



MEMORANDUM

FC 14

TO: Board of Directors **FROM:** Board Audit Committee

SUBJECT: Board Audit Committee (BAC) **DATE:** November 25, 2025
October 15, 2025, Regular Meeting Summary

This memorandum summarizes agenda items from the meeting of the Board Audit Committee (BAC) held on Wednesday, October 15, 2025.

Receive and Discuss the Management Response to the 2024 Safe, Clean Water and Natural Flood Protection Program Performance Audit Recommendations and Provide Feedback to Staff.

The Committee received the information, took no formal action, and confirmed that Finding 4, regarding the disclosure requirements for the Independent Monitoring Committee (IMC) Conflict of Interest Policy has been addressed and considered by the Board. Chairperson Beall expressed interest in having the IMC vacancies reported to the Board to assist with the appointment process and the Committee noted the importance of identifying the causes of quorum challenges. The Committee acknowledged that the IMC review process can be time consuming for their volunteer members but noted that the IMC can approve their meeting schedule each cycle with the option of Zoom meetings and summer tours, and that filling all the vacancies would help distribute the workload more effectively. The Committee confirmed that Management agrees with the audit recommendations and noted staff are progressing toward completing the remaining implementations by June 2026. Vice Chairperson Ballard expressed interest in confirming whether Finding 6: Management of Key Partnership Projects relates to the Joint Powers Authorities (JPAs) policies. The Committee confirmed there are multiple methods by which the review process is triggered for Finding 9: Key Performance Indicators (KPIs). The Committee noted the auditors were thorough, reasonable, and collaborative with staff. The Committee expressed support for maintaining continued engagement with the IMC members and being notified of any IMC attendance issues.

Discuss the Options to Extend Terms, Allow to Expire, or Terminate the On Call Services Agreement with Board Auditor, Baker Tilly Advisory Group, LP, Which is Set to Expire Effective March 27, 2026.

The Committee received the information and expressed satisfaction with the auditors' performance and supported extending the agreement. The Committee confirmed the reason for the difference in the audit time tables and emphasized the importance of the auditor's understanding of the Water Supply Master Plan (WSMP) and knowledge of the Water Usage and Demand Forecasting process.

It was moved by Vice Chairperson Ballard and seconded by Director Estremera and the

following Recommendation was unanimously approved:

- B. Approve recommendation to the full Board to:
 - i. Exercise option to extend the On-Call Services Agreement with Board Auditor, Baker Tilly Advisory Group, LP. for one year.

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

The Committee received the information, took no formal action, and confirmed that the performance audit of the District-wide asset management practices and the Pacheco Reservoir project close-out audit are among the larger potential audit topics, and the auditor will recommend maintaining a balance between the larger and smaller audits to effectively manage the workload for the audit team and staff. The Committee confirmed the District-wide federal and state grant management activities, the Good Neighbor Program to address unsheltered homelessness, and the District-wide risk assessment are among the smaller potential audit topics. The Committee expressed support for the investigations process audit topic to address expenditures and noted the expected close out activities for the Pacheco Reservoir Project to be completed within the next 3 to 6 months to potentially allow for an audit in 2026. The Committee noted the Chief Audit Executive (CAE) will include a recommendation and proposed scope at the November 2025 BAC meeting for the following potential audit topics: the District-wide risk assessment, the Pacheco Reservoir project close-out with a later start date, the District-wide asset management practices, the investigation process, the federal and state grant management activities, and the Good Neighbor Program to address unsheltered homelessness.

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.

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

The Committee received the information, took no formal action, and noted the update on the BAC Work Plan.

The next regular meeting was scheduled to occur at 1:00 pm on November 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