

TO: Board of Directors

FROM: Board Audit Committee

SUBJECT: Board Audit Committee (BAC)

DATE: January 13, 2026

November 19, 2025, Regular Meeting Summary

This memorandum summarizes agenda items from the meeting of the Board Audit Committee (BAC) held on Wednesday, November 19, 2025.

Discuss Potential Audit Topics for 2026 Annual Audit Plan and Provide Further Guidance as Needed.

The Committee received the information, and noted the following potential audit topic recommendations, assignments, and timelines provided by the Chief Audit Executive (CAE): Risk Assessment: priority audit topic to be conducted by CAE; Asset Management: to be assigned to Plante Moran, anticipated to start in the first quarter of 2026; Pacheco Reservoir close-out: to be assigned to Sjoberg Evashenk Consulting, anticipated to start in the late second quarter to early third quarter of 2026; Investigations Process: to be assigned to Baker Tilly Advisory Group, anticipated to start in second quarter of 2026; and the Good Neighbor Program, or Grant Management Activities could be assigned to Baker Tilly Advisory Group if the investigations process audit is not conducted in 2026. The Committee confirmed there are no urgent high-risk audits not included and noted the risk assessment process. The Committee noted support for the risk assessment to consider the changes in the federal and state administrations and the impacts to Valley Water and the Water Supply Master plan and noted that timing of the risk assessment will depend upon the contracts process. The Committee noted the timing of the risk assessment may start in 2026 but may not be completed in time to be able to inform the 2027 Annual Audit Plan. The Committee noted support for the upcoming risk assessment to identify on the heat map which topics have been addressed versus those topics that are still pending and whether any are high risk. The Committee confirmed that the CAE's current contract has exhausted the last option to extend and is noted to expire in 2026.

It was moved by Director Estremera and seconded by Vice Chairperson Ballard and carried by unanimous vote to approve the following recommendation:

- B. Recommend proposed audit topics for 2026 to the Board.

The BAC approved to recommend the following proposed audit topics for 2026 to the Board: 1. Risk assessment 2. Asset Management 3. Pacheco Reservoir (close-out), and 4. Investigations Process.

Discuss 2025 Annual Audit Plan, (Capital Project Delivery; Contracting Practices; Conservation Strategies; Water Usage/Demand Forecasting), and Provide Feedback as Needed.

The Committee received the information, took no formal action, and confirmed the audits are assigned to their respective auditors and progressing and without further discussion noted the update on the 2025 Annual Audit Plan.

The Committee received the information, took no formal action, and confirmed the audits are progressing and underway and without further discussion noted the update on the 2025 Annual Audit Plan.

Review and Discuss the 2025 Board Audit Committee (BAC) Work Plan.

The Committee received the information, took no formal action, and confirmed the next Board member audit training is scheduled for mid-year in 2026 and noted support for attendance at additional outside audit trainings and the update on the BAC Work Plan.

The next regular meeting was scheduled to occur at 1:00 pm on December 17, 2025, but was subsequently rescheduled to a special meeting at 10:00 a.m. on December 19, 2025.

Board members' comments and suggestions can be forwarded to Nicole Merritt, Deputy Clerk (Committee Meetings) at (408) 630-3262 or by email: nmerritt@valleywater.org