

May 23, 2017

NOTICE OF MEETING – REQUEST FOR RSVPS

Members of the Board Audit Committee

Director Tony Estremera, *Chairperson*
Director Gary Kremen, *Vice Chairperson*
Director Barbara Keegan, *Committee Member*

And Supporting Staff Members

Norma Camacho, Interim Chief Executive Officer
Stan Yamamoto, District Counsel
Rick Callender, Chief of External Affairs
Jim Fiedler, Chief Operating Officer, Water Utilities
Melanie Richardson, Interim Chief Operating Officer, Watersheds
Susan Stanton, Chief Operating Officer
Jessica Collins, Senior Management Analyst
Anil Comelo, Deputy Administrative Officer
Michael Baratz, Labor Relations Officer
Ngoc Nguyen, Assistant Officer
Mike Heller, Management Analyst II

A meeting of the Santa Clara Valley Water District Board Audit Committee will take place at **12:00 p.m. on Thursday, June 1, 2017**, at the Santa Clara Valley Water District Headquarters Building Conference Room A-124, 5700 Almaden Expressway, San Jose, California; and **teleconferencing from 3715 Albion Avenue, Lincolnwood, IL.**

Attached for your convenience is a copy of the agenda, minutes, and corresponding materials. Additional materials may be distributed and made available to the public at or prior to the meeting, in accordance with the Brown Act.

Please RSVP at your earliest convenience by contact me at 408-630-2749 or by email to moverland@valleywater.org.

Boxed lunches will be provided for Board members and presenting staff only, beginning at 11:30 a.m.

Thank you!



Max Overland
Board Administrative Assistant II
Santa Clara Valley Water District
Office of Clerk of the Board

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BOARD AUDIT COMMITTEE

Chairperson – Tony Estremera
Vice Chairperson – Barbara Keegan
Committee Member – Gary Kremen



**AGENDA
BOARD AUDIT COMMITTEE**

PHYSICALLY HELD AT
Board Conference Room A124
5700 Almaden Expressway, San Jose, CA 95118
AND TELECONFERENCING FROM
3715 ALBION AVENUE, LINCOLNWOOD, IL 60712
1-888-808-6929, PARTICIPANT CODE 6302343

AT POST TIME OF THIS AGENDA, IT WAS ANTICIPATED THAT DIRECTOR GARY KREMEN, DISTRICT 7, WOULD PARTICIPATE REMOTELY. IN THE EVENT THAT DIRECTOR KREMEN DOES NOT PARTICIPATE REMOTELY, THE TELECONFERENCE LOCATION WILL NOT BE USED AND THE CALL-IN NUMBER WILL NOT BE ACTIVATED.

**June 1, 2017
12:00 PM (PST)**

Time Certain:

- 12:00 PM**
- 1. Call to Order/Roll Call.**
 - 2. Time Open for Public Comment on Any Item Not on the Agenda.**
Comments should be limited to two minutes. If the Committee wishes to discuss a subject raised by the speaker, it can request placement on a future agenda.
 - 3. Approval of Minutes: May 20, 2016, July 7, 2016, August 5, 2016 and February 2, 2017.**
Recommendation: Approve the minutes.
 - 4. Action Items:**
 - 4.1 Safe, Clean Water and Natural Flood Protection Program Audit (SCW Program Audit) - Project Update.** (N. Camacho, M. Heller) - (Approximate Time: 60 Minutes)
Recommendation:
 - a) Receive a presentation of the final draft audit report from Moss Adams;
 - b) Receive and discuss management response to final draft audit report; and
 - c) Direct staff to have Moss Adams present the final draft audit report to the Board of Directors.

4.2 Board Independent Audit Consultant Services Contract.
(N. Camacho, M. Heller) - (Approximate Time: 30 Minutes)

Recommendation:

- a) Receive an update on the status of the Board Independent Audit Consultant Services Contract;
- b) Discuss development of audit program and risk assessment with TAP International, Inc.

4.3 Performance Audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment (A3277G).
(N. Camacho, M. Heller) - (Approximate Time: 5 Minutes)

Recommendation: Receive an update on the status of the Performance Audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment (A3277G).

5. Review and Discussion of 2017 Committee Work Plan. (Committee)

6. Discussion of Next Committee Meeting Date. (Committee)

7. Clerk Review and Clarification of Committee Requests and Recommendations.

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 discussion of Item 4. (Approximate Time: 5 Minutes)

8. Adjourn.

REASONABLE EFFORTS TO ACCOMMODATE PERSONS WITH DISABILITIES WISHING TO ATTEND COMMITTEE MEETINGS WILL BE MADE. PLEASE ADVISE THE CLERK OF THE BOARD OFFICE OF ANY SPECIAL NEEDS BY CALLING (408) 630-2277.

Meetings of this committee will be conducted in compliance with all Brown Act requirements. All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the same time that the public records are distributed or made available to the legislative body, at the following location:

Santa Clara Valley Water District, Office of the Clerk of the Board
5700 Almaden Expressway, San Jose, CA 95118

Board Audit Committee Purpose: The Board Audit Committee is established to assist the Board of Directors, 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.



BOARD AUDIT COMMITTEE

MINUTES

**FRIDAY, MAY 20, 2016
1:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER/ROLL CALL:

A meeting of the Santa Clara Valley Water District Board Audit Committee (Committee) was called to order in the District Headquarters, Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 1:00 p.m.

Committee members in attendance were District 2 Director Keegan, District 7 Director Kremen, and District 6 Director Estremera, Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were, N. Camacho, Interim Chief Executive Officer, N. Chu, R. Jefferson, C. Kwok-Smith, J. Nava, N. Nguyen, M. Overland, and R. Subramanian.

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

Chairperson Estremera declared time open for public comment on any item not on the agenda.

There was no one who wished to speak.

3. APPROVAL OF MINUTES:

The Committee considered the attached draft minutes of the March 25, 2016, meeting.

It was moved by Director Keegan and seconded by Director Kremen, and unanimously carried that March 25, 2016, minutes be approved as presented.

4. ACTION ITEMS:

4.1 Safe, Clean Water and Natural Flood Protection Program Audit.

Recommendation:

A. Receive the first in a series of ongoing project updates for the Safe, Clean Water Program Audit; and

- B. Maintain 4.1 as a standing item on the Committee agenda for the duration of the project.

Ms. Candice Kwok-Smith, Program Administrator, reviewed the information on this item, per the attached Committee Agenda Memorandum.

It was moved by Director Keegan and seconded by Director Kremen, and unanimously carried that the Committee maintain Item 4.1 as a standing item on the Committee agenda, for the duration of the project.

4.2 Audit of Lower Silver Creek Flood Protection Project Consultant Agreement with RMC Water and Environment (A3277G).

Recommendation:

- A. Review and approve the preliminary scope of services and schedule for an audit of the Lower Silver Creek Flood Protection Project Consultant Agreement with RMC Water and Environment (A3277G); and
- B. Request staff issue a Request for Proposal for external independent auditing services to commence a Board-commissioned audit of Agreement A3277G, including all agreement amendments.

The Committee continued Item 4.2 to the next scheduled Committee meeting.

4.3 BMR R-16-0011 – Lower Silver Creek Flood Protection Project 40264008, Reaches 4-6A.

Recommendation:

- A. Discuss BMR R-16-0011 – Potential review of Lower Silver Creek Flood Protection Project 40264008, Reaches 4-6A, to include a review of the proper levels of control for the Agreement No. A3322A with Ruggeri-Jensen-Azar & Associates (RJA), including the original contract approved on April 8, 2009, plus contract amendments, as shown on Attachment 4 of Item 6.2 on the 2/23/16 Board agenda and aggregate financial ceilings approved by the Board for the combined design for Reach 4-6 for the full project (all firms combined); as well as a review to determine if there are any other existing contracts with similar controls to that of the RJA contract, to determine if those contracts should be updated by the Board to include additional financial controls, to match current policy direction regarding contacting controls, as stated in Board Policy EL-5; and
- B. Accept information from staff regarding additional controls for this agreement and all others.

Ms. Kwok-Smith reviewed the information on this item, per the attached Committee Agenda Memorandum.

It was moved by Director Keegan seconded by Director Kremen, and unanimously carried that the Committee refer Item 4.3 to the Board Policy and Planning Committee.

4.4 Board Independent Audit Consultant Services.

Recommendation:

- A. Review and discuss the enclosed preliminary scope of services for Board Independent Audit Consultant Services; and
- B. If the Committee elects to recommend this option to the Board, direct staff to submit the Committee's recommendation to the full Board for its consideration and approval.

Ms. Kwok-Smith reviewed the information on this item, per the attached Committee Agenda Memorandum.

It was moved by Director Keegan seconded by Director Kremen, and unanimously carried that the Committee approve the preliminary scope of service and schedule to retain an independent audit consulting firm for general auditing services.

4.5 Board Audit Planning.

Recommendation:

- A. Review and approve the District Multi-Year Audit Plan information regarding board-level audits;
- B. Review and approve the updated Board Management Audit Priorities List; and
- C. Direct staff to submit the recommended revised Board Management Audit Priorities List and Plan to the full Board for its consideration and approval.

The Committee continued Item 4.5 to the next scheduled Committee meeting.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS AND RECOMMENDATIONS:

There was no Clerk Review and Clarification of Committee Requests and Recommendations given.

6. ADJOURNMENT:

Adjourn to next audit committee meeting as scheduled by the Chair.

Chair Estremera adjourned the meeting at 3:00 p.m., to the next meeting to be scheduled by the Chair and published in accordance with the Brown Act.

Respectfully Submitted,

Max Overland
Board Administrative Assistant II

Approved:

Date: June 1, 2017



BOARD AUDIT COMMITTEE

MINUTES

**THURSDAY, JULY 7, 2016
3:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER/ROLL CALL:

A meeting of the Santa Clara Valley Water District Board Audit Committee (Committee) was called to order in the District Headquarters, Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 1:00 p.m.

Committee members in attendance were District 2 Director Keegan, District 7 Director Kremen, and District 6 Director Estremera, Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were, N. Camacho, Interim Chief Executive Officer, N. Chu, R. Jefferson, C. Kwok-Smith, J. Nava, N. Nguyen, M. Overland, and R. Subramanian.

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

Chairperson Estremera declared time open for public comment on any item not on the agenda.

There was no one who wished to speak.

3. ACTION ITEMS:

3.1 Audit of Lower Silver Creek Flood Protection Project Consultant Agreement with RMC Water and Environment (A3277G)

Recommendation:

- A. Review and approve the revised scope of services and schedule for an audit of the Lower Silver Creek Flood Protection Project Consultant Agreement with RMC Water and Environment (A3277G); and
- B. Request staff issue a Request for Proposal for external independent auditing services to commence a Board-commissioned audit of Agreement A3277G, including all agreement amendments.

Ms. Candice Kwok-Smith, Program Administrator, reviewed the information on this item, per the attached Committee Agenda Memorandum.

It was moved by Director Keegan seconded by Director Kremen, and unanimously carried that the Committee request staff issue a Request for Proposal for external independent auditing services, to commence a Board-commissioned audit of Agreement A3277G, including all agreement amendments.

4. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS AND RECOMMENDATIONS:

There was no Clerk Review and Clarification of Committee Requests and Recommendations given.

6. ADJOURNMENT:

Adjourn to next audit committee meeting as scheduled by the Chair.

Chairperson Estremera adjourned the meeting at 4:00 p.m., to the Special meeting at 1:00 p.m., on August 3, 2016, in the District Headquarters, Conference Room A-124, 5700 Almaden Expressway, San Jose, California.

Respectfully Submitted,

Max Overland
Board Administrative Assistant II

Approved:

Date: June 1, 2017



BOARD AUDIT COMMITTEE

MINUTES

**FRIDAY, AUGUST 5, 2016
1:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER/ROLL CALL:

A Special meeting of the Santa Clara Valley Water District Board Audit Committee (Committee) was called to order in the District Headquarters, Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 1:00 p.m.

Committee members in attendance were District 2 Director Keegan, and District 6 Director Estremera, Chairperson presiding, constituting a quorum of the Committee.

District 7 Director Kremen was excused from attending.

Staff members in attendance were, N. Camacho, Interim Chief Executive Officer, R. Jefferson, C. Kwok-Smith, M. Overland, J. Villarreal, and R. Subramanian.

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

Chairperson Estremera declared time open for public comment on any item not on the agenda.

There was no one present who wished to speak.

Chairperson Estremera acknowledged receipt of a Comment Card from Mr. Mark Steranka, Moss Adams LLP, read the comments into the record as follows:

I wanted to let you know that Moss Adams just learned about the RFQ for these services this week. We would have definitely submitted a proposal to this solicitation had we known about it in time to respond, since we have been aware of possibility of this project for over a year, we are extremely well qualified to perform the work, and we have experience working with the District. I am aware that some other firms did not respond. If you should determine that you received fewer responses than desired and decide to rebid, then we would be excited about the opportunity to respond. Thank you very much for your consideration.

3. ACTION ITEMS:

3.1 Board Independent Audit Consultant Services (RFQ# 4751), Statement of Qualifications Written Evaluations.

Recommendation:

- A. Review the written evaluation scores of the Statement of Qualifications for the Board Independent Audit Consultant Services; and
- B. Select the applicants to invite to oral presentation and interviews for the Board Independent Audit Consultant Services.

Ms. Candice Kwok-Smith, Program Administrator, reviewed the information on this item, per the attached Committee Agenda Memorandum.

The Committee requested that staff cease the current Request for Qualifications (RFQ) for Board Independent Audit Consultant Services, reissue a revised RFQ, and to provide the Committee with a copy of the revised scope of services prior to reissuing the RFQ.

4. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS AND RECOMMENDATIONS:

There was no Clerk Review and Clarification of Committee Requests and Recommendations given.

6. ADJOURNMENT:

Adjourn to next Audit Committee meeting as scheduled by the Chair.

Chairperson Estremera adjourned the meeting at 1:40 p.m., to the next meeting to be scheduled by the Chairperson and published in accordance with the Brown Act.

Respectfully Submitted,

Max Overland
Board Administrative Assistant II

Approved:

Date: June 1, 2017



BOARD AUDIT COMMITTEE

MINUTES

**THURSDAY, FEBRUARY 2, 2017
12:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER/ROLL CALL:

A meeting of the Santa Clara Valley Water District Board Audit Committee (Committee) was called to order in the District Headquarters, Conference Room A- 124, 5700 Almaden Expressway, San Jose, California, at 12:00 p.m.

Committee members in attendance were District 2 Director Keegan, and District 6 Director Estremera, Chairperson presiding, constituting a quorum of the Committee.

District 7 Director Kremen was excused from attending.

Staff members in attendance were C. Elias, H. Gonzalez-Palencia, B. Hopper, R. Jefferson, C. Kwok-Smith, R. Nguyen, S. Stanton, and M. Overland.

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

Chairperson Estremera declared time open for public comment on any item not on the agenda.

There was no one present who wished to speak.

3. ELECTION OF CHAIRPERSON/VICE CHAIRPERSON:

Recommendation: Consider the nomination and election of the 2017 Board Audit Committee Chairperson and Vice Chairperson.

It was moved by Director Keegan and seconded by Director Estremera, and unanimously carried that the current Chairperson Estremera, remain as Chairperson, and the new Vice Chairperson be Director Keegan.

Director Kremen was absent.

4. APPROVAL OF MINUTES: NOVEMBER 1, 2016:

Recommendation: Approve the minutes.

It was moved by Director Keegan and seconded by Chairperson Estremera, and unanimously carried that November 1, 2016, minutes be approved.

Director Kremen was absent.

Chairperson Estremera moved the agenda to Item 5.2.

5. ACTION ITEMS:

5.2 Board Independent Audit Consultant Services Contract.

- Recommendation:
- A. Receive an update on the status of negotiations with TAP International;
 - B. Direct staff to negotiate an agreement with TAP International to conduct a risk assessment, prepare an annual audit plan, and advise on potential audits; and
 - C. Direct staff to submit a Request for Proposal for an on-call auditor to conduct audits identified in the risk assessment and annual audit plan.

Ms. Candice Kwok-Smith, Program Administrator, reviewed the information on this item, per the attached Committee Agenda.

It was moved by Director Keegan and seconded by Chairperson Estremera, and unanimously carried that staff finalize negotiations for the Scope of Work in the original proposal and create a contract to present to the full Board for approval.

The Committee requested that Ms. Susan Stanton, Chief Operating Officer, review the process of this Request for Proposal and subsequent negotiations to identify processes that can be improved.

Chairperson Estremera returned the agenda to Item 5.1.

5.1 Safe, Clean Water and Natural Flood Protection Program Audit (SCW Program Audit) - Project Update.

Recommendation: Receive a Project update for the SCW Program Audit.

Ms. Candice Kwok-Smith, Program Administrator, reviewed the information on this item, per the attached Committee Agenda.

The Committee noted the information without formal action.

5.3 Performance Audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment (A3277G).

Recommendation: Receive an update on the status of the Performance Audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment (A3277G).

Ms. Kwok-Smith reviewed the information on this item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action.

6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS AND RECOMMENDATIONS:

There was no Clerk Review and Clarification of Committee Requests and Recommendations given.

8. REVIEW AND DISCUSSION OF 2017 COMMITTEE WORK PLAN:

There was no Review and Discussion of 2017 Committee Work Plan.

9. DISCUSSION OF NEXT COMMITTEE MEETING DATE:

The Committee discussed that the next meeting will be during April, 2017 and requested Ms. Kwok-Smith to finalize the date with the Committee Chairperson.

10. ADJOURN:

Adjourn to next Audit Committee meeting as scheduled by the Chair.

Chairperson Estremera adjourned at 1:00 p.m.

Respectfully submitted,

Max Overland
Board Administrative Assistant II

Approved:

Date: June 1, 2017

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Committee: Board Audit Committee
Meeting Date: June 1, 2017
Agenda Item No.: 4.1
Unclassified Manger: Norma Camacho
Email: ncamacho@valleywater.org

COMMITTEE AGENDA MEMO

SUBJECT: Safe, Clean Water and Natural Flood Protection Program Audit (SCW Program Audit) - Project Update

RECOMMENDED ACTION:

- A. Receive a presentation of the final draft audit report from Moss Adams;
- B. Receive and discuss management response to final draft audit report; and
- C. Direct staff to have Moss Adams present the final draft audit report to the Board of Directors.

SUMMARY:

At the May 20, 2016 Board Audit Committee meeting, the Committee approved a Safe Clean Water and Natural Flood Protection Performance Audit update as a standing agenda item for the duration of the project.

BACKGROUND:

On November 6, 2012, Santa Clara County voters passed Measure B, the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) as a countywide special parcel tax. The tax went into effect on July 1, 2014 for a period of 15 years with a sunset date of June 30, 2028. The Program builds upon the success of its predecessor, the 15-year Clean, Safe Creeks and Natural Flood Protection plan (Clean, Safe Creeks).

Section N of the Measure B text states the following:

During the Safe, Clean Water and Natural Flood Protection Program period, the Board of Directors shall conduct at least two professional audits of the Program to provide accountability and transparency.

Moss Adams has completed their evaluation and presented the preliminary draft audit report to District staff on February 28, 2017. Moss Adams revised the preliminary draft audit report based on comments received at the presentation and submitted the final draft audit report on March 4, 2017 (Attachment 1).

The District prepared a management response to the findings in the final draft audit report (Attachment 2).

ATTACHMENT(S):

Attachment 1: Final Draft Report for SCVWD Safe, Clean Water Program Performance Audit

Attachment 2: Management Response to Final Draft Report

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FINAL DRAFT REPORT FOR
SANTA CLARA VALLEY WATER DISTRICT
SAFE, CLEAN WATER PROGRAM PERFORMANCE AUDIT

March 4, 2017

Prepared by:

Moss Adams LLP

999 Third Avenue
Suite 2800
Seattle, WA, 98104
206-302-6500

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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I. EXECUTIVE SUMMARY

A. BACKGROUND

The Santa Clara Valley Water District (District) manages an integrated water resources system that includes the supply of clean, safe water, flood protection, and stewardship of streams on behalf of Santa Clara County's nearly two million residents and businesses. The District effectively maintains 10 dams and surface water reservoirs, three water treatment plants, nearly 400 acres of groundwater recharge ponds, and more than 275 miles of streams.

On November 6, 2012, Santa Clara County voters passed Measure B, the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) as a countywide special parcel tax (Measure B). The tax went into effect on July 1, 2014, and it spans 15 years with a sunset date of June 30, 2028. The Program builds upon the success of its predecessor, the 15-year Clean, Safe Creeks and Natural Flood Protection Plan (Clean, Safe Creeks Plan).

The Safe, Clean Water Program addresses the needs, values, and priorities as identified by Santa Clara County stakeholders. Through a comprehensive community engagement process, five priorities were identified and included in the Safe, Clean Water Program. These five priorities were summarized in the Measure B Summary of Key Performance Indicators for the 15-year Program.

B. SCOPE & METHODOLOGY

The performance audit of the Safe, Clean Water Program addresses the following objectives for the first three years of the Program:

1. Assess and determine if Measure B funds were collected and expended by the District in accordance with the tax measure.
2. Verify compliance with all applicable provisions of the Measure B tax, including stated provisions A through O. Identify any opportunities for improvement or performance gaps.
3. Assess and determine if the District is making reasonable progress towards meeting the Program's priorities and key performance indicators (KPIs).
4. Assess and determine if the District is on track to meet the five Program priorities outlined in the Safe, Clean Water Program Report, and the five-year targets established in the 5-Year Implementation Plan. Assess and determine if the District is properly implementing approved change control processes to make Program adjustments and modifications deemed necessary.

We conducted the performance audit through a four-phased approach, which included 1) startup/management, 2) fact finding, 3) analysis, and 4) reporting. The primary techniques utilized to gather and assess relevant information included:

- Interviews: We met with over two dozen District personnel, including individuals responsible for compliance with the Measure and implementation of each Program activity.

MOSS ADAMS_{LLP}

- Document Review: We reviewed dozens of documents to understand relevant policies, procedures, and processes.
- Process Walkthroughs: We had District staff walk us step-by-step through processes associated with administering the Program.
- Testing: Using standardized sampling methods, we tested internal controls and compliance with policies and procedures.

C. SUMMARY OF COMMENDATIONS

Through the audit process, we gained insights from District management and staff with roles and responsibilities associated with the Safe, Clean Water Program. It is evident that the District has made significant progress in a number of areas relevant to Program implementation. Examples include:

- IMC role
- Annual reporting process
- Use of KPIs
- Change control process
- Succession planning
- Compliance

D. SUMMARY OF PROGRESS TOWARDS PRIORITIES AND KPIs

The District has made progress implementing the projects that comprise each of the five priorities of the Safe, Clean Water Program as of FY16. Progress is defined as:

- On Target: Project is progressing as planned.
- Adjusted: The project schedule and/or objectives have been adjusted per the District's change control process.
- Not Started: The project has not initiated.

A summary of the progress for each priority is provided below.

| Priority | On Target | Adjusted | Not Started |
|------------|-----------|----------|-------------|
| Priority A | 1 | 1 | 1 |
| Priority B | 7 | - | - |
| Priority C | 2 | - | - |
| Priority D | 8 | - | - |
| Priority E | 5 | 3 | - |

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E. SUMMARY OF FINDINGS AND RECOMMENDATIONS

District employees were extremely responsive to our information requests and forthcoming with ideas for improving Program economy, efficiency, and effectiveness, while being mindful of the need to meet public information and process obligations. As we assessed compliance and performance, our findings and recommendations naturally fit into four groupings.

Our findings and recommendations are organized by the categories of compliance, workforce, program management, and leveraging external resources. Unless specified otherwise, recommendations are directed toward the District. Findings and recommendations are provided in the tables below.

1. Compliance

| Tax Levy and Collection | |
|--|--|
| Findings | Recommendations |
| Based on testing a sample of parcels in the District, the special tax was levied and collected in accordance with the provisions of Measure B. | Continue to use District controls and processes for levying and collecting the special tax to adhere to the provisions of Measure B. |

| Exemptions | |
|--|--|
| Findings | Recommendations |
| Based on testing a sample of applications, exemptions from the special tax for low-income owner-occupied residential properties for taxpayers-owners who are 65 years of age or older were applied in accordance with the provisions of Measure B. | Continue to use District controls and processes for exempting low-income, owner-occupied residential properties from the special tax levied under the provisions of Measure B. |

| Expenditures | |
|--|---|
| Findings | Recommendations |
| Based on testing a sample of expenditures, Measure B proceeds were used for the Safe, Clean Water Program. | Continue to use District controls and processes for ensuring that the proceeds from Measure B are used for the Safe, Clean Water Program. |

MOSS ADAMS_{LLP}

2. Performance

| Workforce | | |
|-----------|--|--|
| # | Findings | Recommendations |
| 1 | Staffing decreased at the end of the Clean, Safe Creek Program and has not increased with the start of the Safe, Clean Water Program. Project managers, particularly those responsible for Priority B, rely on temporary staff and interns to accomplish project milestones. | Evaluate project staffing levels, considering current and future needs, and hire qualified staff, as necessary, to execute projects according to plan. |

| Program Management | | |
|--------------------|---|---|
| # | Findings | Recommendations |
| 2 | Some KPIs focus on outputs rather than outcomes and do not address District success in achieving key objectives. | Consider revising output-focused KPIs to better demonstrate District success in meeting intended outcomes. |
| 3 | Grants management activities have been under-resourced and cumbersome to perform. | Continue to take measures to centralize and strengthen grants management. |
| 4 | Lack of planning and coordination between project managers and the Legal and Procurement Departments has hindered timely completion of key project initiation tasks. | Establish a task force comprised of project managers and representatives from the Legal and Procurement Departments to identify ways to streamline project initiation. |
| 5 | Some project managers report challenges with appropriately prioritizing projects and coordinating with other priorities to meet timelines. | Increase communication and collaboration among project managers and District stakeholders to ensure progress towards KPIs moves forward according to established plans. |
| 6 | There is an increase in demand for encampment cleanup due to homelessness issues. Priority B4 used future funding to meet current demand and may completely expend earmarked funds by 2019. | Develop a plan for using the remaining Priority B4 resources and determine whether additional resources should be allocated. |
| 7 | Demand for nitrate removal system rebates is lower than anticipated, so the District has only issued 12 of 1,000 planned rebates. | Continue looking for innovative solutions to educate private well users and disperse nitrate rebates. |

| Leveraging External Resources | | |
|-------------------------------|--|--|
| # | Findings | Recommendations |
| 8 | Project managers reported difficulty in collaborating with other agencies and expressed concerns that project progress and financial resources may be negatively impacted as a result. | Ensure consistent stakeholder collaboration by establishing District-wide standards and adding stakeholder engagement steps to the project management process. |
| 9 | Some projects have required additional funding for materials and supplies to leverage increasing volunteer resources. | Consider establishing a civic engagement role to manage volunteer sign-ups, data and tracking, community engagement, and materials for all projects. |

F. REPORT CONTENT

The balance of this report consists of six sections. They include:

- Section II: Background, Scope, & Methodology
- Section III: Commendations
- Section IV: Progress Towards Priorities and KPIs
- Section V: Compliance Findings and Recommendations
- Section VI: Performance Findings and Recommendations
- Section VII: Management Response

II. BACKGROUND, SCOPE, & METHODOLOGY

A. INTRODUCTION

The District manages an integrated water resources system on behalf of Santa Clara County's nearly 2 million residents and businesses, including the maintenance of 10 dams and surface water reservoirs, three water treatment plants, nearly 400 acres of groundwater recharge ponds, and more than 275 miles of streams. The Safe, Clean Water Program, which built upon the success of the Clean, Safe Creeks Plan, went into effect on July 1, 2014 for a period of 15 years with a sunset date of June 30, 2028. Through a comprehensive community engagement process, five priorities were identified and included in the Safe, Clean Water Program. These five priorities were summarized in the Measure B Tax Measure Summary of Key Performance Indicators for the 15-year Program. They include:

- Priority A: Ensure a safe, reliable water supply
- Priority B: Reduce toxins, hazards, and contaminants in waterways
- Priority C: Protect District water supply and dams from earthquakes and natural disasters
- Priority D: Restore wildlife habitat and provide open space
- Priority E: Provide flood protection to homes, businesses, schools, and highways

Each of these priorities has specific operation and capital projects, including descriptions, benefits, KPIs, and estimated schedules. Each project also has a funding allocation for the 15-year Program. Per the direction of the District's Board of Directors, two audits are required throughout the 15-year Program. This is the first of two independent audits of the Safe, Clean Water Program and covers Program years 1 through 3 (FY 2014-2016).

B. SCOPE

The performance audit of the Safe, Clean Water Program addresses the following objectives for the first three years of the Program:

1. Assess and determine if Measure B funds were collected and expended by the District in accordance with the tax measure.
2. Verify compliance with all applicable provisions of the Measure B tax measure, including stated provisions A through O. Identify any opportunities for improvement or performance gaps.
3. Assess and determine if the District is making reasonable progress towards meeting the Program's priorities and KPIs.
4. Assess and determine if the District is on track to meet the five Program priorities outlined in the Safe, Clean Water Program Report, and the five-year targets established in the 5-Year Implementation Plan. Assess and determine if the District is properly implementing approved change control processes to make Program adjustments and modifications deemed necessary.

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C. MANAGEMENT RESPONSIBILITIES

District management has a number of responsibilities that were assessed as part of the Safe, Clean Water Program performance audit. These responsibilities included ensuring that:

- The District developed policies and procedures to ensure compliance with relevant laws and regulations;
- The District established controls to assure compliance with policies and procedures; and
- The District effectively administered, measured, and reported progress on Program implementation.

D. METHODOLOGY

This study was conducted between August and November 2016, and consisted of four phases, including 1) startup/management, 2) fact finding, 3) analysis, and 4) reporting. Through this process, we addressed the primary areas of focus relative to Measure B, and we developed audit objectives for each area. These areas include:

1. **Compliance** with assessment, collection, and expenditure requirements; and
2. **Performance** relative to priorities, KPIs, and change control processes.

Our audit approach for each area and project deliverable is described below. Areas of audit focus were informed by a risk assessment that included various fact finding activities such as a kickoff meeting, interviews, document review, and walkthroughs.

1. Compliance Procedures

We reviewed the Santa Clara Valley Water District's policies and procedures for the Safe, Clean Water Program for fiscal years 2014-2016, which covered the period from July 1, 2013 to June 30, 2014; July 1, 2014 to June 30, 2015; and July 1, 2015 to June 30, 2016, as guided by Measure B. Key audit objectives included evaluating whether:

- The special tax was levied and collected on each parcel of land in the District, or any zone thereof, in accordance with the provisions of Measure B; and
- The proceeds of the tax were used in accordance with the goals of the Program.

We interviewed key personnel involved in complying with Measure B, and we performed walkthroughs of the tax levy process, as well as the process for expending the proceeds generated from the special tax. Interviews and walkthroughs ensured we understood the workflow necessary to ensure compliance with the Program, as well as the key controls employed.

Based on the interviews and walkthroughs, we verified the processes employed by the District, as well as the key internal controls utilized. We updated our preliminary risk assessment based on insights gained from interviews and walkthroughs.

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Key controls identified during the interview and walk through process were tested. Key controls included:

- The Board approved the annual increase in the tax levy.
- The Board approved any changes to the Program through the approved process.
- CEQA environmental reviews were completed before commencement of projects.
- Parcel data from the County Assessor's Office was analyzed and reviewed. If changes were made to the parcel data, the reason for the change was documented.
- The tax levied annually for each parcel was automatically calculated by the system based on certain parameters.
- The District reconciled the total amount levied and certified for the fiscal year to the amount received semi-annually from Santa Clara County.
- Applications for low-income, owner-occupied residential properties for taxpayers-owners who are 65 years of age or older were approved.
- Expenditures of the proceeds of tax levy funds were approved.
- Management prepared an annual budget for the Program and monitored actual expenditures of the tax proceeds to the budget.

We performed tests of internal controls and tests of compliance for adherence to the provisions of Measure B. Sample sizes were determined based on guidance from the American Institute of Certified Public Accountants Audit Guide, *Audit Sampling*. Compliance tests included:

- The annual increase in the tax levy was in accordance with provisions of Measure B.
- The special tax for each parcel of real property was calculated in accordance with the provisions of Measure B.
- The exemption from the special tax for low-income, owner-occupied residential properties for taxpayers-owners who are 65 years of age or older was in accordance with the provisions of Measure B.
- Expenditures of the proceeds of the tax levy funds were used in accordance with the goals of Tax Measure B.

We documented and summarized the results of our tests of controls and compliance and performed follow-up procedures to ensure we were aware of all the facts and circumstances. We developed findings based on procedures performed during the testing process.

Throughout the compliance audit process, we analyzed whether there were any opportunities for improvement or performance gaps. We discussed our findings and recommendations with District management to verify facts contained in our findings and test the practicality of our recommendations.

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2. Performance Procedures

We reviewed the District's implementation of the Safe, Clean Water Program based on reporting from inception to date, which covers the period July 1, 2013 through June 30, 2016, and Annual Reports covering the first three years of the Program. Key audit objectives included assessment of:

- Progress towards achieving priorities and KPIs;
- Implementation of Program activities in accordance with the Plan; and
- Implementation of change control processes.

We conducted interviews with District personnel to gather the information necessary to assess the Program. Through interviews, we gained perspective on the extent to which the District is meeting program provisions, outcomes, and key performance indicators. Interviews included, but were not limited to, the following personnel:

- Interim Chief Executive Officer
- Interim Watershed Chief Operating Officer
- Watershed Assistant Operating Officer overseeing Program implementation
- Senior Management Analyst responsible for Program implementation
- Independent Monitoring Committee Chair
- Managers responsible for each of the Project Background priorities

Interviews were augmented with the review of key documents, such as:

- Safe, Clean Water Program Report – July 24, 2012
- November 6, 2012 General Election ballot – Measure B tax measure
- Safe, Clean Water and Natural Flood Protection 15-Year Program – 5-Year Implementation Plan for Fiscal Year 2014-2018
- Safe, Clean Water Program Annual Reports for years one, two and three of the Program
- Supporting documentation for assessing Program implementation

Our assessment was based on best industry practices. We documented any relevant assumptions that were made as part of our findings or recommendations.

E. DELIVERABLES

Moss Adams was responsible for submitting four deliverables to the District. They included the Audit Plan, Draft Audit Report, Final Draft Audit Report, and Final Report. We presented the study results to the Independent Monitoring Committee (IMC), Board Audit Committee (BAC), and District Board of Directors at the conclusion of the project.

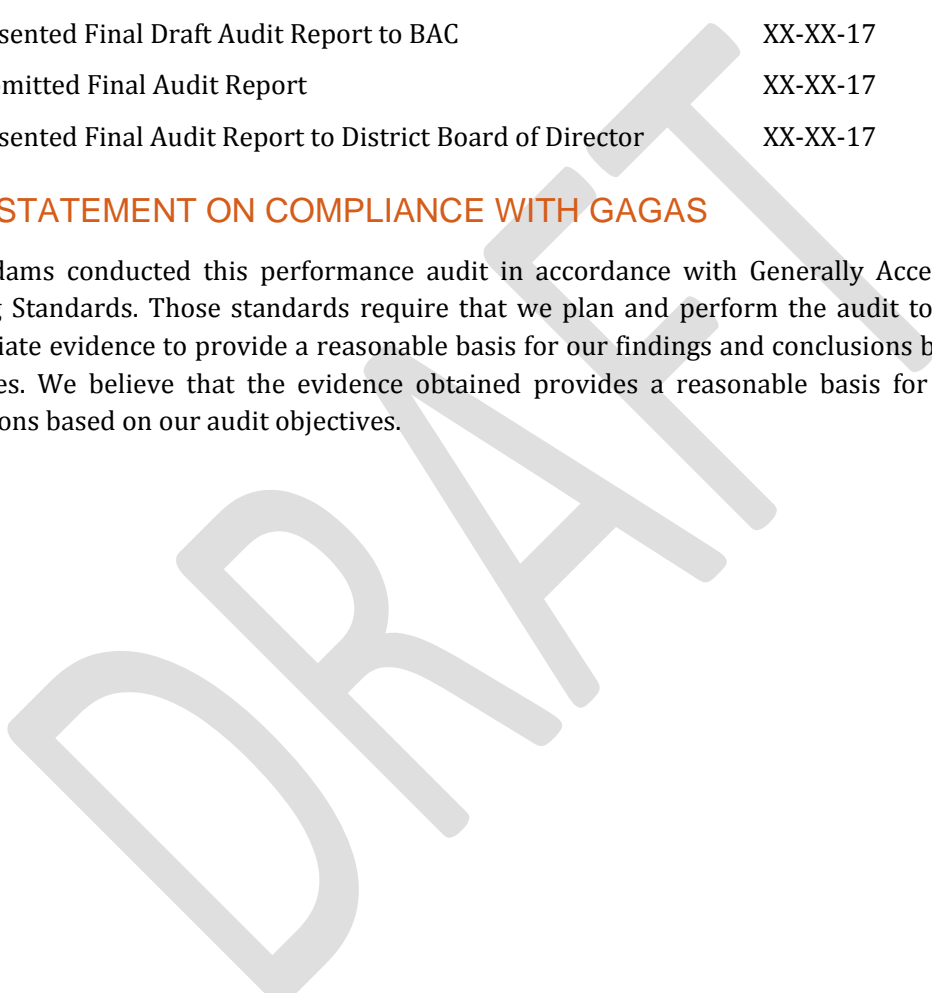
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The timing of key project milestones is summarized below.

- Conducted Entrance Conference 08-24-16
- Submitted Audit Plan 09-04-16
- Submitted Draft Audit Report to District Management 01-27-17
- Submitted Final Draft Audit Report 03-04-17
- Presented Final Draft Audit Report to IMC XX-XX-17
- Presented Final Draft Audit Report to BAC XX-XX-17
- Submitted Final Audit Report XX-XX-17
- Presented Final Audit Report to District Board of Director XX-XX-17

F. STATEMENT ON COMPLIANCE WITH GAGAS

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



III. COMMENDATIONS

A. IMC ROLE

Since the 2012 report, the IMC and the District have clarified their respective roles and responsibilities. IMC members monitor activities and make recommendations, but they are not a decision-making body. District staff is responsive to IMC requests and try to ensure information is easy to understand rather than technical.

B. ANNUAL REPORT PROCESS

The District established a process for communicating and receiving annual report information from project managers. The District appointed a Senior Management Analyst to spearhead the annual report process. Since the implementation of this process, the annual report has been completed on time and the District feels it better meets the public's needs by including contextual information.

C. PROCESS IMPROVEMENTS

1. Use of Internal KPIs

After voters passed the Safe, Clean Water Program, the District drafted the first of three implementation plans, which covers the first five years of the Program. The use of a five-year plan allows for adjustments and keeps the program current with ongoing economic, policy, and regulatory changes. The five-year plan includes KPIs that are based on the overall 15-year performance expectations. The use of these internal measures assists in keeping projects on track and identifies where adjustments may be necessary.

2. Change Control Process

In April 2016, District staff presented a change control process to the Board. The process distinguishes between project adjustments and modifications, as described in the table below.

| Types of Changes | Adjustments | Modification |
|------------------|---|--|
| Text | Edits of text for correction of grammatical errors, information/data updates, and overall readability. | Changes to project KPIs. |
| Schedule | Adjustments to project schedules provided in the original SCW Program. | - |
| Funding | Fiscal Year budget adjustments and increases to project funding allocations that do not impact any project deliverables in the SCW Program. | Increases to project funding allocations that will impact any project KPIs in the SCW Program. |

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The change control process establishes how each of these adjustments or modifications may occur and what approvals are required. By Year 3 of the Program, eight projects were adjusted, primarily due to scheduling, and one project (E5) was modified.

D. SUCCESSION PLANNING

The District is dedicated to preparing for an increasing number of retirements through succession planning. Management has established an internal committee that develops programs to help plan for the transition. For example, the District has considered encouraging phased retirements, where staff work part-time for two years before fully retiring. This enables the employee to pass along institutional knowledge to their successors and ease staff transitions. Additionally, the District has leadership development training available and operates an emerging leaders program to support staff development into a unit manager position.

E. COMPLIANCE

District staff has established a number of best practices and highly effective processes to ensure compliance with Measure B provisions. For instance, the Revenue Unit utilizes several resources to prepare for the constant change in the land category and acreage of land. The Revenue Unit reviews the County Assessor map and online diagrams to verify the status and acres of specific parcels. As a result, the District is able to help ensure the accuracy of the parcel data in the system and help detect errors prior to the tax rate being assessed.

IV. PROGRESS TOWARD PRIORITIES AND KPIS

This section of the report includes an evaluation of the progress the District has made toward achieving the five priorities and associated KPIS of the Safe, Clean Water Program as of FY16. Overall, the District is on track to meet the majority of the Safe, Clean Water Program KPIS. Progress on each priority that was noted in this assessment is indicated in the Status column. Relevant opportunities for improvement, provided in the next section of this report and referenced, are referenced in the Findings column.

PRIORITY A: ENSURE A SAFE, RELIABLE WATER SUPPLY

| Project | 15-Year KPI | 5-Year Target | Status | Findings |
|--|---|--|-----------|----------|
| A1: Main and Madrone Avenue pipelines restoration | <ol style="list-style-type: none"> Restore transmission pipeline to full operating capacity of 37 cubic feet per second from Anderson Reservoir. Restore ability to deliver 20 cubic feet per second to Madrone Channel. | <ol style="list-style-type: none"> Restore transmission pipelines to full operating capacity of 37 cubic feet per second from Anderson Reservoir. Restore ability to deliver 20 cubic feet per second to Madrone Channel. | Adjusted | 4 |
| A2: Safe, clean water partnerships and grants | <ol style="list-style-type: none"> Award up to \$1 million to test new conservation activities. Increase number of schools in Santa Clara County in compliance with SB 1413 and the Healthy Hunger-Free Kids Act, regarding access to drinking water by awarding 100 percent of eligible grant requests for the installation of hydration stations; a maximum of 250 grants up to \$254,000. Reduce number of private well water users exposed to nitrate above drinking water standards by awarding 100 percent of eligible rebate requests for the installation of nitrate removal systems; a maximum of 1000 rebates up to \$702,000. | <ol style="list-style-type: none"> Carry out at least 3 grant cycles to test new conservation activities. Award grants to up to 25 schools. Award up to 100 percent of eligible rebate requests subject to annual program budget for the installation of nitrate treatment systems. | On target | 2, 3, 7 |

| Project | 15-Year KPI | 5-Year Target | Status | Findings |
|---|--|--|---------------|----------|
| A3: Pipeline reliability project | 1. Install four new line valves on treated water distribution pipelines. | 1. None. Project scheduled to start in 2025. | Start FY 2025 | - |

PRIORITY B: REDUCE TOXINS, HAZARDS, AND CONTAMINANTS IN OUR WATERWAYS

| Project | 15-Year KPI | 5-Year Target | Status | Findings |
|--|--|---|-----------|------------|
| B1: Impaired water bodies improvement | <ol style="list-style-type: none"> 1. Operate and maintain existing treatment systems in 4 reservoirs to remediate regulated contaminants, including mercury. 2. Prepare a plan for the prioritization of pollution prevention and reduction activities. 3. Implement priority pollution prevention and reduction activities identified in the plan in 10 creeks. | <ol style="list-style-type: none"> 1. Operate and maintain treatment systems in 4 reservoirs (Almaden, Calero, Guadalupe, and Stevens Creek) to remediate regulated contaminants, including mercury. 2. Prepare a plan for the prioritization of and implementation of pollution prevention and reduction activities in 10 creeks identified as impaired water bodies in Santa Clara County. 3. Implement pollution prevention and reduction activities in at least 1 creek. | On target | 1, 8 |
| B2: Interagency urban runoff program | <ol style="list-style-type: none"> 1. Install at least 2 and operate 4 trash capture devices at storm water outfalls in Santa Clara County. 2. Maintain partnerships with cities and County to address surface water quality improvements. 3. Support 5 pollution prevention activities to improve surface water quality in Santa Clara County either independently or collaboratively with south county organizations. | <ol style="list-style-type: none"> 1. Install at least 2 and operate 4 trash capture devices at storm water outfalls in Santa Clara County. 2. Maintain at least 2 partnerships with cities and County to address surface water quality improvements. 3. Support 1 pollution prevention activity, including education and outreach, to improve surface water quality in Santa Clara County either independently or collaboratively with south county organizations. | On target | 1, 5, 8, 9 |

| Project | 15-Year KPI | 5-Year Target | Status | Findings |
|--|--|--|-----------|------------|
| B3: Pollution prevention partnerships and grants | 1. Provide 7 grant cycles and 5 partnerships that follow pre-established competitive criteria related to preventing or removing pollution. | 1. Provide 3 grant cycles and 2 partnerships that follow pre-established criteria related to pollution prevention. | On target | 1, 3, 5, 9 |
| B4: Good neighborhood program | 1. Perform 52 annual cleanups for the duration of the Safe, Clean Water Program to reduce the amount of trash and pollutants entering the streams. | 1. Conduct 260 cleanups. | On target | 2, 5, 6, 9 |
| B5: Hazardous materials management and response | 1. Respond to 100 percent of hazardous materials reports requiring urgent on-site inspection in two hours or less. | 1. 100 percent of hazardous materials reports requiring urgent on-site inspection responded to in two hours or less. | On target | |
| B6: Good neighborhood program: remove graffiti and litter | 1. Conduct 60 clean-up events (4 per year). 2. Respond to requests on litter or graffiti cleanup within 5 working days. | 1. Conduct 20 cleanup events. 2. Respond to requests on litter or graffiti cleanup within 5 working days. | On target | 2, 5, 9 |
| B7: Support volunteer cleanup efforts and education | 1. Provide 7 grant cycles and 3 partnerships that follow pre-established competitive criteria related to cleanups, education and outreach, and stewardship activities. 2. Fund District support of annual National River Cleanup Day, California Coastal Cleanup Day, the Great American Litter Pick Up, and the Adopt-A-Creek Program. | 1. Provide at least 2 grant cycles and 1 partnership. 2. Fund 4 programs. | On target | 1, 3, 5, 9 |

PRIORITY C: PROTECT OUR WATER SUPPLY FROM EARTHQUAKES AND NATURAL DISASTERS

| Project | 15-Year KPI | 5-Year Target | Status | Findings |
|--|---|---|-----------|----------|
| C1: Anderson Dam Seismic Retrofit | 1. Provide a portion of funds, up to \$45 million, to help restore full operating reservoir capacity of 90,373 acre-feet. | 1. Provide \$15 million toward program completion. | On target | |
| C2: Emergency response upgrades | 1. Map, install, and maintain gauging stations and computer software on seven flood-prone reaches to generate and disseminate flood warnings. | 1. Map, install, and maintain gauging stations and computer software on three flood-prone reaches to generate and disseminate flood warnings (Uvas, Coyote, and San Francisquito Creeks). | On target | |

PRIORITY D: RESTORE WILDLIFE HABITAT AND PROVIDE OPEN SPACE

| Project | 15-Year KPI | 5-Year Target | Status | Findings |
|---|--|--|-----------|----------|
| D1: Management of revegetation projects | 1. Maintain a minimum of 300 acres of revegetation projects annually to meet regulatory requirements and conditions. | 1. Maintain a minimum of 300 acres of revegetation projects annually to meet regulatory requirements and conditions. | On target | 1, 4 |
| D2: Revitalize stream, upland, and wetland habitat | 1. Revitalize at least 21 acres, guided by the five Stream Corridor Priority Plans, through native plant revegetation and removal of invasive exotic species. 2. Provide funding for revitalization of at least 7 of 21 acres through community partnerships. 3. Develop at least 2 plant palettes for use on revegetation projects to support birds and other wildlife. | 1. Revitalize at least 7 acres, guided by Stream Corridor Priority Plan(s), through native plant revegetation and removal of invasive exotic species. 2. Identify plans and potential community partnerships. 3. Develop at least 2 plant palettes for use on revegetation projects to support birds and other wildlife. | On target | 8 |

| Project | 15-Year KPI | 5-Year Target | Status | Findings |
|---|---|--|-----------|----------|
| D3: Grants and partnerships to restore wildlife habitat and provide access to trails | <ol style="list-style-type: none"> 1. Develop 5 Stream Corridor Priority Plans to prioritize stream restoration activities. 2. Provide 7 grant cycles and additional partnerships for \$21 million that follow pre-established criteria related to the creation or restoration of wetlands, riparian habitat, and favorable stream conditions for fisheries and wildlife, and providing new public access to trails. | <ol style="list-style-type: none"> 1. Develop two Stream Corridor Priority Plans to prioritize stream restoration activities. 2. Provide 3 grant cycles and additional partnerships that follow pre-established criteria related to the creation or restoration of wetlands, riparian habitat, and favorable stream conditions for fisheries and wildlife, and providing new public access to trails. | On target | 3, 8 |
| D4: Fish habitat and passage improvement | <ol style="list-style-type: none"> 1. Complete planning and design for two creek/lake separations. 2. Construct one creek/lake separation project in partnership with local agencies. 3. Use \$6 million for fish passage improvements. 4. Conduct study of all major steelhead streams in the County to identify priority locations for installation of large woody debris and gravel as appropriate. 5. Install large woody debris and/or gravel at a minimum of 5 sites (1 per each of 5 major watersheds). | <ol style="list-style-type: none"> 1. Complete planning and design of Lake Almaden and a second site. 2. Construct one creek/lake separation project. 3. Complete plan, design, and CEQA for high priority fish passage projects expending approximately 30% of the \$6 million. 4. Complete study of all major steelhead streams in the County to identify priority locations for installation of large woody debris and gravel as appropriate. 5. Install large woody debris and/or gravel at a minimum of 2 sites. | On target | 8 |
| D5: Ecological data collection and analysis | <ol style="list-style-type: none"> 1. Establish new or track existing ecological levels of service for streams in 5 watersheds. 2. Reassess streams in 5 watersheds to determine if ecological levels of service are maintained or improved. | <ol style="list-style-type: none"> 1. Establish new or track existing ecological levels of service for streams in 5 watersheds. 2. Prepare workplan and schedule for reassessing streams in 5 watersheds. | On target | 4 |

| Project | 15-Year KPI | 5-Year Target | Status | Findings |
|---|---|--|-----------|----------|
| D6: Creek restoration and stabilization | 1. Construct 3 geomorphic designed projects to restore stability and stream function by preventing incision and promoting sediment balance throughout the watershed. | 1. Prioritize potential projects, recommend 3 sites for geomorphic restoration; and begin design and start CEQA process for 1 project. | On target | 4 |
| D7: Partnerships for the conservation of habitat lands | 1. Provide up to \$8 million for the acquisition of property for the conservation of habitat lands. | 1. Provide up to \$2 million for the acquisition of property for the conservation of habitat lands. | On target | 2, 4 |
| D8: South Bay Salt Ponds restoration partnership | 1. Establish agreement with U.S. Fish and Wildlife Service to reuse sediment at locations to improve the success of Salt Pond restoration activities. 2. Construct site improvements up to \$4 million to allow for transportation and placement of future sediment. | 1. Establish agreement with the U.S. Fish and Wildlife Service to reuse sediment at locations to improve the success of Salt Pond restoration activities. 2. Construct 2 site improvement projects. | On target | 8 |

PRIORITY E: PROVIDE FLOOD PROTECTION TO HOMES, BUSINESSES, SCHOOLS, AND HIGHWAYS

| Project | 15-Year KPI | 5-Year Target | Status | Findings |
|---|--|--|-----------|----------|
| E1: Vegetation control and sediment removal for flood protection | 1. Maintain 90 percent of improved channels at design capacity. 2. Provide vegetation management for 6,120 acres along levee and maintenance roads. | 1. Maintain 90 percent of improved channels at design capacity. 2. Provide vegetation management on a minimum of 2,040 acres along levee and maintenance roads. | On target | 5 |
| E2: Emergency response planning | 1. Coordinate with agencies to incorporate District-endorsed flood emergency procedures into their Emergency Operations Center plans. 2. Complete 5 flood-fighting action plans (one per major watershed) | 1. Coordinate with at least one agency to incorporate District-endorsed flood emergency procedures into its Emergency Operations Center plans. 2. Complete at least one flood-fighting action plan. | On target | 8 |

| Project | 15-Year KPI | 5-Year Target | Status | Findings |
|--|--|--|-----------|----------|
| E3: Flood risk reduction studies | <ol style="list-style-type: none"> 1. Complete engineering studies on 7 creek reaches to address 1 percent flood risk. 2. Update floodplain maps on a minimum of 2 creek reaches in accordance with new FEMA standards. | <ol style="list-style-type: none"> 1. Complete engineering studies on 2 creek reaches to address 1 percent flood risk (Coyote Creek at Rockspring and Alamos Creek upstream of Lake Almaden). 2. Develop updated floodplain maps on 1 creek reach in accordance with new FEMA standards (if applicable) (Alamos Creek upstream of Lake Almaden). | On target | |
| E4: Upper Penitencia Creek flood protection Coyote Creek to Dorel Drive—San Jose | <ol style="list-style-type: none"> 1. <i>Preferred project with federal and local funding:</i> Construct a flood protection project to provide 1 percent flood protection to 5,000 homes, businesses, and public buildings. 2. <i>With local funding only:</i> Acquire all necessary rights-of-way and construct a one percent flood protection project from Coyote Creek confluence to King Road. | <ol style="list-style-type: none"> 1. Continue to aggressively pursue federal funding. 2. Complete planning, using non-Safe, Clean Water funds. 3. Complete design. | Adjusted | 8 |
| E5: San Francisquito Creek flood protection San Francisco Bay to Middlefield Road—Palo Alto | <ol style="list-style-type: none"> 1. <i>Preferred project with federal, state, and local funding:</i> Protect more than 3,000 parcels by providing 1 percent flood protection. 2. <i>With state and local funding only:</i> Protect approximately 3,000 parcels from flooding (100-year protection downstream of Highway 101, and approximately 30-year protection upstream of Highway 101). | <ol style="list-style-type: none"> 1. Assess the value of federal partnerships. 2. a. Provide 100-year flood protection from San Francisco Bay to Highway 101 with local funding. b. Provide improved flood capacity between Pope-Chaucer Street and Highway 101 with local funding. | On target | 8 |

| Project | 15-Year KPI | 5-Year Target | Status | Findings |
|--|---|---|-----------|----------|
| E6: Upper Llagas Creek flood protection project Buena Vista Avenue to Wright Avenue—Morgan Hill, San Martin, Gilroy | <p>1. <i>Preferred project with federal and local funding:</i> Provide flood protection to 1,100 homes, 500 businesses, and 1,300 agricultural acres, while improving stream habitat.</p> <p>2. <i>With local funding only:</i> Provide 100-year flood protection for Reach 7 only (up to W. Dunne Avenue in Morgan Hill). A limited number of homes and businesses will be protected.</p> | <p>1. Continue to pursue federal and other funding sources.</p> <p>2. Complete Phase 1 construction (Reach 4 and 7A) with 100-year protection for Reach 7A with local funding. Purchase all required Project Rights-of-Way. If State subvention reimbursements are received, a portion of Phase 2 may be constructed.</p> | Adjusted | 4, 8 |
| E7: San Francisco Bay shoreline study | <p>1. Provide a portion of the local share of funding for planning and design phases for the former salt production ponds and Santa Clara County shoreline area.</p> <p>2. Provide a portion of the local share of funding toward the estimated cost of the initial project phase (Economic Impact Area 11).</p> | <p>1. Begin planning phase of other EIAs.</p> <p>2. a. Complete Chief's Report for EIA 11. b. Complete the design phase for EIA 11. c. Begin the construction phase for EIA 11. d. Pursue federal and other funding sources to complete construction of EIA 11.</p> | On target | 8 |
| E8: Upper Guadalupe River flood protection | <p>1. <i>Preferred project with federal and local funding:</i> Construct a flood protection project to provide one percent flood protection to 6,280 homes, 320 businesses, and 10 schools and institutions.</p> <p>2. <i>With local funding only:</i> Construct flood protection improvements along 4,100 feet of Guadalupe River between the Southern Pacific Railroad crossing downstream of Willow Street to the Union Pacific Railroad crossing downstream of Padres Drive. Flood damage will be reduced; however, protection from the 1 percent flood is not provided until completion of the entire Upper Guadalupe River project.</p> | <p>1. Continue acquiring rights-of-way and relocating utilities for all reaches.</p> <p>2. Construct flood protection improvements for a portion of Reach 12 (from upstream of Branham Lane to Blossom Hill Road) and Reach 7 (from Southern Pacific Railroad crossing downstream of Willow Street to the Union Pacific Railroad crossing upstream of Alma Avenue).</p> | Adjusted | 4, 8 |

V. COMPLIANCE FINDINGS & RECOMMENDATIONS

A. TAX LEVY AND COLLECTION

Finding: Based on testing a sample of parcels in the District, the special tax was levied and collected in accordance with the provisions of Measure B.

Recommendation: Continue to use District controls and processes for levying and collecting the special tax to adhere to the provisions of Measure B.

B. EXEMPTIONS

Finding: Based on testing a sample of applications, exemption from the special tax for low-income owner-occupied residential properties for taxpayers-owners who are 65 years of age or older were applied in accordance with the provisions of Measure B.

Recommendation: Continue to use District controls and processes for exempting low-income, owner-occupied residential properties from the special tax levied under the provisions of Measure B.

C. EXPENDITURES

Finding: Based on testing a sample of expenditures, Measure B proceeds were used for the Clean, Safe Creeks Program.

Recommendation: Continue to use District controls and processes for ensuring that the proceeds from Measure B are used for the Clean, Safe Creeks and Natural Flood Protection Program.

VI. PERFORMANCE FINDINGS & RECOMMENDATIONS

This section of the report consists of findings and recommendations to help the District enhance achievement of the Safe, Clean Water Program. These findings and recommendations are referenced in the previous section of the report.

A. WORKFORCE

1. Program Staffing

Finding: Staffing decreased at the end of the Clean, Safe Creeks Program and has not increased with the start of the Safe, Clean Water Program. Project managers, particularly those responsible for Priority B, rely on temporary staff and interns to accomplish project milestones.

At the end of 2012, many employees dedicated to the Clean, Safe Creeks Program left the District as part of a wind-down plan. The District took a cautious approach to staffing for the Safe, Clean Water Program and capped the number of hires in the first five years of the Program. In an attempt to adequately staff projects, the District added duties to the roles and responsibilities of existing employees and relied on interns and other temporary staff.

Several District project managers, particularly those responsible for Priority B, report staffing shortages over the first three years of the Program, which have impeded project progression. For example, Priorities B1 and B2 were staffed by a single employee, jeopardizing progress toward established targets. However, the District recently hired three additional staff members to support progress. Additionally, the project manager for Priority D1 reported that the project is slightly behind, because the priority was understaffed during the first year and began using contract labor in the second year. The project manager reports having insufficient staff to perform additional administrative tasks required for compliance reporting and oversight of contract labor. Contractors have made mistakes, such as mowing the wrong area, because there is a shortage of staff to monitor contract activities related to this priority.

Recommendation: Evaluate project staffing levels, considering current and future needs, and hire qualified staff, as necessary, to execute projects according to plan.

The District should assess project plans and develop a staffing plan to adequately staff Priority B projects. In order to completing Priority B projects in their entirety and on-time, it is imperative for the District to staff each priority appropriately. Taking current and future needs into consideration and hiring proactively helps ensure projects can be carried out according to defined plans. Without sufficient staff with enough experience and expertise, projects may not meet deadlines and potentially exceed their budgets due to overtime costs.

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B. PROGRAM MANAGEMENT

2. Utility of KPIs

Finding: Some KPIs focus on outputs rather than outcomes and do not address District success in achieving key objectives.

KPIs are utilized to measure how effectively an organization achieves key objectives. Some Safe, Clean Water KPIs address outputs rather than outcomes, which does not portray whether or not the District is meeting objectives. Examples of output-oriented KPIs are included in the table below.

| Project | KPI | Intended Outcome | Notes |
|---------|---|---|---|
| A2.1 | Award up to \$1 million to test new conservation activities. | Help the District exceed the conservation goal of 98,500 acre-feet per year by 2028. Reduces water demands and the need to invest in new or expanded water supply sources and associated infrastructure. | The District reported this project as exceeding its target because more grant dollars were awarded in the first two years to spur innovation during the drought. The KPI does not address whether outcomes from the use of these funds have been realized. |
| A2.3 | Reduce the number of private well water users exposed to nitrate levels that exceed drinking water standards by awarding 100% of eligible rebate requests, a maximum of 1,000 rebates up to \$702,000, for the installation of nitrate removal systems. | Assist private well water users in maintaining the quality and safety of their drinking water. | The District reported this target as on track, because it has provided 100% of eligible rebates with funding. Measure B provided funding for up to 1,000 rebates, but the District awarded a total of 12 rebates by Year 3. Although the District’s efforts appear to be meeting the established KPI, they are not meeting the intended benefit of the program. |
| B4 | Perform 52 annual cleanups for the duration of the Program and reduce the amount of trash and pollutants entering the streams. | Reduce trash and other pollutants in surface water, including streams, reservoirs, and wetlands. Improve the aesthetics of creeks in neighborhoods and parks, and coordinate efforts among multiple agencies to create lasting solutions. | The District reports this target as ahead of schedule due to increased demand for encampment cleanups. However, the KPI was established with current conditions in mind. Therefore, even if the District performed additional cleanups, the benefits of the established KPI would not be realized. If homelessness does not decrease in the region, then the District may not be able to fulfill the KPI due to decreased demand. |

| Project | KPI | Intended Outcome | Notes |
|---------|----------------------------|---|--|
| B6 | Conduct 60 cleanup events. | Reduce trash and contaminants in local waterways. Improve the appearance of waterways in neighborhoods and parks by removing trash, graffiti, and litter. | Similar to the above project, the District reports that this event is on target. However, the KPI measures the number of events that are planned to occur over the course of 15 years, but it does not address the intended outcome of those clean up events. The benefits of this project may or may not be realized depending on local conditions and demand for cleanups. |

Recommendation: Consider revising output-focused KPIs to better demonstrate District success in meeting intended outcomes.

Adopting outcome-based KPIs would enable the District to more effectively communicate the impact of the investment in the priorities, rather than simply state the volume of work accomplished. Program KPIs are part of the authorizing measure, and require a public process to change. Examples of potential outcome-based KPIs are provided below.

| Project | Current KPI | Sample Outcome-Based KPI |
|---------|--|--|
| A2.1 | Award up to \$1 million to test new conservation activities. | Reduce water usage by 15% by 2020. |
| A2.3 | Reduce the number of private well water users exposed to nitrate levels that exceed drinking water standards by awarding 100% of eligible rebate requests, a maximum of 1,000 rebates up to \$702,000, for the installation of nitrate removal systems | Reduce to zero all private well water users exposed to nitrate above drinking water standards. |
| B4 | Perform 52 annual cleanups for the duration of the Program and reduce the amount of trash and pollutants entering the streams. | Volume of trash collected on a monthly and/or annual basis. |
| B6 | Conduct 60 cleanup events. | Volume of trash collected on a monthly and/or annual basis. |

3. Grants Management

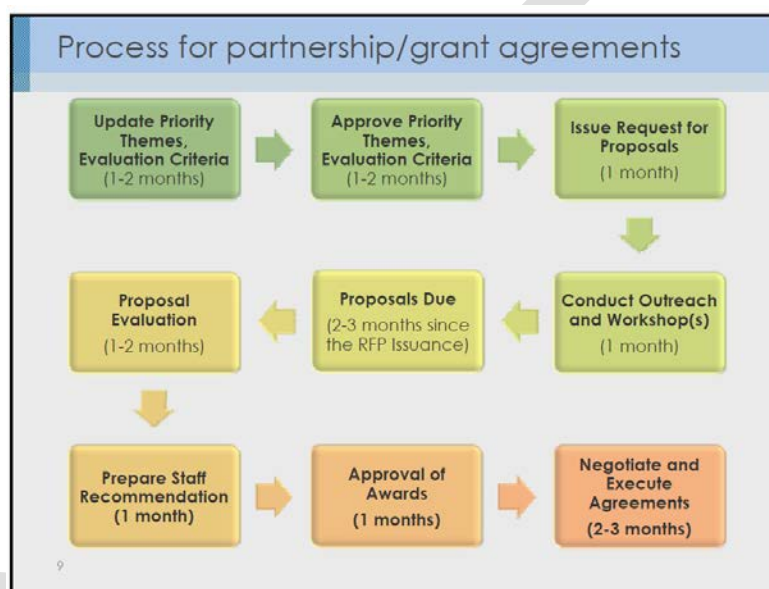
Finding: Grants management activities have been under-resourced and cumbersome to perform.

Grants are administered separately for the four priorities of the Safe, Clean Water Program, including A2, B3, B7, and D3. Currently, the grants program relies on temporary employees, in part because administrative overhead was not included in the grant formula allocation. The time and effort required to manage the 48 existing grants will increase as additional grants are awarded. District staff report that there are opportunities to streamline grants management and increase District transparency.

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Two grants programs managed for Priority B3 were transferred from the Watershed Division on July 30, 2015. Following this transition, staff conducted an assessment of the grants program in collaboration with prior grantees and identified several opportunities for improvement. District staff expressed concerns that the existing process has cumbersome reimbursement procedures and labor-intensive contract processes. There were also concerns regarding grants management and tracking use of funds, as the previous grant administrator used an internally-designed tracking system that could no longer be used.

Based on the following diagram provided by the District, the entire grants process may take up to 16 months to complete.



In response to the 2015 staff assessment, the District implemented a number of improvements to the grants process by March 2016, including:

- Proposal Solicitation Process
 - Used a single competitive process for proposal solicitations
 - Began the FY 2016 grant cycle earlier to allow for additional time for proposal development, applications, and agreement execution
 - Two grantees shared successes and lessons learned in the funding application process in addition to a District staff presentation about the funding requirements, schedule, and criteria at the proposal solicitation workshop
 - Crafted seven e-mail reminders to be sent at various times in the proposal solicitation process to guide interested parties through the application process
 - Conducted after-application surveys to solicit ideas for improvements
 - Refined the Project Budget form for clarity and to support more streamlined reporting

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- Actively updated and maintained a centralized e-mail list for notifying interested parties, and to better use other communication tools including social media postings
- Proposal Review and Award Recommendation
 - Collaborated with the review panel to brainstorm how to fund as many proposals as possible within the budget, executive limitations, minimum qualifications, and evaluation criteria
- Negotiating and Executing Agreements
 - Collaborated with the legal and planning team to assist awardees in addressing the CEQA documentation requirement for executing the grants and partnership agreements
 - Provided guidance to awardees to bring clarity on success measures including long-term measures and other concerns raised by the review panelists to refine the SOW to be included in the agreements
 - Updated safety tips for volunteer cleanup activities

However, opportunities for improving grants management remain. The District lacks central oversight over grants management that would provide consistent information and granting processes. Additionally, overhead for the program is not included in the grant formula, leaving this priority slightly underfunded.

Recommendation: Continue to take measures to centralize and strengthen grants management.

The District should consider hiring an experienced grants manager to solicit RFPs and oversee all grant management activities, with subject matter expertise provided by program staff. This model would ensure consistency and allow the District to more easily identify areas of improvement, while giving grantees more opportunities to leverage additional grant funds. In order to fund this position and associated administrative costs, the District should ensure that overhead costs are included in the grant formula. Over time, the District should continue to evaluate the grant process against relevant priorities and identify opportunities for improvement, potentially including additional staff.

4. Coordination with Legal and Procurement

Finding: Lack of planning and coordination between project managers and the Legal and Procurement Departments has hindered timely completion of key project initiation tasks.

Due to the nature of large, primarily capital projects, the first five years of the Safe, Clean Water Program requires project managers to work more closely with the Legal and Procurement Departments. For example, Priority E6 requires the District to obtain right of ways for 80 parcels with private owners, which can take over a year to acquire if there are legal issues. Delays in the land rights transactions, in turn, can prevent the District from meeting established timelines for construction bids. Project managers and Legal Department staff have not jointly established priorities and milestones for project tasks.

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Additionally, the District recently completed a contracts audit, which found that Procurement appeared to be understaffed and key functions were handled in a non-standardized fashion. Most of the audit focused on contract management, which will become vital over the next three to five years for many projects. The audit acknowledged lengthy cycle times for contract creation and approval, explaining that delays are typically a result of multiple rounds of edits and amendments to the Standard Consultant Agreement and repetitive approvals required throughout the contract approval process.

Recommendation: Establish a task force comprised of project managers and representatives from the Legal and Procurement Departments to identify ways to streamline project initiation.

To facilitate improved collaboration between project managers and internal services that support capital projects, the District should form a cross-functional task force focused on process improvement. The task force should define relevant project initiation tasks, roles and responsibilities, and estimated durations. Then the task force should identify ways to streamline tasks such as performing tasks concurrently versus in series, developing templates to enhance consistency, and standardizing work scopes to expedite reviews.

5. Prioritizing Cross-Functional Projects

Finding: Some project managers report challenges with appropriately prioritizing projects and coordinating with other priorities to meet timelines.

Many of the projects included in Safe, Clean Water Program are related and interdependent. District staff report that they coordinate with one another on an individual basis and for IMC report development, but not for Program-wide priority settings. Staff use the District's project management system to support communication with one another. However, they reported that it is a challenge to sufficiently manage multiple priorities to keep everything on track. For example, the E1 project manager explained that the work associated with this priority is mitigated through other priorities related to Stream Mitigation. Project managers require additional communication and coordination to ensure that each priority progresses according to plan.

Many project managers reported managing activities based on five-year targets rather than the overall 15-year KPI. This can pose challenges, because some projects are dynamic and more require flexibility than the shorter, five-year deadlines accommodate. In order to meet these targets, some projects may need deadlines or costs adjusted.

Recommendation: Increase communication and collaboration among project managers and District stakeholders to ensure progress towards KPIs moves forward according to established plans.

To allow for effective use of resources across priority projects, the District should take steps to increase collaboration between project managers. Management of interdependent projects should include regular meetings between responsible staff to help keep the projects on track and assist with potential delays or other concerns. The District should form multi-project coordination teams that ensure project activities are being arranged with both near- and long-term milestones in mind. Increased collaboration will also help project managers to identify areas for improved efficiency and effectiveness.

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6. Priority B4 Funding

Finding: There is an increase in demand for encampment cleanup due to homelessness issues. Priority B4 used future funding to meet current demand and may completely expend earmarked funds by 2019.

The funding needs for encampment cleanups has doubled each year since 2014 due to rising regional homelessness. The District has three FTEs dedicated to this priority and continues to receive high volumes of cleanup requests. The Priority B4 project manager reported that the priority has a backlog of cleanups and struggles to balance additional seasonal work, requiring staff to work overtime and clean up encampments over the weekends. To keep up with cleanup requests, the District has been utilizing future funding and expects to allocate the priority's complete 15-year funding by 2019. It is unclear whether the full expenditure of funds will render the priority "achieved," when encampment cleanups will likely be necessary throughout the life of the Program.

The increased demand for encampment cleanups cannot be addressed by the District alone. The District does not have land use or law enforcement authority to prevent encampments or litter in the waterways it maintains. The Board is cooperating with the City and local non-profits to abate encampments.

Recommendation: Develop a plan for using the remaining Priority B4 resources and determine whether additional resources should be allocated.

The District should continue to work towards regional homelessness solutions in cooperation with other local entities. The District should also consider seeking additional funding sources to ensure sufficient funding throughout the 15-year Safe, Clean Water Program because additional funds will be required to perform all the cleanups, which are vital for water quality.

7. Nitrate Rebate Program

Finding: Demand for nitrate removal system rebates is lower than anticipated, so the District has only issued 12 of 1,000 planned rebates.

Measure B provided funding for 1,000 nitrate removal system rebates. However, the District issued a total of 12 rebates in the first three years of the Program. To encourage more private well users to take advantage of the rebate, staff for this priority worked with the Communications Department to develop an outreach plan. The District increased the rebate dollar amount from \$200 to \$500, which covers approximately 80% of the cost. District staff report that these changes did not increase demand for rebates.

Private wells are not monitored, making it difficult to determine how many private well users may be in need of this program. Some well owners may already have systems installed, while others may use bottled water for drinking. The District does not know how many individuals are exposed to nitrates or if there is demand for the rebate program. Similar programs in other locations have also been characterized by low participation rates.

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Recommendation: Continue looking for innovative solutions to educate private well users and disperse nitrate rebates.

In order to increase participation in the program, the District should continue to conduct outreach to private well users. However, if there continues to be little public interest in the rebates, the District may consider adjusting priorities and reallocating funds to other projects in Priority B as funding needs arise.

C. LEVERAGING EXTERNAL RESOURCES

8. Stakeholder Collaboration

Finding: Project managers reported difficulty in collaborating with other agencies and expressed concerns that project progress and financial resources may be negatively impacted as a result.

Several priorities require stakeholder collaboration with residents, local cities, and Santa Clara County. District project managers reported that a contributing difficulty in timely achievement of project milestones is collaboration and engagement with stakeholders. For example, Priority E7 involves two other agencies, the Union Pacific Railroad and the City of San Jose, and the District is reliant on funding from the U.S. Army Corps of Engineers (USACE). The two other agencies made adjustments to the project plan that are longer than the District had anticipated and changed elements that require an adjusted completion date as well. Individual project managers report that they handle the bulk of stakeholder engagement themselves, with help from their supervisors when issues require escalation.

Many projects depend on the planning and permitting processes of local agencies for execution. Several project managers reported that partner agencies occasionally request funds for capital improvements and enhancements as part of planned District projects. In addition, there may be multiple projects occurring in one city, and both agencies could benefit from increased collaboration to more effectively balance priorities and negotiate timelines.

Several Priority B projects depend on USACE funding, which the District has limited control over. The Corps typically does not communicate funding timing in advance, which hinders the District's ability to plan funding-dependent project phases. The constraints of these funds should also be communicated to stakeholders to ensure that projects advance according to plan and do not experience delays due to modification requests.

Recommendation: Ensure consistent stakeholder collaboration by establishing District-wide standards and adding stakeholder engagement steps to the project management process.

Meaningful stakeholder engagement and subsequent relationships may derive tremendous value for the District. Additionally, consistent stakeholder communication helps protect the District's reputation and encourages future opportunities for collaboration. To harness potential benefits, the District needs to develop and utilize a strategic and consistent approach in communicating with stakeholders. Each project's assigned public information representative could work more closely with project managers to address government stakeholder relations. Stakeholder engagement steps can be added to the District's project and quality management system (QMS). Communication should include clarifying staff

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members', stakeholders', and residents' roles in each Priority to ensure each party knows their expected contributions.

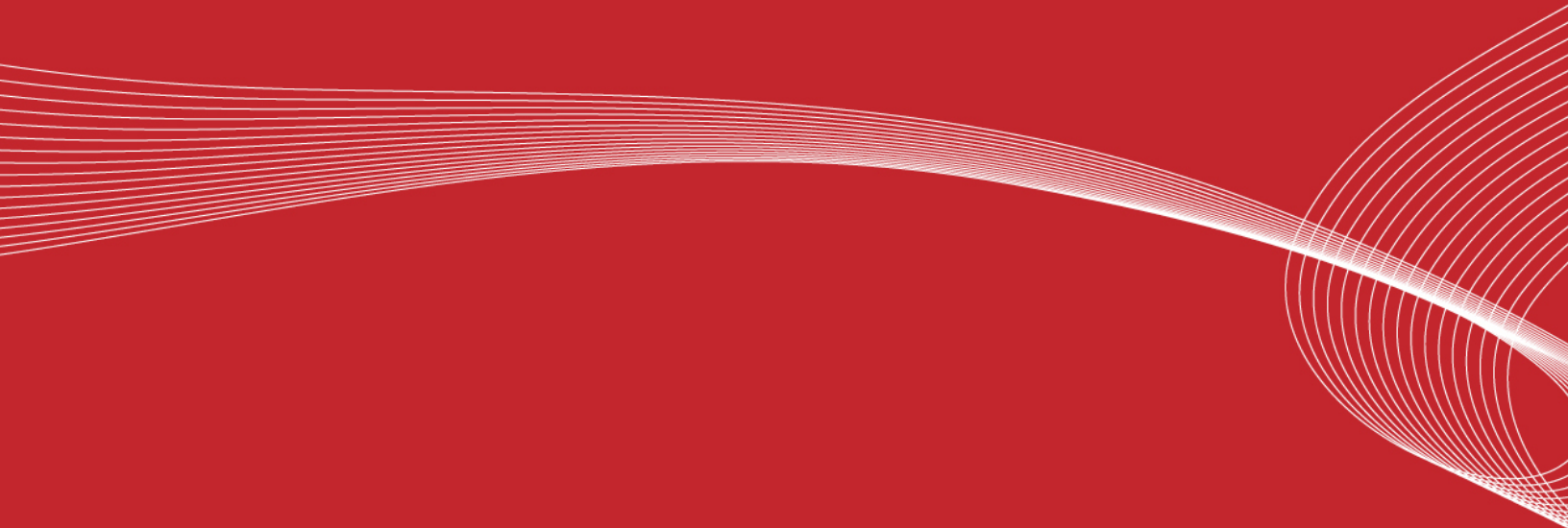
9. Use of Volunteers

Finding: Some projects have required additional funding for materials and supplies to leverage increasing volunteer resources.

Several priorities leverage volunteers to achieve project milestones. District staff report administrative improvements related to volunteer management, including online applications, improved database monitoring and tracking, and defined roles and responsibilities. Each project utilizes volunteers in a manner that best serves the project, and projects do not typically share physical resources. However, as more volunteers participate in District efforts, additional funding is needed to purchase supplies, such as shovels, rakes, and other equipment, to leverage volunteer labor.

Recommendation: Consider establishing a civic engagement role to manage volunteer sign-ups, data and tracking, community engagement, and materials for all projects.

Volunteers help the district achieve priority goals in a cost-effective, collaborative manner, and volunteer participation is a valuable way to engage the community. Proper volunteer management is central to the District's success in recruiting and retaining volunteers, including helping them develop into new roles as their needs and the needs of the organization change and develop over time. By creating a dedicated position to manage volunteers and materials, the District will be able to help ensure that volunteers feel engaged and maximize resource capacity.



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Santa Clara Valley Water District Management Response
Safe, Clean Water and Natural Flood Protection Program Performance Audit
Performance Audit Key Results – April 18, 2017

The audit addresses the first three years of the Safe, Clean Water and Natural Flood Protection Program with twelve key findings. The District’s management responses to these key findings appear below.

| Compliance and Performance Audit Findings | Compliance and Performance Audit Recommendations | SCVWD Management Response |
|---|--|---|
| <p>Compliance Finding #1</p> <p>Based on testing a sample of parcels in the District, the special tax was levied and collected in accordance with the provisions of Measure B.</p> | <p>Recommendation</p> <p>Continue to use District controls and processes for levying and collecting the special tax to adhere to the provisions of Measure B.</p> | <p>The District acknowledges this finding and will continue to use District controls and processes for levying and collecting the special tax to adhere to the provisions of Measure B.</p> |
| <p>Compliance Finding #2</p> <p>Based on testing a sample of applications, exemptions from the special tax for low-income owner-occupied residential properties for taxpayers-owners who are 65 years of age or older were applied in accordance with the provisions of Measure B.</p> | <p>Recommendation</p> <p>Continue to use District controls and processes for exempting low-income, owner-occupied residential properties from the special tax levied under the provisions of Measure B.</p> | <p>The District acknowledges this finding and will continue to use District controls and processes for exempting low-income, owner-occupied residential properties from the special tax levied under the provisions of Measure B.</p> |

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| <p>Compliance Finding #3</p> <p>Based on testing a sample of expenditures, Measure B proceeds were used for the Safe, Clean Water Program.</p> | <p>Recommendation</p> <p>Continue to use District controls and processes for ensuring that the proceeds from Measure B are used for the Clean, Safe Creeks and Natural Flood Protection Program.</p> | <p>The District acknowledges this finding and will Continue to use District controls and processes for ensuring that the proceeds from Measure B are used for the Safe, Clean Water Program.</p> |
| <p>Performance Finding #1</p> <p>Staffing decreased at the end of the Clean, Safe Creek Program and has not increased with the start of the Safe, Clean Water Program. Project managers, particularly those responsible for Priority B, rely on temporary staff and interns to accomplish project milestones.</p> | <p>Recommendation</p> <p>Evaluate project staffing levels, considering current and future needs, and hire qualified staff, as necessary, to execute projects according to plan.</p> | <p>The District acknowledges this finding and added new positions in Fiscal Year 2017 and continues to evaluate resource needs and allocate resources as required and where funding permits.</p> <p>Regarding about Priority B specifically, the FY 2018 proposed budget includes one full-time position to support projects B1 (Impaired Water Bodies Improvement) and B2 (Interagency Urban Runoff Project). The District will continue to evaluate the program's staffing levels and available funding to hire staff as necessary to execute the projects per plan.</p> |

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| Compliance and Performance Audit Findings | Compliance and Performance Audit Recommendations | SCVWD Management Response |
|--|--|---|
| <p>Performance Finding #2</p> <p>Some KPIs focus on outputs rather than outcomes and do not address District success in achieving key objectives.</p> | <p>Recommendation</p> <p>Consider revising output-focused KPIs to better demonstrate District success in meeting intended outcomes.</p> | <p>The District acknowledges this finding; however, the District takes a cautious approach to proposing modifications to language that was voter-approved. Modifications can be recommended by the Board, District staff, the Independent Monitoring Committee, District advisory committees, or other stakeholders. Per the program’s Change Control Process, modifications require a formal public hearing, which must be publicly noticed as set forth by Government Code Section 6066.</p> |
| <p>Performance Finding #3</p> <p>Grants management activities have been under-resourced and cumbersome to perform.</p> | <p>Recommendation</p> <p>Continue to take measures to centralize and strengthen grants management.</p> | <p>The District is currently in the process of hiring a new Chief of External Affairs (CEA). The CEA will oversee the District’s Government Relations and Communications Units, as well as a newly created Civic Engagement Unit.</p> <p>The CEA will hire a new Unit Manager for the Civic Engagement Unit and that manager will be responsible for overseeing grant activities for SCW Priorities B3, B7, and D3 and the District’s volunteer and education programs.</p> <p>The Safe, Clean Water conservation grant program (A2) is currently managed by the Water Supply Planning and Conservation Unit. The reasons for keeping this grant program separate from the other SCW grant programs are two-fold:</p> <ul style="list-style-type: none"> • Water conservation subject matter experts are critical in properly evaluating and managing conservation grant proposals, accounting for changing statewide regulatory |

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| | | <p>requirements and regular negotiations with District’s water retailers. Any number of those factors have impacts that could influence adaption of the water conservation grants as a public policy tool for the Board of Directors to achieve defined outcomes.</p> <ul style="list-style-type: none"> • Water conservation staff can provide better customer service to those seeking water conservation grants <p>It is recommended to keep management of the A2 grants in the Water Supply Planning and Conservation Unit.</p> <p>After the CEA and the Community Engagement Unit Manager are hired, as part of normal operations, they will evaluate staffing needs and management of grant overhead costs, including exploring support of professional grant management firms.</p> <p><i>Action: Continue with proposed action to hire a Chief of External Affairs and a Community Engagement Unit Manager to oversee the SCW B3, B7, and D3 grant programs</i></p> |

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| <p>Performance Finding #4</p> <p>Lack of planning and coordination between project managers and the Legal and Procurement Departments has hindered timely completion of key project initiation tasks.</p> | <p>Recommendation</p> <p>Establish a task force comprised of project managers and representatives from the Legal and Procurement Departments to identify ways to streamline project initiation.</p> | <p>Since the District relies on contractors to perform/assist with many critical functions, delays and other inefficiencies in the procurement processes have a detrimental impact on District projects and services.</p> <p>A previous outside audit identified several deficiencies and challenges. The work and performance of several District workgroups have an impact on the pace and quality of the Procurement process. It is for this reason that the Interim Chief Executive Officer (ICEO) made improving procurement processes (particularly Contracting) a major priority.</p> <p>As a result, the new Chief Operating Officer for Administrative Services (COO) plans to bring together a group of stakeholders to share ideas, develop new processes, make commitments, etc. with the goal of positively impacting current processes. The COO intends to use a consultant to facilitate the discussions using proven process improvement strategies/methods. This collaborative effort will involve stakeholders including managers from capital projects and staff representing contracts, purchasing, legal, risk, and IT.</p> <p><i>Action: The District will use the expertise of consultant, TechSolve, Inc., to undertake a process improvement effort of the entire contracting process. It is anticipated that the effort will occur in April-June and will result in new processes, forms, and standards which will be implemented soon thereafter.</i></p> |

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| <p>Performance Finding #5</p> <p>Some project managers report challenges with appropriately prioritizing projects and coordinating with other priorities to meet timelines.</p> | <p>Recommendation</p> <p>Increase communication and collaboration among project managers and District stakeholders to ensure progress towards KPIs moves forward according to established plans.</p> | <p>The District acknowledges this finding.</p> <p><i>Action: Due to retirements, staff movements, and emergencies, such as winter storms, Watersheds has not been able to hold regular quarterly monitoring review meetings. Watersheds will resume the meetings to increase communications and collaboration among project managers.</i></p> |
| <p>Performance Finding #6</p> <p>There is an increase in demand for encampment cleanup due to homelessness issues. Priority B4 used future funding to meet current demand and may completely expend earmarked funds by 2019.</p> | <p>Recommendation</p> <p>Develop a plan for using the remaining Priority B4 resources and determine whether additional resources should be allocated.</p> | <p>The District acknowledges this finding.</p> <p><i>Action: The current level of demand for service beyond FY 2019 exceed the Safe, Clean Water funding for this work. Staff is planning to discuss options with the Board for additional funding sources to fund additional encampment cleanup.</i></p> |

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| <p>Performance Finding #7</p> <p>Demand for nitrate removal system rebates is lower than anticipated, so the District has only issued 12 of 1,000 planned rebates.</p> | <p>Recommendation</p> <p>Continue looking for innovative solutions to educate private well users and disperse nitrate rebates.</p> | <p>The District acknowledges this finding and will continue to look for innovative ways to inform private well users of the risks of elevated nitrate and to increase rebate program participation.</p> |
| <p>Performance Finding #8</p> <p>Project managers reported difficulty in collaborating with other agencies and expressed concerns that project progress and financial resources may be negatively impacted as a result.</p> | <p>Recommendation</p> <p>Ensure consistent stakeholder collaboration by establishing District-wide standards and adding stakeholder engagement steps to the project management process.</p> | <p>The District concurs with the auditor’s findings that meaningful stakeholder engagement and relationships with said stakeholders derives tremendous value for the District, helps protect the District’s reputation, and encourages future opportunities for collaboration.</p> <p>In fact, the Office of Government Relations is charged with engaging, fostering, and maintaining advocacy stakeholders for that express purpose, and the Office of Communications routinely engages, fosters, and maintains relationships with community stakeholders during specific projects for the same reason. In October 2016, the Office of Government Relations and Office of Communications were merged under the direction of one Deputy Administrative Officer, which both aligned and bolstered both Offices’ abilities to engage stakeholders in strategic and practical</p> |

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| | | <p>fashion, to advance District priorities and achieve District project results. Consequently, stakeholder engagement has now benefited from and grown stronger through increased communication, broadened outreach, and more strategic engagement strategies.</p> <p>It is important to note, however, that stakeholder engagement strategies are designed to meet the needs of individual projects/initiatives while acknowledging and addressing diverse political and community sensitivities pertaining to each specific project/initiative. As a result, the Offices work closely together with the project team to develop detailed outreach plans for each project that outline specific stakeholder engagement strategies with roles for communications, government relations and the project team, stakeholders, and residents. These strategies also identify stakeholders and the appropriate District point(s) of contact, and tactics to be used in achieving stakeholder engagement, communications, and project outcomes.</p> <p>Given the diversity of both political and community landscapes that affect District projects, QMS and QEMS processes are limiting to the point of potentially hampering effective stakeholder engagement; instead, it is preferable to apply the auditor's recommendation that each project's assigned Public Information Representative continue to work closely with both their counterparts in Government Relations and on the project team as these outreach plans and stakeholder engagement strategies, roles, and tactics are developed, so that all parties are on the</p> |

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| | | <p>same page at the beginning, and understand what is expected of them. In this way, effective stakeholder engagement and collaboration will be undertaken and carried out in a consistent yet adaptive manner.</p> |
| <p>Performance Finding #9</p> <p>Some projects have required additional funding for materials and supplies to leverage increasing volunteer resources.</p> | <p>Recommendation</p> <p>Consider establishing a civic engagement role to manage volunteer sign-ups, data and tracking, community engagement, and materials for all projects.</p> | <p>The District concurs with the auditor’s recommendation about the importance of establishing a civic engagement role to manage volunteer sign ups, data and tracking, community engagement, materials for all projects may improve volunteer engagement and maximize resource capacity.</p> <p>The District is currently in the process of hiring a new Chief of External Affairs (CEA). The CEA will oversee the District’s Government Relations and Communications Units, as well as a newly created Civic Engagement Unit.</p> <p>The CEA will hire a new Unit Manager for the Civic Engagement Unit and that manager will be responsible for overseeing grant activities and the District’s volunteer and education programs.</p> <p>The job classification of the current manager of the volunteer program is Public Information Representative II.</p> <p><i>Action: Once hired, the new CEA and Civic Engagement Unit Manager will evaluate the volunteer program and make changes to the volunteer program structure, as necessary.</i></p> |

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Committee: Board Audit Committee
Meeting Date: June 1, 2017
Agenda Item No.: 4.2
Unclassified Manger: Norma Camacho
Email: ncamacho@valleywater.org

COMMITTEE AGENDA MEMO

SUBJECT: Board Independent Audit Consultant Services Contract

RECOMMENDED ACTION:

- A. Receive an update on the status of the Board Independent Audit Consultant Services Contract; and
- B. Discuss development of audit program and risk assessment with TAP International, Inc.

SUMMARY:

At the February 2, 2017, Board Audit Committee meeting, the Committee directed staff to finalize negotiations for the Scope of Work in the original proposal and create a contract to present to the full Board for approval.

The on-call consultant agreement is planned to be presented to the Board on May 23, 2017, for approval.

The noticed to proceed is planned to be signed with TAP International on May 24, 2017. TAP International will work with the Board Audit Committee to develop an annual audit program, assess operational risks, and advise on potential audits to ensure the District is in full compliance with its policies, procedures, and regulations. An agenda provided by TAP International for the June 1, 2017, Board Audit Committee meeting is included in Attachment 1.

For reference, the existing list of management audits is included in Attachment 2.

BACKGROUND:

The Request for Proposal to hire a Board Independent Auditor Consultant was released on September 9, 2016, through October 7, 2016. The Preliminary Scope of Services stated that the selected on-call consultant will develop an annual audit program, assess operational risks, and advise on potential audits to ensure the District is in full compliance with its policies, procedures, and regulations. The scope of services further stated that the recommended audits “may or may not be conducted by the Consultant.”

On November 1, 2016, TAP International was the highest ranked firm and selected to move forward with negotiations. Subsequently, the Committee directed staff to prepare a consultant agreement for final approval by the full Board of Directors.

ATTACHMENT(S):

- Attachment 1: Risk Assessment Planning – Agenda
- Attachment 2: List of Existing Management Audits

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Risk Assessment Planning
Meeting Agenda – Audit Committee

Date: June 1, 2017

Desired Meeting Outcomes:

1. Approve risk criteria to include in the risk assessment model.
2. Approve District divisions and units to include in the risk assessment.
3. Approve business functions to include in the risk assessment model.
4. Approve Risk Assessment Start Date.

Discussion Items

1. Brief Presentation – What does a Risk Assessment look like.
2. List of all possible risk criteria to include in the risk assessment model.
 - a. Audit Committee selection of risk criteria
3. List of District division and units to include in the risk assessment.
 - a. Audit Committee selection of departments/agencies
4. List of all possible business functions to include in the risk assessment model.
 - a. Audit Committee selection of business functions
5. Discussion of time required to develop risk assessment model based on items 1-4, and potential start dates for the risk assessment.

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LIST OF ACTIVE DISTRICT AUDITS

| YEAR | NAME OF AUDIT |
|----------|---|
| On-Going | QEMS ISO 9001/4001 Audit |
| 2011 | Diversity and Inclusion Audit |
| 2014 | Staff Resources Plan - Phase 1 |
| 2014 | Values and Ethics Team Recommendations |
| 2014 | Treated Water Revenue Audit |
| 2014 | Transparency Audit |
| 2015 | Mitigation and Monitoring Audit |
| 2015 | Consultant Contracts Management Audit |
| 2015 | Staff Resources Plan - Phase 2 |
| 2016 | Safe, Clean Water and Natural Flood Protection Program Performance Audit |
| 2017 | Performance Audit of Lower Silver Creek Flood Protection Project Consultant Agreement (A3277G) with RMC Water and Environment |

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Committee: Board Audit Committee
Meeting Date: June 01, 2017
Agenda Item No.: 4.3
Unclassified Manger: Norma Camacho
Email: ncamacho@valleywater.org

COMMITTEE AGENDA MEMO

SUBJECT: Performance Audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment (A3277G)

RECOMMENDED ACTION:

Receive an update on the status of the Performance Audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment (A3277G).

SUMMARY:

Activity since the February 02, 2017, Board Audit Committee meeting includes:

- PMA Consultants (PMA) conducted a project kickoff meeting with District staff on March 1, 2017
- RMC was notified of the audit and their participation was requested
- PMA came on-site on April 6, 2017, and conducted document research
- QEMS procedures and Board Policies that were in effect during the audit period were provided to PMA
- A list of potential interviewees, both current staff and those no longer with the District was provided to PMA
- PMA prepared draft performance criteria for the audit (Attachment 1)

Remaining Audit Schedule

- Complete document research – May/June 2017
- Conduct Interviews – May/June 2017
- Deliver Final Draft Audit Report to Audit Committee – July 2017
- Present Final Report to full Board – August 2017

BACKGROUND:

The Request for Proposal to hire a consultant to conduct a performance audit of the Lower Silver Creek Flood Protection Project Agreement was released on August 12, 2016 through September 9, 2016. A total of three proposals were received and two firms were interviewed. The highest ranked firm was PMA Consultants LLP.

On January 18, 2017, a Notice to Proceed was issued to PMA Consultants LLP to conduct the performance audit.

ATTACHMENT(S):

Attachment 1: Draft Performance Criteria

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Client: Santa Clara Valley Water District
Project: Performance Audit of Lower Silver Creek
Lead Auditor: Mike Brown
Lead Auditor: John Mahoney

Audit Number: LSC-001
Date: 5/4/17
Audit Score:
PMA Proj. # 04078

Scope

Audit covering the contract, processes, and procedures associated with RMC contract.....

Includes QEMS, CM Manual,

Scoring Summary

| RMC | SCV | RMC | Team |
|--|-----|-----|------|
| Project Management and Execution | 75% | | |
| Project Risk Identification and Management | | | |
| Project Controls | | | |
| Document Management and Control | | | |
| Design | | | |
| Project Quality | | | |
| HSE | | | |
| Supply Management | | | |
| Field Services | | | |
| Showstoppers | | | |
| Overall Score | | | |


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General Comments


Findings, NCR's


| Item | Reference | Finding | Recommendation |
|------|-----------|---------|----------------|
| 1 | W75101rB | | |
| 2 | | | |
| 3 | | | |


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| Client Project | | SCVWD Lower Silver Creek Performance Audit | | | Lead Auditor: | | Mike Brown | |  PMA Consultants EST. 1971 |
|----------------|----------------------------------|--|--|---|---------------|-----|--------------|----------|---|
| PMA Project # | | 04078 | | | Lead Auditor: | | John Mahoney | | |
| Audit Date | | MAY 2017 | | | Auditor: | | Ty Vess | | |
| Item # | Category | Subcategory | Reference | Audit Item | SCV | RMC | ALL | Comments | NCR |
| 1 | Project Management and Execution | | Const. Manual CM1088, Rev B, Section 2 | Has written authorization been received from SCVWD prior to commencing work? | 2 | | | | |
| 2 | Project Management and Execution | | Industry | Has the PM reviewed and signed the contract or release document prior to SCVWD signature? | 1 | | | | |
| 3 | Project Management and Execution | | Industry | Was a Project Mobilization Plan, or Initiation Checklist completed? | | | | | |
| 4 | Project Management and Execution | | Const. Manual CM1088, Rev B, Section 4 | Were the appropriate insurance certificates been received and issued to SCVWD? | | | | | |
| 5 | Project Management and Execution | | Const. Manual CM1088, Rev B, Section 4 | Was a Kick-Off Meeting held with required attendees? | | | | | |
| 6 | Project Management and Execution | | QEMS W75102rH | Was a Project Execution Plan issued in the level of detail required? Did the context of the plan match the actual execution of job? Was it updated as needed? | | | | | |
| 7 | Project Management and Execution | | Const. Manual CM1088, Rev B, Section 4 | Was the Project Execution Plan reviewed and approved by the SCVWD PM? | | | | | |
| 8 | Project Management and Execution | | QEMS W75102rH | Was a Quality Plan developed? | | | | | |
| 9 | Project Management and Execution | | Industry | Was the Basis of Design completed (including performance criteria, design assumptions, listing of SCVWD documents, and applicable standards)? | | | | | |
| 10 | Project Management and Execution | | Const. Manual CM1088, Rev B, Section 4 | Were weekly project meetings held, and documented with minutes? | | | | | |
| 11 | Project Management and Execution | | Const. Manual CM1088, Rev B, Section 6 | Were all meetings or telephone conversations (with decisions made or significant data transferred) documented on a timely basis? | | | | | |
| 12 | Project Management and Execution | | Const. Manual CM1088, Rev B, Section 6 | Was an Action Item list implemented, and reviewed weekly? | | | | | |
| 13 | Project Management and Execution | | Executed Agreement A3277G, App 1 | Were Progress Reports issued monthly to SCVWD? | | | | | |
| 14 | Project Management and Execution | | Industry | Did SCVWD conduct monthly reviews of the project(s)? | | | | | |
| 15 | Project Management and Execution | | Const. Manual CM1088, Rev B, Section 6 | Did the SCVWD review and approve invoices monthly for inclusions and accuracy (labor, expense, etc.), prior to payment? | | | | | |
| 16 | Project Management and Execution | | Const. Manual CM1088, Rev B, Section 5 | Did contractor adhere to the submittal process required by the District? | | | | | |


| Client Project | | SCVWD Lower Silver Creek Performance Audit | | | Lead Auditor: Mike Brown | | |  PMA Consultants <small>EST. 1971</small> | |
|----------------|--|--|--|--|----------------------------|-----|-----|--|-----|
| PMA Project # | | 04078 | | | Lead Auditor: John Mahoney | | | | |
| Audit Date | | MAY 2017 | | | Auditor: Ty Vess | | | Auditor: Michael Haas | |
| Item # | Category | Subcategory | Reference | Audit Item | SCV | RMC | ALL | Comments | NCR |
| 17 | Project Management and Execution | | Const. Manual CM1088, Rev B, Section 5 | Did the District review submittals in a timely manner? | | | | | |
| 18 | Project Management and Execution | | Industry | Did Contractor adhere to the RFI process required by the District | | | | | |
| 19 | Project Management and Execution | | Industry | Did the District answer RFIs in a timely manner? | | | | | |
| 20 | Project Management and Execution | | Const. Manual CM1088, Rev B, Section 10 | Was the project closeout report complete and distributed? | | | | | |
| 21 | Project Risk Identification and Management | | QEMS W75102rH | Was a Project Risk and Mitigation Plan developed? | | | | | |
| 22 | Project Risk Identification and Management | | QEMS W75102rH | Were mitigation plans or action items assigned in the action item list? | | | | | |
| 23 | Project Risk Identification and Management | | QEMS W75102rH | Was the Project Risk and Mitigation Plan reviewed monthly with the SCVWD PM? | | | | | |
| 24 | Project Risk Identification and Management | | Const. Manual CM1088, Rev B, Section 10 | At project closeout, were all action items from the Project Risk and Mitigation Plan closed? | | | | | |
| 25 | Project Controls | WBS | Industry | Was the WBS and Project Controls Plan reviewed and approved by the SCVWD PM? | | | | | |
| 26 | Project Controls | Planning and Scheduling | Const. Manual CM1088, Rev B, Section 6 | Was the baseline schedule developed with appropriate stakeholder input? | | | | | |
| 27 | Project Controls | Planning and Scheduling | Const. Manual CM1088, Rev B, Section 6 | Was the baseline schedule reviewed and accepted/approved by the SCVWD PM? | | | | | |
| 28 | Project Controls | Planning and Scheduling | Const. Manual CM1088, Rev B, Section 6 | Was the schedule reviewed monthly with the project team and approved by the SCVWD PM? | | | | | |
| 29 | Project Controls | Planning and Scheduling | Const. Manual CM1088, Rev B, Section 7 | Were the schedules resource loaded? | | | | | |
| 30 | Project Controls | Planning and Scheduling | Const. Manual CM1088, Rev B, Sect 6 and/or 7 | Were schedules updated at least once per month? | | | | | |
| 31 | Project Controls | Planning and Scheduling | Const. Manual CM1088, Rev B, Sect 6 and/or 7 | Were schedules updated to reflect approved change orders? | | | | | |
| 32 | Project Controls | Estimating | W75103 | Was the Estimate Plan and Schedule developed and approved by SCVWD? | | | | | |

| Client Project PMA Project # Audit Date | | SCVWD Lower Silver Creek Performance Audit 04078 MAY 2017 | | | Lead Auditor: Lead Auditor: Auditor: Auditor: | | Mike Brown John Mahoney Ty Vess Michael Haas | |  PMA Consultants EST. 1971 | |
|---|------------------|--|--|---|--|-----|---|----------|---|--|
| Item # | Category | Subcategory | Reference | Audit Item | SCV | RMC | ALL | Comments | NCR | |
| 33 | Project Controls | Estimating | Industry | Was the confidence level and accuracy of the estimate commensurate with the phase of the project? | | | | | | |
| 34 | Project Controls | Estimating | W75103 | Was the estimate approved by the SCVWD PM? | | | | | x | |
| 35 | Project Controls | Estimating | W75103 | Was a Project Risk and Contingency Analysis conducted on the project? | | | | | | |
| 36 | Project Controls | Estimating | W75103 | Was a Basis of Estimate issued? Did it include Basis Documents, Specifications, Design Criteria, Surveys/soils reports, Class of estimate, EPC execution strategy, Quantity adjustments, and Contingency? | | | | | | |
| 37 | Project Controls | Estimating | W75103 | Was the Estimate reliable? | | | | | | |
| 38 | Project Controls | Cost Control | Industry | Were internal cost reports issued monthly with appropriate content, and as planned in the project controls plan? | | | | | | |
| 39 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 7 | was progress and performance measurement included in the monthly report, and reviewed with the SCVWD PM? | | | | | | |
| 40 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 7 | Were Installed Construction Quantities tracked and variances from the original estimate appropriately forecasted? | | | | | | |
| 41 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 7 | Were earned hours and productivity determined at least monthly for all functions/crafts during Detailed Engineering and Construction? | | | | | | |
| 42 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 7 | As construction was executed, was the control budget maintained and updated with approved Field Change Notices (FCNs)? Were all FCNs validated by Project Controls and approved by the Construction Manager and client construction representative before being incorporated? | | | | | | |
| 43 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 7 | Is a progress measurement system in place to determine cost and schedule progress and performance? | | | | | | |
| 44 | Project Controls | Cost Control | Executed Agreement A3277G | Was a retainage held back from monthly progress payments until approved to release? | | | | | | |
| 45 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 7 | Was a change order procedure in place, implemented, and followed? | | | | | | |
| 46 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 7 | Did the SCVWD PM approve changes to the work and order or magnitude price prior to proceeding? | | | | | | |
| 47 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 7 | Were formal change orders issued per guidelines? | | | | | | |

| Client Project PMA Project # Audit Date | | SCVWD Lower Silver Creek Performance Audit 04078 MAY 2017 | | | Lead Auditor: Lead Auditor: Auditor: Auditor: | | Mike Brown John Mahoney Ty Vess Michael Haas | |  PMA Consultants EST. 1971 | |
|---|---------------------------------|--|--|--|--|-----|---|----------|---|--|
| Item # | Category | Subcategory | Reference | Audit Item | SCV | RMC | ALL | Comments | NCR | |
| 48 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 7 | Were changes tracked in a change log? | | | | | | |
| 49 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 11 | Did Contractor submit written notice to the District within the Terms & Conditions of the contract. | | | | | | |
| 50 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 11 | Were Claims managed in accordance with Section 11 requirements? | | | | | | |
| 51 | Project Controls | Cost Control | Const. Manual CM1088, Rev B, Section 11 | What was the value of total changes on the project? Were they excessive, and if so why? | | | | | | |
| 52 | Document Management and Control | | Executed Agreement A3277G, App 1 | Did the SCVWD PM approve the Document Management Procedure? | | | | | | |
| 53 | Document Management and Control | | Executed Agreement A3277G, App 1 | Have Project files been set up per the Project Procedure? | | | | | | |
| 54 | Document Management and Control | | Executed Agreement A3277G, App 1 | Was an electronic document system utilized? | | | | | | |
| 55 | Document Management and Control | | Executed Agreement A3277G, App 1 | Was an outline for the Document Management process developed as listed in the Project Initiation / Execution Plan? | | | | | | |
| 56 | Document Management and Control | | Executed Agreement A3277G, App 1 | Does the execution plan include the Client interface with the Document Control Work Process? | | | | | | |
| 57 | Document Management and Control | | Executed Agreement A3277G, App 1 | Was a distribution matrix developed, distributed, and utilized? | | | | | | |
| 58 | Document Management and Control | | Executed Agreement A3277G, App 1 | Were standardized revision conventions and control utilized? | | | | | | |
| 59 | Document Management and Control | | Executed Agreement A3277G, App 1 | Was a central filing system established for both Design and Supplier/3rd party documentation? | | | | | | |
| 60 | Document Management and Control | | Executed Agreement A3277G, App 1 | Did the project establish a routing, approval and issuing process for Procurement/Purchasing documentation and was it included in the PEP? | | | | | | |
| 61 | Document Management and Control | | Executed Agreement A3277G, App 1 | Were there procedures and a process identified for handling Construction document management? | | | | | | |
| 62 | Document Management and Control | | Const. Manual CM10888, Rev B; Section 10 | Have all files been prepared for archive or been archived? | | | | | | |
| 63 | Document Management and Control | | Const. Manual CM10888, Rev B; Section 4 | Was the Construction Package Turnover Plan developed and included in the PEP? | | | | | | |

| Client Project | | SCVWD Lower Silver Creek Performance Audit | | | Lead Auditor: | | Mike Brown | |  PMA Consultants <small>EST. 1971</small> |
|----------------|---------------------------------|--|--|--|---------------|-----|--------------|----------|--|
| PMA Project # | | 04078 | | | Lead Auditor: | | John Mahoney | | |
| Audit Date | | MAY 2017 | | | Auditor: | | Ty Vess | | |
| | | | | | Auditor: | | Michael Haas | | |
| Item # | Category | Subcategory | Reference | Audit Item | SCV | RMC | ALL | Comments | NCR |
| 64 | Document Management and Control | | Executed Agreement A3277G, App 1 | Has the project established and maintained a document control system to ensure that current revisions of drawings and specifications are at the site and in use? | | | | | |
| 65 | Document Management and Control | | Executed Agreement A3277G, App 1 | Have files been maintained, controlled and disposed of records according to the project document control and closeout procedures? | | | | | |
| 66 | Document Management and Control | | Executed Agreement A3277G, App 1 | Has the SCVWD PM technically or administratively approved all deliverables? | | | | | |
| 67 | Document Management and Control | | Const. Manual CM10888, Rev B; Section 10 | Were Preliminary Final and Final Inspections conducted and documented? | | | | | |
| 68 | Document Management and Control | | Const. Manual CM10888, Rev B; Section 10 | Did the Construction Manager submit required documentation to BOD to approve closeout and release of final payment? | | | | | |
| 69 | Document Management and Control | | Const. Manual CM10888, Rev B; Section 10 | Did Contractor submit As-Built drawings and O&M information to the District? | | | | | |
| 70 | Design | Deliverable Verification | QEMS W73004, Appendix E (also Const Manual, Section 4) | Were 30%, 60%, 90%, and Final Design reviews conducted? | | | | | |
| 71 | Design | Deliverable Verification | Const. Manual CM10888, Rev B; Section 10 | Have all engineering/design documents been archived per the Project Procedures? | | | | | |
| 72 | Design | Design Safety | QEMS W73004, App E | Was the design safety plan been developed and included in the PEP? | | | | | |
| 73 | Design | Preparation of Specifications | Industry | Were all project-specific specifications approved by the appropriate persons? | | | | | |
| 74 | Design | Preparation of Specifications | Industry | Have Deviation Approvals been obtained for beneficial non-compliance with the specifications? | | | | | |
| 75 | Project Quality | Expectations / Satisfaction | Industry | Were SCVWD expectations (or objectives) formally recorded? | | | | | |
| 76 | Project Quality | Expectations / Satisfaction | Industry | Were there regular updates with SCVWD on satisfaction (of delivery, objectives, communication styles, etc.)? | | | | | |
| 77 | Project Quality | Audits | Industry | Were project Quality audits completed? | | | | | |
| 78 | Project Quality | Non Conformance | Const. Manual CM10088, Rev B; Section 2 | Were NCRs (and similar) recorded and tracked through closure? | | | | | |
| 79 | Project Quality | Inspection | Const. Manual CM10088, Rev B; Section 12 | Were Inspection Reports and Logs reviewed and approved by an Engineer? | | | | | |

| Client Project PMA Project # Audit Date | | SCVWD Lower Silver Creek Performance Audit 04078 MAY 2017 | | | Lead Auditor: Lead Auditor: Auditor: Auditor: | | Mike Brown John Mahoney Ty Vess Michael Haas | |  PMA Consultants EST. 1971 | |
|---|-------------------|--|--|--|--|-----|---|----------|---|--|
| Item # | Category | Subcategory | Reference | Audit Item | SCV | RMC | ALL | Comments | NCR | |
| 80 | Project Quality | Inspection | Const. Manual CM10088, Rev B; Section 12 | Was a formal Inspection and Testing Plan developed for the project(s)? | | | | | | |
| 81 | HSE | HSE Plan | Const. Manual CM10088, Rev B; Section 8 | Was an HSE Plan (HASAP) prepared? | | | | | | |
| 82 | HSE | Training | Const. Manual CM10088, Rev B; Section 8 | Is the Project HSE training record up to date? | | | | | | |
| 83 | HSE | Safety Evaluation | Const. Manual CM10088, Rev B; Section 8 | Was a SER planned and conducted on this project? | | | | | | |
| 84 | HSE | Subcontractor Selection | Const. Manual CM10088, Rev B; Section 8 | Was HSE evaluated as part of subcontractor selection? | | | | | | |
| 85 | Supply Management | | Industry | Was a Supply Management and Materials Procurement plan developed and updated regularly? | | | | | | |
| 86 | Supply Management | | Industry | Were SCVWD approvals obtained for use of non-standard T&Cs? | | | | | | |
| 87 | Supply Management | | Const. Manual CM10088, Rev B; Section 2 | Did BOD approved the first subcontract before advertisement? | | | | | | |
| 88 | Supply Management | | Const. Manual CM10088, Rev B; Section 9 | Have Purchase requisitions, subcontracts, and Change Orders been properly approved? All Change Order documentation is kept in the Change Order file. | | | | | | |
| 89 | Supply Management | | Const. Manual CM1088, Rev B, Section 10 | Have all supply management activities been closed out in accordance with company, regulatory, contractual, and legal requirements? | | | | | | |
| 90 | Supply Management | | Industry | Does the Supply Management Plan contain when applicable a Subcontracting Plan that has been reviewed, approved and is implemented? | | | | | | |
| 91 | Supply Management | | W73008 & EL-5 section 5.3 | Was the work advertised or sole sourced? If sole sourced, provide authorization documentation. | | | | | | |
| 92 | Supply Management | | Const. Manual CM1088, Rev B, Section 4 | Are weekly meetings held with Subcontractors and Contract Administrator attends? | | | | | | |
| 93 | Supply Management | | Const. Manual CM1088, Rev B, Section 11 | Are Subcontract amendments only issued in accordance with District policy and when properly approved? | | | | | | |
| 94 | Supply Management | | Const. Manual CM1088, Rev B, Section 11 | Is Subcontractor performance appraised for potential back charges, disputes or claims? Are issues being resolved? | | | | | | |
| 95 | Field Services | | Executed Agreement A3277G, App 1 | Did the PM approve the Field Staff Organization Chart? Did the PM approve all changes? | | | | | | |


| Client Project | | SCVWD Lower Silver Creek Performance Audit | | | Lead Auditor: Mike Brown | | |  PMA Consultants EST. 1971 | |
|----------------|----------------|--|---|--|----------------------------|-----|-----|---|-----|
| PMA Project # | | 04078 | | | Lead Auditor: John Mahoney | | | | |
| Audit Date | | MAY 2017 | | | Auditor: Ty Vess | | | | |
| | | | | | Auditor: Michael Haas | | | | |
| Item # | Category | Subcategory | Reference | Audit Item | SCV | RMC | ALL | Comments | NCR |
| 96 | Field Services | | Const. Manual CM1088, Rev B, Section 6, 7, 8, 11, 12, 13, & 14. | Was a SCVWD Construction Representative assigned to the project? | | | | | |
| 97 | Field Services | | Industry | Was the Construction Representative included in the planning process? | | | | | |
| 98 | Field Services | | Industry | Were Constructability Reviews held? | | | | | |
| 99 | Field Services | | Const. Manual CM1088, Rev B, Sec 4 | Was a Construction Phase Work Plan prepared and approved? | | | | | |
| 100 | Showstoppers | | Industry | Was the project properly staffed? | | | | | |
| 101 | Showstoppers | | Industry | Was turnover of key personnel excessive? | | | | | |
| 102 | Showstoppers | | Industry | Was the project culture good? Was it supported? | | | | | |
| 103 | Showstoppers | | Industry | Was stakeholder management effective? | | | | | |
| 104 | Showstoppers | | Industry | Was communication matrix established and followed? | | | | | |
| 105 | Showstoppers | | Industry | Was the team engaged in planning sessions? | | | | | |
| 106 | Showstoppers | | Industry | Were RMC and SCVWD PM's experienced enough to handle the project? | | | | | |
| 107 | Showstoppers | | Industry | Was the project monitored and controlled effectively? | | | | | |
| 108 | Showstoppers | | Industry | Was there excessive change on the project? - more than 30%? - reliable estimate? | | | | | |
| 109 | Showstoppers | | Industry | Were there contract strategy changes during project execution? | | | | | |
| 110 | Showstoppers | | Industry | Was Risk Management effective? | | | | | |

SCORE LEGEND:

0

| SCV | RMC | ALL | Total Possible Points |
|-----|-----|-----|-----------------------|
| 4 | 0 | 0 | |

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| Client | | SCVWD | | | Lead Auditor: | | Mike Brown | |  PMA Consultants <small>EST. 1971</small> |
|---------------|----------|--------------------------------------|-----------|------------|---------------|-----|--------------|--------------------------|--|
| Project | | Lower Silver Creek Performance Audit | | | Lead Auditor: | | John Mahoney | | |
| PMA Project # | | 04078 | | | Auditor: | | Ty Vess | | |
| Audit Date | | MAY 2017 | | | Auditor: | | Michael Haas | | |
| Item # | Category | Subcategory | Reference | Audit Item | SCV | RMC | ALL | Comments | NCR |
| 1 | | | | | 3 | 0 | 0 | Total Accumulated Points | |
| 2 | | | | | 75% | | | SCORE | |

N/A

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2017 WORK PLAN – BOARD AUDIT COMMITTEE

Updated: 5/23/17



The Board Audit Committee is established to assist the Board of Directors, consistent with direction from the full Board, to develop the Board's Management Audit Plan and Program.

The annual work plan establishes a framework for committee discussion and action during the annual meeting schedule. The committee work plan is a dynamic document, subject to change as external and internal issues impacting the District occur and are recommended for committee discussion. Subsequently, an annual committee accomplishments report is developed based on the work plan and presented to the District Board of Directors.

| MEETING DATE | WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY | ASSIGNED STAFF | INTENDED OUTCOME(S) | ACCOMPLISHMENT DATE AND OUTCOME |
|--------------|--|----------------|---|--|
| 02/02/17 | Election of Chair and Vice Chair | M. Overland | Elect Committee Officers 1. Chair 2. Vice Chair | Elected as follows: Chair – Vice Chair – |
| | Approval of Minutes, 11/01/16 | M. Overland | Approved minutes. | |
| | Action Items: 1. Safe, Clean Water and Natural Flood Protection Program Audit Project Update | C. Kwok-Smith | Receive Project Update. | |
| | 2. Board Independent Audit Consultant Services Contract. | C. Kwok-Smith | Receive update, direct staff to negotiate agreement with TAP International, direct staff to submit RFP for on-call auditor. | |
| | 3. Performance Audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment | C. Kwok-Smith | Receive Update. | |
| | Review Committee Work Plan | Chair | Establish topics/schedule discussions at upcoming meeting(s) | |
| | Schedule Next Meeting | Chair | Schedule next meeting date(s) | |
| 06/01/17 | Approval of Minutes, 05/20/16, 08/05/16, 10/26/16, 02/02/17 | M. Overland | Approved minutes. | |
| | Action Items: 1. Safe, Clean Water and Natural Flood Protection Program Audit Project Update | M. Heller | Receive Draft Audit Report and management response | |
| | 2. Board Independent Audit Consultant Services Contract | M. Heller | Receive Update, Discuss Risk Assessment | |
| | 3. Performance Audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment | M. Heller | Receive Update. | |
| | Review Committee Work Plan | Chair | Establish topics/schedule discussions at upcoming meeting(s) | |
| | Schedule Next Meeting | Chair | Schedule next meeting date(s) | |

Yellow = Update Since Last Meeting

Blue = Action taken by the Board of Directors

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