



MEMORANDUM

FC 14

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

SUBJECT: Board Audit Committee (BAC) **DATE:** October 28, 2025
September 17, 2025, Regular Meeting Summary

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

Receive Update on the Implementation of the Management Response to the 2023 Capital Improvement Program (CIP) Process Performance Audit.

The Committee received the information, took no formal action, and noted that staff are engaging with other government agencies regarding the CIP performance measurement system and have received positive feedback, along with interest in collaborating on a benchmark study to better understand practices across agencies. The Committee discussed the process for when cost increases exceed the approved project budget including how the Board is notified and noted staff are continuing to develop the tools and metrics to provide quick access to the status of projects to assist management with staying on schedule and budget. The Committee noted the cost estimator tool that assists staff in annually evaluating trends and provides cost escalation information to be incorporated into proposed project costs. The Committee confirmed the CIP process by which procurement teams are integrating and coordinating with the project managers to ensure contract compliance. The Committee noted collaborating staff are collecting, tracking, and compiling together an annual report for review by the Chiefs which incorporates the use of Artificial Intelligence (AI). The Committee noted interest in utilizing internal staff rather than contractors to streamline smaller or medium sized projects and confirmed that Projectmates may be modified to manage the contracts in coordination with other CIP tools to support both in-house and future projects. The Committee noted the California Public Contract Code (PCC) § 21161 requirement for a formal competitive bidding process for any project exceeding \$50,000 unless an exception applies such as channel protection. The Committee noted interest in developing a system for consultants to report significant developments to the Board Committees and the public. The Committee noted that the Chief Audit Executive (CAE) would conduct a follow-up review towards the end of the fiscal year when the CIP audit recommendations were fully implemented.

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

The Committee received the information, took no formal action, and noted appreciation for staff's continued work and confirmed that the target is 80% of the budget for upcoming fiscal year capital expenditures with the implementation of the CIP performance measurement system. The Committee confirmed that staff are reviewing the impact of the surface/recycled water revenue budget versus actuals.

Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year Ended June 30, 2024.

The Committee received the information, took no formal action, and without further discussion noted the audit report.

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 expressed support for including the Pacheco Reservoir Expansion Project close out audit as a potential audit topic consistent with a previous Board request and noted the value of reviewing recent employment survey data to obtain staff perspectives. The Committee confirmed the other potential audit topics on the list were as follows: risk assessment, review of board governance models, evaluation of Board members roles regarding Joint Power Authority (JPA) agreements, and a performance audit of District-wide asset management practices.

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 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, noted the update on the BAC Work Plan, and confirmed the BAC October 15, 2025 meeting date to discuss the draft 2026 Annual Audit Plan in preparation for a Board proposal targeted for the end of November 2025.

The next regular meeting was scheduled to occur at 1:00 pm on October 15, 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