



## MEMORANDUM

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

**SUBJECT:** Board Audit Committee (BAC) **DATE:** November 26, 2024  
October 25, 2024 Special Meeting Summary.

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This memorandum summarizes agenda items from the meeting of the Board Audit Committee (BAC) held on Friday, October 25, 2024.

**Receive and Discuss Audit Follow-Up Conducted by Chief Audit Executive (CAE); and Provide Feedback as Needed.**

The Committee received the information, took no formal action, noted support for the CAE's recommendation for the following audits to be closed: the 2019 Contract Change Order Audit per most recommendations were implemented and the remaining is related to a subsequent Capital Improvement Program (CIP) audit; the 2020 District Counsel Audit per all recommendations were implemented with an additional performance audit recommended for future consideration to address the length of Valley Water's centralized contracting process; and the 2014 Transparency Compliance Audit per Valley Water has addressed the 2 identified minor failures to comply out of 37 requirements. The Committee confirmed the roadmap for improving performance metrics for Recommendation #7 of the 2019 Contract Change Order Audit can be addressed by the proposed 2025 audit topic for Capital Project Delivery, noted previous update of staff's progress with capturing CIP's performance measures, and the potential of dashboards providing visible, real time performance information for Capital projects. The Committee confirmed how other government agencies are streamlining their best practices and resource strategies for staffing, labor/training, and materials will be included in a future proposed audit. The Committee noted support for staff to include flexibility regarding the On-Call Agreements for Independent Cost Estimating Services for Recommendation #1 of the 2019 Contract Change Order Audit per the reallocation of funding from the Upper Guadalupe River Flood Project. The Committee confirmed the new service level agreement template which assists with setting legal review timelines and consistent expectations for work product was recently approved for Recommendation #1 of the 2020 District Counsel Performance Audit and noted staffing levels have contributed to some of the delays. The Committee noted support for the CAE's recommendation for the following audit to remain open: the 2020 Real Estate Services Audit per some of the recommendations have not been fully implemented and up to date in part due to staffing changes, noted looking forward to the report back to the Committee in about 6 months regarding the policy and procedure improvements; and Vice Chairperson Beall noted the option of using inter-governmental real estate agreements to accelerate real estate acquisition timelines which the CAE suggested could be a consideration for a future audit.

**Discuss Potential Audit Topics for 2025 Annual Audit Plan and Provide Further Guidance as Needed.**

The Committee received the information, took no formal action, and noted the 7 proposed audit topics: Capital project delivery activities, Centralized and decentralized contracting processes, Valley Water's role in and approach to Joint Powers Authorities (JPAs), Water conservation strategies, Imported water contracts, Water usage and demand forecasting, and Human Resources' practices related to labor negotiations, and unanimously confirmed support for the Capital project delivery activities as the #1 proposed audit topic. The Committee expressed support for the proposed audit topic: water usage and demand forecasting to assist with projected future water rates and prioritization of projects and noted the related consultant study being conducted for revenue and water supply planning purposes through most of 2025 which includes topics of demand elasticity and affordability. The Committee expressed support for the proposed audit topic: water conservation strategies per the potential for cost savings, collaboration with cities, and the potential of a management-directed audit. The Committee expressed support for centralized and decentralized contracting processes for the review of new policies and practices. Vice Chairperson Beall noted a new audit topic regarding monitoring federal and state partnerships/funding to accommodate for changes in the political environment which Chairperson Keegan noted could be covered by expanding the audit topic of Valley Water's role in and approach to JPAs to include external partnerships. The Committee expressed support for staff's work and noted the CAE will reach out to Director Varela for feedback with a report back to the BAC in November 2024 with the refined proposed audit topic list.

**Discuss 2024 Annual Audit Plan (Including Information Technology (IT), Human Resources (HR), and Board Policies Audits) and Provide Feedback as Needed.**

The Committee received the information, took no formal action, and noted the audits for IT, HR, and Board Policies remain on track with the target for the HR audit to be completed by the end of 2024 and the IT and Board Policies audits to be completed by the 1<sup>st</sup> quarter of 2025.

**Review and Discuss the 2024 Board Audit Committee (BAC) Work Plan.**

The Committee received the information, took no formal action, and Vice Chairperson Beall noted support of the review of the Annual Comprehensive Financial Report (ACFR) and to extend an invite to the newly elected Board member to attend the BAC November 2024 meeting.

The next regular BAC meeting was scheduled for 1:00 p.m. on November 20, 2024.

Board member comments and suggestions can be forwarded to Nicole Merritt, Assistant Deputy Clerk II at (408) 630-3262 or by email to [nmerritt@valleywater.org](mailto:nmerritt@valleywater.org).