

TO: Board of Directors

FROM: Board Audit Committee

SUBJECT: Board Audit Committee (BAC)
June 17, 2025 Special Meeting Summary

DATE: August 12, 2025

This memorandum summarizes agenda items from the meeting of the Board Audit Committee (BAC) held on Tuesday, June 17, 2025.

Receive Permitting Best Practices Audit Status Update.

The Committee received the information, took no formal action, and without further discussion noted everything is in good shape and acknowledged the upcoming potential challenge of the Information Technology (IT) audit recommendation implementation.

Receive Information Regarding 2025 Information Technology (IT) Performance Audit.

The Committee received the information, took no formal action, and without further discussion noted the significance of this audit as it will increase the viability of Valley Water's cybersecurity system.

Receive and Discuss the Subvention Audit Report for the Coyote-Berryessa Creeks, Lower Silver Creek Watershed, South San Francisco Bay Shoreline Phase 1, Upper Guadalupe River, and Upper Llagas Creek Watershed Projects.

The Committee received the information, took no formal action, and without further discussion confirmed this audit was not triggered by any specific events and is conducted regularly every 1 to 2 years.

Receive and Discuss Information Regarding the Upcoming Fiscal Year (FY) 2024-2025 Financial Audit, Presented by Vasquez and Company LLP.

The Committee received the information, took no formal action, and confirmed Vasquez & Company LLP has been associated with Valley Water for around 4 years and noted the auditor's process for analyzing and validating that expenditures are fairly distributed across the water zones based on benefits received which includes the financial statements of the Water Utility Enterprise Funds (WUEF). The Committee confirmed that the auditor examines Valley Water's property tax revenue against the Santa Clara County Tax Assessor's audits and reviews the process by which Valley Water addresses its pension and other post-employment benefits (OPEB) obligations. The Committee noted the auditor will be meeting with the Valley Water Board members for the required one-on-one interviews to address any concerns.

Receive the Fiscal Year 2024-2025 Third Quarter Financial Status Update.

The Committee confirmed the capital expenditures rates are project driven and the lower amounts are partially due to a short-term debt strategy designed to prevent the over-issuance of funds and the support of realistic budgeting preparation by project managers. The Committee confirmed staff is continuing to make progress in addressing any contracting or procurement delays.

Discuss the Options to Extend Terms and Increase the Not-to-Exceed (NTE) amount, Allow to Expire, or Terminate the On-Call Services Agreement with Chief Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Inc., which is Set to Expire Effective November 22, 2025.

The Committee expressed support of the CAE's work and confirmed the agreement options.

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

- B. Approve recommendation to the full Board to:
 - i. Exercise option to extend the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. for one year, and increase the NTE from \$800,000 to \$1,400,000.

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 without further discussion, Chairperson Beall noted an interest in audits including the best practices for Valley Water.

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

The Committee received the information, took no formal action, and without further discussion noted the updated BAC Work Plan and the upcoming July 2025 meeting.

The next regular meeting on July 16, 2025, was subsequently canceled with the next regular meeting scheduled to occur at 1:00pm on August 20, 2025.

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