

## Client Memorandum

**To:** Board Audit Committee, Santa Clara Valley Water District  
**From:** George Skiles, Partner, Sjoberg Evashenk Consulting, Inc.  
**Date:** March 8, 2026  
**Subject:** **2025 Annual Performance Report of the Independent Chief Audit Executive**

The Santa Clara Valley Water District (Valley Water) Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits. Since 2017, the BAC has engaged an Independent Board Auditor / Chief Audit Executive (CAE) to serve as an advisor to the BAC in fulfilling its duties, responsibilities, and functions. This includes supporting the BAC's efforts to advance open and accountable government; assess operational risks and advise on potential audits; ensuring Valley Water remains in compliance with its policies, procedures, and regulations; assisting in preparing an annual program of audits with associated calendars, schedules and budgets; conducting Board-directed performance audits and other audit engagements; and preparing formal and informal reports and presentations to the Audit Committee and the full Board of Directors.

In 2022, the Board of Directors contracted with Sjoberg Evashenk Consulting, Inc., to serve as the independent Chief Audit Executive. The scope of services required of the independent Chief Audit Executive includes:

- Providing advice and recommendations on audits of government programs
- Developing an annual audit program, calendar, and budget
- Conducting audits as directed by the Audit Committee
- Preparing and delivering formal and informal audit reports and presentations
- Attending Audit Committee and Board meetings
- Meeting with District staff as needed
- Providing additional staff resources as determined by the Audit Committee
- Conducting certain audits as directed by the Board

### Summary of 2025 Audit Activity

Below is a summary of the work performed by the Chief Audit Executive during the 2025 Calendar Year.

## Attended Board and Board Committee Meetings

As the Chief Audit Executive, I attended all seven regular Board Audit Committee meetings held in 2025. Five regular meetings were cancelled during this period, and four special meetings were scheduled; I attended two of these special meetings and could not attend the other two due to scheduling conflicts. During the BAC meetings, the CAE performed the following activities:

- Participated in Board Audit Committee planning and debrief meetings
- Reviewed and provided input on agenda items
- Provided audit process guidance
- Researched and provided information on best practices for relevant subject areas
- Provided progress reports on ongoing audit activities completed

The CAE also attended six other Board meetings to discuss the proposed 2025 and 2026 Annual Audit Plans, recommend changes to the Board Audit Committee Charter, as well as to present to the full Board the CAE's training on audit standards.

In addition to our attendance at relevant Board meetings and Committee meetings, the CAE also monitored Board meetings by reviewing meeting videos and documentation posted subsequent to the meetings. Where the meetings were not directly related to audit activities, our efforts were not billed to Valley Water. It is our belief that such efforts increase our familiarity with Valley Water operations and help inform future audit decisions.

## Developed the Proposed BAC Annual Audit Plan

In support of the BAC's annual practice of identifying potential audit topics for the Board's consideration, Sjoberg Evashenk Consulting reviewed the recently completed 2023 Risk Assessment and provided input regarding the potential audit topics identified in the Risk Assessment for BAC consideration. In consultation with the BAC, four audits were selected for inclusion in the 2026 Annual Audit Work Plan.

Sjoberg Evashenk Consulting developed and submitted the audit plan for discussion at the November 19, 2025, BAC meeting. At the December 9, 2025, Board meeting, the Board approved all four (4) proposed topics to proceed as the 2026 Annual Audit Work Plan, as noted below, with the following assignments and preliminary schedule:

- 1) Asset Management: Assigned to Plante Moran with an anticipated start in Q1 of Calendar Year 2026.
- 2) Investigations Process: Assigned to Baker Tilly Advisory Group with an anticipated start in Q2 of Calendar Year 2026.
- 3) Pacheco Reservoir Project: Assigned to Sjoberg Evashenk Consulting with an anticipated start in Q3 of Calendar Year 2026.
- 4) Risk Assessment: Assigned to the CAE with possible start in late Q3 202 and conclude in Q1 of 2026

## **Provided Oversight of Audits Approved for 2025 and Prior Audit Plans**

Conducted project management and oversight of audits approved by the Board for the 2025 and prior audit plans. These audits include:

- 1) Capital Project Delivery: Assigned to Sjoberg Evashenk with possible start in late Q2 2025 and conclude in Q1 of 2026; the audit started in late Q3 2025 due to contract administration requirements, and is now expected for completion in late Q2 2026 or early Q3 2026.
- 2) Centralized and Decentralized Contracting Practices: Assigned to Sjoberg Evashenk with possible start in Q2 2025 and conclude in Q4 of 2025; the audit started in late Q3 2026 due to contract administration requirements and is now expected for completion in Q2 2026.
- 3) Water Conservation Strategies: Assigned to Moss Adams with possible start in Q1 2025 and conclusion in Q3 of 2025; the audit concluded in late Q4 2025 and was presented to the Board in Q1 2026.
- 4) Water Usage and Demand Forecasting: Assigned to Moss Adams with possible start in Q3 2025 and conclusion in Q1 of 2026; this audit is anticipated to conclude in Q2 2026.

## **Conducted Audit Training**

The BAC Audit Charter (Article 10, Paragraph 3) requires the Board Independent Auditor shall provide the Committee with training related to Audit Principles, Practices, or Standards at least every two years. Audit training typically includes topics relating to auditing standards or some aspect of the audit process. At the request of the BAC, the CAE presented training to the full Board at the July 21, 2025, Special Board Meeting on district-wide risk assessment processes—including general best practices and how risk assessments could be employed at Valley Water specifically.

## **Supported efforts to update the BAC Audit Charter**

Beginning in 2020, with advice from the BAC's prior CAE, the BAC revisited and updated the Audit Charter as part of its annual review as described in its Annual Performance Work Plan. This effort continued in 2025. The Valley Water's Board Audit Committee Audit Charter serves to administer a framework for providing the BAC oversight of the governance, risk management, and audit activities of Valley Water. The Audit Charter also describes the general responsibilities of the Independent Auditor. To support the BAC's work, the CAE developed and reviewed the proposed revisions to the Audit Charter, particularly as they related to the timing of exit conferences prior to finalizing audit reports.

## **Continued One Board Audit Follow-Up Review**

In 2022, as directed by the BAC, Sjoberg Evashenk provided input regarding best practices in public sector audit committees. Sjoberg Evashenk Consulting conducted research of professional standards and best practices, met with Valley Water personnel responsible for overseeing and administering the audit follow-up process, and reviewed past audit follow-up reporting provided to the BAC, particularly reporting related to the status of outstanding or un-implemented audit recommendations. In 2023, at the direction of the BAC, Valley Water management modified its process for reporting on the status of prior audit recommendations. This

included requiring the CAE to conduct audit follow-up reviews on Board-directed audits and having Valley Water management continue its follow-up efforts related to all non-Board audits. Based on this direction, Sjoberg Evashenk Consulting completed its review of four prior Board-directed audits:

- 2014 Transparency Compliance Audit
- 2019 Contract Change Order Audit
- 2020 District Counsel Audit
- 2020 Real Estate Services Audit.

This analysis revealed that Valley Water management had substantively addressed the findings in three of the reports (2014 Transparency Compliance Audit, 2019 Contract Change Order Audit, and 2020 District Counsel Audit) by implementing the auditor recommendations or alternative corrective actions. For the one remaining audit, the CAE continued audit work to determine the extent to which the Real Estate Services Unit (RESU) had implemented audit recommendations. Through 2025, the CAE found that RESU had not implemented all audit recommendations, and the follow-up effort related to this performance audit will remain in-progress into 2026.

### Financial Overview

In 2025, Sjoberg Evashenk Consulting charged Valley Water about \$258,639.19 for audit and support services, as shown in Table 1.

**EXHIBIT 1: 2025 INDEPENDENT AUDITOR CHARGES**

<b>Project Management &amp; Board Support</b>	\$56,749.66
<b>Board Policies</b>	\$105,030.08
<b>Contracting Practices</b>	\$29,725.84
<b>Capital Project Delivery</b>	\$49,620.40
<b>Audit Services (Audits &amp; Follow-Ups)</b>	\$17,513.21
<b>Total</b>	<b>\$258,639.19</b>

### Conclusion

Sjoberg Evashenk Consulting is proud to be a partner with Valley Water and a part of the larger transparency and accountability apparatus established by Valley Water, which includes the BAC, Board audit function, Valley Water's management audit function, and general governance responsibilities. We look forward to working with the BAC in its efforts to promote continuous improvement, furthering the development of the Board audit function through the addition of one or more independent audit firms, and continuing to build and strengthen Valley Water's audit functions.