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FY 2022-2024 Annual Audit Work Plan

November 10, 2021

Final

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.** Valley Water's Chief Executive Officer ,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.

ID	Risk Area(s)	Risk Factor	Audit Topic	Type of Audit	Suggested Audit Objectives
1	CIP Planning Process Financial Management	☒Financial ☒Reputational ☒Operational	CIP Planning Process	Cross-Functional Performance Audit	1. Are there opportunities to improve the capital improvement project planning process (project initiation to CIP plan approval)? 2. 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? 3. Can the Capital Improvement Plan be better right sized that considers the Agency's funding and staffing levels?
2	Inventory Control	☐Financial ☒Reputational ☒Operational	Inventory Management	Cross-Functional Performance Audit	1. Does Valley Water effectively manage, account for and record inventory across the agency? 2. 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?
3	Emergency Response Emergency Detection Emergency Management	☐Financial ☐Reputational ☒Operational	Program Monitoring	Cross-Functional Performance Audit	1. To what extent do the emergency management plans variously established by Valley Water contain gaps and activities to ensure proper prevention, detection, response, and recovery activities? 2. Do gaps exist in surveillance and detection of potential problems across Valley Water's infrastructure?

					3. To what extent is the virtual Emergency Operations Center aligned with FEMA best practices? 4. Are there lessons learned from past emergencies to prevent disruptions to regular operations while providing additional manpower and resources to respond to emergencies?
4	Emergency Cost Recovery Data Management & Accuracy	☒Financial ☐Reputational ☐Operational	Financial Management	Cross-Functional Performance Audit	1. To what extent has Valley Water been able to claim the full reimbursement of costs for eligible expenses from FEMA? 2. 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?
5	Financial Oversight Purchasing and Contracting Processes	☒Financial ☐Reputational ☐Operational	Financial Management	Performance Audit	1. To what extent do Valley Water procurement programs for low dollar purchases (i.e., P-Cards, & Standing Orders) comply with established policies and procurement limits? 2. Are added policies and procedures needed to control spending and prevent work arounds to formal competitive bids?
6	Data Management Date Integrity Data Accuracy	☐Financial ☒Reputational ☒Operational	Business Process	Cross Functional Performance Audit	1. To what extent does Valley Water use multiple data stores for the same information?
7	Plan Implementa-tion Plan Monitoring	☐Financial ☐Reputational ☒Operational	Organizational Culture	Culture Audit	1. How has Valley Water's organizational culture impacted implementation of plan established across the agency? 2. To what extent does Valley Water demonstrate and practice common cultural characteristics including:

					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.
8	Grant Management Financial Management Coord. & Comm. Financial Oversight Data Accuracy	☒Financial ☐Reputational ☐Operational	Grant Reimbursement	Performance Audit	1. Can Valley Water's process for tracking labor and expense activities on state grants awarded to Valley Water benefit from updating? 2. How timely are claims for reimbursement submitted to awarding state agencies? 3. What circumstances have contributed to lost opportunities

						for reimbursement by awarding state agencies?
9	Plan Monitoring	☐Financial ☐Reputational ☒Operational	Human Resources Management	Cross-Functional Performance Audit	1.	What progress has been made in implementing existing workforce development and succession planning plans?
					2.	What evidenced-based factors have been significant in facilitating the hiring of technical and operational staff?
					3.	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?
10	Aging Infrastructure Detection Aging Infrastructure Monitoring	☒Financial ☐Reputational ☒Operational	Asset Management	Cross-Functional Performance Audit	1.	To what extent do Valley Water divisions and units ensure compliance to specification standards to prevent substandard replacements of parts, equipment, and capital assets?
					2.	Is Valley Water adequately meeting the needs of equipment maintenance?
11	Data Accuracy	☒Financial ☐Reputational ☐Operational	Unmetered Groundwater Measurement	Desk Review	1.	Is the methodology supporting unmetered groundwater usage measurement valid and include all applicable methodological assumptions?
12	CIP Planning Process Financial Management	☒Financial ☐Reputational ☐Operational	Capital Project Budgeting	Performance Audit	1.	Are there areas of Valley Water's capital project budgeting practices that can benefit from adopting best practices?
13	IT Security Management	☐Financial ☐Reputational ☒Operational	SCADA	Performance Audit	1.	What is the status of implementation of prior audit recommendations?
					2.	Will the recommendations as implemented by Valley Water accomplish intended goals and objectives?

					3. Are changes needed in the frequency of communications to the Board on the progress and status of cybersecurity and other IT needs?
14	Plan Monitoring Management Plan Implementation	☒Financial ☐Reputational ☐Operational	Strategy Development and Implementation	Cross-Functional Performance Audit	1. To what extent are management plans underway or completed across Valley Water? 2. To what extent do the plans need a completion date or require updating? 3. Are strategy and management plans developed across the Agency right sized to the divisions and/or units' staffing levels and workloads? 4. What progress has Valley Water made in implementing management plans to manage risks?
15	Program Monitoring Governance Management	☐Financial ☐Reputational ☒Operational	Homelessness Programs	Performance Audit	1. To what extent has Valley Water implemented its homelessness plan? 2. Can other cost-effective strategies implemented in other jurisdictions to prevent the creation and establishment of homeless encampments on Valley Water property? 3. How can Valley Water enhance its homelessness encampment clean-up activities to ensure the protection of health and safety of employees?
16	Grant Management	☒Financial ☒Reputational ☒Operational	Financial Management	Follow-Up Audit	1. Have improvements occurred in the timeliness of grant reimbursements? 2. To what extent has the grant management and administration implemented prior audit recommendations? 3. What improvements in program outcomes have occurred in the timeliness of grant application review, reimbursement, and accomplishment of deliverables?

17	Program Monitoring Management	☐Financial ☒Reputational ☒Operational	Encroachment Program	Performance Audit	1. Is Valley Water implementing its encroachment licensing program consistent with the Board's guiding principles?
18	Data Management Data Accuracy	☐Financial ☒Reputational ☒Operational	Business Process	Cross Functional Performance Audit	1. To what extent have Valley Water units established business processes to ensure accurate data collection and input? 2. What gaps remain in automating data collection and input?
19	Operations	☐Financial ☐Reputational ☒Operational	Risk Management	Performance Audit	1. What are the advantages and disadvantages of realigning business functions (i.e., all risk management activities, workers compensation administration, and claim administration)? 2. 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.
20	Emergency Management	☐Financial ☐Reputational ☒Operational	Peer Review	Best Practices Review	1. Can regulatory permitting practices administered by other utilities districts help reduce barriers and other challenges experienced by Valley Water?
21	IT Project Management & Communication Data Accuracy	☐Financial ☐Reputational ☐Operational	System Implementation	Post IT Implementation Audit	1. Has the current large ERP project implementation produced the desired functionality? 2. To what extent have all contract deliverables been met? 3. To what extent have data quality issues surfaced post-implementation? 4. What lessons learned can apply to future information system implementations?

22	Emergency Response Emergency Management	☐Financial ☒Reputational ☒Operational	Procurement	Performance Audit	1. Have Valley Water's procurement policies been flexible and agile to effectively and timely respond to and recover from past emergencies? 2. Are other procurement and operational activities needed to ensure prompt and reliable emergency services?
23	Environmental Sustainability Framework Development Program Monitoring Governance	☐Financial ☒Reputational ☒Operational	Program Measurement & Evaluation	Cross-Functional Performance Audit	1. What level of success has Valley Water's environmental stewardship activities had on preventing environmental damage and promoting environmental sustainability? 2. To what extent has Valley Water adopted sustainability indicators on specific projects to measure progress? 3. To what extent has Valley Water adopted sustainability indicators in its decision-making?
24	Program Monitoring Management	☐Financial ☐Reputational ☒Operational	Program Outcomes Business Process	Performance Audit	1. To what extent has Valley Water mitigated the environmental hazards caused by non-use of the percolator ponds? 2. In a non-drought year, are barriers present that prevent Valley Water from filling percolator ponds? 3. What processes need development to prevent expiration of groundwater charge permits?
25	Financial Management Coord. & Comm. Financial Oversight	☒Financial ☐Reputational ☐Operational	Capital projects	Desk Review	1. What potential financial risks could occur on the California WaterFix project?
26	CIP Monitoring	☐Financial ☒Reputational ☒Operational	Capital Project Evaluation and Monitoring	Cross-Functional Performance Audit	1. Have completed capital projects met their intended goals? 2. 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?
27	IT Security Management	☐Financial ☐Reputational ☒Operational	IT Risk Management	Desk review	1.	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?
28	Purchasing and Contracting Processes	☐Financial ☐Reputational ☒Operational	Financial Oversight	Desk Review	1.	Can Valley Water benefit from updating its qualifications and experience criteria to include in future competitive bids for external financial audit services?
29	IT Strategic Planning\n\nEmergency Management	☐Financial ☒Reputational ☒Operational	Disaster Planning	Performance Audit	1.\n\n2.	Does Valley Water's prioritization for systems and data recovery meet the agency's needs for sustained business continuity?\nTo what extent does Valley Water's process for determining the prioritization of systems and data recovery adhere to best practices (ex. NIST)?
30	Plan Development\n\nPlan Implementation\n\nPlan Monitoring	☐Financial ☐Reputational ☒Operational	Decision-Making	Cross-Functional Performance Audit	1.	What lessons has Valley Water learned from its ad hoc cross-functional efforts to proactively address current or emerging risks?
31	Financial Oversight	☒Financial ☐Reputational ☒Operational	Outsourcing of Legal Services	Desk Review	1.	How have changes occurred in District Counsel Office spending

for contracting external legal services?

2. To what extent are the nature of services provided by contracted legal firms presently outside of the District Counsel Office's expertise?

3. Can expanding outsourced legal services prevent project delivery delays?

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