



Santa Clara Valley Water District Board Audit Committee Meeting

Via Zoom Teleconference

2:00 PM REGULAR MEETING AGENDA

Wednesday, October 20, 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
moverland@valleywater.org
www.valleywater.org

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

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

Wednesday, October 20, 2021

2:00 PM

Via Zoom Teleconference

IMPORTANT NOTICES

This meeting is being held in accordance with the Brown Act as currently in effect and Santa Clara Valley Water District Resolution 21-85, adopted on September 28, 2021, in compliance with the provisions of AB361 (Rivas), that allows attendance by members of the Board of Directors, Board Committees, District staff, and the public to conduct and participate in meetings of the legislative bodies by teleconference, videoconference, or both.

In accordance with the requirements of Gov. Code Section 54954.3(a), members of the public wishing to address the Board/Committee at a video conferenced meeting, during public comment or on any item listed on the agenda, should use the "Raise Hand" tool located in the Zoom meeting link listed on the agenda, at the time the item is called. Speakers will be acknowledged by the Board Chair in the order requests are received and granted speaking access to address the Board.

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.

[21-1123](#)

Recommendation: Approve the minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 091521 BAC Minutes](#)

4. ACTION ITEMS:

4.1. Receive and Discuss the Draft 2021 Risk Assessment Report.

[21-1040](#)

Recommendation: Receive and discuss the Draft 2021 Risk Assessment Report.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Draft 2021 Risk Assessment Report](#)
[Attachment 2: PowerPoint](#)

- 4.2. Review and Discuss the 2021 Board Audit Committee Work Plan. [21-1037](#)

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](#)

- 4.3. Discuss and Approve any Updates to the Annual Audit Work Plan. [21-1039](#)

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](#)

5. INFORMATION ITEMS:

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 November 17, 2021, to be called to order in compliance with the Brown Act as currently in effect and Santa Clara Valley Water District Resolution 21-85, adopted on September 28, 2021, in compliance with the provisions of AB361 (Rivas).

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Santa Clara Valley Water District

File No.: 21-1123

Agenda Date: 10/20/2021
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Approval of Minutes.

RECOMMENDATION:

Approve the minutes.

SUMMARY:

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

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

ATTACHMENTS:

Attachment 1: 091521 BAC Minutes

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

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BOARD AUDIT COMMITTEE MEETING

MINUTES

**REGULAR MEETING
WEDNESDAY, SEPTEMBER 15, 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), conducted by Zoom teleconference, was called to order in the District Headquarters Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 2:00 p.m.

1.1 Roll Call.

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

District 7 Director Gary Kremen was absent.

District 1 Director John Varela, and District 4 Director Linda LeZotte attended via teleconference.

Staff in attendance were M. Overland. Staff members participating by teleconference were L. Bankosh, R. Blank, R. Chan, A. Fonseca, R. Gibson, B. Hopper, M. Lugo, H. McMahon, A. Mendiola, C. Orellana, L. Orta, M. Richardson, D. Taylor, S. Tippetts, D. Wickman, and T. Yoke.

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

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 August 18, 2021, Regular Committee meeting.

Move to Approve: R. Santos
Second: B. Keegan
Yeas: R. Santos, B. Keegan
Nays: None
Abstains: None
Recuses: None
Absent: G. Kremen
Summary: 2 Yeas; 0 Nays; 0 Abstains; 1 Absent.

4. ACTION ITEMS:

4.1 Audit Report of the Water Utility Enterprise Funds for the Fiscal Year Ended June 30, 2020.

Recommendation: Receive and discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year Ended June 30, 2020.

Mr. Darin Taylor, Chief Financial Officer, 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.

4.2 Progress Report on Implementing the Grants Management Performance Audit Recommendations.

Recommendation: Receive information on the progress of implementing the recommendations from the Grants Management Performance Audit.

Ms. Marta Lugo, Assistant Officer, provided opening remarks, and Ms. Amy Fonseca, Senior Management Analyst, reviewed the information on this item, per the attached Board Agenda Memorandum, and per the information contained in Attachment 1; and Mr. Adam Probolsky, Probolsky Research, reviewed the information contained in Attachment 2.

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

- The Committee requested that staff provide a timeline for completion of the following outstanding recommendations to be completed:
 - Right Sizing and Fiscal View, Attachment 1, Page 4;
 - Grantee Orientation and Guide, Attachment 1, Page 5;

- Right Size, Reporting Requirements, Attachment 1, Page 8;
- Base Requirements on Risk, Attachment 1, Page 9; and
- Financial Review of Grantees, Attachment 1, Page 10.

4.3 Discuss Process to Follow-up on Completed Audits.

- Recommendation:
- A. Discuss process to follow-up on completed audits; and
 - B. Approve the recommendation process for follow-up on completed audits.

Mr. Taylor reviewed the information on this item, per the attached Committee Agenda Memo.

The Committee reviewed this information and requested the following:

- The Committee requested that staff add this item to the Annual Audit Work Plan; and
- The Committee to develop draft work plan for the following year to capture Audit Updates from audits completed in the current year.

Motion: Approve staff's recommendation to process for follow-up on completed audits.

Move to Approve: R. Santos
 Second: B. Keegan
 Yeas: R. Santos, B. Keegan
 Nays: None
 Abstains: None
 Recuses: None
 Absent: G. Kremen
 Summary: 2 Yeas; 0 Nays; 0 Abstains; 1 Absent.

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

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

Mr. Taylor reviewed the information on this item, per the attached Committee Agenda Memo.

The Committee noted the information without formal action.

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

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

Mr. Taylor reviewed the information on this item, per the attached Committee Agenda Memo.

The Committee noted the information without formal action.

5. INFORMATION ITEMS:

5.1 Receive an Update on the 2021 Risk Assessment.

Recommendation: Receive an update on the 2021 risk Assessment.

Ms. Denis Callahan, TAP International Inc., reviewed the information on this item, per the attached Board Agenda Memo.

The Committee noted the information without formal action, with the following request:

- The Committee requested that this item be added to the October 20, 2021 Board Audit Committee meeting agenda.

5.2 Fiscal Year 2020-21 Fourth Quarter Financial Status Update.

Recommendation: Receive the Fiscal Year 2020-21 fourth quarter financial status update as of June 30, 2021.

Mr. Taylor 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 requested the following:

- The Committee requested staff to follow up with Director Kremen to determine if he would like an update since he was unable to attend today's meeting.

6. CLOSED SESSION:

Chairperson Keegan confirmed that the Committee would adjourn to Closed Session for consideration of Item 6.1.

6.1 CLOSED SESSION
CONFERENCE WITH LEGAL COUNSEL
INITIATION OF LITIGATION Government Code Section
54956.9(d)(4)INITIATION OF LITIGATION Government Code Section
One Potential Case

6.2 District Counsel Report

Mr. Brian Hopper, Senior Assistant District Counsel, reported that in regard to Item 6.1, the Committee met in Closed Session with all members present, excluding Director Kremen, and took no reportable action.

7. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:

7.1 Clerk Review and Clarification of Committee Requests.

None.

8. ADJOURN:

8.1 Adjourn to Regular Meeting at 2:00 p.m., on October 20, 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 3:50 p.m., to the 2:00 p.m. Regular Meeting on October 20, 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 II

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Santa Clara Valley Water District

File No.: 21-1040

Agenda Date: 10/20/2021

Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Receive and Discuss the Draft 2021 Risk Assessment Report.

RECOMMENDATION:

Receive and discuss the Draft 2021 Risk Assessment Report.

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 June 16, 2021 meeting, TAP Int'l informed the Committee that the survey was released on June 10, 2021. The survey technically closed on June 24, 2021. TAP Int'l then analyzed the survey results, followed up with respondents as appropriate, and presented a summary for discussion at the July 21, 2021 BAC meeting. At the September 15, 2021 BAC meeting, TAP Int'l informed the BAC that Phase 2 efforts to analyze processes and procedures was nearly complete, and that the assessment would be presented at the October 20, 2021 BAC meeting. The Committee noted the information, without taking any formal action.

TAP Int'l will present their Draft 2021 Risk Assessment Report for BAC consideration. The BAC is requested to provide comment/feedback regarding the draft report.

ATTACHMENTS:

Attachment 1: Draft 2021 Risk Assessment Report

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



TAPInternational

FY 2022- 2024 Annual Audit Plan

September 30, 2021

Risk Assessment Results and Annual Audit
Plan Development



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The image shows a building facade with a large, curved logo. The logo features the text "siliconvalley" in a lowercase, sans-serif font, positioned above a stylized graphic of a city skyline and a water drop. Below the graphic, the words "ADVANCED WATER" are visible in a smaller, uppercase font. The entire logo is set against a light-colored, textured background. The image is in black and white, with a yellow rectangular overlay at the bottom containing the text "Executive Summary".

siliconvalley

ADVANCED WATER

Executive Summary

Why the Assessment Was Conducted

The Valley Water Board Audit Committee (BAC) advances open and accountable government through accurate, independent, and objective audits that seek to improve the economy, efficiency, and effectiveness of Valley Water operations. To support the oversight and monitoring role of the BAC and of the Board of Directors Valley Water established an Independent Auditor function in 2017 and since inception, TAP International, Inc. has served as the Independent Auditor.

Professional auditing standards describe the use of a risk-based approach for creation of an audit work plan. An annual audit work plan identifies areas that need an audit to help prevent the occurrence of potential problems in the future. Risk areas identified in the assessment represent potential opportunities to conduct audits that will provide objective analysis and recommendations to help enhance the efficiency and effectiveness of Valley Water operations.

A risk assessment for audit planning is not considered a formal audit, and thus, no recommendations are included in this report. The results are considered by auditors for audit planning purposes.

How the Assessment Was Conducted

The 2021 risk assessment process consisted of two phases: (1) administration of a survey in which 59 Valley Water internal and external stakeholders identified current and emerging challenges facing Valley Water, and (2) evaluation of Valley Water activities across the top challenges and other areas. Individual Board directors and dozens of Valley Water employees across executive, manager, and supervisory levels contributed to this assessment, and over 75 documents were reviewed over a three-month period, to form the basis of the results discussed in this assessment.

What the Assessment Found

The stakeholder survey identified six top current and/or emerging challenges for Valley Water. The most frequently cited challenges include:

1. Emergency management in response to severe weather and/or natural disasters
2. Environmental damage caused by humans and climate change (applicable to environmental sustainability)
3. Aging or inadequate water delivery infrastructure
4. Cybersecurity
5. Surface water supply shortages or contamination
6. Contamination or shortages of groundwater

Among the most identified impacts of these challenges on Valley Water operations, survey respondents reported, would likely be an increase in the cost to provide services and/or cost overruns for capital projects. Survey participants also identified activities – for example, the most frequently selected activities were initiatives to ensure cybersecurity and expanded use of data to inform strategic and operational decision making – that with effective implementation, could help address the challenges identified. Appendix A describes how the survey was conducted and the complete survey results.

Valley Water has implemented many activities across the stakeholders’ top challenges and other areas to help prevent environmental harm, to protect the quality and availability of Valley Water’s water supply, and to improve property and information technology security, which are highlighted throughout this report. Key issues and concerns remain that led to identifying a range of suggested audits (30) for potential completion through Fiscal Year (FY) 2024 to further reduce Valley Water risks. The nature and number of audits to be completed will be determined by the Board of Directors, in consideration of Board priorities and funding availability.

A landscape photograph of a reservoir with a dam in the background. The water is calm and reflects the sky. The dam is a long, low structure with a curved crest. In the foreground, there are some dry, scrubby bushes. A large yellow rectangular box is overlaid on the lower half of the image, containing the title text.

Risk Assessment Approach

Risk Assessment Approach

Using the results of a stakeholder survey administered under Phase one of this risk assessment, TAP International further evaluated the top six challenges as well as another area -- data management and accuracy in Phase two of the risk assessment as shown in Figure 1 below. To conduct the second phase of the risk assessment, TAP International interviewed 40 Valley Water managers, staff, and various Board Directors to collect and evaluate information about Valley Water's mitigation activities across the seven areas, as well as gaps or overlaps in these areas that could benefit from an audit. The results were then assessed to determine the likelihood that an audit is needed and, if an audit was conducted, the impact that it could have to further mitigate risk(s). Notably, these seven areas evaluated do not align perfectly with Valley Water's organizational structure; more than one Valley Water unit or division may perform activities related to a particular area. For example, Valley Water's division of Emergency, Safety, and Security is responsible for ensuring comprehensive, integrated, risk-based, emergency management for the staff and critical infrastructure of Valley Water. However, each Valley Water unit is responsible for planning and implementing their unit's specific field level response to emergencies. The heat maps included in this report reflect these cross-functional relationships and do not necessarily reflect areas for potential audit in one division or unit.

Figure 1. Designated Scope of Work for Further Risk Assessment

- | | |
|--|--|
| 1. Emergency Preparedness/Disaster Planning | 2. Financial Management |
| 3. Environmental Sustainability | 4. Strategy Development, Planning & Innovation |
| 5. Aging Infrastructure-Capital Project Planning | 6. Data Management & Accuracy |
| 7. Information Technology & Management | |

Throughout the risk assessment, TAP International considered the following questions:

- **Strategy**—Are current and emerging challenges guided by short and long-term strategy development? Are there gaps in current management plans developed? Do management plans appropriately respond to changes in the operating or business environment? Does plan development account for technical and human resources needs to address areas of concern?
- **Financial Management**—Is there an opportunity to improve how Valley Water manages, invests, spends, and accounts for its financial resources?
- **Reputation**—Can performance potentially fall short of community expectations? Has project value been assessed prior to commitment of resources?

- **Operational Information Security**—Are Valley Water’s information systems and networks protected against unauthorized access, use, disclosure, disruption, modification, inspection, recording, or destruction?

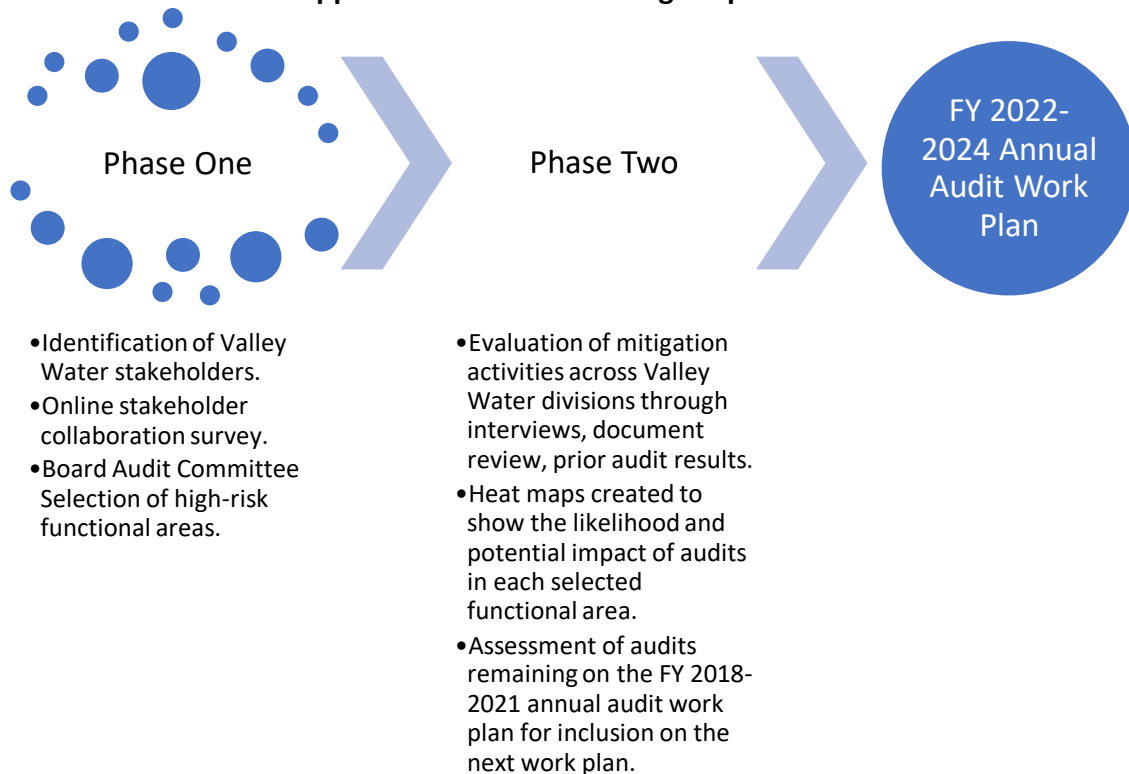
TAP International also considered factors to assess the potential for an audit, including:

- **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 operates?
- **Risk**—If the audit was conducted, can audit recommendations potentially reduce risks?

TAP International also collected information related to audits remaining on the FYs 2018-2021 audit work plan to assess their potential inclusion on the 2021-2024 annual audit plan.

Figure 2 illustrates the key activities implemented to complete the risk assessment.

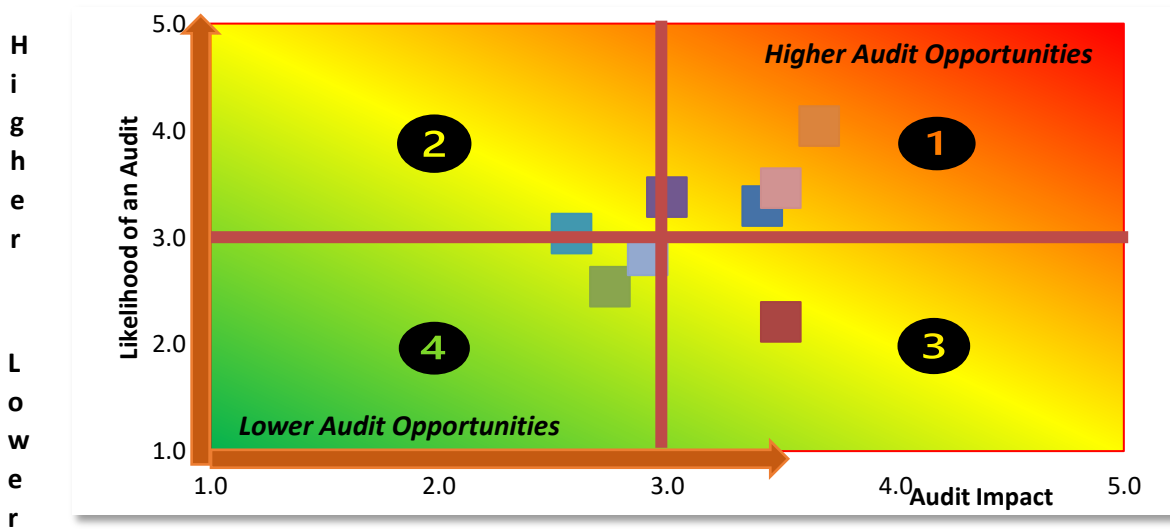
Figure 2: Risk Assessment Approach for Audit Planning Purposes



How to Read a Heat Map

Heat maps are used to illustrate the evaluation results in each of the seven Valley Water areas assessed. A heat map shows both the likelihood that an audit is needed and, if an audit is performed, the potential impact of an audit in helping Valley Water address current and emerging challenges. Throughout this report, we provide heat maps to illustrate “risk scores” among specific types of activities within each of the seven areas. As shown in Figure 3 below, the vertical line (Y axis) represents the likelihood (on a scale of 1-5) that an audit could likely identify opportunities for improvement and the horizontal line (X axis) represents the potential impact (on a scale of 1-5) of those improvements. The overall “risk” score for each area can fall in one of four quadrants depending on the likelihood and impact scores.

Figure 3: Sample Heat Map



Activities that appear in Quadrant 1 of a heat map, as explained in Figure 4 below, have the highest need for an audit that could likely have the greatest impact on Valley Water operations. It is important to note that our assessment and results reported are for audit planning purposes only and should not be construed as audit findings.

Figure 4: Heat Map Legend

- 1** Higher need for an audit and greater impact on outcomes. The Board Audit Committee should prioritize these areas in subsequent audit work.
- 2** Higher need for an audit, but lower impact on outcomes. The Board Audit Committee has the option to include these areas or Valley Water functions in subsequent audit work.
- 3** Lower need for an audit but higher impact on outcomes. The Board Audit Committee should consider the cost-effectiveness of audit outcomes before initiating an audit.
- 4** Lower need for performance audit assistance and lower impact on outcomes. The Board Audit Committee should monitor areas for potential audits in the future.

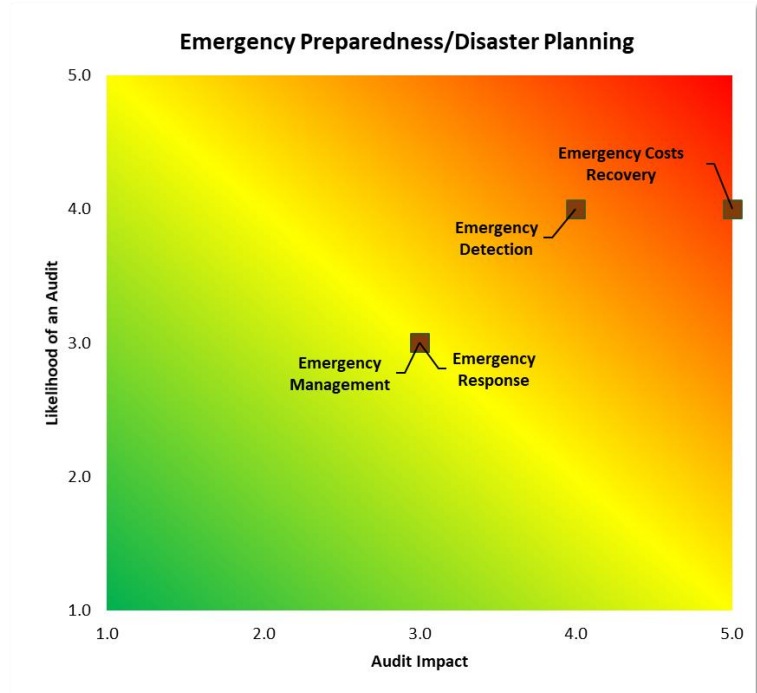


Assessment Results

Stakeholder Identified Risk Area: Emergency Preparedness/Disaster Planning

Emergency Response, the Most Frequent Challenge Cited by Stakeholders

A public agency’s response to unexpected or dangerous events or natural disasters depends on organizational structures, plans, and procedures to mitigate the event on the public and the environment. Stakeholders unanimously agreed that Valley Water’s ability to respond to emergencies or disasters is a current or emerging challenge facing Valley Water. All stakeholders that responded to the survey identified “emergency management in response to severe weather and/or natural disasters” as a likely current or emerging challenge to Valley Water’s achievement of its key strategic goals.



Valley Water Divisions and Units Agree with Stakeholder Survey Results

Valley Water management and staff agreed that emergency preparedness and response is a high-risk area, citing the challenges to operations presented by recent events (such as the 2017 winter flooding, recent annual large-scale wildfires, COVID-19 pandemic and 2021 drought). Staff explained that these recent events have had a substantial impact on Valley Water’s operations, in particular the workloads of staff providing emergency response services.

Current or planned efforts to mitigate the risk of interruptions to overall operations from severe weather or natural disasters include:

- Maintaining the Districtwide Emergency Operations Center (and alternate) for operational readiness.
- Use of cross-functional teams of Valley Water Division/Unit with responsibilities to coordinate emergency response to specific types of emergencies (flood, power outage, wildfire).

- Establishing mutual aid type agreements, for example, with other local water agencies for water treatment if Valley Water is unable to provide services.
- Establishing and implementing an annual process to update Division/Unit Emergency Actions Plans and coordinate these updates with Information Technology.
- Completing emergency management training for all Valley Water workers designated as disaster workers.
- Undertaking capital projects for flood protection and preservation of flood conveyance capacity including seven under construction and 11 in the planning/design stage.
- Participation in inter-agency training exercises at the state and countywide level for emergency operations during a flood event.
- Planned implementation of at least two additional flood forecast points as part of a flood warning system.

Many staff praised the work of the Division of Emergency, Safety, and Security for their emergency preparations and operations, and their support for individual units who are responsible for preparing their own field response. While the Office of Emergency Services (OES) meets annually with field units to help them update their plans, OES is not responsible for planning field units' specific prevention, detection, response, and recovery activities.

Key Issues Identified

Assessment of Valley Water's response to recent events by units across the Divisions identified:

- **Lost opportunities for federal and state cost reimbursement.** The capabilities of Divisions to properly account for emergency response and recovery activities to successfully obtain federal or state cost reimbursement vary. Some Divisions have defined the cost recovery processes while other Divisions have organizational culture issues that have prevented improvement. The gaps in recovery-related processes have led Valley Water to miss reimbursement opportunities from prior flood events.
- **Need for additional staff during emergencies to prevent significant backlog of work.** Individual staff workloads increase, often for substantial periods of time, without the field unit receiving additional staff support. Staff have reported working longer than normal hours and deferring tasks that could increase risks in other areas.
- **Planning for procurement during emergencies.** Field units are also responsible for planning for their own procurement needs during an emergency response. Some staff reported that their unit had proactively established on-call contracts or arrangements with Valley Water's warehouse for emergency services and supplies, including technical assistance, while others did not. A best practice shared by the manager of one unit is to

also plan for extra procurement needs for disaster response equipment, for example, extra parts that could be needed to repair critical machinery during an emergency. It is unclear to what extent the emergency response plans of Valley Water field units address procurement needs. Staff noted that neighboring local agencies had pre-approved the delegation of a limited authority from the Board to executive managers to procure certain services or supplies up to a pre-approved dollar threshold. An advantage to proactively establishing this type of delegation of authority allows the agency to respond quickly to an emergency while preserving transparency and accountability for procurements within the organization.

- **Need to re-evaluate Division and Unit roles and responsibilities for detection activities.** One unit continues to screen all mail received for Valley Water to detect hazardous substances when the unit is primarily responsible for warehousing supplies and inventory management, including continuing to procure personal protective equipment and related resources for the current COVID-19 pandemic. While Valley Water has demonstrated agility in its response efforts and has weekly status meetings to coordinate activities, we were unsuccessful in identifying post implementation and assessment reports that would detail gaps and challenges to initiate operational updates and prepare for future emergencies.
- **Need for greater physical security surveillance of Valley Water property, facilities, and infrastructure.** While Valley Water has proactively dedicated a unit, hired a new manager and additional staff, and began installing needed surveillance cameras and other equipment for some facilities, more work remains. Staff explained that current gaps leave Valley Water vulnerable to untimely detection of security concerns should events occur.
- **The ability of Valley Water to operate a virtual Emergency Operations Center (EOC).** And other field response centers, if needed, and the alignment of Valley Water's plans for a virtual EOC with FEMA best practices.

Stakeholder Identified Risk Area: Environmental Sustainability

Water Supply, Contamination, Environmental Damage and Climate Change Among the Top Challenges Facing Valley Water

Environmental sustainability programs and activities help to ensure that future generations have the natural resources available to live an equal, if not better, way of life as current generations by balancing the economic, social, and environmental needs of a community.

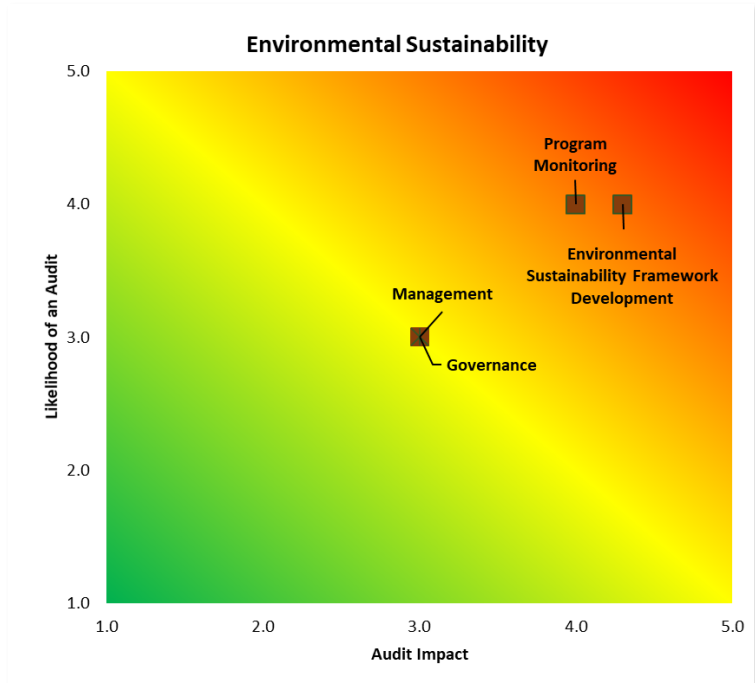
Three environmental sustainability challenges (environmental damage caused by humans and climate change; surface water supply or contamination; and contamination or shortages of groundwater) were among the six most often identified current or emerging challenges facing Valley Water.

Most Valley Water divisions share responsibility for environmental sustainability. Many of Valley Water's activities are funded by its Safe Clean Water Program, including grants to external parties and partnership funding. The FY 2022 Valley Water budget allocates more than \$45 million for activities to protect and restore creek, bay, and other aquatic ecosystems.

Valley Water Divisions and Units Agree with Stakeholder Survey Results

Environmental sustainability is a high-risk area for Valley Water, with staff and managers frequently describing risks due to the current drought risks to Valley Water operations from environmental damage, water supply shortfalls and degraded water quality. At the same time, Divisions and Units described many efforts to mitigate these risks, including:

- Implementing water conservation outreach programs where Valley Water staff work directly with consumers and water retailers to reduce water usage.
- Working with the State to have enforcement authority on water conservation initiatives within Valley Water’s area of authority.



- Providing timely information on water supplies and quality during the current drought and past flood events.
- Proactively establishing contracts for purchases of imported surface water. Valley Water relies highly on imported surface water supplies. On average, about 40 percent of Valley Water’s water supply is from imported water resources.
- Establishing proactive surveillance testing for emerging contaminants, like PFAS, which seep into groundwater. State standards allow for very low amounts of PFAS to be present in groundwater. Valley Water has established a cross-functional team to discuss how Valley Water can proactively address the threat posed by PFAS, for example, through surveillance testing and monitoring or partnering to help advance treatment technologies. Valley Water’s lab is already certified to test for this contaminate. Also, Valley Water is working with the Water Quality Board when regulatory action is needed to address sources of contamination.
- Assessing the risk of groundwater and surface water contamination from homelessness, determining that fecal contamination does not usually affect the quality of groundwater but is a more acute concern for surface water.
- Initiating long-term planning efforts to address climate change. Valley Water adopted a Climate Change Action Plan (CCAP) in July 2021, which states that climate changes will impact local and imported water supplies, challenging Valley Water’s water supply reliability, complicating flood protection efforts, potentially degrading water quality and threatening habitat mitigation efforts. According to the CCAP, the next task is to develop an Implementation Program for the updated CCAP, that includes specific actions and a system for monitoring progress established.

Key Issues Identified

The assessment identified key issues related to Valley Water’s environmental sustainability efforts. These issues include:

- The extent to which sustainability indicators are applied to measure progress at accomplishing goals and objectives across many management plans. A sustainability indicator can allow measurement of environmental, economic, or social systems for monitoring progress at addressing the challenges of sustainability. Board Director conveyed the need for additional information about the extent to which Valley Water is consistently monitoring the impacts from its actions to reduce greenhouse gases across the entire agency and all projects, including any unintended consequences from these efforts.
- Valley Water has not had enough surface water to recharge the groundwater basin, however if supplies are available, Valley Water would need to obtain regulatory permits

(that were previously allowed to expire) in order to use percolation ponds and perform creek releases. Operations is responsible for obtaining the permits from the appropriate agencies, which can be a time-consuming regulatory process. Staff have explained that better regulatory expertise is needed within Valley Water to help secure these permits, so that when supplies are available for groundwater recharge, there is not a delay due to the time to obtain regulatory permits. Staff explained that without use of the percolation ponds, a long-term impact is that more reliance will be needed on imported water. There is also the long-term impact of potential ground subsidence.

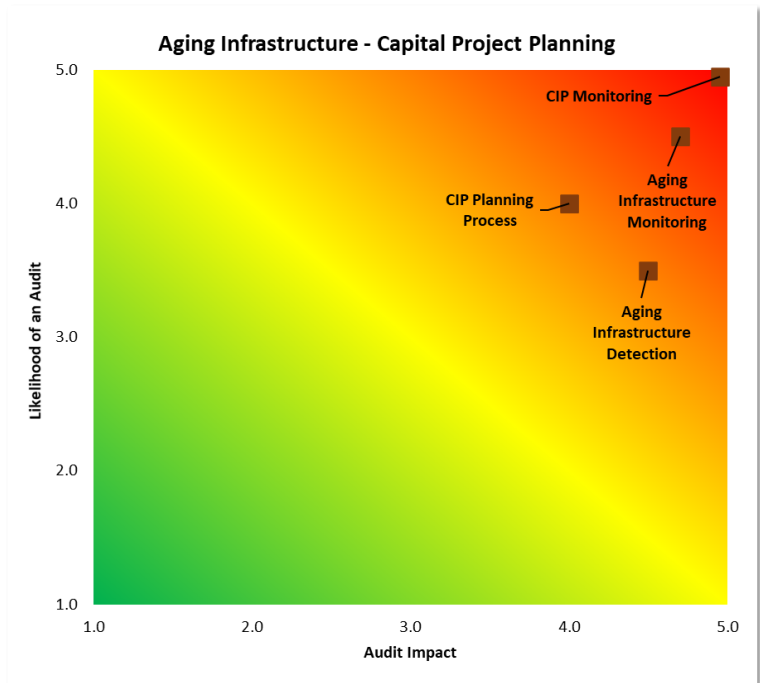
- Unmetered groundwater pumping requires the use of estimates to track usage. While the formulas used to produce these estimates are periodically reassessed internally to ensure accuracy, no independent evaluation or audit has been performed for verification purposes.

Stakeholder Identified Risk Area: Aging Infrastructure—Capital Project Planning

Aging Infrastructure Among the Top Challenges to Valley Water with Stakeholder Concerns about Capital Project Completion

Infrastructure includes organizational frameworks and systems, such as water treatment and delivery. Government plays a key role in building and maintaining infrastructure because it is an investment that has a multiplier effect throughout the community, generating lasting economic, social, and environmental benefits. It is an

area that does not come to the forefront of issues until a crisis has occurred or something does not work. These systems tend to be capital intensive and high-cost investments. Among stakeholders, “aging or inadequate water delivery infrastructure” was one of the three most identified current or emerging challenges for Valley Water. Further, many stakeholders equally expressed concern over possible “delays to delivery projects and services” and a “limited ability to complete capital projects” as a result of the challenges facing Valley Water.



Valley Water Divisions and Units Agree with Stakeholders about Aging Infrastructure and related Capital Project Planning

Consistent with Valley Water stakeholders, staff across Valley Water Divisions and Units agreed that aging infrastructure poses a high risk to Valley Water.

The Capital Improvement Program (CIP) is a projection of Valley Water’s capital funding requirements for 68 projects totaling \$8.021 billion planned from FY 2022 through FY 2026. The capital projects address water supply, flood protection, aging infrastructure, water resources stewardship, buildings and grounds, and information technology projects. Notable examples of efforts to mitigate the risk of aging infrastructure include:

- Retrofitting Anderson Dam for seismic safety
- Replacing 70 miles of aged water pipeline
- Building the Rinconada treatment plant

- Implementing detection systems to ensure water quality and water supply

To include capital projects in the CIP, Valley Water conducts an annual planning process, beginning with the initial identification of projects by Division managers. When a potential project is identified, staff explained that an assessment is performed about project needs, including developing cost estimates. Division executive management generally decide whether to send a capital project to the Capital Improvement Program Committee (Committee) for review and inclusion into the CIP.

According to information contained in the CIP plan, the CIP planning process itself is designed in part to meet the Board's priorities and contribute to the objectives of Valley Water's various programs, and to identify funding for the duration of the projects. Alignment of these objectives can be assured based on implementation of the CIP planning processes described on an ISO procedure.¹

Key Issues Identified

The assessment identified key issues and concerns about the capital improvement process and aging infrastructure. These include:

- The current CIP process has led to projects that many staff interviewed have questioned their need, whether past projects have accomplished their intended goals, and raised concern that the current CIP is not right sized for Valley Water's availability of resources, including staffing availability.
- Inconsistent implementation of the CIP procedures.
- The need to prepare financing plans through 2040 on capital improvement projects shown in the CIP when many of the projects may not be initiated within the expected timeframe. Project costs also include planning costs which could be considerable given the time needed to progress a project to construction.
- Limited or no participation by Valley Water support units in CIP planning that has led to supply and service delivery management issues.
- Absence of analysis that identify how the success of the planned project will be measured.
- Absence of robust capital monitoring that evaluates costs versus benefits, including whether project outcomes accomplished their intended goal or purpose.

¹ It includes the following key steps: • Management review and approval, to ensure staff proposed projects are aligned with Board policies and approved program plans; • Validation of projects to ensure there is a business case for doing the project and that a capital investment is the best solution; • Review of all projects, including continuing and newly proposed projects, to ensure the projects in the CIP reflect Board priorities; • Financial analysis, to determine the capacity of Valley Water's capital funding sources to fund the proposed capital projects.

- Having insufficient detection systems to monitor infrastructure operations. While staff reported having sufficient systems in place for monitoring water treatment and water systems, additional detection systems could benefit from physical security and pipeline maintenance. Valley Water is in the process of installing surveillance equipment and fiber optics into pipelines, but staff have raised concerns about quality assurance and the need for a better process that systematically monitors Valley Water’s aging infrastructure. One Board Member interviewed also raised a concern about whether Valley Water had systems in place to recognize the risks to the infrastructure.

Other challenges identified include:

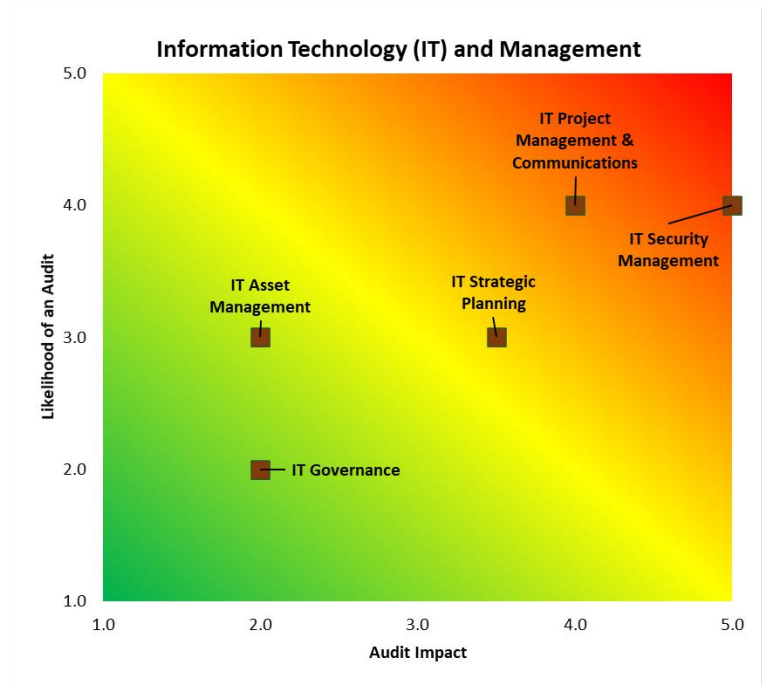
- The actual cost to replace, repair, and renovate facilities and equipment significantly outweighs Valley Water’s ability to pay for them without substantial increases in water rates.
- Staffing levels and availability preclude the implementation of capital projects identified within the five-year CIP and affect the completion of project milestones.
- Securing regulatory permits for water utility, watershed, water supply, and dam safety projects.
- Obtaining timely internal reviews and approvals of project deliverables.
- Timely development and execution of agreements with external agencies to prevent delays.

Stakeholder Identified Need: Information Technology and Management

Ensuring Cybersecurity Topped List of Efforts to Help Valley Water Prepare for Current or Emerging Challenges

Stakeholders viewed cybersecurity as one of the top emerging challenges facing Valley Water and security breaches among the most concerning effects on Valley Water operations. To best prepare for the current or emerging challenges, more stakeholders identified “initiatives to ensure cybersecurity” as very or somewhat likely to help compared to all other efforts presented in the survey.

Also, among the top five efforts included two strategies that rely on information technology management: “accelerated use of digital tools and automation of Valley Water operations” and “strategies to promote transparency and enhance information dissemination.” The Information Technology Division provides planning, design, and operational support and maintenance of Valley Water’s: (1) physical technology infrastructure and cyber security posture management; and (2) software application portfolio. The Division is overseen by the Office of the Chief Operating Officer (COO) of Information Technology & Administrative Services (IT & AS). The FY 2022 operating and capital budget for the Information Technology Division is \$26.1 million and has 38 positions. According to the FY 2022 budget, Valley Water reports that it is many years behind on Information Technology due to a lack of human resources combined with a large amount of technical debt, creating challenges for modernization projects.



Valley Water Staff was Mixed on Information Technology Risks

Valley Water management and staff had mixed responses applicable to magnitude of information technology and cybersecurity risks to Valley Water. Some staff reported the likelihood of an occurrence was low but agreed with survey results that the impact should an event occur was high. Other Valley Water staff agreed with the survey and said that information technology and cybersecurity were moderate to high challenge areas with information security and disaster recovery being the most pressing issue.

The Information Technology Division reported that there are several projects underway to help mitigate cybersecurity risks and update the Valley Water information security infrastructure, including:

- Completing the disaster recovery and business continuity plans
- Updating the physical security of the information technology assets
- Developing an Information Technology Governance Review Board and refreshing the Information Technology Strategic Plan
- Developing an IT asset inventory
- Procuring a vendor to develop an updated master plan to maintain security of Valley Water's critical IT infrastructure
- Planning consolidation of computer applications used within Valley Water
- Implementing multi-factor authentication for all users' access to the Valley Water network.
- Procuring a vendor for yearly security audits of the corporate environment (business network within Valley Water) and the SCADA (Supervisory Control and Data Acquisition) network (The current contract will expire this year)
- Addressing prior audit recommendations

Until these projects are completed and fully executed, the cybersecurity and IT risks remain high.

Key Issues Identified

While Valley Water continues to make progress in developing its organizational capability for understanding and managing cybersecurity risk, it faces challenges in two key areas.

- The uncertainty of whether Valley Water's enterprise risk management program is largely consistent with best practices, such as National Institute of Standards and Technology (NIST) guidance, including whether acceptable risk appetites and risk tolerances have been formally documented and approved by the Board of Directors.
- IT control and other security risks have not been assessed on all Valley Water information systems. While critical financial systems and Valley Water's SCADA network are continuously monitored, the assessment process excludes other information systems, including home-grown systems and those implemented independently by other divisions. The categorization of these system's risk is unknown and facilitate the development of a comprehensive Valley Water system security plan. Staff reported other areas of concern:

- **Absence of independent monitoring of the status of prior audit recommendations.** The Information Technology Division has undertaken yearly security audits of both the business network as well as the SCADA system. The audits produced various findings and recommendations that Valley Water management said are being addressed, after delays in Valley Water’s attention due to responding to the COVID-19 pandemic that required the Division to refocus its resources on enhancing network reliability and computer resources available to staff. To ensure that critical and high priority vulnerabilities are remediated in a timely fashion, best practices include regular status reporting to Boards and executive management.
- **Accomplishing effective project management and communication.** The IT unit is in the process of implementing multiple projects to improve the Valley Water’s infrastructure, security, and business continuity. However, staff across Valley Water reported that although the IT Unit puts forth their best effort, the Unit is hampered by insufficient staff levels to respond to work requests and to complete projects in a timely manner.

Valley Water staff and management were consistent in comments regarding the Infor ERP implementation, citing uncertainty about its overall success related to delivering the functionality that was originally intended, the quality of the communication strategies administered, and the delays that have occurred which can be attributed, in part, by having multiple changes in project managers. Staff explained that Valley Water is being used as a public agency for which the vendor is customizing the system, explaining that it is a very large project and despite the best of intentions, it has been difficult to dedicate resources to the project and to keep operations going, creating operational and managerial risks. Staff reported that unrealistic schedules have been established, growing concerns about the extent and quality of system testing performed, and whether Valley Water will actually enforce the use of system or still allow continued use of manual business processes. A Valley Water executive explained that the Infor implementation has had its challenges, but that efforts are underway to support the successful delivery of the project through enhanced communication activities, assignment of a new project manager who has brought greater transparency and effective communication to the project, and enhanced oversight of the project schedule that include plans to “go live” with the Infor system on October 11, 2021.

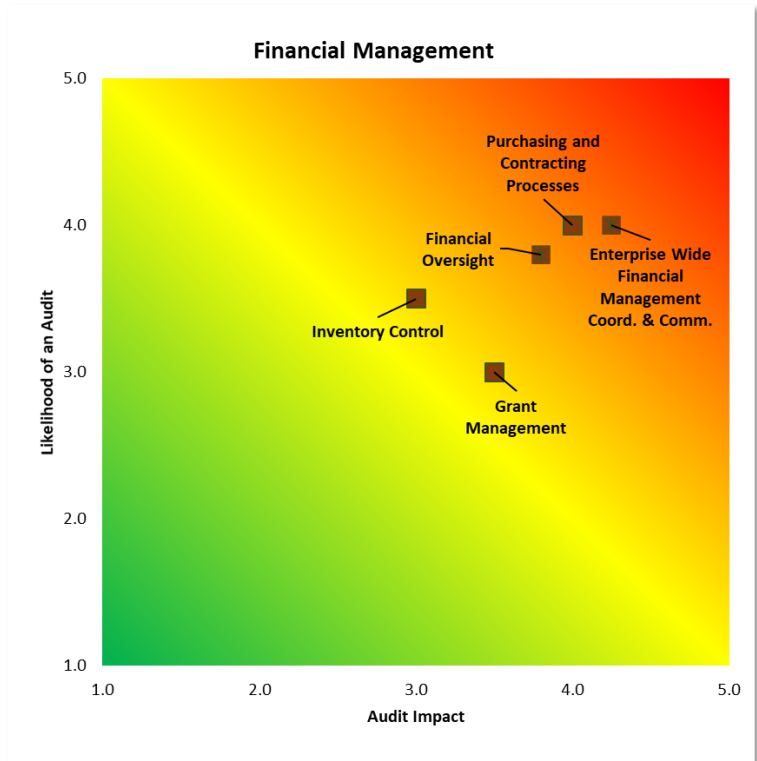
- **Gaps in IT Strategic Planning.** Best practices include clear definition of the criteria used to prioritize information systems designated for recovery should a disaster or other event occur that minimize the ability to access, process, and communicate information. While development of a disaster recovery plan is underway, the methodology and criteria used to prioritize systems have led staff to question the priority rankings.

Stakeholder Identified Concern: Financial Management

Financial Risk of Capital Projects a Top Concern Among Stakeholders

Valley Water finances planned capital improvement projects primarily through bonds, loans, revenues generated from the purchase of water, and from state and federal grants.

Stakeholders commonly identified the “increased cost to provide services or cost overruns for capital projects” among the possible effects from current or emerging challenges. Some stakeholders also identified for the possible “loss of revenue or intergovernmental funding” as a possible effect. And among the most cited efforts to likely help Valley Water was “new federal government infrastructure investment.”



The Financial Planning and Management Services Division (FPMS) secures the financing of the capital projects identified on the CIP. Presently, Valley Water has funds totaling \$1.9B for the implementation of various projects through FY 2021. The Board of Directors approves the budget and funding for capital projects, including cost overruns.

Valley Water Staff Agree with Stakeholders that Capital Project Financial Management is a Risk

Valley Water staff generally agreed with survey results that the financial risk associated with capital projects is a high-risk area, citing increased costs, project prioritization, and the volume of projects undertaken as creating the cause for concern.

Efforts reported by stakeholders to better oversee financial management of capital construction projects include:

- Move to biannual budgeting of capital improvement projects versus annual budgeting. After completion of a study on capital projects budgeting practices, Valley Water has opted to commit funding for a two-year period, which can help mitigate potential project delays. Some staff raised concern about committing expenditures for a 10-year

period of time to contractors involved with the capital projects but authorizing the revenues for a short period of time.

- Implementation of the Infor ERP system intended to improve financial management as well as capital project financial management.
- Development of a Financial Management Plan.
- Additional staff resource with the transition of one temporary staff to a full-time position.

Key Issues Identified

Other financial-related activities within Valley Water, many of which are outside of the management of FPMS, were also identified as areas of high concern. These concerns include:

- **Procurement and contracting process.** Standing orders are used for the acquisition of commodities or services that are needed on an ongoing basis when the specific item(s), quantity and frequency of need are known in advance. Valley Water’s use of standing orders has a high risk of cost overruns because Divisions and Units that use them routinely amend the standing order budget amount, which cannot exceed \$75,000. Staff have raised concern that when this occurs, it circumvents the formal procurement process, which could lead to purchasing supplies at higher cost. A contributing factor to this issue was the lack of available spending and trend reports by vendor for review by Divisions and Units. To solve the issue, Valley Water uses a web-based platform to receive weekly procurement reports and an upcoming IT system implement (Infor) is intended to develop reports by commodity classification. Valley Water is also working on solutions to expand outreach of eligible bidders rather than just relying on the same long-time small group of bidders. Until these activities are implemented, the use of standing orders poses a financial risk to Valley Water.

Another area of concern raised by staff includes the adequacy of internal controls governing P-Cards, which historically is a high-risk area. In addition, a Board Director raised questions about the spending level of outsourced legal services. The District Counsel said that he is working with FPMS on regular reporting of budget to actual expenditures for outsourced legal services.

- **Inventory management.** There are multiple reasons why inventory management is an important financial management issue. Effective inventory management promotes (1) overall efficiencies, by spending less time sifting through files, avoiding sending spreadsheets to one another, leveraging space, or not having to visit the warehouse every time stock is needed—all of which have been concerns raised by Valley Water staff, (2) knowing where the inventory is located given that Valley Water does not have centralized inventory management functions; and (3) having advance notice of supply

needs and meeting delivery dates, which staff have said has been an issue for capital projects leading to project delays.

Valley Water has taken actions to improve inventory management, such as purging items sitting on shelves for over 20 years, implementing improved forecasting and changing the approach to inventory counting to allow better identification of discrepancies, but these actions have taken place at Valley Water main warehousing facility because other facilities are under the control of other Valley Water Divisions. Understanding the impact that decentralizing inventory management has on financial management, availability of supplies, and the risk of equipment misuse and theft requires further assessment.

- **Financial oversight.** In last several years, a Board Director has raised concerns about the audited financial statements issued by the Valley Water's external financial auditor, who is a certified public accounting firm with experience in the government sector. One of these concerns included how the consolidated annual financial report (CAFR) was presented. The assessment identified that the CAFR was prepared in accordance with Generally Accepted Accounting Principles as promulgated by the Government Accounting Standards Board (GASB). GASB guidelines differ in how audited financial reports are prepared and presented for government agencies versus private sector statements. Government-related audits establish that revenues and expenses are accurate and reasonable while private-sector audits show that the profitability and financial stability of a company are presented correctly. For government agencies, having this type of information would require computation based on the revenue and expenses information contained in the consolidated annual financial statements. Some government agencies request fiscal health assessments as part of the annual financial statements and others do not. While Valley Water presents information in its consolidated annual financial report on historic trends in revenues and expenditures as well as property tax rates, a full set of fiscal health ratios, except for debt ratios, are not included.

While Valley Water's Procurement and Contract's evaluation team found the current external auditor best met the desired bid qualifications, the assessment identified that Valley Water financial management risks are increasing, as evidenced by financial growth of Valley Water, the size of the capital improvement plan budget, the multiple mega-capital projects planned or underway, and the absence of adequate internal controls identified in prior audits and assessments, as reported by other companies. Further review is needed on whether the same or other types of qualifications for certified public accounting firms are needed to assist Valley Water in future financial oversight because of these risks.

- **Rate-setting alignment with capital projects likely to be completed.** Valley Water funds capital projects, such as the P3 (purified) water project, using revenues from wholesale water sales. The rate setting process depends on many factors, including the need for water supply and treatment capital projects to meet projected demand. Staff explained that the costs of projects listed on the CIP can influence water rates, but given the size of the current CIP, water rates could be set too high because there is high risk that projects on the CIP will be deferred or non-completed, especially when staff reported that available resources have been reassigned to the larger capital projects.
- **Grant management activities.** Valley Water stakeholders discussed concerns regarding the timeliness of grant reimbursements to Valley Water grantees as well as processes for reporting and invoicing when Valley Water is the recipient of a grant. Valley Water has taken action to address grantee concerns and have reported reducing the time required to reimburse grantee, which now averages about 13 days to approve invoices for payment. A formal follow-up review is needed to verify prior audit recommendations.
- **Financial management coordination and communication.** Valley Water staff and management said there were sometimes difficulties with coordination and communication between the FMPS and other divisions and units. Examples were with coordination of timing for project funding needs and being included in the planning process for projects and services that will affect FMPS staff workloads. Without closer coordination for project funding needs, FMPS staff cannot effectively schedule time and workloads to accomplish the tasks necessary for timely project funding. Similarly, without FMPS staff involvement in the planning process for projects and service programs, such as the tuition reimbursement program, effective scheduling for workload needs cannot be done.
- **Efforts to increase the resilience of Valley Water's water supply may also increase financial risks and managerial risks.** Valley Water may encounter budget shortfalls if the drought persists into 2022, because of declining revenues caused by mandatory water usage restrictions and the need for Valley Water to purchase additional water supplies to meet the reduced demand. The FY 2020-21 budget contains funding of \$10M for a drought reserve fund, within the Water Utility Enterprise fund, to minimize possible water charge impacts during a possible drought emergency. Should another drought year occur, then there will be a need for another \$20 million in incremental water supply purchases. Combined with the 15 percent water reduction from 2019 use levels called for by the Board, this would create a \$60M shortage in revenue relative to the budget. With inflation, a total of \$70 million of additional revenue could be needed. The completeness of projections of Valley Water's plan for risk mitigation strategies is not fully known.

Stakeholder Identified Need: Strategy Development, Planning, and Innovation

Increased Agility in Operations a Key Effort to Help Valley Water

Good plans outlining strategies to implement in order to address current and future operations are fluid, not rigid and unbending. A key purpose of strategy development is to lay out the elements of a plan in a logical and transparent way, including providing space for decision-makers to outline strategic operations and tradeoff for deliberations before deciding a specific strategy. Survey participants cited, among the most common efforts likely to help Valley Water respond to current and emerging

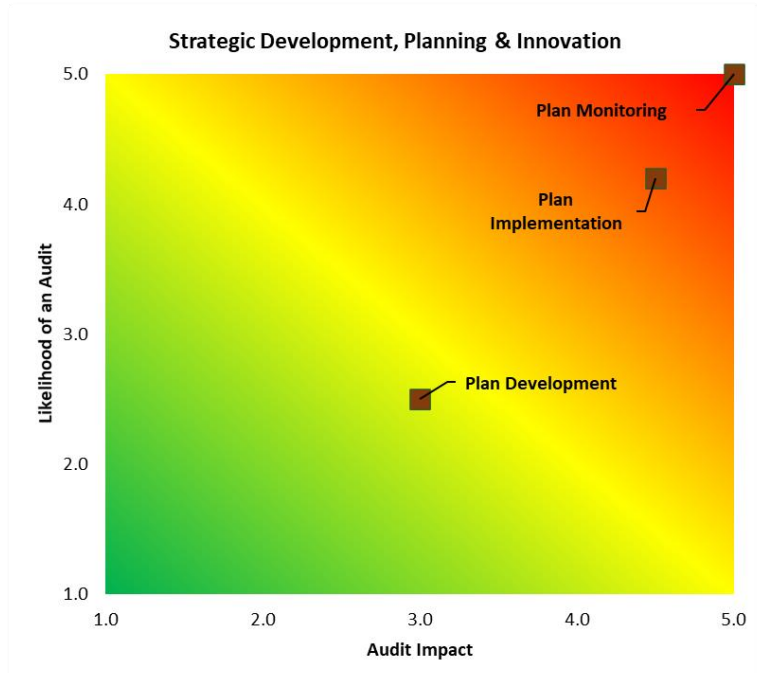
challenges, the ability for Valley Water to be able to move more quickly and easily as an organization. Stakeholders also frequently identified the “accelerated use of digital tools and automation of Valley Water operations” among the efforts likely to help address identified challenges. About 75 percent of 59 survey participants (stakeholders) also identified “gaps in the knowledge, skills and abilities of the workforce” as an effect on Valley Water’s operations of current and emerging challenges.

Divisions and units across Valley Water either assist in strategy development or assume responsibility for developing their own strategies to address challenges faces Valley Water.

Valley Water Staff Mixed on Survey Results

Valley Water staff generally differed in their responses when discussing strategy development. Some staff conveyed operational risks have occurred without greater involvement in strategy development activities. Greater involvement of support units in project planning would help support units better anticipate increases in workload; having this adequate lead time would also help support units ensure resources and equipment are available when needed.

Other staff reported activity strategy development among divisions and units. The assessment identified at least 12 examples of management plan across a wide range of areas including safe and clean water, communication, water supply, water quality, information technology, emergency response, financial management, environment, and more. Internal staff, consultants, or committees comprised of internal and external stakeholders were involved in



these planning efforts. Other staff reported that some plans in place require updating given their age. For example, one plan used by land use and survey is over 20 years old. Similarly, IT is in the process of procuring a consultant to help refresh a nine-year-old critical infrastructure plan.

Key Issues Identified

While Valley Water has made notable progress in strategy development, the assessment identified key issues and concern. These include:

- **Documenting institutional knowledge and knowledge transfer.** Staff explained that while the Divisions and Units are putting forth their best effort to stay on top of issues, staff retirement and turnovers have eroded Valley Water’s technical expertise to develop creative solutions to new problems. Some staff further explained that due to all of the demands placed on staff and management, Valley Water has grown accustomed to reacting to issues as they occur versus proactively preventing their occurrence. For instance, staff do not have information available that describe the full extent to which flood protection could be enhanced from additional environmental mitigation, or the specific impact on future pumping with new state requirements to monitor groundwater ecosystems.
- **Hiring of experienced professionals.** Staff and Board members expressed concern about the need for strategies to hire technically competent and experienced professionals to fill critical positions across Valley Water Divisions. Information shared by staff was mixed on the factors that have prevented experienced staff from joining the Valley Water workforce, such as losing potential retirement benefits and lower compensation. However, information that would describe the extent that contributing factors have prevented hiring of these professionals can increase the effectiveness of plan development aimed at recruiting and hiring experienced technical professionals.
- **Organizational culture.** There was general consensus among staff that organizational culture has historically influenced the effectiveness of change management or implementation efforts, and that some divisions are better than others in implementing change. Staff explained that some units may have new management plans or business processes in place, but staff may not fully implement them.
- **Limited monitoring of management plan implementation.** The assessment identified the absence of comprehensive and routine monitoring and reporting on the progress of plan completion.. For units that have performed routine plan monitoring, staff described successful processes because meetings are frequent, involve other Valley Water Units, and impacts are discussed.
- **Having insufficient time and staff to fully implement plans developed.** Staff responsible for implementing activities prescribed by management plans raised concern about the

unit's capability to fully implement them on a timely basis given their workload completing day-to-day activities. Backlogs of work reported by staff across Valley Water varied from days to over six months. The assessment identified that the number of initiatives, goals, and objectives for some of the plans reviewed may not be right sized in comparison to available time and staff to implement activities. Strategies reported to address this challenge generally included implementing the task when time permits.

- **Absence of completion dates for plans under development.** Staff across units have reported that management plan development have been underway in their respective units, one of them for several years, but no completion dates have been finalized. The extent to which plans are underway without milestones established for their completion is unknown and could benefit from review.
- **Absence of management plan development.** The assessment identified that some units could benefit from management plan development. One unit reported the need for reshaping and planning given the added functions and responsibilities assigned to them, which has eroded their primary mission. Staff also reported that some units are siloed, such as Real Estate Services Unit (RESU), Community Projects Review Unit (CPRU), and the two Units administering land use survey and GIS mapping, which need potential restructuring and re-organization. TAP International recommended in prior audits the need to consolidate RESU and CPRU activities. A Valley Water executive participating in this assessment explained that RESU and CPRU would likely need another Valley Water executive to oversee operations.
- **Need for data management strategy.** Valley Water has not developed a data management strategy that would comprehensively facilitate "open" data to external stakeholders or its internal staff. Open data is the concept that some data should be available to everyone to use for activities, such as analysis, monitoring, workload planning, and performance measurement. While Valley Water produces reports in multiple areas, having greater access to more detailed information can prove beneficial to identify early warning signs of potential issues and problems. Staff reported multiple situations where the absence of information has had adverse impacts on workload planning and allocation among staff, as well as supply chain management challenges because equipment and supplies were not available at the time needed on capital projects, contributing to project schedule delays.

Until plans are fully developed, implemented, and monitored for their effectiveness, concerns and challenges described in this report remain as high potential for subsequent auditing.

Stakeholder Identified Need: Data Management & Accuracy

Strategic Use of Data to Inform Decision Making Identified as a Key Effort to Address Challenges Facing Valley Water

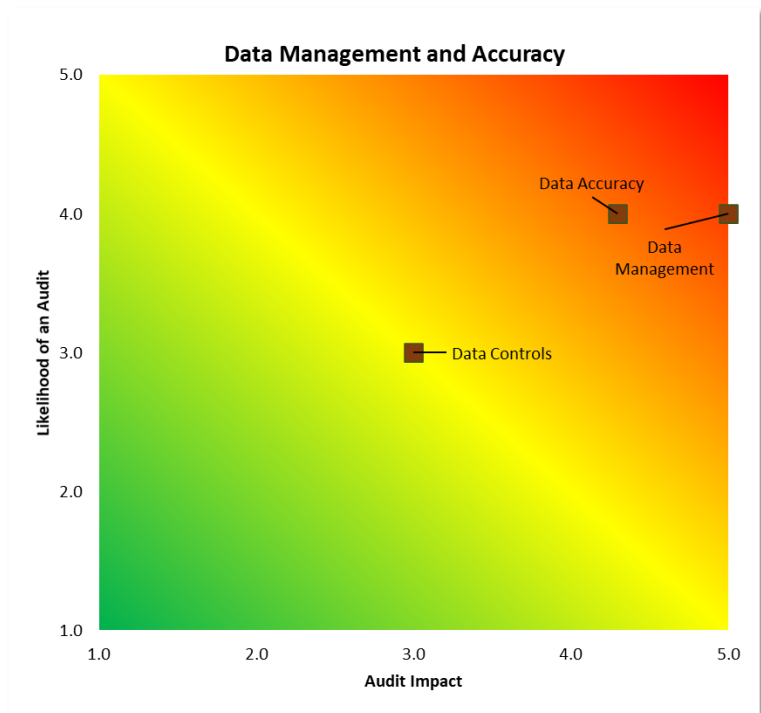
Having accurate data is a key element of an effective decision-making process. Ensuring data quality relies on implementing proactive processes that include quality control efforts both in manual and electronic form. Each Valley Water Division and Unit is responsible for the accuracy of the data they collect, record and use.

Stakeholders most frequently cited three efforts related to data accuracy and management among those likely to help Valley Water best prepare for its current and emerging challenges. Among stakeholders, the “expanded use of data to inform strategic and operational decision making” was the most popular effort to “very likely” help Valley Water prepare for challenges. Also, among the top five efforts were “strategies to promote transparency and enhance information dissemination” and “more agile operations and organizational structure,” which both rely on data accuracy and information sharing.

Most data collected and used by Valley Water staff is either recorded across multiple information systems developed and/or supported by the Information Technology Division or maintained on MS Excel spreadsheets created by staff across Valley Water. The extent to which data that is maintained using MS Excel is unknown by Valley Water, but critical information such as IT inventory, grants management and administration, project management, and other project/program data is at least partially manually maintained and tracked.

Valley Water Staff Mixed on Data Accuracy as a Key Area

Analysis of information provided by Valley Water staff show different experiences on the issue of data management as a key effort to address challenges depending on the main activities of the unit. The timing of receiving information, and how data is stored and updated are critical issues for many units, and for others, no significant concerns were identified. The differences can be attributed to whether the unit relies on information generated to plan for and/or deliver a service.



The FY 2022 budget identifies many efforts across Valley Water divisions to integrate and/or share data collected across various Valley Water programs and units, as well as modernization projects. The new system implementation, Infor, previously discussed in this report, serves as a notable example. Infor is an enterprise-wide information system to capture financial management, work order, and workflow process data.

Different staff experiences were identified on the issue of data accuracy. Strong data input controls were identified to ensure its quality. Examples include:

- Checking that data input matches data output related to water treatment monitoring.
- Cross-referencing checks between the meter read and the data recorded in the SCADA.
- Conducting calibration checks on water treatment monitoring equipment.
- Conducting quality assurance reviews of reports generated applicable to water treatment and water quality monitoring.
- Comparing direct measurement of water levels to detect errors in water estimates provided by agricultural water users.

Key Issues Identified

Valley Water staff identified other areas that need attention. These include:

- Limited or no procedures were in place to ensure data quality of information recorded and maintained in their Unit. For the most part, the employee preparing the report or entering the data into a spreadsheet is responsible for ensuring that the data is correct.
- Formal processes have not been developed to support staff responsibility for reviewing technical data that is outside their area of expertise. Outsourced technical studies ordered on capital projects have been found to have incorrect data because of limited knowledge of the subject matter by the contractor's project manager to detect errors or anomalies in the data. These errors were corrected by having Valley Water staff replicate the work performed by external land surveyors, which led to added costs and project delays.

None of the Valley Water staff that discussed data accuracy issues reported that the Board received reports and memo that contained inaccurate data. In TAP International's review of Board memos involving real estate transactions and claim related decision, information shared in the memo was not always complete, which would help convey a full understanding of the issue under review. Board members participating in this risk assessment questioned the timeliness of information presented by staff to the Board. Staff appear to wait until an issue is resolved before informing the Board, when informing the Board in a timelier manner could allow the Board the opportunity to align their activities or efforts with those of staff.

FY 2018-2021 Audit Work Plan Review

The FY 2018 – 2021 annual audit work plan included 19 potential audits for Board of Director review and authorization. The Board of Directors authorized implementation of five performance audits and one investigation. Three desk reviews on the agenda preparation process for committee, hiring of executive staff, and grants management, were also completed.

The remaining 13 audits were reviewed as part of the FY 2022 – 2024 audit planning assessment. As shown in the Figure 5 below, six of these audits are no longer needed because of efforts by Valley Water during the prior three years were sufficient to lower the risks that implementing an audit at this time may not effectively leverage audit resources.

Figure 5. FY 2018 – 2021 Audits Recommended Excluded from the FY 2021 – 2024 Annual Work Plan

FY 2018 – 2021 RECOMMENDED AUDIT	FACTORS CONSIDERED THAT AN AUDIT IS NO LONGER NEEDED AT THIS TIME
BILLING AND COLLECTIONS	<ul style="list-style-type: none"> At the time of our review, Valley Water had a project underway to develop and strengthen internal controls related to billing and collections.
SAFE CLEAN WATER AUDITS	<ul style="list-style-type: none"> Valley Water has implemented extensive procedures and activities to ensure treated water quality.
COMMUNITY ENGAGEMENT (2 AUDITS)	<ul style="list-style-type: none"> Valley Water has expanded community engagement, outreach, and communication internally and externally to the within Valley Water and the surrounding community. While the stakeholder survey conducted as part of this audit planning assessment cited communication activities as a critical success factor to meeting challenges, Valley Water has in place key protocols, partnerships, and lines of communication in place. Should problems occur resulting from the potential challenges identified by stakeholders, it would be an opportunity to evaluate the effectiveness of communication activities implemented.
CLASSIFICATION OF CONFIDENTIAL INFORMATION	<ul style="list-style-type: none"> Valley Water hired a successor to the recently retired District Counsel. With new leadership, it provides an opportunity for changes to business practices and operations.
LOCAL WORKFORCE HIRING	<ul style="list-style-type: none"> In August 2021, the Valley Water Board of Director approved the draft project labor agreement (PLA) governing wages, benefits, work rules, and other terms and conditions of employment for construction projects. The agency-wide agreement applies to all Covered

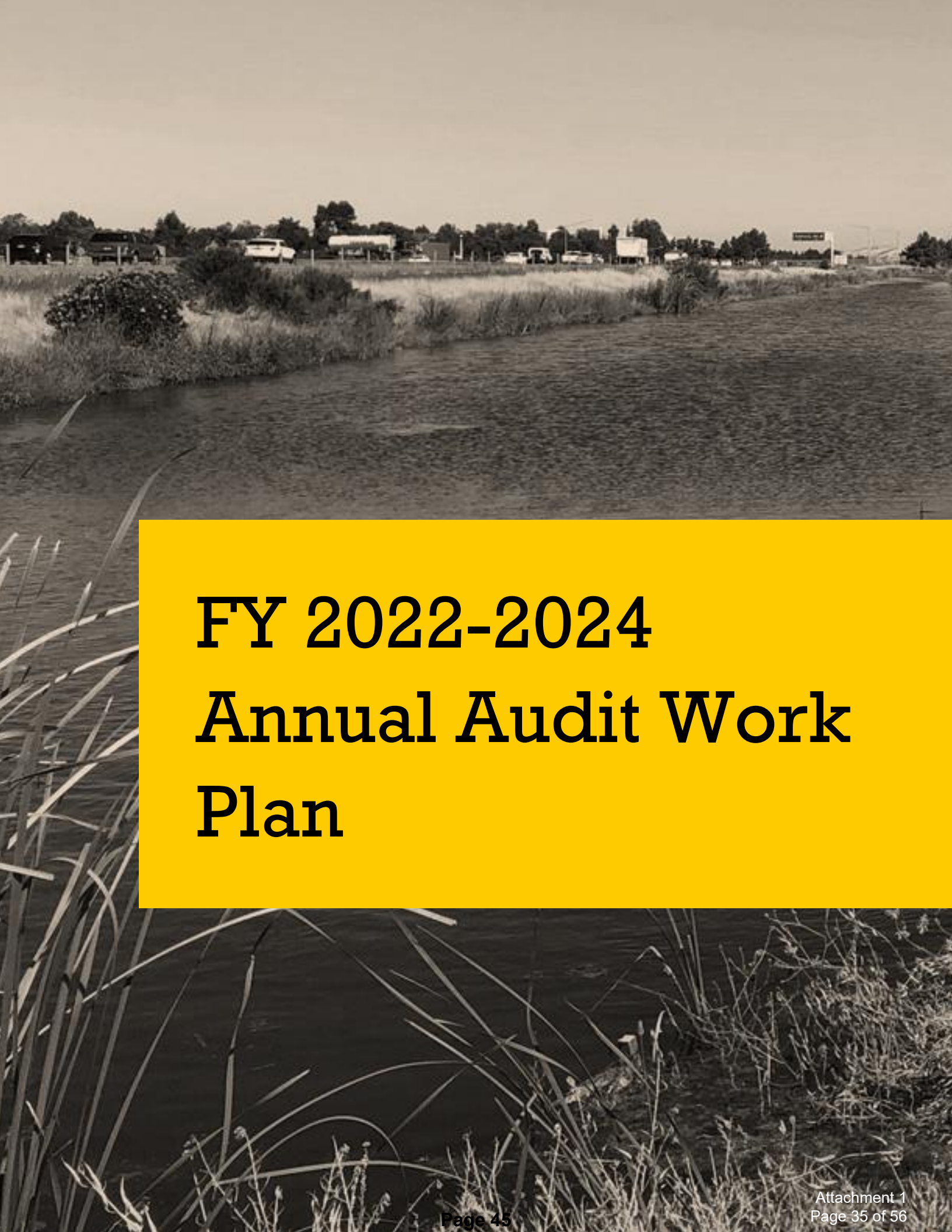
Projects where the engineer's estimate or the cumulative bid amount submitted by the contractor(s) awarded a Construction Contract(s) for a covered project exceeds two million dollars (\$2,000,000), which will cover nearly all capital projects at Valley Water.

For the remaining seven audits shown on the prior annual audit work plan, Valley Water has implemented efforts to address specific concerns, but the risk of potential problems to occur remain sufficient high that audits continue to be recommended. In Figure 6, we list the audit area and the information supporting its continued presence on the FY 2018 – 2021 work plan.

Figure 6. FY 2018 – 2021 Audit Areas Recommended for Inclusion in Next Work Plan

FY 2018 – 2021 AUDIT AREA	FACTORS CONSIDERED THAT SUPPORT CONTINUING NEED FOR AN AUDIT
HOMELESSNESS	<ul style="list-style-type: none"> Watershed operations and maintenance note in FY 2022 that encampment abatement work came to a halt due to CDC recommendation to suspend cleanups during the COVID-19 pandemic. Staff continues to raise concerns about the health and safety of staff responsible for cleanup of homeless camps. Homelessness continues to grow statewide prompting community wide and Valley Water efforts to form partnerships to address the issues.
CAPITAL PROJECT BUDGETING PRACTICES	<ul style="list-style-type: none"> The Finance Unit is responsible for preparing financing packages through 2040 on capital projects on the CIP plan when many projects may not likely be completed, creating an opportunity for improvement with a subsequent audit to identify potential alternatives. Cost estimates developed during their initial development of potential capital projects have been significantly underestimated by the time the project is implemented.
SCADA	<ul style="list-style-type: none"> While assessments have been performed by Valley Water and plans are currently under development, auditable areas remain on the status of prior audit recommendations, and progress at plan completion and implementation.
RISK MANAGEMENT OPERATIONS	<ul style="list-style-type: none"> Valley Water continues to have siloed risk management activities.

	<ul style="list-style-type: none"> • Risk management in many other public agencies report directly to the executive director to ensure alignment with strategic goals and objectives. • Citizens have routinely raised concern about the denial of claims for reimbursement for property damage.
ENCROACHMENT PERMITTING PROGRAM	<ul style="list-style-type: none"> • Board of Director request to ensure the new program development for Encroachment permits is consistent with Board directed guiding principles.
EQUIPMENT/ASSET MAINTENANCE	<ul style="list-style-type: none"> • Valley Water has experienced failures across its pipeline causing significant localized damage to, and subsidence of, the roadway structure, including failure of replacement parts.
WATERFIX FINANCIAL IMPACT	<ul style="list-style-type: none"> • Changing political environment and current challenges with project development and implementation requires comprehensive assessment of financial risk to Valley Water.



FY 2022-2024 Annual Audit Work Plan

ANNUAL AUDIT WORK PLAN

The Audit Work Plan serves as a tool for communicating audit priorities as determined by the Santa Clara Valley Water District's Board Audit Committee (BAC) and Board of Directors. The selection of audits for formal review and approval by the Board of Directors is an important responsibility of the Audit Committee.

Audits are an important oversight tool because they provide independent and fact-based information to management and elected officials. Those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making.

Audits can:

- Verify that programs, services, and operations are working based on your understanding.
- Assess efficiency and effectiveness.
- Identify the root cause or problems.
- Assess the progress of prior audit recommendations.
- Identify the impact of changes
- Identify leading practices.
- Assess regulatory compliance.
- Develop policy options.
- Assess the accuracy of financial information reported.

The types of audits that can be conducted include:

- Internal audits: Internal audits review the environment, information, and activities that are designed to provide proper accountability over District operations.
- Compliance audits: Compliance audits review adherence to policies and procedures, state regulatory requirements, and/or federal regulatory requirements.
- Performance audits (impact or prospective audits): Performance audits review the economy, efficiency, and effectiveness of Valley Water programs, services, and operations.
- Desk reviews: Small and quick audits.
- Follow up audits: Follow up audits assess the implementation status of recommendations included in prior audit reports.

- Best practices reviews: Compares current operations to best practices.

This proposed audit work plan is divided into sections. Section A describes anticipated ongoing support services to be provided by the independent auditor as well as other quality assurance activities planned by Valley Water’s executive management. Section B describes the audits planned for implementation by the Independent Auditor.

SECTION A

ONGOING SUPPORT SERVICES AND SPECIAL PROJECTS

The following table lists non-audit services and special projects for the FY 2022 to 2024 audit work plan:

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
Board of Director & Board Audit Committee Requests for Information/ Independent Auditor	Ongoing. Should the Board of Directors request information on activities implemented by other public agencies or on other matters of interests applicable to enhancing the efficiency and effectiveness of operations, the independent auditor will collect and summarize information.	80	80	80
Audit Training/ Independent Auditor	Annual. The Board Audit Committee Charter describes a requirement to provide audit training to Board Audit Committee members at least annually.	2	2	2
Support Services/ Independent Auditor	Ongoing. Provide support services to Board Directors and Valley Water staff applicable to specific initiatives or planning projects to prevent potential service delivery risks.	40	40	40

QEMS/Valley Water Continual Quality Improvement Unit	Ongoing. Provide services to ensure proper oversight and accountability.	As needed	As needed	As needed
Management Reviews/Valley Water Management	Ongoing. The District’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	As needed	As needed

SECTION B

AUDIT SERVICES – INDEPENDENT AND ON-CALL AUDITORS

Labor Summary

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
Independent and On-Call Auditors	Audits and Follow-up Audits Based on the Audit Work Plan	TBD	TBD	TBD

Recommended Audits

The Board Audit Committee will select and recommend audits described below for approval by the Board of Directors.

Risk Area 1: Emergency Preparedness/Disaster Planning

ID	Basis of Suggested Audit	Risk Area(s)	Audit Topic	Type of Audit	Suggested Audit Objectives
1.1	Board Director 2021 Risk Assessment	Emergency Response Emergency Detection Emergency Management	Program Monitoring	Cross-Functional Performance Audit	<ul style="list-style-type: none"> To what extent do emergency management plans variously established by Valley Water contain gaps and activities to ensure proper prevention, detection, response, and recovery activities? Do gaps exist in surveillance and detection of potential problems across Valley Water’s infrastructure? Can Valley Water presently and reliably operate its virtual Emergency Operations Center in the event of an emergency? Are there lessons learned from past emergencies to prevent disruptions to regular operations while providing additional manpower and resources to respond to emergencies?
1.2	2021 Risk Assessment	Emergency Cost Recovery Data Management & Accuracy	Financial Management	Cross-Functional Performance Audit	<ul style="list-style-type: none"> To what extent has Valley Water been able to claim the full reimbursement of costs for eligible expenses from FEMA? Are business practices aligned with federal and state aid requirements for emergency cost reimbursement? To what extent are information systems and other business processes configured to capture information needed for cost reporting and recovery?

1.3	2021 Risk Assessment	Emergency Response Emergency Management	Procurement	Performance Audit	<ul style="list-style-type: none"> • Have Valley Water’s procurement policies been flexible and agile to effectively and timely respond to and recover from past emergencies? • Are other procurement and operational activities needed to ensure prompt and reliable emergency services?
1.4	2021 Risk Assessment	Emergency Management	Peer Review	Best Practices Review	<ul style="list-style-type: none"> • Can regulatory permitting practices administered by other utilities districts help reduce barriers and other challenges experienced by Valley Water?

Risk Area 2: Environmental Sustainability

ID	Basis of Suggested Audit	Risk Area(s)	Auditable Topic	Type of Audit	Suggested Audit Objectives
2.1	Board Director 2021 Risk Assessment	Environmental Sustainability Framework Development Program Monitoring Governance	Program Measurement & Evaluation	Cross-Functional Performance Audit	<ul style="list-style-type: none"> • What level of success has Valley Water’s environmental stewardship activities had on preventing environmental damage and promoting environmental sustainability? • To what extent has Valley Water adopted sustainability indicators on specific projects to measure progress? • To what extent has Valley Water adopted sustainability indicators in its decision-making?
2.2	2021 Risk Assessment	Data Accuracy	Unmetered Groundwater Measurement	Desk Review	<ul style="list-style-type: none"> • Is the methodology supporting unmetered groundwater usage measurement valid and includes all applicable methodological assumptions?
2.3	2018 Risk Assessment 2021 Risk Assessment	Program Monitoring Governance Management	Homelessness Programs	Performance Audit	<ul style="list-style-type: none"> • To what extent has Valley Water implemented its homelessness plan? • Can other cost-effective strategies implemented in other jurisdictions and states be considered at Valley Water to prevent the creation and establishment of homeless encampments? • How can Valley Water enhance its homelessness encampment clean-up activities to ensure the protection of health and safety of employees?
2.4	2021 Risk Assessment	Program Monitoring Management	Program Outcomes Business Process	Performance Audit	<ul style="list-style-type: none"> • To what extent has Valley Water mitigated the environmental hazards caused by non-use of the percolator ponds? • In a non-drought year, are barriers present that prevent Valley Water from filling percolator ponds?

					<ul style="list-style-type: none"> • What processes need development to prevent expiration of groundwater charge permits?
2.5	2018 Risk Assessment	Program Monitoring Management	Encroachment Program	Performance Audit	<ul style="list-style-type: none"> • Is Valley Water implementing its encroachment licensing program consistent with the Board’s guiding principles?

Risk Area 3: Aging Infrastructure – Capital Project Planning

ID	Basis of Suggested Audit	Risk Area(s)	Audit Topic	Type of Audit	Suggested Audit Objectives
3.1	2021 Risk Assessment	CIP Planning Process CIP Monitoring Financial Management	CIP Planning Process	Cross-Functional Performance Audit	<ul style="list-style-type: none"> • Are there opportunities to improve the How can the capital improvement project planning process (project initiation to CIP plan approval)? • To what extent can early participation of Valley Water support units (environmental planning, permitting, purchasing, warehousing) on large capital projects prevent project delays and reduce cost overruns? • Can the Capital Improvement Plan be better right sized that considers the Agency’s funding and staffing levels?
3.2	2021 Risk Assessment	CIP Monitoring	Capital Project Evaluation and Monitoring	Cross-Functional Performance Audit	<ul style="list-style-type: none"> • Have completed capital projects met their intended goals? • To what extent does Valley Water include performance measures to measure success and monitor financial management? • Are there lessons learned that can be adopted in future capital project plans to ensure goal accomplishments as well as implementation of alternative strategies to facilitate early communication to the Board of Directors of potential and actual problems, and to predict success such as performing cost vs. benefit analysis?
3.3	2021 Risk Assessment 2018 Risk Assessment	Aging Infrastructure Detection	Asset Management	Cross-Functional Performance Audit	<ul style="list-style-type: none"> • To what extent do Valley Water divisions and units ensure compliance to specification standards to prevent substandard replacements of

		Aging Infrastructure Monitoring			parts, equipment, and capital assets? <ul style="list-style-type: none"> • Is Valley Water adequately meeting the needs of equipment maintenance?
3.4	2018 Risk Assessment	CIP Planning Process Financial Management	Capital Project Budgeting	Performance Audit	<ul style="list-style-type: none"> • Are there areas of Valley Water’s capital project budgeting practices that can benefit from adopting best practices?

Risk Area 4: Information Technology and Management

ID	Basis of Suggested Audit	Risk Area(s)	Audit Topic	Type of Audit	Suggested Audit Objectives
4.1	2021 Risk Assessment	IT Security Management	IT Risk Management	Cross-Functional Performance Audit	<ul style="list-style-type: none"> To what extent is IT risk management activities aligned with best practices, such as National Institute of Standards and Technology (NIST) guidance, including whether acceptable risk appetites and risk tolerances have been formally documented and approved by the Board of Directors?
4.2	2018 Risk Assessment	IT Security Management	SCADA	Performance Audit	<ul style="list-style-type: none"> What is the status of implementation of prior audit recommendations? Will the recommendations as implemented by Valley Water accomplish intended goals and objectives? Are changes needed in the frequency of communications to the Board on the progress and status of cybersecurity and other IT needs?
4.3	2021 Risk Assessment 2018 Risk Assessment	IT Strategic Planning Emergency Management	Disaster Planning	Performance Audit	<ul style="list-style-type: none"> How likely will Valley Water be able to maintain business continuity across all levels of the agency given its current plans? Is there a defined and formal criterion for prioritizing system recovery?
4.4	2021 Risk Assessment	IT Project Management & Communication Data Accuracy	System Implementation	Post IT Implementation Audit	<ul style="list-style-type: none"> Has the Infor ERP project implementation produced the desired functionality? To what extent have all contract deliverables been met? To what extent have data quality issues surfaced post-implementation? What lessons learned can apply to future information system implementations?

Risk Area 5: Financial Management

ID	Basis of Suggested Audit	Risk Area(s)	Audit Topic	Type of Audit	Suggested Audit Objectives
5.1	2021 Risk Assessment	Inventory Control	Inventory Management	Cross-Functional Performance Audit	<ul style="list-style-type: none"> Does Valley Water effectively manage, account for and record inventory across the agency? What resources (e.g. staffing, systems, facilities) and business processes (communication and coordination) are necessary to meet current and future needs including centralizing inventory management?
5.2	Board Director 2021 Assessment	Financial Oversight	Outsourcing of Legal Services	Desk Review	<ul style="list-style-type: none"> How have changes occurred in District Counsel Office spending for contracting external legal services? To what extent are the nature of services provided by contracted legal firms presently outside of the District Counsel Office's expertise? Can expanding outsourced legal services prevent project delivery delays?
5.3	Board Director 2021 Risk Assessment 2018 Risk Assessment	Grant Management	Financial Management	Follow-Up Audit	<ul style="list-style-type: none"> Have improvements occurred in the timeliness of grant reimbursements? To what extent has the grant management and administration implemented prior audit recommendations? What improvements in program outcomes have occurred in the timeliness of grant application review, reimbursement, and accomplishment of deliverables?
5.4	2021 Risk Assessment	Financial Oversight	Financial Management	Performance Audit	<ul style="list-style-type: none"> To what extent do Valley Water procurement programs for low dollar purchases (i.e. P-Cards, & Standing Orders) comply with

		Purchasing and Contracting Processes			<ul style="list-style-type: none"> established policies and procurement limits? Are added policies and procedures needed to control spending and prevent work arounds to formal competitive bids?
5.5	2021 Risk Assessment	Grant Management Financial Management Coord. & Comm. Financial Oversight Data Accuracy	Grant Reimbursement	Performance Audit	<ul style="list-style-type: none"> Can Valley Water’s process for tracking labor and expense activities on state grants awarded to Valley Water benefit from updating? How timely are claims for reimbursement submitted to awarding state agencies? What circumstances have contributed to lost opportunities for reimbursement by awarding state agencies?
5.6	Board Director 2021 Risk Assessment	Purchasing and Contracting Processes	Financial Oversight	Desk Review	<ul style="list-style-type: none"> Can Valley Water benefit from updating its qualifications and experience criteria in competitive bids for external financial audit services to support addressing future financial challenges?
5.7	Board Director 2018 Risk Assessment	Financial Management Coord. & Comm. Financial Oversight		Desk Review	<ul style="list-style-type: none"> What potential financial risks could occur on the California WaterFix project?

Risk Area 6: Strategy Development, Planning, and Innovation

ID	Basis of Suggested Audit	Risk Area(s)	Audit Topic	Type of Audit	Suggested Audit Objectives
6.1	Board Director 2021 Risk Assessment	Plan Monitoring Management Plan Implementation	Strategy Development and Implementation	Cross- Functional Performance Audit	<ul style="list-style-type: none"> • To what extent are management plans underway or completed across Valley Water need completion or updating? • Are strategy and management plans developed across the Agency right sized to the Divisions and/or Units' staffing levels and workloads? • What progress has Valley Water made in implementing management plans to manage risks?
6.2	2021 Risk Assessment	Plan Monitoring	Human Resources Management	Cross- Functional Performance Audit	<ul style="list-style-type: none"> • What progress has been made in implementing existing workforce development and succession planning plans? • What evidenced-based factors have been significant in facilitating the hiring of technical and operational staff? • To what extent have position descriptions and classification evolved to ensure that Valley Water has the technical capability to meet future demands to solve complex problems in an agile and creative manner?
6.3	2021 Risk Assessment	Plan Implementation Plan Monitoring	Organizational Culture	Culture Audit	<ul style="list-style-type: none"> • How has Valley Water's organizational culture impacted implementation of plan established across the agency? • To what extent does Valley Water demonstrate and practice common cultural characteristics including: <ul style="list-style-type: none"> a) Defining organization's values and proactively emphasize and model those values.

- b) Ensuring strategies are consistent with the values and holding management accountable.
- c) Executing their duties within the organization’s risk appetite.
- d) Management reinforces the values and culture through clear communication of expectations across the organization.
- e) Management actively gathers and listens to feedback.
- f) All levels are open to constructive criticism and problem solving through methods including information obtained from second- and third-line functions via inputs such as well-received and acknowledged employee suggestion/question program, ethics hotlines, open door policies, employees’ events, and meetings, and more.
- g) All employees (to the extent possible) are engaged in objective setting and strategy discussions.

6.4	2021 Risk Assessment	Plan Development	Decision-Making	Cross-Functional Performance Audit	<ul style="list-style-type: none"> • What lessons has Valley Water learned from its ad hoc cross-functional efforts to proactively address current or emerging risks?
		Plan Implementation			
		Plan Monitoring			

Risk Area 7: Data Management and Accuracy

ID	Basis of Suggested Audit	Risk Area(s)	Audit Topic	Type of Audit	Suggested Audit Objectives
7.1	2021 Risk Assessment	Data Management Data Accuracy	Business Process	Cross Functional Performance Audit	<ul style="list-style-type: none"> To what extent have Valley Water units established business processes to ensure accurate data collection and input? What gaps remain in automating data collection and input?

Risk Area 8: Risk Management (From FY 2018-FY 2021 annual audit work plan)

ID	Basis of Suggested Audit	Risk Area(s)	Audit Topic	Type of Audit	Suggested Audit Objectives
8.1	Board Director 2018 Risk Assessment	Operations	Risk Management	Performance Audit	<ul style="list-style-type: none"> What are the advantages and disadvantages of realigning business functions (i.e. all risk management activities, workers compensation administration, and claim administration)? Can risk management business processes benefit from updating? (i.e. overall operations, data management, contract claims, workers compensation, small claims, claims administration and management, workers compensation administration, and all risk management activities, including insurance & self-insurance)

SECTION C

AUDIT SERVICES – VALLEY WATER RESPONSIBILITY

QEMS ACTIVITIES

Under development

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



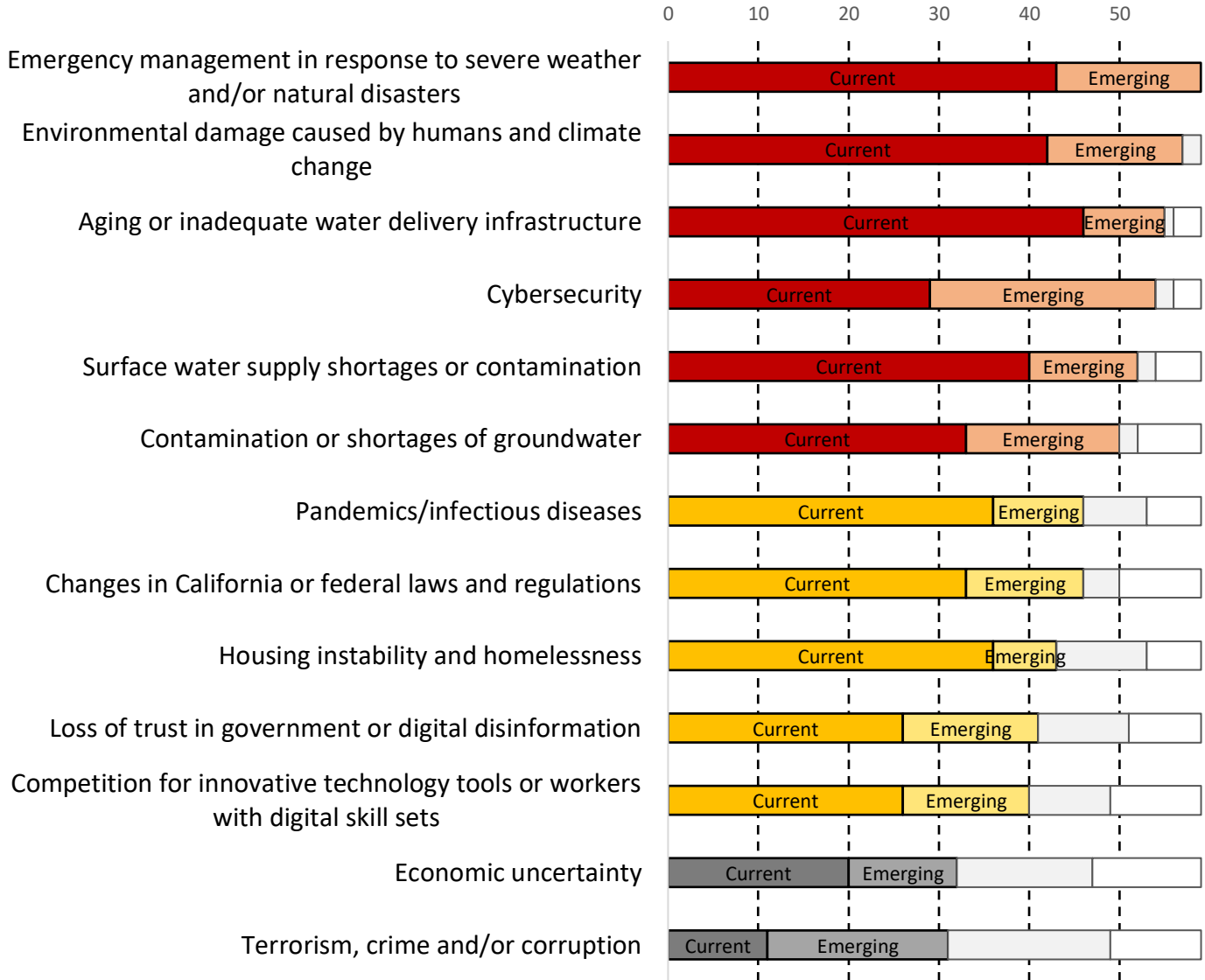
Appendix A: Stakeholder Survey

Appendix A:

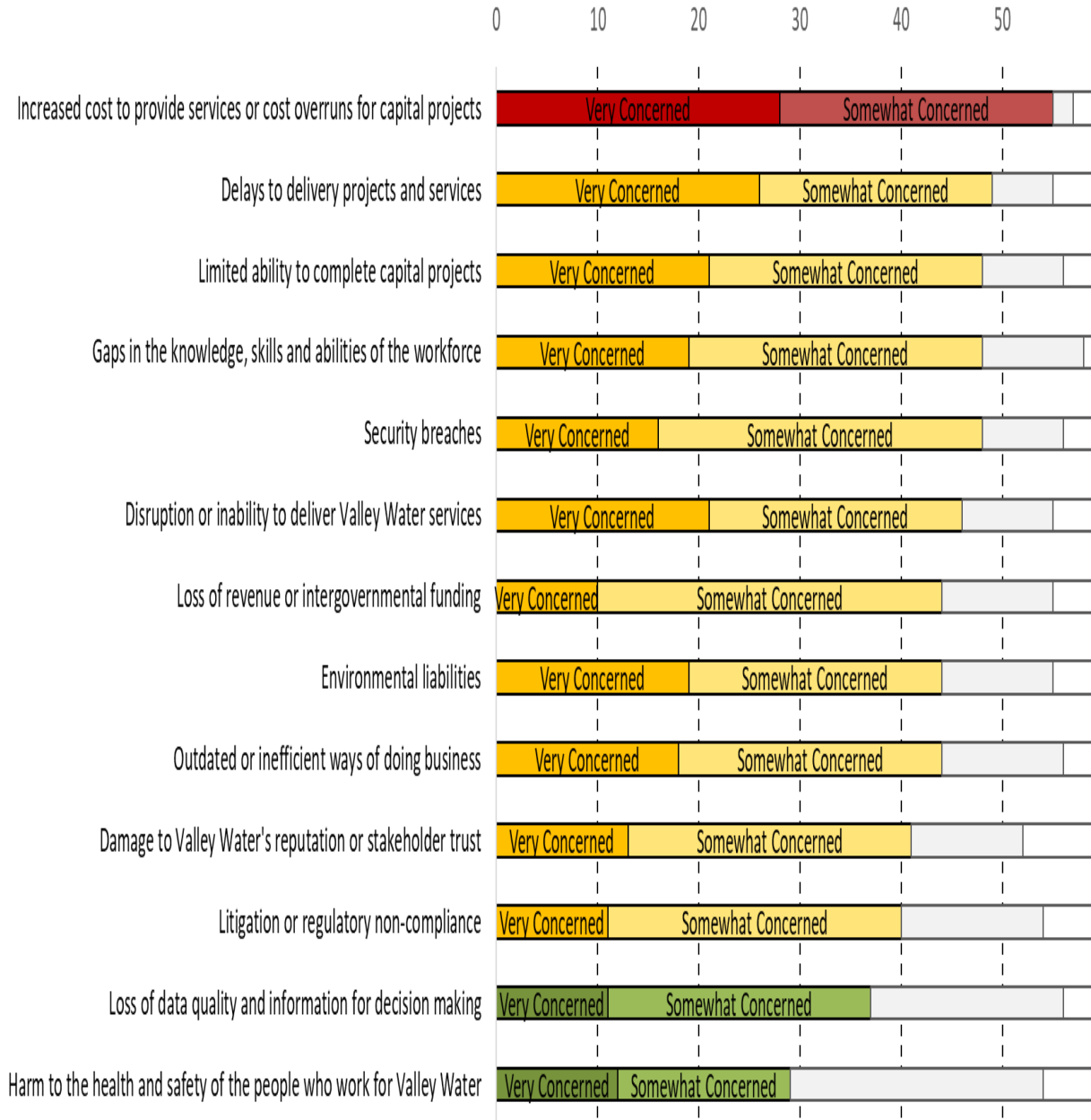
2021 Valley Water Stakeholder Collaboration Survey Results (for Audit Planning)

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%
Grand Total	59	100%

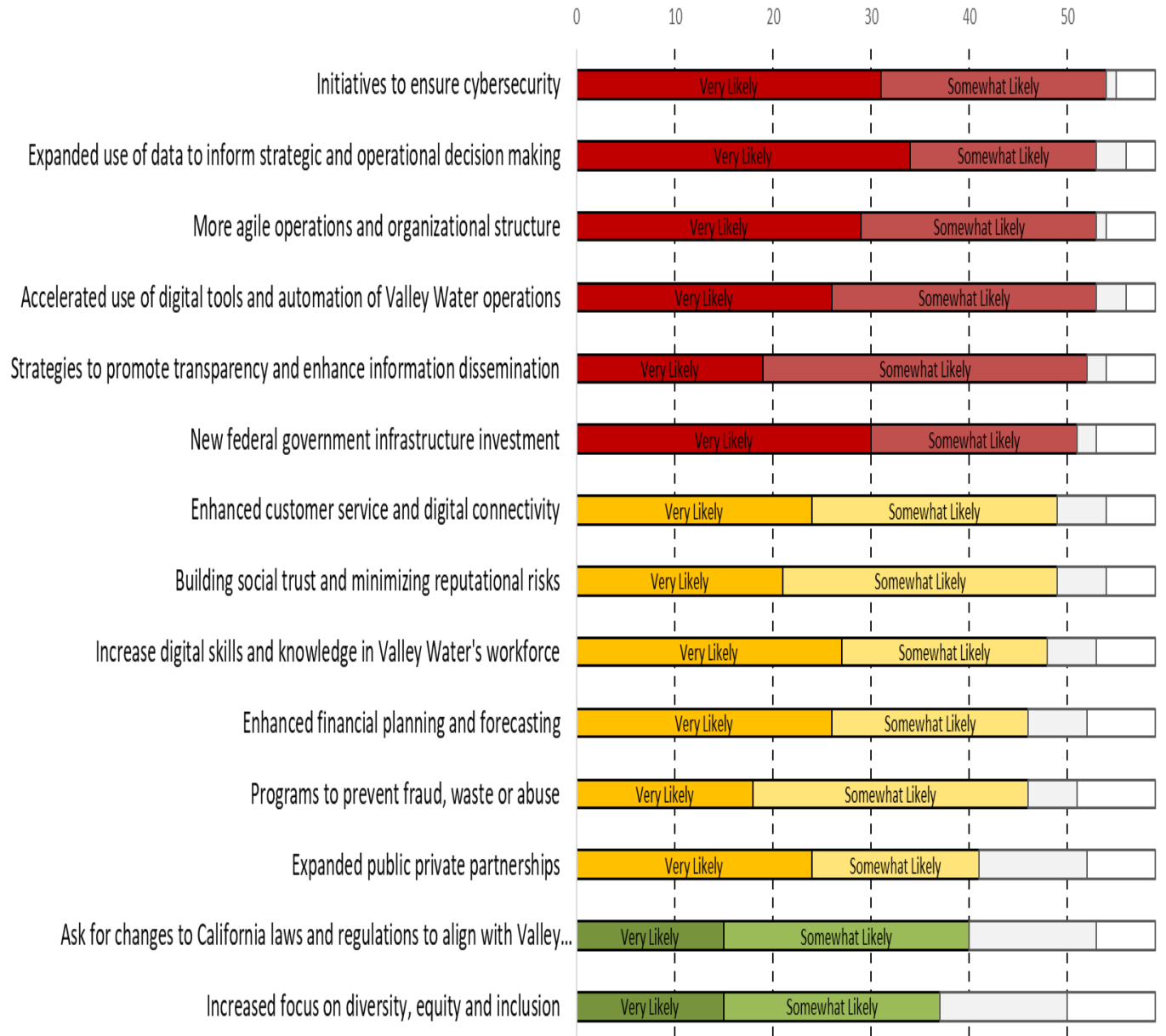
Q1: What are the current or emerging challenges to Valley Water's achievement of its key strategic goals?



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



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



FY 2022-2024 Annual Audit Plan: Risk Assessment Results and Annual Audit Plan Development

October 2021



TAPInternational

PURPOSE OF THE RISK ASSESSMENT

Support the oversight and monitoring role of the BAC and of the Board of Directors
Valley Water established an Independent Auditor function in 2017

Prepare an annual audit work plan

A risk assessment for audit planning is not considered a formal audit, the results are considered by auditors for planning purposes

SCOPE & APPROACH

The risk assessment was conducted in two phases:

Phase 1: Survey of 59 internal and external VW stakeholders to identify current and emerging challenges;

Phase 2: Evaluation of Valley Water activities across stakeholder identified top challenges and other areas

Individual Board directors and dozens of Valley Water employees across executive, manager, and supervisory levels contributed to this assessment, and dozens of documents were reviewed to form the basis of the results discussed in this assessment

RESULTS

Stakeholder Identified Risk Area	Auditable Areas	Issues Identified
Emergency Management/Disaster Planning	<ol style="list-style-type: none"> 1. Emergency cost recovery 2. Emergency detection 3. Emergency response 4. Emergency management 	<ul style="list-style-type: none"> • Loss of federal and state cost reimbursement • Need for additional staff during emergencies • Emergency procurement planning • Roles and responsibilities for detection planning • Physical surveillance of VW • EOC operations
Environmental Sustainability	<ol style="list-style-type: none"> 1. Environmental sustainability Framework 2. Program monitoring 3. Management 4. Governance 	<ul style="list-style-type: none"> • Impact monitoring across multiple management plans • Need for increased regulatory expertise to secure regulatory permits • Accuracy of water usage measurement for unmetered groundwater pumping.

RESULTS

Stakeholder Identified Risk Area	Auditable Areas	Issues Identified
Aging Infrastructure/Capital project Planning	<ol style="list-style-type: none"> 1. CIP monitoring 2. Aging infrastructure monitoring 3. CIP planning 4. Aging infrastructure detection 	<ul style="list-style-type: none"> • Alignment of CIP to VW available resources • Opportunities to increase efficiencies of CIP processes (planning, managing, monitoring costs versus benefits). • Monitoring and detecting infrastructure risks

RESULTS

Stakeholder Identified Risk Area	Auditable Areas	Issues Identified
Information Technology and Management	<ol style="list-style-type: none"> 1. IT Security Management 2. IT Project Management & Communications 3. IT strategic planning 	<ul style="list-style-type: none"> • Uncertainty of IT alignment with National Institutes of Technology and Standard’s risk management guidance • IT control and security concerns with home-grown systems and software applications used by divisions. • Need to independently monitor status of prior audit recommendations • Accomplishing effective project management and communication. • Gaps in IT strategic planning

RESULTS

Stakeholder Identified Risk Area	Auditable Areas	Issues Identified
Financial Management	<ol style="list-style-type: none"> 1. Enterprise-wide financial management and communication 2. Purchasing and contracting process 3. Financial oversight 4. Grant management 5. Inventory control 	<ul style="list-style-type: none"> • Procurement and contracting process • Inventory management • Financial oversight – audits, fiscal health assessment • Financial management coordination and communication • Potential revenue shortfall associated with efforts to increase resilience of Valley Water’ supply.

RESULTS

Stakeholder Identified Risk Area	Auditable Areas	Issues Identified
Strategy Development, Planning and Innovation	<ol style="list-style-type: none">1. Plan monitoring2. Plan implementation3. Plan development	<ul style="list-style-type: none">• Documenting institutional knowledge and transfer• Need to hire technically competent staff.• Organizational culture – change mgmt.• Limited monitoring of plans.• Alignment with management plans and resources to implement them• Management plan development (incompletion date and lack of plans)• Need for data management strategy

RESULTS

Stakeholder Identified Risk Area	Auditable Areas	Issues Identified
Data Management and Accuracy	<ol style="list-style-type: none"> 1. Data Management 2. Data Accuracy 3. Data Controls 	<ul style="list-style-type: none"> • Limited quality assurance activities
2018 -2021 Audit Work Plan	Six of 13 suggested audits to be rolled over to the updated annual audit work plan	<ul style="list-style-type: none"> • Homelessness • Capital project budgeting practices • SCADA • Risk Management operations • Encroachment program • Equipment asset maintenance • WaterFix financial impact

ANNUAL AUDIT WORK PLAN

SECTION A- NON-AUDIT SERVICES

Sections A lists non-audit services and special projects for the FY 2022 to 2024 audit work plan.

Project	Scope
Board of Director & Board Audit Committee Requests for Information/ Independent Auditor	Ongoing.
Audit Training/Independent Auditor	Annual
Support Services/Independent Auditor	Ongoing
QEMS/Valley Water Continual Quality Improvement Unit	Ongoing
Management Reviews/Valley Water Management	Ongoing

SECTION B - AUDIT SERVICES

- Independent and on-call auditors

Risk Area	# of Suggested Audits
Emergency preparedness/disaster planning	4
Environmental sustainability	5
Aging Infrastructure – Capital Project Planning	4
Information Technology and Management	4
Financial Management	7
Strategy Development, Planning, and Innovation	4
Data Management and Accuracy	1
Risk Management (From FY 2018-FY 2021 annual audit work plan)	1
Total	30

SECTION B – AUDIT SERVICES

EXAMPLES OF RECOMMENDED AUDITS (TOP 2 AMONG EACH RISK AREA)

Risk Area 1: Emergency Preparedness/Disaster Planning

ID	Basis of Suggested Audit	Risk Area(s)	Suggested Audit Objectives
1.1	Board Director 2021 Risk Assessment	Emergency Response Emergency Detection Emergency Management	<ul style="list-style-type: none"> • To what extent do emergency management plans variously established by Valley Water contain gaps and activities to ensure proper prevention, detection, response, and recovery activities? • Do gaps exist in surveillance and detection of potential problems across Valley Water’s infrastructure? • Can Valley Water presently and reliably operate its virtual Emergency Operations Center in the event of an emergency? • Are there lessons learned from past emergencies to prevent disruptions to regular operations while providing additional manpower and resources to respond to emergencies?

SECTION B – AUDIT SERVICES

EXAMPLES OF RECOMMENDED AUDITS (TOP 2 AMONG EACH RISK AREA)

Risk Area 1: Emergency Preparedness/Disaster Planning

ID	Basis of Suggested Audit	Risk Area(s)	Suggested Audit Objectives
1.2	2021 Risk Assessment	Emergency Cost Recovery Data Management & Accuracy	<ul style="list-style-type: none"> • To what extent has Valley Water been able to claim the full reimbursement of costs for eligible expenses from FEMA? • Are business practices aligned with federal and state aid requirements for emergency cost reimbursement? • To what extent are information systems and other business processes configured to capture information needed for cost reporting and recovery?

Risk Area 2: Environmental Sustainability

ID	Basis of Suggested Audit	Risk Area(s)	Suggested Audit Objectives
2.1	Board Director 2021 Risk Assessment	Environmental Sustainability Framework Development Program Monitoring Governance	<ul style="list-style-type: none"> • What level of success has Valley Water’s environmental stewardship activities had on preventing environmental damage and promoting environmental sustainability? • To what extent has Valley Water adopted sustainability indicators on specific projects to measure progress? • To what extent has Valley Water adopted sustainability indicators in its decision-making?
2.2	2021 Risk Assessment	Data Accuracy	<ul style="list-style-type: none"> • Is the methodology supporting unmetered groundwater usage measurement valid and includes all applicable methodological assumptions?

Risk Area 3: Aging Infrastructure – Capital Project Planning

ID	Basis of Suggested Audit	Risk Area(s)	Suggested Audit Objectives
3.1	2021 Risk Assessment	CIP Planning Process CIP Monitoring Financial Management	<ul style="list-style-type: none"> • Are there opportunities to improve the How can the capital improvement project planning process (project initiation to CIP plan approval)? • To what extent can early participation of Valley Water support units (environmental planning, permitting, purchasing, warehousing) on large capital projects prevent project delays and reduce cost overruns? • Can the Capital Improvement Plan be better right sized that considers the Agency’s funding and staffing levels?
3.2	2021 Risk Assessment	CIP Monitoring	<ul style="list-style-type: none"> • Have completed capital projects met their intended goals? • To what extent does Valley Water include performance measures to measure success and monitor financial management? • Are there lessons learned that can be adopted in future capital project plans to ensure goal accomplishments as well as implementation of alternative strategies to facilitate early communication to the Board of Directors of potential and actual problems, and to predict success such as performing cost vs. benefit analysis?

Risk Area 4: Information Technology and Management

ID	Basis of Suggested Audit	Risk Area(s)	Suggested Audit Objectives
4.1	2021 Risk Assessment	IT Security Management	<ul style="list-style-type: none"> To what extent is IT risk management activities aligned with best practices, such as National Institute of Standards and Technology (NIST) guidance, including whether acceptable risk appetites and risk tolerances have been formally documented and approved by the Board of Directors?
4.2	2018 Risk Assessment	IT Security Management	<ul style="list-style-type: none"> What is the status of implementation of prior audit recommendations? Will the recommendations as implemented by Valley Water accomplish intended goals and objectives? Are changes needed in the frequency of communications to the Board on the progress and status of cybersecurity and other IT needs?

Risk Area 5: Financial Management

ID	Basis of Suggested Audit	Risk Area(s)	Suggested Audit Objectives
5.1	2021 Risk Assessment	Inventory Control	<ul style="list-style-type: none"> • Does Valley Water effectively manage, account for and record inventory across the agency? • What resources (e.g. staffing, systems, facilities) and business processes (communication and coordination) are necessary to meet current and future needs including centralizing inventory management?
5.2	Board Director 2021 Assessment	Financial Oversight	<ul style="list-style-type: none"> • How have changes occurred in District Counsel Office spending for contracting external legal services? • To what extent are the nature of services provided by contracted legal firms presently outside of the District Counsel Office's expertise? • Can expanding outsourced legal services prevent project delivery delays?

Risk Area 6: Strategy Development, Planning, and Innovation

ID	Basis of Suggested Audit	Risk Area(s)	Suggested Audit Objectives
6.1	Board Director 2021 Risk Assessment	Plan Monitoring Management Plan Implementation	<ul style="list-style-type: none"> • To what extent are management plans underway or completed across Valley Water need completion or updating? • Are strategy and management plans developed across the Agency right sized to the Divisions and/or Units' staffing levels and workloads? • What progress has Valley Water made in implementing management plans to manage risks?
6.2	2021 Risk Assessment	Plan Monitoring	<ul style="list-style-type: none"> • What progress has been made in implementing existing workforce development and succession planning plans? • What evidenced-based factors have been significant in facilitating the hiring of technical and operational staff? • To what extent have position descriptions and classification evolved to ensure that Valley Water has the technical capability to meet future demands to solve complex problems in an agile and creative manner?

Risk Area 7: Data Management and Accuracy

ID	Basis of Suggested Audit	Risk Area s)	Suggested Audit Objectives
7.1	2021 Risk Assessment	Data Management Data Accuracy	<ul style="list-style-type: none"> • To what extent have Valley Water units established business processes to ensure accurate data collection and input? • What gaps remain in automating data collection and input?

Risk Area 8: Risk Management (From FY 2018-FY 2021 annual audit work plan)

ID	Basis of Suggested Audit	Risk Area(s)	Suggested Audit Objectives
8.1	Board Director 2018 Risk Assessment	Operations	<ul style="list-style-type: none"> • What are the advantages and disadvantages of realigning business functions (i.e. all risk management activities, workers compensation administration, and claim administration)? • Can risk management business processes benefit from updating? (i.e. overall operations, data management, contract claims, workers compensation, small claims, claims administration and management, workers compensation administration, and all risk management activities, including insurance & self-insurance)

SECTION C – AUDIT SERVICES

VALLEY WATER RESPONSIBILITY

QEMS ACTIVITIES

Under development

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

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Santa Clara Valley Water District

File No.: 21-1037

Agenda Date: 10/20/2021
Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Review and Discuss the 2021 Board Audit Committee Work Plan.

RECOMMENDATION:

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

SUMMARY:

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

At the July 21, 2021 BAC meeting, the committee was informed of minor corrections to the work plan that would be incorporated into the next revision. The corrections were incorporated and presented at the August 18, 2021 BAC Meeting.

At the August 18, 2021 BAC meeting, staff informed the BAC that they would return later with a plan to follow-up on audit recommendations from previously completed audits. This topic has been added to the work plan as item # 92.

At the September 15, 2021 BAC meeting, staff noted that the committee would like to conduct its periodic review of its charter. Staff will confirm with the Chair what issues are to be addressed in the charter and will return to the BAC later with next steps. The BAC noted the steps to be taken but took no formal action.

Attachment 1 is the 2021 Board Audit Committee Work Plan. Upon review, the Committee may make changes to be incorporated into the next revision.

ATTACHMENTS:

File No.: 21-1037

Agenda Date: 10/20/2021
Item No.: 4.2.

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	
Board Audit Committee Meeting Dates														
	Number of Agenda Items per Meeting Date	11	11	5	5	8	6	4	8	8	3	4	3	Note: For informational purposes only.
	Meeting Dates	•	•	•	•	•	•	•	•	•	•	•	•	Note: The BAC approved a regular meeting schedule for 2021, to meet monthly, on the third Wednesdays at 2:00 p.m.
Board Audit Committee Management														
1	Election of 2021 BAC Chair and Vice Chair		•											<u>Recommendation:</u> Nominate and elect the 2021 Board Audit Committee Chair and Vice Chair.
2	Board Audit Committee Audit Charter													<u>Recommendation:</u> Propose modifications to the Board Audit Committee Audit Charter to be presented to the full Board.
3	Review and Update 2021 BAC Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	<u>Recommendation:</u> A. Review and Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan; and B. Approve the updated 2021 Board Audit Committee Work Plan.
4	Discuss Scope of Annual Audit Training from Board Independent Auditor		•				•							<u>Recommendation:</u> Discuss scope of Annual Audit Training from Board Independent Auditor.
5	Receive Annual Audit Training from Board Independent Auditor				See Note									<u>Recommendation:</u> Receive Annual Audit Training from Board Independent Auditor. <u>Note:</u> 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.

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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	
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
10	Tri-annual Risk Assessment		•		•	•	•	•	•	•				<u>Recommendation:</u> Discuss the scope of work for the 2021 Risk Assessment. <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.
Board Audit Committee Special Requests														
11	External Financial Auditor Meeting with Individual Board members													<u>Note:</u> Schedule as needed. In June David Alvey offered to speak with each member individually.
12	Provide status report to full Board quarterly													<u>Note:</u> Report to be provided to Board in non-agenda the month after each BAC meeting.
13	Discuss the Scope and Approach of the Ad-hoc Desk Reviews													<u>Recommendation:</u> Discuss the scope and approach of the ad-hoc Desk Reviews.
14	Receive and Discuss Financial Analysis Regarding the Board Independent Auditing Services Contract		•											<u>Recommendation:</u> Receive and discuss Financial Analysis regarding the Board Independent Auditing Services Contract with TAP International, Inc.
15	QEMS & ISO Overview and Continuous Improvement Methodology Benchmarking Analysis							•						<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. <u>Recommendation:</u> Review and discuss overview of QEMS Process Improvement post ISO de-certification, and Benchmarking Analysis for 2020.
16	Risk Management Organization	•												<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. <u>Recommendation:</u> Review and discuss Risk Management Organization.
17	Valley Water Policies Related to Financial Auditor Responsibility	•												<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. The full Board transferred this item to the BPPC at the 2/9/2021 Board meeting <u>Recommendation:</u> Review and discuss Valley Water Policies Related to Financial Auditor Responsibility.
18	Financial Auditor Selection Parameters	•												<u>Recommendation:</u> Discuss prior to the selection of the next financial auditor
Management and Third Party Audits														

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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	
19	Review Draft Audited Financial Statements	•										•		<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.
20	Audit Report of the Water Utility Enterprise Funds for the Fiscal Year													<u>Recommendation:</u> Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year.
21	Receive QEMS Annual Internal Audit Report								•					<u>Recommendation:</u> Receive information regarding the Quality and Environmental Management System.
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.		•											<u>Note:</u> Staff CAS update every 6 months. <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.
23	Review Contract Change Order Audit Report								•					<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. <u>Note:</u> Staff periodic update.
24	Audit Recommendations Implementation Status	•											•	<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
Board Independent Auditor - TAP International, Inc. Items														
25	Review and Update Annual Audit Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	<u>Recommendation:</u> Discuss the Annual Audit Work Plan and update, if necessary.
Audit - Grants Management														
26	Receive notification of initiated Grants Management Audit													<u>Note:</u> Audit Objectives - Performance audit of the efficiency and effectiveness of grant management and administration.
27	Review Grants Management Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
28	Review Grants Management Audit Draft Report Presentation	•												<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
29	Review Response to Grants 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.
30	Recommendation Implementation Status (Semi-Annual Rpt.; Target Completion = June 30,2023)												•	<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
Audit - Permitting Best Practices														

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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	
31	Receive notification of initiated Permitting Best Practices Audit												<u>Note:</u> Audit Objectives - How does Valley Water's permitting process compare with other agencies? Can alternative permit processing activities benefit Valley Water?	
32	Review Permitting Best Practices Audit Progress Report	•	•	•									<u>Recommendation:</u> Receive an update on the status of the on-going audit.	
33	Review Permitting Best Practices Audit Draft Report Presentation				•								<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.	
34	Review Response to Permitting Best Practices Audit Final Draft Report					•							<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.	
Audit - Pacheco Reservoir Expansion														
35	Receive notification of initiated Pacheco Project Investigation			•									<u>Note:</u> Audit Objectives - Determine how and why the initial Project Scope & Cost evolved and increased over time?	
36	Review Pacheco Project Investigation Progress Report				•	•	•		•	•			<u>Recommendation:</u> Receive an update on the status of the on-going audit.	
37	Review Pacheco Project Investigation Draft Report Presentation												<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.	
38	Review Response to Pacheco Project Investigation Final Draft Report												<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.	
Audit - Construction Project Management (Tentative)														
39	Receive notification of initiated Construction Project Management Audit												<u>Note:</u> Audit Objectives - What areas of Valley Water's capital project budgeting practices can benefit from adopting best practices?	
40	Review Construction Project Management Audit Progress Report												<u>Recommendation:</u> Receive an update on the status of the on-going audit.	
41	Review Construction Project Management Audit Draft Report Presentation												<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.	
42	Review Response to Construction Project Management Audit Final Draft Report												<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.	
Audit - Supervisory Control and Data Acquisition (Tentative)														
43	Receive notification of initiated Supervisory Control and Data Acquisition Audit												<u>Note:</u> Audit Objectives - Does Valley Water's Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?	
44	Review Supervisory Control and Data Acquisition Audit Progress Report												<u>Recommendation:</u> Receive an update on the status of the on-going audit.	

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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	
45	Review Supervisory Control and Data Acquisition Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
46	Review Response to Supervisory Control and Data Acquisition Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Risk Management (Tentative)														
47	Receive notification of initiated Risk Management Audit													<u>Note:</u> Audit Objectives - Can risk management business processes be implemented more effectively? (i.e. contract claims, workers compensation, small claims).
48	Review Risk Management Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
49	Review Risk Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
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.
Audit - Billing and Collections (Tentative)														
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.
Audit - Accountability (Tentative)														
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.

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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	
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.
Audit - Community Engagement (Tentative)														
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.
Audit - Property Management (Tentative)														
63	Receive notification of initiated Property Management Audit													<u>Note:</u> Audit Objectives - Is Valley Water implementing encroachment licensing program consistent with the Board's guiding principles?
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.
Audit - Homelessness Analysis (Tentative)														
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.

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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	
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.
Audit - Classified Information (Tentative)														
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.
Audit - Local Workforce Hiring (Tentative)														
75	Receive notification of initiated Local Workforce Hiring Audit													<u>Note:</u> Audit Objectives - What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?
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.
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.
Audit - Equipment Maintenance (Tentative)														
79	Receive notification of initiated Equipment Maintenance Audit													<u>Note:</u> 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.

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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	
Audit - Delta Conveyance (Tentative)														
83	Receive notification of initiated Delta Conveyance Audit													<u>Note:</u> 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.
Miscellaneous BAC Work Plan Items														
87	BAC Self-Evaluation Report													<u>Note:</u> 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													<u>Note:</u> Next procurement scheduled for January 2022.
90	Financial Audit - Quarterly Update					•			•			•		<u>Note:</u> suggested frequency is as follows: February for mid-year review; May for Q3 review; September for unaudited close; November for Q1 review
91	Financial Audit - Periodic Update												•	Schedule as needed <u>Recommendation:</u> Receive and Discuss the Financial Audit
92	Completed Audits - Recommendation Follow-up Process												•	<u>Recommendation:</u> Discuss the process to follow-up on Audit Recommendations

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Santa Clara Valley Water District

File No.: 21-1039

Agenda Date: 10/20/2021
Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

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

RECOMMENDATION:

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

SUMMARY:

On January 12, 2021 the Board of Directors (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.

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

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.

Since the approval to proceed with the 2021 Risk Assessment, the Board has not approved any changes to the Annual Audit Work Plan. Efforts identified in the 2018 Risk Assessment that have not been completed will be reviewed in conjunction with any new areas of risk to develop the next comprehensive 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

File No.: 21-1039

Agenda Date: 10/20/2021
Item No.: 4.3.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

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

DRAFT AUDIT WORK PLAN – MAY 5, 2021

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

OVERVIEW

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

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

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

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

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

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

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

SECTION A

NON-AUDIT SERVICES AND SPECIAL PROJECTS

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

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

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

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

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

FY 2019-20

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

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

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

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

FY 2020-21

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

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

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

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

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

AUDIT WORK PLAN – VALLEY WATER RESPONSIBILITY

FY 18/19 THRU FY 19-20

QEMS

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

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

COMPLIANCE AND FINANCIAL AUDITS

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