



MEMORANDUM

FC 14

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

SUBJECT: Board Audit Committee (BAC) **DATE:** September 23, 2025
August 20, 2025, Special Meeting Summary

This memorandum summarizes agenda items from the meeting of the Board Audit Committee (BAC) held on Wednesday, August 20, 2025.

Receive and Discuss Financial Audit Reports for Fiscal Year (FY) 2024 From Valley Water's Joint Power Authority (JPA) Partners.

The Committee received the information, took no formal action, and confirmed that the audit reports for the San Francisquito Creek JPA and the San Luis & Delta Mendota Water Authority are still in process and will be presented to the BAC once available. The Committee noted interest in confirming whether any of the associated JPA agreements contain provisions regarding audit requirements including cost sharing specific obligations. The Committee confirmed that JPAs regardless of activity level are required under the Government Code to conduct audit reports. The Committee noted the addition of the JPA language in the BAC Charter and observed that the Board Policy and Monitoring Committee (BPMC) may provide guidance for Board member JPA participation and expectations. The Committee expressed concern about requests for future substantial financial investments and the potential impacts on federal funding without receiving timely JPA audit reports. The Committee expressed support for the BPMC to address the feedback and concerns regarding JPAs as provided by the BAC on this matter.

Receive a Status Update on the Implementation of Audit Recommendations; and Discuss Timing of Next Update.

The Committee received the information, took no formal action, and confirmed the next update for the Capital Improvement Program Process Performance Audit will be presented at the BAC September 17, 2025, meeting. The Committee confirmed the renewed Management Response Update for the Safe, Clean Water Program Audit will be presented at the BAC Oct. 15, 2025, meeting, and the associated Conflict-of-Interest Update will be presented at the Sept. 23, 2025, Board meeting. The Committee confirmed the process for closing out Board directed audits with the recommendation from the Chief Audit Executive and noted that the BAC holds the final authority to formally close these audits.

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 seeing the dots filled in or completed audits identified on the heat map included in the current risk assessment results. The Committee expressed interest in an updated risk assessment, reviewing governance models, and developing flexible strategies to account for potential losses associated with Diversity, Equity, and Inclusion (DEI) federal grants and programs.

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, and without further discussion noted the update on the BAC Work Plan.

The next regular meeting was scheduled to occur at 1:00pm on September 17, 2025.

Board members' 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