

**SANTA CLARA VALLEY WATER DISTRICT
STATEMENT OF AUDITING STANDARDS DISCUSSION
For The Year Ended June 30, 2019**

Date of Meeting: August 28, 2019

Form of communication: Board Audit Committee Meeting

Audit Firm: Maze and Associates

Purpose of meeting: Cover discussions related to Statement of Auditing Standards (SAS) 114.

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

SAS 114 – Audit Timing, Scope and Management Representation

Audit Timing

Interim phase fieldwork was the weeks of June 17th and 24th, 2019 and final phase fieldwork is scheduled for the weeks of September 16th and 23rd, 2019. The finalized drafts are scheduled to be presented at the December 2019 Board Meeting.

Audit Scope

Scope of work includes:

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

Interim Audit Phase

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

Final Audit Phase

- Analytical Review
- Projections and forecasts
- Testing bank reconciliations
- Testing capital asset transactions
- Testing long-term debt transactions
- Reviewing actuarial studies utilized for Retirement Plans and OPEB

- Perform compliance tests
 - Certain Government code provisions applicable to cash and investments
 - Local policy compliance, typically:
 - Investment
 - Purchasing
 - Grants (Single Audits)

- Financial Statement preparation assistance
 - Staff has requested that we provide assistance with the preparation of financial statements and disclosures.
 - We are satisfied staff have the capability to perform this task themselves.

Management Representations

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

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