2020 Board Audit Committee Work Plan and 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	•	•					•	•	•	•	•	•	Note: 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.

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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	
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.		•										Recommendation: 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.	
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.	
Board Audit Committee Special Requests														
11	Discuss Potential Recommendation to Board to Authorize Release of Attorney-Client Privileged Documents to Board Independent Auditor		•					•					Recommendation: 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	•											Recommendation: Discuss the scope and approach of the ad-hoc Desk Reviews.	
15	Grant Management Ad-hoc Desk Review		•					•	•				Recommendation: Discuss the status of the on-going desk review.	
16	Hiring Practices Ad-hoc Desk Review		•					•					Recommendation: Discuss the status of the on-going desk review.	
17	Board Agenda Preparation Ad-hoc Desk Review		•										Recommendation: Discuss the status of the on-going desk review.	

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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	
18	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>
19	Valley Water Comprehensive Annual Financial Report Transparency and Policy Issues							•						<p><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.</p>
20	QEMS & ISO Overview and Continuous Improvement Methodology Benchmarking Analysis											•	•	<p>Note: At the Dec '19 BAC meeting, the BAC approved new PO for \$25K min for Tanner Pacific, Inc. to prepare QEMS Methodology Benchmarking Analysis. <u>Recommendation:</u> Review and discuss overview of QEMS Process Improvement post ISO de-certification, and Benchmarking Analysis for 2020.</p>
Management and Third Party Audits														
21	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>
22	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>
23	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 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	
24	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>Note: Staff CAS update every 6 months.</p> <p>Recommendation: Receive and discuss a status update on the implementation of the recommendations made by Navigant in the 2015 Consultant Contracts Management Process Audit and on the Consultant Contracts Improvement Process.</p>
25	Review Contract Change Order Audit Report													<p>Note: Staff periodic update.</p> <p>Recommendation: 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>
26	Status Update on the Lower Silver Creek Watershed Project Audit													<p>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.</p>
27	Status Update on the Annual Federal Single Audit of Federal Grants Audit													<p>Recommendation: 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>
28	Audit Recommendations Implementation Status													<p>Recommendation: Receive and discuss a status update on the implementation of audit recommendations.</p>
Board Independent Auditor - TAP International, Inc. Items														
29	Review and Update Annual Audit Work Plan	•	•					•	•	•	•	•	•	<p>Recommendation: Discuss the Annual Audit Work Plan and update, if necessary.</p>
Audit - Change Order														
30	Final Draft Management Response for the Contract Change Order Audit	•												<p>Recommendation: Discuss the Final Draft Management Response to Draft Contract Change Order Audit Report.</p>

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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	
31	Receive and Discuss Auditor Response to Final Draft Management Response for the Contract Change Order Audit		•											Recommendation: 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														
32	Review District Counsel Audit Progress Report	•	•					•						Recommendation: Receive an update on the status of the on-going audit.
33	Review District Counsel Audit Draft Report Presentation								•					Recommendation: Receive and discuss the Final Draft Audit Report.
34	Review Response to District Counsel 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 - Real Estate														
35	Review Real Estate Audit Progress Report	•	•											Recommendation: Receive an update on the status of the on-going audit.
36	Review Real Estate Audit Draft Report Presentation							•						Recommendation: Receive and discuss the Final Draft Audit Report.
37	Review Response to Real Estate 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 - 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													Recommendation: Receive an update on the status of the on-going audit.
40	Review Construction Project Management Audit Draft Report Presentation													Recommendation: 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	
41	Review Response to Construction Project 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 - Supervisory Control and Data Acquisition (Tentative)														
42	Receive notification of initiated Supervisory Control and Data Acquisition Audit													<p><u>Note:</u> Audit Objectives - Does Valley Water's Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?</p>
43	Review Supervisory Control and Data Acquisition Audit Progress Report													<p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p>
44	Review Supervisory Control and Data Acquisition Audit Draft Report Presentation													<p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p>
45	Review Response to Supervisory Control and Data Acquisition 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 (Tentative)														
46	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>
47	Review Permitting Best Practices Audit Progress Report													<p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p>
48	Review Permitting Best Practices Audit Draft Report Presentation													<p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p>
49	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 - Risk Management (Tentative)														
50	Receive notification of initiated Risk Management Audit													<p><u>Note:</u> Audit Objectives - Can risk management business processes be implemented more effectively? (i.e. contract claims, workers compensation, small claims).</p>
51	Review Risk Management Audit Progress Report													<p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p>

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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	
52	Review Risk Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
53	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)														
54	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?
55	Review Billing and Collections Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
56	Review Billing and Collections Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
57	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)														
58	Receive notification of initiated Accountability Audit													<u>Note:</u> Audit Objectives - Are there opportunities to enhance safe clean water audits?
59	Review Accountability Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
60	Review Accountability Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
61	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)														
62	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?

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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	
63	Review Community Engagement Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
64	Review Community Engagement Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
65	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)														
66	Receive notification of initiated Property Management Audit													<u>Note:</u> Audit Objectives - Is Valley Water implementing encroachment licensing program consistent with the Board's guiding principles?
67	Review Property Management Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
68	Review Property Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
69	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)														
70	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?
71	Review Homelessness Analysis Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
72	Review Homelessness Analysis Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
73	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)														

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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	
74	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?
75	Review Classified Information Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
76	Review Classified Information Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
77	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)														
78	Receive notification of initiated Local Workforce Hiring Audit													<u>Note:</u> Audit Objectives - What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?
79	Review Local Workforce Hiring Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
80	Review Local Workforce Hiring Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
81	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)														
82	Receive notification of initiated Equipment Maintenance Audit													<u>Note:</u> Audit Objectives - Is Valley Water adequately meeting the needs of equipment maintenance?
83	Review Equipment Maintenance Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
84	Review Equipment Maintenance 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	
85	Review Response to Equipment Maintenance 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 - Community Engagement (Tentative)														
86	Receive notification of initiated Community Engagement Audit													<p><u>Note:</u> Audit Objectives - What are the best practices in planning and facilitating community engagement?</p>
87	Review Community Engagement Audit Progress Report													<p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p>
88	Review Community Engagement Audit Draft Report Presentation													<p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p>
89	Review Response to Community Engagement 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 - Delta Conveyance (Tentative)														
90	Receive notification of initiated Delta Conveyance Audit													<p><u>Note:</u> Audit Objectives - What potential financial risks could occur on the California Water Fix project?</p>
91	Review Delta Conveyance Audit Progress Report													<p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p>
92	Review Delta Conveyance Audit Draft Report Presentation													<p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p>
93	Review Response to Delta Conveyance 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>
BAC Work Plan Items Outside of the Current Term														
94	Prepare risk assessment tri-annually													<p><u>Note:</u> Next Risk Assessment scheduled to be completed in October 2021.</p>
95	Participate in financial statement audit procurement process													<p><u>Note:</u> Next procurement scheduled for January 2022.</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.



Santa Clara Valley Water District

File No.: 20-0303

Agenda Date: 7/15/2020

Item No.: 4.5.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

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 \$1,000,005 for the Board Independent Auditing Services Agreement with TAP International.

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 identified 41 potential audits which included input from Valley Water's Board of Directors, management and staff. 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 and to direct staff amend the agreement 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. The three audits include performance audits of Valley Water's Counsel's office, contract change order management processes, and real estate services. On June 7, 2019, Amendment No. 1 to the Board independent auditing services agreement was fully executed.

Derived from the 41 potential audits identified in the Risk Assessment, the FY 2019-2021 Annual

Audit Work Plan outlined 16 audits to be conducted. On June 25, 2019, the Board approved the Annual Audit Work Plan for FY 2019 through FY 2021.

On January 14, 2020, the Board approved the revised FY 2019-2021 Annual Audit Work Plan as recommended by the BAC. This Board-approved Annual Audit Work Plan extends the original scope of 16 audits to include: Grant Management Adhoc Desk Review; Hiring Practices Adhoc Desk Review; Board Agenda Preparation Adhoc Desk Review; and the Property Management Audit for implementing encroachment licensing program practices. The extended scope under the FY 2019-2021 Annual Audit Work Plan does not alter the scope of Amendment No. 1 to the Agreement (A4071A) with TAP.

On February 19, 2020, the BAC discussed the options to extend, allow the expiration of, or terminate the Board Independent Auditing Services Agreement with TAP prior to the expiration of the agreement. The BAC decided to recommend extending the Board Independent Auditing Services Agreement from May 8, 2020 to June 30, 2021, and requested for further discussion on increasing the not-to-exceed amount for the Board Independent Auditing Services Agreement.

If the BAC chooses to continue with the current not-to-exceed amount of \$1,000,005 for the Board Independent Auditing Services Agreement, the remaining balance of the not-to-exceed amount is estimated to cover an additional four to six audits conducted by the Board's Independent Auditor.

If the BAC chooses to recommend an increase to the not-to exceed amount of the Board Independent Auditor Contract with TAP International, staff recommends increasing the not-to-exceed amount by \$500,000 from \$1,005,000 to \$1,505,000, and bringing a contract amendment for Board approval prior to the May 8, 2020 expiration.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 20-0308

Agenda Date: 7/15/2020

Item No.: 4.6.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

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
- B. Approve for issuance the preliminary draft of the Real Estate Services Audit Report for formal comment.

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 until the audits are completed.

ATTACHMENTS:

Attachment 1: Preliminary Draft Real Estate Services Audit Presentation

Attachment 2: Preliminary Draft Real Estate Services Audit Report

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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TAPInternational

Draft Report

**REAL ESTATE
SERVICES CAN BE A
MORE EFFECTIVE
RESOURCE FOR
VALLEY WATER**

May 2020



Date: July 15, 2020

Memorandum For: Board Audit Committee

From: Independent Auditor, TAP International, Inc.

Subject: Transmittal of TAP International Performance Audit Report

Attached for your information is our draft report, *Real Estate Services Can be a More Effective Resource for Valley Water*. The audit objective was to determine how the Real Estate Services Unit (RESU) could improve its financial and service delivery performance.

Our audit identified a range of opportunities for Valley Water, across the agency, to improve its delivery of real estate services. The report offers recommendations to minimize undue hardships to property owners, enhance the timeliness of real estate transactions, increase revenue, and improve transparency and accountability of RESU current operations. Finally, the report offers a matter for consideration by the Board of Directors describing that RESU can become a strategic partner in addressing Valley Water’s future water resources needs. **Management’s response to the recommendations in this audit report is included in Appendix I of this report. (This sentence to be included in the final report)**

TAP International, Inc.

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Audit Highlights

AUDIT HIGHLIGHTS

Why the Audit Was Conducted

Efficient and effective service and delivery are key priorities for the Santa Clara Valley Water District (Valley Water) to accomplish the goals of providing safe and clean water, environmental stewardship, and flood protection. To support Valley Water priorities, the Real Estate Services Unit (RESU) buys, sells, and leases property for water supply, flood protection, and land stewardship projects. Until a specific property is needed for a project, RESU may lease or license the use of the property in accordance with Valley Water policies and public laws. Since 2015, RESU has acquired 249 properties through purchase or lease agreements.

Identified as having high potential to improve RESU operations, the Valley Water Board of Directors (Board) approved a planned performance audit of RESU that was conducted by the Independent Auditor (Auditor). The specific objective of the audit was to identify how RESU could improve its performance for financial and service delivery. It is important to note that the real estate transaction process for public agencies differs from that of the private commercial real estate sector.

How the Audit Was Conducted

The performance audit included an examination of organizational structures, operational effectiveness, employee roles and responsibilities, information collection and sharing, and policies and procedures. The audit work included: (1) interviews with staff working across Valley Water that have a role in the delivery of real estate and/or property management services; (2) analysis of a sample of 35 real estate transactions; and (3) analysis of service delivery and financial data and other documentation related to residential and non-residential property management.

What the Audit Found

RESU has successfully avoided the acquisition of property through the use of eminent domain laws, utilizing its authority 10 times since 2015. Adding to this accomplishment, RESU has implemented efforts to improve its service delivery by examining the workload of its staff, providing training on its acquisition process to some divisions when authorized to do so, and by closing acquisition files faster from about two years to 30 days. Further, RESU collected \$1.6 million in Fiscal Year 18-19 on 114 income-producing properties, but better reporting on expenses and other costs are needed to assess fiscal sustainability of RESU's property management activities. Other improvement opportunities include enhancing forms to document sound explanations for "just compensation" decisions and developing policies and procedures for ensuring insurance compliance by tenants on non-residential property.

Although RESU averages almost a year and half to complete a property acquisition, challenges exist both within and outside of RESU's control to speed up the process. Key challenges include:

- The willingness of a property owner to sell their property, extent of negotiations and an owner's desire to request their own appraisal.
- Delays in project funding for property acquisitions and by other Valley Water Units in completing environmental assessments.
- Extensive involvement by the District Counsel's office in the acquisition process.

Greater participation by RESU in capital project planning meetings and use of other tools can address other challenges that impact RESU's delivery of services. For instance, updating fee schedules and re-examining flat rate lease agreements would close the gaps of lost revenue opportunities, and use of better software applications can provide useful performance monitoring.

This audit report finally describes that while RESU is generally operating and performing in accordance with its role as a support unit, RESU can be a useful resource to position Valley Water strategically to meet its future watershed and water utility needs.

Twelve recommendations described on page 8 are designed to increase the efficiency and effectiveness of the RESU's property maintenance and acquisition processes. In addition, the Auditor presents one matter for consideration by the Board of Directors that would better position RESU to meet future needs.



Recommendations

RECOMMENDATIONS

1. To improve RESU’s timeliness of the real estate transaction process, Valley Water’s CEO should ensure annual training is provided to all Valley Water divisions about the Valley Water real estate acquisition process, key steps, common pitfalls, and strategies to avoid these pitfalls. The training should include a planning guide for use by Valley Water that shows the timeline for requesting services, the information needed by RESU staff, and the time required to complete the service request.
2. To enhance transparency and accountability of RESU current operations, the RESU Manager should:
 - (A) stipulate which form is to be used across all projects and acquisitions that RESU, project managers, and project owners come to an agreement on “just compensation”.
 - (B) define what information defines “just compensation”,
 - (C) establish and routinely monitor and report on key performance measures, such as acquisition turn around times, status of project manager requests, and outstanding “acquisition related” items needed by other Valley Water units.
3. To increase the effectiveness of RESU’s property management, the RESU manager should update Valley Water’s RESU policies and procedures for property management to include residential property management, including procedures to ensure tenants have updated insurance, how staff will conduct physical inspections, and the payment of HOA fees when needed.
4. To increase the effectiveness of RESU’s property management, the RESU manager should establish procedures to track all staff costs, property maintenance expenses and revenue for all rental properties. RESU’s annual report to the CEO should include financial analysis to determine whether Valley Water is covering its costs to maintain the leased/licensed properties it owns and the cost to lease/license property owned by others is fiscally prudent.
5. To facilitate effective delivery of RESU services, the RESU Manager should develop a risk assessment process to help Valley Water staff identify real estate transactions that will need extensive participation and review by District Counsel and a plan for key consultation points.
6. To increase service delivery timeliness, Valley Water’s CEO, in coordination with RESU’s Manager, should work with District Counsel to evaluate the costs and benefits of developing additional templates for the different types of right-of-way agreements, with a goal of

minimizing changes to these pre-approved standard contracts and reducing District Counsel's review time.

7. To enhance the effectiveness of capital project planning, the CEO should ensure the inclusion of RESU staff in early project design meetings for capital projects to assist project delivery teams with budgeting for real estate transactions and planning for adequate time to process those transactions, identify potential challenges for transactions given the project design, and allow RESU time to plan for these transactions and potential property management needs.
8. To improve planning for the costs of real estate acquisitions, the RESU Manager should complete a one-time study on (A) the impact of property owner appraisals on acquisition purchase prices over the past five years to identify the differences in appraisal methodologies that led to different appraised values, and (B) the impact of a property owner's appraisal on the time to complete an acquisition. The RESU manager should share the research with District Counsel and Valley Water management to determine what changes, if any, should be made to the Valley Water acquisitions process.
9. To ensure that Valley Water adheres to "just compensation" principles on delayed real estate acquisitions, Valley Water's CEO should ensure the development of criteria that would require the ordering of an updated appraisal, especially when there is a potential conflict between project deadlines and the need for additional time to finish the acquisition process in accordance with Valley Water goals and state laws.
10. To facilitate effective communication with property owners and those wanting to use Valley Water owned land, Valley Water's CEO should leverage use of the existing Customer Resources Management Information System. The CEO should allow its use by RESU and all divisions/units (Community Projects Review Unit (CPRU), Watersheds, Utility) that deliver real estate services to track all external stakeholder contacts (dates, purpose, status) and to be able to research those contacts before connecting with property owners; and develop communication protocols/scripts for use by RESU, Watersheds, and Utility when contacting property owners about the need to use or acquire parcels.
11. To improve public confidence in its real estate services, the CEO should expand the information available on the Valley Water website about real estate services to describe generally the real estate acquisition process; provide brochures that explain the acquisition process and rights of property owners; provide a guide for property owners and other external parties showing which unit to call—either RESU or CPRU—depending on the service needed; and a frequently asked questions section.
12. To enhance Valley Water's fiscal performance and asset management strategy, the CEO should:
 - (A) conduct an annual review of the fee schedules maintained by Valley Water to ensure that the fees cover the costs to lease, license, and permit the use of its, and

- (B) shorten the duration and establish regular fee adjustments on future longer term lease agreements.

Other Matter for Consideration

Should the Valley Water Board desire to update the current role of RESU from providing support services only to be a proactive partner in strategy planning for future water management activities, the Board could consider the following:

1. Direct the CEO to develop a five-year strategic plan that includes a new mission, goals, and objectives for all Valley Water Real Estate Services (including asset management) that proactively meets the needs of future Valley Water projects, goals, and objectives. The strategic plan should include an implementation plan that addresses the following:
 - Define the future roles and responsibilities for each unit that delivers or helps to deliver real estate and asset management services. If Valley Water continues to use its current organizational structure to deliver real estate services, roles and responsibilities should be identified by each type of real estate service and asset management function and function performed, clear lines of accountability created for each unit performing each task, and key points of coordination and collaboration across the units defined.
 - Assess the feasibility of consolidating the delivery of its real estate services and permitting services by combining the RESU and CPRU into a single unit to leverage opportunities. Consolidation will make the real estate transaction process and property management activities more efficient and effective, as well as providing a one-stop shop to constituents.
 - Describe how Valley Water will collect, analyze, and verify the accuracy of data about its real property to allow Valley Water management to perform effective business analytics.
 - Develop a communication strategy that addresses how Valley water will promote a culture of information sharing and enterprise-wide decision making, both internally and externally, for delivery of its real estate services
 - Develop an asset management strategy.
2. Direct the CEO to begin a plan to implement a new, off-the-shelf real property and asset management software to track and capture all real property activities, including transactions, encroachment permits, contact management, lease/permit management, and workflow management performed by RESU and CPRU. The system should support business analytics for real property management, enhancing delivery of real estate services using technology.

A landscape photograph showing a field of tall grass in the foreground, a dense line of trees in the middle ground, and a clear sky. The trees include several tall, thin cypresses. A large yellow rectangular box is overlaid on the lower half of the image, containing the text 'Background and Methodology' in a bold, black, sans-serif font.

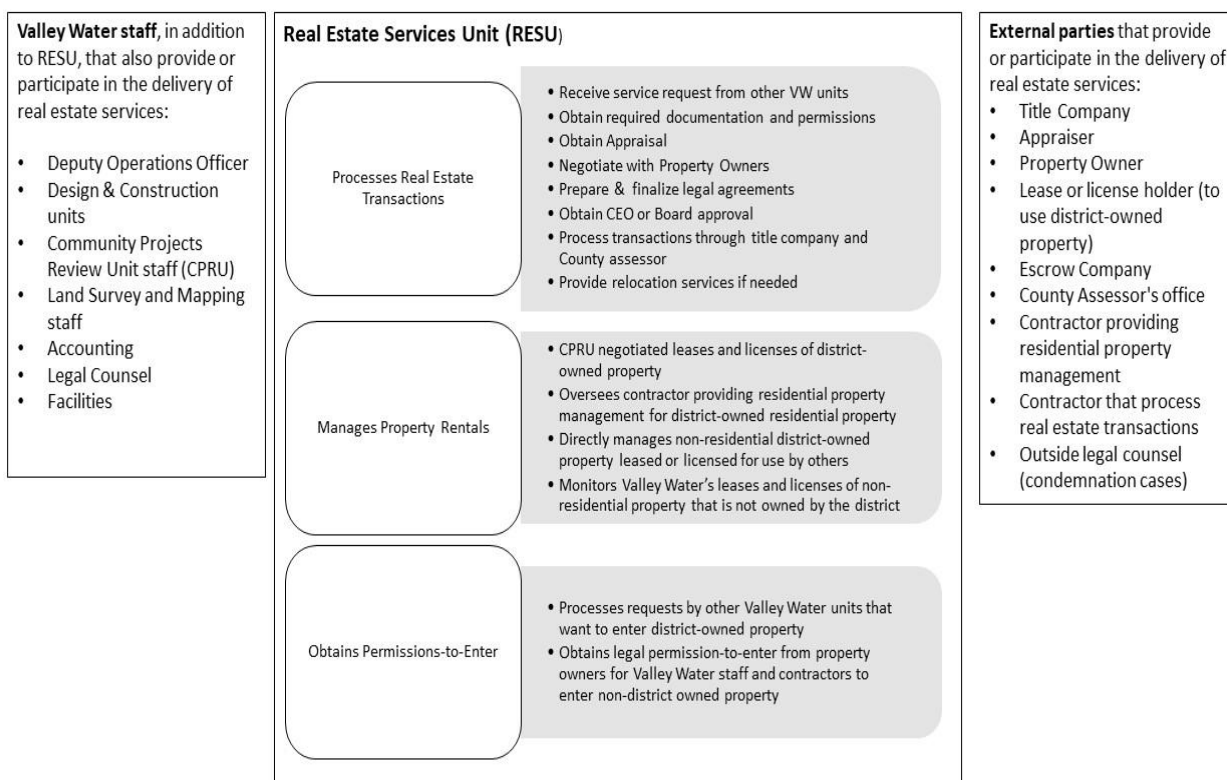
Background and Methodology

BACKGROUND

Who Delivers Real Estate Services at Valley Water?

RESU’s mission is to provide real estate expertise in the acquisition, relocation, appraisal, and asset management services on behalf of Valley Water for current landholdings and land required for projects and operations. RESU provides three types of real estate services: (1) purchase, sale, exchange or dedication of property, (2) obtaining permission-to-enter property not-owned by Valley Water, and (3) property management.¹

Figure 1. The Real Estate Services Unit (RESU) Depends on the Collaboration of Other Stakeholders to Deliver Real Estate Services



The activities implemented by RESU are in response to requests by other Valley Water units. These other units decide whether to begin the processing of buying or selling property or issuing

¹ Real property includes land and improvements to the land. Easements provide access to and/or use of the land.

encroachment permits and continue to have key responsibilities throughout the process. For example, project delivery units request property descriptions from the Land Surveying & Mapping Unit, obtains environmental assessments of the identified property, approve the cost of the acquisition and provide information about the project to RESU for the Board or CEO review and approval process.

The actions of other Valley Water divisions and units, including other external parties, can impact RESU's financial and service delivery performance. If these other units delay their acquisition related activities, then RESU in turn experiences delays. See Figure 1 for other units like District Counsel, General Accounting, and Facilities Management that help RESU in completing these requests for services.

RESU does not initiate the lease or permit process that allow for external parties either to enter or use Valley Water owned property. CPRU has this responsibility. RESU's role is to prepare lease agreements and monitor compliance of the terms and conditions authorized by CPRU. Accounting tracks the payment of the fees associated with each lease or permit, notifying the project owner of payment issues.

RESU uses contractors to assist when needed with real estate transaction processes. RESU maintains standing contracts with local vendors for title reports, appraisals, and escrow services. Valley Water also has a standing contract with Associated Right-of-Way Specialists (ARWS) to provide complete real estate transaction processing services.

What are the Legal Requirements and Valley Water's Goals to Process a Real Estate Transaction?

The California Constitution gives public agencies in California, like Valley Water, the power to acquire property rights for public purposes under state law.² State law requires Valley Water to notify the property owner of their rights, pay the property owner "just compensation" for the property based on an appraisal of its value, and make every reasonable effort to negotiate with the property owner before entering the condemnation process. Valley Water has incorporated the state requirements into its service delivery goals, as shown in Figure 2.

² California Constitution Article 1, Section 19(a): "Private property may be taken or damaged for a public use and only when just compensation, ascertained by a jury unless waived, has first been paid to, or into court for, the owner. The Legislature may provide for possession by the condemnor following commencement of eminent domain proceedings upon deposit in court and prompt release to the owner of money determined by the court to be the probable amount of just compensation."

Figure 2. Valley Water Goals and Objectives for Real Estate Services

Valley Water Goals	Objectives
Promote “public confidence” in its real estate and relocation practices.	<ul style="list-style-type: none"> ■ Valley Water real property shall not be leased to employees, Board members, or their immediate family members. ■ Pay “just compensation”, based on an appraisal prepared by a qualified appraiser, for all real property except property dedicated to the District. ■ The Board approves all real estate transactions except for those delegated to staff for approval.
Provide uniform and equitable treatment to all property owners and Displaced Persons.	<ul style="list-style-type: none"> ■ Comply with federal and state legal requirements for displaced persons.
Minimize litigation with affected members of the public.	<ul style="list-style-type: none"> ■ Use reasonable efforts to acquire property. ■ Timely acquisition processes. ■ Acquire property through negotiated agreements. ■ Acquire property in a manner that minimizes undue hardship to property owners and occupants. ■ Assure consistent treatment to all owners and tenants. ■ Minimize unwarranted litigation.

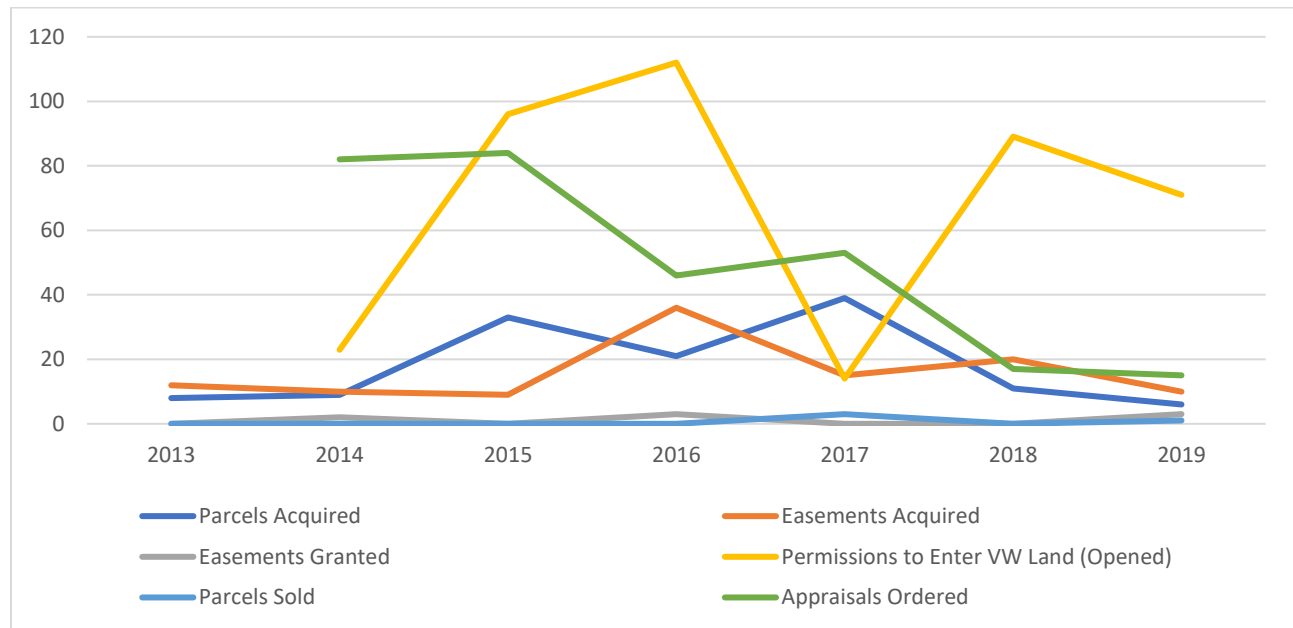
What Real Estate Services Has Valley Water Delivered?

Property Acquisitions

Valley Water’s acquisitions of parcels and easements has fluctuated over time. In 2013-14, RESU averaged 51 acquisitions per year between 2015-2017 that declined to about 24 per year between 2018 and 2019, as shown in Figure 3 below. However, the number of appraisals declined steadily between 2013-2019, from 82 appraisals in 2014 to 15 appraisals in 2019. The number of permissions-to-enter privately owned parcels averaged 67 per year between 2018 and 2019 after completing 14 in 2017.

The size and timing of capital projects drive RESU’s acquisition activities. Other activities performed by RESU (but not represented below) include ordering title reports, relocating tenants, and processing cases of eminent domain. Valley Water has filed 10 condemnation cases in court since 2015; nine of these cases occurred in 2015 and 2016.

Figure 3. RESU Real Estate Transaction Processing Activities



Lease and Licensing Management

RESU reported it administers leases and licenses for 78 non-residential properties: 55 properties owned by Valley Water and for 23 properties where Valley Water is the tenant. The 55 non-residential rental properties owned by Valley Water include two bridges, one building, and 20 parcels of land. Valley Water’s leases and licenses of property owned by others include 11 parcels of land and one building. RESU staff said that its primary responsibilities are to (1) ensure that renters of Valley Water properties have up-to-date insurance and (2) conduct routine inspections of the property.

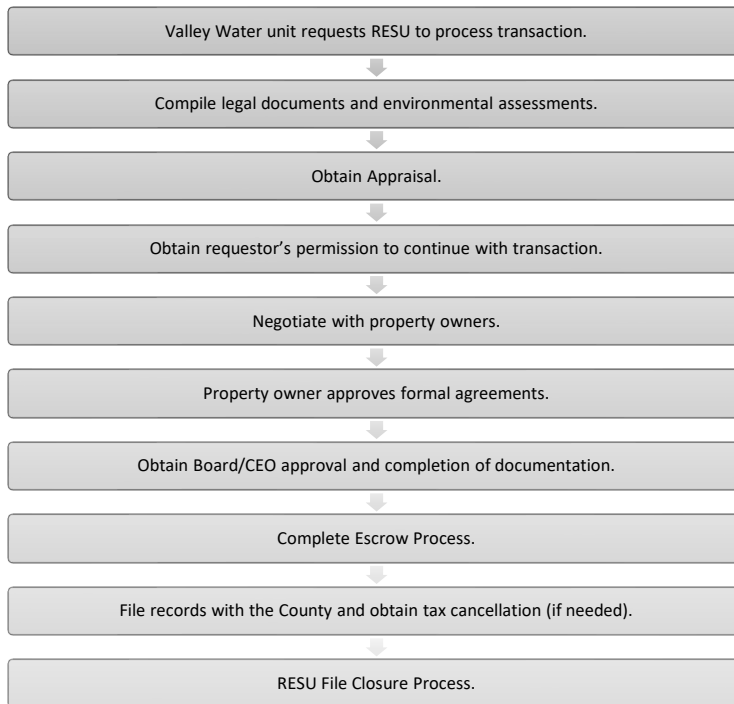
Valley Water outsources property management for 53 residential rental properties. RESU staff approves maintenance requests, and the Valley Water vendor performs all other property management activities, including the setting of rental rates.

Valley Water has budgeted about \$2.7 million for District Real Property Administration between FY 18 and FY 20 to provide real estate services. For FY20, Valley Water has budgeted about \$1.5 million for operations and \$1.2 million for capital expenses. The budget includes expenses for appraisals performed by contracted appraisers, environmental assessments performed by contractors, professional services support for processing real estate transactions, RESU’s labor hours. Funding for RESU, Office of District Counsel, CPRU, and Land Surveying & Mapping is budgeted under the FY20 budget for District Property Administration.

How does the Valley Water Real Estate Acquisition Process Work?

RESU does not start the real estate transaction process. Instead, a project delivery unit must request RESU's help for RESU to start a real estate transaction. Figure 4 below shows the steps involved in RESU's property acquisition process.

Figure 4. Overview of the Valley Water Acquisition Process



AUDIT METHODOLOGY



Audit Objective

In 2018, Valley Water’s Auditor (TAP International, Inc.) conducted an enterprise-wide audit risk assessment and identified real estate services as an area that needed further review. Our specific audit objective was to determine how the RESU could improve its service delivery and financial performance.

Scope of Work

The scope of this audit examined the business processes implemented by RESU to deliver property management and acquisition services. The audit included data collection efforts among other Valley Water units that participate directly in RESU’s business processes, such as CPRU, District Counsel, Facilities Management and Valley Water project managers and engineers.

Project Approach

To address our audit objective, the Auditor performed the following activities:

- Examined the following Valley Water documents and work product to assess service delivery and financial performance and how activities should be performed:
 - RESU organization chart
 - RESU policies and procedures
 - Valley Water Executive Limitations and other Board Policies
 - RESU job descriptions
 - RESU annual reports for FY17 to FY19 (Rental Property Income and Expense reports for the past three fiscal years)
 - RESU budgets for the past three years (FY20 Adopted)
 - Real Estate Transaction processing forms
 - SCVWD Standard Rate Schedule
 - Tracking sheet used to monitor the status of leases and licenses of non-residential property owned by Valley Water
 - Checklist used to purge files for preparation for closing Executive Limitation reports 6.7.1 for both anticipated and completed real estate transactions
 - Timeline to complete a real estate acquisition
 - Report of completed appraisals, appraisers over the past five years

- Interviewed RESU staff, project managers, unit managers and management in Valley Water’s Watershed Design & Construction Division, CPRU and Design & Construction units, Office of District Counsel, Facilities Management, Contractors, and Associated Right-of-Way Services to discuss RESU services.
- Examined the files (electronic and hard copy) for 34 total real estate transactions, including 24 acquisitions and 10 sales, exchanges, and dedications including one correction. Files were examined to assess the accuracy and completeness of the documentation and the timeliness of the real estate transaction process.
- Examined the leases and licenses of Valley Water-owned land, fee schedules, and terms and conditions to assess the financial performance of Valley’s Water’s property management activities.
- Reviewed the industry practices of California Department of General Services for acquisitions, Los Angeles Metropolitan Transportation Authority Program Management Plan (capital improvement infrastructure program), San Francisco Water Power Sewer–Land Use Framework; and U.S. Government Accountability Office Federal Real Property Asset Management (Leading Practices) to determine the approach of real estate service delivery of other government entities that deliver large capital projects. We also reviewed the websites of California water districts and the California Department of Water Resources to identify what right of way and property acquisition information is provided on their external websites.

A SWOT analysis was applied to assess the service delivery and financial performance of the RESU and the other units that provide real estate services at Valley water, as illustrated in Figure 5 below. SWOT analysis identifies the strengths (S) and weaknesses (W) of the services delivered by the RESU and the broader opportunities (O) and threats (T) that challenge the delivery of real estate services by RESU and other Valley Water units. Once identified, the Auditor then evaluated the impact of each factor—helpful or harmful—toward the achievement of Valley Water’s goals for the delivery of its real estate services and financial performance. Finally, the Auditor identified who at Valley Water had the authority and responsibility for maximizing strengths, improving areas of weakness, taking advantage of opportunities, and addressing threats to service delivery and financial performance of real estate services.

Figure 5. SWOT Analysis of the Delivery of Real Estate Services by RESU and Other Valley Water Units

	Factor	Potential Impact on Valley Water’s goals	Change Agent at Valley Water
Within RESU’s direct control	S Strength	Helpful	RESU Manager & staff: Maximize strengths & improve areas of weakness
	W Weakness	Harmful	
Outside RESU’s control	O Opportunity	Helpful	VALLEY WATER management: Take advantage of opportunities & address threats
	T Threat	Harmful	

Assessment of the Reliability of Data

Section 9.2 of generally accepted government auditing standards require auditors to describe any limitations or uncertainties with the reliability or validity of evidence if: (1) the evidence is significant to the findings and conclusions within the context of the audit objectives; and (2) such disclosure is necessary to avoid misleading the report users about the findings and conclusions. The Auditor assessed the reliability of RESU’s database and found key limitations affecting the sufficiency of the data for performance reporting. To address limitations in the data, such as missing data and other records, the Auditor manually reviewed files to extract needed information and/or relied on information provided by RESU management and staff.

Assessment of Internal Controls

Section 9.20 of generally accepted government auditing standards require auditors to assess the adequacy of internal controls when internal controls are significant within the context of the audit objectives. A review of internal controls was not within the context of this audit. However, during our review, when internal controls could be strengthened, such as fee schedule reviews, those issues were identified.

This audit is known as a performance audit. A performance audit evaluates the economy, efficiency, and effectiveness of programs, services, and operations. TAP International conducted this performance audit per 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. The Auditor believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. A draft report was provided to Valley Water for review. Comments were incorporated as applicable throughout the report. [See Appendix 1 for formal agency

comments to the recommendations included in this report. [*To be included in the final report version, only*]



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Key Findings

Finding 1: RESU Has Worked to Improve Operations; Other Changes are Needed to Enhance Financial and Service Delivery

RESU Successfully Accomplished Board Guidance to Minimize Use of Eminent Domain to Acquire Property

One of Valley Water's goals for RESU is to minimize litigation with affected members of the public. Valley Water has successfully worked to prevent the use of the condemnation process (e.g. eminent domain) to acquire property. Since 2015, RESU, in coordination with the District Counsel's Office, triggered the process to acquire 10 properties or about four percent of its 249 acquisitions. RESU staff explained that its efforts to follow the Board's direction to exhaust all options to negotiate with property owners has minimized Valley Water's use of the legal process of condemnation for property acquisitions. When RESU used eminent domain, the agency's decisions were not due to failed voluntary negotiations with property owners. Instead, the agency chose to use eminent domain when property owners did not respond to Valley Water's requests to negotiate or when the property owner was not clearly stated in public records.

RESU has Self-Initiated Efforts to Improve the Timeliness of Real Estate Transactions

RESU staff cited two specific efforts to improve the timelines of real estate transaction processing, a Valley Water goal for real estate services. First, RESU has conducted training sessions, although on a limited basis. RESU depends on project delivery units to actively participate in the real estate transaction process, from promptly notifying RESU of its need for property transactions to participating in the transaction review and approval process. Capital projects staff said some of them have extensive experience working with RESU to process real estate transactions while other staff are less experienced. Capital projects staff added that understanding how the real estate transaction process works and the information requirements can prevent delays in processing. Recognizing the need for knowledge transfer, RESU had delivered training to Capital Projects staff within the Watersheds Division. RESU executive management has not yet authorized RESU to continue offering its training sessions to other Divisions.

Second, RESU staff has initiated efforts to close its files of completed transactions every month. Based on a review of 24 acquisitions, RESU took more than two years on average to update the

RESU database (RESUdb) and check the Geographic Information System (GIS) layer and officially close the file. Delays in closing files could result in delays in correcting errors in the GIS or key documents missing from the files. Valley Water staff said that it could take months to close a real estate file because once closed, the file cannot be modified in the RESUdb system. RESU staff said that, until recently, staff had performed the file closure process bi-annually, but at the time of our review, staff were to perform file closure monthly.

In another area, RESU has attempted to change how it provides reports to the Valley Water Board to better align with its current practices. The Executive Limitation 6.7.1 states, “to provide public transparency, the CEO will provide a written report to the Board, in open session, before the acquisition, of anticipated properties to be acquired under EL6.7.1.” This Executive Limitation does not specify at what stage of the acquisition process (e.g. at the time preliminary project planning or when the property owner has agreed to the purchase price) the CEO should provide the Board a written report. Presently, the CEO discloses the information during the preliminary project planning phase of capital projects in a quarterly report to the Board. RESU would like to discontinue including the Assessor’s Parcel Number (APN) number in their reports to the Board. RESU staff explained that disclosing the APN number at this point in the process could prematurely disclose agency intentions given that Valley Water may or may not ultimately acquire the property, needlessly alarming property owners. Our review of the issue determined that disclosing the APN number on the 6.7.1 reports may aid in the Board’s oversight responsibility to ensure that no potential conflicts of interest exists between Valley Water and the potential seller. There may exist an opportunity to both provide the Board the information needed to execute their oversight responsibility for these acquisitions by potentially increasing the frequency of 6.7.1 reporting to avoid disclosing potential properties too early in the process .

Opportunity to Enhance Key Forms that Document “Just Compensation”

State law requires public agencies to pay the property owner “just compensation” when acquiring property, based on its fair market

value and to give the property owner the right to obtain their own appraisal paid for by the public agency. RESU variously uses several key documents that determine and support the acquisition price under California’s “just compensation” requirements. These documents include the:

1. Appraisal Report,
2. Appraisal Review Form completed by RESU staff,
3. Engineer Approval Form (EUMA),
4. Right-of-way Review and Approval Form or Board Agenda Memorandum, and,
5. Just Compensation memo.

For example, a Just Compensation memo, EUMA and appraisal was used for some acquisitions but not for others. RESU policies and procedures do not stipulate which forms are required, but RESU tries to include the EUMA form on all acquisitions.

There is no requirement for how Valley Water should document the details of how “just compensation” was determined. Enhancing one of the existing documents to include sound explanations will make the determination more transparent, easier to monitor, and ensure consistent treatment of affected property owners across transactions and projects.

Other opportunities are present to enhance key documents. For example, the Appraisal Review Form does not document the reason the RESU staff person, as the appraisal reviewer, did not inspect the property as part of the review. For example, 11 of the deed-in-acquisitions in the sample reviewed did not have a reason stated why there was no inspection. RESU staff said that, because appraisers now routinely include digital photos in their reports, a physical inspection of the property by the RESU reviewer is not needed except under unique circumstances.

Opportunity to Update RESU’s Property Management Policies and Procedures to Reflect Current Practices

There are currently opportunities to update the policies and procedures for property management. RESU began the process to develop formal policies

and procedures for RESU’s management of residential property, given that for FY20, Valley Water management had transferred responsibility for residential property management to RESU from Facilities Management. An area in need of policy development include Valley Water’s current practice for the payment of HOA fees from RESU’s budget (District Property Administration) on residential properties. Currently, the RESU agent assigned to the acquisition is responsible for noting the fee in the file and ensuring that those are being paid. RESU staff said they would not incorporate this practice into their policies and procedures because the payment of HOA fees is very rare.

Another area in need of attention is when to inspect non-residential properties. Current policies require RESU staff to “physically check (non-residential) properties at least every six months. RESU had last visited (within the last six months) 65 percent of the 55 non-residential properties that it owns. RESU had no record of a visit date for 12 of these properties, and six properties were last visited in 2018. RESU staff said that certain non-residential properties are inaccessible or not easily accessed, making physical inspection difficult to conduct every six months.

Finally, how RESU monitors insurance compliance needs policy development. Current policies and procedures state that “insurance must be up-to-date and in compliance with lease terms.” Six tenants of non-residential properties had expired insurance at the time RESU’s records were reviewed. RESU staff said they had developed practices to monitor these properties and had recently completed their update of the policies and procedures to reflect that practice.

Opportunity to Expand Financial Analysis of Valley Water's Rental Properties

residential and non-residential rental properties. In FY19, RESU staff managed a total of 114 income-producing properties owned by Valley Water with a total net income of \$1.612 million (\$1.27 million from residential properties and \$345,780 from non-residential properties) according to RESU's annual report of the income and expenses from residential and non-residential rental properties. Although the report shows that RESU collects more revenue in comparison to expenses, the financial information in the report does not capture all necessary costs to help assess the operational efficiency of RESU. The data could include:

- (1) costs to maintain the property it has leased or licensed to others;
- (2) trends in the rental income and expenses;
- (3) expenses for Valley Water's non-residential property management including staff costs; and,
- (4) costs for the property that it leases from others.

In an annual report to the CEO, the Deputy Operations Officer for Watershed Design & Construction and RESU present the income, expenses, and net income for

Finding 2: Acquisitions Take Longer Than Expected

The actual time to complete the acquisition process varied significantly from the 8-10 months estimated by the RESU acquisition timeline to complete the acquisition process. Applying the method recommended by RESU³ to determine the average time required to complete a real estate acquisition to a sample of transactions reviewed by the Auditor, the average number of days from the date of appraised value to escrow closing was 500 days or about 16 months. RESU's acquisition timeline estimates 181 days or about 6 months to complete the transaction process from the date of appraised value to the close of escrow, a difference of almost a year.

Key Factors Outside of RESU's Control Affect Acquisition Timeliness

According to RESU staff, when estimating the amount of time needed to complete a property acquisition, the estimate is based on four assumptions: (1) the property owner is willing to sell to Valley Water, (2)

the environmental assessments (EIR & CEQA & HSLA) are completed before the acquisition process begins, and (3) no hazardous substance liabilities are present on the property. Fourth, RESU staff further explained that they also assume the acquisitions planned for a project are funded, however delays in the funding for a project have occurred and lengthened the amount of time needed to complete a property acquisition, a factor outside of RESU's control. Some delayed acquisitions are eventually terminated because of the unanticipated cancellation of a project. Valley Water staff explained that it is hard to predict when these assumptions will not hold for the acquisition which affects the completion time.

RESU staff said property owners are not always willing to sell, which adds time to the acquisition process, because the Board has directed RESU to acquire property using negotiated agreements. California law requires public agencies to make an offer to purchase property prior to beginning the condemnation process. If a property owner is unwilling to sell their property or does not respond to Valley Water's proposals, RESU staff said that the property owner's delay in their response could increase the amount of time for negotiations. Information was not readily

³ RESU staff said measuring from the date staff received a request for services and opened a corresponding RESU file for the acquisition is not an accurate measure of the timeliness of the acquisition process because the requestor often is still deciding whether to acquire the property when requesting RESU's assistance and may wait to decide to proceed with the acquisition until after the appraisal is completed. RESU staff said that a better measure is from the date of appraised value to the date escrow closes (or when the County Assessor records the transaction). During this period the bulk of the transaction processing occurs—Valley Water staff notify and negotiate with property owners, prepare, and sign the agreement documents, obtain CEO or Board approval for the acquisition agreement, and close escrow.

available in the RESU files to verify the extent to which property owners are non-responsive or unwilling to negotiate with Valley Water.

RESU staff said additional time is also needed for negotiations, beyond what the RESU acquisition timeline estimates, when the property owner obtains their own appraisal. While information was not readily available to determine the total number of property owners that obtained their own appraisal or the impact on the acquisition timeline when this happens. Analysis of EL 6.7.1 quarterly reports of completed acquisitions found that 20 percent of 96 property owners obtained their own appraisal and when an owner obtained their own appraisal, the purchase price always increased. For all 19 acquisitions on the EL 6.7.1 report, the owner's appraised value for these 19 acquisitions was, on average, \$218,287 more than the District's initial offer. (Median difference was \$62,100.) Further research is needed to develop a more accurate estimate of the impact on the acquisition timeline when an owner obtains their own appraisal and the effect on the purchase. This information could be used to help project delivery units in their budgeting and planning for property acquisitions. The RESU acquisition timeline does not address how much time would be expected for the property owner to obtain an appraisal.

RESU said that delays by other Valley Water units in completing environmental assessments requires additional time to complete the acquisition process. Appraisers use the information found in the environmental assessments, in particular the hazardous substance liability assessment (HSLA), to help determine the appraised value of the subject property. The RESU property acquisition process requires, as appropriate, that the project manager/engineer order the HSLA. Analysis of real estate transactions selected for review found that completion of the HSLA memo did not occur until after the appraisal was performed for eight of the acquisitions in the sample reviewed. A delay in the completion of the HSLA memo until after the appraisal poses a risk to Valley Water when the HSLA finds potential liabilities that would require the appraisal to be updated, requiring extra time and potentially additional costs for ordering the updated appraisal to include the HSLA memo's findings.

An additional factor outside of RESU's control that adds time to the acquisition process is working with District Counsel, RESU staff explained that District Counsel's involvement in an acquisition is often not limited to review of the final agreement documents prepared by RESU and, depending on the acquisition, may require extensive participation by District Counsel in acquisition planning, property owner negotiations, and review of RESU prepared preliminary offers and agreements.⁴ At a minimum, for example, modification by RESU of the standard right-of-way agreement to reflect the type and negotiated terms of an acquisition requires more time for District Counsel to complete its review, compared to when a standard, pre-approved template is completed unmodified.

⁴ RESU's files did not contain sufficient detailed information for the Auditor to verify the extent and effect of District Counsel involvement for each acquisition.

RESU staff reported initiating efforts to help reduce the frequency and extent of District Counsel’s review throughout the real estate transaction process, including requesting District Counsel’s assistance to create a set of standard pre-approved templates that would reduce the need and extent for modifications to the current standard template for right-of-way agreements. Efforts to increase the efficiency of District Counsel’s review of key documents used in the acquisition process, like those initiated by RESU or to better plan for District Counsel involvement, will require the collaboration of Valley Water management, project delivery units, and District Counsel to execute successfully.

Finding 3: Better Engagement and Use of Other Tools Can Address Challenges that Impact Delivery of Real Estate Services

RESU Needs to Participate in Project Delivery Units’ Planning & Budgeting for Property Acquisitions

Valley Water policies and procedures state that project owners should invite RESU to coordinate and collaborate in the planning and budgeting for real estate transactions. Project delivery unit staff do not routinely invite RESU staff to participate in the planning or budgeting for real estate acquisitions. To reduce the amount of time it takes RESU to process planned acquisitions, RESU staff identified the need to be involved in project planning phases to help project staff identify potential challenges and alternative solutions for potential properties and real estate transactions. Efforts to troubleshoot potential challenges or delays in the acquisition process, during project planning, can reduce the administrative costs that Valley Water incurs when challenges or delays are encountered.

Valley Water Needs to Establish Criteria for Updating Appraisals

RESU policies and procedures provide, in part, that six months after the date of an appraisal, “staff” will determine whether there is enough volatility in the real estate market for an updated appraisal of the value. While RESU staff said that they would make a recommendation to project delivery staff for an appraisal to be updated, it is the responsibility of the project delivery staff to request that RESU order an updated appraisal.

Competing priorities occur for project delivery staff when deciding whether to order an updated appraisal because ordering the updated appraisal may take several additional weeks, potentially bringing the acquisition process into conflict with project delivery goals. For example, on one acquisition reviewed by the Auditor, correspondence between project delivery staff and RESU staff showed concerns about how an updated appraisal could jeopardize the project delivery staff's ability to meet project deadlines. The correspondence cited concerns about the extra time and cost to complete an updated appraisal. Project delivery staff decided not to obtain an updated appraisal at that time. Division management explained that after the acquisition was complete, project delivery staff later obtained an updated appraisal for project reimbursement purposes. Valley Water management action would be needed to set criteria that triggers implementation of a second appraisal.

Enhanced Communication Activities Can Help Increase Public Confidence

A Valley Water goal for real estate services is to promote “public confidence” in its real estate services. Effective communication

is a critical success factor for this goal. Opportunities to enhance communication are present in four areas. One of these opportunities present the need to continuously inform affected property owners of the status of capital projects while Valley Water administers community meetings and workshops to discuss planned Valley Water capital construction and maintenance projects. These projects often take years for them to begin. Meanwhile, some property owners have sold their properties. For these new property owners, their first notification of Valley Water's plans could be the acquisition notice sent by RESU.

Another opportunity is the need for better education and training of Valley Water staff on the roles and responsibilities of CPRU and RESU. Property owners often contact RESU for services to be provided by CPRU and vice versa. As a result, RESU staff have serviced customers because of confusion between the roles and responsibilities of CPRU and RESU.

In addition, there is a need to increase use of customer relations management (CRM) software applications. RESU staff explained that Valley Water's customer relations management system (Access Valley Water) is not available for their use, but they individually track their correspondence with property owners and do not have any information of project delivery staff's contacts with property owners. Valley Water can expand CRM use to include all staff, including real estate services. Such a system could systematically track contacts with customers/property owners across all the Valley Water units that may interact with a customer/property during a real estate transaction process. The CRM could track correspondence between project delivery staff, RESU staff, contracted environmental assessors, contracted appraisers over the course of several years during a real estate transaction.

Finally, another opportunity to promote public confidence in Valley Water’s real estate services is to provide more information on the external Valley Water website and intranet. While there is information about leasing or purchasing of Valley Water’s properties on the Valley Water website, it is challenging to find information about Valley Water’s property acquisition process. Posting this information on the Valley Water website could help inform and promote confidence in the process. Expanding the use of the Valley Water’s Intranet, Aqua.gov, could help other units learn more about RESU’s responsibilities and how responsibilities for real estate services are allocated among Valley Water units. For example, on Aqua.gov, RESU’s intranet site has a link to request real estate services through the On-Line Request System (OLRS) and a link to the “permission to enter” form but no explanation of the acquisition process or other real estate transactions. Posting more information on the intranet like the acquisition timeline and the explanations of the services provided could help staff (especially project owners) better understand RESU services.

Updating Old Fee Schedules Can Increase Revenue

Fee schedules are commonly used by public agencies to set and charge fees to constituents uniformly. In the review of lease agreements

prepared by RESU, the fee table used to set rates in lease agreements for telecommunication activities on Valley Water property (which are initiated by CPRU) has not been updated since 2010. In a review of a limited number of transactions, the Auditor identified 14 lease agreements and 10 licenses without a rate adjustment date, meaning the lessor or licensee could have paid the same low fee for years. As a result, Valley Water has lost revenue opportunities on agreements. In one agreement allowing placement of fiber optic cables on Valley Water property, the term of the agreement was for 99 years at a flat rate of \$216 annually. Underground use fees in nearby City of Morgan Hill was 750 percent more. At this city’s rate, Valley Water could yield up to \$53,559 more over the 99 years. RESU staff said that the rate had recently been increased to \$500 annually, but we could not verify if the related lease agreements had also been updated. The new rate does not include labor charges, permit processing, and accounting services to manage the agreement. Given the limited reported capability of the RESU’s database (RESUdb), we could not determine the full magnitude of potential opportunities to enhance revenue on the various agreements. RESU and CPRU staff both said that they had not initiated requests to update the fee schedule, explaining that fee schedule development was not within their area of responsibility. Valley Water management needs to clarify the maximum term of the lease agreements, when and how rate schedules should be updated, and which unit is responsible for setting and updating the fee schedule.

Better Software Applications and Other Tools Can Provide Useful Performance Monitoring

RESUdb is the information system used by RESU to support the delivery of its real estate services. RESU uses the system to electronically file key documents,

capture correspondence, and monitor the progress of each real estate transaction. Limitations in the RESUdb have created challenges to the consistent filing of key documents across RESU electronic files. Approximately two-thirds of the transaction files (electronic and hard copy) reviewed by the Auditor appeared to be missing (or have misfiled within) at least one or more key documents. For example, the Parcel Record, which is required for every file, was missing from eight of the 34 real estate transaction files reviewed. RESU staff explained that RESUdb had a limited number of document names that can be used to upload electronic files, resulting in maintaining documents in paper files. At the time of our review, RESU's database administrator said that RESUdb has 1,000s of files with the status "pending acquisition", which means that a file was created but the acquisition had not occurred. At present, there is no sunset process or segregation of these records from the production database. An employee from the Information Technology Unit, who has since retired, developed the RESUdb. The database, itself, does not have user-friendly reporting capability, nor was it configured for ease of understanding. A RESU vendor explained that despite receiving training, the RESUdb took too much time for the vendor to use and relied on RESU staff to file documents on their behalf. A separate management study would be needed to identify if other off the shelf software applications would meet RESU's needs.

Monitoring overall performance is key to ensuring effective service delivery. While a standard practice for many Valley Water units, RESU has not formally implemented a standard set of performance measures that could communicate the status of their transactions (e.g. pending, initiated, partially complete, complete) or their overall success (e.g., average acquisition price, number of right-of-way agreements completed, etc.). Project engineers participating in this audit reported the desire to have better information on the status of RESU's pending acquisitions. RESUdb limits RESU ability to use performance management because it cannot generate reports to measure RESU performance, such as the time to complete steps in the transaction process, which has hindered RESU's ability to implement performance management principles. In the absence of data sharing, project engineers said that the frequency of communication with RESU staff varies. Some RESU staff actively monitor and share information while others do not share information as often.

Other Issues Identified

Use of Real Estate Services Unit as a Strategic Partner Could Bring Significant Benefits to Valley Water

Valley Water's five-year plan describes plans for many large-scale projects—67 projects totaling \$6.4 billion for water supply, flood protection, and water resources stewardship projects. Although RESU is implementing tasks and activities

consistent with its support role to respond to service requests, RESU can be restructured to proactively plan for and meet Valley Water's future real estate needs.

If RESU can serve the role of a strategic partner in Valley Water's plans for water storage and property management, then financial and other timeliness risks associated with property acquisitions and rights-of-way can be more effectively mitigated and built into Valley Water planning. However, RESU staff will need the support and assistance of Valley Water management to transform operations, especially implementing those activities that require coordination and collaboration across multiple units.

RESU would need to have a comprehensive strategic plan to help identify and lay the groundwork on how RESU could better serve Valley Water. A strategic plan for real estate services could serve as one option to help create opportunities for continuous improvement by streamlining responsibility for real estate services especially where confusion occurs across Valley Water staff, Board members, and the public about the role and responsibilities of RESU, CPRU, Land Management Unit, and Facilities Management. Having fragmented business processes, including a lack of a clear designation of responsibilities can undermine effective decision making and limit the ability of each unit to make improvements.

Valley Water may want to consider consolidating real estate services into a single unit. The California Department of Water Resources (DWR) and California Imperial Irrigation District (IID) have combined encroachments and permitting—functions that are currently performed by CPRU—with permissions-to-enter, acquisitions, easements right-of-way and property management—functions that are currently performed by RESU—into a unified Real Estate unit. Under Valley Water's organizational structure, these units share the same Deputy Operating Officer (DOO) that would make consolidation feasible. RESU staff said that they did not think it necessary to integrate RESU and CPRU into the same unit for the fact both share the same DOO, who can resolve issues of coordination and collaboration. Nonetheless, consolidating into one unit can better serve constituents and facilitate effective communication with property owners.

Revamping RESU could help improve financial performance by maximizing the value from Valley Water's real property assets. While a landlord of many types of property, Valley Water does not have a comprehensive and innovative asset management plan for these properties that could help enhance revenue received from these properties. Although current policies and procedures

assign responsibility to RESU for “asset management services for current landholdings and land required for projects and operations,” RESU staff said that formal delegation of this responsibility had not occurred even though no other Valley Water unit is responsible for coordinating, identifying, and implementing value enhancement solutions for unused and underutilized Valley Water owned properties. Without a clear strategy for asset management Valley Water risks underutilizing properties, not routinely identifying surplus property promptly, and not collecting proper fees for leases and licenses.

A new look for RESU could advance the use of business analytics. Quality data is a component of an effective government asset management framework.⁵ At present, RESU uses a home-grown system—RESUdb—that serves more as a data warehouse. More advanced software could allow analytics on historical acquisitions to help leverage negotiations, provide for up-to-date status information on pending acquisitions to Capital and Watershed Divisions project managers and engineers, and provide for performance reporting on the efficiency and effectiveness of RESU services.

Valley Water will need a communication strategy to define roles and responsibilities and to help management hold accountable the different units responsible for real estate services. A communications plan defines: (1) the message; (2) who communicates that message; (3) when the message will be communicated; (4) the tools and format of the communications; and (5) how the organization will track and maintain the connections created by the communications. Valley Water staff said the organization had established pieces of the communication plan, such as pre-approved templates for written communications with property owners and brochures describing Valley Water’s real estate process and property owner rights.

If Valley Water’s Board would like RESU to have a more strategic role in accomplishing Valley Water’s mission, then it should consider directing the CEO to address other matters for Board consideration described on page 10 of this report.

⁵ Asset management, according to the GAO, is “the coordinated activity of an organization to realize value from assets.” GAO defined asset management activities include: (1) developing an understanding of how each organization’s assets contributes to its successes; (2) managing and investing in those assets in such a way as to maximize that success; and (3) fostering a culture of effective decision making through leadership support, policy development, and staff training.



Acknowledgments

ACKNOWLEDGEMENTS

TAP International wishes to thank the staff who participated in this audit from the following divisions and units:

- Watersheds Design and Construction Division
- Real Estate Services Unit
- Community Projects Review Unit
- Information Technology & Administrative Services Division
- Facilities Management Unit
- Office of the District Counsel

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Santa Clara Valley Water District

File No.: 20-0307

Agenda Date: 7/15/2020
Item No.: 5.1.

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 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

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

Date: March 16, 2019 – July 9, 2020

Summary narrative –	<p><u>Key Activities Completed during the Period</u></p> <ul style="list-style-type: none"> ◆ Summarized meetings from District Counsel staff, confirming understanding of conditions. ◆ Summarized meetings with District Counsel internal customers identified during follow up meetings with District Counsel staff. ◆ Conducted peer review of similar agencies: City of San Jose, Valley Transportation Authority, S. CA Municipal Water District, San Diego County Water Agency, East Bay Municipal Utility District. Responses received from City of San Jose and S. CA Municipal Water District. Other agencies either declined to participate or did not respond to repeated requests. ◆ Completed data analysis of District Counsel Office internal customer interview results. ◆ Completed analysis of District Counsel budgets to develop trend of expenses for legal services within the District Counsel Office (Unit 112 and 113) as well as throughout Valley Water’s other units. ◆ Completed analysis of 23 CAS agreements, analyzing turnaround times and attorney comments. ◆ Developed preliminary findings results. ◆ Coordinated with District Counsel for preliminary results meeting (6/26/20). No response from District Counsel on meeting date. <p><u>Key Activities Planned for July 9, 2020 to July 31, 2020</u></p> <ul style="list-style-type: none"> ◆ Conduct results meeting with District Counsel Office (if responsive) ◆ Complete draft report. <p><u>Outstanding Item to Discuss with BAC</u></p> <ul style="list-style-type: none"> • none
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Updated Timeline – Performance Audit of District Counsel Office

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

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Santa Clara Valley Water District

File No.: 20-0309

Agenda Date: 7/15/2020

Item No.: 5.2.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

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.

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 International 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 was 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 Board Audit Committee's recommendation for TAP to conduct three performance audits recommended by the Board Audit Committee. The three audits include 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 (Attachment 1). In addition to carrying out audits in the Board approved Annual Audit Work Plan, the Committee shall discuss and update the Annual Audit Work Plan, if necessary.

The Board previously approved updates to the FY 2018-2019 to FY 2020-2021 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 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.

ATTACHMENTS:

Attachment 1: Annual Audit Work Plan.

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 – NOVEMBER 7, 2019
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	6		1,800-2,317	

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	
21	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 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
30	Community engagement	What are the best practices in planning and facilitating community engagement?	46-86	Best practices Operational
33	Water Fix	What potential financial risks could occur on the California Water Fix project?	160-286	Financial Relevance
Sub Total	7		1,125 -1,661	

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

**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	

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