



Santa Clara Valley Water District Board Audit Committee Meeting

Via Zoom Teleconference

12:00 PM SPECIAL MEETING AGENDA

Friday, April 2, 2021
12:00 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, or through a link in the Zoom Chat Section during the respective meeting. 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

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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.

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Santa Clara Valley Water District
Board Audit Committee
12:00 PM SPECIAL MEETING
AGENDA

Friday, April 2, 2021

12:00 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-29-20 issued on March 17, 2020 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" or "Chat" tools 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" or "Chat" tools 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. INFORMATION ITEMS:

3.1. Receive Annual Audit Training from Board Independent Auditor. [21-0354](#)

Recommendation: Receive Annual Audit Training from Board Independent Auditor.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: PowerPoint](#)

Est. Staff Time: 2 Hours

4. 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.

5. ADJOURN:

- 5.1. Adjourn to Regular Meeting at 2:00 p.m., on April 21, 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.

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Santa Clara Valley Water District

File No.: 21-0354

Agenda Date: 4/2/2021
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Receive Annual Audit Training from Board Independent Auditor.

RECOMMENDATION:

Receive Annual Audit Training from Board Independent Auditor.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

On August 27, 2019, the Board approved the BAC Audit Charter to provide detailed guidance regarding how the BAC should carry out its functions and to guide the work of TAP International, Inc. Per Article 9, paragraph 3 of the BAC Charter the Board's Chief Audit Executive is required to provide audit training to BAC members at least annually.

On March 17, 2021, the BAC decided to conduct the next annual training during a Special BAC Meeting scheduled for April 2, 2021.

ATTACHMENTS:

Attachment 1: PowerPoint

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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Board Audit Committee Training

The Audit Process

April 2, 2021

Auditor Responsibility

Auditor Responsibility

- (1) Determines that management and officials that manage government resources use their authority properly and in compliance with laws and regulations;
- (2) Determines whether government programs are achieving their objectives and desired outcomes; and
- (3) Determines whether government services are provided effectively, efficiently, economically, and ethically.

Services Allowed by Auditors

Services Auditors Can Provide

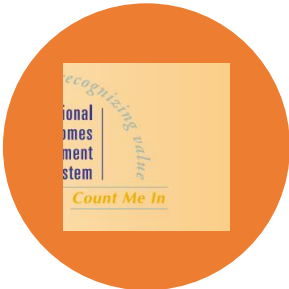
- Providing advice to the audited entity on an accounting matter as an ancillary part of the overall financial audit; (CPAs only)
- Providing advice to the audited entity on routine business matters; educating the audited entity about matters within the technical expertise of the auditors;
- Providing information to the audited entity that is readily available to the auditors, such as best practices and benchmarking studies. Providing information or data to a requesting party without auditor evaluation or verification of the information or data;
- Developing standards, methodologies, audit guides, audit programs, or criteria for use throughout the agency or for use in certain specified situations;
- Collaborating with other professional organizations to advance auditing of government entities and programs;
- Developing question and answer documents to promote understanding of technical issues or standards;

Services Auditors Can Provide

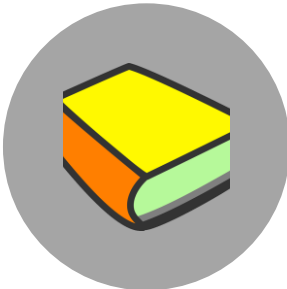
- Providing assistance and technical expertise to legislative bodies or independent external organizations;
- Assisting elected officials by developing questions for use at meetings;
- Providing training and technical presentations;
- Providing assistance in reviewing budget submissions; (as long as the overarching independence principles are not violated and the auditor under contract reports to the audit organization and not to management) and
- Providing audit, investigative, and oversight-related services, such as:
 1. Investigations of alleged fraud, violation of contract provisions or grant agreements, or abuse;
 2. Periodic audit recommendation follow-up engagements and reports; and identifying best practices or leading practices for use in advancing the practices of government organizations.

Acronyms and Terminology

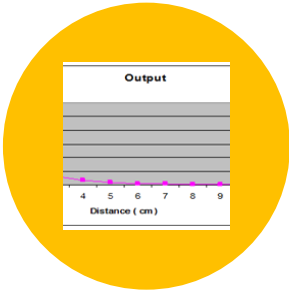
Acronyms and Terminology



Outcome - a type of performance measurement that assesses the effect of providing services.



GAGAS - Set of auditing standards contained in a 220 page “Yellow Book” that provide the foundation for government auditors to ensure audit independence, transparency, accountability, and quality.

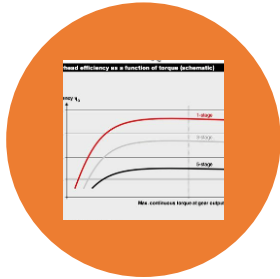


Output – a type of performance measurement that shows the volume of a result produced by implementing a program or service.

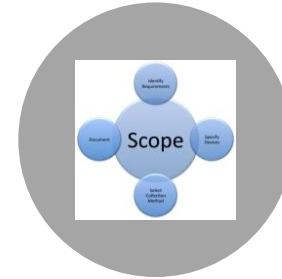


Entrance conference – first meeting with the auditee that discusses audit objectives, scope and methodology.

Acronyms and Terminology



Efficiency - to accomplish something with the least waste of time and effort.



Scoping – an exploration of limited time and resources to identify potential issues and concerns. The results may or may not show further in-depth analysis and review is needed.



Effectiveness – the degree to which programs or service delivery are successful at producing a desired result.



Exit conference – final meeting that takes place with the auditee to discuss audit findings. Can be referred to as a Results Meeting.

Acronyms and Terminology



Technical review – Auditee’s review of information presented in the report.



Working paper – Document prepared by the auditor that describes or summarizes information, or work performed.

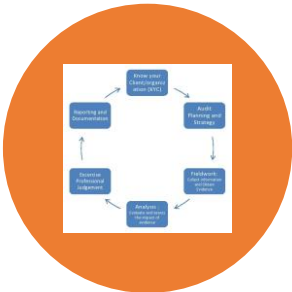


Agency comment – Auditee’s formal response to audit recommendations.

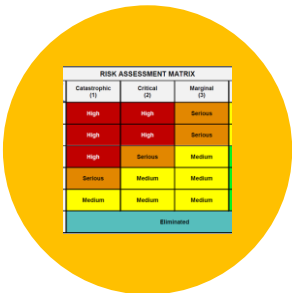


Stakeholder – persons or entities that participate in the delivery of services; or are recipients of services provided by the auditee; or those that are impacted the results of the audit.

Acronyms and Terminology



Internal Controls – policies, procedures, processes, or activities that prevent fraud, waste, and abuse.



Risk assessment – An evaluation of services, business processes, and operations that identifies areas that should be of concern to executive management and elected officials. The results are used to develop an annual audit work plan.

Types of Reviews

Financial Audits

Financial audits provide independent assessments of whether entities' reported financial information (e.g., financial condition, results, and use of resources) is presented fairly, in all material respects, in accordance with recognized criteria. Financial audits conducted in accordance with GAGAS include financial statement audits and other related financial audits

Performance Audit

Performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.

Compliance Audit

Compliance Audits are an assessment of compliance with criteria established by provisions of laws, regulations, contracts, and grant agreements, or other requirements that could affect the acquisition, protection, use, and disposition of the entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers. Compliance requirements can be either financial or nonfinancial.

Agreed Upon Procedure Review

An auditor performs specific procedures on subject matter or an assertion and reports the findings without providing an opinion or a conclusion on it. The specified parties to the engagement agree upon and are responsible for the sufficiency of the procedures for their purposes. The specified parties are the intended users to whom use of the report is limited.

Desk Reviews

- A desk review is an important part of an overall audit — by collecting, organizing and synthesizing available information about an area or issue, risks and/or gaps identified may need further examination that could be related to a larger concern.
- A Desk Review performed by a qualified auditor is sometimes called a preliminary review, scoping review, or ad-hoc audit. It is not a comprehensive financial, internal, or performance audit where all GAGAS standards must be met.
- A desk review allows an auditor to potentially identify whether risks and/or gaps exist that may warrant the need to transition into a full performance audit. The document that is prepared generally contains a brief summary of results of the work and a recommendation of whether to continue auditing.

Internal Controls Audit

An assessment of one or more aspects of an entity's system of internal control that is designed to provide reasonable assurance of achieving effective and efficient operations, reliability of reporting for internal and external use, or compliance with provisions of applicable laws and regulations. Internal control objectives also may be relevant when determining the cause of unsatisfactory program performance. Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity.

Grant/Contract Audit

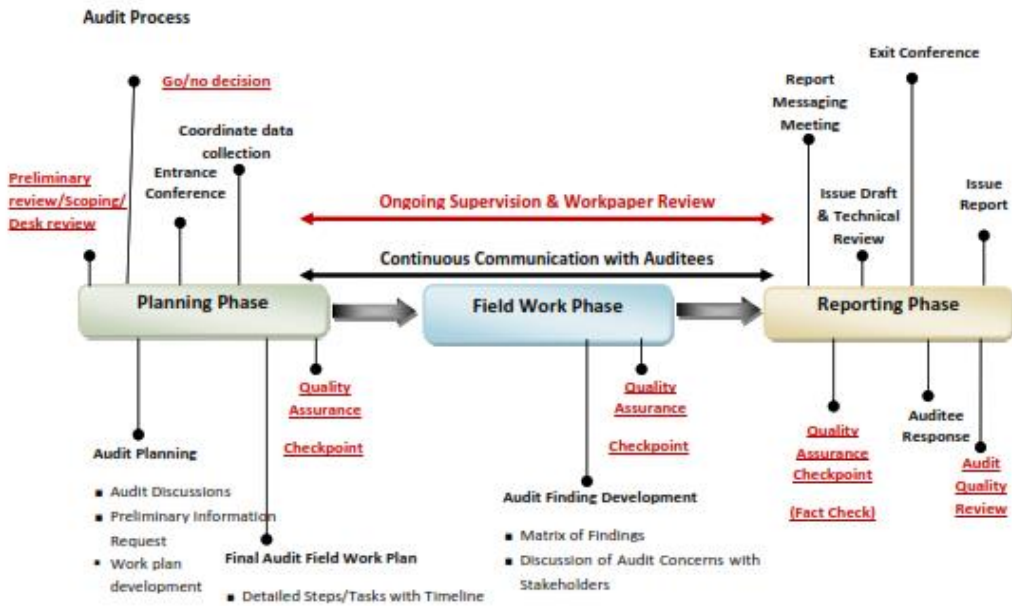
- An assessment that examines the extent that contractual terms and conditions have been met.

When to Conduct an Audit

Reasons to Audit

1. High risk of fraud, waste, and abuse
2. High risk of hindering progress towards goals and objectives
3. Change in executive management (prior to new hire)
4. Desire to accomplish cost savings
5. Need to identify revenue enhancement opportunities
6. Need to improve transparency and accountability
7. Need to improve performance

Performance Audit Process



Audits can range from 6 weeks to 12+ months to complete.

Key Components:

1. Planning Phase
2. Implementation Phase
3. Reporting Phase





Planning Phase – Key Activities

- Opening Conference
 - Discussion of audit objectives
 - Discussion of audit areas,
 - Discussion of approach, scope, and time required to complete the service or project,
 - Auditee roles and responsibilities
 - Communication activities that will take place on the audit a
 - Discussion of the preliminary data request, and
 - Overview of recent changes by auditee



Planning Phase – Key Activities

- Project Plan Development
 - Assessment of project risks
 - Detailed description of audit activities
 - Assignment of audit team roles and responsibilities
 - Development of data collection Instruments (DCIs)
- GAGAS review of the project plan



Planning Phase – Key Activities

- Development of Background Information
 - Identification of key stakeholders
 - Detailed description of audit activities
 - Assignment of audit team roles and responsibilities
 - Development of data collection Instruments (DCIs)
 - Identification and review of laws, codes, and regulations.



Implementation Phase:
Data Collection
Data Analysis

- The implementation phase is designed to develop information that answers the audit questions.
- The information collected and analyzed must address the “elements of a finding”:
 - Criteria – What should be?
 - Condition – What is actually happening?
 - Cause – Why is it happening?
 - Effect – What impact has the “condition” had on efficiency and effectiveness.



Implementation Phase:
Data Collection
Data Analysis

Required Activities Include:

- Assessment of risks applicable to the specific audit – areas that could impact the completion of the audit.
- Assess the reliability of information if the information to be used forms the basis of audit conclusions.
- Assess the adequacy of internal controls if the controls are applicable to the audit objectives/questions.
- Third party review of all working papers.



Implementation Phase:
Data Collection
Data Analysis

Common Audit Activities:

- Scheduling, preparing for and conducting Interviews
- Developing databases
- Development and computing performance measures
- Analyzing data and other documentation
- Identifying root causes of potential findings
- Preparing working papers in accordance with GAGAS standards.
- Verifying qualitative information



Implementation Phase:
Data Collection
Data Analysis

- Data collection methods can include over 26 quantitative and qualitative methodologies.
- Qualitative examples: Interviews, surveys, workshops, meeting attendance, physical observation.
- Quantitative examples: Documentation review, trend analysis, statistical analysis, performance measurement.



Reporting Phase:
Draft Report
Final Report

Key Activities:

- Results Meeting: Discussion of preliminary findings prior to draft the report, which allows one last opportunity for the auditee to provide information.
- Technical draft report: Preparation of preliminary draft report that is to be reviewed by the auditee
- GAGAS Review: Internal review performed by third party auditor to confirm adherence of the report to GAGAS
- Draft report: Final draft report presented to the Board Audit Committee
- Review of Agency Comments: Board Audit Committee and Auditor review of Management's response to the Audit Recommendations.
- Final report.