



Santa Clara Valley Water District

File No.: 21-0099

Agenda Date: 2/9/2021

Item No.: 4.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Consider the January 13, 2021 Recommendation from the Board Audit Committee, that the Board Refer a Policy Discussion Related to Financial Auditor Responsibility to the Board Policy and Planning Committee, for Further Discussion and Refinement.

RECOMMENDATION:

Consider the recommendation resulting from the Board Audit Committee's January 13, 2021 meeting, that the Board refer a policy discussion related to financial auditor responsibility to the Board Policy and Planning Committee for further discussion and refinement.

SUMMARY:

At its January 13, 2021 meeting, the Board Audit Committee discussed financial accounting issues that have recently been publicized at the City of Manteca. The City of Manteca is facing extensive financial accounting issues that go back several years. Roughly \$67 million in cash deficits have been identified. The Interim Finance Director for the City of Manteca believes that it may take several years before all issues are cleared up and addressed. Of importance to Valley Water is that Maze and Associates - Valley Water's current financial auditor - has been the financial auditor for the City of Manteca for the past several years. Valley Water will be monitoring the situation in Manteca especially as it relates to the role that Maze and Associates may have played with regard to the accounting crisis, and for lessons learned that can be applied to Valley Water. Valley Water understands that Maze and Associates has been voicing deficit spending concerns to City of Manteca management for years, and that a key reason that the City has not produced a Fiscal Year 2019 Comprehensive Annual Financial Report is due to questions raised by Maze and Associates.

The article can be found at the following URL:

<https://www.mantecabulletin.com/news/local-news/67m-manteca-cash-deficits/>

The purpose of this item is to recommend that the Board refer this issue to the Board Policy and Planning Committee for further discussion and refinement.

Staff additionally offers the following potential policy considerations that would help bolster financial controls at Valley Water:

1. The Board could adopt a policy that all management letters received from the external financial auditor following an audit must be shared with the Board. Staff currently follows this practice.
2. The Board could adopt a policy that any Request for Proposal (RFP) and agreement for a new external financial auditor going forward must require the external financial auditor to provide written notification of any deficiency found during a financial audit (referred to as full disclosure) as opposed to only providing written notification of material deficiencies (referred to as material disclosure).

FINANCIAL IMPACT:

There is no financial impact associated with this item.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068