



# Santa Clara Valley Water District Board Audit Committee Meeting

Via Zoom Teleconference

## 2:00 PM REGULAR MEETING AGENDA

Wednesday, July 21, 2021  
2:00 PM

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

BOARD AUDIT COMMITTEE  
Barbara Keegan, Chair - District 2  
Gary Kremen, Vice Chair - District 7  
Richard P. Santos - District 3

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

DARIN TAYLOR  
Committee Liaison

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

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

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**Santa Clara Valley Water District**  
**Board Audit Committee**  
**2:00 PM REGULAR MEETING**  
**AGENDA**

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Wednesday, July 21, 2021

2:00 PM

Via Zoom Teleconference

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**IMPORTANT NOTICES**

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-08-21 issued on June 11, 2021, that allows attendance by members of the Committee, staff, and the public to participate and conduct the meeting by teleconference, videoconference, or both.

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

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

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

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

**Join Zoom Meeting:**

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

**Meeting ID: 916 0807 9873**

**Join by Phone:**

**1 (669) 900-9128, 91608079873#**

**1. CALL TO ORDER:**

1.1. Roll Call.

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

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

**3. APPROVAL OF MINUTES:**

3.1. Approval of Minutes.

[21-0737](#)

Recommendation: Approve the minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 061621 BAC Comm Mins](#)

Est. Staff Time: 5 Minutes

**4. ACTION ITEMS:**

- 4.1. Review and Discuss the 2021 Board Audit Committee Work Plan. [21-0716](#)

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

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: 2021 BAC Work Plan](#)

Est. Staff Time: 5 Minutes

- 4.2. Discuss and Approve any Updates to the Annual Audit Work Plan. [21-0717](#)

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

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Annual Audit Work Plan](#)

Est. Staff Time: 5 Minutes

## 5. INFORMATION ITEMS:

- 5.1. Receive an Update on the Status of the On-call Management Services and Board Audit Consultant Services Requests for Proposals. [21-0820](#)

Recommendation: Receive an update on the status of the On-call Management Services and Board Audit Consultant Services Requests for Proposals.

Manager: Darin Taylor, 408-630-3068

Est. Staff Time: 10 Minutes

- 5.2. Receive an Update on the 2021 Risk Assessment. [21-0719](#)

Recommendation: Receive an update on the 2021 Risk Assessment.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Progress Report](#)

Est. Staff Time: 10 Minutes

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

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

**7. ADJOURN:**

- 7.1. Adjourn to Regular Meeting at 2:00 p.m., on August 18, 2021, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-08-21.



# Santa Clara Valley Water District

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**File No.:** 21-0737

**Agenda Date:** 7/21/2021  
**Item No.:** 3.1.

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**COMMITTEE AGENDA MEMORANDUM**  
**Board Audit Committee**

**SUBJECT:**

Approval of Minutes.

**RECOMMENDATION:**

Approve the minutes.

**SUMMARY:**

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

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

**ATTACHMENTS:**

Attachment 1: 061621 BAC Minutes

**UNCLASSIFIED MANAGER:**

Michele King, 408-630-2711

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BOARD AUDIT COMMITTEE MEETING

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# MINUTES

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**REGULAR MEETING  
WEDNESDAY, JUNE 16, 2021  
2:00 PM**

(Paragraph numbers coincide with agenda item numbers)

**1. CALL TO ORDER:**

A Regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the District Headquarters Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 2:00 p.m.

1.1 Roll Call.

Committee member in attendance was District 2 Director Barbara Keegan, Chairperson presiding. Committee members participating by teleconference were District 7 Director Gary Kremen, and District 3 Director Richard P. Santos, constituting a quorum of the Committee.

District 4 Director Linda LeZotte attended via teleconference.

Staff in attendance were M. Overland. Staff members participating by teleconference were Mr. J. Orellana, District Counsel, R. Blank, A. Fraumeni, B. Hopper, A. Mendiola, D. Taylor, S. Tippets, S. Tran, D. Wickman, K. Yasukawa, and T. Yoke.

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

**2. PUBLIC COMMENT:**

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

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

**3. APPROVAL OF MINUTES:**

3.1 Approval of Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the May 26, 2021, Rescheduled Regular Committee meeting.

Move to Approve: G. Kremen  
Second: R. Santos  
Yeas: G. Kremen, R. Santos, B. Keegan  
Nays: None  
Abstains: None  
Recuses: None  
Absent: None  
Summary: 3 Yeas; 0 Nays; 0 Abstains; 0 Absent.

**4. ACTION ITEMS:**

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

Recommendation: A. Discuss Options for 2021 Annual Audit Training;  
and  
B. Select a Topic for Training.

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

The Committee noted the information without formal action, and made the following requests of staff:

- The Committee selected Grants Management Administration Requirements as the topic for the 2021 Annual Audit Training;
- The Committee requested that TAP International, Inc., (TAP) prepare the presentation; and
- The Committee requested that staff schedule a Special Committee meeting through the Board Scheduler.

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

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

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

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

- Attachment 1, Page 3, Line No. 23, *Review the Contract Change Order Audit Report* has been moved to the August 18, 2021, Committee meeting; and
- Attachment 1, Page 3, Line No. 28, *Review of the Grants Management Audit Draft Report Presentation* has been scheduled for the September 15, 2021, Committee meeting.

4.3 Discuss and Approve an Updates to the Annual Audit Work Plan.

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

Mr. Taylor and Ms. Denise Callahan, TAP, reviewed the information on this item, per the attached Board Agenda Memo.

The Committee noted the information without formal action.

**5. INFORMATION ITEMS:**

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

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

Mr. Brian Hopper, Senior Assistant District Counsel, reviewed the information on this item, per the attached Board Agenda Memo.

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

- Mr. Hopper informed the Committee that the legal firm, Jackson Lewis P.C., will be presenting their Fact-Finding Investigation at the July 21, 2021, Committee meeting, if completed; and
- The Committee requested that staff relay to the legal firm a request to interview members of the Water Storage Exploratory Committee, and the San Benito Water District.

5.2 Receive an Update on the 2021 Risk Assessment.

Recommendation: Receive an update on the 2021 Risk Assessment.

Ms. Callahan reviewed the information on this item, per the attached Board Agenda Memo.

The Committee noted the information, without formal action.

5.3 Discuss the Fiscal Year 2020-21 Financial Audit.

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

Mr. David Alvey, Maze and Associates, reviewed the information on this item, per the attached Board Agenda Memo, and per the information contained in Attachment 1.

The Committee noted the information, without formal action, and made the following requests of staff:

- TAP to provide Community Projects Review Unit (CPRU) Performance Audit with Mr. Alvey.
- District Counsel to investigate and come back to the Committee with alternatives by which the Auditor can communicate the exit conference with the Committee, during a Committee meeting, without staff present, and without violating the Brown Act.

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

6.1 Clerk Review and Clarification of Committee Requests.

None.

**7. ADJOURN:**

7.1 Adjourn to Regular Meeting at 2:00 p.m., on July 21, 2021, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.

Chairperson Keegan adjourned the meeting at 3:00 p.m., to the 2:00 p.m. Regular Meeting on July 21, 2021, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.

Max Overland  
Assistant Deputy Clerk of the Board



# Santa Clara Valley Water District

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**File No.:** 21-0716

**Agenda Date:** 7/21/2021  
**Item No.:** 4.1.

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## **COMMITTEE AGENDA MEMORANDUM Board Audit Committee**

### **SUBJECT:**

Review and Discuss the 2021 Board Audit Committee Work Plan.

### **RECOMMENDATION:**

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

### **SUMMARY:**

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

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

At the June 16, 2021 BAC meeting, the committee noted the rescheduling of the Contract Change Order Audit Implementation Status Update to the August 18, 2021 BAC meeting, and the scheduling of the Grants Management Audit Implementation Status Update for the September 15, 2021 BAC meeting.

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

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**File No.:** 21-0716

**Agenda Date:** 7/21/2021  
**Item No.:** 4.1.

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**ATTACHMENTS:**

Attachment 1: 2021 BAC Work Plan

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
<b>Board Audit Committee Meeting Dates</b>														
	Number of Agenda Items per Meeting Date	11	11	5	5	8	6	4	10	5	2	5	3	<u>Note:</u> For informational purposes only.
	Meeting Dates	•	•	•	•	•	•	•	•	•	•	•	•	<u>Note:</u> The BAC approved a regular meeting schedule for 2021, to meet monthly, on the third Wednesdays at 2:00 p.m.
<b>Board Audit Committee Management</b>														
1	Election of 2021 BAC Chair and Vice Chair		•											<u>Recommendation:</u> Nominate and elect the 2021 Board Audit Committee Chair and Vice Chair.
2	Board Audit Committee Audit Charter													<u>Recommendation:</u> Propose modifications to the Board Audit Committee Audit Charter to be presented to the full Board.
3	Review and Update 2021 BAC Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	<u>Recommendation:</u> A. Review and Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan; and B. Approve the updated 2021 Board Audit Committee Work Plan.
4	Discuss Scope of Annual Audit Training from Board Independent Auditor		•				•							<u>Recommendation:</u> Discuss scope of Annual Audit Training from Board Independent Auditor.
5	Receive Annual Audit Training from Board Independent Auditor				See Note									<u>Recommendation:</u> Receive Annual Audit Training from Board Independent Auditor.  <u>Note:</u> FY20 Training was delayed by Pandemic and conducted at Special BAC meeting on 4/2/2021 FY21 Training is related to Grants Management and will be scheduled when TAP is ready (6/23/21)
6	Conduct Annual Self-Evaluation	•	•	•					•					<u>Recommendation:</u> A. Conduct Annual Self-Evaluation; and B. Prepare Formal Report to provide to the full Board.
7	Receive and Discuss Board Auditor Activity Report to Evaluate Board Auditor Performance	•	•											<u>Recommendation:</u> Receive and discuss Board Auditor Activity Report from TAP International, Inc. to evaluate Board Auditor Performance.
8	Discuss Extension or Termination of Board Independent Auditor Contract for Board Independent Auditing Services Prior to Expiration of the Agreement Effective June 30, 2021.													<u>Recommendation:</u> A. Discuss option to extend Board Independent Auditor Contract with TAP International, Inc. for Board Independent Auditing Services currently scheduled to expire effective June 30, 2021; and B. Approve recommendation to the full Board to: 1. Allow the expiration of the Board Independent Auditor Contract with TAP International; or 2. Exercise option to extend Board Independent Auditor Contract with TAP International, Inc.
9	Chief Board Auditor - Request for Proposal: Review Panel					•								<u>Note:</u> Review Panel for the role of the Chief Board Auditor will be the BAC members

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

BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
10	Tri-annual Risk Assessment		•		•	•	•			•				<p><u>Recommendation:</u> Discuss the scope of work for the 2021 Risk Assessment.</p> <p><u>Note:</u> Next Risk Assessment scheduled to be completed by September 2021. Risk Assessment scope was discussed at Special BAC meeting on 2/26/2021.</p>
<b>Board Audit Committee Special Requests</b>														
11	External Financial Auditor Meeting with Individual Board members							•						<p><u>Note:</u> Schedule as needed.</p>
12	Provide status report to full Board quarterly													<p><u>Note:</u> Report to be provided to Board in non-agenda the month after each BAC meeting.</p>
13	Discuss the Scope and Approach of the Ad-hoc Desk Reviews													<p><u>Recommendation:</u> Discuss the scope and approach of the ad-hoc Desk Reviews.</p>
14	Receive and Discuss Financial Analysis Regarding the Board Independent Auditing Services Contract		•											<p><u>Recommendation:</u> Receive and discuss Financial Analysis regarding the Board Independent Auditing Services Contract with TAP International, Inc.</p>
15	QEMS & ISO Overview and Continuous Improvement Methodology Benchmarking Analysis								•					<p><u>Note:</u> At the Dec '19 BAC meeting, the BAC approved new PO for \$25K min for Tanner Pacific, Inc. to prepare QEMS Methodology Benchmarking Analysis.</p> <p><u>Recommendation:</u> Review and discuss overview of QEMS Process Improvement post ISO de-certification, and Benchmarking Analysis for 2020.</p>
16	Risk Management Organization	•												<p><u>Note:</u> At the Dec '20 BAC meeting, the BAC requested this item to be brought forth at the 1/13/2021 Committee meeting.</p> <p><u>Recommendation:</u> Review and discuss Risk Management Organization.</p>
17	Valley Water Policies Related to Financial Auditor Responsibility	•												<p><u>Note:</u> At the Dec '20 BAC meeting, the BAC requested this item to be brought forth at the 1/13/2021 Committee meeting.</p> <p><u>Recommendation:</u> Review and discuss Valley Water Policies Related to Financial Auditor Responsibility.</p>
18	Financial Auditor Selection Parameters	•												<p><u>Note:</u> Board transferred this item to the BPPC at the 2/9/2021 Board meeting</p>
<b>Management and Third Party Audits</b>														
19	Review Draft Audited Financial Statements	•										•		<p><u>Recommendation:</u> A. Review draft Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021; and B. Direct staff to have Financial Auditor to contact Board Members and present, if necessary.</p>
20	Audit Report of the Water Utility Enterprise Funds for the Fiscal Year								•					<p><u>Recommendation:</u> Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year.</p>
21	Receive QEMS Annual Internal Audit Report								•					<p><u>Recommendation:</u> Receive information regarding the Quality and Environmental Management System.</p>

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BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
22	Status Update on the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit Conducted by Navigant Consulting, Inc. and the Consultant Contracts Improvement Process.		•										<p><u>Note:</u> Staff CAS update every 6 months.</p> <p><u>Recommendation:</u> Receive and discuss a status update on the implementation of the recommendations made by Navigant in the 2015 Consultant Contracts Management Process Audit and on the Consultant Contracts Improvement Process.</p>	
23	Review Contract Change Order Audit Report							•				•	<p><u>Recommendation:</u> Receive and discuss a status update on the implementation of the recommendations made by TAP International, Inc. in the Contract Change Order Audit Report.</p> <p><u>Note:</u> Staff periodic update.</p>	
24	Audit Recommendations Implementation Status	•										•	<p><u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.</p>	
<b>Board Independent Auditor - TAP International, Inc. Items</b>														
25	Review and Update Annual Audit Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	<p><u>Recommendation:</u> Discuss the Annual Audit Work Plan and update, if necessary.</p>
<b>Audit - Grants Management</b>														
26	Receive notification of initiated Grants Management Audit													<p><u>Note:</u> Audit Objectives - Performance audit of the efficiency and effectiveness of grant management and administration.</p>
27	Review Grants Management Audit Progress Report													<p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p>
28	Review Grants Management Audit Draft Report Presentation	•												<p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p>
29	Review Response to Grants Management Audit Final Draft Report		•											<p><u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.</p>
30	Recommendation Implementation Status (Semi-Annual Rpt.; Target Completion = June 30, 2023)								•					<p><u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.</p>
<b>Audit - Permitting Best Practices</b>														
31	Receive notification of initiated Permitting Best Practices Audit													<p><u>Note:</u> Audit Objectives - How does Valley Water's permitting process compare with other agencies? Can alternative permit processing activities benefit Valley Water?</p>
32	Review Permitting Best Practices Audit Progress Report	•	•	•										<p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p>
33	Review Permitting Best Practices Audit Draft Report Presentation				•									<p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p>
34	Review Response to Permitting Best Practices Audit Final Draft Report					•								<p><u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.</p>
<b>Audit - Pacheco Reservoir Expansion</b>														

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BOARD AUDIT COMMITTEE 2021 WORKPLAN

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		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
35	Receive notification of initiated Pacheco Project Investigation			•					•				<p>Note: Audit Objectives - Determine how and why the initial Project Scope &amp; Cost evolved and increased over time?</p> <p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p> <p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p> <p><u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.</p>	
36	Review Pacheco Project Investigation Progress Report				•	•	•	•						
37	Review Pacheco Project Investigation Draft Report Presentation													
38	Review Response to Pacheco Project Investigation Final Draft Report													
<b>Audit - Construction Project Management (Tentative)</b>														
39	Receive notification of initiated Construction Project Management Audit												<p>Note: Audit Objectives - What areas of Valley Water's capital project budgeting practices can benefit from adopting best practices?</p> <p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p> <p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p> <p><u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.</p>	
40	Review Construction Project Management Audit Progress Report													
41	Review Construction Project Management Audit Draft Report Presentation													
42	Review Response to Construction Project Management Audit Final Draft Report													
<b>Audit - Supervisory Control and Data Acquisition (Tentative)</b>														
43	Receive notification of initiated Supervisory Control and Data Acquisition Audit												<p>Note: Audit Objectives - Does Valley Water's Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?</p> <p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p> <p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p> <p><u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.</p>	
44	Review Supervisory Control and Data Acquisition Audit Progress Report													
45	Review Supervisory Control and Data Acquisition Audit Draft Report Presentation													
46	Review Response to Supervisory Control and Data Acquisition Audit Final Draft Report													
<b>Audit - Risk Management (Tentative)</b>														
47	Receive notification of initiated Risk Management Audit												<p>Note: Audit Objectives - Can risk management business processes be implemented more effectively? (i.e. contract claims, workers compensation, small claims).</p> <p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p> <p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p>	
48	Review Risk Management Audit Progress Report													
49	Review Risk Management Audit Draft Report Presentation													

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BOARD AUDIT COMMITTEE 2021 WORKPLAN

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

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

BOARD AUDIT COMMITTEE 2021 WORKPLAN

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

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BOARD AUDIT COMMITTEE 2021 WORKPLAN

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

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BOARD AUDIT COMMITTEE 2021 WORKPLAN

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

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# Santa Clara Valley Water District

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**File No.:** 21-0717

**Agenda Date:** 7/21/2021  
**Item No.:** 4.2.

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## **COMMITTEE AGENDA MEMORANDUM Board Audit Committee**

### **SUBJECT:**

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

### **RECOMMENDATION:**

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

### **SUMMARY:**

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

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

On May 26, 2021 and again on June 16, 2021 the BAC did not identify any changes to the Annual Audit Work Plan.

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

### **ATTACHMENTS:**

Attachment 1: Annual Audit Work Plan

### **UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

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

DRAFT AUDIT WORK PLAN – MAY 5, 2021

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

## OVERVIEW

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

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

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

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

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

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

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

### SECTION A

#### NON-AUDIT SERVICES AND SPECIAL PROJECTS

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

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

**SECTION B: AUDIT SERVICES**

**AUDIT WORK PLAN – INDEPENDENT AUDITOR**

**FY 2018-19**

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

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

**FY 2019-20**

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

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

<b>4</b>	Risk Management	Can risk management business processes be implemented more effectively? (i.e. contract claims, workers compensation, small claims).	143-260	Relevance Financial Operational Best practices
<b>3</b>	Billing and Collections audit	Are there opportunities to enhance Valley Water's billing and collection processes?	343-429	Relevance Financial Regulatory Improvement Risk Return on Investment
<b>11</b>	Accountability audit	Are there opportunities to enhance safe clean water audits?	115-171	Health and Safety Relevance Improvement
<b>Sub Total</b>	<b>5</b>		<b>1,800-2,317</b>	

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

**FY 2020-21**

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

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

		(2) Identify key drivers for project cost increases that were within and outside of VW's control. (3) Identify lessons learned in the planning, design and construction phases of the project.		
21	Community engagement	Can Valley Water benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities? What are the best practices in planning and facilitating community engagement?	417-543	Financial Improvement Operational Best practices
	Property Management	<u>Is Valley Water implementing its encroachment licensing program consistent with the Board's guiding principles?</u>	400	Operational
20	Homelessness analysis	How can the Valley Water enhance its homelessness encampment clean-up activities that <u>protect health and safety</u> ?	290-371	Health and Safety Relevance Financial Operational
8	Classified information***	To what extent does the Valley Water's Counsel's office appropriately classify confidential information?	143-200	Relevance Operational
26	Local workforce hiring	What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?	200-229	Operational
27	Equipment maintenance	Is Valley Water adequately meeting the needs of equipment maintenance?	143-229	Health and safety Operational Financial
33	Water Fix	What potential financial risks could occur on the California Water Fix project?	160-286	Financial Relevance
<b>Sub Total</b>	<b>9</b>		<b>1,973-2,528</b>	

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

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

## AUDIT WORK PLAN – VALLEY WATER RESPONSIBILITY

FY 18/19 THRU FY 19-20

## QEMS

QUALITY ENVIRONMENTAL MANGEMENT SYSTEM INTERNAL AUDITS	
AUDIT DESCRIPTION AND UNIT #	
<b>Treated Water O&amp;M DOO: TW Survey (customer service w/ WS DOO)</b>	#515
Laboratory Services Unit	#535
North Water Treatment Operations Unit	#565
South Water Treatment Operations Unit	#566
Treatment Plant Maintenance Unit (North & South WTP)	#555
Water Quality Unit	#525
<b>Water Utility Capital Division</b>	
Capital Program Planning and Analysis Unit	#335
Construction Services Unit	#351
Pipelines Project Delivery Unit	#385
East Side Project Delivery Unit	#375
West Side Project Delivery Unit	#376
<b>Dam Safety &amp; Capital Delivery Division</b>	
CADD Services Unit	#366
Dam Safety Program & Project Delivery Unit	#595
Design and Construction Unit #3	#333
Pacheco Project Delivery Unit	#377
<b>Water Supply Division DOO: TW Survey (customer service w/ TW O&amp;M DOO)</b>	#415
Wells & Water Measurement Unit	#475
<b>Watersheds Design and Construction Division</b>	
Design and Construction Unit #1	#331
Design and Construction Unit #2	#332
Design and Construction Unit #4	#334
Design and Construction Unit #5	#336
Land Surveying and Mapping Unit	#367
Real Estate Services Unit	#369
<b>Associated Business Support Areas</b>	
Facilities Management Unit	#887
Infrastructure Services Unit/IT	#735
Equipment Management Unit	#885
Business Support & Warehouse Unit	#775
Purchasing & Consultant Contracts Services Unit	#820

Emergency Services & Security	#219
Environmental, Health & Safety Unit	#916
Workforce Development (Training)	#915
Core ISO Procedures: Continual Improvement Unit	#116
Office of Communications (Customer Service)	#172
Office of the Clerk of the Board (Customer Service)	#604

## COMPLIANCE AND FINANCIAL AUDITS

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





# Santa Clara Valley Water District

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**File No.:** 21-0820

**Agenda Date:** 7/21/2021  
**Item No.:** 5.1.

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## COMMITTEE AGENDA MEMORANDUM Board Audit Committee

### **SUBJECT:**

Receive an Update on the Status of the On-call Management Services and Board Audit Consultant Services Requests for Proposals.

### **RECOMMENDATION:**

Receive an update on the status of the On-call Management Services and Board Audit Consultant Services Requests for Proposals.

### **SUMMARY:**

At the August 19, 2020 BAC meeting, the BAC requested that staff develop a plan to bring on additional Board auditors by implementing a Master Services agreement.

At the October 21, 2020 BAC meeting, the BAC requested that staff proceed with a Master Services Agreement Request for Proposal (MSA RFP) for additional auditors to complement TAP International as the "Chief Audit Executive."

On January 26, 2021 the Board of Directors (Board) directed staff to initiate a procurement process to enter into a new Board Independent Auditing Services Agreement. The selected firm would assume the function of Chief Audit Executive when the current agreement with TAP International expires, currently set for September 30, 2021.

The MSA RFP was issued on February 9, 2021. The Board Independent Auditing Services Agreement Request for Proposal (Board Audit Services RFP) was issued on April 21, 2021.

Staff will provide a verbal update on the status of the On-call Management Services and Board Audit Consultant Services Requests for Proposals.

### **ATTACHMENTS:**

None

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**File No.:** 21-0820

**Agenda Date:** 7/21/2021  
**Item No.:** 5.1.

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**UNCLASSIFIED MANAGER:**  
Darin Taylor, 408-630-3068



# Santa Clara Valley Water District

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**File No.:** 21-0719

**Agenda Date:** 7/21/2021  
**Item No.:** 5.2.

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## **COMMITTEE AGENDA MEMORANDUM Board Audit Committee**

### **SUBJECT:**

Receive an Update on the 2021 Risk Assessment.

### **RECOMMENDATION:**

Receive an update on the 2021 Risk Assessment.

### **SUMMARY:**

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

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

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

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

At its June 16, 2021 meeting, TAP Int'l informed the Committee that the survey was released on June 10, 2021. The Committee noted the information, without taking any formal action.

The survey technically closed on June 24, 2021. TAP Int'l analyzed the survey results, followed up

with respondents as appropriate, and prepared a summary for discussion.

Following initiation of the risk assessment, the Committee may receive and discuss the status of the on-going risk assessment progress report (Attachment 1) until the risk assessment is completed.

**ATTACHMENTS:**

Attachment 1: Progress Report

**UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068



# 2021 Valley Water Stakeholder Collaboration Survey for Audit Planning

Valley Water Risk Assessment

Board Audit Committee

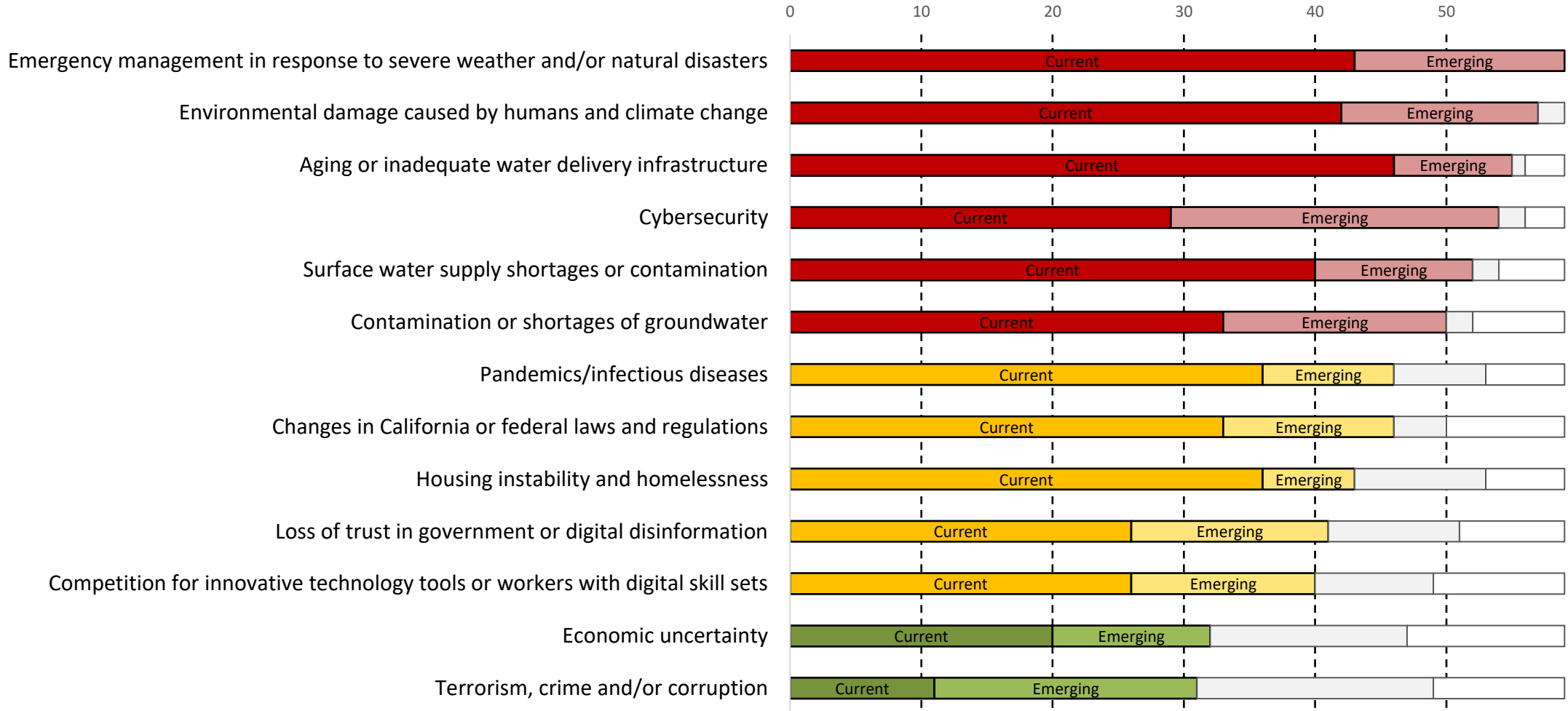
July 21, 2021

## Number of Survey Responses by Stakeholder Group

Stakeholder Group	Number of Respondents	Percent of Total
Capital Construction	1	2%
Nonprofit Grantees	13	22%
Professional Services Consultants	19	32%
Public agency & state/federal partners	4	7%
Sponsorships	6	10%
Water retailers & supply consultants	7	12%
VW Executives	9	15%
<b>Grand Total</b>	<b>59</b>	<b>100%</b>

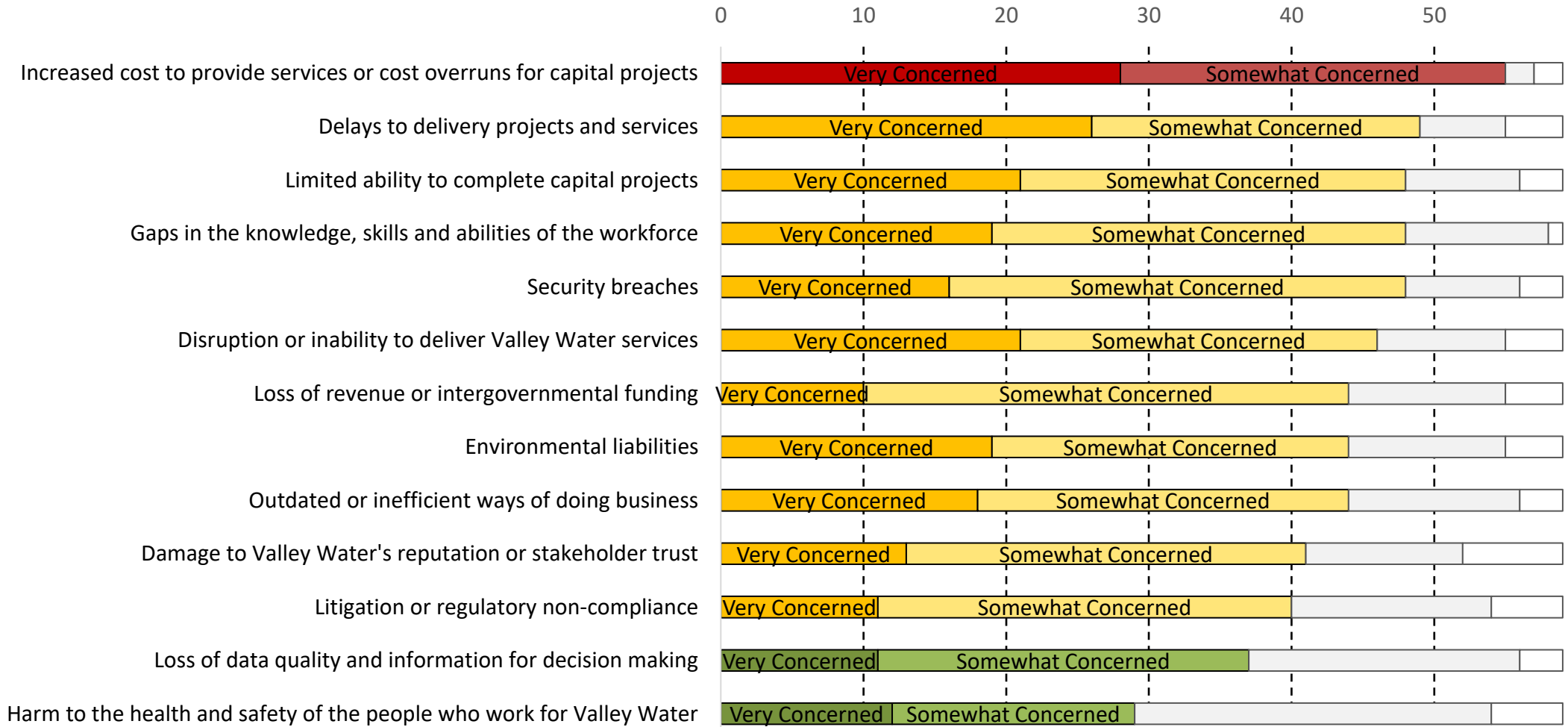
# Survey Results: Many Challenges Identified as Current or Emerging

Q1: What are the current or emerging challenges to Valley Water's achievement of its key strategic goals?



# Survey Results: Moderate Concern Generally Reported About Effects of Challenges on Valley Water

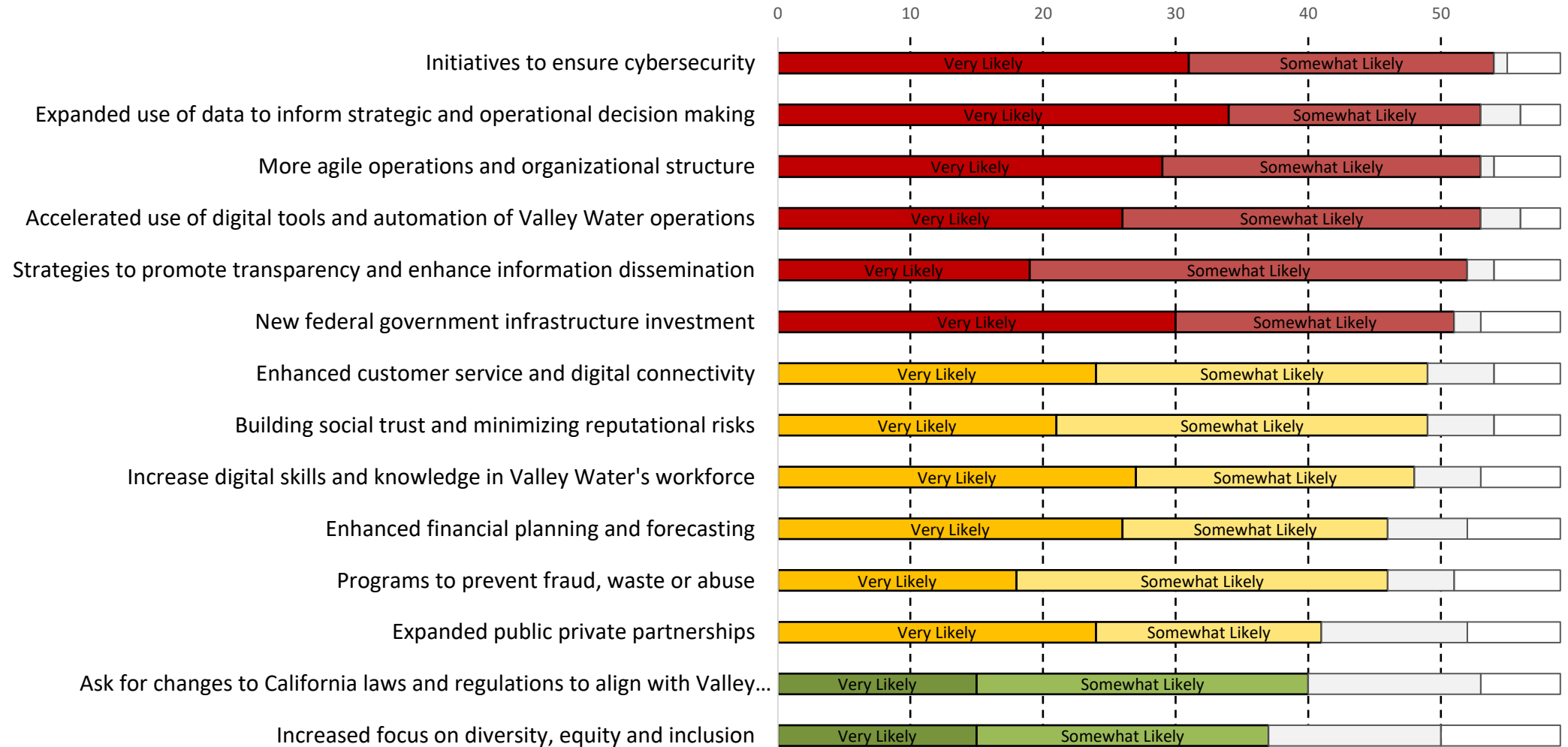
Q2: How concerned are you about the possible effects on Valley Water's operations from these challenges?





# Survey Results: Certain Efforts More Likely to Help Address Identified Challenges

Q3: Which efforts are likely to help Valley Water best prepare for the current and emerging challenges that you've identified?



# Respondent Comments - Challenges

- Climate resiliency - Climate chaos and instability are clearly going to be the root of a lot of challenges for any CA water resource agency. There is so much uncertainty about the impacts, even with the most sophisticated modeling. The error "cone" expands so rapidly even a few years out. I don't envy you.
- Growing population - Population load bearing capacity of Silicon Valley (housing, water, infrastructure, etc.)
- Current and future shortage of adequate workforce internally and from outside business partners.
- Current inefficiencies to empower and trust staff to make decisions. Board and staffing distrust and high turnover. High turnover in key positions has left Valley Water with a lack of institutional memory and competence. Loss of long-term staff with historical knowledge of past practices, process and projects. Reduction in the number of qualified technical staff due to the high cost of living in the SF Bay Area.
- The governance structure of Valley Water has some flaws. Board members often run for reelection unopposed, and the electorate often doesn't know who Valley Water is, or that they elect a board member. This creates a board that is distant from their constituents, and often tries to manage the organization to meet their own agenda, not the will of the people. Spending and excessive water rate

increases are an outcome of this. Staff are skilled and competent, but the board often overrules them on major initiatives and projects.

- The concept of having an internal champion for NGO's to quickly workout lengthy delays and get issues resolved faster needs to be implemented such as permit turn around. You know you have a problem when internal staff is sharing a similar frustration with their own delays getting things done internally. These delays impact the fiscal strength of your partners as charges related to payroll or insurance needs, etc. without access to payment for services rendered places NGO's in a position of nagging staff and shifts problems away from VW to simply a nagging vendor. Part of the problem is staff wishing to help is unable to get help from the Depts they reach out to as they have limited to no power to get these people to act so the situation remains stalled.
- Synchronization of future Valley Water infrastructure plans with Federal infrastructure investments.
- Regulatory impacts on delivering needed infrastructure to address above challenges - current challenge
- Public education on the ground with projects that affect public use.

## Q1: Are there other challenges?

- Perception among some members of the public that Valley Water is a for-profit business that's out to make money by price gouging customers; Disagreement with local civic, environmental and media influencers on best solutions to the water crisis
- Inflation
- In the era of Big Data and IoT's, Data Quality Control needs to be at the forefront. This is because good data provides insight into models and tools used to help decision making for high dollar projects. If the underlying data is not reliable, the decisions that arise from using predictive tools will also be unreliable.

## Respondent Comments

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- VW does not do a good job stewarding the waterways and environment, therefore, many of these categories apply to just that goal alone. Staff turnover and slow project implementation are frustrating since they end up costing people 3-4 times the originally stated cost, e.g., the Anderson Dam project.
- I am concerned that the proposed new Pacheco Dam/Reservoir expansion could be delayed. It is looking like we will need more investment from the State and Feds to complete this project. (Very important to complete this project)
- Adaptation to Climate Change and rising sea levels.
- External environmental challenges (e.g., drought, pandemic)
- I think updating infrastructure digitally and physically is imperative to coping with the issues facing Valley Water.
- Climate change

**Q2: What other possible effects concern you?**

# Respondent Comments

- VW is very staff inefficient. 10 staff will attend one meeting with 10 attendees. From a tax-payer perspective, this is not only a waste of talent, but also money, especially at the rates people are paid.
  - Valley Water should consider developing a Data Quality Management Plan that will help identify areas of need, data gaps, people, processes, and technologies to develop a road map towards collecting, maintaining better quality data, and organizing information across the organization to support on-going decision making. Performing analytics using high end digital tools on BAD data more often than not leads to poor decision-making that ultimately translates to financial losses.
  - Longevity planning: making sure infrastructure and data will last for the needed duration. Not being caught up in Silicon Valley "five years = ancient history" thinking--we need to plan to be here for 500 years. How will things change? Will we be ready? What stays the same, even if everyone else forgets? Also, impacts of climate change on Superfund sites, aquifer, infrastructure.
  - Becoming more efficient as an organization; figuring out a way to hire a CEO without a 4-3 vote of the Board; act less hierarchical.
  - Improve internal collaboration and communication within Valley Water.
  - Regarding the list above of potential efforts to help Valley Water best prepare for its current and emerging challenges: VW is already much more focused than the majority of its peer agencies on diversity, equity, and inclusion and on cybersecurity. By far the biggest challenge that VW faces is organizational: specifically inter-departmental coordination. Many of its departments and teams are regularly at odds with one another regarding project goals and priorities, the relative importance of specific system improvements or mitigations, and the realities of budget and schedule.
- Building consensus to move projects forward continues to be a monumental task. An effective effort to install a sense of balance and compromise across departments would go a long way. Some injection of the "don't let the perfect be the enemy of the good" mentality would also pay dividends.
- Better, clearer communication of challenges to the public. More collaborations with local nonprofits and academics.
  - Develop school programs that educate K-12. These students will transfer knowledge of water management to their parents who may have little understanding of water cycles, ground water, xeriscape landscaping and using gray water on landscaping, chemical waste, sewage, and garbage disposal, etc. Community outreach is very important. When people see a way to help that works for them personally, they are more likely to help conserve, protect, and support programs, regulations and conservation. Educating employees to use the new infrastructure will allow you to create a more diverse work force. Motivated people can learn to use computer tech competently with no more than a high school education. Supporting and encouraging promising existing and new employees to go to community college at night will give you a locally sourced work force that will help produce community support.
  - Early outreach/education to and input from key local civic, environmental and media influencers.
  - Reduce overhead.
  - As a public agency, any and all efforts to create transparency in decision-making, including early and significant participation of public stakeholders, are going to be critical to continued successful service.

Q3: What other efforts could help Valley Water best prepare?

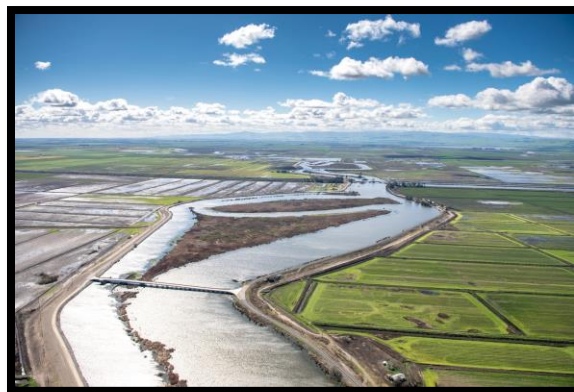
## Respondent Comments

- Homelessness is a huge issue towards adequate stewardship of the watersheds Valley Water works within. Although VW does not own the problem, VW can do more than shrug its collective shoulders and pass the issue to the County or cities. Laws need to be enforced, and Valley Water can help make that happen.
- In my experience with Valley Water, the engineering and management teams appears to be proactive and forward-thinking. Keep training the personnel in these groups so Valley Water can maintain this proactive approach into the future.
- Sustain Valley Water's image as a water industry trend setter by working on the tough problems for the community it serves.
- I think Valley Water has been a trusted entity in our community and is a well managed by the CEO/leadership and the board
- Encourage staff to be more responsive to project execution in compliance with the grants approved.
- In 30 years, when the climate has changed noticeably and the sea level has risen and there are floods and droughts and people say "someone should have known! someone should have done something about this!" will we have known what we knew, and done the right things about it? How will we defend the decisions we made? If the Feds didn't consistently fund us because they had a 4 year attention span, did we get derailed from doing what we knew needed to be done? Did we deliver an effective solution at a price the Valley could afford to pay? What financial burdens vs. risks did we leave our children?
- VW should look at neighboring Water District efforts here in the Bay and adopt similar efforts that actually achieve environmental benefits for local fisheries. One small gravel augmentation project on a tributary of the Guadalupe River in a decade is not successful model. The Organization seems to be mired down in never ending reviews.
- Great organization but it takes a lot of work to stay on the cutting edge.
- Reviewing projects for the Santa Clara science fair showed me that people have no idea about chemical disposal. They will pour literally any and everything down the drain and in their yards and water ways. Only a few teachers understand disposal. People have no idea what to do with their chemical waste. This needs to be addressed, transparent, and info easy to find online in a clear format. Amnesty days would be great and put in underserved neighborhoods.
- Get the word out about 1) all that Valley Water does, 2) that Valley Water is not a for-profit entity, 3) that there are tough choices to make, that we must maintain aging infrastructure AND invest for the future, and that everyone has a part to play because we're all in this together.
- Lower water rates


**Q.4 What other information would you like to share with the Valley Water Board of Directors?**

## Auditable Themes Based on Survey Results

1. Information technology management and threats from cybersecurity.
2. Need for agile operational administration and management to respond to current and emerging challenges.
3. Water delivery and financial management.



Source: Santa Clara Valley Water News

 **ag·ile**  
*/ˈajəl/*

*adjective*

1. able to move quickly and easily.  
 "Ruth was as agile as a monkey"

**Similar:** nimble lithe spry supple limber sprightly acrobatic ▼

2. relating to or denoting a method of project management, used especially for software development, that is characterized by the division of tasks into short phases of work and frequent reassessment and adaptation of plans.  
 "agile methods replace high-level design with frequent redesign"

Definitions from Oxford Languages Feedback



# How the Results Translate to Scope of Work Development for Phase 2 of the 2021 Audit Planning Risk Assessment

<p style="text-align: center;"><b>Survey Results</b></p>	<p>Current or emerging challenges</p> <ul style="list-style-type: none"> <li>• Emergency management in response to severe weather and/or natural disasters (H)</li> <li>• Environmental damage caused by humans and climate change (H)</li> <li>• Aging or inadequate water delivery infrastructure (H)</li> <li>• Cybersecurity (H)</li> <li>• Surface water supply shortages or contamination (H)</li> <li>• Contamination or shortages of groundwater (H)</li> </ul>	<p>Effects on Valley Water’s Operations</p> <ul style="list-style-type: none"> <li>• Increased cost to provide services or cost overruns for capital projects (H)</li> <li>• Delays to delivery projects and services (M)</li> <li>• Limited ability to complete capital projects (M)</li> <li>• Gaps in the knowledge, skills and abilities of the workforce (M)</li> <li>• Security breaches (M)</li> <li>• Disruption or inability to deliver Valley Water services (M)</li> </ul>	<p>Operational Gaps</p> <ul style="list-style-type: none"> <li>• Initiatives to ensure cybersecurity (H)</li> <li>• Expanded use of data to inform strategic and operational decision making (H)</li> <li>• More agile operations and organizational structure (H)</li> <li>• Accelerated use of digital tools and automation of Valley Water operations (H)</li> <li>• Strategies to promote transparency and enhance information dissemination (H)</li> <li>• New federal government infrastructure investment (H)</li> </ul>	<p>Other Challenges Identified</p> <ul style="list-style-type: none"> <li>• External communication and collaboration (transparency; information sharing with customers; education about mission; collaborate to address regional challenges like homelessness and environmental damage, climate)</li> <li>• Internal communication and collaboration (address inefficiencies, overlaps and gaps in services)</li> <li>• Other: data quality, infrastructure, water rates</li> </ul>
<p style="text-align: center;"><b>Risks</b></p>	<ul style="list-style-type: none"> <li>○ Operating risk (IT, assets management, business continuity, water supply)</li> <li>○ Financial risk</li> <li>○ Reputational risk</li> </ul>	<ul style="list-style-type: none"> <li>○ Financial risk</li> <li>○ Operating risk (IT, project management, human capital management, water supply)</li> <li>○ Reputational risk</li> </ul>	<ul style="list-style-type: none"> <li>○ Strategic risk (Governance and leadership)</li> <li>○ Reputational risk (stakeholder collaboration)</li> <li>○ Operating risk (IT)</li> <li>○ Financial risk</li> </ul>	<ul style="list-style-type: none"> <li>○ Strategic risk (Governance and leadership)</li> <li>○ Reputational risk (stakeholder collaboration)</li> <li>○ Operating risk</li> <li>○ Financial risk</li> </ul>
<p style="text-align: center;"><b>Functional Areas</b></p>	<ul style="list-style-type: none"> <li>▪ Emergency Preparedness/Disaster Planning</li> <li>▪ Environmental Sustainability</li> <li>▪ Capital project planning and project management</li> <li>▪ Water Supply</li> <li>▪ Communications</li> <li>▪ Financial Management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Capital project planning and project management</li> <li>▪ Financial Management</li> <li>▪ Human Capital Management</li> <li>▪ Information Technology and Management/Cybersecurity</li> <li>▪ Water delivery</li> <li>▪ Financial Management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Information Technology and Management/Cybersecurity</li> <li>▪ Data Accuracy &amp; Management/Sharing</li> <li>▪ Strategic Planning and Resource Allocation (includes organizational structure)</li> <li>▪ Communications</li> <li>▪ Financial Management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Communications</li> <li>▪ Strategic Planning/Innovation</li> <li>▪ Information Technology</li> </ul>

## Phase 2 of 2021 Audit Planning Assessment: Proposed Scope of Work

Functional Area	Option 1	Option 2
Emergency Preparedness/Disaster Planning	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Data Accuracy & Management/Sharing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Information Technology and Management/Cybersecurity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Capital project planning and project management		<input checked="" type="checkbox"/>
Financial Management	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Environmental Sustainability (inc. Water Supply)	<input checked="" type="checkbox"/>	
Communications (Internal and External)		<input checked="" type="checkbox"/>
Strategic Planning & Innovation	<input checked="" type="checkbox"/>	
2018 Audit Plan Follow up	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>