



Santa Clara Valley Water District Board Audit Committee Meeting

HQ. Bldg. Boardroom, 5700 Almaden Expressway, San Jose, California
Join Zoom Meeting: <https://valleywater.zoom.us/j/91608079873>

REGULAR MEETING AGENDA

**Wednesday, March 18, 2026
1:00 PM**

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

BOARD AUDIT COMMITTEE
Jim Beall, Chairperson - District 4
Shiloh Ballard, Vice Chairperson -
District 2
Tony Estremera - District 6

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available to the public through the legislative body agenda web page at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to participate in the legislative body's meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 630-2277.

DARIN TAYLOR
Committee Liaison

NICOLE MERRITT
Deputy Clerk (Committee
Meetings)
Office/Clerk of the Board
(408) 630-3262
nmerritt@valleywater.org

Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

Santa Clara Valley Water District
Board Audit Committee
REGULAR MEETING
AGENDA

Wednesday, March 18, 2026

1:00 PM

HQ. Bldg. Boardroom, 5700 Almaden
Expressway, San Jose, California

Join Zoom Meeting:

<https://valleywater.zoom.us/j/91608079873>

IMPORTANT NOTICES AND PARTICIPATION INSTRUCTIONS

Santa Clara Valley Water District (Valley Water) Board of Directors/Board Committee meetings are held as a “hybrid” meetings, conducted in-person as well as by telecommunication, and is compliant with the provisions of the Ralph M. Brown Act.

To maximize public safety while still maintaining transparency and public access, members of the public have an option to participate by teleconference/video conference or attend in-person. To observe and participate in the meeting by teleconference/video conference, please see the meeting link located at the top of the agenda. If attending in-person, you are required to comply with Ordinance 22-03 - AN ORDINANCE OF THE SANTA CLARA VALLEY WATER DISTRICT SPECIFYING RULES OF DECORUM FOR PARTICIPATION IN BOARD AND COMMITTEE MEETINGS located at <https://s3.us-west-2.amazonaws.com/valleywater.org.if-us-west-2/f2-live/s3fs-public/Ord.pdf>

In accordance with the requirements of Gov. Code Section 54954.3(a), members of the public wishing to address the Board/Committee during public comment or on any item listed on the agenda, may do so by filling out a Speaker Card and submitting it to the Clerk or using the “Raise Hand” tool located in the Zoom meeting application to identify yourself in order to speak, at the time the item is called. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and granted speaking access to address the Board.

- Members of the Public may test their connection to Zoom Meetings at: <https://zoom.us/test>
- Members of the Public are encouraged to review our overview on joining Valley Water Board Meetings at: <https://www.youtube.com/watch?v=TojJpYCxXm0>

Valley Water, in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in Valley Water Board of Directors/Board Committee meetings to please contact the Clerk of the Board’s office at (408) 630-2711, at least 3 business days before the scheduled meeting to ensure that Valley Water may assist you.

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has

not been prepared with a view to informing an investment decision in any of Valley Water's bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water's bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and Valley Water's Investor Relations website, maintained on the World Wide Web at <https://emma.msrb.org/> and <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>, respectively.

Under the Brown Act, members of the public are not required to provide identifying information in order to attend public meetings. Through the link below, the Zoom webinar program requests entry of a name and email address, and Valley Water is unable to modify this requirement. Members of the public not wishing to provide such identifying information are encouraged to enter "Anonymous" or some other reference under name and to enter a fictional email address (e.g., attendee@valleywater.org) in lieu of their actual address. Inputting such values will not impact your ability to access the meeting through Zoom.

Join Zoom Meeting:

<https://valleywater.zoom.us/j/91608079873>

Meeting ID: 916 0807 9873

Join by Phone:

1 (669) 900-9128, 91608079873#

1. CALL TO ORDER:

1.1. Roll Call.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA.

Notice to the public: Members of the public who wish to address the Board/Committee on matters not listed on the agenda may do so by completing a Speaker Card and submitting it to the Clerk, or by using the "Raise Hand" feature within the Zoom meeting application to request recognition. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and, when recognized, will be granted speaking access to address the Board/Committee.

Public comments shall be limited to three (3) minutes per speaker, or such other time as determined by the Chair. State law does not permit the Board/Committee to take action on, or engage in extended discussion of, any item not appearing on the posted agenda, except as otherwise authorized under applicable law. If Board/Committee action is requested, the matter may be scheduled for consideration at a future meeting.

All public comments requiring a response will be referred to staff for a written reply. The Board/Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

- 3.1. Approval of February 18, 2026, Board Audit Committee Minutes. [26-0280](#)

Recommendation: Approve the minutes.

Manager: Wendy Ho, 408-630-3864

Attachments: [Attachment 1: 02182026 BAC Minutes](#)

4. REGULAR AGENDA:

- 4.1. Receive and Discuss the Single Audit Report for Fiscal Year (FY) Ending June 30, 2025. [26-0166](#)

Recommendation: Receive and discuss the Single Audit Report for FY ending June 30, 2025.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Single Audit Report](#)

- 4.2. Discuss Proposed Updates to the Board Audit Committee Audit Charter and Provide Further Direction as Needed. [26-0233](#)

Recommendation: A. Discuss Proposed Updates to the Board Audit Committee Audit Charter; and
B. Provide Further Direction as Needed.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Red-lined Board Audit Committee Charter](#)
[Attachment 2: PowerPoint](#)

- 4.3. Receive and Discuss Report From Independent Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Regarding Their Performance in Calendar Year (CY) 2025, and Evaluate Performance of CAE. [26-0231](#)

Recommendation: A. Receive and discuss a report from the independent CAE, Sjoberg Evashenk Consulting, regarding their performance in CY 2025; and
B. Evaluate the performance of the CAE.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: 2025 Annual Performance Report](#)

- 4.4. Discuss Process and Scope of 2026 Annual Audit Training from Chief Audit Executive (CAE). [26-0228](#)

Recommendation: Discuss process and scope of 2026 Annual Audit Training from CAE.

Manager: Darin Taylor, 408-630-3068

- 4.5. Discuss 2026 Annual Audit Plan (Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process), and Provide Feedback as Needed [26-0235](#)

Recommendation: A. Discuss 2026 Annual Audit Plan; and
B. Provide feedback as needed.

Manager: Darin Taylor, 408-630-3068

- 4.6. Review and Discuss 2026 Board Audit Committee (BAC) Work Plan. [26-0236](#)

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2026 BAC Work Plan.

Manager: Wendy Ho, 408-630-3874

Attachments: [Attachment 1: 2026 BAC Work Plan](#)

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

6. ADJOURN:

- 6.1. Adjourn. The Next Regular Meeting is Scheduled at 1:00 p.m., on April 15, 2026.



Santa Clara Valley Water District

File No.: 26-0280

Agenda Date: 3/18/2026
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Approval of February 18, 2026, Board Audit Committee Minutes.

RECOMMENDATION:

Approve the minutes.

SUMMARY:

In accordance with the Ralph M. Brown Act, a summary of Committee discussions, and details of all actions taken by the Board Audit Committee, during all open and public Committee meetings, is transcribed and submitted to the Committee for review and approval.

Upon Committee approval, minutes transcripts are finalized and entered into the Committee's historical records archives and serve as historical records of the Committee's meetings.

ENVIRONMENTAL JUSTICE IMPACT:

The approval of minutes is not subject to environmental justice analysis.

ATTACHMENTS:

Attachment 1: 02182026 BAC Minutes

UNCLASSIFIED MANAGER:

Wendy Ho, 408-630-3864



BOARD AUDIT COMMITTEE MEETING
DRAFT MINUTES

REGULAR MEETING
WEDNESDAY, FEBRUARY 18, 2026
1:00 PM

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 1:00 p.m.

1.1 Roll Call.

Committee members in attendance were: District 2 Director and Vice Chairperson Shiloh Ballard, and District 4 Director Jim Beall, Chairperson presiding, constituting a quorum of the Committee.

District 6 Director Tony Estremera arrived as noted below.

Staff members in attendance were: Yvonne Arroyo, John Bourgeois, Rita Chan, Jessica Collins, Enrique De Anda, Rachael Gibson, Walter Gonzalez, Mark Greene, Wendy Ho, Cecil Lawson, Courtney Letts, Linda Mason, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Tony Ndah, Luz Penilla, Steve Peters, Mark Poole, Amandeep Saini, Kirsten Struve, Darin Taylor, and Tina Yoke.

Public in attendance were: Katja Irvin (Sierra Club), and George Skiles (Sjoberg Evashenk Consulting).

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA:

Chairperson Beall declared time open for public comment on any item not on the agenda. There was no one present who wished to speak.

3. APPROVAL OF MINUTES:

3.1. Approval of January 21, 2026, Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the January 21, 2026 Committee meeting.

Public Comments:
None.

Vice Chairperson Ballard expressed support for amending the minutes to reflect her concern regarding the limitations of the water conservation audit.

It was moved by Vice Chairperson Ballard and seconded by Chairperson Beall and was unanimously carried that the minutes be approved as amended.

Director Estremera arrived.

4. REGULAR AGENDA:

- 4.1. Receive the Fiscal Year (FY) 2025-2026 Second Quarter Financial Status Update as of December 31, 2025.

Recommendation: Receive the FY 2025-2026 second quarter financial status update as of December 31, 2025.

Steve Peters, Enrique De Anda, and Luz Penilla reviewed the information on this item, per the attached Committee Agenda Memo, and corresponding presentation materials contained in Attachment 1 were reviewed as follows: Steve Peters reviewed Slides 1-5, Enrique De Anda reviewed Slides 6-7 and 8-9, and Luz Penilla reviewed Slide 7.

Steve Peters, Enrique De Anda, and Luz Penilla were available to answer questions.

Public Comments:
None.

The Committee received and discussed the information, took no formal action, and noted the following:

- The Committee inquired whether projects were proceeding on schedule and noted that any adjustments would be submitted to the full Board through the Change Management Memo (CMM) process.
- The Committee confirmed there were no changes to report regarding the financial policies.

- 4.2. Receive a Status Update on the Implementation of Audit Recommendations; Authorize Staff to Close Completed Board-Directed Audits or Refer Them to the Chief Audit Executive (CAE) for Follow-Up Review; and Discuss a Timing of Next Update.

Recommendation: A. Receive a status update on the implementation of audit recommendations; and;

- B. Authorize staff to close completed Board-directed audits or refer them to the CAE for follow-up review; and
- C. Discuss timing of the next update.

Anthony Mendiola reviewed the information on this item, per the attached Committee Agenda Memo, and reviewed the information contained in Attachments 1 and 2.

Anthony Mendiola, Darin Taylor, Yvonne Arroyo, Patrice McElroy, and John Bourgeois were available to answer questions.

Public Comments:
None.

The Committee received and discussed the information, and noted the following:

- The Committee expressed interest in having a list for the Board of the overall expenses or fiscal implications associated with implementing the audit recommendations.
- The Committee noted positive feedback received from the public regarding the permitting process; discussed evaluating Key Performance Indicators (KPIs), monitoring customer feedback, and potential budget impacts during the audit implementation process.

It was moved by Director Estremera and seconded by Vice Chairperson Ballard and unanimously approved to close out the 2020 Safe, Clean Water (SCW) Program Grant Management Performance Audit.

George Skiles left the meeting and returned as noted below.

- 4.3. Continue Discussion on the Status of the On-Call Management Services Agreement for the Chief Audit Executive (CAE) and Recommend the Board Directors Initiate a Request for Proposal (RFP).

Recommendation: A. Continue discussion on the status of the On-Call Management Services Agreement for the CAE; and
B. Recommend the Board of Directors Initiate an RFP.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and reviewed the information contained in Attachments 1-4.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee received and discussed the information, and noted the following:

- The Committee expressed support for obtaining the Board's feedback on the selection of the CAE and discussed potential questions and desired characteristics of the position.

- The Committee discussed the BAC's role in the CAE selection process and expressed support for Vice Chairperson Ballard serving as the committee's representative on the RFP Review Panel.

It was moved by Director Estremera and seconded by Vice Chairperson Ballard and the following Recommendation was unanimously approved:

- B. Recommend the Board of Directors Initiate an RFP.

George Skiles returned to the meeting.

- 4.4. Discuss 2026 Annual Audit Plan (Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process), and Provide Feedback as Needed.

- Recommendation:
- A. Discuss 2026 Annual Audit Plan,
 - B. Provide feedback as needed.

Darin Taylor and George Skiles reviewed the information on this item, per the attached Committee Agenda Memo.

Darin Taylor and George Skiles were available to answer questions.

Public Comments:
None.

The Committee received and discussed the information, took no formal action, and noted the following:

- The Committee discussed the audit plan process and noted the potential for a phased approach for larger capital projects to reduce risk for the agency.
- The Committee expressed support for the CAE to review the Board Policy and Monitoring Committee's discussion regarding an investigation process for Board Appointed Officers (BAOs).
- The Committee expressed support for developing a follow-up process to revisit an audit if the final report is not as productive as expected.

- 4.5. Review and Discuss 2026 Board Audit Committee (BAC) Work Plan.

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2026 BAC Work Plan.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and without further discussion, noted the update on the 2026 BAC Work Plan.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

None.

6. ADJOURN:

6.1. Adjourn. The Next Regular Meeting is Scheduled at 1:00 p.m. on March 18, 2026.

Chairperson Beall adjourned the meeting at 2:21 p.m. The next regular meeting was scheduled to occur at 1:00 p.m. on March 18, 2026.

Nicole Merritt,
Deputy Clerk (Committee Meetings)

Date approved:

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Santa Clara Valley Water District

File No.: 26-0166

Agenda Date: 3/18/2026

Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Receive and Discuss the Single Audit Report for Fiscal Year (FY) Ending June 30, 2025.

RECOMMENDATION:

Receive and discuss the Single Audit Report for FY ending June 30, 2025.

SUMMARY:

The Single Audit is a rigorous, organization-wide audit of an entity that expends \$750,000 or more of federal assistance received for its operations. Usually performed annually, the Single Audit's objective is to provide assurance to the US federal Government as to the management and use of such funds by recipients. The audit is performed by an independent certified public accountant and encompasses both financial and compliance components. Once completed, the Single Audit must be submitted to the Federal Clearinghouse.

Attached is the final report for the Single Audit for the year ended June 30, 2025, prepared by Vasquez and Company.

Staff is pleased to report that there were no notable findings in the Single Audit Report for FY ending June 30, 2025. The report indicates that in the auditor's opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

ENVIRONMENTAL JUSTICE IMPACT:

There are no environmental justice impacts associated with this item.

ATTACHMENTS:

Attachment 1: Single Audit Report

File No.: 26-0166

Agenda Date: 3/18/2026
Item No.: 4.1.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068



**Santa Clara Valley Water District
Single Audit Report
Year Ended June 30, 2025
with Independent Auditor's Report**

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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Santa Clara Valley Water District
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Water District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California
December 23, 2025**



Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Directors
Santa Clara Valley Water District
San Jose, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Santa Clara Valley Water District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2025, and have issued our report thereon dated December 23, 2025 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Vaqueria & Company LLP

Glendale, California

March 2, 2026, except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is *December 23, 2025*.

**Santa Clara Valley Water District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number (ALN)	Program Identification Number	Pass- Through Entity/ Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
MAJOR PROGRAMS					
<u>Natural Resources Conservation Service (NRCS)</u>					
Direct Assistance:					
Watershed Protection and Flood Prevention Program - NRCS Upper Llagas FP, Phase 2B	10.904	Not applicable	N/A	\$ -	\$ 21,106,967
	Total for ALN 10.904			<u>-</u>	<u>21,106,967</u>
<u>Federal Emergency Management Agency (FEMA)</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)					
Direct Assistance:					
FEMA-4683-DR-CA, CAT A2_NEW_100% COST SHARE	97.036	745391	N/A	-	171,264
FEMA-4683-DR-CA, CAT D_LLAGAS CREEK	97.036	730159	N/A	-	206,212
FEMA-4683-DR-CA, CAT Z_ESTIMATED	97.036	747204	N/A	-	10,311
FEMA-4683-DR-CA, BERRYESSA SEDIMENT REMOVAL_PIEDMONT & MORRILL	97.036	719717	N/A	-	215,222
FEMA-4683-DR-CA, CAT A2_NEW_75% COST SHARE	97.036	745392	N/A	-	95,031
FEMA-4683-DR-CA, CAT G_ALMADEN LOG BOOM	97.036	719719	N/A	-	24,239
FEMA-4683-DR-CA, CAT D_COYOTE-ALAMITOS CANAL	97.036	719718	N/A	-	101,636
FEMA-4683- DR-CA, SANTA CLARA WATER VALLEY- COUNTYWIDE DEBRIS REMOVAL-THRU 02/25/2023 100% COST SHARE	97.036	727185	N/A	-	444,379
FEMA-4482-DR-CA, COVID 19	97.036	334268	N/A	-	91,648
FEMA-4482-DR-CA, COVID-19 2021	97.036	663178	N/A	-	110,957
FEMA-4482-DR-CA, 2022 JAN-JUNE 2022 OTHER COVID-19 COSTS	97.036	685085	N/A	-	154,463
FEMA-4482-DR-CA, CONTACT LABOR 7/2/2022 THROUGH 5/4/2023	97.036	736840	N/A	-	4,832
	Total for ALN 97.036			<u>-</u>	<u>1,630,194</u>
<u>U.S Environment Protection Agency</u>					
Water Infrastructure Finance and Innovation (WIFIA) Loans					
Direct Assistance:					
Water Reliability Program - Project 1	66.958	22115CA	N/A	-	27,455,457
Safe Clean Water and Natural Flood Protection Program - Project 1	66.958	22116CA	N/A	-	7,930,746
	Total for ALN 66.958			<u>-</u>	<u>35,386,203</u>
Total Major Programs				<u>-</u>	<u>58,123,364</u>
NON-MAJOR PROGRAMS					
<u>U.S. Environmental Protection Agency</u>					
Direct Assistance:					
San Francisco Bay Area Water Quality Improvement Fund for the Calabazas/San Tomas Aquino Creek- March Connection Project	66.126	98T55101	N/A	-	81,492
San Francisco Bay Area Water Quality Improvement Fund for the Nine Creek Cleanup Project in Santa Clara County	66.126	98T61001	N/A	-	596,989
	Total for ALN 66.126			<u>-</u>	<u>678,481</u>
<u>U.S. Department of the Interior Bureau of Reclamation</u>					
Direct Assistance:					
Water Recycling and Desalination Construction Programs - South County Water Reuse Program Feasibility Study	15.504	R25AC00103	N/A	-	2,587
	Total for ALN 15.504			<u>-</u>	<u>2,587</u>
Total Non-Major Programs				<u>-</u>	<u>681,068</u>
				<u>\$ -</u>	<u>\$ 58,804,432</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) presents the federal award activity of Santa Clara Valley Water District (the District) under programs of the federal government for the year ended June 30, 2025. For purposes of this Schedule, financial awards include federal awards received directly from federal agencies, as well as federal funds received indirectly by the District from non-federal agencies or other organizations. Only the portions of program expenditures reimbursable with federal funds are reported in the accompanying Schedule. Program expenditures in excess of the maximum reimbursement authorized, if any, or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying Schedule.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The expenditures reported on the Schedule are reported on the accrual basis of accounting except that the lending of certain federal award monies and acquisition of capital assets are reported as expenditures of federal funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

NOTE 3 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports for the year ended June 30, 2025, which have been submitted to grantor agencies, will, in some cases, differ from the amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals.

NOTE 4 RELATIONSHIP TO ANNUAL COMPREHENSIVE FINANCIAL REPORT

Amounts reported in the accompanying SEFA agree, in all material respects, to amounts reported within the District's Annual Comprehensive Financial Report.

NOTE 5 WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT (WIFIA) PROGRAM

The District participates in the Water Infrastructure Finance and Innovation Act (WIFIA) program, administered by the U.S. Environmental Protection Agency (EPA). The WIFIA loan was obtained to finance a portion of the District's Water Reliability Program and Safe, Clean, Water and Natural Flood Protection Program. These projects qualify as eligible water infrastructure investments under federal criteria.

For the fiscal year ended June 30, 2025, the District reported \$35,386,203 in federal expenditures under the WIFIA program on the Schedule of Expenditures of Federal Awards (SEFA). Reported expenditures represent loan proceeds expended during the reporting period in accordance with Uniform Guidance requirements for federal loan programs.

As of June 30, 2025, the outstanding principal balance of the WIFIA loan was \$35,386,203. Additional loan draws are anticipated as project activities continue.

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(is) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors’ report issued on compliance with respect to major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	None

Identification of Major Federal Programs:

<u>Assistance Listing Number (ALN)</u>	<u>Name of Federal Program or Cluster</u>
10.904	Watershed Protection Program and Flood Prevention
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
66.958	Water Infrastructure Finance and Innovation (WIFIA) Loans
Dollar threshold used to distinguish between Type A and Type B programs	
	\$1,764,133
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

There were no financial statement findings for the fiscal year ended June 30, 2025.

Section III – Federal Award Findings

There were no findings reported during the fiscal year ended June 30, 2025.

**Santa Clara Valley Water District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025**

There were no findings reported during the fiscal year ended June 30, 2024.



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Santa Clara Valley Water District

File No.: 26-0233

Agenda Date: 3/18/2026

Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Discuss Proposed Updates to the Board Audit Committee Audit Charter and Provide Further Direction as Needed.

RECOMMENDATION:

- A. Discuss Proposed Updates to the Board Audit Committee Audit Charter; and
- B. Provide Further Direction as Needed.

SUMMARY:

The 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. On September 26, 2018, the BAC directed that an Audit Committee Charter be developed, and on August 27, 2019, the Board formally approved the BAC Audit Charter. The BAC Audit Charter was last amended by the Board at its regular meeting on April 22, 2025.

A. Recommended Changes

(1) New: Article III, §9

A new provision is recommended to be added to Article III of the Board Audit Committee Audit Charter (Charter) providing direction when selecting an Independent Auditor. Currently, section 11 of the Board of Directors Code of Ethics and Conduct (Code) prevents Directors from communicating with current or potential vendors after the issuance of a request for goods or services has been released.

The Independent Auditor reports directly to the Board. Assigning a member of the Board to sit on the selection panel is a reasonable expectation and has been established as a practice of The Santa Clara Valley Water District (District). Guidance is needed to ensure that a Committee member sitting on the selection panel for the Independent Auditor role the Board supervises limits any communication solely to their

role as a panelist to avoid an actual or perceived violation of the Code. Staff anticipates a clarification to the Code ensuring the two documents complement one another. The following recommended addition to the Charter is proposed:

9. ***Selection of Independent Auditor - The Independent Auditor will be required to adhere to the District's standard procurement process. Where a selection panel is created to review Independent Auditor submissions and/or engage in interviews, one member of the Committee may sit on the selection panel. The Committee member who participates in the selection panel may not interact directly with the vendors outside of the selection panel interview. Committee members shall rotate who sits on the selection panel so that no individual Committee member participates in the selection panel more than two (2) consecutive procurement periods.***

- (2) Modify: Article VII, §4

Additional language to Article VII, §4 is recommended to clarify when Valley Water management shall provide a report to the Committee of the scope and nature of all planned Management Initiated Audits. The language currently could be perceived as the next meeting after Valley Water Management staff notifies the Committee of any planned Management Initiated Audits or following the Chairs request. The suggested below language removes any ambiguity:

1. Notice to Committee of Management Initiated Audits - Valley Water management shall notify the Committee in writing of any planned Management Initiated Audits before commencing the same. Upon request by the Board Chair, Valley Water management shall provide a report to the Committee of the scope and nature of all planned Management Initiated Audits at the next scheduled Committee meeting ***following the Board Chairs request***. Where circumstances require any Management Initiated Audit to commence before the next regularly scheduled Committee meeting, the Committee Chair shall be advised of this need, and the audit need not be delayed. Where the Management Initiated Audit allows for a response by Valley Water staff before it is finalized, the Committee Chair shall be immediately notified by email or telephone and shall determine whether to have the Committee review and comment on any draft Valley Water response at a regularly scheduled or specially noticed Committee meeting. Where possible, Valley Water management shall provide the Committee with at least fifteen calendar days for such review and comment. Where timely review and comment by the full Committee is not reasonably possible, the Committee Chair may conduct such review and comment himself/herself and shall report upon such review and comment at the next scheduled Committee meeting. The Committee Chair may also delegate this responsibility to the Vice Chair for any particular Management Initiated Audit, where the Committee Chair is unavailable. The Committee shall be provided with copies of any final reports on Management Initiated Audits.

These recommended changes are all set forth in the redlined Charter (Attachment-1), and input is

sought from the Committee regarding whether to recommend them to the full Board for adoption in the Charter.

B. BAC Input Regarding Further Charter Changes

Input is also requested from the Committee regarding any additional modifications to propose for the Charter. Once a final set of changes has been approved by the Committee, the proposed updated Charter would be presented to the full Board for approval.

ENVIRONMENTAL JUSTICE IMPACT:

The BAC Charter is not subject to environmental justice analysis. The BAC Charter serves as a guide utilized by the BAC to describe how the BAC will carry out its function as it relates to the Board's priorities.

ATTACHMENTS:

Attachment 1: Red-lined Board Audit Committee Charter

Attachment 2: PowerPoint

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



**SANTA CLARA VALLEY WATER DISTRICT
BOARD AUDIT COMMITTEE
AUDIT CHARTER**

| April-22, 20252026

ARTICLE I - PURPOSE

1. This Charter shall govern the operation of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee).
2. Valley Water’s Board of Directors (Board) is responsible for ensuring that Valley Water provides Silicon Valley with safe, clean water for a healthy life, environment, and economy.
3. Audits constitute an important oversight tool as they provide independent and fact-based information to an agency’s elected officials and management. Information derived from audits can be used by those responsible with governance and oversight to use it to improve program performance and operations, confirm regulatory compliance, reduce costs, and facilitate decision making.
4. The Committee shall assist the Board, consistent with direction from the full Board, by identifying potential areas for audit and audit priorities, and to review, update, plan and coordinate execution of Board audits.
5. Through its oversight of the audit process, the Committee serves a critical role in providing oversight of Valley Water’s governance, risk management, ethics program, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. It is the Committee’s responsibility to provide the Board with independent, objective advice on the adequacy of Valley Water management’s arrangements with respect to the aspects of the management of Valley Water being evaluated.
6. In carrying out its functions, the Committee shall emphasize: (a) the identification of organizational risk; (b) service delivery; (c) operational efficiency; (d) effectiveness of Valley Water programs; (e) project delivery; (f) establishment of an Annual Workplan and an Annual Audit Workplan to guide the Committee’s work; and (g) oversight and monitoring of Valley Water operations and compliance with all applicable regulatory requirements.
7. In addition to carrying out audits in a Board approved Annual Audit Plan, the Committee’s purpose also includes oversight of audits initiated by Valley Water management, review and comment upon final audits initiated by third-party governmental or administrative agencies, and the conduct of Limited Investigations of potential fraud, waste or violations of law or policy as set forth herein. The

Committee's oversight of Annual Financial Statement Audits shall include the additional elements set forth in Article VIII herein.

8. The Committee shall serve to reinforce the wholeness of the Board's job and shall never interfere with delegation from the Board to the Board Appointed Officers.
9. Through its oversight of the audit process, the Committee shall provide the Board with independent advice and guidance regarding the adequacy and effectiveness of Valley Water's management practices and potential improvements to those practices.

ARTICLE II - COMPOSITION

1. Number of Committee members/Appointment - The Committee shall consist of at least three members of the Board and shall be appointed by the Board in accordance with the Board's Governance Policies. Committee members shall serve one-year terms.
2. Quorum - The quorum for the Committee shall be a majority of the members.
3. Committee Chair - A Committee Chair shall be elected by a majority of the Committee at the first Committee meeting of the calendar year and shall serve for a one-year term. The Committee Chair shall be responsible for approving agendas for Committee meetings (which shall include the right to add agenda items and, subject to the restrictions of Governance Process sections 6.3 and 6.3.1, review agenda items prior to posting agendas), approving the payment of invoices to Auditors, and making all initial efforts to resolve any conflicts that may arise during an audit, including but not limited to meeting with auditors and Valley Water executive management to discuss audit results and corrective action plans. To the extent the Chair is unable to resolve conflicts arising during the audit, the matter shall be referred to the Committee for attempted resolution.
4. Committee Vice-Chair - A Committee Vice-Chair shall be elected by a majority of the Committee at the first Committee meeting of the calendar year and shall serve for a one-year term. The Vice-Chair shall assume the duties of the Chair during the Chair's absence.

ARTICLE III – OPERATIONAL PRINCIPLES

1. Committee Values. The Committee shall conduct itself in accordance with Valley Water's values as set forth in Valley Water's Governance Policies of the Board of Directors, Governance Process No. GP-7 (Values Statement).

2. Communications – The Committee expects that all communication with management and staff of Valley Water as well as with any external auditors will be direct, open, and complete. The Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Committee will communicate directly with the Board and will not exercise actual authority over Valley Water employees.
3. Disclosure of Impairment to Independence – The Auditor shall disclose the details of any audit-related impairment in fact or in appearance to the Committee (e.g., one which threatens the ability to carry out audit responsibilities in an unbiased manner, including matters of audit identification, scope, procedures, frequency, timing, and report content).
4. Access to Information - Except where action by the full Board is required (such as for the waiver of a legal privilege), the Committee shall have unrestricted access to records, data, reports, and all other relevant information it considers necessary to discharge its duties. If access to requested documents is denied due to legal or confidentiality reasons, the Committee shall follow any prescribed, Board approved mechanism for resolution of the matter.
5. Authority – This Charter sets out the authority of the Committee to carry out the responsibilities established for it by the Board. In the event of any conflict between this Charter and either the District Act or the Board Governance Policies, the provisions of the District Act and Board Governance Policies shall prevail.
6. Annual Work Plan –
 - 6.1. Work Plans are used by all Board Committees to increase Committee efficiency, provide increased public notice of intended Committee discussions, and enable improved follow-up by Valley Water staff. Work Plans are dynamic documents managed by Committee chairs and are subject to change. Annual Work Plans establish a framework for committee discussion and action during the annual meeting schedule. Committee Work Plans also serve as Annual Committee Accomplishments Reports.
 - 6.2. The Committee shall, in coordination with Valley Water’s Clerk of the Board, develop a proposed Annual Work Plan. Items shall be included in the Annual Work Plan based upon a majority vote of the Committee.

7. Annual Audit Plan

7.1. While the Annual Work Plan governs the overall work of the Committee, the Committee shall also develop a proposed "Annual Audit Plan" which shall list each of the individual audits to be performed over the course of the year.

7.2. By November 30 of each year, the Committee shall submit its recommended Annual Audit Plan to the full Board for consideration and direction. Following the Board's adoption of the Annual Audit Plan, the Committee shall execute the Annual Audit Plan. Any proposed substantive changes to the Annual Audit Plan (e.g., combining audits, adding or removing an audit, or significantly delaying initiation of an audit) must be approved by the Board. Recommended changes should be evidence based.

7.3. Only audits properly included in an approved Annual Audit Plan, as set forth in section 7.2 above, may be undertaken by the Committee.

7.4. Risk Assessment – The Committee shall endeavor to complete a Valley Water-wide risk assessment, at a minimum, tri-annually and to annually update Valley Water-wide audit risk assessment to include objectively recommended audits ranked based upon the potential level of risk to Valley Water. The results of this Valley Water-wide audit risk assessment should be relied upon to develop the proposed Annual Audit Plan.

8. Valley Water Independent Auditor – Upon approval of the Board following recommendation by the Committee, Valley Water may retain an Independent Auditor to serve as support to the Committee, to make recommendations for the Annual Work Plan, and to recommend audits for inclusion in the Annual Audit Plan. The Independent Auditor shall not be an employee of Valley Water. The Independent Auditor must report directly to the Audit Committee but is subject to the final authority of the Board. Valley Water staff shall not direct or attempt to direct the work of the Independent Auditor. The Committee may recommend that the Independent Auditor perform individual audits but shall ensure that additional auditors are recommended for use in planned audits so that no single firm conducts a disproportionate number of audits in a given fiscal year.

~~8-9.~~ Selection of Independent Auditor – The Independent Auditor will be required to adhere to the District's standard procurement process. Where a panel is created to review Independent Auditor submissions and/or engage in interviews, one member of the Committee may sit on the selection panel. The Committee member who participates in the selection panel may not interact directly with the vendors outside of the selection panel interview. Committee members shall rotate who sits on the

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selection panel so that no individual Committee member participates in the selection panel more than two (2) consecutive procurement periods.

9.10. Committee Evaluation of Auditor Performance – The Committee shall evaluate the performance of the Independent Auditor and any other Auditor retained by the Board. The Committee may make a recommendation to the Board to discharge

such Independent Auditors or other Auditors where they are not adequately fulfilling their contracted duties.

~~40.11.~~ Preparation and Attendance – Committee members are obligated to prepare for and participate in Committee meetings.

~~41.12.~~ Conflicts of Interest – It is the responsibility of Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee regarding any matters coming before or considered by the Committee.

ARTICLE IV – MEETINGS

1. Meeting Agendas – Guided by the Audit Charter, Annual Work Plan, and Annual Audit Plan, the Committee Chair will establish agendas for Committee meetings in consultation with Committee members, Valley Water Management, and the Clerk of the Board.
2. Meetings – The Committee will conduct its meetings in accordance with the provisions of the Brown Act. The Committee shall meet at least four times per year. Beyond this minimum, there shall be no limit to the number of meetings held over the course of the year.

ARTICLE V – AUDIT PRINCIPLES

1. Audit Purposes – Audits can serve several purposes including, but not limited to:
 - a. Verifying that programs, services, and operations are working based upon the Committee’s understanding;
 - b. Assuring efficiency and effectiveness;
 - c. Identifying the root cause of any problems experienced by Valley Water;
 - d. Assessing future risks facing Valley Water;
 - e. Assessing the progress of prior audit recommendations;
 - f. Identifying any impact that changes in Valley Water operations have had on financial performance and service delivery;
 - g. Identifying leading practices;
 - h. Assessing regulatory compliance;
 - i. Developing policy options; and
 - j. Assessing the accuracy of financial information reported by Valley Water.
2. Audit Types – The types of audits that may be conducted on behalf of Valley Water include, but are not limited to, the following:

- a. Financial audits – Valley Water hires an outside independent audit firm to perform Valley Water’s financial statement audit;
 - b. Internal audits – Internal audits (aka, Management Audits) review the environment, information, and activities that are designed to provide proper accountability over Valley Water operations;
 - c. Compliance audits – Compliance audits review adherence to Valley Water policies and procedures, state regulatory requirements, or federal regulatory requirements;
 - d. Performance audits – Performance audits review the economy, efficiency, and effectiveness of Valley Water’s programs, services and operations. Performance audits can evaluate current impact or assess operations prospectively;
 - e. Desk reviews – Small and quick assessments of limited size or duration for the purpose of determining if a full performance audit is needed. Board approval is not required for Desk reviews, however the Committee shall, as soon as is practicable, provide the Board with notice following the Committee’s approval to initiate any Desk review;
 - f. Follow up audits – Audits evaluating to what extent prior audit recommendations have been implemented. Follow up audits may also assess other actions taken to respond to or prevent the occurrence of problems;
 - g. Best practice reviews – Audits which compare current Valley Water operations to best practices.
 - h. Program audits – Program audits are conducted to evaluate whether a particular Valley Water program is effectively accomplishing its goals and are mandated pursuant to state or federal statute or regulation, ordinance, resolution, ballot measure, grant requirement, or contractual requirement. Program audits are unique in that they are mandated by program requirements, not directed by management or the Board. Program audits fall within the responsibility of Valley Water management except when specifically referred to the Committee by the Board.
3. Audit Objectives – Audit objectives must be developed for every audit conducted on behalf of Valley Water. These audit objectives are questions posed by management, Committee members, Board members, or auditors about the specific nature of the issue or concern that is the subject of the audit. Suggested Audit Objectives shall be referenced in the Annual Audit Plan for every

audit listed therein. The audit objectives may be subject to revision as necessary during the planning phase of the audit.

4. Audit Standards – Audits conducted by or on behalf of the Committee shall conform with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (RED Book) or the Generally Accepted Government Auditing Standards established by the U.S. Government Accountable Standards (YELLOW Book), or both.
5. Limited Investigations.
 - a) Purpose. In lieu of an audit, the Committee shall also have discretion to conduct or request Limited Investigations to address any discrete issue or concern regarding fraud, waste, or violations of law or policy at Valley Water. The Committee shall not have jurisdiction to conduct Limited Investigations on any other matters. Prior Board approval is not required for the initiation of Limited Investigations.
 - b) Scope. Such Limited Investigations may or may not be subject to the Audit Standards set forth above and shall be undertaken only where: (1) the Limited Investigation is designed to determine the existence or nonexistence of discrete facts involving alleged fraud, waste, or violations of law or policy at Valley Water; (2) the Committee has determined that an audit is not appropriate to address the concern; and (3) the Limited Investigation does not address any matters covered or potentially covered by Board Governance Policy GP-6 (Board Members' Code of Conduct).
 - c) Classified Employees. Classified employees who are parties to any Limited Investigation shall be afforded all applicable rights under the Meyers-Milias-Brown Act and the Memorandum of Understanding then in effect with the employee's union.
 - d) Timely completion. All Limited Investigations must be completed in a timely manner.
 - e) Report of Results. The Committee shall advise the Board of the results of all completed Limited Investigations.
6. Protection of Confidential or Privileged Information – The Committee shall take all necessary steps to prevent the unnecessary disclosure of privileged or confidential information arising in the audit process, arising in the final reports on the audits, arising in the Limited Investigation process, or arising in final reports issued on Limited Investigations.

ARTICLE VI – COMMITTEE OVERSIGHT OF BOARD INITIATED AUDITS

1. Committee recommendation of Auditors – The Committee shall make recommendations to the full Board for the selection of all Auditors to perform audits in the approved Annual Audit Plan. In making such recommendations, the Committee shall consider multiple auditors in order to avoid having any single auditor perform a disproportionate number of audits in a given fiscal year. Following such recommendation, the Board shall make the final decision regarding the selection of such auditors.
2. Board Auditors and Valley Water Staff – Valley Water staff may assist the Committee in its work and may provide information to, assist, or work with Auditors retained by the Board, as necessary. Valley Water staff shall not, however, attempt to direct any Auditors retained by the Board. Auditors retained by the Board shall have a duty to the Board and shall not take direction from Valley Water staff.
3. Communications with Auditors – Individual Committee members shall have the right to speak with Auditors directly regarding the Auditor’s assignments. However, direction to Auditors shall come from the Committee as a whole.
4. Completion of Annual Audit Plan – The Committee shall ensure that audits on the Annual Audit Plan are initiated and completed in an accurate and timely manner.
5. Review of Final Audit Results/Notice to Board – The Committee shall review the observations and conclusions of all audits conducted pursuant to the Annual Audit Plan. Upon finalization of the audits and any related reports, the Committee shall provide the Board with the results and make any recommendations to the Board regarding improvement of program performance and operations, cost reductions, and best practices. Prior to referring any final audit report to the Board, the Committee may refer final audit reports to other Board committees for review and discussion. The Board may also direct that any final audit reports be referred to specified Board committees for review and discussion before being referred to the Board.
6. Draft Audit Reports - Subject to any requirements of the California Public Records Act or any other applicable state or federal law or regulation, Draft Audit Reports shall be treated as confidential records. Despite any contrary prior practice, Draft Audit Reports shall not be presented to the Committee or any other Valley Water committee for review or any other purpose.

7. Valley Water Management Response to Audits – Valley Water Management must hold an exit conference with the Auditor regarding any preliminary draft audit report within ten working days from issuance. Valley Water Management must review and respond to draft audit report recommendations included in Board Initiated audits within fifteen working days from issuance of the final draft audit report, unless the Auditor requires the Management response in a shorter amount of time. The Committee, at the request of Valley Water management, may extend the review and comment periods on an audit-by-audit basis. The Committee may ask questions about or make comments on any responses to the draft audit report recommendations. However, the Committee shall not attempt to direct Valley Water staff in its response to any audit.
8. Follow-up/close out of audits – The Committee may request a report regarding Valley Water’s implementation of measures to address recommendations from individual audits. Where not all audit recommendations have been implemented, this shall be reported in a Follow-up report, and where all recommendations have been implemented, this shall be reported in a Close-out Report. As designated by the Committee, the report shall be prepared by either the Auditor completing the audit or the Independent Auditor. Where no remedial measures have been identified by Valley Water management, the Close-out Report shall address whether management has elected to accept the associated risk or whether the risk no longer exists. Following consideration of the Close-out Report, the Committee may vote to close an audit where it is satisfied that the audit recommendations are adequately addressed or where the risk associated with any unaddressed recommendation is acceptable or no longer exists.
9. Board Monitoring of Committee Performance – The Committee shall provide the Board with timely and periodic reports regarding its activities, its progress on individual audits, its progress on the Annual Work Plan, its progress on the Annual Audit Plan, the results of completed audits, and the Committee’s recommendations based upon the audit results. The Committee may also identify any recognizable trends in the audit results as part of its periodic reports. The Committee shall provide such reports to the Board at least four times per calendar year.

ARTICLE VII – THIRD-PARTY AND MANAGEMENT INITIATED AUDITS

1. Third-Party Audits – Third-Party Audits are audits initiated by a separate governmental agency (entities other than Valley Water).

2. Management Initiated Audits – Management Initiated Audits are audits requested by Valley Water management (i.e., internal audits) and audits mandated by specific program requirements (i.e., Program Audits). Nothing in this Charter shall restrict the ability or discretion of Valley Water management to undertake any audits it deems required or recommended.

3. Notice to Committee of Third-Party Audits – The Committee shall be promptly notified in writing of the existence and results of any Third-Party audits of Valley Water. Where Valley Water has been given an opportunity to submit a response before the Third-Party audit is finalized, the Committee Chair shall be immediately notified by email or telephone and shall determine whether to have the Committee review and comment upon any draft Valley Water response at a regularly scheduled or specially noticed Committee meeting. Where possible, Valley Water management shall provide the Committee with at least fifteen calendar days for such review and comment. Where timely review and comment by the full Committee is not reasonably possible, the Committee Chair may conduct such review and comment himself/herself and shall report upon such review and comment at the next scheduled Committee meeting. The Committee Chair may also delegate this responsibility to the Vice Chair for any particular Third-Party Audit, where the Committee Chair is unavailable. The Committee shall be provided with copies of any final reports on Third-Party Audits.

4. Notice to Committee of Management Initiated Audits – Valley Water management shall notify the Committee in writing of any planned Management Initiated Audits before commencing the same. Upon request by the Board Chair, Valley Water management shall provide a report to the Committee of the scope and nature of all planned Management Initiated Audits at the next scheduled Committee meeting following the Board Chair's request. Where circumstances require any Management Initiated Audit to commence before the next regularly scheduled Committee meeting, the Committee Chair shall be advised of this need, and the audit need not be delayed. Where the Management Initiated Audit allows for a response by Valley Water staff before it is finalized, the Committee Chair shall be immediately notified by email or telephone and shall determine whether to have the Committee review and comment on any draft Valley Water response at a regularly scheduled or specially noticed Committee meeting. Where possible, Valley Water management shall provide the Committee with at least fifteen calendar days for such review and comment. Where timely review and comment by the full Committee is not reasonably possible, the Committee Chair may conduct such review and comment himself/herself and shall report upon such review and comment at the next scheduled Committee meeting. The Committee Chair may

also delegate this responsibility to the Vice Chair for any particular Management Initiated Audit, where the Committee Chair is unavailable. The Committee shall be provided with copies of any final reports on Management Initiated Audits.

5. Comment Upon Draft Audit Responses – The Committee Chair and the Committee may ask questions about or make comments upon any draft audit responses. However, they shall not attempt to direct Valley Water staff in its response to any audit.
6. Audit Results – The Committee may request a report by Valley Water Staff on any response to Management Initiated or Third-Party Audits and any plans by Valley Water staff to implement changes as a result of the audits.
7. Board Report of Audit Results – In its periodic reports to the full Board, the Committee may include information regarding Third-Party Audits or Management Initiated Audits.

ARTICLE VIII – ANNUAL FINANCIAL STATEMENT AUDIT

1. Annual Financial Statement Audit - The Committee shall participate in Valley Water's procurement process for Valley Water's annual financial statement audit.
2. The Committee's participation shall include, but not be limited to, providing input to Valley Water management on the selection criteria and desired qualifications of the public accounting firm. The selected external financial auditor shall submit to the Committee Valley Water's audited financial statements annually, including all related management letters to the Committee for review and comment.
3. Financial Statement audit results and pertinent information identified during the course of the audit shall be communicated, in writing or verbally, to the Board Audit Committee. For purposes of this section, "pertinent information" is defined as issues, concerns, practices, programs, or activities that may pose a reputational, operational, financial, or service delivery risk to Valley Water regardless of the magnitude of the apparent risk, as well as any issue deemed pertinent in the auditor's professional judgment.
4. Valley Water contracts for performance of the Annual Financial Statement Audit entered into after December 13, 2022 shall include express contractual obligations in accordance with the aforementioned ARTICLE VIII, Section 3.

ARTICLE IX – REVIEW OF JPA AUDITS

1. For purposes of this Article, “JPA” means any Joint Powers Authority formed under the California Joint Exercise of Powers Act (Government Code sections 6500 et seq.) to which Valley Water is a member pursuant to a Joint Powers Agreement.
2. The Committee shall have the authority to review any formally issued JPA audit reports and, except as set forth below, shall retain discretion regarding what JPA audit reports it may wish to review.
3. Through its review of JPA audits, the Committee may evaluate:
 - a) Whether the JPAs are complying with applicable legal requirements;
 - b) The financial condition of the JPAs;
 - c) Whether the JPAs are complying with the terms of their respective JPA Agreements;
 - d) Whether Valley Water’s interests are being met;
 - e) Whether there are any trends of concern in the activities of the JPA;
 - f) Whether there are any recommended areas for future audits for the JPA; and
 - g) Any specific questions of Valley Water’s Board.
4. The Board may refer specific JPA audits to the Committee for review and/or recommendation as to questions or subjects identified by the Board.
5. In conducting its review, the Committee may seek input from the Independent Auditor, Valley Water staff, and others as needed.
6. The review of any JPA audits shall be included in the Committee’s Annual Work Plan.
7. The Committee may report out to the Board regarding any JPA audit review results and any related recommendations of the Committee.
8. The Committee’s authority to review JPA audits set forth herein does not include any corresponding right to directly communicate with JPAs on behalf of Valley Water or assume any direct responsibilities of Valley Water’s formal representatives on the JPAs. This shall not limit the activities or functions of any Valley Water JPA representative who is also member of the Committee.

ARTICLE X – PERFORMANCE MANAGEMENT

1. The Committee shall periodically review the Audit Charter and shall make any recommendations regarding changes to the Board for final approval.

2. The Board may make any changes to the Audit Charter it deems to be appropriate.
3. Education – The Annual Work Plan shall include some component of planned Committee training on audit principles, practices, or standards. The Independent Auditor shall provide Committee training and other knowledge transfer on some component of audit principles, practices, and standards. While the Committee shall endeavor to schedule and complete such training annually, some component of training must be scheduled and completed by the Committee at least every two years.
4. At least annually, the Committee shall conduct an evaluation of its performance to determine whether it is functioning effectively and to discuss with the Independent Auditor any observations related to the effectiveness of the Committee. The Committee shall prepare a formal report based upon each such self-evaluation and shall provide such report to the full Board following its adoption by the Committee.

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Valley Water

Clean Water • Healthy Environment • Flood Protection

Board Audit Committee Charter - Proposed Revisions March 18, 2026

Charter History

- The Board Audit Committee Charter was first adopted in August 2019.
- Art. X, Sec. 1: “The Committee shall periodically review the Audit Charter and shall make any recommendations regarding changes to the Board for final approval.”
- The most recent amendments were approved by the Board on April 22, 2025.

Proposed Revision 1 – New: Article III, §9

- Article III §9 does not currently provide direction pertaining to Committee member participation in a selection panel of the Independent Auditor
- New language clarifies:
 - How many Committee members can be on the selection panel
 - Communication limitations with potential vendors for that Committee member on the selection panel
 - Provides that one Committee member can only serve on the selection panel up to two (2) consecutive rounds

Proposed Revision 2 – Article VII, §4

- Article VII, §4 provides that Valley Water management shall provide a report to the Committee of the Scope and Nature of all planned Management initiated Audits
- Article VII, §4 also provides that a report shall be provided upon a request from the Board Chair
- Proposed Revision clarifies WHEN the report must be provided to the Committee:
 - Following the Board Chair's request

BAC ADDITIONAL RECOMMENDED CHANGES?

QUESTIONS



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Santa Clara Valley Water District

File No.: 26-0231

Agenda Date: 3/18/2026
Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM **Board Audit Committee**

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Receive and Discuss Report From Independent Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Regarding Their Performance in Calendar Year (CY) 2025, and Evaluate Performance of CAE.

RECOMMENDATION:

- A. Receive and discuss a report from the independent CAE, Sjoberg Evashenk Consulting, regarding their performance in CY 2025; and
- B. Evaluate the performance of the CAE.

SUMMARY:

The 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.

Per the BAC Charter, Article III, Paragraph 9, the BAC is tasked annually with evaluating Board Auditor performance.

On February 18, 2026, the Committee requested the CAE to prepare and submit the annual performance report. For this agenda item, the CAE will present the 2025 Annual Performance Report for consideration and evaluation.

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item.

ATTACHMENTS:

File No.: 26-0231

Agenda Date: 3/18/2026
Item No.: 4.3.

Attachment 1: 2025 Annual Performance Report of CAE

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

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

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

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.



Santa Clara Valley Water District

File No.: 26-0228

Agenda Date: 3/18/2026
Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Discuss Process and Scope of 2026 Annual Audit Training from Chief Audit Executive (CAE).

RECOMMENDATION:

Discuss process and scope of 2026 Annual Audit Training from CAE.

SUMMARY:

The 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.

Per Article 9, paragraph 3 of the BAC Audit Charter, the Board Independent Auditor shall provide the Committee with annual training related to Audit Principles, Practices, or Standards. Audit Training may include training on auditing standards, the audit process, and financial statement audits. For example, potential audit topics include, but are not limited to, the following:

- Audit standards, including Generally Accepted Government Auditing Standards issued by the Government Accountability Office and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
- Comparison of structures and practices of audit agencies within government agencies.
- The role of audit committees in overseeing organizational audit activities, including recommended practices.
- Fundamentals of internal control in public sector agencies.
- Fraud in Government

The purpose of this item is to discuss the process and scope of the training to be provided by the CAE.

ENVIRONMENTAL JUSTICE IMPACT:

The BAC Annual Audit Training is not subject to environmental justice analysis. Training is an essential task that ensures the BAC and other Board members are kept up to date regarding the latest principles and best practices of auditing.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 26-0235

Agenda Date: 3/18/2026

Item No.: 4.5.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Discuss 2026 Annual Audit Plan (Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process), and Provide Feedback as Needed

RECOMMENDATION:

- A. Discuss 2026 Annual Audit Plan; and
- B. Provide feedback as needed.

SUMMARY:

On November 19, 2025, the Chief Audit Executive (CAE) presented the proposed topics for the 2026 Annual Audit Plan to the Board Audit Committee (BAC) based on his individual interviews with each of the Board members. The BAC discussed and ultimately agreed to recommend the following topics to the full Board:

- 1) Risk Assessment, including developing the 2026 Risk Assessment pursuant to Section 7.4 of the BAC Charter for the purpose of identifying and prioritizing potential audit topics and informing future audit plans.
- 2) Asset Management, including reviewing and evaluating Valley Water's infrastructure maintenance programs, encompassing various elements related to operations and maintenance. This includes assessing how Valley Water develops and maintains its asset inventories. The evaluation will include:
 - a. Valley Water's methods and approach to determining the condition of existing assets.
 - b. Practices related to scheduling predictive and preventative maintenance, monitoring maintenance backlogs, and work order scheduling.
 - c. The extent to which Valley Water relies on outsourced service providers to augment in-house resources, and how well inventories are planned, maintained, and optimized to enhance overall operational efficiencies.
 - d. The use of asset management software or systems to extend the lifespan of critical infrastructure while minimizing operational costs.
- 3) Pacheco Reservoir Project, including evaluating whether best practices were followed during

each phase of the project through termination of the project.

- 4) Investigations Process, including evaluating the effectiveness, efficiency, and integrity of Valley Water's processes for investigating allegations of employee, Board officer, and Board member misconduct, including:
 - a. Adherence to applicable laws, policies, collective bargaining agreements, and ethical standards governing workplace investigations.
 - b. Appropriate separation of duties and independence in the handling of investigations involving management, senior leadership, or Board members;
 - c. Timeliness in the initiation, conduct, and resolution of investigations;
 - d. Consistent standards, procedures, and outcomes across similar cases;
 - e. Clear roles, responsibilities, and reporting lines for Human Resources staff, investigators, management, legal counsel, and appropriate oversight;
 - f. Accurate, complete, and secure maintenance of investigation case records;
 - g. Implementation of recommendations and identification of systemic issues or patterns of misconduct; and
 - h. Consistency with the practices of other public, private, and non-profit organizations related to complaint intake, investigation processes, and outcomes.

At its meeting on December 9, 2025, the Board approved the audit assignments and respective target start dates for each audit:

1. Risk Assessment
 - Assign to the Chief Audit Executive
 - Anticipated start date to be determined following the selection of the next CAE
2. Asset Management
 - Assign to Plante Moran
 - Anticipated start in Q1 of Calendar Year 2026
3. Pacheco Reservoir Project
 - Assign to Sjoberg Evashenk Consulting
 - Anticipated start in Q3 of Calendar Year 2026
4. Investigations Process
 - Assign to Baker Tilly Advisory Group
 - Anticipated start in Q2 of Calendar Year 2026

Audits Pending from Prior Years

Several audit projects initiated in the prior year remain in progress:

- The Board Policy Compliance Audit is in the reporting phase with a preliminary draft report for review expected in February 2026. This project has been delayed due to resource issues on both sides.
- The Capital Project Delivery audit commenced later than anticipated and remains in the

fieldwork stage, with completion projected for late Q2 2026.

- The Centralized and Decentralized Contracting Practices audit remains in the fieldwork stage, but experienced delays extending its expected completion to late Q1 2026.
- The Water Usage and Demand Forecasting audit was erroneously reported as being in the reporting phase last month, but in fact is still in the fieldwork stage.

The purpose of this agenda item is to present and discuss the 2026 Annual Audit Plan and receive any feedback the Board deems appropriate.

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item. The Annual Audit Workplan serves as a tool for communicating audit priorities as determined by the BAC and the Board of Directors.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 26-0236

Agenda Date: 3/18/2026

Item No.: 4.6.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Review and Discuss 2026 Board Audit Committee (BAC) Work Plan.

RECOMMENDATION:

Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2026 BAC Work Plan.

SUMMARY:

Per the BAC's Charter, Article III, Paragraph 6.2, "The Committee shall, in coordination with Valley Water's Clerk of the Board, develop a proposed Annual Work Plan. Items shall be included in the Annual Work Plan based upon a majority vote of the Committee."

Under direction of the Clerk, Work Plans are used by all Board Committees to increase Committee efficiency, provide increased public notice of intended Committee discussions, and enable improved follow-up by staff. Work Plans are dynamic documents managed by Committee Chairs and are subject to change.

The 2026 BAC work plan (Attachment 1) identifies planned discussion topics for the upcoming year and when those topics may appear before the committee. Since the February 18, 2026 meeting, the Annual Self-Evaluation and 2024 HR Audit Status update were rescheduled from the March meeting to the April BAC meeting.

Looking forward, the topics of discussion identified for April 15, 2026, BAC Meeting can be summarized as follows:

1. Discuss and Conduct Annual Self-Evaluation
2. 2024 Human Resources Audit
3. 2024 Information Technology Audit (Closed-Session)
4. 2026 BAC Work Plan
5. 2026 Annual Audit Plan

Upon review, the BAC may make changes to be incorporated into the work plan.

ENVIRONMENTAL JUSTICE IMPACT:

The BAC Work Plan is not subject to environmental justice analysis. The BAC Work Plan serves as a tool utilized by the BAC to identify topics to be discussed during the public meeting and when that topic may be presented.

ATTACHMENTS:

Attachment 1: 2026 BAC Work Plan

UNCLASSIFIED MANAGER:

Wendy Ho, 408-630-3874

BOARD AUDIT COMMITTEE 2026 WORKPLAN

January 1, 2026 to December 31, 2026

		DATE:	Jan-21	Feb-18	Mar-18	Apr-15	May-20	Jun-17	Jul-15	Aug-19	Sep-16	Oct-21	Nov-18	Dec-16
No. of Topics:			8	5	6	5	4	5	2	4	7	6	3	3
# Board Audit Committee Management														
1	Discuss and Conduct Annual Self-Evaluation		•			•								
2	Request and Discuss CAE Activity Report to Evaluate Performance		•		•									
3	Discuss Board Audit Committee Audit Charter				•									
4	Discuss Scope of Annual Audit Training				•									
5	Receive Annual Audit Training							•						
6	Review and Update BAC Work Plan		•	•	•	•	•	•	•	•	•	•	•	•
7	Provide Draft BAC Work Plan for Upcoming Year													•
Board Audit Committee Special Requests														
8	Review of Joint Powers Authority (JPA) audits							•						
9	Discuss Initiating Chief Audit Executive RFP		•	•										
10	Discuss Plante Moran Contract (expires 07/05/26)		•											
Board-directed Audits														
11	2021 Permitting Best Practices						•							
12	2023 CIP Performance										•			
13	2024 Human Resources Audit					•								
14	2024 Information Technology Audit (Closed-Session)					•								
15	2024 Board Policies and Compliance Audit													
16	2025 Water Conservation Audit		•											
17	2025 Centralized and Decentralized Contracting Practices													
18	2025 Capital Project Delivery Audit													
19	2025 Water Usage and Demand Forecasting Audit													
20	2026 Audit - TBD													
Other Audits														
21	2024 SCW Program Performance Audit											•		
CAE Standing Topics														
22	Review and Update Annual Audit Plan		•	•	•	•	•	•	•	•	•	•	•	•
23	Discuss next Annual Audit Plan									•	•			
24	Discuss Draft 2027 Annual Audit Plan											•		
25	Discuss Proposed 2027 Annual Audit Plan, Assign Audit Firms, and Recommend Proposed 2027 Annual Audit Plan with assignments for Board Approval												•	
Miscellaneous 3rd-Party Financial Audits														
26	Financial Status - Periodic Updates			•			•				•			
27	Discuss Audit for upcoming Fiscal Year (presented by Vasquez)							•						
28	Audit Report of the Water Utility Enterprise Funds										•			
29	Audited Financial Statements											•		
30	Single Audit Report				•									
Staff Standing Topics														
31	Audit Recommendations Implementation Status			•						•				
32	Receive Audit Analysis Report from CAE		•									•		
Committee Clerk Action Items (not included in count shown in Row 3 above)														
33	Provide BAC Summary Report to full Board		•	•	•	•	•	•	•	•	•	•	•	•
34	Election of BAC Chair and Vice Chair		•											
BAC Topics for Future Work Plan														
35	Provide Report on Tri-annual Risk Assessment (Target CY 2026)										•			

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