



Santa Clara Valley Water District Board Audit Committee Meeting

Via Zoom Teleconference

2:00 PM REGULAR MEETING AGENDA

Wednesday, August 18, 2021
2:00 PM

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

BOARD AUDIT COMMITTEE
Barbara Keegan, Chair - District 2
Gary Kremen, Vice Chair - District 7
Richard P. Santos - District 3

During the COVID-19 restrictions, 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) 265-2600.

DARIN TAYLOR
Committee Liaison

MAX OVERLAND
Assistant Deputy Clerk II
Office/Clerk of the Board
(408) 630-2749
moverland@valleywater.org
www.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.

THIS PAGE INTENTIONALLY LEFT BLANK

**Santa Clara Valley Water District
Board Audit Committee
2:00 PM REGULAR MEETING
AGENDA**

Wednesday, August 18, 2021

2:00 PM

Via Zoom Teleconference

IMPORTANT NOTICES

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-08-21 issued on June 11, 2021, that allows attendance by members of the Committee, staff, and the public to participate and conduct the meeting by teleconference, videoconference, or both.

Members of the public wishing to address the Committee during a video conferenced meeting on an item not listed on the agenda, or any item listed on the agenda, should use the "Raise Hand" tool located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in the order requests are received and granted speaking access to address the Committee.

Santa Clara Valley Water District (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 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 Committee on any item not listed on the agenda should access the "Raise Hand" tool located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in order requests are received and granted speaking access to address the Committee. Speakers comments should be limited to three minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

3.1. Approval of Minutes.

[21-0899](#)

Recommendation: Approve the minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 072121 BAC Minutes](#)

Est. Staff Time: 5 Minutes

4. ACTION ITEMS:

- 4.1. Receive an Update Regarding the Quality and Environmental Management System (QEMS) Benchmarking Analysis. [21-0639](#)
Recommendation: Receive an update regarding the Quality and Environmental Management System (QEMS) Benchmarking Analysis.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: PowerPoint](#)
Est. Staff Time: 15 Minutes
- 4.2. Discuss Process to Follow-up on Completed Audits. [21-0715](#)
Recommendation: Discuss process to follow-up on completed audits.
Manager: Darin Taylor, 408-630-3068
Est. Staff Time: 5 Minutes
- 4.3. Review the Board Audit Committee's 2020 Self-Evaluation and Discuss Progress Toward Improvement Areas. [21-0857](#)
Recommendation: A. Review the results of the 2020 Self-Evaluation; and
B. Discuss progress toward improvement areas.
Manager: Darin Taylor, 408-630-3068
Est. Staff Time: 5 Minutes
- 4.4. Review and Discuss the 2021 Board Audit Committee Work Plan. [21-0817](#)
Recommendation: Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: 2021 BAC Work Plan](#)
Est. Staff Time: 5 Minutes
- 4.5. Discuss and Approve any Updates to the Annual Audit Work Plan. [21-0768](#)
Recommendation: Discuss and approve any updates to recommend to the Board, if necessary.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Annual Audit Work Plan](#)
Est. Staff Time: 5 Minutes

5. INFORMATION ITEMS:

- 5.1. Receive an Update on the Status of the Pacheco Reservoir Expansion Fact-Finding Investigation. [21-0718](#)
Recommendation: Receive an update on the status of the Pacheco Reservoir Expansion fact-finding investigation.
Manager: Carlos Orellana, 408-630-2755
Est. Staff Time: 15 Minutes
- 5.2. Status Update on Recommendations from the Contract Change Order Audit Conducted by TAP International, Inc. [21-0605](#)
Recommendation: A. Receive and discuss a status update on recommendations from the Contract Change Order Audit conducted by TAP International, Inc.
B. Continue adoption of Contract Change Order Audit recommendations with implementation goal of Q4 2021.
Manager: Ken Wong, 408-630-2076
Attachments: [Attachment 1: PowerPoint](#)
Est. Staff Time: 10 Minutes
- 5.3. Updates to the Quality and Environmental Management System (QEMS) Internal Audit Program. [21-0844](#)
Recommendation: Receive Updates to the QEMS Internal Audit Program.
Manager: Darin Taylor, 408-630-3068
Est. Staff Time: 5 Minutes
- 5.4. Receive an Update on the 2021 Risk Assessment. [21-0923](#)
Recommendation: Receive an update on the 2021 Risk Assessment.
Manager: Darin Taylor, 408-630-3068
Est. Staff Time: 5 Minutes

6. 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.

7. ADJOURN:

- 7.1. Adjourn to Regular Meeting at 2:00 p.m., on September 15, 2021, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-08-21.



Santa Clara Valley Water District

File No.: 21-0899

Agenda Date: 8/18/2021
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

SUBJECT:

Approval of 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.

ATTACHMENTS:

Attachment 1: 072121 BAC Minutes

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

THIS PAGE INTENTIONALLY LEFT BLANK



BOARD AUDIT COMMITTEE MEETING

MINUTES

**REGULAR MEETING
WEDNESDAY, JULY 21, 2021
2:00 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), conducted by Zoom teleconference, was called to order in the District Headquarters Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 2:00 p.m.

1.1 Roll Call.

Committee members in attendance were District 3 Director Richard P. Santos, and District 2 Director Barbara Keegan, Chairperson presiding, with District 7 Director Gary Kremen participating by teleconference, constituting a quorum of the Committee.

District 4 Director Linda LeZotte attended via teleconference.

Staff in attendance were M. Overland. Staff members participating by teleconference were J. Orellana, C. Kwok-Smith, A. Mendiola, S. Tran, D. Wickman, K. Wong, K. Yasukawa, and T. Yoke.

Also, in attendance by teleconference were Ms. Denise Callahan, TAP International, Inc. (TAP).

2. PUBLIC COMMENT:

2.1 Time Open for Public Comment on any Item not on the Agenda.

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

3. APPROVAL OF MINUTES:

3.1 Approval of Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the June 16, 2021, Regular Committee meeting.

Move to Approve: R. Santos
Second: G. Kremen
Yeas: G. Kremen, R. Santos, B. Keegan
Nays: None
Abstains: None
Recuses: None
Absent: None
Summary: 3 Yeas; 0 Nays; 0 Abstains; 0 Absent.

4. ACTION ITEMS:

4.1 Review and Discuss the 2021 Board Audit Committee Work Plan.

Recommendation: Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) meetings and make any necessary adjustments to the BAC Work Plan.

Mr. Anthony Mendiola, Program Administrator, reviewed the information on this item, per the attached Committee Agenda Memo.

The Committee noted the information without formal action, and staff presented the following changes to the BAC Work Plan:

- Staff informed the Board that on Attachment 1, Page 4, Line Nos, 35 and 36; the Pacheco Project Investigation, and Progress report scheduled for July 21, 2021 has been moved to the August 18, 2021, Committee meeting; and Mr. J. Carlos Orellana, District Counsel, updated the Committee regarding the commencement of interviews of the Water Storage Exploratory Committee members.
- Staff informed the Board that on Attachment 1, Page 7, Line No. 89, Establishment of Additional Board Auditors was moved from the August 18, 2021, regular meeting to the July 21, 2021, regular meeting.

4.2 Discuss and Approve any Updates to the Annual Audit Work Plan.

Recommendation: Discuss and approve any updates to recommend to the Board, if necessary.

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

The Committee noted the information without formal action.

5. INFORMATION ITEMS:

- 5.1 Receive an Update on the Status of the On-call Management Services and Board Audit Consultant Services Requests for Proposals.

Recommendation: Receive an update on the status of the On-call Management Services and Board Audit Consultant Services Requests for Proposals.

Mr. Mendiola reviewed the information on this item, per the attached Board Agenda Memo.

The Committee noted the information without formal action.

- 5.2 Receive an Update on the 2021 Risk Assessment.

Recommendation: Receive an update on the 2021 Risk Assessment.

Ms. Denise Callahan, TAP International, Inc., reviewed the information on this item, per the attached Board Agenda Memo.

The Committee noted the information, without formal action, and staff informed the Committee of the following:

- Ms. Callahan confirmed that the Phase 2 of 2021 Audit Planning Assessment: Scope of Work would be Option #1 with two changes:
 - 1) Adding Capital project planning and project management; and
 - 2) Removing Environmental Sustainability (Water Supply).

6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:

- 6.1 Clerk Review and Clarification of Committee Requests.

Mr. Max Overland, Assistant Deputy Clerk, read the new Committee Member Requests into the record.

7. ADJOURN:

- 7.1 Adjourn to Regular Meeting at 2:00 p.m., on August 18, 2021, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.

Chairperson Keegan adjourned the meeting at 3:00 p.m., to the 2:00 p.m. Regular Meeting on August 18, 2021, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.

Max Overland
Assistant Deputy Clerk II

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 21-0639

Agenda Date: 8/18/2021
Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Receive an Update Regarding the Quality and Environmental Management System (QEMS) Benchmarking Analysis.

RECOMMENDATION:

Receive an update regarding the Quality and Environmental Management System (QEMS) Benchmarking Analysis.

SUMMARY:

In January 2020 Tanner Pacific, Inc. (TPI) was hired to conduct a benchmarking analysis on Valley Water's Capital Project Delivery Process. The objective is to identify opportunities to improve QEMS processes and remove barriers to productivity.

Due to the COVID19 Pandemic, all activities were put on hold beginning mid-March 2020 and remained so until December 2020. When efforts were allowed to resume, TPI, in conjunction with the CI Team, identified external agencies/entities like Valley Water and Internal stakeholders to be surveyed as part of this effort. Surveys were developed and customized to each group. Responses were compiled and analyzed to determine areas of risk and/or opportunities for improvement.

TPI will provide an overview of the findings and opportunities for improvement as well as an action plan intended to address the more critical and/or easiest opportunities for improvement first. TPI will also discuss a second phase intended to address the more complex opportunities that require cooperation and/or coordination amongst various business areas.

ATTACHMENTS:

Attachment 1: Presentation

UNCLASSIFIED MANAGER:

File No.: 21-0639

Agenda Date: 8/18/2021
Item No.: 4.1.

Darin Taylor, 408-630-3068

**QEMS Methodology
Benchmarking
Analysis Study**

Project Update



**Board Audit Committee
Update**



August 18, 2021

Project Purpose



As requested by the Board Audit Committee (BAC) to remove barriers to productivity, this effort identifies opportunities to improve Quality & Environmental Management System (QEMS) process, specific to capital projects planning and delivery.

History



- Pre- 2001: Capital Projects Unit identified a need for improved capital project delivery processes.
- Sept 2001: Instituted the Quality Management System Program
- June 2002: Performed 1st Internal Audit
- Oct 2002: ISO 9001:2000 Certification (Quality) Capital Projects
- Feb 2004: ISO 14001:2004 Certification (Environmental) Watersheds
- Jan 2008: District-wide ISO 9001:2008 and ISO 14001:2004 Certification Achieved
- Nov 2017: Achieved ISO Recertifications under 2015 Standards

Continual Improvement



Aug 2018: ISO certifications are allowed to lapse

May 2019: BAC concurred with Executive Management that:

- ISO Certification did not correlate to effectiveness.
- Focus should be on guidelines and processes that are
 - forward thinking, and
 - outcome oriented.

QEMS should provide a QA/QC System that consistently yields benefits to the Valley Water staff, community, and rate payers.

Continual Improvement



Dec 2019: Staff Initiated a QEMS Methodology Benchmarking Analysis

Approach:

Step 1: Benchmarking Questionnaire

Step 2: Gap Analysis

Step 3. Findings & Recommendations for Optimization

- Report to Chiefs
- Report to BAC

Overview of External Questionnaire



Response: 75% of the targeted entities responded.

Respondents included:

- Padre Dam Municipal Water District
- Metropolitan Water District of Southern California
- Seattle Public Utilities
- King County Wastewater Treatment
- San Diego County Water Authority
- Denver Water
- Contra Costa Water District
- EBMUD
- Southern Nevada Water Authority

Composition: 39 Questions covering 4 Key Categories:

1. Quality Management System (QMS),
2. Initiatives (e.g., Environmental, Social Justice, Sustainability),
3. Risk Management, and
4. Continual Improvement



Overview of Internal Questionnaire



Responses received from the following Business Areas:

Office of CEO

- Continual Improvement Team/Financial Planning & Management Services

Office of COO – Water Utility

- Construction Services Unit
- Treated Water Division/Treatment Plant Process & Commissioning Unit*

Office of COO – IT & Admin Division

- Business Support & Warehouse Unit
- Construction Contracts & Support Unit
- General Services – Facilities 887 & Fleet 885
- Software Services Unit
- Information Technology Division Deputies Office*

Office of ACEO – Integrated Water Management

- Dam Safety Program & Project Delivery Unit
- District-wide Asset Management Unit*

Office of COO - Watersheds

- Watersheds Design & Construction, Design & Construction Unit 3
- Watersheds Design & Construction, Design & Construction Unit 4

Office of External Affairs

- Office of Communications

Composition: 39 Questions covering same 4 Key Categories

*** Conducted follow-up interviews**

Overview of Findings



- QEMS is an effective system that provides quality assurance, quality controls, guidance, and a productive means for continual improvement.

- Valley Water is **an industry leader** in:
 - Implementing & utilizing a Continual Improvement Process

 - Developing and advancing Environmental Justice, Equity and Inclusion Policies and processes.

- Valley Water has opportunities to:
 - Develop QEMS processes for emerging needs,
 - Update QEMS in few significant subject areas, and
 - Optimize QEMS processes to ensure they're forward-thinking and benefits to staff, community and rate-payers are confirmed.

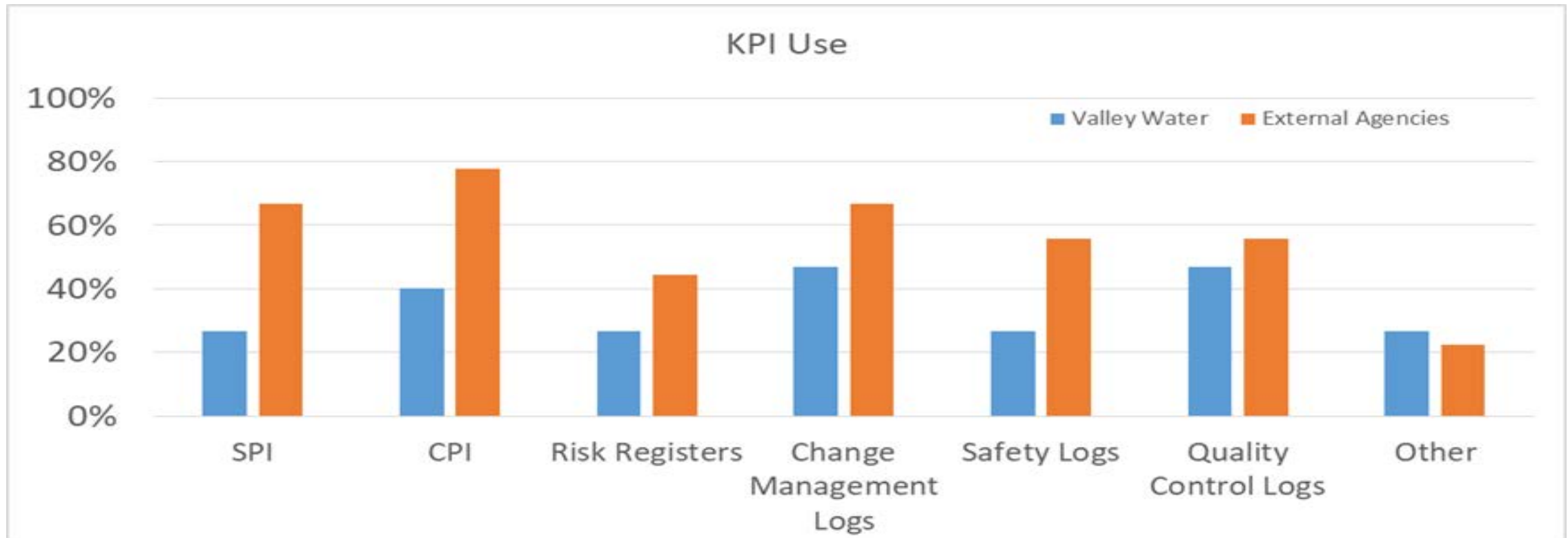
Comparative Findings



Key Results Summarized by Category

QEMS:

- Slightly below peer agencies for using KPI's to measure project health and ensure success.



Notes:

- SPI = Schedule Performance Index
- CPI = Cost Performance Index
- Other = Strategic Initiatives (e.g., environmental metrics)

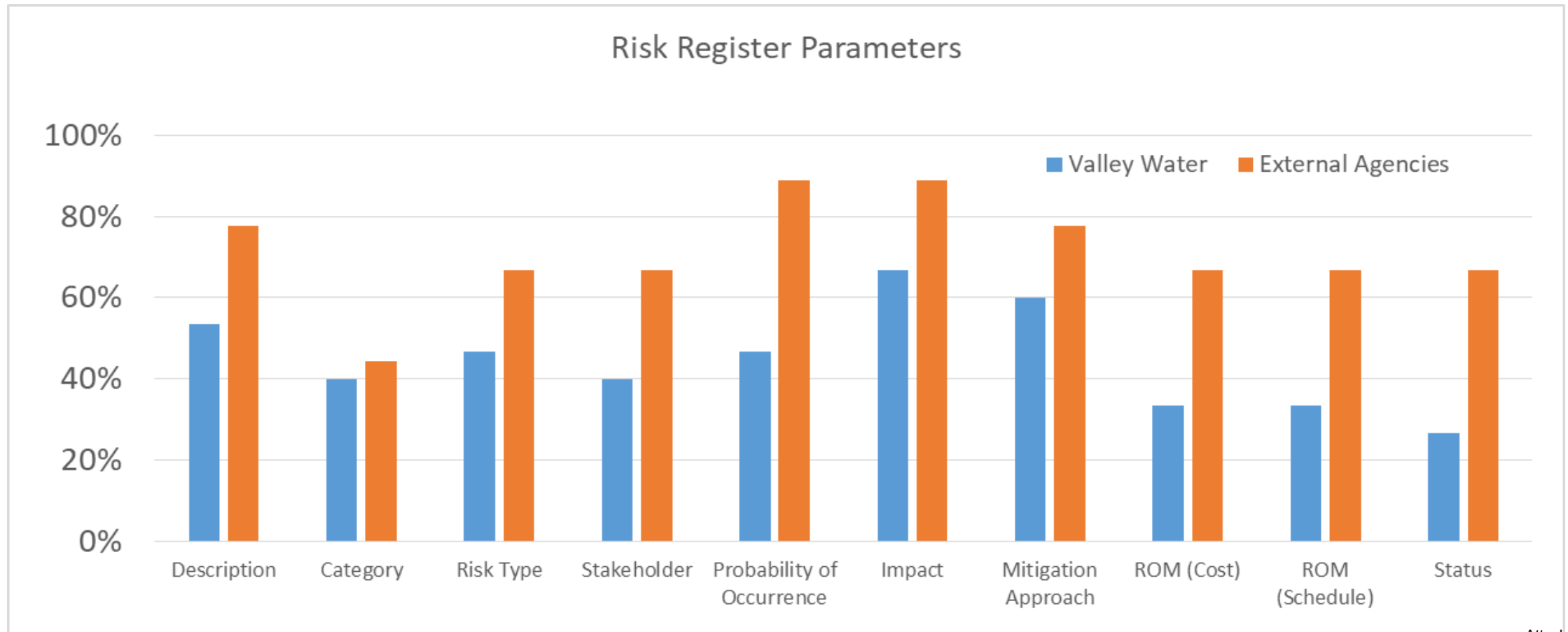
Comparative Findings



Key Results Summarized by Category

Risk Registers:

- Comparatively, VW does not use as many identifying and tracking parameters.
- 53% of VW respondents were unaware if an Accountable Person was assigned to the Risk Register and Risk Items.



Comparative Findings



Key Results Summarized by Category

Initiatives:

Equity & Social Justice:

- Valley Water Board of Directors demonstrate industry leadership by approving Environmental Justice language be incorporated into Board Governance Policy Executive Limitations (EL-1) in February 2018, and;
- Approving amendments to Ends Policy E-1 to reflect Valley Water’s Environmental Justice values in February 2021.

Continual Improvement:

- Valley Water is an industry leader in implementing a “Continual Improvement” process;
- Lack of general awareness with QEMS as it relates to correlation of delivered benefits to rate-payers, community and staff.

Overview Preliminary Opportunities



1) Simplify Existing QEMS Processes to Increase Awareness and Maximize Efficiency

- a) Include training to ensure staff are forward-looking and outcome-oriented and using QEMS to accomplish these Ends.
- b) Implement an “Audit-as-you-go” approach **during** key project phases to ensure **all** project goals are **forecasted** to be met, risks mitigated, and contingency updated.
- c) Audit QEMS and make modifications, where appropriate, to ensure the process states, measures and **confirms benefits** to staff, community & rate payers **were delivered**.

Overview Preliminary Opportunities



2) Update Existing Critical QEMS Processes to Streamline and Improve Effectiveness

- a) Update Construction Manual (currently 2009 version)
- b) As part of Construction Manual, provide additional guidance documentation and checklist for referenced work plans (e.g., Claims Management Work Plan).
 - i. This would minimize cost and create a more uniform standard.
 - ii. Consultants could simply review and suggest general improvements or add project specific details via appendices.

Overview Preliminary Opportunities



3) Review Existing Performance Metrics

- a) Consider modifications to accurately forecast probability of success and early identification of corrective actions.
- b) Opportunities exist to improve how Environmental goals are measured, and ensure objectives are achieved, including quantifying benefits to rate-payers, community and staff.

4) Equity & Social Justice

- a) Establish & incorporate performance metrics in the QEMS procedures from project formulation, measured during implementation and audited to confirm if goals were achieved.
- b) Establish a QEMS process to audit **during** project implementation and at project end to ensure that goals were achieved, and a means for continual improvement.

Overview Preliminary Opportunities



5) Update Risk Management & Implementation Processes

- a) Streamline process and reporting for less risky projects,
- b) Degree of Risk Register development would be based on scoring using a “heat map” that considered “cost, complexity, and stakeholder engagement”,
- c) Risk Register to be developed as part of project formulation to:
 - i. Estimate and confirm adequate Contingency
 - ii. Early identification of Risk items to avoid/mitigate during the planning, permitting and design phases.
- d) Require assignment to an Accountable Person,
- e) Include reporting parameters and frequency for larger, more complex projects under public scrutiny.

Overview Preliminary Opportunities



6) Develop New Procedures to Address Emerging Needs

a) Utilizing Alternative Delivery (CM@R, DB, PDB, P3) Methods.

- i. Should encompass all project phases: Procurement through project acceptance/closeout.
- ii. Require training of key staff in procurement, legal, planning, design, CM, Asset management, and O&M.
- iii. Consider utilizing industry resources like WDBC to develop QEMS & training.

b) Asset Management (AM)

- i. Initiated during design and included in bid docs (consider developing a spec section stating what's required for submittal/approval and the forms to be used) to ensure efficient, effective and complete process.
- ii. Improved process vs having CM create the list and following up w/the contractor and holding final payment until design and AM accepts.
- iii. Require a bid line item so contractors are incentivized to perform and can use checklist that includes statement of required materials.

Overview Preliminary Opportunities



6) Develop New Procedures to Address Emerging Needs (continued)

c) IT/Security/Emergency Operation Projects

- i. Currently no QEMS for projects implemented for these types of projects.
- ii. QEMS should address small and large projects

d) Program Management Office/IT Systems

- i. Integrate the 3-5 platforms to eliminate an opportunity for error inefficiencies (manually transferring info from one database to another, effort to validate data integrity), while increasing accountability (e.g., having PM's enter info vs. IT transferring info), transforming staff time from data entry to data analysis, improved forecasting accuracy using trusted data.

Strategic Action Plan



- Cautious yet expeditious approach that focuses on “low-hanging fruit” and critical risk areas
- Minimize disruption to current operations (a key theme from discussions with staff). Staff time needed for expectations alignment and review, as opposed to the heavy lift.
- Allows for an “Audit-as-you-go” approach to be integrated into the QEMS continual improvement approach of “Plan-Do-**Check**-Adjust”.
- Implemented in a manner that subsequent efforts do not require rework of these Tasks, but efficiently builds upon the prior work.

Phase 1: Implement Highest Ranked Priority Opportunities

Phase 2: Training & Auditing

Phase 3: Continual Improvement

Phase 2: Training & Auditing



- a. Provide training on QEMS and Organizational Assets.
- b. Perform “Audit-as-you-go” to identify effectiveness of KPI’s and processes.
- c. Confirm Processes/KPI’s that are effective.
- d. Confirm which remaining recommended Opportunities are needed.
- e. Prepare Findings and Recommendations Report (including potential CPAR’s)
- f. Obtain Chief’s input to Prioritize Recommendations into an updated Strategic Action Plan
- g. Obtain Chief’s Approval of updated Strategic Action Plan
- h. Report Findings, Recommendations, and Updated Action to BAC

Phase 3: Continual Improvement



- a. Implement update Strategic Action Plan
- b. Optimize & Continue Training
- c. Optimize & Continue Auditing
- d. Update Strategic Action Plan

Questions & Answers





Thank You!

Ranking of Opportunities

(1 being most important; 3 being least important)



Item	Description	Ranking	Approach
1.0	Simplify Existing QEMS Processes to Increase Awareness and Maximize Efficiency		
1a	Implement an “Audit-as-you-go” approach during key project phases to ensure all project goals are forecasted to be met, risks mitigated, and contingency updated.	2	Complete Rank 1 Items first
1b	Audit QEMS and make modifications, where appropriate, to ensure the process states, measures and confirms benefits to staff, community & rate payers were delivered .	2	Complete Rank 1 Items first
1c	Include training to ensure staff are forward-looking and outcome-oriented and using QEMS to accomplish these Ends.	2	Complete Rank 1 Items first
2.0	Update Existing Critical QEMS Processes to Streamline and Improve Effectiveness		
2a	Update Construction Manual (currently 2009 version)	1	PMA can work with Construction Dept to update. VW staff provide input & review (vs writing)
2b	As part of Construction Manual, provide additional guidance documentation and checklist for referenced work plans (e.g., Claims Management Work Plan).	2	Establish prioritized list after updating Construction Manual
3.0	Review Existing Performance Metrics		
3.a	Consider modifications to accurately forecast probability of success and early identification of corrective actions.	2	Incorporate existing KPI’s into Item 6d.
3b	Opportunities exist to improve how Environmental goals are measured, and ensure objectives are achieved, including quantifying benefits to rate-payers, community and staff.	2	These items are the cornerstones of Item 6d

Ranking of Opportunities

(1 being most important; 3 being least important)



Item	Description	Ranking	Approach
4.0	Equity & Social Justice		
4a	Establish & incorporate performance metrics in the QEMS procedures from project formulation, measured during implementation and audited to confirm if goals were achieved.	1	Assuming the Performance Metrics will be developed by _____ Business Areas
4b	Establish a QEMS process to audit during project implementation and at project end to ensure that goals were achieved, and a means for continual improvement.	2	Perform after 4a is completed
5.0	Update Risk Management & Implementation Processes		
5a-e	<p>a. Streamline process and reporting for less risky projects,</p> <p>b. Degree of Risk Register development would be based on scoring using a “heat map” that considered “cost, complexity, and stakeholder engagement”,</p> <p>c. Risk Register to be developed as part of project formulation to:</p> <ul style="list-style-type: none"> • Estimate and confirm adequate Contingency. • Early identification of Risk items to avoid/mitigate during the planning, permitting and design phases. <p>d. Require assignment to an Accountable Person,</p> <p>e. Include reporting parameters and frequency for larger, more complex projects under public scrutiny.</p>	1	Perform as part of Phase 1a in the proposed Strategic Action Plan

Ranking of Opportunities

(1 being most important; 3 being least important)



Item	Description	Ranking	Approach
6.0	Develop New Procedures to Address Emerging Needs		
6a	Utilizing Alternative Delivery (CM@R, DB, PDB, P3) Methods.	1	High Risk subject matter. Critical to establish QEMS where none exist. Leveraging consultants when staff/management doesn't have experience increases risk and claims for future P3.
6b	Asset Management (AM)	1	Improvements would consist of a few hours of meetings, modifying QEMS/Guidance docs (e.g., CM Manual), and developing a sample form.
6c	IT/Security/Emergency Operation Projects	2	Wait for new IT Project Manager to adjust to new roles and obtain meaningful work experience to provide effective input to a new QEMS for them. The manual reentering of data can be resolved as part of implementing item 6d.
6d	Program Management Office/IT Systems (AKA PCO)	1	Have current CPAR



Santa Clara Valley Water District

File No.: 21-0715

Agenda Date: 8/18/2021
Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

SUBJECT:

Discuss Process to Follow-up on Completed Audits.

RECOMMENDATION:

Discuss process to follow-up on completed audits.

SUMMARY:

The Board Audit Committee (BAC) Audit Charter is largely silent with regard to follow-up on completed audits, other than Article VII section 6, which states that “The Committee may request a report by Valley Water 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.”

Given this fact, staff plans to research best practices on this topic and return to the BAC at a future meeting with a discussion and recommendation.

In the meantime, the current follow-up process for completed audits is for staff to provide a recommendation implementation status report to the BAC one year after the completion of an audit, and then semi-annual reports thereafter unless otherwise requested by the BAC.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 21-0857

Agenda Date: 8/18/2021
Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Review the Board Audit Committee's 2020 Self-Evaluation and Discuss Progress Toward Improvement Areas.

RECOMMENDATION:

- A. Review the results of the 2020 Self-Evaluation; and
- B. Discuss progress toward improvement areas.

SUMMARY:

According to Article 9, paragraph 4 of the BAC Audit Charter, the BAC shall conduct a self-evaluation of its performance annually. The Committee shall conduct the 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.

At the March 17, 2021 Committee meeting, the BAC discussed its annual self-evaluation. Except for a few aspects, the BAC generally agreed that the overall performance of the committee was aligned to the Charter. However, the committee identified specific aspects of performance that could be improved including:

- Maintaining open communication with the Board and the independent auditor
- Allowing the independent auditor and external auditors to raise sensitive issues in compliance with the Brown Act
- Review of key decisions made by management that may impose material risk to Valley Water business areas
- Routine communications with the financial auditor (at least quarterly)
- Review of audit results with the independent auditor and external auditors
- Sufficient resources and availability to carry out responsibilities defined by the BAC Charter
- Assessment of the written charter annually
- Meeting duration and content can be excessive on occasion

In addition, the BAC identified financial audits as an area of concern and raised the following considerations:

- Consider meeting with the Financial Auditor on a quarterly basis;
- Consider conducting 1:1 meetings with the Financial Auditor;
- Consider quarterly financial reviews; and
- Consider and discuss parameters for the selection of a future financial auditor.

Since the self-evaluation forms were prepared by the BAC members, improvement efforts include the following:

- The Fiscal Year 2020-21 Third Quarter Financial Status Update was provided at the 5/26/21 BAC meeting
- David Alvey of Maze and Associates discussed information regarding the upcoming Fiscal Year 2020-21 financial audit at the June 16, 2021 BAC meeting
- David Alvey of Maze & Associates offered to meet individually with any of the Board Members to discuss the financial audit at the June 16, 2021 BAC meeting.

The Committee is requested to discuss progress toward improvement areas.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 21-0817

Agenda Date: 8/18/2021

Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Review and Discuss the 2021 Board Audit Committee Work Plan.

RECOMMENDATION:

Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan.

SUMMARY:

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. Committee Work Plans also serve as Annual Committee Accomplishments Reports.

At the May 26, 2021 BAC meeting, the committee approved the inclusion of a mid-year Self-evaluation discussion in the August timeframe to discuss progress toward the opportunities for improvement noted during the annual self-evaluation exercise. The committee also requested staff bring back a status update of the Grants Audit Recommendation implementation at the earliest opportunity.

At the June 16, 2021 BAC meeting, the committee noted that the Contract Change Order Status Update was rescheduled to the August 18, 2021 BAC meeting, and that the Grants Audit Recommendation Implementation Report would be presented at the September 15, 2021 BAC meeting.

At the July 21, 2021 BAC meeting, the committee noted minor corrections to the work plan that would be incorporated into the next revision.

Attachment 1 is the updated 2021 Board Audit Committee Work Plan. Upon review, the Committee may approve the updated 2021 Board Audit Committee Work Plan and/or make changes, as determined by the Committee.

File No.: 21-0817

Agenda Date: 8/18/2021
Item No.: 4.4.

ATTACHMENTS:

Attachment 1: 2021 BAC Work Plan

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
Board Audit Committee Meeting Dates														
	Number of Agenda Items per Meeting Date	11	11	5	5	8	6	4	8	5	2	4	3	<u>Note:</u> For informational purposes only.
	Meeting Dates	•	•	•	•	•	•	•	•	•	•	•	•	<u>Note:</u> The BAC approved a regular meeting schedule for 2021, to meet monthly, on the third Wednesdays at 2:00 p.m.
Board Audit Committee Management														
1	Election of 2021 BAC Chair and Vice Chair		•											<u>Recommendation:</u> Nominate and elect the 2021 Board Audit Committee Chair and Vice Chair.
2	Board Audit Committee Audit Charter													<u>Recommendation:</u> Propose modifications to the Board Audit Committee Audit Charter to be presented to the full Board.
3	Review and Update 2021 BAC Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	<u>Recommendation:</u> A. Review and Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan; and B. Approve the updated 2021 Board Audit Committee Work Plan.
4	Discuss Scope of Annual Audit Training from Board Independent Auditor		•				•							<u>Recommendation:</u> Discuss scope of Annual Audit Training from Board Independent Auditor.
5	Receive Annual Audit Training from Board Independent Auditor				See Note									<u>Recommendation:</u> Receive Annual Audit Training from Board Independent Auditor. <u>Note:</u> FY20 Training was delayed by Pandemic and conducted at Special BAC meeting on 4/2/2021 FY21 Training is related to Grants Management and will be scheduled when TAP is ready (6/23/21)
6	Conduct Annual Self-Evaluation	•	•	•					•					<u>Recommendation:</u> A. Conduct Annual Self-Evaluation; and B. Prepare Formal Report to provide to the full Board.
7	Receive and Discuss Board Auditor Activity Report to Evaluate Board Auditor Performance	•	•											<u>Recommendation:</u> Receive and discuss Board Auditor Activity Report from TAP International, Inc. to evaluate Board Auditor Performance.
8	Discuss Extension or Termination of Board Independent Auditor Contract for Board Independent Auditing Services Prior to Expiration of the Agreement Effective June 30, 2021.													<u>Recommendation:</u> A. Discuss option to extend Board Independent Auditor Contract with TAP International, Inc. for Board Independent Auditing Services currently scheduled to expire effective June 30, 2021; and B. Approve recommendation to the full Board to: 1. Allow the expiration of the Board Independent Auditor Contract with TAP International; or 2. Exercise option to extend Board Independent Auditor Contract with TAP International, Inc.
9	Chief Board Auditor - Request for Proposal: Review Panel					•								<u>Note:</u> Review Panel for the role of the Chief Board Auditor will be the BAC members

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
10	Tri-annual Risk Assessment		•		•	•	•	•					<p><u>Recommendation:</u> Discuss the scope of work for the 2021 Risk Assessment.</p> <p><u>Note:</u> Next Risk Assessment scheduled to be completed by September 2021. Risk Assessment scope was discussed at Special BAC meeting on 2/26/2021.</p>	
Board Audit Committee Special Requests														
11	External Financial Auditor Meeting with Individual Board members												<p><u>Note:</u> Schedule as needed.</p> <p>In June David Alvey offered to speak with each member individually.</p>	
12	Provide status report to full Board quarterly												<p><u>Note:</u> Report to be provided to Board in non-agenda the month after each BAC meeting.</p>	
13	Discuss the Scope and Approach of the Ad-hoc Desk Reviews												<p><u>Recommendation:</u> Discuss the scope and approach of the ad-hoc Desk Reviews.</p>	
14	Receive and Discuss Financial Analysis Regarding the Board Independent Auditing Services Contract		•										<p><u>Recommendation:</u> Receive and discuss Financial Analysis regarding the Board Independent Auditing Services Contract with TAP International, Inc.</p>	
15	QEMS & ISO Overview and Continuous Improvement Methodology Benchmarking Analysis							•					<p><u>Note:</u> At the Dec '19 BAC meeting, the BAC approved new PO for \$25K min for Tanner Pacific, Inc. to prepare QEMS Methodology Benchmarking Analysis.</p> <p><u>Recommendation:</u> Review and discuss overview of QEMS Process Improvement post ISO de-certification, and Benchmarking Analysis for 2020.</p>	
16	Risk Management Organization	•											<p><u>Note:</u> At the Dec '20 BAC meeting, the BAC requested this item to be brought forth at the 1/13/2021 Committee meeting.</p> <p><u>Recommendation:</u> Review and discuss Risk Management Organization.</p>	
17	Valley Water Policies Related to Financial Auditor Responsibility	•											<p><u>Note:</u> At the Dec '20 BAC meeting, the BAC requested this item to be brought forth at the 1/13/2021 Committee meeting.</p> <p><u>Recommendation:</u> Review and discuss Valley Water Policies Related to Financial Auditor Responsibility.</p>	
18	Financial Auditor Selection Parameters	•											<p><u>Note:</u> Board transferred this item to the BPPC at the 2/9/2021 Board meeting</p>	
Management and Third Party Audits														
19	Review Draft Audited Financial Statements	•										•	<p><u>Recommendation:</u> A. Review draft Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021; and B. Direct staff to have Financial Auditor to contact Board Members and present, if necessary.</p>	
20	Audit Report of the Water Utility Enterprise Funds for the Fiscal Year								•				<p><u>Recommendation:</u> Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year.</p>	
21	Receive QEMS Annual Internal Audit Report								•				<p><u>Recommendation:</u> Receive information regarding the Quality and Environmental Management System.</p>	

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
22	Status Update on the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit Conducted by Navigant Consulting, Inc. and the Consultant Contracts Improvement Process.		•										<p><u>Note:</u> Staff CAS update every 6 months.</p> <p><u>Recommendation:</u> Receive and discuss a status update on the implementation of the recommendations made by Navigant in the 2015 Consultant Contracts Management Process Audit and on the Consultant Contracts Improvement Process.</p>	
23	Review Contract Change Order Audit Report							•					<p><u>Recommendation:</u> Receive and discuss a status update on the implementation of the recommendations made by TAP International, Inc. in the Contract Change Order Audit Report.</p> <p><u>Note:</u> Staff periodic update.</p>	
24	Audit Recommendations Implementation Status	•										•	<p><u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.</p>	
Board Independent Auditor - TAP International, Inc. Items														
25	Review and Update Annual Audit Work Plan	•	•	•	•	•	•	•	•	•	•	•	<p><u>Recommendation:</u> Discuss the Annual Audit Work Plan and update, if necessary.</p>	
Audit - Grants Management														
26	Receive notification of initiated Grants Management Audit												<p><u>Note:</u> Audit Objectives - Performance audit of the efficiency and effectiveness of grant management and administration.</p>	
27	Review Grants Management Audit Progress Report												<p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p>	
28	Review Grants Management Audit Draft Report Presentation	•											<p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p>	
29	Review Response to Grants Management Audit Final Draft Report		•										<p><u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.</p>	
30	Recommendation Implementation Status (Semi-Annual Rpt.; Target Completion = June 30,2023)								•				<p><u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.</p>	
Audit - Permitting Best Practices														
31	Receive notification of initiated Permitting Best Practices Audit												<p><u>Note:</u> Audit Objectives - How does Valley Water's permitting process compare with other agencies? Can alternative permit processing activities benefit Valley Water?</p>	
32	Review Permitting Best Practices Audit Progress Report	•	•	•									<p><u>Recommendation:</u> Receive an update on the status of the on-going audit.</p>	
33	Review Permitting Best Practices Audit Draft Report Presentation				•								<p><u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.</p>	
34	Review Response to Permitting Best Practices Audit Final Draft Report					•							<p><u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.</p>	
Audit - Pacheco Reservoir Expansion														

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
35	Receive notification of initiated Pacheco Project Investigation			•										Note: Audit Objectives - Determine how and why the initial Project Scope & Cost evolved and increased over time?
36	Review Pacheco Project Investigation Progress Report				•	•	•	•						<u>Recommendation:</u> Receive an update on the status of the on-going audit.
37	Review Pacheco Project Investigation Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
38	Review Response to Pacheco Project Investigation Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Construction Project Management (Tentative)														
39	Receive notification of initiated Construction Project Management Audit													<u>Note:</u> Audit Objectives - What areas of Valley Water's capital project budgeting practices can benefit from adopting best practices?
40	Review Construction Project Management Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
41	Review Construction Project Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
42	Review Response to Construction Project Management Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Supervisory Control and Data Acquisition (Tentative)														
43	Receive notification of initiated Supervisory Control and Data Acquisition Audit													<u>Note:</u> Audit Objectives - Does Valley Water's Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?
44	Review Supervisory Control and Data Acquisition Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
45	Review Supervisory Control and Data Acquisition Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
46	Review Response to Supervisory Control and Data Acquisition Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Risk Management (Tentative)														
47	Receive notification of initiated Risk Management Audit													<u>Note:</u> Audit Objectives - Can risk management business processes be implemented more effectively? (i.e. contract claims, workers compensation, small claims).
48	Review Risk Management Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
49	Review Risk Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
50	Review Response to Risk Management Audit Final Draft Report													Recommendation: A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Billing and Collections (Tentative)														
51	Receive notification of initiated Billing and Collections Audit													Note: Audit Objectives - Are there opportunities to enhance Valley Water's billing and collection processes? Recommendation: Receive an update on the status of the on-going audit.
52	Review Billing and Collections Audit Progress Report													Recommendation: Receive and discuss the Final Draft Audit Report.
53	Review Billing and Collections Audit Draft Report Presentation													Recommendation: Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
54	Review Response to Billing and Collections Audit Final Draft Report													Note: Audit Objectives - Are there opportunities to enhance safe clean water audits? Recommendation: Receive an update on the status of the on-going audit.
Audit - Accountability (Tentative)														
55	Receive notification of initiated Accountability Audit													Recommendation: Receive and discuss the Final Draft Audit Report.
56	Review Accountability Audit Progress Report													Recommendation: Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
57	Review Accountability Audit Draft Report Presentation													Recommendation: Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
58	Review Response to Accountability Audit Final Draft Report													Note: Audit Objectives - Can Valley Water benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities? What are the best practices in planning and facilitating community engagement? Recommendation: Receive an update on the status of the on-going audit.
Audit - Community Engagement (Tentative)														
59	Receive notification of initiated Community Engagement Audit													Recommendation: Receive and discuss the Final Draft Audit Report.
60	Review Community Engagement Audit Progress Report													Recommendation: Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
61	Review Community Engagement Audit Draft Report Presentation													Recommendation: Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
62	Review Response to Community Engagement Audit Final Draft Report													Recommendation: Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Property Management (Tentative)														

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
63	Receive notification of initiated Property Management Audit													Note: Audit Objectives - Is Valley Water implementing encroachment licensing program consistent with the Board's guiding principles?
64	Review Property Management Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
65	Review Property Management Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
66	Review Response to Property Management Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Homelessness Analysis (Tentative)														
67	Receive notification of initiated Homelessness Analysis Audit													<u>Note:</u> Audit Objectives - How can Valley Water enhance its homelessness encampment clean-up activities that protect health and safety?
68	Review Homelessness Analysis Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
69	Review Homelessness Analysis Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
70	Review Response to Homelessness Analysis Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Classified Information (Tentative)														
71	Receive notification of initiated Classified Information Audit													<u>Note:</u> Audit Objectives - To what extent does Valley Water's Counsel's Office appropriately classify confidential information?
72	Review Classified Information Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
73	Review Classified Information Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
74	Review Response to Classified Information Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Local Workforce Hiring (Tentative)														
75	Receive notification of initiated Local Workforce Hiring Audit													Note: Audit Objectives - What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?
76	Review Local Workforce Hiring Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
77	Review Local Workforce Hiring Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
78	Review Response to Local Workforce Hiring Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Equipment Maintenance (Tentative)														
79	Receive notification of initiated Equipment Maintenance Audit													Note: Audit Objectives - Is Valley Water adequately meeting the needs of equipment maintenance?
80	Review Equipment Maintenance Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
81	Review Equipment Maintenance Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
82	Review Response to Equipment Maintenance Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
Audit - Delta Conveyance (Tentative)														
83	Receive notification of initiated Delta Conveyance Audit													Note: Audit Objectives - What potential financial risks could occur on the California Water Fix project?
84	Review Delta Conveyance Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
85	Review Delta Conveyance Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
86	Review Response to Delta Conveyance Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Direct staff to have TAP International, Inc. finalize the Audit Report and present it to the Board of Directors.
BAC Work Plan Items Outside of the Current Term														
87	BAC Self-Evaluation Report													Note: Per the February 19, 2020 BAC meeting, the 2019 BAC Self-Evaluation form is to be completed and a formal report provided to the full Board at a future meeting. At the January 13, 2021 BAC meeting, the 2020 BAC Self-Evaluation form is to be completed by the Committee and a formal report provided to the full Board at a future meeting.
88	Sponsorship Program													<u>Recommendation:</u> Discuss the potential for a desk review or audit of the Sponsorship Program. <u>Note:</u> Board chose not to do a desk review or audit at the 1/12/2021 meeting.
89	Establishment of Additional Board Auditors						•							<u>Recommendation:</u> Discuss the potential master services agreement to recommend to the full Board for the establishment of additional Board Auditors.
90	Participate in financial statement audit procurement process													Note: Next procurement scheduled for January 2022.

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2021 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		13-Jan	17-Feb	17-Mar	21-Apr	19-May	16-Jun	21-Jul	18-Aug	15-Sep	20-Oct	17-Nov	15-Dec	
90	Financial Audit - Quarterly Update					•			•		•		Note: suggested frequency is as follows: February for mid-year review; May for Q3 review; September for unaudited close; November for Q1 review	
91	Financial Audit - Periodic Update						•						Schedule as needed <u>Recommendation:</u> Receive and Discuss the Financial Audit	

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.



Santa Clara Valley Water District

File No.: 21-0768

Agenda Date: 8/18/2021
Item No.: 4.5.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Discuss and Approve any Updates to the Annual Audit Work Plan.

RECOMMENDATION:

Discuss and approve any updates to recommend to the Board, if necessary.

SUMMARY:

On January 12, 2021 the Board of Directors (Board) recommended that an audit be performed to determine the timeline associated with cost increases for the Pacheco Reservoir Expansion Project. Accordingly, at its February 17, 2021 meeting, the Board Audit Committee (BAC) added an Ad Hoc Board Audit to the Annual Audit Work Plan.

At its January 26, 2021 meeting, the Board approved a recommendation from the BAC to have the Board's Independent Auditor, TAP International, Inc., conduct the 2021 Risk Assessment.

On April 26, 2021 the BAC did not identify any changes to the Annual Audit Work Plan. During the meeting Legal Counsel advised the committee that Jackson Lewis L.L.C. has been identified as the firm to conduct fact-finding for the cost increases associated with the Pacheco Reservoir Expansion project.

Since the approval to proceed with the 2021 Risk Assessment, the Board has not approved any changes to the Annual Audit Work Plan. Efforts identified in the 2018 Risk Assessment that have not been completed will be reviewed in conjunction with any new areas of risk to develop the next comprehensive work plan.

The BAC is requested to identify any potential changes to the Annual Audit Work Plan (Attachment 1) to recommend to the Board for approval.

ATTACHMENTS:

Attachment 1: Annual Audit Work Plan

File No.: 21-0768

Agenda Date: 8/18/2021
Item No.: 4.5.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

Santa Clara Valley Water District Annual Audit Work Plan, FY 18/19 to FY 20/21.

DRAFT AUDIT WORK PLAN – MAY 5, 2021

SANTA CLARA VALLEY WATER DISTRICT BOARD OF DIRECTORS DRAFT
ANNUAL WORK PLAN, FY 18/19 TO FY 20/21

OVERVIEW

The selection of audits is an important responsibility of the Audit Committee. The formulation of this audit work began in 2018 when the Valley Water's Board of Director provided input and approved the enterprise risk assessment that was administered across agency operations. The audit work plan is a culmination of a comprehensive effort to consider input on auditable areas from Valley Water employees, mid-level management, executive management, and Board Directors.

The proposed audit work plan considers factors that, if addressed, will provide opportunities to mitigate those risks and improve operations. These factors include:

- **Operational** – Are Valley Water programs/activities performed and services delivered in the most efficient, effective, and economical manner possible, and do they represent sound business decisions, including appropriate responses to changes in the business environment?
- **Financial** – Is there an opportunity to improve how Valley Water manages, invests, spends, and accounts for its financial resources?
- **Regulatory** – Do Valley Water programs and activities comply with applicable laws and regulations?
- **Health and Safety** – Are Valley Water services delivered in a manner that protects our residents and employees from unnecessary exposure to environmental factors?
- **Information Security** – Are Valley Water's information systems and networks protected against unauthorized access, use, disclosure, disruption, modification, inspection, recording, or destruction?

In addition, the proposed audit work plan considers several other factors in the selection of audits.

- **Relevance** – Does the audit have the potential to affect Board decision-making or impact Valley Water customers and residents?
- **Best Practices** – Does the audit provide the opportunity to compare current performance to best practices?
- **Return on Investment** – Does the audit have the potential for cost savings, cost avoidance, or revenue generation?
- **Improvement** – Does the audit have the potential to result in meaningful improvement in how Valley Water does its business?
- **Risk** - The audit work plan also considers risks related to major functions, as identified through a 2017 enterprise risk assessment conducted by TAP International.
- **Audit Frequency** – Individual Divisions at Valley Water should not be subject to more than two audits per year.

AUDIT WORK PLAN, FY 18/19 TO FY 20/21

This proposed audit work plan is divided into section. Section A describes ongoing non-audit (e.g. advisory) responsibilities of the Independent auditor and well as other quality assurance activities planned by executive management. Section B describes the audits planned for implementation by the Independent Auditor and other audits planned by Valley Water’s executive management.

SECTION A

NON-AUDIT SERVICES AND SPECIAL PROJECTS

The following table lists non-audit services and special projects for the FY 2019-20 audit work plan:

Project	Scope	Planned Hours
Board of Director/Audit Committee Requests for Information	Ongoing. Should the Board of Directors request information on activities implemented by other public agencies or on other matters of interests applicable to enhancing the efficiency and effectiveness of operations, the independent auditor will collect and summarize information.	80
Audit Training	Annual. The Board Audit Committee Charter describes a requirement to provide audit training to BAC committee members at least annually.	2
Support services	Ongoing. Provide support services to Board Directors and Valley Water staff applicable to specific initiatives or planning projects to prevent potential service delivery risks, such as the planning of a new ERP system.	40
QEMS – Independent Auditor	Ongoing. Provide services to ensure proper oversight and accountability.	As needed
Management reviews	Ongoing. Valley Water ‘s CEO as needed will initiate internal quality assurance reviews of business practices and operations. These reviews are to be shared with the audit committee.	As needed

SECTION B: AUDIT SERVICES**AUDIT WORK PLAN – INDEPENDENT AUDITOR****FY 2018-19**

The following audits have been approved in FY 2018-19 by the Board of Directors and will continue into the FY 2019-20 audit work plan.

ID	Audit	Audit Objectives	Planned Hours
1	District Counsel Office Review	Are there structural, organizational, and process improvement opportunities for the District Counsel's Office?	664
5	Contract Change Order Processing	What types of business process improvements are necessary for contract change order processing?	429
6	Real Estate Review	How can the Real Estate improve its financial and service delivery performance?	574
Total	3 audits		1,667

FY 2019-20

The following audits have been selected for approval for the FY 2019-20 audit work plan.

ID	Audit Name	Audit Objectives	Planned Hours	Factors Considered
	Ad-hoc Board Audits	TBD	500-800	Relevance
	Audit Follow up	Review and monitor the status of audit recommendations	120	Relevance
	Sub Total		620-800	
13	Construction project management	What areas of Valley Water's capital project budgeting practices can benefit from adopting best practices?	314-371	Financial Improvement Risk Best practices
2	SCADA audit*	Does Valley Water's Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?	714-857	Information Security Relevance Improvement Risk
7	Permitting best practices	How does Valley Water's permitting process compare with other agencies? Can alternative permit processing activities benefit Valley Water?	171-229	Operational Best practices Improvement

4	Risk Management	Can risk management business processes be implemented more effectively? (i.e. contract claims, workers compensation, small claims).	143-260	Relevance Financial Operational Best practices
3	Billing and Collections audit	Are there opportunities to enhance Valley Water's billing and collection processes?	343-429	Relevance Financial Regulatory Improvement Risk Return on Investment
11	Accountability audit	Are there opportunities to enhance safe clean water audits?	115-171	Health and Safety Relevance Improvement
Sub Total	5		1,800-2,317	

*The SCADA audit (ID 2) will be deferred and reconsidered during the next Risk Assessment given the master planning efforts underway for Valley Water's SCADA systems.

FY 2020-21

The following audits have been selected for approval for the FY 2020-21 audit work plan.

ID	Audit Name	Audit Objectives	Planned Hours	Factors Considered
	Ad-hoc Board Audits**	TBD	500-800	Relevance
	Audit Follow up	Review and monitor the status of audit recommendations	120	Relevance
	Subtotal		620-800	
	<u>Grants Management</u>	<u>Performance audit of the efficiency and effectiveness of grant management and administration</u>	<u>Outsourced-TBD</u>	<u>Financial improvement</u> <u>Operational Best practices</u>
Ad Hoc Board Audit	Pacheco Reservoir Expansion (Lessons Learned)	(1) Develop a timeline of project costs (including contract change orders and professional services agreement amendments) and identify the types of expenses incurred.	220-270	Financial, Operational, and best practices improvements

		(2) Identify key drivers for project cost increases that were within and outside of VW's control. (3) Identify lessons learned in the planning, design and construction phases of the project.		
21	Community engagement	Can Valley Water benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities? What are the best practices in planning and facilitating community engagement?	417-543	Financial Improvement Operational Best practices
	Property Management	<u>Is Valley Water implementing its encroachment licensing program consistent with the Board's guiding principles?</u>	400	Operational
20	Homelessness analysis	How can the Valley Water enhance its homelessness encampment clean-up activities that <u>protect health and safety</u> ?	290-371	Health and Safety Relevance Financial Operational
8	Classified information***	To what extent does the Valley Water's Counsel's office appropriately classify confidential information?	143-200	Relevance Operational
26	Local workforce hiring	What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?	200-229	Operational
27	Equipment maintenance	Is Valley Water adequately meeting the needs of equipment maintenance?	143-229	Health and safety Operational Financial
33	Water Fix	What potential financial risks could occur on the California Water Fix project?	160-286	Financial Relevance
Sub Total	9		1,973-2,528	

**Ad-Hoc Audits to be added to the Board performance plan upon identification and approval of reviews.

***This issue was included in the project plan for the performance audit of the District Counsel's office.

AUDIT WORK PLAN – VALLEY WATER RESPONSIBILITY

FY 18/19 THRU FY 19-20

QEMS

QUALITY ENVIRONMENTAL MANGEMENT SYSTEM INTERNAL AUDITS	
AUDIT DESCRIPTION AND UNIT #	
Treated Water O&M DOO: TW Survey (customer service w/ WS DOO)	#515
Laboratory Services Unit	#535
North Water Treatment Operations Unit	#565
South Water Treatment Operations Unit	#566
Treatment Plant Maintenance Unit (North & South WTP)	#555
Water Quality Unit	#525
Water Utility Capital Division	
Capital Program Planning and Analysis Unit	#335
Construction Services Unit	#351
Pipelines Project Delivery Unit	#385
East Side Project Delivery Unit	#375
West Side Project Delivery Unit	#376
Dam Safety & Capital Delivery Division	
CADD Services Unit	#366
Dam Safety Program & Project Delivery Unit	#595
Design and Construction Unit #3	#333
Pacheco Project Delivery Unit	#377
Water Supply Division DOO: TW Survey (customer service w/ TW O&M DOO)	#415
Wells & Water Measurement Unit	#475
Watersheds Design and Construction Division	
Design and Construction Unit #1	#331
Design and Construction Unit #2	#332
Design and Construction Unit #4	#334
Design and Construction Unit #5	#336
Land Surveying and Mapping Unit	#367
Real Estate Services Unit	#369
Associated Business Support Areas	
Facilities Management Unit	#887
Infrastructure Services Unit/IT	#735
Equipment Management Unit	#885
Business Support & Warehouse Unit	#775
Purchasing & Consultant Contracts Services Unit	#820

Emergency Services & Security	#219
Environmental, Health & Safety Unit	#916
Workforce Development (Training)	#915
Core ISO Procedures: Continual Improvement Unit	#116
Office of Communications (Customer Service)	#172
Office of the Clerk of the Board (Customer Service)	#604

COMPLIANCE AND FINANCIAL AUDITS

FINANCIAL AUDITS
Financial Audits
Treasurer's Report
Appropriation's Limit
Compensation and Benefit Compliance (odd years)
Travel Expenses Reimbursement (even years)
Single Audit (if applicable)
WUE Fund Audit



Santa Clara Valley Water District

File No.: 21-0718

Agenda Date: 8/18/2021
Item No.: 5.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Receive an Update on the Status of the Pacheco Reservoir Expansion Fact-Finding Investigation.

RECOMMENDATION:

Receive an update on the status of the Pacheco Reservoir Expansion fact-finding investigation.

SUMMARY:

The Board Audit Committee (BAC) was established by the Santa Clara Valley Water District Board of Directors (Board) to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

At its February 17, 2021 meeting, based on direction from the full Board, the BAC approved an update to the BAC Work Plan to include an audit of the Pacheco Reservoir Expansion Project, specifically to understand the timeline associated with cost increases during the exploratory phase of the effort. At its March 17, 2021 meeting, the BAC expressed a preference that the review be conducted by legal firm instead of an audit firm.

At the May 26, 2021 meeting, Legal counsel clarified that the effort being conducted is a “fact-finding investigation” not to be confused with an “audit.” Legal counsel will provide a verbal report regarding the status of the fact-finding investigation.

At the June 16, 2021 meeting, Legal counsel informed the Committee that the law firm, Jackson Lewis P.C., will be presenting their Fact-Finding Investigation at the July 21, 2021 Committee meeting. Furthermore, the Committee requested that staff relay to the law firm a request to interview members of the Water Storage Exploratory Committee, and the San Benito Water District.

At the July 21, 2021 Committee meeting, counsel advised that the investigation remained ongoing. The Committee reiterated the request that staff relay to the law firm a request to interview members of the Water Storage Exploratory Committee, and the San Benito Water District. Since then, the law firm has continued to interview witnesses. Staff now anticipates that the results of the investigation will be presented at the September 15th BAC meeting.

File No.: 21-0718

Agenda Date: 8/18/2021
Item No.: 5.1.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

Carlos Orellana, 408-630-2755



Santa Clara Valley Water District

File No.: 21-0605

Agenda Date: 8/18/2021
Item No.: 5.2.

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

SUBJECT:

Status Update on Recommendations from the Contract Change Order Audit Conducted by TAP International, Inc.

RECOMMENDATION:

- A. Receive and discuss a status update on recommendations from the Contract Change Order Audit conducted by TAP International, Inc.
- B. Continue adoption of Contract Change Order Audit recommendations with implementation goal of Q4 2021.

SUMMARY:

On May 23, 2017, the Board, approved an on-call consultant agreement with TAP International, Inc. (TAP) for Board independent auditing services. Following Board's approval TAP conducted the audit of contract change order management processes and provided the final audit report to the Board of Directors.

At the November 18, 2020 BAC meeting, staff provided an initial update on the status of the recommendations from the Contract Change Order Audit Report. The PowerPoint presentation of the Construction Contract Change Order Management & Administration - Audit Recommendations & Responses included revised implementation plans schedule update.

Implementation Plans Update

- Independent Cost Estimate and Constructability Review
 - Request for Proposal (RFP) for On-Call Construction Cost Estimating and Constructability Review Services was posted. The consultant selection to be completed by October 2021.
- Change Control Board (CCB) & Project Steering Committee (PSC)
 - Membership recommendations for CCB and PCS, roles and responsibilities and

processes being reviewed by stakeholders.

- Project Control Office:
 - Construction Budget Development Support and QEMS updates.
 - Collaboration with Business Planning and Analysis and Continuous Process Improvement Units.

ATTACHMENTS:

Attachment 1: PowerPoint

UNCLASSIFIED MANAGER:

Ken Wong, 408-630-2076



Construction Contract Change Order Management & Administration: Update on Contract Change Order Audit

Presented by: Ken Wong, Deputy Administrative Officer of General Services

Construction Contract Change Order Management & Administration - Audit implementation update

Background & Intent

The audit examined construction contract change order business processes from initiation of a change order to reporting of change order to the Board of Directors.

The recommendations included in the final audit report are designed to mitigate the potential service and financial risks created by the issuance of change orders on large-scale capital construction projects.

Construction Contract Change Order Management & Administration - Audit implementation update

3

Recommendation #1: Update capital construction change order policies and procedures	Status
<p>a. Require an Independent Cost Estimate (ICE) by in-house and/or on-call cost estimator for change orders for capital construction contract over \$100 million or lower if determined by respective Chief Operating Officers (COO)</p> <p>Target Implementation: Revised from August 2021 to October 2021 for contract award</p>	In-progress
<p>b. Use a separate advisory body, Change Control Board (CCB) and Project Steering Committee (PSC) to review and recommend the approval of change orders</p> <p>Target Implementation: Revised from August 2021 to October 2021</p>	In-progress
<p>c. Prohibit commencement of work until after formal approval of change order</p> <p>Target Implementation: Unchanged - October 2021</p>	In-progress

valleywater.org

Construction Contract Change Order Management & Administration - Audit implementation update

4

Recommendation #2: Enhance Constructability Reviews as part of the construction project design phase	Status
<p>a. All large-scale and higher risk projects currently require third party and /or peer review. Staff will secure consultant services to provide third party constructability reviews.</p> <p>Target Implementation: Revised from August 2021 to October 2021</p>	In-progress
Recommendation #3: Enhance the review and approval process for change orders <ul style="list-style-type: none"> ▪ Create Capital Project Steering Committee (PSC) for large scale and high-risk projects for process and change order oversight as determined by the CEO 	Status
<p>Target Implementation: Unchanged - December 2021</p>	In-progress

valleywater.org

Construction Contract Change Order Management & Administration - Audit implementation update

<p>Recommendation #4: Create a Resource Service Office (RSO)</p> <ul style="list-style-type: none"> • Businesses process and information system in support of large capital projects • Resources to support smaller capital projects • Integration of design and construction activities; policies & procedures; standardization; guidelines & checklists; continuous process improvement & performance base management system 	<p>Status</p>
<p>a. The term “Project Control Office” (PCO) will be used instead of Resource Services Office (RSO) as it’s more applicable to the functions of the Capital Construction and Watersheds Divisions under the newly created Integrated Water Management under the ACEO.</p> <p>Target Implementation: Revised to March 2022 from December 2021</p>	<p>In-progress</p>

Construction Contract Change Order Management & Administration - Audit implementation update

6

Recommendation #5: Transfer the responsibility to administer procurement activities on capital projects: centralization of all procurement activities; change order management; updating change order policies and procedures; spot audits for contract terms compliance	Status
a. The transfer of capital construction contracts procurement activities had been executed effective October 2019 to the newly established Construction Contracts and Support Unit	Completed
b. Contract Administration and change order management will remain unchanged with the project managers	N/A

valleywater.org

Construction Contract Change Order Management & Administration - Audit implementation update

7

Recommendation #6: Promote the uniform implementation of change order management and administration: Establish criteria for contingency; updating Quality Management System Forms; enhance risk management process; enhanced project management training	Status
a. Contingency will continue to be separately approved by the Board of Directors for each capital construction project for transparency; criteria for contingency will not be established. Target Implementation: Standard delegation of authority in October 2021	N/A
b. Updating Quality and Environmental Management System (QEMS) Target Implementation: Unchanged December 2021 & continuous	In-progress

valleywater.org

Construction Contract Change Order Management & Administration - Audit implementation update

<p>Recommendation #6: Promote the uniform implementation of change order management and administration: Establish criteria for contingency; updating Quality Management System Forms; enhance risk management process; enhanced project management training (Cont.)</p>	<p>Status</p>
<p>c. Training on essential project management skills is a continuous process for change order management and administration, continue to explore Federal, State, non-profit and professional organizations training programs</p> <p>Target Implementation: December 2021 & continuous</p>	<p>In-progress</p>
<p>Recommendation #7: Develop, track, and report on performance metrics</p>	<p>Status</p>
<p>Target Implementation: December 2021 and continuous</p>	<p>In-progress</p>

QUESTIONS



THIS PAGE INTENTIONALLY LEFT BLANK



Santa Clara Valley Water District

File No.: 21-0844

Agenda Date: 8/18/2021
Item No.: 5.3.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Updates to the Quality and Environmental Management System (QEMS) Internal Audit Program.

RECOMMENDATION:

Receive Updates to the QEMS Internal Audit Program.

SUMMARY:

Valley Water's Quality and Environmental Management System (QEMS) is based on an International Organization for Standardization (ISO) framework, specifically, ISO 9001 Quality Management System and ISO 14001 Environmental Management System standards. Valley Water's QEMS is one of the programs that assists the organization to continually improve.

Valley Water's QEMS framework encompasses processes and standard operating procedures Valley Water uses to organize, manage, and improve its work to achieve organizational objectives. Specifically, the QEMS consists of Valley Water's Document Control System, which captures staff's knowledge and organizes the work in a predictable way. Valley Water's Corrective and Preventive Action Request (CPAR) System, including regular CPAR Review Committee meetings, drives improvement to operations. Internal Audits are conducted to monitor and improve the performance of the QEMS. This framework ensures the continuity of daily operations, facilitates succession planning by managing a robust employee knowledge base, and assists the organization's continual improvement.

Enhancement to the Internal Audit Program:

On May 3, 2019, executive management provided direction to enhance the Internal Audit Program by directing staff to establish a Request for Proposals (RFP) for a third-party internal auditor.

Valley Water's 3rd party internal auditor would be responsible for conducting QEMS internal audits using the current scope of Treated Water Operations & Maintenance Division, Water Utility Capital, Watersheds Capital, and the supporting business units. As needed, they would also be responsible for assisting executive management with their continual improvement efforts by performing ad-hoc audits and providing recommendations to improve processes. This would allow staff who have been trained to conduct the internal audits to instead have additional time to focus on the Board's priorities

in their business areas.

In July 2020, Valley Water hired two auditing firms to perform the role of 3rd Party Internal Auditor: 1) PMA Consultants (PMA); and 2) Macias, Gini & O'Connell LLP (MGO). Although there were no QEMS internal audits conducted during 2020 and year-to-date 2021 due to the COVID-19 pandemic, staff have been working on transitioning from a QEMS internal audit program performed by trained staff auditors to a modified and enhanced QEMS internal audit program performed by the 3rd Party auditors. Staff is targeting to reinstate the enhanced QEMS internal audit program at the beginning of FY 2022-23 after implementation of the Phase 1 improvements associated with the results of the QEMS Methodology Benchmarking Analysis Study prepared by Tanner Pacific.

When the QEMS internal audit program is restarted, staff intends for the audit process to be a forward-thinking investment focused on increasing value to the community, which will incorporate the "audit-as-you-go" concept for capital delivery. An annual audit plan would be prepared, and each audit would have a documented purpose, objectives, and risks to be mitigated/improvement goals. Staff would ensure that there is no overlap of the QEMS internal audits with the Board Independent Auditor's audits.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



Santa Clara Valley Water District

File No.: 21-0923

Agenda Date: 8/18/2021
Item No.: 5.4.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Receive an Update on the 2021 Risk Assessment.

RECOMMENDATION:

Receive an update on the 2021 Risk Assessment.

SUMMARY:

Per the Board Audit Committee (BAC) Audit Charter, Article 3, Section 7, Sub-paragraph 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 Work Plan. The next Tri-annual Risk Assessment is due to be completed by October 2021.

At its January 26, 2021 meeting, the Board of Directors (Board) approved a recommendation from the BAC to have the Board's Independent Auditor, TAP International, Inc., conduct the 2021 Risk Assessment.

At its March 9, 2021 meeting, the Board approved the Scope of Work for the 2021 Risk Assessment. The scope of work includes a survey of multiple stakeholders to identify risks from their perspective as part of the initial audit planning assessment. The Board and BAC will then determine which risk factors are to be included in the final audit planning assessment at a later date.

At its May 26, 2021 meeting, staff informed the BAC that the State and Federal partnership contact details are still outstanding. Subsequently, the details were provided on Monday, June 7, 2021. TAP Int'l confirmed receipt and initiated the survey outreach effort.

At its June 16, 2021 meeting, TAP Int'l informed the Committee that the survey was released on June 10, 2021. The survey technically closed on June 24, 2021. TAP Int'l then analyzed the survey results, followed up with respondents as appropriate, and presented a summary for discussion at the

July 21, 2021 BAC meeting. The Committee noted the information, without taking any formal action.

Following initiation of the risk assessment, the Committee may receive and discuss the status of the on-going risk assessment until the risk assessment is completed. TAP Int'l will provide a verbal status update regarding the current phase of the Risk Assessment.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068