



Santa Clara Valley Water District Board Audit Committee Meeting

Headquarters Building Boardroom
5700 Almaden Expressway

SPECIAL MEETING AGENDA

**Monday, May 23, 2022
11:00 AM**

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

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.

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Santa Clara Valley Water District
Board Audit Committee
SPECIAL MEETING
AGENDA

Monday, May 23, 2022

11:00 AM

Headquarters Building Boardroom
5700 Almaden Expressway
San Jose, California

*****IMPORTANT NOTICES AND PARTICIPATION INSTRUCTIONS*****

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

To maximize public safety while still maintaining transparency and public access, members of the public have an option to participate by teleconference/video conference or attend in-person. To observe and participate in the meeting by teleconference/video conference, please see the meeting link located at the top of the agenda. If attending in-person, you are required to wear a mask.

In accordance with the requirements of Gov. Code Section 54954.3(a), members of the public wishing to address the Board/Committee at a video conferenced meeting, during public comment or on any item listed on the agenda, should use the “Raise Hand” tool located in the Zoom meeting link listed on the agenda, at the time the item is called. Speakers will be acknowledged by the Board Chair in the order requests are received and granted speaking access to address the Board.

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

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has not been prepared with a view to informing an investment decision in any of Valley Water’s bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water’s bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures and Valley Water’s Investor Relations

website, maintained on the World Wide Web at <https://emma.msrb.org/> and <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>, respectively.

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

Join Zoom Meeting:
<https://valleywater.zoom.us/j/91608079873>
Meeting ID: 916 0807 9873
Join by Phone:
1 (669) 900-9128, 91608079873#

1. CALL TO ORDER:

1.1. Roll Call.

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

Notice to the Public: Members of the public who wish to address the 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.

[22-0666](#)

Recommendation: Approve the minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 042022 BAC Minutes](#)

4. REGULAR AGENDA:

- 4.1. Receive and Discuss a Status Update on the Implementation of Audit Recommendations. [22-0653](#)
Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Audit Recommendations Tracking Table](#)
- 4.2. Receive an Update on the Status of the Permitting Best Practices Audit Recommendation Implementation. [22-0652](#)
Recommendation: Receive an update on the status of the Permitting Best Practices audit recommendation implementation.
Manager: Lisa Bankosh, 408-630-2618
Attachments: [Attachment 1: Audit Final Report](#)
[Attachment 2: Management Response](#)
[Attachment 3: Implementation Status](#)
[Attachment 4: PowerPoint](#)
- 4.3. Progress Report on Implementing the Grants Management Performance Audit Recommendations. [22-0655](#)
Recommendation: Receive information on the progress of implementing the recommendations from the Grants Management Performance Audit.
Manager: Marta Lugo, 408-630-2237
Attachments: [Attachment 1: Grants Audit Progress Report](#)
[Attachment 2: PowerPoint](#)
- 4.4. South Bay Clean Creeks Coalition Partnership Agreement. (Continued from April 20, 2022) [22-0619](#)
Recommendation: Receive information on the South Bay Clean Creeks Coalition (SBCCC) Partnership Agreement.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: SBCCC Communication to Valley Water](#)
[Attachment 2: Valley Water Communication to SBCCC](#)
[Attachment 3: CEO Email to SBCCC](#)
[Handout 4.2-A: SBCCC Letter](#)
[*Handout 4.2-B: SCVWD Response to SBCCC Letter](#)

- 4.5. Discuss Process and Scope of 2022 Annual Audit Training from Chief Audit Executive. [22-0220](#)
Recommendation: Discuss process and scope of 2022 Annual Audit Training from Chief Audit Executive.
Manager: Darin Taylor, 408-630-3068
- 4.6. Fiscal Year 2021-22 Third Quarter Financial Status Update. [22-0651](#)
Recommendation: Receive the Fiscal Year 2021-22 third quarter financial status update as of March 31, 2022.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: PowerPoint](#)
- 4.7. Discuss the 2022-2024 Annual Audit Work Plan. [22-0649](#)
Recommendation: Discuss the 2022-2024 Annual Audit Work Plan.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: 2022-2024 Annual Audit Work Plan](#)
- 4.8. Review and Discuss the 2022 Board Audit Committee Work Plan. [22-0650](#)
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: BAC Work Plan 2022](#)
5. **CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.**
This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.
6. **ADJOURN:**
- 6.1. Adjourn to Regular Meeting at 2:00 p.m., on June 15, 2022.



Santa Clara Valley Water District

File No.: 22-0666

Agenda Date: 5/23/2022
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: 042022 BAC Minutes

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

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BOARD AUDIT COMMITTEE MEETING

MINUTES

**REGULAR MEETING
WEDNESDAY, APRIL 20, 2022
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) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 2:00 p.m.

1.1 Roll Call.

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

Staff members in attendance were C. Orellana, District Counsel, M. King, Clerk, Board of Directors, D. Cahen, C. Gayotin, R. Gibson, B. Hopper, D. Taylor, and T. Yoke.

Also, in attendance by teleconference was Mr. George Skiles, Sjoberg Evashenk Consulting, Inc.; Mr. Mike Brown, PMA Consultants; and Mr. John Mahoney, Tanner Pacific, Inc.

2. 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 January 19, 2022, and February 16, 2022, Committee meetings. It was moved by Director Santos, seconded by Director Kremen, and unanimously carried that the minutes be approved.

4. REGULAR AGENDA:

4.1 Board Audit Committee's 2022 Annual Self-Evaluation Process.

Recommendation: Discuss the Board Audit Committee's 2022 Annual Self-Evaluation Process.

Mr. George Skiles, Sjoberg Evashenk Consulting, Inc., reviewed the information on this item, per the Committee Agenda Memo.

The Committee discussed the information without formal action, and noted the following:

- The Committee requested that District Counsel provide comments related to Bullet 4 on Page 2 of the Committee Agenda Memo (CAM), *"Allowing the Chief Audit Executive and external auditors to raise sensitive issues in compliance with the Brown Act"*; and
- The Committee requested that staff bring the Self-Evaluation Summary to the full Board at a future Board meeting.

4.2 South Bay Clean Creeks Coalition Partnership Agreement.

Recommendation: Receive information on the South Bay Clean Creeks Coalition (SBCCC) Partnership Agreement.

Mr. Darin Taylor, Chief Financial Officer, reviewed the information on this item, per the attached Committee Agenda Memo.

The Committee considered the information without formal action, and noted the following:

- The Committee requested that staff provide a response to Mr. Steve Holmes, SBCCC, letter to the Committee, Handout 4.2-A;
- The Committee requested staff to clarify PMA's Recommendation 1 on Page 2 of the CAM; and
- The Committee requested staff to consider how to ensure the Grant Process is less burdensome to non-profit organizations and to return to the Committee with their recommendations.

The Committee continued the item to the May 18, 2022 Committee meeting.

4.3 Discuss the Necessity of Evaluating Risk Management Organizational Alignment; Determine if any Changes Need to be Made to the Annual Audit Work Plan; and Authorize Staff to Present any Recommended Changes to the Full Board for Approval to Update the Annual Audit Work Plan at a Future Board Meeting.

- Recommendation:
- A. Discuss the necessity of evaluating the Risk Management Organization alignment;
 - B. Determine if any Changes need to be made to the Annual Audit Work Plan; and
 - C. Authorize staff to present any recommended changes to the full Board for approval to update the Annual Audit Work Plan at a future Board meeting.

Mr. Carlos Orellana, District Counsel, reviewed the information on this item, per the attached Committee Agenda Memo.

The Committee received the information without formal action; and noted the following:

- The Committee requested that staff respond to Mr. Doug Muirhead's comments in Handout 4.3-A; and
- The Committee requested that staff bring this Item back to the Committee at the October 18, 2022, Committee meeting for a 6 month update.

4.4 Discuss the 2022-2024 Annual Audit Work Plan.

- Recommendation:
- A. Discuss the 2022-2024 Annual Audit Work Plan;
 - B. Recommend initiation of the CIP Process Audit to the full Board; and
 - C. Recommend to the full Board that Sjoberg Evashenk Consulting, Inc., be the auditor for the CIP Process Audit.

Mr. Taylor reviewed the information on this item, per the attached Committee Agenda Memo.

The Committee received the information and noted the following:

- The Committee requested that the CIP Process audit scope include an investigation of how to reduce soft costs on medium to small sized projects;
- The Committee requested that the CIP Process audit scope include an investigation of how CIP projects are prioritized for inclusion in the CIP along with implementation and funding;
- The Committee requested that staff do the following:
 - Bring the request to initiate the CIP Process Audit to the full Board for discussion and approval at a future Board meeting; and
 - Discuss the CIP Process audit scope with the CIP Committee

It was moved by Director Santos and seconded by Director Kremen, and unanimously carried that the Committee approve Recommendations B and C.

4.5 Review and Discuss the 2022 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. Taylor reviewed the information on this item, per the attached Committee Agenda Memo.

The Committee noted the information, without formal action.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:

5.1 Mr. Max Overland, Assistant Deputy Clerk II, read the new Committee request into the record.

6. ADJOURN:

6.1 Adjourn to Regular Meeting at 2:00 p.m., on May 18, 2022.

Chairperson Keegan adjourned the meeting at 3:00 p.m., to the 2:00 p.m. Regular Meeting on May 18, 2022.

Max Overland
Assistant Deputy Clerk II



Santa Clara Valley Water District

File No.: 22-0653

Agenda Date: 5/23/2022

Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

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

RECOMMENDATION:

Receive and discuss a status update on the implementation of audit recommendations.

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.

Currently there are a total of 73 currently pending audit recommendations represented in the table below. The full description of the 73 pending audit recommendations is provided as Attachment 1.

Audit Name	Total Number of Recommendations	# of Recommendations Not Selected for Further Analysis	%	# of Recommendations Either Pending or Underway	%	# of Recommendations Either Completed or Implemented	%
2011 Diversity and Inclusion Audit	54	0	0%	0	0%	54	100%
2014 Staff Resources Plan - Phase 1	46	4	9%	0	0%	42	100%
2014 Values and Ethics Team	31	1	3%	0	0%	30	100%
2014 Treated Water Revenue Audit	28	2	7%	0	0%	26	100%
2014 Transparency Compliance Audit	22	2	9%	1	5%	19	95%
2015 Mitigation and Monitoring Compliance Audit	15	0	0%	1	7%	14	93%
2015 Consultant Contracts Audit	11	0	0%	8	73%	3	27%
2015 Staff Resources Plan - Phase II	8	0	0%	0	0%	8	100%
2017 Safe, Clean Water Audit	12	0	0%	0	0%	12	100%
2019 Lower Silver Creek Audit	27	0	0%	15	56%	12	44%
2019 Contract Change Order Audit	7	0	0%	6	86%	1	14%
2020 District Counsel Audit	5	0	0%	3	60%	2	40%
2020 Real Estate Services Audit	13	0	0%	10	77%	3	23%
2020 Safe, Clean Water Program Grant Management	11	0	0%	6	55%	5	45%
2021 Permitting Best Practices Audit	14	0	0%	13	93%	1	7%
2022 Human Resources Audit	15	0	0%	10	67%	5	33%
TOTALS:	319	9	3%	73	23%	237	74%

A brief explanation of remaining recommendations to be addressed from the oldest audits is as

follows:

- In 2014, TAP conducted the Transparency Compliance Audit that resulted in 22 recommendations that the Board of Directors and Chief Executive Officer considered implementing to advance to the next generation of transparency and accountability activities. Currently, there is 1 remaining audit recommendation assigned to the Chief Executive Officer involving structural and operational changes.
- In 2015, Panorama Environmental, Inc., conducted the Mitigation and Monitoring Compliance audit that resulted in 15 recommendations based on Valley Water's operations and maintenance activities and capital projects in the Watershed Management and Water Utility divisions, and included all mitigation associated with Valley Water's multi-year Stream Maintenance Program. Currently there is 1 remaining audit recommendation that is pending Maximo upgrades.
- In 2015, Navigant Consulting, Inc., conducted the Consultant Contracts Audit that resulted in 11 recommendations based on the extent to which compliance issues have been present during the review period (2009 - 2014), and areas of improvement to the "as-is" post-award contract management framework (including relevant policies, processes, and protocols). Currently there are 8 remaining audit recommendations pending completion or implementation.
- In 2019, PMA Consultants, LLC conducted the Lower Silver Creek Audit that resulted in 27 recommendations based on a review of: (1) allegations of conflict of interest, fund reallocation, and firewall; (2) financial allegations; (3) District Attorney investigation; (4) sole sourcing; and (5) performance review. Currently there are 15 remaining audit recommendations with entirely new audit recommendation owners researching and developing plans for implementation.
- In 2019, TAP International Inc., (TAP) conducted the Contract Change Order Audit that resulted in 6 recommendations to enhance change order management and administration activities for very large capital construction projects. Currently there are 6 audit recommendations that remain pending.
- In 2020, TAP International Inc., conducted the District Counsel Audit that resulted in 5 recommendations to improve service delivery and performance through an enhanced operating strategy, implementing structural and process improvement changes that will enhance the efficiency and effectiveness of legal services provided to Valley Water's operational and administrative units. Presentation of the District Counsel Audit final report was received and approved by the Board Audit Committee on December 16, 2020 and presented to the full Board at the January 26, 2021 Board meeting. Currently 3 audit recommendations remain pending.
- In 2020, TAP International, Inc., conducted the Real Estate Services Audit that resulted in 13 recommendations to minimize undue hardships to property owners, enhance the timeliness of

real estate transactions, increase revenue, and improve transparency and accountability of Real Estate Services Unit current operations. Currently 10 audit recommendations remain pending. Presentation of the Real Estate Services Audit final report was approved and recommended by the Board Audit Committee on October 21, 2020 and presented to the full Board at the November 10, 2020, Board meeting.

- On September 2, 2020 TAP International, Inc., along with subconsultants Greta McDonald and Drummond Kahn conducted the Safe, Clean Water Program Grants Management Performance Audit to assess whether Valley Water could provide assurance that risks are being managed appropriately and whether the department's internal control environment is operating effectively to ensure the safeguarding of public funds, with the focus on improving grant management operations and aligning current processes with best practices. Additionally, it assessed the timeliness of grant/contract approvals, and grant payments. Presentation of the Safe, Clean Water Program Grant Management Audit final report was approved and recommended by the Board Audit Committee on January 13, 2021 and presented to the full Board at the March 23, 2021, Board meeting. The audit identified 11 recommendations to enhance operating effectiveness and identify opportunities to incorporate best practices. Currently 6 audit recommendations remain pending.
- On October 13, 2020 TAP International Inc. was requested to conduct the Permitting Best Practices Audit that resulted in 14 recommendations to enhance communication and processing speed, introduce best practices where appropriate, and improve the customer experience. Presentation of the Permitting Best Practices Audit final report was approved and recommended by the Board Audit Committee on May 26, 2021 and presented to the full Board at the July 13, 2021 Board meeting. Currently all 13 audit recommendations remain pending.
- In 2021, Executive Management requested a review of Human Resources functions focusing on five (5) areas within HR: Recruitment (including conflict of interest and Form 700 processes), Reasonable Accommodations, Workforce Development (formerly Talent Development), Retention, and Workforce Equity resulting in a total of 15 recommendations. Presentation of the Human Resources Audit final report was provided to the Board Audit Committee on January 19, 2022, in compliance with the Board Audit Committee's charter, which states that the Committee may comment on management responses to an audit. Currently, 10 audit recommendations remain pending.

This item is a follow-up to the January 19th, 2022, BAC discussion where staff presented updates that were provided as of December 2021. Recommendations that were not updated in December 2021 have been updated in this report. The next comprehensive report is due to come back to the BAC in December 2022.

ATTACHMENTS:

Attachment 1: Audit Recommendations Tracking Table

File No.: 22-0653

Agenda Date: 5/23/2022
Item No.: 4.1.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

Audit Recommendations Status as of May 2022



10 Audits Total

73 Pending Audit Recommendations Total

Table of Contents

Brief Overview	1
2014 Transparency Compliance Audit	5
1 Pending Recommendation	
2015 Mitigation and Monitoring Compliance Audit	6
1 Pending Recommendation	
2015 Consultant Contracts Audit	8
8 Pending Recommendations	
2019 Lower Silver Creek Audit	19
15 Pending Recommendations	
2019 Contract Change Order Audit	33
6 Pending Recommendations	
2020 District Counsel Audit	50
3 Pending Recommendations	
2020 Real Estate Services Audit	53
10 Pending Recommendations	
2020 Safe, Clean Water Program Grant Management Audit	64
6 Pending Recommendations	
2021 Permitting Best Practices Audit	72
14 Pending Recommendations	
2022 Human Resources Audit	83
10 Pending Recommendations	

BRIEF OVERVIEW

Audit Name	Total Number of Recommendations	# of Recommendations Not Selected for Further Analysis	%	# of Recommendations Either Pending or Underway	%	# of Recommendations Either Completed or Implemented	%
2011 Diversity and Inclusion Audit	54	0	0%	0	0%	54	100%
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2014 TRANSPARENCY COMPLIANCE AUDIT

In 2014, TAP International Inc., conducted the Transparency Compliance Audit that resulted in 22 recommendations that the Board of Directors and Chief Executive Officer considered implementing to advance to the next generation of transparency and accountability activities. Currently, there is 1 remaining audit recommendation assigned to the Chief Executive Officer involving structural and operational changes.

2015 MITIGATION AND MONITORING COMPLIANCE AUDIT

In 2015, Panorama Environmental, Inc., conducted the Mitigation and Monitoring Compliance audit that resulted in 15 recommendations based on Valley Water's operations and maintenance activities and capital projects in the Watershed Management and Water Utility divisions, and included all mitigation associated with Valley Water's multi-year Stream Maintenance Program. Currently there is 1 remaining audit recommendation that is pending Maximo upgrades.

2015 CONSULTANT CONTRACTS AUDIT

In 2015, Navigant Consulting, Inc., conducted the Consultant Contracts Audit that resulted in 11 recommendations based on the extent to which compliance issues have been present during the review period (2009 – 2014), and areas of improvement to the "as-is" post-award contract management framework (including relevant policies, processes, and protocols). Currently there are 8 remaining audit recommendations pending completion or implementation.

2019 LOWER SILVER CREEK AUDIT

In 2019, PMA Consultants, LLC conducted the Lower Silver Creek Audit that resulted in 27 recommendations based on a review of: (1) allegations of conflict of interest, fund reallocation, and firewall; (2) financial allegations; (3) District Attorney investigation; (4) sole sourcing; and (5) performance review. Currently there are 15 remaining audit recommendations with entirely new audit recommendation owners researching and developing plans for implementation.

2019 CONTRACT CHANGE ORDER AUDIT

In 2019, TAP International Inc., conducted the Contract Change Order Audit that resulted in 7 recommendations to enhance change order management and administration activities for very large capital construction projects. Currently there are 6 audit recommendations that remain pending.

2020 DISTRICT COUNSEL AUDIT

In 2020, TAP International Inc., conducted the District Counsel Audit that resulted in 5 recommendations to improve service delivery and performance through an enhanced operating strategy, implementing structural and process improvement changes that will enhance the efficiency and effectiveness of legal services provided to Valley Water's operational and administrative units. Presentation of the District Counsel Audit final report was received and approved by the Board Audit Committee on December 16, 2020 and presented to the full Board at the January 26, 2021 Board meeting. Currently 3 audit recommendations remain pending.

2020 REAL ESTATE SERVICES AUDIT

In 2020, TAP International, Inc., conducted the Real Estate Services Audit that resulted in 13 recommendations to minimize undue hardships to property owners, enhance the timeliness of real estate transactions, increase revenue, and improve transparency and accountability of Real Estate Services Unit current operations. Currently 10 audit recommendations remain pending. Presentation of the Real Estate Services Audit final report was approved and recommended by the Board Audit Committee on October 21, 2020 and presented to the full Board at the November 10, 2020, Board meeting.

2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT

On September 2, 2020, TAP International, Inc., along with subconsultants Greta McDonald and Drummond Kahn conducted the Grants Management Performance Audit to assess whether Valley Water could provide assurance that risks are being managed appropriately and whether the department's internal control environment is operating effectively to ensure the safeguarding of public funds, with the focus on improving grant management operations and aligning current processes with best practices. Additionally, it assessed the timeliness of grant/contract approvals, and grant payments. Presentation of the Safe, Clean Water Program Grant Management Audit final report was approved and recommended by the Board Audit Committee on January 13, 2021 and presented to the full Board at the March 23, 2021, Board meeting. The audit identified 11 recommendations to enhance operating effectiveness and identify opportunities to incorporate best practices. Currently 6 audit recommendations remain pending.

2021 PERMITTING BEST PRACTICES AUDIT

On October 13, 2020, TAP International Inc. was requested to conduct the Permitting Best Practices Audit that resulted in 14 recommendations to enhance communication and processing speed, introduce best practices where appropriate, and improve the customer experience. Presentation of the Permitting Best Practices Audit final report was approved and recommended by the Board Audit Committee on May 26, 2021 and presented to the full Board at the July 13, 2021, Board meeting. Currently 13 audit recommendations remain pending.

2022 HUMAN RESOURCES AUDIT

In 2021, Executive Management requested a review of Human Resources functions focusing on five (5) areas within HR: Recruitment (including conflict of interest and Form 700 processes), Reasonable Accommodations, Workforce Development (formerly Talent Development), Retention, and Workforce Equity resulting in a total of 15 recommendations. Presentation of the Human Resources Audit final report was provided to the Board Audit Committee on January 19, 2022, in compliance with the Board Audit Committee's charter, which states that the Committee may comment on management responses to an audit. Currently, 10 audit recommendations remain pending.

2014 TRANSPARENCY COMPLIANCE AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
CEO Rick Callender	19	Meet on a quarterly basis with District leadership, mid-level managers, and staff to analyze performance data to assess the District's progress and identify improvements in processes to accomplish the District's key strategic goals.	<p>"11/22/16: On hold. Review the measures and process, as part of the District-wide effort to enhance performance measurement, and implement improvements, such as this recommendation.</p> <p>10/17/18: Round table discussions have been incorporated into MLT meeting. Will look into formalization of performance data discussion in future meetings.</p> <p>7/2/19: Recommendation to stay open. Look into ways to incorporate current performance data into MLT/LT meetings.</p> <p>2/25/22: In August, 2021 Valley Water engaged a consulting firm called Management Partners to review Valley Water's current set of performance measures and develop a set of updated performance measures that would help Valley Water determine the extent to which various program goals and objectives are being achieved with a focus on effectiveness and efficiency."</p>

2015 MITIGATION AND MONITORING COMPLIANCE AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
<p>Senior Water Resource Specialist - Doug Titus</p> <p>Environmental Planning UM - Kirsten Struve</p> <p>Environmental Services Manager-Watershed - Scott Akin</p> <p>Water Resources Planning and Policy UM - Afshin Rouhani</p> <p>Environmental Health & Safety UM - Larry Lopez</p>	2	Consolidate the Mitigation Tracking Databases and include a GIS Element.	<p>7/1/15: The District currently has multiple databases that track varying levels of environmental permitting and CEQA requirements. The District Permit Management System (DPMS) was developed to track permit conditions and compliance with those conditions, however; it is not used consistently, does not include a GIS element, and does not have a simple method for accessing mitigation monitoring data. We agree that there should be one District-wide database that tracks permit requirements including mitigation obligations. Additionally, there should be clear procedures and processes in place to ensure the database is effective and is utilized as intended. Action: Recommend the CEO create a cross-functional team to evaluate current District permitting and mitigation databases and make recommendations for inclusion into the IT Master Plan. Due Date: 8/30/15</p> <p>7/25/18 (K.L. and L.P.): Description from 7/1/15 still applies. Recommendation still pending.</p> <p>5/2/19 (Doug Titus): In addition to 7/1/15 response, mitigation databases include the Stream Maintenance Program (SMP), SCVWD Native Plant Mitigation Sites (GIS-based), and continued construction of EM-IMS (water temperature, Hg, wildlife, and fisheries data available). Recent discussions involve integrating Maximo with its planned upgrade and consolidation of environmental staff in Watersheds. A cross-functional team was formed and meets quarterly (prior meeting was 4/25/19).</p> <p>2/10/20 (D.T.): Same update from 5/2/19 still applies. Recommendation still pending.</p> <p>9/15/20 (D.T.): Same status as 5/2/19, EM-IMS continues to be developed, and is waiting for Maximo upgrades to investigate linkages. The Program/Permit Coordination team last met on 4/7/20.</p> <p>12/7/21: SMP is the primary mitigation database for Watershed O&M activities. The SMP database has been fully integrated with</p>

2015 MITIGATION AND MONITORING COMPLIANCE AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>MAXIMO as of 06/2020. Current enhancement activities include development of geospatial data collection capabilities through Mobile Maximo scheduled for completion in spring of 2022. Development of a geospatial cloud application is underway and will allow internal and external users to access SMP historical data, perform regulatory approvals and access program reporting from a customizable user interface. This enhancement is scheduled to go live by March 2022. Additionally, a partnership agreement has been entered into with San Francisco Estuary Institute (SFEI) to develop a data transfer tool to allow the SMP database to share watershed data with SFRWQCB's EcoAtlas platform. This will make much of the SMP data available to the general public. EM-IMS is a non-SMP database for water temperature, Hg, wildlife, fisheries, and selected WUE biological surveys. The SCVWD Native Plant Mitigation Sites (GIS-based) continues to be updated with locations of jurisdictional habitat mitigation sites as they are established for capital projects. Capital projects each have multiple mitigation requirements, where EMMU maintains an Excel file tracking mitigation monitoring reports, manages mitigation monitoring plan (MMP) and env permit requirements. The cross-functional Program/Permit Coordination team last met on 2/23/21.</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
General Services DAO Vacant; PCCSU Manager Concepcion Gayotin	1	Write a consolidated business policy concerning contracting management (including consultant contracting), which establishes the governance framework and functional accountability for contract management at the District. Include in this document a "Certificate of Acknowledgement" that staff must sign annually (or more frequently, as required).	<p>October 2015: The overarching policy documents also include the District Act and Board Governance Policies which were not identified in the findings. These policies cover both the Financial and Procurement aspects of the District and provide guidance regarding controls, expenditure limits, approval authority, and other policy direction.</p> <p>The District has many documents that collectively establish the policy framework for contracting, including the ""Guiding Principles of Public Procurement,"" the ""Guide to Doing Business with the District,"" Document No. Q-741-005 ""Procurement of Consulting Services,"" and AD.6.3 ""Approval Authority for Consultant Services Contracts."" The District's QEMS includes many documents that pertain to the policy and process of obtaining consulting contract services. In combination, these documents provide guidance in a variety of control and governance-related areas. However, most of these documents pertain to the pre-award process.</p> <p>We agree with the recommendation to develop a consolidated overarching business policy that includes post-award contract management. However, such an overarching policy is a rarity in the public sector, often as a result of decentralized organizational structures similar to the District and probably with the understanding that financial policies and controls would be sufficient. The audit did not include examples of such a policy in the public sector or a benchmark study of public agencies. Therefore, the District decided to conduct such a study to see how peer agencies have developed and implemented such a policy and to look at other recommendations made in Navigant's report.</p> <p>Between July and September of 2015 the District conducted a benchmark study of public agencies. The study found that out of fourteen comparator agencies only one, San Francisco Public Utilities Commission, had procedures, checklists, and compliance requirements for post-award contract management. No agency had a single overarching business policy concerning contracting management (including consulting contracting), which established</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>the governance framework and functional accountability for contract management. The District will develop such a policy with guidance and assistance from the California Association of Public Procurement Officials.</p> <p>08/19/16: Consultant Contracts Services staff went through four rounds of recruitment with assistance from HR and the District's contracted temporary staffing services company. They were unable to find candidates who were either willing to take on this project or were qualified to implement such projects. After consultation with the Chiefs at their meeting on July 25, 2016, they directed the DOO of Water Utility Capital Division and DAO of General Services Division to work together to develop an implementation plan.</p> <p>8/15/18: In Process. The ""Certificate of Acknowledgement"" will be addressed through the Consultant Contracts Improvement Process. Development of the overarching policy is in process and will align with the District's policy and procedure standards. Anticipated Completion: FY 19.</p> <p>4/22/19: In Process. As part of an internal audit by the Unit Manager, all consulting contract policy and procedures are under review, including post-award processes. Project Manager Guides and checklists will relate processes to roles and responsibilities in post-award period. The ""Certificate of Acknowledgement"" will be addressed during this review. Anticipated Completion: Q1 FY20.</p> <p>2/16/22: Development of a Procurement Manual & updates to policies are in progress</p>
General Services DAO Vacant; PCCSU Manager Concepcion Gayotin	2	Establish common "ways of working" through directive desk manual business processes for contract management activities; create oversight structures and "checks" for contract management activities.	<p>October 2015: The District has some QEMS procedures like Q710010 (Capital Project Initiation, Oversight, and Commissioning Procedure), Q710D01 (Capital Improvement Program Planning), and Q751D01 (Capital Project Delivery) that pertain to Capital Project planning and delivery, but no procedures for contract management activities.</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>We agree with the recommendation to develop desk manual type business processes and procedures for post-award contract management and create oversight structures and internal controls for such activities. However, due to the decentralized organizational structure of such activities, common procedures are often not available in the public sector. The audit did not include examples of such procedures in the public sector or a benchmark study of public agencies.</p> <p>The District's benchmark study of public agencies found that out of fourteen comparator agencies, San Francisco Public Utilities Commission, had procedures, checklists, and compliance requirements for post-award contract management. The District will develop a desk manual of business processes for contract management activities with guidance and assistance from the California Association of Public Procurement Officials.</p> <p>8/19/16: Consultant Contracts Services staff went through four rounds of recruitment with assistance from HR and the District's contracted temporary staffing services company. They were unable to find candidates who were either willing to take on this project or were qualified to implement such projects. After consultation with the Chiefs at their meeting on July 25, 2016, they directed the DOO of Water Utility Capital Division and DAO of General Services Division to work together to develop an implementation plan.</p> <p>8/15/18: In Process. This recommendation is being addressed regarding pre-award process through Consultant Contracts Improvement Process. Development of post-award process have been assigned to designated staff resources. Anticipated Completion: FY 19.</p> <p>4/22/19: In Process. Implementation of the Consultant Contracts Improvement Process has identified areas where a dedicated Project Manager Guide and Contracts Analyst Guide would benefit both clients and contracts staff, providing guidance, explaining best practices, and aligned with policies and procedures. These guides</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>will include sections dedicated to post-award contract roles and responsibilities. Anticipated Completion: FY 20.</p> <p>2/16/22: Development of a Procurement Manual & updates to policies are in progress. Completion expected June 2022.</p>
General Services DAO Vacant; PCCSU Manager Concepcion Gayotin	3	<p>Alternative organizational structures can be considered for the Contracts Group: Create a centralized contract management function, focused on on-going contract administration; create analyst positions within specific units to support PMs with contracting activities. Centralization has multiple advantages over the creation of analyst positions, including principally: Increased standardization and consistency; focused governance; greater efficiency and reduced cost.</p> <p>To this end, Navigant recommends the centralization of the contract management function. Staffing levels for a centralized Contracts Group would be determined through a comprehensive workflow and workload analysis, considering contract management activity levels, the impact of improved and enhanced use of technology, and re-engineered business processes. (This type of staffing analysis would also be appropriate for areas that impact the end-to-end consultant contract process, including specifically accounting.) Further, specific technical competencies for contract staff would be clearly defined, reflecting the specific characteristics of</p>	<p>October 2015: In 2014, the District conducted a staffing resources analysis as part of a Capital Projects resource study. It determined that the District needed approximately 13 Limited Time Equivalent staff to work on Capital Projects proposed over the next few years. The study confirmed that Consultants Contract Program was understaffed and recommended adding a Senior Management Analyst (Limited Time Equivalent) for 4-5 years. The Contracts group is in the process of hiring a Senior Management Analyst. Lack of sufficient staffing in the Capital Projects resource study was identified only to perform pre-award functions, not post-award contract management. The Capital Projects resource study was silent on post-award contract management resources because the decentralized resources are adequate to perform those functions. The study did not consider centralizing the function.</p> <p>There are pros and cons to both centralized and decentralized organizational structures. The audit did not perform a comparative benchmark analysis of these models. As noted in the recommendation, a staffing analysis would also be necessary to arrive at the appropriate decision. The District currently uses a decentralized model to perform these functions. The District's contract management functions are distributed throughout the organization and draw upon the expertise and resources accordingly.</p> <p>The District's benchmark study of public agencies found that the contract management function was decentralized in twelve of the fourteen comparator agencies. The remaining agencies that had the centralized model were the SFPUC and the Metropolitan Water District which have very large procurement departments with approximately 48 and 100 staff respectively. District will keep its current decentralized model. However, the District will reinforce</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		supply chain and procurement professionals. To be successful, the transition of contracting activities from PMs to the centralized contracting group would have to be implemented according to a well-managed multi step approach.	<p>and improve standard policies, procedures, and documentation and will implement them as part of the other recommendations.</p> <p>8/15/18: Under review. Navigant had also recommended centralization of the contract management function. In response to that recommendation, the District conducted a benchmark study of public agencies, which found that the contract management function was decentralized in 12 of the 14 comparator agencies. The remaining agencies that had the centralized models were the San Francisco Public Utilities Commission and the Metropolitan Water District, both of which have very large procurement departments, with approximately 48 and 100 staff respectively. Since receiving this recommendation, the District has focused on reinforcing and improving standard policies, procedures, and documentation. The recommendation to centralize the contract management function is under review by District management. Anticipated Completion: FY 19.</p> <p>4/22/19: Under review. An internal audit is being conducted by the new Purchasing and Consultant Contracts unit manager that looks not just at internal processes and procedures, but overall District practices as well as alignment with best practices. Contract management functions spread around different departments will be reviewed and recommendations made. The internal audit will be completed in Q1 FY20.</p> <p>4/6/22: Procurement will work closely with the departments through the Procurement Advisory Committee on strengthening the contract administration function through the Contract Administration Section of the Procurement Manual. Procurement Manual is currently under review by stakeholders.</p>
General Services DAO Vacant; PCCSU Manager Concepcion Gayotin	5	SCVWD's systems should all be integrated. In parallel, robust systems and data governance policy and processes should be developed and implemented.	October 2015: The District agrees with the recommendation and two years ago initiated work on integration of various systems as part of the upgrade of the District's ERP system - PeopleSoft. As part of the project, a new eProcurement system would replace CAS and integrate with many other new modules proposed to be implemented as part of the upgrade. The PeopleSoft Upgrade

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>project is underway and is expected to be completed by 2018. Action: Implementation of the PeopleSoft Upgrade.</p> <p>8/19/16: The consultant's recommendation was to develop and implement an integrated systems project. The District had the same intent and work on integration was initiated two years ago as part of the PeopleSoft upgrade project. The District will implement the recommendation.</p> <p>8/15/18: In process. The District is in the process of implementing the recommendation. An RFP has been initiated and will be released in Q3, FY18 for a new Enterprise Resource System, which will replace the current PeopleSoft system. District will replace the existing CAS system with the new ERP system. Anticipated Completion: FY 20 - FY 21.</p> <p>4/22/19: The District is in the process of implementing the recommendation. A contract for the vendor of the new Enterprise Resource System is expected to be approved in Q1, FY20, which will replace the current PeopleSoft system. District will replace the existing CAS system with the new ERP system. Anticipated Completion: FY 21 - FY 22.</p> <p>4/6/22: A new ERP system (INFOR) went Go-Live as of January 3, 2021 that integrates many of the modules utilized by Finance (Budget/Accounting/AP/Payroll), HR, and Procurement. Moreover, CAS was replaced as of October 2021 by a procurement portal, Planet Bids, that is more streamlined in its functions which allows bid tabulation and proposal comparisons from the submittals.</p>
General Services DAO Vacant; PCCSU Manager Concepcion Gayotin	7	The District should develop specific contract compliance processes, which should include clear governance guidelines.	<p>October 2015: The District has a decentralized model to perform post-award contract management functions and under this structure, the respective Unit Managers, Deputy Officers, and Chiefs monitor and manage the various processes that are specific to each project. There are processes that could be standardized and the District will develop them. Action: The District will develop specific contract compliance processes, including clear governance guidelines with assistance and guidance from the California</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Association of Public Procurement Officials. The District's benchmark study of public agencies found that out of fourteen comparator agencies only one, San Francisco Public Utilities Commission, had procedures, checklists, and compliance requirements for post-award contract management.</p> <p>8/19/16: Consultant Contracts Services staff went through four rounds of recruitment with assistance from HR and the District's contracted temporary staffing services company. They were unable to find candidates who were either willing to take on this project or were qualified to implement such projects. After consultation with the Chiefs at their meeting on July 25, 2016, they directed Katherine Oven, DOO of Water Utility Capital Division and Ravi Subramanian, DAO of General Services Division to work together to develop an implementation plan.</p> <p>8/15/18: The District will develop specific contract compliance processes, including clear governance guidelines. This has been assigned to designated staff resources. Anticipated Completion: FY 19.</p> <p>4/22/19: In process. Staff are conducting an internal audit that will result in a report with recommendations. The report will include recommended governance structure and guidelines for consultant contract processes and procedures. Anticipated Completion: Q1 FY20.</p> <p>4/6/22: A decentralized organizational structure for contract administrators is the preference of VW and therefore, will work closely with the departments through the Procurement Advisory Committee on strengthening the contract administration function through the Contract Administration Section of the Procurement Manual. Procurement Manual is currently under review by stakeholders.</p>
General Services DAO Vacant;	8	A) Develop and implement a policy and business processes defining the evaluation of consultant performance. B) Develop	October 2015: The District agrees with the recommendation. The District has a project-by-project decentralized consultant evaluation mechanism along with reference checks.

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
PCCSU Manager Concepcion Gayotin		and implement the necessary tools to support the assessment of consultant performance, including performance evaluation scorecards and a database of consultant past performance evaluations. C) In the event of sub-par performance, the tools should inform the development of root cause analyzes and corrective action plans	<p>Action: The District's benchmark study of public agencies found that only three out of fourteen comparator agencies conducted consultant performance evaluations. They are Sonoma County Water Agency, SFPUC and Zone 7. The District will develop and implement a more formal consultant performance evaluation program with guidance and assistance from the California Association of Public Procurement Officials.</p> <p>8/19/16: The District's benchmark study of public agencies found that only three out of fourteen comparator agencies conducted consultant performance evaluations. They are Sonoma County Water Agency, SFPUC and Zone 7. The District will develop and implement a more formal consultant performance evaluation program.</p> <p>8/15/18: Status: A) In Process, B) Competed, C) Completed</p> <p>A) The District is evaluating implementation of a policy and business processes to define and record the evaluation of consultant performance. B) and C) Management concurs with the recommendation. Project managers currently evaluate consultant performance for compliance with agreement requirements for scope, schedule, and budget. Anticipated Completion: FY 19.</p> <p>4/22/19: A) The District has deferred evaluating implementation of a policy and business processes to define and record the evaluation of consultant performance to FY20. B) and C) Management concurs with the recommendation. Project managers currently evaluate consultant performance for compliance with agreement requirements for scope, schedule, and budget.</p> <p>4/6/22: A Vendor Performance Evaluation Form is being reviewed by stakeholders that will standardize the performance of vendors throughout the agency</p>
General Services DAO	9	Design a limited performance management program for contract	October 2015: The District agrees with the recommendation. CAS was not developed as a performance

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Vacant; PCCSU Manager Concepcion Gayotin		management. Improve CAS or other technology platform(s) to capture the information linked to the performance management program and key metrics. Design standard reports to enable enhanced decision-making around contract management operations.	<p>management tool or software system. Additionally, with the impending migration from CAS to PeopleSoft's eProcurement system, the District does not plan to spend additional funds for such a major enhancement of CAS. Performance management software will be incorporated into the PeopleSoft upgrade project as part of the new supplier chain and supplier management modules. Action: The District's benchmark study of public agencies found that only one of fourteen comparator agencies, SFPUC, had a performance management program. However, Sonoma County Water Agency and Metropolitan Water District of Southern California had some mechanisms for contract compliance. The District will develop and implement a more formal performance management program with guidance and assistance from the California Association of Public Procurement Officials. The District will proceed with the procurement and implementation of the new supplier chain and supplier management modules in PeopleSoft.</p> <p>8/19/16: The District's benchmark study of public agencies found that only one of fourteen comparator agencies, SFPUC, had a performance management program. However, Sonoma County Water Agency and Metropolitan Water District of Southern California had some mechanisms for contract compliance. The District will develop and implement a more formal performance management program. The District will proceed with the procurement and implementation of the new supplier chain and supplier management modules in PeopleSoft.</p> <p>8/15/18: The District had the same intent and has been working on procuring a new Enterprise Resource System, which will replace the current PeopleSoft system and address this recommendation. Anticipated Completion: FY 20 - FY 21.</p> <p>4/22/19: The District is procuring a new Enterprise Resource Planning (ERP) System, which will replace the current PeopleSoft system and address this recommendation. Elements of the ERP that may permit performance measures will be evaluated when the ERP is being developed. Anticipated Completion: FY 21 - FY 22.</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			4/6/22: A Vendor Performance Evaluation Form is being reviewed by stakeholders that will standardize the performance of vendors throughout the agency. VW is still making a determination on where the information will be housed for easy access agency-wide.
General Services DAO Vacant; PCCSU Manager Concepcion Gayotin	10	A) Improve and maintain a "boiler plate" Standard Agreement. Only the scope of services and project schedule sections should be drafted by Project Managers. B) All other sections should be owned by the Legal Department. The existing control procedures for contract approval should be reviewed and redesigned.	<p>October 2015: The District agrees with the recommendation. The long cycle time is predominately due to multiple reviews of scope of services, tasks, and terms and conditions associated with the project. Standard templates, checklists, and training Project Managers on writing better scope of services will help improve cycle times. The District's Counsel's Office, Capital Division and Consultant Contracts Staff have developed and implemented a ""boiler plate"" Standard Agreement. The District's benchmark study found that only six out of fourteen comparator agencies had cycle times. Of those, four agencies had cycle times better than the District's cycle time. The Consultant Contract staff monitor cycle time on a weekly basis and publish reports weekly, monthly, and quarterly on the District's internet pages. Additionally, link to the reports are emailed each week to Deputy Operating/Administrative Officers.</p> <p>Action: The District will develop and implement a training program, with guidance and assistance from the California Association of Public Procurement Officials, for Project Managers on writing better scope of services.</p> <p>8/19/16: Standard Agreements are in place and being used. We will be posting them online in the next few weeks so that all employees have access to the agreements and other contract templates and documents. Control procedures for contract approval were reviewed. This recommendation is specific to the Lower Silver Creek project. The Board's audit will address it in further detail and make suggestions for redesign.</p> <p>8/15/18: Status: A) Completed, B) In Process A) Standard Template Agreements were developed by a committee of internal stakeholders in FY15 and FY16, and are updated on an annual basis. Additional standards terms, conditions, and required</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>templates are also in place, and are included in the Agreements, when appropriate. District project managers are only responsible for developing scope, budget, and schedule of completion for their specific agreements. B) Control procedures for contract approval were reviewed. This recommendation is specific to the Lower Silver Creek project. The Board's audit will address it in further detail and make suggestions for redesign. In FY18, the District initiated a Consultant Contracts Improvement Process, which included a comprehensive review of all existing processes to identify areas of improvement. Anticipated Completion: FY 19.</p> <p>4/22/19: Status: A) Completed, B) In Process A) Standard Template Agreements were developed by a committee of internal stakeholders in FY15 and FY16, and are updated on an annual basis. B) Staff are implementing a streamlined consulting contract process and reporting on progress. A more thorough review of processes and procedures is being conducted through an internal audit with the intent on reporting findings in Q1 FY20 to further identify areas of improvement.</p> <p>4/6/22: The timeline to execute contracts have gone from over a year to an average of 5 to 6 months. Additional efficiencies are underway with a collaborative partnership between Procurement and Legal to identify further efficiencies in the contracting and review process.</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
WU Capital DOO Emmanuel Aryee (ACTING)	R10	The District should develop general guidelines for consistent invoice review.	<p>2/26/19: Management Response: Management concurs with this recommendation.</p> <p>District Action: A general invoice review procedure for project managers will be developed.</p> <p>Auditor Response to Management Response: Agree with the proposed District Action.</p> <p>District should provide an estimated completion date.</p> <p>4/27/22: (Jessica Collins): The newly developed Capital Project Management and Project Controls (CPMPC) Program is now responsible for Capital QEMS Document Control and Training and will lead the effort to formally develop the General Invoice Review Procedure. Further, CPMPC is also responsible for the implementation of our new capital project management information system, Projectmates. Projectmates will serve as a financial tool for capital projects that will allow for invoices to be submitted through the system and the establishment of consistent workflows for review and approval of all types of invoices.</p> <p>Estimated completion date: December 31, 2022</p>
PCCSU Manager Concepcion Gayotin	R13	If substitute or additional employees are allowable, that the contract should provide a generic employee title which will tie to the amount being invoiced.	<p>2/26/19: <u>Management Response</u>: Management acknowledges this recommendation. However, contractor employee titles must be common to the industry for the work being performed, especially to understand the working level of the position and pay rates for comparison. Furthermore, the form FC1165 Agreement Status Change Request is used to provide any changes to key personnel and rates. It is the responsibility of the Project Manager to keep a master list of positions and rates and the name of individuals filling those positions and use that information when verifying rates provided in consultant invoices.</p> <p><u>Auditor Response to Management Response</u>: District should document the responsibilities as described in their "Management</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Response" into a formal Policy and provide an estimated completion date for the Policy. The Policy should also include a Quality Control requirement to ensure that the Project Manager's performance complies with Policy.</p> <p>2/14/20 (T.E.): FC1165 changes to Consultant Key Personnel, subs key personnel rates are documented in CAS and Project Folders. FC1165 includes routing process. All changes from FC 1165 are later incorporated into an official Amendment to the agreement. Refer to Attachment One to Schedule, Fees & Payments (in all Consultant Agreements).</p> <p>Suggested Action: Need Procedures (or policy) regarding: 1. PM keeping master list of positions and rates and names filling those roles. 2. PM job to verify rates when reviewing invoices.</p> <p>9/30/20 (J.R.): This item is still pending and currently under review. Multiple parties are working on a solution; updates to follow.</p> <p>12/27/21 (C.G.) This item is still pending and currently under review. Multiple parties are working on a solution including a new Unit Manager in Purchasing & Consultant Contracts. Updates to follow.</p>
PCCSU Manager Concepcion Gayotin	R14	If rates are expected to change over the life of the contract, the contract should either specify the rate changes, or provide for an escalation clause.	<p>2/26/19: Management Response: Management acknowledges this recommendation. However, the current Contract (Terms and Conditions) template includes a Fees and Payments schedule that explains the process for rate changes. Specifically, consultants may request a rate change every 12 months, based on an approved percentage increase or based on the Employment Cost Index (ECI) for the Bay area, whichever is less.</p> <p>Auditor Response to Management Response: District response does not explain how they document and approve these changes. Suggest they develop a policy (or reference an updated policy) and include an estimated completion date.</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>2/14/20 (T.E.): FC1165 changes to Consultant Key Personnel, subs key personnel rates are documented in CAS and Project Folders. FC1165 includes routing process. All changes form FC1165 are later incorporated into an official Amendment to the agreement. Refer to Attachment One to Schedule, Fees & Payments (in all Consultant Agreements).</p> <p>Suggested Action: Need Procedures (or policy) regarding: 1. Justification process for new rates before they are routed. 2. Who reviews and approves the new rates before FC1165 is turned in.</p> <p>9/30/20 (J.R.): This item is still pending and currently under review. Multiple parties are working on a solution; updates to follow.</p> <p>12/27/2021 (A.M.): No update</p> <p>3/23/22 (CSG): Contract Administration Section of Procurement Manual to include review and approval process of rate escalations in contracts.</p>
WU Capital DOO Emmanuel Aryee (ACTING)	R15	The District's invoice review process should include a component of tracing invoice rates to contractual rates.	<p>2/26/19: Management Response: Management concurs with this recommendation.</p> <p>District Action: A general invoice review procedure for project managers will be developed. This component will be included in the procedure.</p> <p>Auditor Response to Management Response: Agree with the proposed District Action. Provide an estimated completion date.</p> <p>4/27/22: (Jessica Collins): The newly developed Capital Project Management and Project Controls (CPMPC) Program is now responsible for Capital QEMS Document Control and Training and will lead the effort to formally develop the General Invoice Review Procedure. Further, CPMPC is also responsible for the implementation of our new capital project management information system, Projectmates. Projectmates will serve as a financial tool for capital projects that will allow Valley Water to</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>track spending by task against a not-to-exceed fee by task. This will allow Valley Water to trace invoice rates to contractual rates.</p> <p>Estimated completion date: December 31, 2022</p>
WU Capital DOO Emmanuel Aryee (ACTING)	R17	The District should ensure task level billings from subcontractors agree with that of the consolidated invoice from the prime contractor.	<p>2/26/19: Management Response: Management concurs with this recommendation.</p> <p>District Action: A general invoice review procedure for project managers will be developed. This component will be included in the procedure.</p> <p>Auditor Reponse to Management Response: Agree with the proposed District Action. Provide an estimated completion date.</p> <p>4/27/22: (Jessica Collins): The newly developed Capital Project Management and Project Controls (CPMPC) Program is now responsible for Capital QEMS Document Control and Training and will lead the effort to formally develop the General Invoice Review Procedure. Further, CPMPC is also responsible for the implementation of our new capital project management information system, Projectmates. Projectmates will serve as a financial tool for capital projects that has an attachment area in the pay application tool that will allow contractors to attach invoices/payouts to sub-contractors when they submit their progress pay estimates.</p> <p>Estimated completion date: December 31, 2022</p>
WU Capital DOO Emmanuel Aryee (ACTING)	R18	Accurate task level reporting should be a component of consistent invoice review.	<p>2/26/19: Management Response: Current consultant agreements for capital projects require the consultant to submit a monthly progress report with each monthly invoice.</p> <p>District Action: A general invoice review procedure for project managers will be developed. This component will be included in the procedure.</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Auditor Response to Management Response: Agree with the proposed District Action. Provide an estimated completion date.</p> <p>4/27/22: (Jessica Collins): The newly developed Capital Project Management and Project Controls (CPMPC) Program is now responsible for Capital QEMS Document Control and Training and will lead the effort to formally develop the General Invoice Review Procedure. Further, CPMPC is also responsible for the implementation of our new capital project management information system, Projectmates. Projectmates will serve as a financial tool for capital projects that will allow Valley Water to track and report at the task level.</p> <p>Estimated completion date: December 31, 2022</p>
PCCSU Manager Concepcion Gayotin	R19	Specifying date ranges on invoices should be added to invoicing requirements and should be a component of consistent invoice review.	<p>2/26/19: <u>Management Response:</u> Management acknowledges this recommendation. However, the contract currently requires the consultant to provide beginning and end date for billing period that services were provided. The Project Manager has the responsibility to verify services were completed and only then agree to payment via the invoice.</p> <p><u>District Action:</u> A general invoice review procedure for project managers will be developed. This component will be included in the procedure.</p> <p><u>Auditor Response to Management Response:</u> Agree with the proposed District Action. Provide an estimated completion date.</p> <p>2/14/20 (T.E.): See Consultant Agreement Terms and Conditions Section 4, Fees and Payments, of standard consultant agreements that explain what needs to be provided when submitting an invoice. Subsection 2.F. In addition to ensuring that each invoice is accompanied with a monthly progress report, Consultant must also ensure that each invoice contains the following information: 1) Agreement Number; 2) Full Legal Name of Consultant/Firm; 3) Payment Remit-to Address; 4) Invoice Number; 5) Invoice Date (the date invoice is mailed); and 6) Beginning and end date for billing</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>period that services were provided.</p> <p>Suggested Action: Need Procedures (or policy) regarding: 1. Verifying start and end dates for services when reviewing invoices. 2. PM must verify and certify invoice amount meets contract requirements including posting of start/end dates.</p> <p>9/30/20 (J.R.): This item is still pending and currently under review. Multiple parties are working on a solution; updates to follow.</p> <p>12/27/2021 (C.G.) This item is still pending and currently under review. Multiple parties are working on a solution including a new UM in Purchasing & Consultant Contracts. Updates to follow.</p>
WU Capital DOO Emmanuel Aryee (ACTING)	R20	Ensure project management training is in place, allowing for inter-task transfer process intent to be better understood.	<p>2/26/19: Management Response: Project management training is in place in the Capital Program divisions.</p> <ol style="list-style-type: none"> 1. The most valuable and effective training occurs on the job, with direct guidance and mentoring provided by a unit manager or experienced project manager. 2. The Capital Program's Quality Environmental Management System (QEMS) framework, that follows the International Organization for Standardization (ISO), provides step-by-step directions and instructions for review and preparation of key project deliverables and quality records that document project changes in scope, schedule, or cost. The supervising engineer or unit manager is responsible for his or her unit staff's performance in working within the QEMS framework. 3. Project management classes are made available through the District's Workforce Development Program. Training on all QEMS capital project delivery procedures is provided to all staff in the Capital Program divisions every two years. <p>District Action: QEMS training classes were held in August and September, 2017, in accordance with the 2-year cycle for QEMS training. Each Unit Manager is to ensure that trainings are effective by ongoing review</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>of capital project work and deliverables prepared by his/her unit staff.</p> <p>A review of the training classes will be conducted prior to the next training cycle to improve staff's understanding of the procedures, work instructions, and forms.</p> <p>Auditor Response to Management Response: During the course of the performance review, the Auditors interviewed a number of employees and inquired about their respective opinions related to policy intent. Responses included varying perspectives on policy intent, signifying that then-current training was likely not effective.</p> <p>It is the Auditor's opinion that intent of documentation was not always well grasped and that a more formal training plan would be beneficial.</p> <p>Implementing follow-up audit ("as you go") at key project intervals (mobilization, 30% design, pre-construction, etc) would provide an on-going basis to gauge employee understanding, and policy conformance.</p> <p>4/27/22: (Jessica Collins): The newly developed Capital Project Management and Project Controls (CPMPC) Program is now responsible for Capital QEMS Document Control and Training and will lead the next training cycle scheduled for Fiscal Year 2023. CPMPC staff will consider the Auditor's recommendation, response and opinions when developing this training. Further, CPMPC is also responsible for the implementation of our new capital project management information system, Projectmates. Projectmates will serve as a financial tool for capital projects that will allow Valley Water to embed its Capital QEMS processes, procedures and work instructions into the system. Valley Water capital staff will receive system training prior to go-live as well as on-going support.</p> <p>Estimated completion date: December 31, 2022</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
WU Capital DOO Emmanuel Aryee (ACTING)	R21	Modify existing project document control practice (and/or implementation of practice) to be less autonomous, in line with industry standard.	<p>2/26/19: Management Response: The existing District File Instructions for Capital Projects is a QEMS document that provides guidelines and instructions to establish a standard file management system for the Capital Program project files (hardcopy and electronic), including a naming convention and organizational structure for the creation, maintenance and retention of project files, and ensuring that files are created, maintained and archived in a consistent manner in accordance with the District Records Retention Schedule.</p> <p>District Action: Capital Program staff will review this procedure and agree on updates to align it with industry standards. The District File Instructions for Capital Projects (QEMS Document W42302, Revision F, Effective Date: February 14, 2013) was reviewed and revised in October 2018.</p> <p>Auditor Response to Management Response: Agree. Once again, a policy and procedure audit at key project stages would help to ensure employee understanding and compliance with District QEMS.</p> <p>4/27/22: (Jessica Collins): The newly developed Capital Project Management and Project Controls (CPMPC) Program is now responsible for Capital QEMS Document Control and Training and is in the process of review of our procedures and work instructions to identify the need for updates prior to building them in to the new capital project management information system, Projectmates. Further, Projectmates will serve as a document control tool for capital projects that will allow for document routing for review and approval; and function as storage and archival repository for documents.</p> <p>Estimated completion date: December 31, 2022</p>
WU Capital DOO Emmanuel Aryee (ACTING)	R22	There is currently no explicit process or direction for interface of project document control systems between	<p>2/26/19: Management Response: When originally prepared, the File Instructions for Capital Projects (W42302) procedure required a document administrator (DA) staff</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		consultant and the District. Recommend implementing a detailed practice for project document control interface between District and Consultant. Though the Project Work Plan could serve as a platform for a description of this interaction, a framework for its use should be provided.	<p>person to manage the document filing system for each project. Over the past 5 years, as the Capital Program has grown significantly, staff dedicated to this effort have been reassigned to higher-priority work, and new staff positions have not been approved to support this effort.</p> <p>District Action: As part of the District Action Item for Recommendation R21, capital staff will be convened to review this procedure and determine how it should be improved, and what staff resources would be required to assure consistent document control interface between the District and its consultants. The District File Instructions for Capital Projects (QEMS Document W42302, Revision G, Effective Date: October 2018) will be reviewed and revised by March 2019.</p> <p>Auditor Response to Management Response: Agree</p> <p>4/27/22: (Jessica Collins): The newly developed Capital Project Management and Project Controls (CPMPC) Program is now responsible for Capital QEMS Document Control and Training. Further, CPMPC is also responsible for the implementation of our new capital project management information system, Projectmates, which will be the standardized interface for Valley Water and its capital consultants and contractors, and serve as the document control system.</p> <p>Estimated completion date: December 31, 2022</p>
WU Capital DOO Emmanuel Aryee (ACTING)	R23	There is no current practice for project management (and key personnel) turnover. QEMS discusses transition between phases, but does not require transition reporting between key personnel i.e. there is no formal practice for project management turnover. The project management position was transitioned in October 2013, near the end	<p>2/26/19: Management Response: The lack of a focused transition of the Lower Silver Creek Project due to the unexpected retirement of key personnel, was a detriment to the continuity of project leadership.</p> <p>District Action: The Deputy Officers of the Capital divisions have discussed this issue among themselves and with their unit managers. The DOOs will hold the UMs accountable for proper transition of projects due to key personnel retirements.</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>of the RMC contract; there is no evidence of a formal project management transition plan, or documentation of a transition meeting. Though lack of transition is a risk in and of itself, a lack of attention to project document control and change management practice exacerbates this risk, as the history of the project is not well documented. Recommend implementing a project management and key personnel transition / turnover practice including tools and templates, and roles and responsibilities.</p>	<p>Auditor Response to Management Response: Recommend use of a turnover practice including tools (perhaps a checklist) to help ensure smooth transition. A standard District policy/procedure audit checklist (in line with R24) is developed to support performance auditing, it could be used as a basis for turnover. This should be documented in a Policy and an estimated completion date provided.</p> <p>4/27/22: (Jessica Collins): The newly developed Capital Project Management and Project Controls (CPMPC) Program is responsible for the implementation of our new capital project management information system, Projectmates. The following features/functionality of Projectmates will address project management and key personnel turnover: 1) tracking of staff changes to projects; 2) document control (review/approvals/storage); 3) financial tools and tracking; and 4) reporting and auditing capabilities.</p> <p>Estimated completion date: December 31, 2022"</p>
General Services DAO Vacant; PCCSU Manager Concepcion Gayotin	R24	<p>There is no current practice for project performance or compliance audit. Performance evaluation is not currently a requirement of QEMS and there are no systems or processes in place to support implementation of performance or compliance evaluation. The impact of the lack of performance evaluation increases the risk of District and consultant noncompliance and poor performance. Recommend developing and implementing process compliance audit requirements at key stages of project execution including processes, tools, and roles and responsibilities. Of note and predicated on industry best practice, audit</p>	<p>2/26/19: Management Response: Management acknowledges this recommendation. District staff is exploring the parameters, benefits and risk related to a formalized performance evaluation. District staff has also reached out to other regional agencies to benchmark best practices and gain insight from established programs utilizing performance evaluations.</p> <p>District Action: Staff to continue exploring the parameters, benefits and risk related to a formalized performance evaluation.</p> <p>Auditor Response to Management Response: Highly recommend implementing compliance auditing requirements. It can help to ensure projects are setup in accordance with District QEMS, helps to ensure employee understanding of policies and procedures, helps to identify areas that need improvement, and in general can serve as a roadmap for project managers and staff to ensure they're</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		should be implemented during project mobilization (early in the project) to allow for course correction if necessary.	<p>implementing and maintaining key project management knowledge areas, as deemed important by the District.</p> <p>District response does not provide a firm commitment to addressing the recommendation and implementing a change. Suggest they develop a Policy and include an estimated completion date. Said policy can be revised as part of the District's commitment to continuous improvement.</p> <p>3/23/22: Vendor Performance Evaluations being developed for all areas of Procurement - to be performed at project milestones. Document undergoing review by stakeholders - Procurement, PMs, Legal -- before implementation.</p> <p>4/27/22: (Jessica Collins): The newly developed Capital Project Management and Project Controls (CPMPC) Program is now responsible for Capital QEMS Document Control and Training. CPMPC is also responsible for the implementation of our new capital project management information system, Projectmates. Valley Water's Projectmates system is being built based upon our Capital QEMS processes, procedures and work instructions. Having these built into the system will help to ensure project manager compliance. Further, Projectmates includes an audit trail and the ability to run reports. This will allow Valley Water to monitor capital project implementation and apply an audit-as-you-go approach.</p> <p>Estimated completion date: December 31, 2022</p>
WU Capital DOO Emmanuel Aryee (ACTING)	R25	Risk Management is not a requirement of QEMS practices; rather it is included as an optional section within the Project Work Plan practice. Project Risk Management is a well-accepted core project management knowledge area, and industry best practice. The impact of not identifying and documenting risks greatly increases the likelihood of project budget and schedule	<p>2/26/19: Management Response: The current QEMS planning and design procedures do not contain instructions for including risk management in each capital project. Risk management is performed on large and complex projects, most often by the design phase consultant.</p> <p>District Action: A currently active program management consultant agreement for the District's Expedited Purified Water Program includes tasks for the development of District staff, and several risk management</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		overruns. Recommend implementing a risk management procedure.	<p>training sessions have been held for interested staff. This consultant was tasked with developing a project risk management practice for the QEMS framework that aligns with industry standards. The new work instruction was completed and published in March 2018.</p> <p>Auditor Response to Management Response: This document was not provided to PMA as part of the audit; if provided, PMA will review pursuant to its recommendation.</p> <p>4/27/22: (Jessica Collins): Valley Water staff provided PMA the Project Risk Management Work Instructions on 04/27/22.</p>
WU Capital DOO Emmanuel Aryee (ACTING)	R26	Per the Executed Agreement, providing progress status reports is a requirement of invoice submittal. However, the demonstration of progress basis (either in a Project Work Plan or through the invoicing process) is not required. The impact of not requiring a demonstration of progress basis could in some cases lead to over-invoicing and ensuing over-payment. Recommend implementing a defined procedure for earned value / progress measurement.	<p>2/26/19: Management Response: Current consultant agreements for capital projects require the consultant to submit a monthly progress report with each monthly invoice. This can be further strengthened by requiring a measure of task completion (as a percentage) for each task that's being invoiced.</p> <p>District Action: Capital staff will evaluate the costs/benefits of developing and implementing an earned value approach to project invoicing for consultant agreements. A recommendation of whether or not to proceed with such an effort, and the associated necessary short- and long-term financial and staff resources, will be solicited from the CEO/Chiefs by March 2019.</p> <p>Auditor Response to Management Response: Highly recommend implementing an Earned Value Management (EVM) requirement that relies on physical progress (rather than % spent, or % of schedule used) for large capital construction projects. It is typical for this requirement to be implemented by the GC, and/or CM. The District would review for compliance, and benefit from the additional cost and schedule assurances provided by EVM.</p> <p>4/27/22: (Jessica Collins): Earned Value Management depends on the contract and the way the bid values are established (E.g. price</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>per foot can be quantified through progress, while EV is harder to quantify for lump sum items. Ultimately it is relative and specific to what is being built.</p> <p>The newly developed Capital Project Management and Project Controls (CPMPC) Program is responsible for the implementation of our new capital project management information system, Projectmates. Projectmates tracks the submission of invoices and progress pay estimates. A schedule of values is locked down as soon as it is established in Projectmates and can only be changed via change order. This will help establish and track earned value from the onset of construction.</p> <p>Estimated completion date: December 31, 2022</p>
WU Capital DOO Emmanuel Aryee (ACTING)	R27	<p>Though some objectives are formalized in the Project Work Plan, some other objectives articulated in interviews (securing federal funding and optimizing use of federal funding) were not formally recorded either directly as objectives, or as project constraints or assumptions. Further, there is no current process for recording or documented District expectations, or satisfaction with consultant performance and methodologies. The impact of not formally recording expectations and satisfaction reduces the ability to continually improve, both from the standpoint of District procurement and consultant performance. Recommend reviewing the need for an expectation and satisfaction procedure. Practice should address objectives, requirements, process, and reporting as</p>	<p>2/26/19: Management Response: Management concurs with the recommendation and currently evaluates consultant performance for compliance with agreement requirements in terms of scope, schedule, and budget. The District's expectations for consultant performance are stated in agreements using a task and correlating deliverable format, including specific deadlines and financial limits per task. An assessment regarding the quality of consultant performance can best be determined at certain increments after the finished work is implemented and tested to operational standards and the passage of time.</p> <p>District Action: Capital Program staff will continue the current satisfaction survey/lessons learned practices.</p> <p>Auditor Response to Management Response: The referenced surveys and practices were not provided to PMA as part of the audit; if provided, PMA will review pursuant to its recommendation.</p> <p>4/27/22: (Jessica Collins): Valley Water staff will provide PMA with a copy of the satisfaction survey/lessons learned practices by December 31, 2022.</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		well as roles and responsibilities, tools, and templates	

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
WU Capital DOO: Emmanuel Aryee (Acting) WSS DOO: Bhavani Yerrapotu General Services DAO: Vacant PCCSU Manager: Concepcion Gayotin Dam Safety & Capital Delivery DOO: Chris Hakes	R1	Update capital construction change order policies and procedures applicable to large-scale projects to: a) require an Independent Cost Estimate (ICE) for capital construction change orders, (b) use a separate advisory body to review and recommend the approval of change orders, and c) prohibit commencement of work until after change order approval.	<p><u>Management Response:</u></p> <p>a. Management agrees with this recommendation. Management will require an Independent Cost Estimate (ICE) for capital construction change orders on contracts greater than \$100M or on projects of a lesser value when the Chiefs deem the project to be higher risk. In addition, services of an on-call cost estimator will be required for complex cost estimates, as determined by the Capital Engineering Manager overseeing the project based on an evaluation of in-house experience relative to the scope of work.</p> <p>b. Management agrees with this recommendation. A Change Control Board (CCB) will be established as part of a systemic change order management approach. The CCB will review changes that have significant cost or schedule impacts. For large-scale projects, the addition of a Project Steering Committee will be established with project oversight to keep a pulse on progress or to address major design or construction changes. The Steering Committee would not replace the functions of the CCB, but will review items of substantial interest as determined by the Steering Committee. Staff will develop process and procedures for the CCB. The make-up of the CCB and Project Steering Committee will include senior and executive staff. Additional resources will provide input depending on the project issue under consideration, including the Engineer of Record, subject matter experts, legal counsel, and claims management and scheduling consultants.</p> <p>c. Management agrees with the recommendation. To responsibly and efficiently deal with changes, the responsibility and authority for change approvals must be delegated to personnel at the level most knowledgeable and most closely aligned with the project issue. However, certain field changes that must be performed immediately to mitigate an emergency or to avoid critical, immediate delays to the project may necessitate force-account work to address the immediate need. Force account work (i.e., time and materials work) constitutes an approved change order of variable cost and duration while the scope of the change is finalized.</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Target Implementation is December 2020.</p> <p>Auditor Response:</p> <ul style="list-style-type: none"> a. Valley Water's response satisfies the recommendation. b. When staff develops procedures for the CCB, Valley Water should ensure that the Change Control Board will review change orders on contracts valued at \$100M or on projects of lesser value that are deemed to be high risk , to be consistent with Valley Water's prior response. c. Valley Water could satisfy our recommendation and continue to provide autonomy to field personnel by allowing project managers/engineers the discretion to make changes to a project provided the changes can be implemented within the project's original budget. Delegating this authority then eliminates the need for a change order. Second, emergencies do happen, but even under the circumstances described by management, an expected budget for the work today's technology makes it possible for that budget to be quickly proposed, communicated, and approved in a very short period. A process for emergency work should be established. <p>11/18/2020 Status Update by Roslyn Fuller:</p> <ul style="list-style-type: none"> 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 is determined by respective Chief Operating Officers (COO) <p>Actions: Request for Proposals being developed to solicit professional cost estimators to provide ICE; cost estimating classes identified to train VW project managers for in-house estimates</p> <p>Target Implementation: Revised from December 2020 to August 2021</p> <ul style="list-style-type: none"> b) Use a separate advisory body, Change Control Board (CCB) and Project Steering Committee (PSC) to review and recommend the approval of change orders

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Actions: CCB and PSC policies and procedures are being developed and subject matter experts will be included as required; percentage of change order will also trigger CCB review Target Implementation: Revised from December 2020 to August 2021</p> <p>c) Prohibit commencement of work until after formal approval of change order Actions: Delegation of Authority policies in development Target Implementation: Revised from December 2020 to October 2021</p> <p>3/29/2022 (CH): The role of the Deputy Administration Officer for General Services was assigned to lead this effort. However, the position has seen some significant turnover recently thus resulting in a delay of the implementation of the audit recommendation. The changes recommended by the audit are structural changes to the organization, requiring executive level involvement and budget considerations.</p> <p>04/07/22 (Jessica Collins): Following the development of the Office of Integrated Water Management (OIWM) and a subsequent re-organization, the development of a ""Project Control Office"" has been re-evaluated and replaced by the newly developed Capital Project Management and Project Controls (CPMPC) Program and assigned to the Business Planning and Analysis Unit. As part of the restructuring, the CPMPC Program has taken ownership of the Capital QEMS Document Control and Training and is in the process of conducting a thorough review of the existing processes and work instructions in light of audit recommendations, while identifying opportunities for improvement. The CPMPC Program is also developing and implementing a new capital project management information system, Projectmates. Projectmates is being developed to align with our capital QEMS processes and will address in whole, or in part, many of the recommendations identified by the Contract Change Order Audit. Remaining elements are being addressed by the Technical Review Committee and the Construction Contracts</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>and Support Unit (Unit 335) and the Construction Services Unit (Unit 351).</p> <p>Actions: In light of the reorganization and restructuring of work under the new OIWM and the new capital project management information system, CPMPC Program staff recommend that Valley Water's Management Responses to the Contract Change Order Audit be reassessed to ensure alignment with our new structure and approach to capital project management.</p> <p>Interim Progress: In the FY 2023-27 CIP there are seven (7) projects that are estimated to meet the construction contract threshold of \$100M, thus triggering recommendations a-d. Of those 7 projects, one is currently under construction, the Anderson Dam Tunnel Project (ADTP). The remaining 6 are planned for construction in future fiscal years. While the CCB is not yet in place, the ADTP project has implemented a review process for all change orders to go through the CIP Committee. Further, the project does have a cross-functional team assigned that meets weekly to discuss the Anderson Dam Seismic Retrofit Project, including the Anderson Dam Tunnel Project. Through these meetings the intent and criteria of the steering committee is being met. This team includes representatives from legal, environmental, communications, flood protection, executive management, and other technical staff, that meets weekly with the capital project team. The Board has also approved the change order approval thresholds for the project and ICE is being performed by the construction management consultant based upon the complexity and amount of the change order.</p> <p>Estimated completion date: December 31, 2022</p>
WU Capital DOO: Emmanuel Aryee (Acting) WSS DOO: Bhavani Yerrapotu General Services DAO: Vacant	R2	Enhance constructability reviews as part of the construction project design phase with the addition of independent subject matter experts to the review team to help mitigate the occurrence of change orders on large-scale capital projects.	<p><u>Management Response:</u> Management agrees with the recommendation. Third-party and/or peer review processes will continue to be required for all large-scaled projects to address constructability and identify risks and develop approaches to mitigate those risks. Staff will consider securing consultant services to provide third-party constructability reviews.</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
PCCSU Manager: Concepcion Gayotin Dam Safety & Capital Delivery DOO: Chris Hakes			<p>Target Implementation is December 2020.</p> <p><u>Auditor Response:</u> Our report affirmed that constructability reviews are being performed in-house by VW staff. However, CRB members said constructability reviews performed by independent third parties could further mitigate the need for change orders. We commend VW in their future efforts to consider consultant services for these constructability reviews. To ensure project transparency and predictability, staff should develop policies and procedures to identify the circumstances and other criteria that would trigger third-party constructability reviews, including the anticipated timelines and impacts on project design and delivery planning.</p> <p>11/18/2020 Status Update by Roslyn Fuller: 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. Actions: Scope of work in development for consultant solicitations. New & existing Design review forms & Master Checklist to be revised for more substantive QA/QC process. Staff to be trained to assume collateral duties for in-house peer reviews. Target Implementation: Revised from December 2020 to August 2021</p> <p>3/29/2022 (CH): The role of the Deputy Administration Officer for General Services was assigned to lead this effort. However, the position has seen some significant turnover recently thus resulting in a delay of the implementation of the audit recommendation. The changes recommended by the audit are structural changes to the organization, requiring executive level involvement and budget considerations.</p> <p>04/25/22 (David Montenegro): In summer of 2021, staff initiated a Request for Proposals for an On-Call Consultant Agreement for Independent Cost Estimating and Constructability Review. After</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			reviewing proposals a consultant firm was selected and negotiations finalized. The On-Call Agreement is scheduled to go to the Board for approval in June 2022.
WU Capital DOO: Emmanuel Aryee (Acting) WSS DOO: Bhavani Yerrapotu General Services DAO: Vacant PCCSU Manager: Concepcion Gayotin Dam Safety & Capital Delivery DOO: Chris Hakes	R3	Enhance the review and approval process for change orders (including potential change orders, contract change orders, and directed change orders) on capital construction projects that are new to Valley Water and/or whose project costs exceed a specific level established by the CEO (i.e.\$100M) to add and enhance support structures to aid project and construction managers in capital project delivery. Options include: a. Create a Capital Project Steering Committee for each new project to review project progress and provide authority to review and approve change orders. The Committee should include Valley Water management, project, and construction manager, external subject matter experts, outsourced legal construction contract counsel, and a representative from the Purchasing and Consulting Contracts Services Unit.	<p><u>Management Response:</u> Management agrees with the recommendation. The change-order approval process requires a review to ensure both processes and roles/responsibilities are clearly defined along with authority levels which will be clarified in the revised process. The role of review and approval of change orders would be delegated to the CCB, with defined governance and procedures, including defined authority levels. Due to the unique and unexpected issues encountered by large projects; a Project Steering Committee would be established for projects greater than \$100M. The Project Steering Committee will be established with project oversight to keep a pulse on progress or to address major design or construction changes. The Steering Committee would not replace the functions of the CCB but will review items of substantial interest as determined by the Steering Committee. Executive management will define the make-up and role of the Project Steering Committee.</p> <p>Target implementation is July 2021.</p> <p><u>Auditor Response:</u> Valley Water's response satisfies the recommendation. The Independent Auditor continues to suggest that the Steering Committee includes external and outsourced personnel, which could help minimize financial and project delivery risks on large scale construction projects.</p> <p>11/18/2020 Status Update by Roslyn Fuller: Create Capital Project Steering Committee (PSC) for large scale and high-risk projects for process and change order oversight as determined by the CEO Actions: The current change order flowchart will be revised to incorporate change order approval delegation to the Change Control Board (CCB). The PSC will provide oversight for projects</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>over \$100 million and high-risk projects for both design and construction changes. Target Implementation: Revised from July 2021 to December 2021.</p> <p>3/29/2022 (CH): The role of the Deputy Administration Officer for General Services was assigned to lead this effort. However, the position has seen some significant turnover recently thus resulting in a delay of the implementation of the audit recommendation. The changes recommended by the audit are structural changes to the organization, requiring executive level involvement and budget considerations.</p> <p>04/07/22 (Jessica Collins): Following the development of the Office of Integrated Water Management (OIWM) and a subsequent re-organization, the development of a ""Project Control Office"" has been re-evaluated and replaced by the newly developed Capital Project Management and Project Controls (CPMPC) Program and assigned to the Business Planning and Analysis Unit. As part of the restructuring, the CPMPC Program has taken ownership of the Capital QEMS Document Control and Training and is in the process of conducting a thorough review of the existing processes and work instructions in light of audit recommendations, while identifying opportunities for improvement. The CPMPC Program is also developing and implementing a new capital project management information system, Projectmates. Projectmates is being developed to align with our capital QEMS processes and will address in whole, or in part, many of the recommendations identified by the Contract Change Order Audit. Remaining elements are being addressed by the Technical Review Committee and the Construction Contracts and Support Unit (Unit 335) and the Construction Services Unit (Unit 351).</p> <p>Actions: In light of the reorganization and restructuring of work under the new OIWM and the new capital project management information system, CPMPC Program staff recommend that Valley Water's Management Responses to the Contract Change Order</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Audit be reassessed to ensure alignment with our new structure and approach to capital project management.</p> <p>Projectmates, which is in the process of being developed and implemented, is designed to be a platform on which the contractor can submit PCOs, CORs, for review and approval; all these items go through an electronic review and approval process with baked-in audit trails and these can be rolled into change orders, which can become additional billable items in the system for ease of budget management.</p> <p>Interim Progress: In the FY 2023-27 CIP there are seven (7) projects that are estimated to meet the construction contract threshold of \$100M, thus triggering recommendations a-d. Of those 7 projects, one is currently under construction, the Anderson Dam Tunnel Project (ADTP). The remaining 6 are planned for construction in future fiscal years. The Anderson Dam Seismic Retrofit Project does have a cross-functional team assigned that meets weekly to discuss the Anderson Dam Seismic Retrofit Project, including the Anderson Dam Tunnel Project. Through these meetings the intent and criteria of the steering committee is being met. This team includes representatives from legal, environmental, communications, flood protection, executive management, and other technical staff, that meets weekly with the capital project team.</p> <p>Estimated completion date: December 31, 2022</p>
WU Capital DOO: Emmanuel Aryee (Acting) WSS DOO: Bhavani Yerrapotu General Services DAO: Vacant PCCSU Manager: Concepcion Gayotin	R4	Create a Resources Services Office (RSO) or restructure the current Capital Program Planning and Analysis Unit and develop RSO roles and responsibilities, including the business processes and information systems needed to support large-scale capital construction projects and to serve as a resource for project and construction managers on smaller projects. Examples of expected RSO roles and responsibilities for large-scale capital construction projects include: integrate project design and	<p><u>Management Response:</u></p> <p>Management agrees with the recommendation with the following exceptions. All responses below will use the term ""Project Controls Office,"" which is a more common term in project and construction management instead of ""Resources Services Office.""</p> <p>Management agrees with the recommendation. The addition of the Project Controls Office will enhance Valley Water's ability to manage capital projects in a consistent manner, track and analyze historic change order trends, administer a robust lessons-learned program, and help develop a project management training program for capital project staff. Additionally, a Project Controls Office will</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Dam Safety & Capital Delivery DOO: Chris Hakes		<p>construction management activities; develop large-scale construction management policies and procedures; ensure consistent and uniform implementation of capital project management and construction management standards; manage and administer the contract management and change order process; consolidate, analyze, and disseminate lessons learned activities and historical project information for future project planning; coordinate project and construction project activities; establish and manage project and construction management standardization; implement a centralized project management information system; enhance QEMS activities, including the preparation and updating of guidelines and checklists to be used by project and construction managers; prepare information about the reality of existing projects and corrective action plan development; promote continuous process improvement; and establish a performance-based management system to track effective change order management, project completion, and project financial performance. Examples of RSO roles and responsibilities for smaller capital construction projects would be to share historical project information to support design activities</p>	<p>provide project management staff the ability to focus on the details of the project.</p> <p>Management does not agree with the recommendation that the Project Controls Office also be given certain design and construction management activities. Project delivery and construction management activities should functionally be separate from the Project Controls Office, yet monitoring of the project schedule, costs, and scope would be done for the lifetime (design and construction) of the project by the Project Controls Office. The Project Manager, assigned as the responsible person for the project, is tasked to integrate design and construction management activities from start to completion of the project -- it is management's recommendation that this role should not be delegated to others, including the Project Controls Office.</p> <p>Management does not agree with the recommendation that the Project Controls Office be given responsibility to manage contract management and change order process. The Project Manager is responsible to manage all aspects of the project. It is management's recommendation that the responsibility should not be assigned to a separate entity. Expected roles in the change management process are as follows: The Project Manager and Construction Management staff manage contract change action and issue change orders, analyze and negotiate change orders, and prepare recommendations for contract changes to the Change Control Board; The Project Controls Office reviews scope, schedule, or budget changes as identified in the change order and interprets impact to the project, and coordinates change control functions (prep ERP, budget docs, schedule verification and impact analysis, etc.); and Construction management staff reviews preparation and negotiation of the change order to ensure compliance with contractual requirements, and reviews engineer's cost estimates and work statements to confirm the appropriate contract action. Staff will define the roles of project controls staff and define staffing levels for a new Project Controls Office.</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		and to assist project and construction managers on change order negotiation.	<p>Target implementation is July 2021.</p> <p>Auditor Response: The Independent Auditor commends Valley Water for its internal discussions to determine how better to deliver capital construction projects. Management raised two concerns about the recommendation that our response may be beneficial to these ongoing discussions. First, in the development of the recommendation by the Independent Auditor, stakeholders participating in the audit raised concern about the potential risk that use of the traditional name, ""Project Controls Office (PCO)"" will likely create a ""silo"" effect, meaning that the PCO would serve only the Capital Construction Division when there was need for an office to serve both Watershed and the Capital Construction Divisions. The Independent Auditor understands through subsequent discussions with VW staff that the agency has moved away from centralizing project support activities. While creating a PCO only within the Capital Construction Division will likely have a positive impact on Valley Water, the reach of this impact could be greater if the office could be shared by other Divisions that also manage projects like Watersheds.</p> <p>Second, as stated in the recommendation, the role of the Resources Services Office (RSO) is to help Valley Water ""coordinate"" and ""standardize"" project management activities across the District. As a unit providing only support services to project managers, the RSO would not assume any design or construction management activities. Our audit report described gaps in the support systems for VW project managers. Similarly, VW disagrees with having the RSP manage the contract and change management processes. The audit report described the need for a better contract and change order management because the processes, as currently implemented by project managers, create a high project and financial risks on large capital construction projects. The RSO could provide the support project managers need -- and reduce the workload of project managers -- by helping project managers to prepare change orders, track change orders ensure necessary</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>approvals have been sought, and help to coordinate contract changes with the Procurement and Contracts Division.</p> <p>11/18/2020 Status Update by Roslyn Fuller: 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. Actions: Staff reviewed recommendation and is in the process of defining the roles and responsibilities of the PCO which will support and reduce the workload of project managers and avoid the silo effect. The PCO will support but not manage the following activities: Monitoring of design and construction activities Contract management & change order process Target Implementation: Revised from July 2021 to December 2021</p> <p>3/29/2022 (JC): Instead of developing a Resource Services Office (RSO), management authorized staff to develop a Capital Project Management and Project Controls (CPMPC) program. This is underway with the implementation of Projectmates, a cloud-based construction software that provides a seamless platform for managing Valley Water's Capital Improvement Program (CIP) projects.</p> <p>04/07/22 (JC): Following the development of the Office of Integrated Water Management (OIWM) and a subsequent re-organization, the development of a ""Project Control Office"" has been re-evaluated and replaced by the newly developed Capital Project Management and Project Controls (CPMPC) Program and assigned to the Business Planning and Analysis Unit. As part of the restructuring, the CPMPC Program has taken ownership of the Capital QEMS Document Control and Training and is in the process of conducting a thorough review of the existing processes and work instructions in light of audit recommendations, while identifying opportunities for improvement. The CPMPC Program is also</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>developing and implementing a new capital project management information system, Projectmates. Projectmates is being developed to align with our capital QEMS processes and will address in whole, or in part, many of the recommendations identified by the Contract Change Order Audit. Remaining elements are being addressed by the Technical Review Committee and the Construction Contracts and Support Unit (Unit 335) and the Construction Services Unit (Unit 351).</p> <p>Actions: In light of the reorganization and restructuring of work under the new OIWM and the new capital project management information system, CPMPC Program staff recommend that Valley Water's Management Responses to the Contract Change Order Audit be reassessed to ensure alignment with our new structure and approach to capital project management through the new capital project management information system, Projectmates.. Interim Progress: Projectmates is a centralized capital project management information system that allows us to run reports based on metrics – live project data – for better understanding of project performance and what can be improved (assists management is ascertaining/tracking performance goals). Valley Water has full control over the system and can make adjustments accordingly – (re. process improvements). It is being developed based upon our QEMS procedures and work instructions and includes all relevant check lists. The system will allow us to track effective change order management, project completion, and project financial performance.</p> <p>Target Implementation: Revised from December 2021 to December 2022</p>
WU Capital DOO: Emmanuel Aryee (Acting) WSS DOO: Bhavani Yerrapotu General Services DAO: Vacant	R6	Promote uniform implementation of change order management and administration for all capital projects by: a) developing and establishing specific criteria for establishing contingency budgets for change orders that consider project complexity and size (Example: \$0	<p><u>Management Response:</u> Management disagrees with the recommendation. In the interest of transparency, contingency will continue to be separately approved by the Board of Directors for each capital construction contract.</p> <p>Management agrees with the recommendation. Regarding the recommendation to enhance the Risk Management Process:</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
PCCSU Manager: Concepcion Gayotin Dam Safety & Capital Delivery DOO: Chris Hakes		contingency for capital projects less than \$100,000 ranging to an amount over \$1M for projects over \$500M) eliminating the need for the Board of Directors to separately approve contingency budgets for each capital construction contract; b) updating the Quality and Environmental Management System (QEMS) forms to: develop templates within the Capital Improvement Program Planning document to provide clarification on how the Quality Records should be completed.; add a step in the Close-Out Checklist for the review of open change orders and potential change orders; and enhance the Risk Management Process document to include a review of similar projects in the Capital Improvement Program Historical Information Retrieval (CIPHIR) tool to identify additional project risks and corrective actions that may not have been previously identified; and c) enhance project management training to address change order management and administration, including negotiation, pricing analysis, and contract closeout activities.	<p>Providing a risk register and methods to mitigate risks, with reference to past projects, would assist Risk Management in defining insurance requirements. Large-scale projects will require a robust Risk Register with identified costs and methods to mitigate risks.</p> <p>Staff will develop the following: 1) A work instruction that lists those quality records to be included in the ""official"" contract file. Furthermore, a defined standard electronic folder system with checklist of contents would accompany the work instruction and serve as a template for contract administration; 2) Staff will add additional details for the Close-out process that includes checklists and roles of the project manager, contract administration, and project controls; and 3) A risk management approach and procedures.</p> <p>Target Implementation is December 2020</p> <p>a. Management agrees with the recommendation. All Project Managers and Construction Management staff will be trained on essential project management skills to help ensure uniformity of practices on all projects.</p> <p>Target implementation is December 2021.</p> <p>Auditor Response: The Independent Auditor acknowledges the importance of transparency and accountability in government. The intent of the recommendation is to reduce the financial risk of exceeding the original contract budget, which arises from the approval of the contingency budget in an open forum. Alternative processes can be implemented to minimize financial risk and accomplish the principles of transparency. For example, transparency may be accomplished by establishing specific policies, approved by the Board, that define the criteria for setting contingency budgets, such as project size, complexity, and procurement method (design-bid-</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>build, design-build, etc.). The contingency budgets would then be established for projects according to the criteria.</p> <p>11/18/2020 Status Update by Roslyn Fuller: 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 b) Updating Quality and Environmental Management System (QEMS) Actions: Prepare risk register with reference to past projects for insurance requirements and large projects costs and method risk mitigation Identify list of quality records to be included in the contract file as well as standard electronic folder system Target Implementation: Revised from December 2020 to December 2021 & continuous 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 Target Implementation: December 2021 & continuous</p> <p>3/29/2022 (JC): Instead of developing a Resource Services Office (RSO), management authorized staff to develop a Capital Project Management and Project Controls (CPMPC) program. This is underway with the implementation of Projectmates, a cloud-based construction software that provides a seamless platform for managing Valley Water's Capital Improvement Program (CIP) projects.</p> <p>04/07/22 (Jessica Collins): Following the development of the Office of Integrated Water Management (OIWM) and a subsequent re-organization, the development of a "Project Control Office" has been re-evaluated and replaced by the newly developed Capital Project Management and Project Controls (CPMPC) Program and assigned to the Business Planning and Analysis Unit. As part of the restructuring, the CPMPC Program has taken ownership of the</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Capital QEMS Document Control and Training and is in the process of conducting a thorough review of the existing processes and work instructions in light of audit recommendations, while identifying opportunities for improvement. The CPMPC Program is also developing and implementing a new capital project management information system, Projectmates. Projectmates is being developed to align with our capital QEMS processes and will address in whole, or in part, many of the recommendations identified by the Contract Change Order Audit. Remaining elements are being addressed by the Technical Review Committee and the Construction Contracts and Support Unit (Unit 335) and the Construction Services Unit (Unit 351).</p> <p>Actions: In light of the reorganization and restructuring of work under the new OIWM and the new capital project management information system, CPMPC Program staff recommend that Valley Water's Management Responses to the Contract Change Order Audit be reassessed to ensure alignment with our new structure and approach to capital project management through the new capital project management information system, Projectmates. Interim Progress: Through the use of Projectmates, Valley Water will be able to achieve uniform implementation of change order management and administration for all capital projects. Further, the CIPHR can be incorporated into Projectmates as a form; a report can be made to generate an updated CIPHR log; documents can be interlinked in one spot, making them easier to find and easier to navigate to the projects and attach lessons learned, etc.</p>
WU Capital DOO: Emmanuel Aryee (Acting) WSS DOO: Bhavani Yerrapotu General Services DAO: Vacant	R7	Develop, track, and report on performance metrics that monitor the timeliness, costs, and cost savings on large scale capital projects. Metrics established for monitoring final capital project close out costs against the original base contract amount should exclude contingency budget amounts.	<p><u>Management Response:</u> Management agrees with the recommendation. Management concurs with the recommendation to develop, track, and report on performance metrics for all projects that have been included within our CIP. Performance metrics and key performance indicators (KPIs) will be created for monitoring, reporting, requirements, and reporting methodology.</p> <p>Target implementation is December 2021.</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
PCCSU Manager: Concepcion Gayotin Dam Safety & Capital Delivery DOO: Chris Hakes			<p>Auditor Response: Valley Water's response satisfies the recommendation. Management should consider reducing the two-year timeframe for implementation so that it can demonstrate sooner the effectiveness of its efforts to improve the construction contract change order process.</p> <p>11/18/2020 Status Update by Roslyn Fuller: Actions: Development of project plans that include performance metrics for all projects have been included within the CIP module of VENA. Currently Change Management Memorandum is required when schedule and/or budget tolerances in the project plan are exceeded. Additional performance metrics and key performance indicators (KPI's) for monitoring and reporting are also in development. Target Implementation: December 2021 and continuous</p> <p>3/29/2022 (JC): Instead of developing a Resource Services Office (RSO), management authorized staff to develop a Capital Project Management and Project Controls (CPMPC) program. This is underway with the implementation of Projectmates, a cloud-based construction software that provides a seamless platform for managing Valley Water's Capital Improvement Program (CIP) projects.</p> <p>04/07/22 (Jessica Collins): Following the development of the Office of Integrated Water Management (OIWM) and a subsequent re-organization, the development of a "Project Control Office" has been re-evaluated and replaced by the newly developed Capital Project Management and Project Controls (CPMPC) Program and assigned to the Business Planning and Analysis Unit. As part of the restructuring, the CPMPC Program has taken ownership of the Capital QEMS Document Control and Training and is in the process of conducting a thorough review of the existing processes and work instructions in light of audit recommendations, while identifying opportunities for improvement. The CPMPC Program is also developing and implementing a new capital project management</p>

2019 CONTRACT CHANGE ORDER AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>information system, Projectmates. Projectmates is being developed to align with our capital QEEMS processes and will address in whole, or in part, many of the recommendations identified by the Contract Change Order Audit. Remaining elements are being addressed by the Technical Review Committee and the Construction Contracts and Support Unit (Unit 335) and the Construction Services Unit (Unit 351).</p> <p>Actions: In light of the reorganization and restructuring of work under the new OIWM and the new capital project management information system, CPMPC Program staff recommend that Valley Water's Management Responses to the Contract Change Order Audit be reassessed to ensure alignment with our new structure and approach to capital project management.</p> <p>Interim Progress: Metrics established for monitoring timeliness and cost, including measuring the final capital project close out costs against the original base contract amount can be established in Projectmates.</p>

2020 DISTRICT COUNSEL AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
District Counsel's Office	1	<p>The District Counsel's Office should develop and implement a written strategy for approval by the Board that provides an updated operating model for efficient service delivery. In the development of the strategy, the District Counsel can consider, for example, enhanced policy and procedure development and new/enhanced tools described throughout this report. These tools, for example, can include workflow management, SLAs, added performance measurement, use of multi-source feedback assessments, and risk -based criteria assessments.</p>	<p>11/17/2020 Summary of Management Response: Management agrees with the recommendation. The District Counsel agrees to develop and implement a written strategy with an updated operating model for efficient service delivery for approval by the Board. The District Counsel further commented on the many suggested solutions included in the audit report, describing the varied potential benefits or concerns. Target Implementation: The District Counsel recommends that implementation should await appointment of a successor District Counsel so that he or she can have critical input on the ultimate strategy proposed for the office. With respect to implementation of a future written strategy, it is suggested that the Board consider this as a goal for the successor District Counsel. Direction is requested from the Board of Directors if it would like the strategy to be developed prior to the appointment of a successor District Counsel.</p> <p>Independent Auditor Response: TAP International agrees that the development and implementation of the updated operating strategy should await appointment of a successor District Counsel because of the need for organizational and operational changes to address the issues described in the audit report. Although TAP International did not formally recommend implementation of the multiple potential solutions described in the audit report, the solutions suggested are standard management practices to address the District Counsel's Office's service delivery issues that were identified by the audit (such as timeliness, communication, and non-uniform approaches to providing services). TAP International opted against prescribing the use of these tools to provide management flexibility to tailor or adopt alternative solutions as part of an updated operating model. The current District Counsel in describing concerns with a suggested solution contained in the audit report, such as the development of criteria for risk management unit decision-making, dedicating staff to serve the Board only, and tracking attorney time, has the flexibility to implement other alternative strategies that could enhance Office performance and accountability.</p>

2020 DISTRICT COUNSEL AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			01/06/2022: The successor District Counsel is in the process of implementing a written strategy for the Office of District Counsel and will review it with the Board
District Counsel's Office	3	The District Counsel should convene a workgroup on planning activities or projects involving contracting opportunities with key stakeholders (E.g., Chief Executive Officer (CEO) and Chief Operating Officers (COOs)) to develop a decision-making guide for early engagement with the District Counsel Office and Risk Management.	<p>11/17/2020 Summary of Management Response: Management agrees with the recommendation. District Counsel agrees that early involvement by the District Counsel's Office and Risk Management on complex, high-value, or large-scale Valley Water projects that will involve contracts would generally be beneficial. While there have been recent efforts to include the District Counsel's Office in the early planning processes for some projects (e.g., the Anderson Dam Retrofit Project), more consistency would be beneficial. This consistency can be increased through the development of the recommended decision-making guide and its use by the CEO and Chief Operating Officers since they are the ones who will be aware of future projects and project needs. The District Counsel is happy to attempt to convene the recommended workgroup and hopes the other BAOs and Valley Water's Chief Operating Officers and Chief Financial Officer will support and participate in the workgroup. Target Implementation: May 1, 2021. Unless different direction is received from the Board of Directors, the District Counsel does not believe that implementation of this recommendation needs to wait upon the appointment of a successor District Counsel.</p> <p>Independent Auditor Response: TAP International commends District Counsel initiation of activities to address this recommendation.</p> <p>1/06/2022: The District Counsel has provided a draft decision-making guide for early engagement with the District Counsel's Office and Risk Management on Valley Water's more routine procurement transactions. This guide, once approved by all stakeholders, will serve as the model for decision-making guides for other activities, projects, and transactions.</p>
District Counsel's Office	5	The Board Audit Committee should ensure that the scope of the audit currently proposed in the annual audit work plan	<p>11/17/2020 Summary of Management Response: Not applicable for a management response. The District Counsel commented on this recommendation and argued against</p>

2020 DISTRICT COUNSEL AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		for the risk management function, include an evaluation of the advantages and disadvantages of implementing alternative organizational alignments for the Risk Management Unit and the Workers' Compensation programs.	<p>organizational changes describing that Workers' Compensation activities should not be consolidated under Environmental, Health and Safety because claims administration of the Workers' Compensation program is more closely aligned with Risk Management.</p> <p>Independent Auditor Response: This recommendation was made to the Board Audit Committee. The audit report describes the issues that were raised that support further study of a potential organizational change. Should the Audit Committee wish to expand the scope of the current risk management audit listed on the annual work, the arguments presented by the District Counsel will be considered.</p> <p>1/6/2022: This item remains not applicable for management response.</p>

2020 REAL ESTATE SERVICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Real Estate Services Manager: Eli Serrano	3	To increase the effectiveness of RESU's property management, the RESU manager should update Valley Water's RESU policies and procedures for property management to include residential property management, including procedures to ensure tenants have updated insurance, how staff will conduct physical inspections, and the payment of HOA fees when needed.	<p>Management Response: Management agrees with the recommendation. RESU has begun working on some improvement activities that are related to this recommendation. Status of those items are described below: Updating existing property management policies and procedures to include residential property management. Implemented oversight by Senior staff to track non-residential insurance expirations. Residential structures owned by Valley Water are covered by Valley Water insurance policies managed by the Risk Management Unit. Planning to coordinate a weekly property management schedule to do on-site property inspections. Currently only one HOA fee is invoiced annually related to a District property, and it has been paid in accordance with the invoice terms.</p> <p>Target Implementation: July 2022</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendation, except for the payment of HOA fees when required. We encourage RESU as they continue work on implementing this recommendation to ensure to develop policies for the payment of HOA fees. Although an infrequent occurrence, formal documentation in policies supports consistency and guidance when the event occurs.</p> <p>12/10/21: No updates</p>
Real Estate Services Manager: Eli Serrano	5	To facilitate effective delivery of RESU services, the RESU Manager should develop a risk assessment process to help Valley Water staff identify real estate transactions that will need extensive participation and review by District Counsel and a plan for key consultation points.	<p>Management Response: Management agrees with the recommendation. RESU staff will create a check list for potential risk factors associated with complicated acquisitions, for example, relocation or hazardous material issues, unwilling owner, or potential eminent domain matters. RESU will review potential risk factors with the project team early in the planning process to identify potential high-risk acquisitions and mitigation issues so that adequate schedule and budget can be considered for the project. RESU will also engage Legal counsel on complex legal issues and timing to resolve.</p> <p>Target Implementation: December 2021</p>

2020 REAL ESTATE SERVICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Independent Auditor Response: Valley Water management's response satisfies the recommendation.</p> <p>Update 12/10/21: 1. RESU participates in weekly and bi-weekly project meetings on high priority projects such as Coyote Creek and Anderson Dam projects. Current issues and challenges with property owners and timing of acquisitions are discussed with key team members so that the team can work together to resolve issues and anticipate next steps, which could include preparing for Eminent Domain cases or negotiated settlements. 2. RESU has a standing monthly meeting with legal counsel to go over items, in order of priority, that are in the queue for review or approvals for internal routings, and to alert of high-level priorities coming.</p>
Real Estate Services Manager: Eli Serrano	6	To increase service delivery timeliness, Valley Water's CEO, in coordination with RESU's Manager, should work with District Counsel to evaluate the costs and benefits of developing additional templates for the different types of right-of-way agreements, with a goal of minimizing changes to these pre-approved standard contracts and reducing District Counsel's review time.	<p>Management Response: Management agrees with the recommendation. RESU will work with Legal Counsel Office to identify and create standard templates for various right of way agreements. Standard templates may be considered for the following real property interests: Temporary Construction Easement Temporary Construction Easement and Permanent Easement Fee-Full Take Fee-Partial Take Fee, Temporary and Permanent Easement Ingress/Egress Easement Permanent Easement</p> <p>Target Implementation: July 2022</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendation.</p> <p>12/10/21: No Updates</p>
Real Estate Services Manager: Eli Serrano	7	To enhance the effectiveness of capital project planning, the CEO should ensure the inclusion of RESU staff in early project design meetings for capital projects to	<p>Management Response: Management agrees with the recommendation. Valley Water's current practice for capital improvement projects is to include key subject matter experts on its core project team. For projects that require right-of-way</p>

2020 REAL ESTATE SERVICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		assist project delivery teams with budgeting for real estate transactions and planning for adequate time to process those transactions, identify potential challenges for transactions given the project design, and allow RESU time to plan for these transactions and potential property management needs.	<p>acquisitions, the project teams always include RESU staff. RESU staff serves as a task leader in planning and executing right-of-way acquisitions for each project. RESU staff input has always been requested and then incorporated into each project's schedule and budget. Deputies of Capital Improvement Projects will ensure that each capital improvement project, that require acquisition of right-of-way, continue to have participation of RESU staff as a key core team member.</p> <p>Target Implementation: On-going</p> <p>Independent Auditor Response: The audit found that RESU staff were not always included in the early phases of project planning. Capital Project staff are solely responsible for defining and planning acquisitions and RESU executes the real estate transaction process for the acquisition as defined by Capital Project staff. The purpose of the recommendation is for Capital Projects staff, when defining the parameters of each acquisition, to consult with RESU to prevent delays to the acquisition timeline in the execution of the transaction process that occurs later in the project lifecycle.</p> <p>12/10/21: No Updates</p>
Real Estate Services Manager: Eli Serrano	8	To improve planning for the costs of real estate acquisitions, the RESU Manager should complete a one-time study on (A) the impact of property owner appraisals on acquisition purchase prices over the past five years to identify the differences in appraisal methodologies that led to different appraised values, and (B) the impact of a property owner's appraisal on the time to complete an acquisition. The RESU manager should share the research with District Counsel and Valley Water management to determine what changes,	<p>Management Response: Management agrees with the recommendation. RESU will research how to best complete a one-time study of the impact of property owner appraisals on acquisition purchase prices and to identify the differences in appraisal methodologies that led to different appraised values. The evaluation will also include the impact of a property owner's appraisal on the time to complete an acquisition. Based on evaluation, RESU will recommend and made changes, if any, to RESU procedures for property acquisition.</p> <p>Target Implementation: December 2021</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendations.</p>

2020 REAL ESTATE SERVICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		if any, should be made to the Valley Water acquisitions process.	Update 12/10/21: 1. A one-time study has been completed of a 5-year span of Valley Water properties acquired wherein there were instances of property owner's appraisals that resulted in higher values as a settlement. As a result of this study, it was determined that 80% of property owners settled at the fair market appraisal value. The remaining 20% of property owners on average settled for more than 10% above the fair market appraised value. This information has been shared with District Counsel and Valley Water management. 2. It should be noted that pursuant to Code of Civil Procedure Section 1263.025, an owner may obtain an independent appraisal of the property that is being considered for acquisition for a public use. Should the owner obtain an independent appraisal, Valley Water will pay for the actual reasonable costs up to \$5,000. 3. It has been determined that current RESU practices are appropriate and adhere to current regulations.
Real Estate Services Manager: Eli Serrano	9	To ensure that Valley Water adheres to "just compensation" principles on delayed real estate acquisitions, Valley Water's CEO should ensure the development of criteria that would require the ordering of an updated appraisal, especially when there is a potential conflict between project deadlines and the need for additional time to finish the acquisition process in accordance with Valley Water goals and state laws.	<p>Management Response: Management agrees with the recommendation. RESU will evaluate and update current policy and procedures regarding appraisal life expectancy (usually 6 months) and determine a trigger for requesting an updated appraisal in coordination with project team or owner. RESU staff will monitor status of each acquisition and recommend necessary updated appraisal to avoid delay to the acquisition schedule.</p> <p>Target Implementation: December 2021</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendation.</p> <p>Update 12/10/21: 1. In order to avoid delays to project acquisition schedules, RESU will evaluate each transaction and coordinate with the project team for current status and request updates as needed to reflect the current market of required right of ways. 2. RESU will continue to adhere and maintain Just Compensation practices. RESU will update current policies and procedures to make sure property owners are treated fairly and equitably according to Government Code and state laws.</p>

2020 REAL ESTATE SERVICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Real Estate Services Manager: Eli Serrano	10	To facilitate effective communication with property owners and those wanting to use Valley Water owned land, Valley Water's CEO should leverage use of the existing Customer Resources Management Information System. The CEO should allow its use by RESU and all divisions/units (Community Projects Review Unit (CPRU), Watersheds, Utility) that deliver real estate services to track all external stakeholder contacts (dates, purpose, status) and to be able to research those contacts before connecting with property owners; and develop communication protocols/scripts for use by RESU, Watersheds, and Utility when contacting property owners about the need to use or acquire parcels.	<p>Management Response: Management agrees with the recommendation. RESU will discuss with Information Technology (IT) Department the needs to track all external stakeholder contacts (dates, purpose, status) and to be able to research those contacts before connecting with property owners. RESU will invite other units that interact with property owners, such as Community Projects Review Unit (CPRU) or other units in Watershed or Water Utility on this discussion. As IT Department develops or acquires proper software to support the tracking of external stakeholder contacts, they will provide training on this new tool to RESU, CPRU, and other.</p> <p>Target Implementation: July 2022</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendations.</p> <p>12/10/21: No updates</p>
Real Estate Services Manager: Eli Serrano	11	To improve public confidence in its real estate services, the CEO should expand the information available on the Valley Water website about real estate services to describe generally the real estate acquisition process; provide brochures that explain the acquisition process and rights of property owners; provide a guide for property owners and other external parties showing which unit to call—either RESU or CPRU—depending on the service needed; and a frequently asked questions section.	<p>Management Response: Management agrees with the recommendation. RESU will work with Office of Communications to create a webpage site on valleywater.org to provide information to the public about the Real Estate Services Unit and the real estate acquisition process. The webpage will also include information on property owner rights, a FAQ page and related standard brochure, "When the Water District Buys Your Property." The webpage will also provide information on who at Valley Water to contact regarding acquiring or using a property right from Valley Water or doing property transaction with Valley Water.</p> <p>Target Implementation: July 2022</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendation.</p> <p>12/10/21: No updates</p>

2020 REAL ESTATE SERVICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Real Estate Services Manager: Eli Serrano	12	To enhance Valley Water's fiscal performance and asset management strategy, the CEO should: (A) conduct an annual review of the fee schedules maintained by Valley Water to ensure that the fees cover the costs to lease, license, and permit the use of its, and (B) shorten the duration and establish regular fee adjustments on future longer term lease agreements.	<p>Management Response: Management agrees with the recommendation. CPRU will conduct an annual review of the Valley Water's fee schedules to ensure that the fees cover the cost to lease, license, and permit the use of its land. Currently, appraisals are performed for every request to establish fair market value. CPRU will recommend to the CEO revisions to the fee schedules as needed. We will include a clause in each lease/license to adjust the annual rate based on the Consumer Price Index (CPI) for San Francisco-Oakland-San Jose area. Additionally, for leases that have a term longer than 10 years, we will include a clause to review and revise the rate every 10 years.</p> <p>Target Implementation: December 2021</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendation.</p> <p>Update 12/10/21: 1. RESU continues to work with CPRU and is committed to working towards an annual review of Valley Water's fee schedules to ensure that the fees cover the cost to leases, license, and permit the use of its land. To this end, RESU is coordinating with CPRU on a Watershed-wide appraisal matrix to establish zones of value to be used for calculating an annual fee schedule. 2. Currently, RESU maintains the practices of making adjustments for CPI adjustments and is a part of existing forms, procedures and practices.</p>
Real Estate Services Manager: Eli Serrano	Other Matters for Consideration	Other Matters for Consideration - Should the Valley Water Board desire to update the current role of RESU from providing support services only to be a proactive partner in strategy planning for future water management activities, the Board could consider the following: A. Direct the CEO to develop a five-year strategic plan that includes a new mission, goals, and objectives for all Valley Water	<p>Management Response:</p> <p>Management agrees to the additional recommendations. Management agrees that the roles and responsibilities of RESI and CPRU can be clarified and communicated better so that the public can have a better understanding of the services provided and proper points of contact at Valley Water. Management agrees that the roles and responsibilities for real property asset management need to be developed and implemented and Valley Water has already begun this effort. In 2019 Valley Water created the Lands Management Program to lead agency-level coordination for many of the broad aspects pertaining to lands management activities. The</p>

2020 REAL ESTATE SERVICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>Real Estate Services (including asset management) that proactively meets the needs of future Valley Water projects, goals, and objectives. The strategic plan should include an implementation plan that addresses the following:</p> <ol style="list-style-type: none"> 1. Define the future roles and responsibilities for each unit that delivers or helps to deliver real estate and asset management services. If Valley Water continues to use its current organizational structure to deliver real estate services, roles and responsibilities should be identified by each type of real estate service and asset management function and function performed, clear lines of accountability created for each unit performing each task, and key points of coordination and collaboration across the units defined. 2. Assess the feasibility of consolidating the delivery of its real estate services and permitting services by combining the RESU and CPRU into a single unit to leverage opportunities. Consolidation will make the real estate transaction process and property management activities more efficient and effective, as well as providing a one-stop shop to constituents. 3. Describe how Valley Water will collect, analyze, and verify the accuracy of data about its real property to allow Valley Water management to perform effective business analytics. 	<p>lands management function is resided in the Watershed Business Planning & Analysis Unit (WBPAU). Additional information on the roles and responsibilities of those 3 units will be posted on Valley Water Web Page as needed so the public can understand better and know who to contact for services provided by those 3 units.</p> <p>Target Implementation: July 2021</p> <p>Management does not agree with the recommendation to combine RESU and CPRU to make real estate transaction process property management activities more efficient and effective, as well as providing a one-stop shop to constituents. Currently, RESU and CPRU are in the Watersheds Design & Construction Division under the Chief Operating Officer Watersheds. These units have clear roles and responsibilities and a portion of their functions involves Valley Water real property. They coordinate and collaborate with each other and other units/operations for management and protection of Valley Water real properties. RESU is responsible for real estate services which includes buying and selling property, leasing and licensing of non-residential and residential properties, as well as negotiation, appraisal, title, and relocation services. CPRU is responsible for protecting Valley Water Watersheds and Water Utility assets and interests from external activities and threats as defined by the Water Resources Protection Ordinance. CPRU accomplishes this through the review of development projects from external parties and issuance of encroachment permits for activities on Valley Water rights of way, and ordinance enforcement for activities undertaken without appropriate permits. The issuance of encroachment permits for long term uses of Valley Water property may include a license or lease which is established by CPRU staff and managed by RESU.</p> <p>Target Implementation: On-going operations</p> <p>Management agrees that having a central location for information related to its real property can facilitate effective evaluation and decision making. Data about Valley Water's real property is</p>

2020 REAL ESTATE SERVICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>4. Develop a communication strategy that address how Valley Water will promote a culture of information sharing and enterprise-wide decision making both internally and externally, for delivery of its real estate services.</p> <p>5. Develop an asset management strategy.</p> <p>B. Direct the CEO to begin a plan to implement a new, off-the-shelf real property and asset management software to track and capture all real property activities, including transactions, encroachment permits, contact management, lease/permit management, and workflow management performed by RESU and CPRU. The system should support business analytics for real property management, enhancing delivery of real estate services using technology.</p>	<p>collected and analyzed by CPRU and WBPAU. CPRU is responsible for verifying the accuracy of land rights data shown in GIS and to correct the Land Parcels, Fee, and Easement layers for Valley Water real property. As needed, CPRU staff provides corrections to the County of Santa Clara Assessor to ensure that Valley Water's ownership data is represented accurately in County of Santa Clara's records. WBPAU is in the process of procuring and implementing an Enterprise Content Management (ECM) system that will be utilized as an agency-wide central repository for documents and information pertaining to Valley Water land rights and obligations. As appropriate, metadata and summarized information on real property documentation will be incorporated in the ECM system so that Valley Water staff can query and retrieve real property information and perform analytics-based evaluations as needed to support strategic decision-making. Part of the Land Management Program will enhance the utilization of Geographic Information System (GIS) functionality to expand access to information on real property rights and obligations, and will advance the integration of internal GIS systems with many of the documents and associated information that will be stored in the ECM system.</p> <p>Target Implementation: July 2022</p> <p>Management agrees to develop a communication strategy that addresses how Valley Water will promote a culture of information sharing and enterprise-wide decision making. We are planning to: Develop, enhance, and/or consolidate internal and external web pages to provide easily accessible information to Valley Water staff and the public pertaining to real estate services program descriptions, policies and processes, roles and responsibilities, and contact information.</p> <p>Hold regularly scheduled internal coordination meetings with relevant business areas to ensure strategic alignment, information sharing, and coordinated execution of business processes.</p> <p>Explain the utilization of information technology solutions to aid in the access and distribution of real property information to contribute to coordinated and strategic decision-making.</p>

2020 REAL ESTATE SERVICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>In addition to maintaining the Fee and Easement GIS layers, CPRU has created layers for: Adopt-a-Creek locations (adopted and available segments), Encroachments (Fee, Easement and Suspected), Joint Use Agreement locations (with links to the JUA documents), and is in the process of populating a layer representing the locations of Agreements and Leases (which will also contain links to the relevant documents). These are all updated as new information becomes available. The Adopt-a-Creek and Encroachment layers (with the exception of the Suspected Encroachments) are available to all staff via the GIS data menu. The Joint Use Agreement layer has been made available to the Maintenance and Vegetation Management staff to facilitate their work and will be added to the data menu shortly. Members of the public can request deed information about or Fee and Easement rights and pipeline or creek plans at any time.</p> <p>Target Implementation: July 2021</p> <p>Management agrees with the recommendation to develop an asset management strategy. WBPAU is developing the Lands Management Program and is responsible for coordination for many of the broad aspects pertaining to lands management activities. WBPAU will continue to develop and implement an integrated real property asset management strategy to align the acquisition, sustainment, use, and disposal of real property with agency goals, objectives, and service delivery requirements. Several of the components of a real property asset management strategy noted below are currently in development and will continue to be advanced by the Lands Management Program in collaboration with RESU, CPRU, and other business areas throughout Valley Water: Short and long-term asset management goals and objectives. A strategic property evaluation process for real property acquisition (fee and easement), surplus sale, and easement termination. Integrated process(es) for the planning and budgeting, acquisition, sustainment, and disposition of real property.</p>

2020 REAL ESTATE SERVICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Leveraging of information technology solutions to inventory and track real property assets and provide centralized access to real property documents and information.</p> <p>Coordination for the planning and execution of corrective, preventative, and deferred maintenance.</p> <p>Consolidated information on real property ownership and current use.</p> <p>Land use planning assessments.</p> <p>Use of industry standards and benchmarks for continuous improvement.</p> <p>Mechanisms to periodically measure progress, assure continued relevance, and update asset management strategy as necessary.</p> <p>Target Implementation: July 2022</p> <p>C. RESU will work with Information Technology (IT), CPRU and Facilities Management to collaboratively analyze the current software systems and capabilities, including transactions, encroachment permits, contact management, lease/permit management, and workflow management performed by RESU. RESU will work with IT staff and discuss future integrations and updates which will include feedback from other departments involved in the Real Estate/Property Management and Asset Management processes. RESU will implement training for staff which will provide transparency on the basic uses of the current RESU system by providing tutorials and help menus for continued assistance. The end product and objective are to ensure that Valley Water staff has all the tools needed to access Valley Water owned property information, as needed in a clear and easy to access method.</p> <p>Target Implementation: July 2022</p> <p>Independent Auditor Response: The Auditor has presented these as matters for consideration only. We commend Valley Water for their proactive response. The matter regarding assessing the feasibility of consolidating the CPRU and RESU units were developed</p>

2020 REAL ESTATE SERVICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>with an emphasis on improving service delivery for Valley Water residents. Upon completion of clarifying roles and responsibilities between the two units, identify opportunities for continued collaboration and coordination to better serve customers.</p> <p>12/10/21: No updates</p>

2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Office of Civic Engagement	1	<p>Valley Water should consider developing clear guidelines for “right-sized” application and reporting processes, meaning that application and reporting requirements should be scaled to fit the size, risk, and complexity of each individual grant: a. Valley Water should develop a formal due diligence policy and perform a due diligence review for high risk grant projects. A due diligence review of applicants determines the reasonableness of the grant and grantee’s ability to perform and assess the extent of the grantee’s reliance on grant funds. This would include analysis of managerial and fiscal capacity and past performance. For example, verify grantees have the requisite financial management systems that will produce invoice detail required by the grant agreement, or, gain an understanding of the type of system capabilities the non-profit has to assess whether they can comply with financial reporting required by the grant agreement. b. For high-risk grants where financial statements are required, analyze fiscal health indicators of the entity and formalize the analysis within the grant file. For areas where Valley Water already implements a number of best practices such as checking GuideStar to verify the non-profits current status and to view the grantee’s IRS Form 990, staff should also memorialize its analysis in the grant file.</p>	<p>Management agrees with the concept of “right-sizing” the application and reporting processes. a. Management agrees that assessing the risk for grant projects would increase the agency’s due diligence to prevent fraud and waste. An initial risk assessment would also help staff evaluate if any additional special provisions or tailored invoicing requirements and/or review are recommended in the agreement and during the grant monitoring. Management recommends that the risk assessment be conducted after the grant is awarded and before grant agreement is executed, and reviewed with the grantee at the mandatory kick-off/orientation meeting. The development and implementation of a risk assessment review and financial reporting system compliance review could also lengthen the time between award and execution of the agreement. These processes would require collaboration with subject matter experts in Risk Management and Finance. Staff will continue to review each invoice as it is submitted, in addition to conducting the risk assessment. Management also recommends that the grant agreement include a clause that grantees are still responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees understand and are held accountable for being responsible stewards of public funds, especially if they know staff is not reviewing invoices. b. Management agrees with requiring financial statements from applicants. currently, all standard grant applicants are required to submit audited financial statements or Form 990 as part of the standard grant application. This is not required for mini-grants or partnerships. Applicants and grantees have expressed that audited financial statements are costly and not feasible for smaller non-profit organizations. Therefore, Valley Water accepts the Form 990 as an alternative to audited financial statements. The audited financial statements and Form 990 are memorialized in the grantee’s project application, which turns into the project file, in the Fluxx grants management system. Staff will continue to review each invoice as it is submitted, in addition to requiring the audited financial statements. This financial review would be completed during the application process to serve as another due diligence</p>

2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>c. For smaller non-profits or community groups, based on risk, Valley Water should consider simplifying reporting requirements or developing alternative requirements for projects under a dollar threshold, like \$25,000, or establish a tiered structure and treat smaller projects similar to mini-grants.</p>	<p>check to ensure public funds are awarded to organizations with financial capacity and sustainability to carry out the requirements of the project. Invoice review levels would be determined during the risk assessment after the funding is approved by the Board. c. Management agrees with simplifying reporting requirements and recommends using the risk assessment to identify the tiered thresholds, instead of setting a dollar amount. While the dollar amount is identified per project, the collective number of projects within that dollar amount could add up to be a high dollar amount granted with minimal oversight. Target Implementation: July 2021</p> <p>1/5/2022: Staff is in the process of hiring a consultant to “right-size” the grants guidelines, develop a due diligence policy and review process, and develop a process to analyze grantee fiscal health. This consultant will also help to create definitions specific to the grants program, such as “high and low risk.”</p> <p>Staff is also working on other ways to “right-size” the grants guidelines and simplify reporting requirements for smaller projects. For example, the only reporting requirement for mini-grant projects is a one-page final project fact sheet that summarizes the project outcomes upon completion--no receipts or other supporting documentation is required. Staff also implemented an insurance waiver process for low-risk grant projects.</p> <p>Staff also developed the new Bottle Filling Station grant funding opportunity to include a shorter agreement, fewer required reviewers and a shorter routing time, a streamlined CEQA review using a checklist, no insurance requirements, and a photo as the reporting requirement.</p>
Office of Civic Engagement	2	As new grants are awarded, an orientation for new grantees should be mandatory, and Civic Engagement should provide an electronically accessible grantee guide, outlining all requirements for programmatic and financial reporting	Management agrees with requiring a mandatory orientation for new grantees. Staff began implementing kick-off/orientation meetings with grantees after agreement execution in early FY21. During the kick-off meeting, staff review and explain all expectations and requirements as specified in the agreement, as well as provide an orientation on the Fluxx grants management

2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>compliance. This can be as simple as compiling existing documents, developing reporting templates and developing a process map and including instructions on who to call based on the nature of the question.</p>	<p>system. The agreement templates for standard and mini-grants include the invoicing and reporting templates and staff contact information. Staff will develop process maps and instructions for grantees. Staff utilize this opportunity to set clear expectations on the reporting dates, which includes reporting even if there are no invoices; invoice documentation requirements; and timeline for reimbursements.</p> <p>Management recommends that this orientation also include a review of the assessment of the grantees' financial management systems and the risk assessment outcomes once those processes and criteria are developed. Staff will continue to meet with grantees after their agreement is executed, and program staff will remain available and accessible to all grantees throughout the process. Staff will update the agreement template to include the kick-off/orientation meeting as a mandatory activity.</p> <p>Target Implementation: January 2021</p> <p>1/5/2022: Staff began implementing kick-off/orientation meetings with grantees after agreement execution in early FY21. During the kick-off meeting, staff review and explain all expectations and requirements as specified in the agreement, as well as provide an orientation on the Fluxx grants management system. The agreement templates for standard and mini-grants include the invoicing and reporting templates and staff contact information. Staff remain available and accessible to all grantees throughout the process. Since April 2021, staff have conducted kick-off/orientation meetings with all new standard grantees. Staff send an onboarding email to mini-grantees with the grant information as part of the award notification.</p> <p>A consultant was hired to create a Grantee Guide to outline processes and procedures for applicants and grantees. These documents are expected to be completed by June 2022.</p>
Office of Civic Engagement	5	In addition to right sizing invoicing requirements based on the grant's risk level, Valley Water should right-size the level of progress reporting detail required	<p>Management agrees and staff will develop "right sized" reporting guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. Currently, progress reporting is based on the scope and deliverables</p>

2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		for smaller dollar value standard grants, for example, under \$25,000.	<p>identified by the grantees and outlined in the executed grant agreement. Staff refers to the original grant agreement and ensures that what is in the grant agreement is being reported in the progress report. Staff does not request additional reporting outside of what is listed in the agreement.</p> <p>Target Implementation: July 2021</p> <p>1/5/2022: Staff is working with Contracts to hire a consultant to “right-size” the level of progress reporting detail for smaller dollar value standard grants. This consultant will also help to create definitions specific to the grants program, such as “high and low risk.”</p> <p>Currently, the only reporting requirement for mini-grant projects is a one-page final project fact sheet that summarizes the project outcomes upon completion. No receipts or other supporting documentation is required. Staff also implemented an insurance waiver request form and process for low-risk grant projects.</p> <p>Staff is developed the new Bottle Filling Station grant funding opportunity to include a shorter agreement, fewer required reviewers and a shorter routing time, a streamlined CEQA review using a checklist, no insurance requirements, and a photo as the reporting requirement.</p>
Office of Civic Engagement	6	Valley Water should explore where, within existing District policies, it can augment grant requirements for grant agreements and invoicing for certain grantees based on risk: partnerships, repeat grantees, establish grant value thresholds, and determine whether the number of approvals and signatures for payments are appropriate. At a minimum, for smaller, lower risk grants, Valley Water should re-assess its reporting and invoicing requirements based on risk, dollar value,	Management agrees that assessing the risk for grant projects would increase the agency’s due diligence to prevent fraud and waste. An initial risk assessment would also help staff evaluate if any additional special provisions or tailored invoicing requirements and/or review are recommended in the agreement and during the grant monitoring. Staff recommend that the risk assessment be conducted after the grant is awarded and before the grant agreement is executed, and reviewed with the grantee at the mandatory kick-off/orientation meeting. The development and implementation of a risk assessment review and financial reporting system compliance review could also lengthen the time between award and execution of the agreement. These processes would require collaboration with subject matter experts in Risk

2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>and project complexity. a. For example, Valley Water could treat grant agreements up to \$25,000 like mini-grants and expedite payment for low-risk grants and low dollar amount invoices from trusted long-term grantees. Valley Water could consider paying unquestioned amounts earlier, and focus more scrutiny on riskier, larger dollar amount invoices from new grantees. b. Valley Water could also consider reimbursing expenses when invoiced and then using the closeout process to reconcile remaining amounts below a reasonable threshold. For example, if a grantee bills \$10,000 for its performance, and Valley Water questions \$500 of that amount, it could consider paying the unquestioned amount first, then resolve the questioned amount by project. c. Staff should focus their review on whether grantee costs are reasonable, allocable and allowable in accordance with the project budget and grant agreement guidelines. Spot checks would be performed to ensure calculations are correct and that receipts match the totals. The level of scrutiny applied and depth of review would be based on the grant and grantee risk factors, as determined by management.</p>	<p>Management and Finance. The risk assessment would supplement staff's review of each invoice. Management also recommends that the grant agreement include a clause that grantees are still responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees understand and are held accountable for being responsible stewards of public funds, especially if they know staff is not reviewing invoices. Management recommends considering equity and inclusion in the development of the risk assessment guidelines and criteria. Applying varying standards for returning grantees would result in inequitable treatment and would disproportionately provide privilege to grantees who are already familiar with the grants program. The grants program continues to improve and be updated, so meeting the prior requirements may or may not mean that a returning grantee meets and understands the current program requirements. Additionally, varying guidelines and criteria per grantee agency could deter new agencies from applying if they feel that returning grantees have an advantage. a. While management agrees with the concept of streamlining the invoicing process, management feels that this approach may also expose Valley Water to potential complaints of disparate and inequitable treatment. Management recommends the following alternative as a consideration to avoid being vulnerable to such complaints. Management recommends developing and implementing a spot check process to review and/or audit grantees using an outside consultant, if the Board adopts this recommendation. While some grantee agencies are returning applicants and grantees, those agencies may have new staff managing the projects. Therefore, even though the grantee agency is not new, the agency staff changes does not guarantee that the projects are carried forward consistently. Staff agrees with simplifying reporting requirements and recommends using the risk assessment to identify the tiered thresholds, instead of setting a dollar amount. While the dollar amount is identified per project, the collective number of projects within that dollar amount may add up to be a high dollar amount granted with minimal oversight. b. Management agrees with this</p>

2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>recommendation and will formalize this process. Staff currently implements this practice informally, depending on the type of outstanding items are included in the invoice. Staff will develop "right sized" invoicing guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. c. Management agrees, and staff currently focuses their review on grantee costs that are not reasonable, allocable and allowable in accordance with the project budget and grant agreement guidelines, such as items that were not included in the budget; costs that are not related to any identifiable/reportable work in the grant scope; costs that have no supporting documentation; overspending on a specific task without prior approval; and submitting reimbursement requests for activities that have already been paid out. These improper payment requests are sometimes due simply to grantee staff turnover, among other factors.</p> <p>Target Implementation: July 2021</p> <p>1/5/2022: Staff is working on hiring a consultant to "right-size" the grant reporting and invoicing requirements based on risk, dollar value, and project complexity, and develop processes for risk assessment and financial reporting system compliance. This consultant will also help to create definitions specific to the grants program, such as "high and low risk."</p> <p>Staff is approving partial payment for unquestioned amounts in invoice reimbursement requests or withholding a 10 percent retention that is approved for payment after the required supporting documentation has been submitted.</p>
Office of Civic Engagement	7	Should Valley Water decide to continue to require the same information for progress and invoice submission, they should: a. Confirm the integrity of grantee financial management system data used for review before award. b. Include language in the grant agreement such as, "Failure to	<p>Management will develop "right sized" invoicing guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. The items recommended below will be analyzed in the development of the new guidelines.</p> <p>a. Management agrees that confirming the integrity of the grantee financial management system data before award is warranted. One caveat is that these additional steps of both developing and implementing a risk assessment and financial reporting system</p>

2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		submit an accurate financial invoice in a timely manner may result in payments being withheld, delayed, or denied, and will result in payment delays".	<p>compliance review could lengthen the time on the front end of the process, between the award period and the final execution of the agreement. The development and implementation of these processes would require collaboration with subject matter experts in Risk Management and Finance. Management agrees with this recommendation to clearly state that an accurate financial invoice is required to complete the payment request. Staff also recommends including language in the template grant agreement for grantees to consent to still being responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees follow through with being responsible stewards of public funds, especially if they know staff is not reviewing invoices. These expectations would be reviewed with the grantee during the kick-off/orientation meeting after the agreement is executed. Target Implementation: July 2021</p> <p>1/5/2022: Staff is working on hiring an outside consultant to "right-size" the grant requirements for agreements and invoicing based on the grant's risk, dollar value and project complexity.</p> <p>The auditor's suggested language has been incorporated into the agreement templates for standard grants and partnerships. Additionally, the agreements and invoice template currently require the grantee's authorized signatory to sign the following statement upon submitting an invoice: "I certify, under penalty of perjury under the laws of the State of California, that the Quarterly/Monthly Status Report and all attachments, signed on the date below, on behalf of Grantee, were prepared under my direction or supervision in accordance with a system designed to ensure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for</p>

2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			submitting false information, including the loss of the current and future Grant Funding.”
Office of Civic Engagement	10	Valley Water should prioritize developing a grants management operations manual containing all relevant policies and procedures.	<p>Management agrees with this recommendation and believes it will help streamline the overall grants process and enhance grantee understanding of and compliance with all procedures. A grants management operations manual will be developed prior to the implementation of the new grants program under Measure S, which will begin in FY22.</p> <p>Target Implementation: March 2021</p> <p>1/5/2022: A consultant has been hired and is drafting the Grants Manual to outline processes and procedures for staff. These documents are expected to be completed by June 2022.</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Community Projects Review Unit (CPRU)	1	The Watersheds' Chief Operating Officer should consolidate overlapping functions between CPRU and other Valley Water units (such as real estate transactions to RESU and CEQA reviews to the Environmental Planner) to reduce CPRU staff workloads and allow CPRU staff to focus on the provision of permit services.	<p><u>Management Response:</u> Management agrees with the recommendation</p> <p>CPRU's critical function is to protect Valley Water assets where community and land development activities overlap. In doing so, staff collaborates with a wide variety of Valley Water staff. CPRU will brainstorm with RESU and Environmental Planning Unit ways to engage SMEs in these units to streamline workflow processes. In addition, Valley Water will be hiring an environmental planner which will help to reduce the overlap of this function. Target Implementation Date: March 2022</p> <p><u>Auditor Response:</u> Management's response generally satisfies the recommendation.</p> <p>This recommendation is closely related to the Independent Auditor's recommendations to the Watersheds' Chief Operating Office to evaluate the feasibility of consolidating the CPRU and RESU to better streamline activities implemented by each unit, as described in a prior performance audit of the Real Estate Services Unit (Real Estate Services can be a More Effective Resource for Valley Water).</p> <p>A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: On Target. Environmental Planner hired summer 2021 and now dedicated to CPRU responsible agency review and other necessary CEQA support, including developing streamlining checklists to issue standard exemptions for minor routine permits, including the Adopt a Creek Program. CPRU manager meets regularly with Senior environmental Planner to coordinate on additional streamlining tools, upcoming projects, and high priority items.</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>CPRU manager held initial meeting with RESU and the Land Management Unit (LMU) to discuss overlapping functions such as documentation for right-of-way transactions and purchase and sale agreements, quitclaim of excess lands, and information requests for easement requirements. Both RESU and CPRU are currently in recruitment processes for new Unit Managers so these discussions will continue when permanent staff are in place.</p> <p>Revised Target Implementation Date: August 2022</p>
Community Projects Review Unit (CPRU)	2	The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	<p><u>Management Response:</u> Management agrees with the recommendation. CPRU will update and complete the existing permit review policies, practices, and instruction guidance for various types of transactions to bring consistency in the review of projects. Target Implementation Date: June 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: On Target: Completed process improvement study with consultant (ReEngine) to develop current workflow maps and conceptual future-state recommendations for the six major CPRU processes: Priority Information Request, Early Consultation, Technical Peer Review, Permits, Agreements, and ROW transactions. Improvements to the Permit Function are recommended to be primarily technology based: upgrading the current database to allow users to track time for specific categories, create notifications and alerts, and integrate with an external website to allow customers to check on project status at their own convenience through a journeyboard-style dashboard. Other specific process improvement recommendations include cost recovery improvements (see Recommendation 11), revised standard procedures and timelines for internal review, and</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>enhanced website to better inform customers about permit process and requirements.</p> <p>Non IT-based improvements (development and publication of revised/clarified procedures) are on track for implementation by June 2022. For IT-based improvements, see Recommendation 6.</p>
Community Projects Review Unit (CPRU)	3	<p>The CPRU Manager should develop and implement a training program that includes various courses on:</p> <ul style="list-style-type: none"> a. Permit processing for new and inexperienced staff, which will reduce time spent on final review and approval of draft permits. b. Customer service, building on the training experience of some CPRU staff completed earlier this year. c. Risk management, through coordination with the Valley Water Risk Manager, on Valley Water's insurance requirements. 	<p><u>Management Response:</u> Management agrees with the recommendation.</p> <ul style="list-style-type: none"> a) CPRU Manager and experienced staff will share their knowledge on permit processing and hold training sessions on permit review and processing, and guidance instructions for staff. b) CPRU Manager will incorporate customer service protocol into staff training sessions and look for training opportunities in the area of customer service and encourage staff to take the training. c) CPRU Manager and experienced staff will coordinate with Valley Water Risk Manager to develop and implement a training program to educate new staff on a regular basis and develop a guide sheet for customers. <p>Target Implementation Date: March 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: a) Complete/Ongoing CPRU Manager reorganized staff in summer 2021 to create an internal unit structure, appointing senior staff in supervisory roles. Among duties of supervisory staff is the onboarding of new members ensuring continual training/mentorship to provide high-level and efficient permit review and processing for direct reports. Acting Unit Manager instigated monthly training sessions, permit procedures training provided 2/22</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>b) Complete/Ongoing Training session on customer service protocol provided 3/22, new process information to be posted on website as part of Recommendation 2.</p> <p>c) Complete. Insurance requirement guidance sheet updated.</p>
Community Projects Review Unit (CPRU)	4	The CPRU Manager should establish criteria for the order in which permit applications will be reviewed, who has the authority to authorize exemptions from that process and under what special circumstances authority could be delegated to issue a permit.	<p><u>Management Response:</u> Management agrees with the recommendation. CPRU Manager will establish criteria for the order in which permit applications will be reviewed. Typically, the projects submittals are reviewed in the order they are received. The criteria will provide guidance for exceptions, which may be made on a case-by-case basis or as directed by the Permit Authority (CPRU Manager is designated as the Permit Authority). Prior to the planned absence of Permit Authority or other special circumstance, Permit Authority will designate an acting staff member authorized to issue a permit. Target Implementation Date: March 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: Complete. Initial review of applications occurs in the order the applications are received. However, the timeline for approval of applications is dependent on level of complexity, whether ROW transactions or other agreements are required, jurisdictional complexity (ie transactions/agreements between multiple external parties), timeline for other agencies to provide necessary and complete documentation, availability of internal reviewers from other units, legal complexity and level of risk, workload and competing priorities of legal staff, among many other factors. Criteria to elevate the priority of this review were identified to include regulatory requirements, urgency of request, importance of project to Valley Water interests, and special requests by Board members and executive staff. CPRU Manager delegates authority to an acting Manager during planned absences.</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Community Projects Review Unit (CPRU)	5	The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.	<p><u>"Management Response:</u> Management partially agrees with the recommendation. In general, the assignment of liaison responsibilities will increase confusion and will take more time of the staff reviewing the permit to provide and explain the details of customer's request to the liaison. CPRU Manager will explore the role of a liaison where this may increase efficiency and coordinate with IT to explore other tools to integrate with the database (See response to Recommendation 6). CPRU Manager will request additional resources from Management. Use of additional technicians to assist in background research for projects and review of routine, low-risk tasks will free up time to allow engineers to ensure consistent and timely communication on permit applications. Target Implementation Date: October 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. The use of additional resources – either a liaison or technician(s) – to perform provide customer service, would allow engineers more time to perform the technical reviews of permit applications and help to reduce review times. These additional resources may be critical to meeting customer's expectations while Valley Water's planned implementation of a new information systems for customer resource management (CRM) is undertaken that will also interface with another new information system that is planned to replace the current CPRU database. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: Complete/Ongoing. Additional technicians (2) have been hired and onboarded to conduct routine, low-risk tasks, freeing time for more senior staff to conduct/coordinate technical review in a more timely fashion and provide updates to customers. Additional improvements to customer service and communication to be implemented via database upgrades and customer dashboards (see Recommendation 6).</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Community Projects Review Unit (CPRU)	6	<p>The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:</p> <ul style="list-style-type: none"> a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file. b. Expanded search function for researching past projects and permits. c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance. d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders. e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system. f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units. 	<p><u>Management Response:</u> Management agrees and will approach the implementation of this recommendation in phases:</p> <ol style="list-style-type: none"> 1. Modernize processes, support submission of permit applications, track requests, complete reviews, facilitate online reporting for customers and reduce administrative burden of tracking and reporting through the selection and implementation of a new CPRU online portal. Management will consider options to include this functionality within other active projects such as the Wells Management System Upgrade and Access Valley Water. (6a, d, e, f) 2. Expand search/research functions and reduce administrative burden via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022. (6b, f) 3. Create Dashboards and reports via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022, the ERP Capital Project currently underway. (6c)" <p>Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A target date to complete all activities should be established and a follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022 Ongoing. IT-based improvements (database upgrades, notification/tracking and dashboard capabilities): team review of initial product workplans from Salesforce and OnBase Document Management anticipated in Spring 2022, implementation timeline TBD.</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Community Projects Review Unit (CPRU)	7	The CPRU Manager should renew regular consultations with other member agencies of the Water Resources Protection Collaborative to allow CPRU to plan for upcoming large land review development requests and to establish a process for monitoring the status of existing agreements.	<p><u>Management Response:</u> Management agrees with this recommendation. CPRU Manager will contact the cities within Santa Clara County to establish a process or set up regular coordination meetings to plan for upcoming large land development projects. CPRU Manager will explore tools with IT that allow staff to set a trigger and inform of the status of existing agreements several months before the expiration to allow sufficient time for renewal or renegotiation. CPRU staff will also establish a periodic check in with each city to review responsibilities under these agreements. Target Implementation Date: June 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: Complete/Ongoing. Regular consultations have been set up with Valley Transportation Authority, County Parks, and City of San Jose to discuss current, expiring, and new Joint Use and Joint Trail Agreements and allow for early input in the trails planning process. Monthly meeting with City of Sunnyvale Planning and Public Works department was set up, and meetings with other cities to commence this spring. Database upgrades anticipated to include status reminders for agreements with upcoming expiration dates (within 2 years). CPRU staff maintain a current list of agreements and expiration dates.</p>
Community Projects Review Unit (CPRU)	9	The CPRU Manager, with the assistance of the Watershed's Chief Operating Officer, should explore the feasibility of adopting strategies of other local agencies to promote their permit services, such as: a. Change the name of CPRU to a name that better describes its functions. b. Adopt a new model for the allocation of	<p><u>Management Response:</u> Management agrees with this recommendation. a. CPRU Manager will explore and brainstorm with staff and stakeholders to consider change of unit's name. (Target Date: March 2022) b. CPRU Manager will ascertain a new model to consider separation of project coordination from technical review for low-risk, repetitive permit applications and will request additional resources to pursue implementation of the new model. (Target Date: October 2022)</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>work among staff to minimize delays due to heavy demand, such as separating the roles of project coordination from technical review.</p> <p>c. Conduct regular outreach by letter or other communication to neighboring property owners (and to new buyers of neighboring property) describing Valley Water's permit services, the reason for the permit process, and how to access the services.</p>	<p>c. CPRU Manager and staff will work with Communication Unit to conduct outreach to neighboring property owners, engineering consulting firms, and city staff describing Valley Water's permit process, and how to access the services. (Target Date: June 2022) Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022 a. Complete. Unit brainstormed ideas for new name. Suggestion was made to change title to the Water Resources Protection Unit, but some expressed concern that this title would lead to the public confusing Valley Water with the Regional Water Quality Control Board (which already occurs). Unit agreed that since the primary function is to review community projects, the unit is named appropriately. b. Complete. Two staff technicians added to conduct straightforward/routine engineering reviews and permit processing. Technicians perform first pass and conduct preliminary research into land rights, as-builts, flood information and qualifications, and other background research, and provide initial recommendations to staff. c. On Target. Supervising engineering technician coordinating with Communications unit to update external website and optimize visibility. Permit services discussed at regular meetings with city staff.</p>
Community Projects Review Unit (CPRU)	10	Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.	<p><u>Management Response:</u> Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022</p> <p><u>Auditor Response:</u></p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: On Target. Assessed need for consultant services to conduct comparative fee structure and cost recovery goal analysis, and present updated fee schedule for Board approval. Assessment concluded that internal experts will conduct the analysis and make recommendations.</p>
Community Projects Review Unit (CPRU)	11	The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.	<p><u>Management Response:</u> Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: On Target See recommendation 10."</p>
Community Projects Review Unit (CPRU)	12	The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.	<p><u>Management Response:</u> Management agrees with this recommendation. a. CPRU Manger will consider strategies to reduce processing time for low-risk, repetitive types of permit applications. CPRU Manager and experienced staff, through permit guidance instructions will add further clarity for new and less experienced staff and reduce ambiguity in the process. (Target Date: June 2022) b. Implementation of Recommendation 6 via the implementation of the Data Consolidation Capital Project Proof of Concept and the ERP Capital Project and the results of the fee study with the implementation of Recommendation 11, and results from Recommendation 13 will provide better information and insight to strategize the tracking and invoicing of permit applications and</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>other processing tasks. (Target Date: June 2023 depending on the research outcome in Recommendation 13) Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally satisfies the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: a. Complete. See recommendation 9b (new staff) and 1 (checklist for streamlining CEQA responsible agency review of Adopt A Creek projects). b. On Target. See Recommendation 6.</p>
Community Projects Review Unit (CPRU)	13	The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments, and deposits. One option to consider is to use Valley Water's core financial management information system.	<p><u>Management Response:</u> Management agrees and will engage in the research, specification, selection, procurement, and implementation of a comprehensive tool capable of ensuring accurate recording of invoices, payments, and deposits. Target Implementation Date: June 2023 depending on research outcome.</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2023: On Target. An interim fix has been successfully deployed to temporarily address the issue. Software upgrade (see Recommendation 2) will provide a permanent fix. Consultant provided system requirement recommendations, which are currently under review, for inclusion in the new software process.</p>
Community Projects Review Unit (CPRU)	14	The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and	<p><u>Management Response:</u> Management agrees and will approach the implementation of this recommendation in phases:</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation.	<p>a. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021).</p> <p>b. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022).</p> <p>c. Implement an IT solution for invoicing that is linked to Valley Water’s core financial system and aligns with Valley Water’s billing and revenue collection policy (Target date – June 2023 depending on the research outcome (R13) Target Implementation Date: Varies.</p> <p><u>Auditor Response:</u> Management’s response generally addresses the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p><u>Status 5/2022:</u> a. Complete. CPRU Invoices are processed in MuniBilling as of April 2022. b. On Target. Valley Water engaged financial consultant (MGO) to provide expertise in drafting a new CPRU billing policy. Final Reports expected May 2022. c. On Target. Existing billing system (MuniBilling) has been leveraged as a temporary solution while new CPRU system is researched, identified and implemented. The temporary solution was successfully rolled out in April 2021 and is currently in use. See Recommendation 6.</p>

2022 HUMAN RESOURCES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Human Resources Officer	1a	<p>While some governmental organizations are subject to more stringent regulations, most are free to operate in a flexible manner that optimizes efficiency and service to the ratepayers and public. As such, we encourage looking at various processes through a lens of efficiency and effectiveness. Processes and practices which do not pass these basic tests, including those highlighted in this report such as increased communication related to continuous improvement, improved documentation, improved (training and disclosure) compliance tracking, and others discussed in this report, should be reexamined.</p> <p>We understand Valley Water is in the process of filling the HR Director position with a permanent assignment. The ideal candidate would possess skills and traits that are open minded and inviting of positive suggestions that would result in beneficial outcomes to staff and the rate payers through increased efficiency and effectiveness. In striving for a modern and efficient HR function, such qualities may outweigh governmental experience.</p> <p>A side benefit of process optimization is the creation of a more attractive organization by which to attract and retain perspective talent. While Valley Water may be limited as to the benefits</p>	<p><u>Management Response:</u> A primary focus of the Interim HR Officer has been to direct efforts to review and plan ways to improve the processes, update policies, and implement changes or programs that focus on making Valley Water an employer of choice. During this time, HR has revised the temporary assignment process, added a partial retirement option, completed a telework policy, enhanced benefits, managed the challenges of providing solutions and tracking for the pandemic, streamlined the Form 700 process, enhanced our recruitment efforts through increased used of targeting advertising, metrics, and virtual interviews all while implementing a critical module of our new ERP system (Infor) for benefits just to name a few of our efforts for optimization. We are in agreement with recommendation and have made optimization a part of our operations.</p> <p><u>Target Completion Date:</u> 11/1/2022</p>

2022 HUMAN RESOURCES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		they can offer, prospective employees may be more likely to join an organization unburdened by inefficient and/or ineffective practices masked under the guise of required governmental standards.	
Human Resources Officer	1b	While specialization enables staff to focus on a specific discipline, the knowledge of other areas' operations could benefit the entire HR function. Periodic all-HR-staff meetings and/or diverse focus groups discussing objectives, processes, etc. and allowing for open and inclusive discussion related to continual improvement may help achieve this level of communication and collaboration and help to alleviate conflict by dismantling the barrier between the "old guard" and "new guard".	<p><u>Management Response:</u> We agree that HR staff would benefit from a better understanding of how their specific area interconnects with the other areas of HR and how they come together to provide services for the organization. The HR Officer will develop a plan for cross-training of staff among the program areas to create generalist abilities vs. just having only specialists in each area. Quarterly meetings, where the whole division can gather to discuss accomplishments, challenges, and share ideas will be planned for the coming year. A survey will be developed to send out at least once a year to gauge the climate within HR and measure if changes are having the desired effects and gather ideas on how we can continually improve.</p> <p><u>Target Completion Date:</u> 5/31/2022</p>
Recruitment Program Administrator	2a	We recommend individualized (personalized) follow up emails be sent to employees who are not compliant with mandatory training requirements, explaining (or reminding) employees of the objectives of the training, and the importance of the required training in meeting those objectives. Continued non-compliance with such training requirements could be communicated with both the employee and their supervisor.	<p><u>Management Response:</u> Management agrees that it is important that we have the maximum of staff complete their training to ensure they are prepared with this knowledge when they are asked to participate in hiring panel and as a component of onboarding. Management will assign HR staff to audit employees that are past due and provide a deadline for completing their training. A process for ensuring this training is added to the onboarding required training will be set in place with Workforce Development. Each quarter, staff will review completion rates and follow up with any stragglers that need to complete the training. This training is also scheduled to be renewed by all employees every two years.</p> <p><u>Target Completion Date:</u> 5/31/2022</p>
Technical Training Program Administrator	2c	In addition to internally promoting the use of this resource, the TPC online tool could also be used to assess employee's	<p><u>Management Response:</u> Management agrees that we want to utilize our various training tools as effectively as possible. The 3rd Party TPC tool was</p>

2022 HUMAN RESOURCES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>knowledge and skill level, providing additional training where needed.</p> <p>The recommendation for increased use of this technical training resource stems from both the relatively low usage noted in our audit as well as a comment from one of our interviewees, noting an opportunity for Valley Water to develop a better-defined apprenticeship program. While the PMA team did not specifically review the apprenticeship program as part of this audit, the thought is that unless Valley Water's apprenticeship program becomes more structured with clear expectations & goals, that gaps will need to be filled through requiring standardized sets of college courses and/or standardized trade-specific required trainings.</p>	<p>purchased for specific training and refresher in mind. We have been experiencing more request for access to the tool from staff in operation, though they weren't originally targeted. The Apprenticeship Program is being developed for early 2022 and this tool could very well serve as a resource to the participants. The Technical Training Resources will also become part of our Learning Management System and a landing page for the Technical Training Program will also be developed so that employees can retrieve past training and link to tools and resources.</p> <p><u>Target Completion Date:</u> 12/31/2022</p>
Technical Training Program Administrator and Workforce Development Program Administrator	2d	We recommend Valley Water continue to formally develop this knowledge transfer process to capture important information prior to a key employee's departure.	<p><u>Management Response:</u> Management agrees that we will continue to formally develop our knowledge transfer process as part of our succession development efforts. It becomes an additional tool in our ability to capture important institutional knowledge.</p> <p><u>Target Completion Date:</u> 12/31/2022</p>
EEO/Ethics Program Administrator	3b	Simply to increase efficiency, once the need for individual filers is reevaluated, we recommend business intelligence/process optimization/process automation be enacted. This may include, for example, a flag (available open data field) be placed in the Peoplesoft system	<p><u>Management Response:</u> We agree that increasing efficiency is always a good idea. We will work with our Information Technology division to see if there is a simpler solution to help track Form 700 filers.</p> <p><u>Target Completion Date:</u> 05/31/2022</p>

2022 HUMAN RESOURCES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		so that a Peoplesoft report can be automatically generated of all Form 700 filers. This can be matched to the Southtech report through a unique identifying data field, such as the employee's email address, which is used in both systems.	
EEO/Ethics Program Administrator	3c	Valley Water should establish a verification system for Managers to affirm they have performed the requisite review. Such a system could be set up with little to no cost or effort using a survey platform (e.g., SurveyMonkey or MS Forms), so long as externalizing this employee data would not pose a confidentiality / security risk. The Form 700 coordinator should follow up with Managers who have not confirmed their review to ensure compliance.	<p><u>Management Response:</u> We agree that we can strengthen our current process for ensuring managers are reviewing Form 700's for potential conflicts of interest. We should follow up with managers that have not confirmed their review. Staff will develop a process, whether Survey Monkey, or the current email reply. that ensures the review is completed effectively.</p> <p><u>Target Completion Date:</u> 5/31/2022</p>
Benefits & Wellness Program Administrator	4a	The best and most desirable work cultures are not created from the top down, but rather through inclusion and input from all employees. Similarly, implementing new benefits/perks that employees don't care about will not have the effect of improving the culture or increasing retention. Valley Water employees described similar sentiments in the 2016 Great Place to Work (GPTW) survey, which found "opportunities to be involved in change" to be a common suggestion as it relates to making Valley Water "a better place to work". To gauge the relative importance of benefits, and in order to	<p><u>Management Response:</u> Management agrees that reviewing our benefit offerings is an important element of being an employer of choice. We have ongoing reviews of our benefits package most recently through open enrollment, periodically through bargaining, and when the need arises to address challenges occur. Many of the suggestions from PMA are already part of our benefits package. HR will continue to survey our comparators and schedule regular reviews (every 6 months at a minimum) to stay competitive.</p> <p><u>Target Completion Date:</u> Ongoing</p>

2022 HUMAN RESOURCES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>allow employees an opportunity to be involved in any future change, we recommend soliciting employee feedback by conducting an all-employee survey, using a ranked order response in order to determine the cost of offering such benefits (or improvements) and the potential impact to the work environment and culture.</p> <p>Some benefits for consideration, which could be included in the survey are listed below. For clarity, our recommendation is not necessarily to implement each of these items, but to first determine which benefits Valley Water can and cannot implement (we understand a public agency may be limited as to the benefits it can offer), then to determine which benefits staff most desire, and then to formulate a plan which prioritizes any identified changes.</p> <ul style="list-style-type: none"> • Career Development: A 2018 Work Institute study, which analyzed over 234,000 exit interviews, found career development to be the leading reason for employee exits; notably, it has been the leading reason for eight consecutive years. More than 20% of Valley Water employee exits were related to career development (i.e. opportunities for growth, achievement, and security), and over 40% if job dissatisfaction is included 	

2022 HUMAN RESOURCES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>(commonly associated with career development). Similarly, a study conducted by LinkedIn found that nearly 80% of employees reported that having a well-defined career path would compel them to stay with an organization longer. Although not typically stated as a “benefit”, we recommend Valley Water treat career development as a benefit, and poll employees on the desire for a revamped/improved program, including more opportunities for training, development programs, and options for employees who are in roles with limited ability to move up within the organization (commonly cited by employees, during exit interviews, as a reason for leaving). It is noted that the GPTW survey recommended refreshing mechanisms for career advancement by developing rotation programs, and more intentional stretch assignments.</p> <ul style="list-style-type: none"> • Work-Life Balance: Second only to career development, work-life balance (including favorable schedules, improved commutes, and travel commitments) was found to be a leading reason for employee turnover⁷. The prevalence of this benefit has dramatically increased as a result of the COVID-19 pandemic, and that prevalence would not have been captured in the prior GPTW surveys. Expanded work from home options are desirable and are 	

2022 HUMAN RESOURCES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>becoming more permanent at other organizations. As a note, similar organizations (including public water agencies) are reassessing telecommuting options in order to potentially provide increased work from home options; we recommend that Valley Water do the same; it is noted that VW is currently in discussion with peer agencies, in order to benchmark and stay cognizant of current trends. Some employees see this as a benefit in the realm of work-life balance, and those that do not see it is a benefit can simply come to the office more frequently, at their own discretion</p> <ul style="list-style-type: none"> • Manager Behavior: Good relationships between employees and managers are important to retention. More than 10% of employees exit an organization due to manager behavior (including, amongst others, unprofessionalism, lack of support, and poor treatment).⁷ Through our interview process, we heard positive feedback as it relates to current managers (albeit a small sample size). On the other hand, and though there were no “hot spots” indicative of problematic units, dissatisfaction with direct managers was commonly cited during exit interviews, and the GPTW survey recommended strengthening managers at all levels, including competency development and training. We recommend employees be 	

2022 HUMAN RESOURCES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>polled on manager behavior to determine if improvements have been made, or if additional training (or other measures) is needed.</p> <ul style="list-style-type: none"> • Spaces that influence culture, well-being and interaction: so long as they're desired by employees and spread across multiple areas/floors in order to encourage participation and cross-functional interaction, spaces can have the added benefit of creating a fun and relaxed environment which blends business and pleasure during the day, and which can improve culture and environment. Spaces can include: <ul style="list-style-type: none"> o Recreational, relaxation, or "play-spaces" (such as Valley Water's recently renovated patios) where employees can take a break from work. o On-site fitness classes o On-site gym, o Snack or drink offerings (offered through an on-site vendor) • Other Benefits for consideration, which employees may find to be desirable: <ul style="list-style-type: none"> o Subsidized public transit passes o Improved work environments (ex. "Virtual windows" [large screen TVs framed as windows showing a pleasant view] in office spaces devoid of actual windows so employees feel less closed in). 	

2022 HUMAN RESOURCES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<ul style="list-style-type: none"> o Sit/Stand workstations (*note – Valley Water’s implementation of this is currently underway) o Additional holidays, such as Juneteenth and Election Day (would also tie into D&I initiatives) o Family planning (ex. IVF) o Bring your pet to work (though this could have allergy/accident implications) o Emergency savings accounts- More employers are offering payroll-deduction emergency savings accounts for their employees to help with households experiencing financial surprises or difficulties. o Other innovative benefits suggested by employees. <p>We also realize that Valley Water has completed various other all-employee surveys and that these surveys may have included some of the benefits discussed herein.</p>	
Recruitment Program Administrator	4b	We recommend Valley Water consider implementation of an employee referral bonus program. A \$2,000 incentive for example, could be both meaningful and comparatively modest. Payment of such incentives could be contingent upon the employee passing their probationary period.	<p><u>Management Response:</u> Staff will conduct a survey to see if any of our public agency comparators offer referral bonuses; explore the operational benefits to recruitment efforts and consult with Valley Water management on whether to develop a program to offer an appropriate incentive.</p> <p><u>Target Completion Date:</u> 5/31/2022</p>
Benefits & Wellness Program Administrator and	4d	We recommend Valley Water review the analysis performed by the PMA team, as the analytical data may be more pertinent	<p><u>Management Response:</u> Management agrees that we should conduct periodic reviews of exit interview/termination data. HR will work with the REDI Unit to</p>

2022 HUMAN RESOURCES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Recruitment Program Administrator		when combined with subjective feedback and inside organizational knowledge. Additionally, this type of analysis may be beneficial for Valley Water to periodically perform to identify potential problems and determine if further investigation is warranted.	establish regular check-ins to review not only this data but recruitment/hire data as well. This data can also be presented to the Board's Diversity & Inclusion committee in general terms. This data will also be presented to the CEO and Chiefs every six months. <u>Target Completion Date:</u> 5/31/22



Santa Clara Valley Water District

File No.: 22-0652

Agenda Date: 5/23/2022

Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Receive an Update on the Status of the Permitting Best Practices Audit Recommendation Implementation.

RECOMMENDATION:

Receive an update on the status of the Permitting Best Practices audit recommendation implementation.

SUMMARY:

On October 13, 2020, the Board approved an update to the Annual Audit Work Plan as recommended by the Board Audit Committee (BAC) for the Permitting Best Practices Audit to be the next audit undertaken by TAP International, Inc. (TAP).

The Permitting Best Practices Audit Final Report was formally issued to the Community Projects Review Unit in April 2021 (Attachment 1). The Management Response was provided to TAP the following month (Attachment 2). A summary of the audit recommendations, management response, and an update on implementation is included as Attachment 3.

Staff will provide a progress report on the implementation of audit recommendations and will be prepared to address any questions the BAC may have regarding the individual recommendations and their implementation.

ATTACHMENTS:

- Attachment 1: Audit Final Report
- Attachment 2: Management Response
- Attachment 3: Implementation Status
- Attachment 4: PowerPoint

UNCLASSIFIED MANAGER:

Lisa Bankosh, 408-630-2618

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TAPInternational

Final Report

**Community Projects Review
Unit: Opportunities to
Improve Permit Processing**

May 2021

**Final Report by the Independent
Auditor to the Santa Clara Valley Water
District Board of Directors**



Date: May 20, 2021

Memorandum For: Board of Directors – Santa Clara Valley Water District (Valley Water)

From: Independent Auditor, TAP International, Inc.

Subject: Transmittal of TAP International Performance Audit Report

Attached for your information is our final report, *Community Projects Review Unit: Opportunities to Improve Permit Processing*. The audit objectives were to assess how alternative permit processing activities could benefit Valley Water and to compare Valley Water's permitting process with other local water agencies.

The audit found Valley Water's permitting process is not meeting customers' or its own expectations for timelines and communication, which can be addressed with the use of better tools, restructuring and collaboration. Various other local agencies have adopted alternative strategies and tools that could benefit Valley Water, including creating online portals to facilitate the submission of permit applications and the communication of the review status. To better publicize their services, some local agencies send letters to neighboring property owners to remind owners of the agency's property rights and how to access its services. In other areas of Community Projects Review Unit (CPRU) operations, the permit fee schedule needs updating and the establishment of a robust framework of financial management internal controls for invoicing and collection of payments.

The report contains 14 recommendations that will help the CPRU to streamline the permit process, improve communication with applicants, update its fee schedule for permit processing activities, and ensure the timely invoicing and recording the payment of invoices. Management generally agreed with these recommendations. Appendix D of this report contains management's response in detail.

TAP International, Inc.

Table of Contents	
Section 1: Audit Highlights	3
Why the Audit Was Conducted	4
How the Audit Was Conducted	4
What the Audit Found	5
Recommendations	6
Section 2: Background and Methodology	9
Background	10
Methodology	11
Section 3: Key Findings	14
Finding 1: CPRU Provides Many Services to Protect Valley Water’s Assets and Interests, Beyond Issuing Encroachment Permits; Some Overlap the Role of Other Valley Water Units	15
Finding 2: CPRU’s Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication.....	17
Finding 3: Timeliness Concerns Attributed to Multiple Factors	20
Finding 4: Local Agencies’ Strategies Could Benefit Valley Water.....	25
Finding 5: Update Needed for Fee Schedule and Cost Recovery Strategy	27
Finding 6: Robust Internal Control Framework Needed to Ensure Accurate and Timely Invoicing and Collection of Fee Payments	33
Section 4: Acknowledgments	35
Appendices	37
APPENDIX A: Anonymized Survey Responses.....	38
APPENDIX B: Detailed Description of Valley Water’s Permit Process.....	42
APPENDIX C: Permits & Valley Water’s Water Resource Protection Ordinance	44
APPENDIX D: Management Response.....	45



Section 1: Audit Highlights

Why the Audit Was Conducted

The mission of the CPRU, located within Valley Water's Watershed Design & Construction Division, is to protect Valley Water's Watersheds and Water Utility assets and interests from external activities and threats as defined by Valley Water's Resources Protection Ordinance¹. Other units within the Watershed Design & Construction Division, in addition to CPRU, include the Land Surveying & Mapping Unit and the Real Estate Services Unit (RESU).

A performance audit evaluates the economy, efficiency, and effectiveness of programs, services, and operations. This performance audit was conducted because encroachment permit processing was identified as a higher risk area for potential improvement opportunities based on a 2018 risk assessment performed by the Independent Auditor.

This audit is important to the Board of Directors for the following reasons:

1. There are opportunities to reduce or offset costs to issue permits applications through streamlining of the permit process.
2. There are opportunities to reduce the overlap of services provided by CPRU and other Valley Water Units.
3. There are opportunities to enhance revenue collection through improved financial management.

How the Audit Was Conducted

The objectives of the audit were to:

1. Determine if alternate permit processing activities benefit Valley Water; and,
2. Assess how Valley Water's permitting process compares with other local agencies.

The audit work included: (1) interviews with CPRU staff and the CPRU Manager, who has been delegated the authority to issue encroachment permits, (2) an online survey of encroachment permit holders to whom CPRU issued a permit in fiscal year (FY) 2020, (3) analysis of financial data (financial audit, permits fees, invoices, salary tables), CPRU policies and procedures, organizational chart and other documentation related to the CPRU's operations, and (4) research into other California local agencies' approach to issuing encroachment permits and their current practices. Valley Water's ongoing effort to develop a new program to license or permit existing encroachments by residential property owners was not included in the scope of this audit; an audit of this program is included in the Annual Audit Work Plan of the Independent Auditor.

¹ Appendix C provides more information about Valley Water's Water Protection Ordinance.

What the Audit Found

This audit report discusses six key points:

- Demand for CPRU's variety of services has remained steady over the past decade and increased notably during the first three-quarters of FY2021. In addition to issuing encroachment permits, these services include flood plain information and analysis, technical assistance to other local agencies, California Environmental Quality Act (CEQA) compliance reviews, agreements for public recreational use like trails, negotiation of real property transactions and more. Some of CPRU's activities related to real estate, CEQA, and flood plain analysis overlap with the role of other Valley Water units. Utilizing services already offered by other Valley Water units could provide staff more time for permit processing.
- Valley Water permit process could be better at meeting customers' or its own expectations for timelines and communication, even though many reported overall satisfaction. Respondents to a voluntary, online survey of those issued permits in FY2020 said Valley Water did not meet about half of applicants' expectations for timeliness (55 percent) and communication (48 percent) but met or exceeded most (65 percent) survey respondents' expectations for professionalism.
 - ✓ The audit found that CPRU processed six out of every 10 permit applications within the stated goal of eight weeks during FY2018 to FY2020. Overall, the average time required to issue a permit was about 13 weeks in FY2018 to FY2020.
- Timeliness issues stem from multiple factors including staff turnover, inexperienced staff, manual processes, reported applicant difficulties meeting Valley Water's insurance requirements and, more notably, bottlenecks in the review and approval process. To better meet expectations for timeliness and communication, alternative strategies for permit processing can benefit Valley Water by improving the operational structure of CPRU's permit process and by adopting better tools designed to:
 - ✓ Ensure timely entry of applications into the CPRU database;
 - ✓ Assist staff and address bottlenecks through the standardization and documentation of policies and procedures;
 - ✓ Expedite automation of the permit process and improve records management;
 - ✓ Renew collaboration with neighboring public agencies to plan for large projects;
 - ✓ Support communications with regular customer service training for staff; and
 - ✓ Enhance tools to facilitate applicant compliance with Valley Water insurance requirements.
- Local agencies have adopted alternative strategies that could also benefit Valley Water, including creating online portals to facilitate the submission of permit applications, communicating the review status of permits, and using a project coordinator to manage the process allowing the engineer to focus on the technical review. To better publicize their services, some local agencies send letters to neighboring property owners annually

or when properties are sold to remind owners of the agency's property rights and how to access its services.

- Valley Water can benefit from an updated fee schedule, based on a fee study, to identify opportunities to close any gaps between permit fees collected and the cost to issue a permit.
- The establishment of a robust framework of financial management internal controls is needed to ensure accurate and timely invoicing and collection of payments for permit fees.

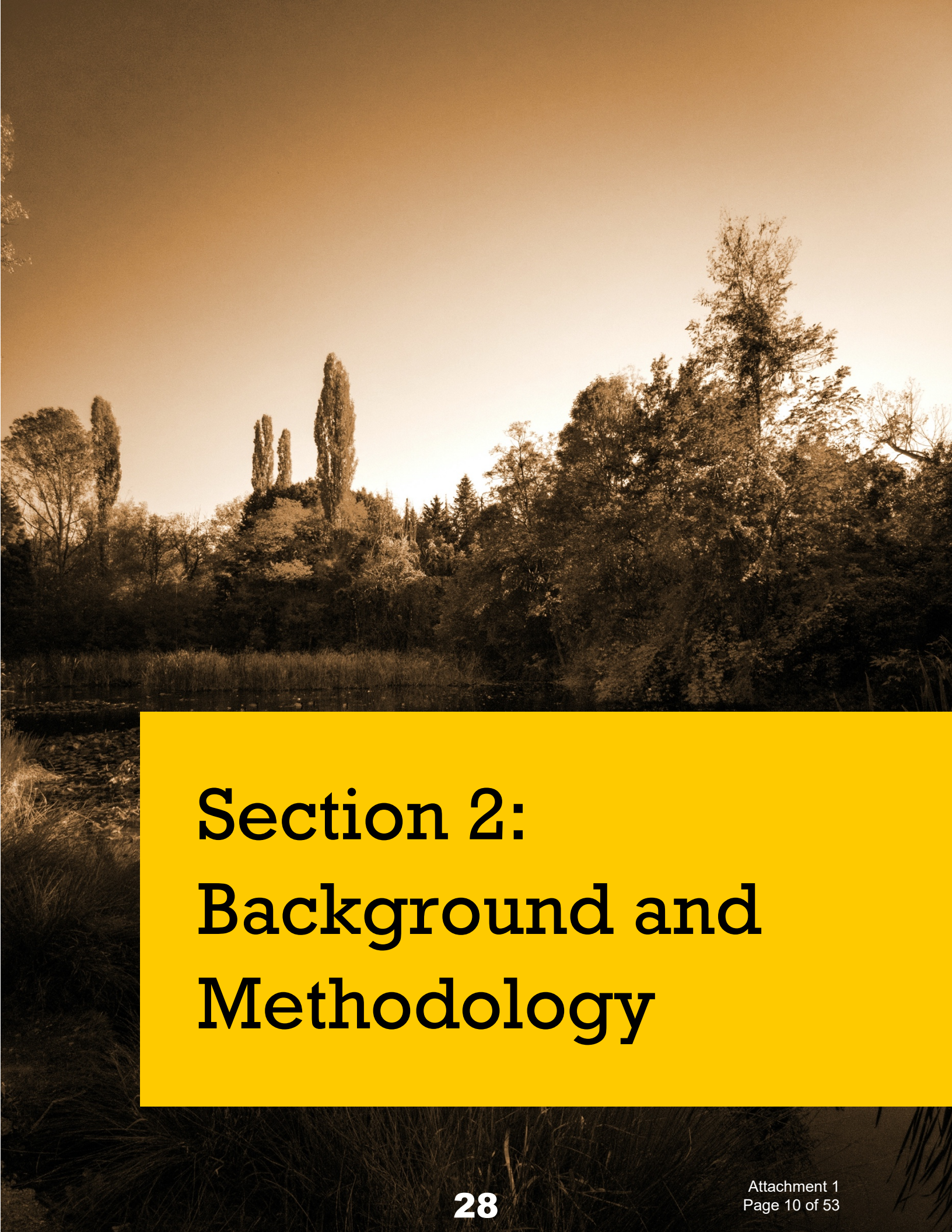
Recommendations

This audit report includes 14 recommendations for Valley Water to consider. These recommendations are designed to streamline CPRU services, address customer expectations for timely permit processing and communication, strengthen workflows and permit tracking, and add controls to CPRU financial management activities.

1. The Watersheds' Chief Operating Officer should consolidate overlapping functions between CPRU and other Valley Water units (such as real estate transactions to RESU and CEQA reviews to the Environmental Planner) to reduce CPRU staff workloads and allow CPRU staff to focus on the provision of permit services.
2. The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.
3. The CPRU Manager should develop and implement a training program that includes various courses on:
 - a. Permit processing for new and inexperienced staff, which will reduce time spent on final review and approval of draft permits.
 - b. Customer service, building on the training experience of some CPRU staff completed earlier this year.
 - c. Risk management, through coordination with the Valley Water Risk Manager, on Valley Water's insurance requirements.
4. The CPRU Manager should establish criteria for the order in which permit applications will be reviewed, who has the authority to authorize exemptions from that process and under what special circumstances authority could be delegated to issue a permit.
5. The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.

6. The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:
 - a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file.
 - b. Expanded search function for researching past projects and permits.
 - c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance.
 - d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders.
 - e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system.
 - f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units.
7. The CPRU Manager should renew regular consultations with other member agencies of the Water Resources Protection Collaborative to allow CPRU to plan for upcoming large land review development requests and to establish a process for monitoring the status of existing agreements.
8. The CPRU Manager, in coordination with the Valley Water Risk Management Unit Manager, should develop communication strategies, such as instructional videos, screen shots, and/or brochures to make it easier for applicants and insurance brokers to understand Valley Water's insurance requirements.
9. The CPRU Manager, with the assistance of the Watershed's Chief Operating Officer, should explore the feasibility of adopting strategies of other local agencies to promote their permit services, such as:
 - a. Change the name of CPRU to a name that better describes its functions.
 - b. Adopt a new model for the allocation of work among staff to minimize delays due to heavy demand, such as separating the roles of project coordination from technical review.
 - c. Conduct regular outreach by letter or other communication to neighboring property owners (and to new buyers of neighboring property) describing Valley Water's permit services, the reason for the permit process, and how to access the services.
10. Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.

11. The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.
12. The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.
13. The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments and deposits. One option to consider is to use Valley Water's core financial management information system.
14. The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation.



Section 2: Background and Methodology

Background

What is an Encroachment Permit?

An encroachment permit is permission from Valley Water for another party to enter, modify or use a Valley Water facility, its property or right-of-way. Examples of permitted activities include accessing Valley Water property to install a fiber optic line or pipelines that cross Valley Water facilities, collect fish for biological testing, erect a fence, cleanup litter and debris, construct and maintain a telecommunications tower or build a bridge over a local waterway.

To protect Valley Water Watersheds and Utility assets and interests from external activities and threats, the Water Resources Protection Ordinance² requires that Valley Water determine – through the permit review process – that the proposed activity meets nine requirements based on “substantial evidence” that the activity:

1. Will not impede, restrict, retard, pollute, change direction of the flow of water, catch or collect debris carried by such water;
2. Is located where natural flow of the storm and flood waters will not damage or carry any structure or any part there of downstream;
3. Will not damage, weaken, erode, cause siltation, or reduce the effectiveness of the banks to withhold storm and flood waters;
4. Will be constructed to resist erosion and siltation and entry of pollutants and contaminants;
5. Will not interfere with maintenance responsibilities or structures placed or erected for flood protection, water conservation or distribution;
6. Conforms to the requirements of the District Water Resources Protection Manual; and
7. Meets the purpose and intent of the District Act.
8. Issuance of the Encroachment Permit is in the public interest; and
9. Issuance of the Encroachment Permit will not result in conflict with or detriment to existing of planned District facilities.

² Appendix C provides more information about Valley Water’s Water Protection Ordinance.

Methodology

Scope of Work

The CPRU's delivery of encroachment permit services from FY2018 through FY2020 are the focus of this audit. Valley Water's ongoing effort to develop a new program to license or permit existing encroachments by residential property owners was not included in the scope of this audit; a separate audit of this program is included in the Annual Audit Work Plan of the Independent Auditor.

Project Approach

To determine if alternate permit processing activities could benefit Valley Water and to assess how Valley Water's permitting process compares with other local agencies, the Auditor performed activities using six methods described below.

- Review and analysis of the following policies, procedures, and documentation of the CPRU:
 - Position descriptions of CPRU and current responsibilities/duties.
 - CPRU policies and procedures related to encroachment permit processing, invoicing, inspections and other CPRU operations.
 - Valley Water's Water Resources Protection Ordinance, Manual, and Guidelines & Standards for Land Use Near Streams.
 - Valley Water's Encroachment Permit Application/Request for Real Estate Services, amendment application, and fence cost share application.
 - Valley Water website for encroachment permits.
 - Valley Water organizational charts.
- Interviews with CPRU staff responsible for processing encroachment permit applications and inspecting permitted projects, include:
 - CPRU Manager
 - Staff Analyst
 - Associate Engineers
 - Assistance Engineers
 - Resident Construction Inspector
 - Supervising Engineering Technician
 - Supervising Program Administrator
- Implementation of an online survey of encroachment permit holders to whom CPRU issued a permit in FY2020. The survey used CPRU-provided email addresses of permit

holders with a response rate of 30 percent (29 of 96 permit holders). The survey instrument and results can be found in Appendix A.

■ Analysis of financial data including:

- FY2021 Adopted Budget
- Annual financial audit for FY2019
- Data extracted from the CPRU database by CPRU staff showing the total dollar amount of fees for each permit issued in FY2018 to FY2020
- Report showing the total dollar amount for each invoice from FY2018 to FY2020 (detailed fee data was not readily available)
- Outstanding unpaid invoices and amounts as of January 2021
- Valley Water salary tables
- Data extracted from the CPRU database by Valley Water IT staff showing the number of hours billed for reviews conducted in FY20

■ Analysis of permit data including:

- QMR for FY2018 to FY2020 for measures owned by CPRU.
- Data for permits issued in FY2018 to FY2020 extracted from the CPRU database by CPRU staff, including:
 - Pre-application content and disposition
 - Permit application content
 - Time to process the pre-application, application
 - Disposition of the permit application
 - Modifications to the application

■ Research into eight local agencies' permitting practices, including three cities and counties in the Bay Area and five water agencies in California. Information on the types of permits issued, permit application requirements and submission methods, was collected from the City of San Jose, City of Santa Rosa, and Santa Clara County. Additional information on permit and inspection fees, communication practices with customers, insurance requirements, and methods for publicizing the agency's permit services were collected from five California water agencies: San Diego County Water Authority, Santa Margarita Water District, Metropolitan Water District, Imperial Irrigation District, and the Coachella Valley Water District. The water agencies were selected based on the following criteria:

- Issues encroachment permits
- Located in California
- District boundaries include suburban areas
- Website includes permit application

This performance audit used qualitative evidence, documentary evidence, and other performance information to assess the CPRU efficiency of the encroachment permit process. The

Auditor took additional steps to corroborate and substantiate qualitative information described in the report per generally accepted government auditing standards.

Assessment of the Reliability of Data

Section 9.2 of generally accepted government auditing standards require auditors to describe limitations or uncertainties with the reliability or validity of evidence if: (1) the evidence is significant to the findings and conclusions within the context of the audit objectives; and (2) such disclosure is necessary to avoid misleading the report users about the findings and conclusions.

Auditors were unable to assess the integrity of the data extracted by staff from the CPRU database because electronic access to the CPRU's information system was not available.

Assessment of Internal Controls

Section 9.20 of generally accepted government auditing standards require auditors to assess the adequacy of internal controls if they are significant to the audit's objectives. The objectives of this performance audit did not require an internal control assessment, but policies and procedures and other controls were reviewed to identify potential improvements.

Audit Statement

The Auditor conducted this performance audit per generally accepted government auditing standards. Those standards require that the audit be planned and performed to obtain sufficient evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The Auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. A draft report was provided to the CPRU Manager. Comments were incorporated as applicable throughout the report.



Section 3: Key Findings

Finding 1: CPRU Provides Many Services to Protect Valley Water's Assets and Interests, Beyond Issuing Encroachment Permits; Some Overlap the Role of Other Valley Water Units

Demand for CPRU's services has fluctuated over the past ten years and at the time of the audit, demand was high. For FY2021 to-date, the number of submittals is on track to exceed 1,000 requests, a level last recorded in FY2011. Over the first three quarters of FY2021, CPRU reported already having received 845 requests for its services, including encroachment permits. CPRU staff attribute the increased demand to an increase in construction projects during the COVID pandemic.

In addition to processing permit applications, CPRU staff provide other services to protect Valley Water's watersheds and utility assets and interests. These services include:

- Performing flood plain analysis;
- Conducting CEQA compliance reviews;
- Providing technical assistance to local agencies in reviewing hydraulic analysis and other issues affecting local water ways;
- Managing and negotiate Joint Use Agreements with cities and the County for recreational use of Valley Water property;
- Communicating and serving as an intermediary with State and Federal agencies for designated projects/permittees;
- Providing preliminary project reviews to determine if a permit is required;
- Negotiating and preparing licenses, cost share agreements, and land rights transfers for non-capital projects;
- Operating the USA (Underground Service Alert) Desk;
- Maintaining Valley Water GIS showing Valley Water property rights; location of all CPRU files, suspected and verified un-permitted encroachments, Adopt-a-Creek information (available locations, un-adoptable areas and adopted areas) and locations of Joint Use Agreements;
- Archiving record drawings and update drawing database;
- Maintaining and correcting the DEED database;
- Annual updating of Valley Water land rights on assessor maps; and,
- Responding to public records requests, access Valley Water requests, and public inquiries related to flooding information, land rights, land use restrictions, and use of Valley Water right of way.

CPRU staff perform at least three services – performing real estate transactions, conducting CEQA reviews and performing flood analysis – that are consistent with the role of other Valley Water

Units within the Watersheds Department. First, CPRU will process most aspects of a real estate transaction, including negating the terms, if the transaction is needed to issue an encroachment permit, while others will request these services from the RESU depending on the expertise of the individual. In addition, CPRU is responsible for performing other RESU-related activities, such as negotiating and preparing licenses, cost share agreements, and land rights transfers for non-capital projects, including the preparation of Board agenda memos on real estate related activities, although individual staff involved said they will request the RESU's assistance to obtain appraisals and close escrow. Staff explained that CPRU traditionally leads the real estate estimate transaction if an encroachment permit is involved or if the customer wants to dedicated property to Valley Water rather than having RESU accept responsibility.³

Second, qualified CPRU staff reported performing CEQA compliance reviews, a service that staff explained can also be provided and is sometimes referred to the Environmental Planner. Similarly, some CPRU staff perform flood analysis – if they have the qualifications – while other CPRU staff refer the analysis to the Hydrology, Hydraulics and Geomorphology Unit. By having other Valley Water units perform these time-sensitive functions, which CPRU staff described as having delayed their reviews of other less time-sensitive permit applications, the workloads for CPRU could be reduced and focused on permit review and disruptions further minimized.

³ In a prior audit examining Valley water's real estate services, the audit presented to the Board a matter for consideration; to assess the feasibility of consolidating the delivery of Valley Water real estate services and permitting services by combining the RESU and CPRU into a single unit to leverage opportunities. RESU did not agree with the consolidation.

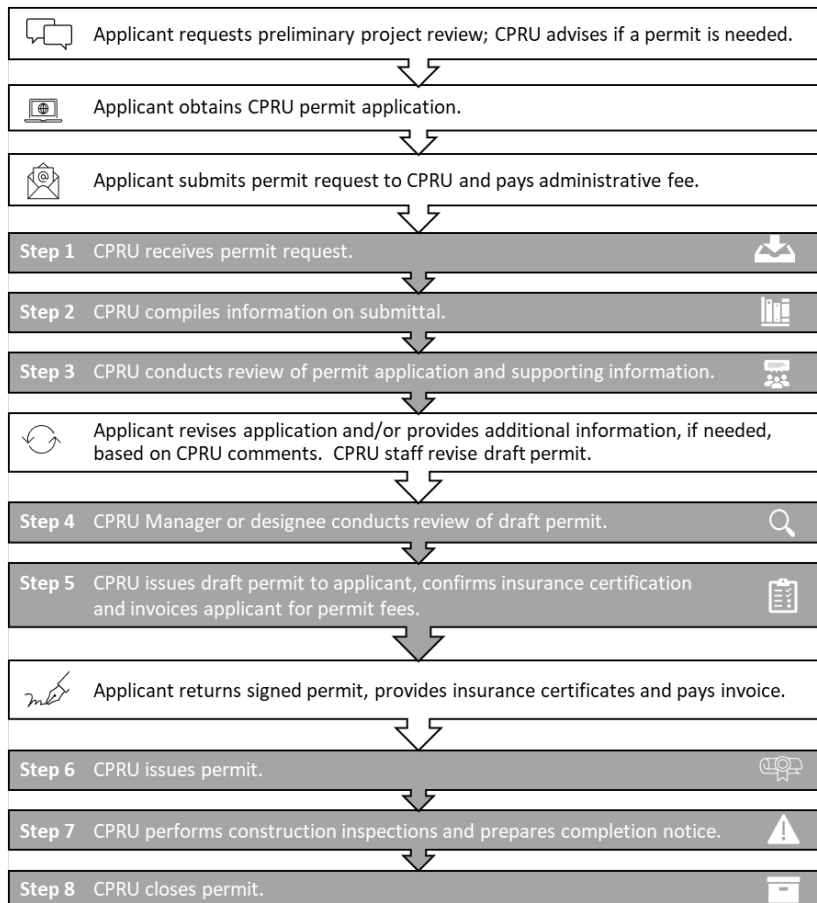
Finding 2: CPRU's Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication

Permittees Want Faster Permit Processing and Better Communication with Applicants

Valley Water's permit process, shown in Figure 1, requires CPRU staff to collect, and share information from a variety of sources, including the applicant, Valley Water records, and

with other Valley Water units. Appendix B includes a more detailed description of the permit process, based on CPRU's policies and procedures for permit processing.

Figure 1. Overview of the CPRU Permit Process⁴



To assess customer satisfaction with Valley Water's encroachment permit process, the Independent Auditor surveyed applicants to whom CPRU issued encroachment permits in FY2018

⁴ Source: Independent Auditor analysis of CPRU policy and procedure "Review of Community Projects" effective date 6/11/2019 and interviews with CPRU staff.

to FY2020. Survey results show that almost two-thirds (62 percent) of 29 survey respondents reported overall satisfaction with Valley Water’s encroachment permit process, as shown in Figure 2 below.⁵ More than one-third (38 percent) of respondents reported their experience with the Valley Water Permit process was unsatisfactory. Staff reported that when CPRU receives complaints from applicants either directly by the customer or by communication from Valley Water Board members, the person receiving the complaint will attempt to address the applicants’ concerns.

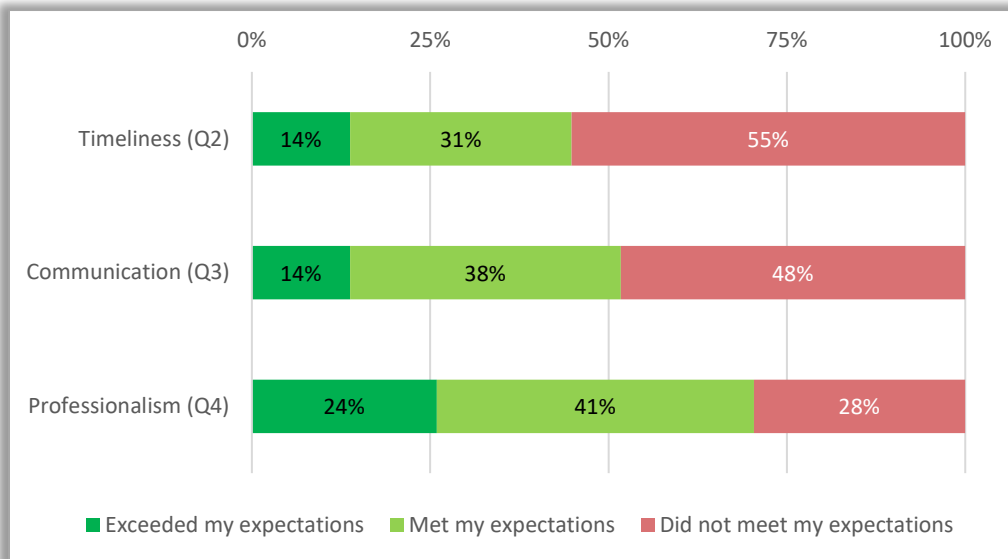
Figure 2. Customer Satisfaction with Valley Water’s Encroachment Permit Process (Q1)



Source: Independent Auditor survey of Valley Water customers issued permits in FY2020.

Survey results also show that CPRU did not meet about half of applicants’ expectations for timeliness (55 percent) and communication (48 percent), shown in Figure 3 below. However, most (65 percent) survey respondents said that Valley Water met or exceeded their expectations for professionalism, by providing courteous, clear, and complete answers to their questions regarding their permit application or the permit process.

Figure 3. Customer Satisfaction with Timeliness, Communication, and Professionalism of CPRU



Source: Independent Auditor survey of Valley Water customers issued permits in FY2020.

Survey respondents also offered their own suggestions for how Valley Water could improve its permit process. Eleven respondents asked for a faster review process and eight respondents asked for improved communication when permits are received and there are changes in the

⁵ Twenty-nine (29) of the 96 permit holders (30%) completed the voluntary survey, sent to the email address provided by the applicant. Appendix A contains the complete survey results. A survey was conducted because CPRU does not track customer complaints or collect other customer satisfaction data.

processing status. A respondent commented, “Everyone I have worked with at the Valley Water have been knowledgeable and helpful. Permit turnaround time has been measured in months instead of weeks for minor permits. There is not a process to let you know of the status of the permit.” And three respondents complimented CPRU, with one stating: “The CPRU office was great, they did an excellent job with processing my permit application.”

CPRU Has Mixed Success in Meeting Its Goals for Timely Permit Processing

CPRU has set the goal to review and issue an encroachment permit within six to eight weeks.⁶ Analysis of CPRU’s processing times for permits issued in FY2018 to FY2020 found that CPRU met the goal about half of the time,

when measured from the date of application submission. Although most applicants (84 percent) submitted a final project plan with their application, staff said that they must wait for this information to begin their review. When measured from the date the applicant had submitted the final project plan, CPRU met the goal for 61 percent of permits issued during FY2018 to FY2020, as shown in Figure 4. CPRU, overall, averaged a little over 13 weeks in FY2018 to FY2020 to issue a permit.

Figure 4. Timeliness of CPRU Permit Issuance

Processing Time	Submission of Final Plans to Permit Issuance		
	Number of Permits	% of Total Permits	Cumulative %
Less than 4 weeks	160	35%	
4-6 weeks	55	12%	
6-8 weeks	65	14%	61%
8-12 weeks	63	14%	
12-16 weeks	42	9%	84%
16-20 weeks	15	3%	
20-24 weeks	12	3%	90%
More than 6 months	49	11%	100%
Total	461	100%	

Source: Independent Auditor analysis of CPRU staff extraction of data from the CPRU database. Permits were excluded from the analysis if data was missing for key processing dates.

Note: The analysis includes all permit applications for all types of projects submitted. Data provided to the Auditor by CPRU did not identify the complexity or size of the project, nor differentiate between those types of requests that would be expected to require minimal, if any, revisions to the initial request and those that would be expected to have re-submissions as the projects develops.

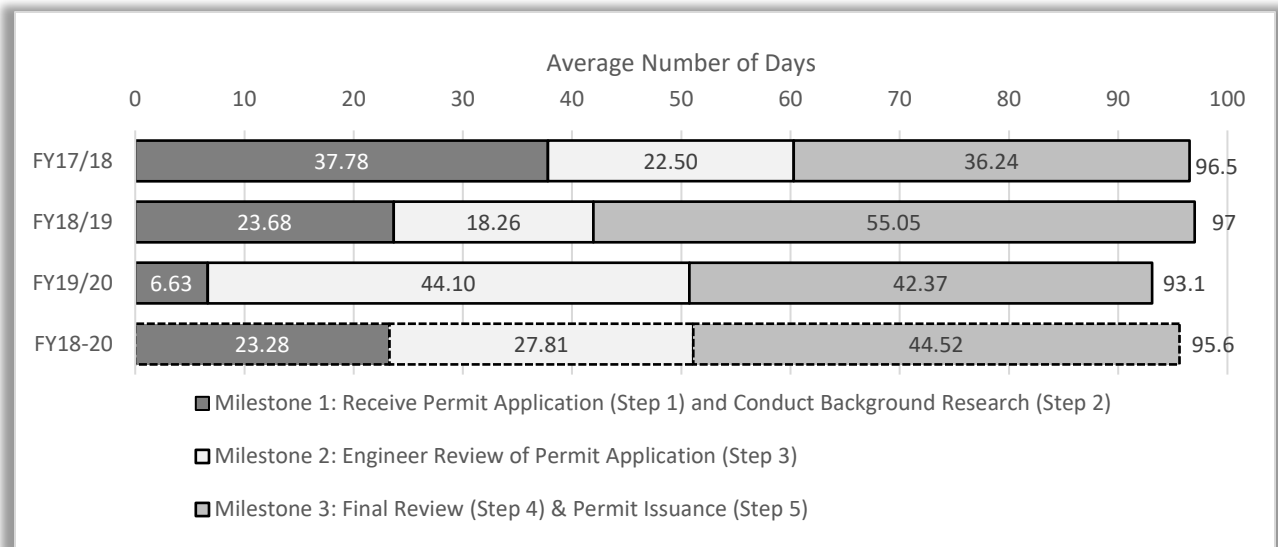
⁶ CPRU staff explained that review times will vary depending on the size and complexity of the project and available Valley Water staff resources. Large, complex projects are often submitted to CPRU during the project’s planning phase, staff reported, and it is assumed that applicants would not expect to receive a permit within the six-to-eight weeks of submission because the project is still in a planning phase.

Finding 3: Timeliness Concerns Attributed to Multiple Factors

Engineers Spend More Time Reviewing Permits

While the time to complete the first two steps of the permit process declined by almost a month (a change of 31.15 days) as shown in Figure 5, the engineer review time increased by three weeks (a change of 21.6 days), which can be partially attributed to recent turnover and vacancies in the positions responsible for the initial steps in the permit process. The resulting vacancies led to the temporary shifting of some responsibility for compiling background information in step 2 to the engineers conducting the permit review in step 3. Similarly, three of the eight engineers responsible for these activities had a year or less experience at the time of the audit.

Figure 5. Days to Complete Steps of CPRU Permit Processing, from Receipt to Issuance, FY2018 to FY2020



Source: Independent Auditor analysis of CPRU staff extraction of data from the CPRU database. Permits were excluded from the analysis if data was missing for key processing dates.

Bottlenecks Occur at the End of the Permit Review Process

The final review and permit issuance activities were generally the longest part of the permit process and revealed a bottleneck in the process. As shown in Figure 5 above, the amount of time CPRU spent on the final steps in the permit issuance process (Steps 4 and 5) averaged about six weeks (44.52 days) over the three fiscal years. Staff attributed the “bottleneck” to the CPRU Manager having many other responsibilities in addition to being the sole person with the authority to sign the permits. Staff estimated it can take up to a week for

the Manager to review to the draft permit and then additional time for staff to make any desired changes or corrections, which the CPRU Manager again reviews. Staff said this process can be repeated if the draft permit is also reviewed by an Associate Engineer. To help address this bottleneck, the CPRU Manager reported that Valley Water management has recently authorized the conversion of a vacant Associate Engineer position into a new Senior Engineer position to assist the CPRU Manager with the review of drafts permits and correspondence.

Permit Applicants Experience Challenges in Meeting Insurance Requirements

Another factor attributed to longer processing times is the time required for applicants to obtain proper insurance documentation from their providers and submit that documentation to CPRU for

subsequent approval. An applicant must submit the required insurance documentation along with any fees, before CPRU issues the final permit.⁷ Valley Water staff reported that applicants frequently struggle to provide the correct insurance documentation on the first attempt and often must contact their brokers for additional endorsements, delaying the issuance of the permit. Data was not available to assess the frequency or length of the delays to permit issuance caused by applicant struggles with the insurance requirement; CPRU does not track the number of permits that were delayed by applicants' efforts to meet the insurance requirements.

To prevent delays related to the submittal of required insurance documentation, CPRU staff said they take several actions. Staff will provide applicants with examples of the types of insurance documentation needed from insurance brokers during the review process; request applicants obtain the insurance documentation early in the application review process; and the CPRU Manager has plans to ask Risk Management to provide CPRU staff training on the insurance requirements.⁸

Some Permit Applications Are Not Recorded on a Timely Basis

Entry of permit applications into the CPRU Database is a key first step to timely processing & effective communication. Applicants can submit a permit application to CPRU using three different methods: (1) submitted via USPS mail to the CPRU;

(2) emailed or mailed directly to an Associate or Assistant Engineer known to the applicant; or (3) submitted by email to the CPRU dropbox. Having three different methods for submitting applications creates challenges in their recording and tracking. Staff explained that historically,

⁷ The encroachment permit application states: "Insurance: A certificate of insurance and additional insured endorsement acceptable to Valley Water must be provided prior to issuance of a Valley Water encroachment permit. Valley Water, its directors, officers, agents, employees, and volunteers must be named as additional insureds in the general, automobile liability, and worker's compensation insurance policies. Valley Water and the other foregoing individuals must remain as additional insureds until the later of: (i) the expiration for the Valley Water encroachment permit; or (ii) the completion of all of Applicant's activities on the Valley Water right-of-way. Specific requirements are shown on the Insurance Requirements information sheet (WF75113)."

⁸ The annual audit work plan of the Independent Auditor includes a separate review of Valley Water's insurance function and requirements.

they enter an application into the CPRU database within 24 hours of receipt and distribute the applications with supporting information to the engineers up to one week of receipt, which the Independent Auditor verified through an analysis of the permit data for FY2020.⁹

Nonetheless, CPRU staff acknowledged that some permits are not entered on a timely basis into the CPRU database. This issue occurs when (1) an applicant emails their application directly to an engineer for review and does not also submit the application to the CPRU dropbox for entry into the CPRU database, or (2) the engineer begins the review process without forwarding the application for data entry into the system. CPRU staff explained that applicants will send their applications directly to them, with the hope of reducing the permit process review time. Staff have admittedly overlooked applications because they were not entered into the CPRU database, delaying its review and processing. To prevent unrecorded applications, the CPRU Manager has instructed staff to forward all applications to the CPRU dropbox and for staff to request that all applicants use the CPRU email address to ensure the application is sent to the CPRU dropbox.

Permit Review Activities Need Better Standardization and Clarity

CPRU needs to standardize and document current application review practices. Heavy workloads (as well as the challenges that come with working from home due to the pandemic and fires), staff explained, has made it difficult

to set aside time for less experienced staff to be trained on the permit process, limiting their ability to work independently, and resulting in more time spent on revising the work performed during the final review process. While CPRU has created templates for completing Adopt-a-Creek, fence cost shares, license/permits, and utility crossing permits, development of review checklists for use by newer staff can ensure consistency and completeness of the work. The CPRU Manager acknowledged the importance of updating the Unit's remaining policies and procedures but has not found the time for the update.

CPRU has not established criteria for the order in which applications will be reviewed, if exemptions to that criteria are allowed and under what special circumstances authority could be delegated from the CPRU Manager to issue a permit. Without criteria, staff reported interrupting their review of an application to work on another application designated as a "higher" priority, extending the review process for the now lower priority application. Finally, the lack of formal and documented processes for time-intensive activities, such as obtaining input from other Valley Water units, adds time to this portion of the review process. While some Valley Water units are very responsive to CPRU requests for input into the permit review process, other units do not have designated points of contact, causing staff to spend additional time identifying the correct person to provide input. Staff reported waiting several weeks to months for these units to provide their input because of the absence of agreements on expected completion dates. The policies and procedures provided also do not address under what special circumstances – such

⁹ While more than three weeks were needed to complete the first two steps in the permit process in FY2018, this declined to about 6 days in FY2020.

as absences or large workloads – that may require delegation of the authority from the CPRU Manager to issue permits.¹⁰

Further definition and standardization of the roles and responsibilities of each CPRU staff person in the permit review process could also reduce review times. Traditionally, CPRU divided the District into regions and assigned staff to be experts in that region of the District and responsibility for reviewing all permit applications, requests for technical assistance, joint use agreements, and other public inquires impact that region. Staff turnover and the high volume of requests for assistance has forced CPRU to move away from this model for assigning workloads. An option for an updated model would be to dedicate staff to the review of certain types of “straightforward” permits – as is already the practice for the Technical Support team to draft fence cost sharing and adopt-a-creek permits – to reduce review times for these permit types.

Permit Processing is Primarily a Manual Process

The current permit process is manual; a paper file is created and CPRU’s permit review and approval is based on the hard copy documentation. Manual processes are prone to processing errors and require extensive effort to manage manual record keeping systems. Staff further

spend time printing emails, maps and other documents that are submitted electronically by applicants to create and maintain a paper file for each permit application.

In addition, limitations of the current permitting database have necessitated manual processing. For example, paper files must be created because the database only allows one PDF document to be uploaded for each file, requiring staff to consolidate all the supporting documentation into that single PDF for storage in the application. Accessing that uploaded documentation is difficult, staff said, because they cannot search the database. The database also does not support an electronic workflow of the permit process. For example, staff cannot use the database to send messages to applicants on the status of their application, on which staff reported dedicating, on average, half an hour or more each day sending emails or retuning phone calls to update applicants on their applications’ status.

Many of CPRU’s records are also stored only in physical files. Despite a recently completed effort by staff to create an electronic inventory of the boxes of the physical files, staff described their continuing efforts to search through file boxes to locate the desired permit file and then search again to find additional files of oversized as-built drawings and plans.

Valley Water has initiated efforts to replace the current CPRU database with an enhanced document storage and management system; the replacement of the CPRU database is one of two pilot projects planned before implementing the system agencywide. Desired features of a new system, in addition to those identified by CPRU staff above, include an information technology (IT) solution to automate applicant submission and entry of the application into the

¹⁰ The Water Resources Protection Ordinance defines the Permit Authority as, “District employee designated by the CEO to make decisions regarding the issuance of encroachment permits.”

CPRU database or its replacement and allowing applicants to self-check the status of their applications reducing time spent preparing correspondence.

Valley Water's IT management said the replacement system will be implemented during the summer of 2021 and can be configured to address some but not all CPRU desired features.¹¹ The new system is a cloud-based document management system (ECM) that will be configured to automate the workflow of Valley Water's permit process. The new system can also provide workflow management for documents, analytics dashboards and time tracking but does not have an invoicing function, a feature of the current CPRU database. IT management also plans to implement a new Customer Resources Management (CRM) system, as a tool for all Valley Water units, to use to communicate with external customers. IT management said further research is needed to determine if and how the systems can send notifications to permit applicants during the review process. Until the new ECM and CRM systems interface, CPRU may need to record information on a permit's status into both systems because the new document management system cannot be used on its own to send communications to customers.

CPRU Does Not Consistently Plan for Large Reviews

Renewal of regular consultations with Water Resources Protection Collaborative members could help CPRU plan ahead and minimize any disruption or delays to other permit applications from larger, tight-deadline or time-intensive

development projects. CPRU could conduct outreach with cities and other owners of properties adjacent to the District to identify upcoming large projects and pre-plan for the permits and other agreements, such as real estate transactions, to ensure these proposed projects will meet the requirements of the Water Resources Protection Ordinance. This type of advanced planning was the intent of the Collaborative that developed the *Guidelines* and Water Resources Protection Ordinance in 2005-2007, but a decade later and turnover of the Collaborative participants has led to a need for Valley Water to renew its efforts. Also, CPRU does not have a system in place to manage and monitor the status of its joint use agreements of Valley Water property. For example, Valley Water allowed an agreement with the City of San Jose to expire in FY2019 despite a QMS performance standard to monitor that "agreements with responsible partner agencies are in place for appropriate public access to District facilities."

¹¹ CPRU is one of two Valley Water units being used to pilot the new document management system, which IT plans to eventually implement throughout Valley Water.

Finding 4: Local Agencies' Strategies Could Benefit Valley Water

Some Agencies Utilize Online Customer Service Portals to Upload Permit Application and to Check Permit Status

Information was collected from eight local agencies on their permit processes and tools. Three cities have created online portals that allow applicants to submit a permit application and/or upload supporting documentation and

for applicants to obtain information about the status of their applications. These three localities estimated a two-to-four-week time frame for the initial review, after all supporting documentation is submitted, although the localities qualified that additional review time may be needed for complex projects. By automating the submission process, the online portal or a similar tool helps to reduce the chance of an application being overlooked.

As shown in Figure 6 below, the five water agencies we contacted issue encroachment permits and all report using similar methods as Valley Water for applications submission; like Valley Water, none used an online portal. Reported times for permit processing varied across the five agencies, with Valley Water's estimate falling in the middle. An official at one agency said they typically process permits within two weeks of submission, while another agency informs applicants that a minimum of four months is needed to complete the permit process for a "straightforward" permit such as day use of agency property. Agency staff explained that additional time is needed to process permits for land uses that require real estate transactions, review of construction plans for facilities such as solar farms or the development of housing. Most agencies said that the COVID pandemic had increased their processing times.

Figure 6. Estimated Permit Processing Times from Other California Water Agencies

Agency	Estimated Permit Processing Time
Valley Water	6-8 weeks
Other Water Agencies	4-12 weeks
	2 weeks
	4-6 months
	3-4 weeks
	4 weeks (30 days)

Source: Independent Auditor interviews with staff from water agencies.

One Agency Uses a Project Coordinator to Facilitate Communication and Timely Processing

One agencies used a slightly different model for communicating with the permittee in comparison to Valley Water. The agency assigns an Engineering Technician to serve in the role of project coordinator. The Engineering Technician coordinates the Engineer's review of the

technical aspects of the proposed activity, real estate services, input from other departments, manages the records, and serves as the point of contact for the applicant, and is responsible for all communication with the applicant to allow the Engineers more time to work on the technical reviews. At Valley Water, the Engineers assigned to review the application also serves as the project coordinator, because CPRU only has one Engineering Technician position, reducing the amount of time an Engineer has to work on their technical reviews.

Other Agencies Identify Themselves Differently; Renaming CPRU May Avoid Confusion

Some CPRU staff, when discussing the challenges they face in coordinating the permit review process with other Valley Water units and applicants, said the name CPRU – Community Projects Review Unit – hindered rather than helped explain what the Unit does,

creating confusing within Valley Water and among applicants who try to find the correct Valley Water unit responsible for permit processing.

As shown In Figure 7 below, four of the five units within other agencies have property, real estate, or right-of-way in their name because the two functions – issuing encroachment permits and executing real estate transactions – both require an assessment of the impact of the proposed activity on the District’s property rights and authorized uses of the District’s property.

Figure 7. Comparison of Unit Names Responsible for Permit Processing

Agency	Unit Names Responsible for Permit Processing
Valley Water	Community Projects Review Unit
Other Water Agencies	Property Management Group
	Engineering
	Secondary Land Use, Real Property Group
	Real Estate Section, Operational Resources
	Right-of-Way Division

Other Agencies Outreach Annually to Publicize Agency’s Permit Services

To publicize their services, two water agencies we contacted proactively contact owners of property adjacent to the District using two different methods to publicize their permitting services and prevent unintentional violations.

When ownership of adjacent property is transferred, one agency said they send a letter to the buyer and real estate agent explaining any restrictions and easements on the subject property. This agency said that although their property interest is on the title report, buyers often do not understand the implications. Another agency said, on an annual basis, they send a general letter to adjacent property owners to remind owners to seek permission for a variety of common uses of District property. CPRU does not conduct this type of outreach.

Finding 5: Update Needed for Fee Schedule and Cost Recovery Strategy

Valley Water Recovers Only a Small Percentage of CPRU's Operating Costs from Permit Fees and Other Services

Many local water agencies, like Valley Water, own a large amount of property adjacent to the waterways and facilities that provide and deliver water to their customers. Prior to authorizing the use of their property for other activities, Valley

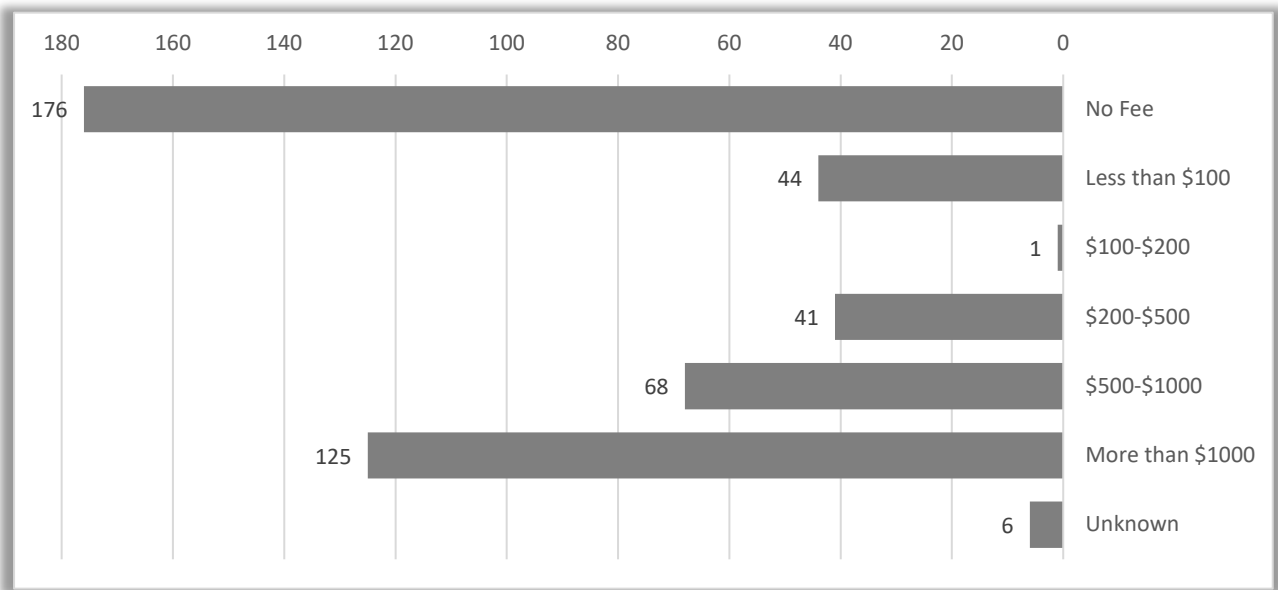
Water's Water Resources Protection Ordinance requires the agency to assess the impact of the proposed use and make certain findings, prior to using an encroachment permit for the use of its lands.¹² Water agencies may charge for the cost of processing the encroachment permit application, as well as the use of its lands for permitted activities.

Water agencies generally do not recover their total costs from the activities they permit on their lands because they typically grant exemptions from the payment of fees to other public agencies and for certain permitted activities on its lands. For example, Valley Water exempts the following activities from payment of fees, including the cost of processing an encroachment permit:

- Adopt-a-Creek permits.
- Fence cost sharing permits.
- Temporary pedestrian access for environmental studies, sampling, surveying, and organized events.
- Activities covered by agreements with other public agencies where there is already an exchange of benefits such as public access for recreational purposes allowed through joint use agreements.
- Preliminary reviews by CPRU staff to determine if a permit is required for the proposed activity.
- Public safety (such as fire and police) emergency or investigatory access involving crime or public safety (excluding training exercises).

As shown in Figure 8 below, over the three-year period FY2018 to FY2020, Valley Water did not charge a fee for 38 percent of 461 permits issued by CPRU. About 27 percent of the permit issued had more than \$1,000 paid in permit fees, including 10 permits that had fees of more than \$10,000.

¹² In accordance with the Water Resources Protection Ordinance and Resolution No. 10-86, the District may recover certain costs to administer permit and other real property transactions. All services provided by District staff must be tracked by pay period for each billable project. All billable hours tracked on this form will be billed to the customer.

Figure 8. Amount of Fees Paid for Permits Issued FY2018 to FY2020.

Source: Independent Auditor analysis of permit data extracted by CPRU staff from the CPRU database.

While Valley Water recovers only a small percentage of the CPRU budget from its permit fees and other invoiced services, there could be opportunities to close the revenue and expense gaps. When compared to its budget, payments for CPRU invoiced fees ranged from 7.2 to 11.5 percent of CPRU's budget for salaries and benefits. When compared to the CPRU's total budget, the total payments from CPRU invoices represent about 4.5 to 6.8 percent. As shown Figure 9, \$106,000 to over \$195,500 represent the majority of invoiced fees (except in FY2018). Of the total amount invoiced by CPRU for its services, in FY2020, about 78 percent were fees for issued permits. The remaining invoiced fees were from floodplain analyses or right-of-way transactions.

Figure 9. Fees Comprise a Small Percent of CPRU's Budget

	FY2018	FY2019	FY2020
CPRU Budget			
CPRU Budget	\$4,309,258.00	\$5,201,835.00	\$5,572,103.00
CPRU Salaries & Benefits	\$2,579,041.00	\$3,145,541.00	\$3,462,948.00
Revenue from Permit Fees & Invoices for All Services			
Total Permit Fees for Issued Permits	\$106,043.14	\$159,414.75	\$195,527.21
Total Payments from CPRU Invoices for All Services (includes Permits, Floodplain analyses, Right of way transactions)	\$292,673.12	\$197,579.03	\$249,450.18
Permit fees as a percent of all invoiced fees	36.2%	80.7%	78.4%
Fee Payments as a Percentage of CPRU Budget			
Total Payments/CPRU Budget	6.8%	3.8%	4.5%
Total Payments/CPRU Salaries & Benefits	11.4%	6.3%	7.2%

Source: Independent auditor analysis of CPRU Invoices, Permit Fees, and Valley Water Budgets.

Updating Valley Water's Fee Schedule, Based on a Fee Study, Could Help Ensure Appropriate Cost Recovery

Local agencies rely on fee schedules to help establish various charges for service. To ensure the public agencies receive adequate compensation, these fee schedules are periodically updated to reflect changes in the costs of services. Local agencies typically

review and update their fee schedules on a regular basis, including their fees for permit services. Despite increases in regional property values and administrative costs, Valley Water's permit fee schedule was last updated a decade ago, in 2011, and Valley Water has not established a mechanism to ensure it is periodically reviewed and updated.¹³ The CPRU Manager plans to work with Valley Water Financial Management and Planning Services to initiate the process to update the standard fee schedule.

Presently, Valley Water's current filing fee for an encroachment permit is \$250.¹⁴ The fees of other local water agencies are \$100, \$250, \$300, \$320, and \$500. Compared to other local water agencies, Valley Water's administrative processing fee for permit applications is the same as another local water agency but \$50-\$250 less than three other water agencies and about \$150 more than a much smaller water agency.

A key cost of processing permits is the salary costs of the staff providing the services. While not a comprehensive fee study, an analysis of Valley Water's salary costs for CPRU staff to perform the administrative activities required to process an encroachment permit found that \$250 may not be sufficient for these costs given that CPRU staff generally spent more time than the minimum estimated on these activities¹⁵. As shown in Figure 10 below, CPRU staff spend an estimated three to eight hours on the administrative activities. Using the salary ranges for the CPRU staff that currently perform these activities, the cost of the administrative activities is estimated to range from about \$195 to more than \$1,022 depending on the staff that perform the activities. This estimate does not include the cost to Valley Water for the equipment and other supplies that also add to the cost to conduct these administrative activities.

¹³ An audit of Valley Water's real estate services recommended, to enhance Valley Water's fiscal performance and asset management strategy, that the CEO should (a) conduct an annual review of the fee schedules maintained by Valley Water to ensure that the fees cover the costs to lease, license, and permit the use of its, and (b) shorten the duration and establish regular fee adjustments on future longer term lease agreements.

¹⁴ Water Resources Protection Ordinance section 2.3.1 states "All applications must be accompanied by a filing fee in an amount established by the Board."

¹⁵ Fee studies are conducted to help public agencies determine appropriate rates; a fee study examines the full costs of providing a service and identifies which costs are eligible for recovery through fees.

Figure 10. Estimate of Valley Water's Administrative Costs to Process a Permit Application

Steps in Permit Process Related to Administrative Activities		Hourly rate		Staff Estimate of Hours Spent on Task		Estimated Salary Cost of Administrative Activities (Range)	
		Min	Max	Min	Max	Min	Max
Step 1	Receive Permit Application (Engineering Technician)	\$37.21	\$47.63	1	2	\$37.21	\$95.26
Step 2	Compile Background Information (Sup. Engineering Technician & Engineering Technician)	\$37.21	\$65.68	2	10	\$74.42	\$656.80
Step 4	Conduct Final Review of Draft Permit (Engineering Manager)	\$79.05	\$100.94	0.5	1	\$39.53	\$100.94
Step 5	Issue Permit and Update Records (Staff Analyst)	\$44.25	\$56.61	0.5	1	\$44.25	\$169.83
TOTAL Administrative activities				4	14	\$195.41	\$1,022.83

Source: Analysis of Valley Water salary tables and interviews with CPRU staff.

Updated Guidance for Billing for Staff Time Spent Reviewing Permits is Needed

In addition to the application filing fee, CPRU charges applicants for time spent to review the activity proposed in the permit application. Neither the Water Resources Protection Ordinance and Manual, nor the

CPRU policies and procedures, provide guidance for the billing for staff review time. Generally, the time invoiced is about two hours even when time incurred could be more.

Analysis of time tracking records from FY2020 generally supports the CPRU staff's assessment of their practices to invoices a standard set of hours.¹⁶ CPRU recorded two hours or less time for most reviews, regardless of whether the time was recorded as billable (83%) or non-billable (76%), as shown in Figure 11 below. Of the 32 reviews where CPRU staff recorded both billable and non-billable hours, eight of the 32 records (25 percent) had more than two hours of billable time entered.

Figure 11. Distribution of the Number of Billable and Non-Billable Hours per Review, FY2020

Number of Hours Per Record	Billable Hours Only	Non-Billable Hours Only	Both Billable and Non-Billable Hours
2 hours or less	132 (83%)	125 (76%)	24 (75%)
2 to 10 hours	23 (14%)	33 (20%)	7 (22%)
10 or more hours	4 (3%)	6 (4%)	1 (3%)
Total	159	164	32

Source: Independent Auditor's analysis of data provided by CPRU, which was extracted by IT from the CPRU database.

¹⁶ The number of records with no time recorded was not provided.

Staff reasoned that permit applicants should not be charged for the extra administrative time it takes to locate the historical files needed for the review due to its ineffective records management, as discussed in previously in this report. While CPRU has begun to digitize and organize these historical files, progress has been slow because CPRU has chosen to review each file before it is scanned. Valley Water IT management said the implementation of a new document management system during the summer of 2021 should address the limitations of the current CPRU database and physical files. Other reasons staff do not charge for their actual time spent on permit processing include:

- Less experienced staff are not expected to charge applicants for the additional time it takes for them to become familiar with the history of the Valley Water location, facilities, and prior permitted activities.
- CPRU's policies and procedures do not incorporate risk management principles in its permit review. Every permit application has the same level of review, regardless of risk proposed by the activity.
- The administrative burden of having to enter their time in two systems, staff explained, did not justify the entering small amounts of review time for billing.
- Staff has tried to simplify time tracking and reporting for other Valley Water units that participate in the permit review process, but these efforts have not been successful in collecting the time spent by other units for billing purposes. Data was not available to assess the frequency with which other Valley Water units submitted their time spent on permit reviews and for which CPRU staff then invoiced the applicant.
- Individual CPRU staff expressed concern that if they were to invoice for the actual time they spend on each review, applicants would not be willing to pay the additional costs beyond the filing fee and would complain to the Board.

Rather than billing for a set amount of time for each permit review, an alternative approach would be to establish risk-based criteria for the minimum information required to complete a permit review, especially for low-risk activities or repeat types of permit requests. For example, staff said many permit applications from utility companies request similar types of access and present the same types of risk although the locations differ. The repetitive nature of these permit applications could be used to establish the minimum information needed for a permit review for this type of permit, potentially reducing processing times and processing costs.

An alternative to using the new system planned to replace the current CPRU database for invoicing, would be to record in the financial system the gross fees for all time charged and associated costs for the services provided, and then adjusts the fees for invoicing purposes. Although the invoice sent to the customer shows the net fees due only, using the financial system could provide Valley Water better information for revenue and cost recovery analysis.

Other Local Water Agencies Charge Hourly Rate Instead of Flat Fee for Inspections

Once a permit has been issued, depending on the type of permitted activity, Valley Water will schedule inspections at the location of the permitted activity to ensure compliance with the terms of the permit, guided by the Water

Resources Protection Ordinance and Manual. Staff reported that two inspections – typically a preliminary, pre-activity inspection and a second, post-activity inspection – are scheduled and conducted by one full-time inspector. The permittee is generally charged a flat fee for up to two inspections although some larger projects require additional inspections.¹⁷

CPRU staff explained that their flat fee of \$125 per inspection may not cover the actual cost of inspecting a permitted project because the amount of time spent on each inspection varies by the type, complexity, and location of the project. For example, staff described complex projects that required several hours and more than two inspections to review the plans, property, and completion of the paperwork. As shown in Figure 12 below, if the inspector spends more than two hours on an inspection, Valley Water has not recovered its salary costs (nor other materials costs) of the inspection.

Figure 12. Salary Cost for Inspections

Cost to Inspect Permitted Activities		Salary Cost (Hourly rate)		Staff Estimate Hours Spent on Task		Estimated Salary Cost of Performing Inspection (Range)	
		Min	Max	Min	Max	Min	Max
Step 6	Inspection (Resident Construction Inspector)	\$50.06	\$64.07	2	10	\$100.12	\$640.70

Source: Independent Auditor's analysis of data provided by CPRU.

None of the local water agencies researched for this audit charged for inspections using a flat fee. To account for the differences in inspection requirements among permitted activities, other local water agencies reported that they charge an hourly rate for inspections instead of a flat fee. When the agency issues the permit, the agency collects a deposit based on the inspector's estimate of the types of inspections and time needed to perform the inspections. If the estimated cost exceeds the actual cost of the inspection, the agency returns the unused funds to the permit holder after the last inspection.

¹⁷ CPRU staff explained that the CPRU database does not track the number of inspections and a manual count of inspection forms would be required to determine the number performed per project.

Finding 6: Robust Internal Control Framework Needed to Ensure Accurate and Timely Invoicing and Collection of Fee Payments

Internal controls provide reasonable assurance that the objective of a business process, like invoicing for a service provided, will be consistently and properly performed. The audit found that CPRU does not have an automated billing and collection function nor strong internal controls.¹⁸ The issues identified include:

- Manual preparation of invoices for some public agencies.
- Incomplete tracking of all time spent on a permit.
- Absence of documented invoicing and revenue collection policies and procedures.
- Absence of controls to ensure that eligible permits have been invoiced and issued to the agency.
- Improper segregation of duties. Typically, the responsibility for the billing and collection of payments are assigned to multiple staff persons to ensure the proper execution and handling of invoices and payments. Within CPRU, the Staff Analyst is responsible for all financial management functions including the billing, collection and recording of the payments for invoiced services. Similarly, the Staff Analyst is responsible for the handling all aspects of the key deposits, which are required when CPRU gives a permit holder a key to gain access to Valley Water property to perform an activity. Proper segregation of duty would have one staff person accept and record the deposit and another process the return of the key and the permit holder's deposit.
- Absence of system and financial reconciliation. Reconciliation is another internal control used to ensure that payments have been properly collected and recorded, in particular when the permit system and Valley water financial system do not interface and automatically detect errors or other discrepancies. Staff reported that they had not been instructed to reconcile the payments records in the CPRU permit system with the records of the Valley Water financial system.

The absence of strong financial management controls has led to absence of recording and payment of invoices for two public transportation agencies that obtained permits from Valley Water. An undetermined number of invoices were not entered in the CPRU database; and some were never mailed and paid, resulting in a lost revenue opportunity although the magnitude of the financial loss is unknown. The CPRU Manager explained that the retirement of the CPRU staff

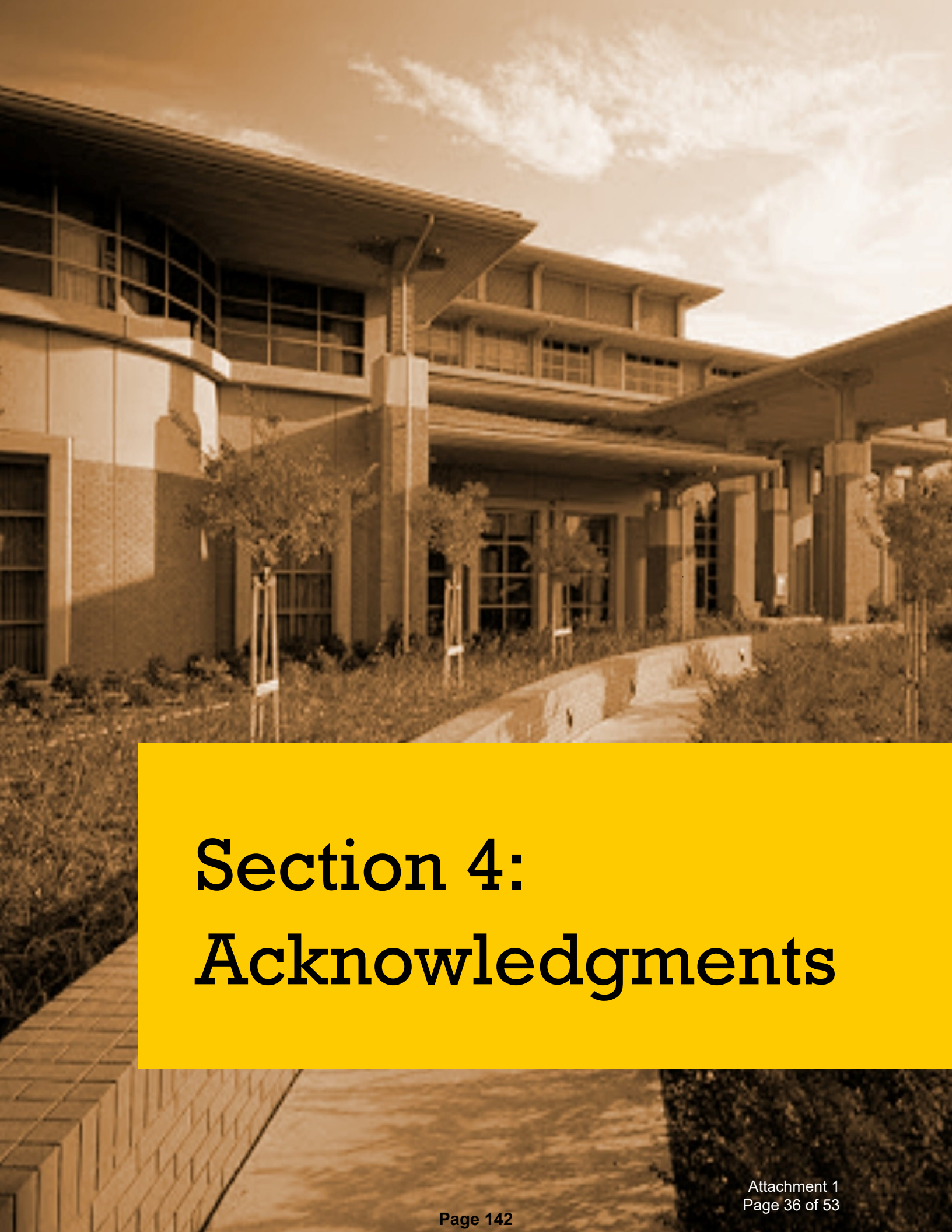
¹⁸ Staff explained that they use the CPRU permit system to input data, create an electronic invoice, and maintain a file record of those invoices, but they manually complete other activities, such as tracking the data used to generate the invoice, invoice approval, recording the receipt of invoice payments, and monitoring unpaid invoices.

responsible for managing the invoices, and the assignment of other staff to critical tasks, led to the oversight of these invoices.¹⁹

At the time of our review, CPRU implemented immediate action to initiate a process to reconcile the paper-based invoices with the CPRU database and seek payment for the outstanding invoices according to Valley Water agreements with the agencies. In addition, the Chief Financial Officer initiated efforts to work with CPRU to help strengthen internal controls to ensure accurate and timely invoicing and fee payments.

Valley Water's IT management said that the new document management system that will replace the CPRU's database will not have an invoicing function although time can be tracked. The new document management system will not be configured to interface with Valley Water's new financial management (ERP) system to allow CPRU to generate invoices. Potential use of Valley Water's new core financial management system to generate invoices and track and record payments (including key deposits) will help CPRU in its efforts to establish a robust internal controls framework and improve its financial reporting.

¹⁹ CPRU did not provide information on the number of invoices that were not entered in the CPRU database. For invoices that were entered into the CPRU database, at the end of December 2020, CPRU reported there were 15 unpaid invoices totaling \$13,831. Staff reported that for invoices recorded in the CPRU database, the system can generate a list of unpaid invoices and provides an automated alert to staff when an invoice is unpaid. However, staff must manually create and send via email a separate reminder to the customer if an invoice is not paid.



Section 4: Acknowledgments

ACKNOWLEDGMENTS

TAP International wishes to thank the Valley Water management and staff who participated in this audit from the following divisions and units:

- Community Projects Review Unit
- The Board of Directors
- Staff from other local agencies



Appendices

APPENDIX A: Anonymized Survey Responses

Valley Water Customer Satisfaction Survey Community Projects Resources Unit

CONFIDENTIAL SURVEY

Please help us improve Valley Water's permit services by completing this 60-second survey about your experience by **January 15, 2021**. You received this survey because Valley Water identified you as having recently requested a permit to perform work or initiate activity on property owned by the Santa Clara Valley Water District.

Valley Water has contracted with TAP International to conduct this survey. To learn more about TAP International, go to <https://tapinternational.org/>. If you would like to speak to us directly, please contact Denise Callahan or Kate Kousser of TAP International at 916.549.0831.

All responses will be kept confidential and identifying information removed.

OK

1. How would you rate your overall experience with the Valley Water permit process?

- ☐ Excellent
- ☐ Very Good
- ☐ Satisfactory
- ☐ Unsatisfactory
- ☐ Does not apply

Answer Choices	Percent of Responses	Number of Responses
Excellent	21%	6
Very Good	17%	5
Satisfactory	24%	7
Unsatisfactory	38%	11
Does not apply	0%	0
Total	100%	29

2. Did Valley Water process your permit application within a reasonable amount of time?

- ☐ Exceeded my expectations
- ☐ Met my expectations
- ☐ Did not meet my expectations
- ☐ Does not apply

Answer Choices	Percent of Responses	Number of Responses
Exceeded my expectations	13.79%	4
Met my expectations	31.03%	9
Did not meet my expectations	55.17%	16
Does not apply	0.00%	0
Total	100%	29

3. Did Valley Water staff keep you adequately and consistently informed of the status of your permit application?

- ☐ Exceeded my expectations
- ☐ Met my expectations
- ☐ Did not meet my expectations
- ☐ Does not apply

Answer Choices	Percent of Responses	Number of Responses
Exceeded my expectations	13.79%	4
Met my expectations	37.93%	11
Did not meet my expectations	48.28%	14
Does not apply	0.00%	0
Total	100%	29

4. Did you receive courteous, clear, and complete answers to your questions regarding your permit application or the permit process?

- ☐ Exceeded my expectations
- ☐ Met my expectations
- ☐ Did not meet my expectations
- ☐ Does not apply

Answer Choices	Percent of Responses	Number of Responses
Exceeded my expectations	24.14%	7
Met my expectations	41.38%	12
Did not meet my expectations	27.59%	8
Does not apply	6.90%	2
Total	100%	29

5. How could Valley Water improve the permit process?

DONE

Powered by
 SurveyMonkey
 See how easy it is to create a survey.

Answers to Question 5:

- The permit process is straight forward. What needs improvement is the way important information about field conditions and related observations are brought into the greater understanding of environmental conditions, their impact on the community, and methods for bringing to compliance issues that compromise the public safety and security.
- In my experience the permit took a very long time to get.

- I think staff did a good job on processing the encroachment application. The only reason I marked them down on #3 is that it would be nice if the system would confirm receipt of the application so I know it is being worked on. Otherwise, great job!
- Faster reviews, more timely responses.
- Everyone I have worked with at the Valley Water have been knowledgeable and helpful. Permit turn around time has been measured in months instead of weeks for minor permits. There is not a process to let you know of the status of the permit.
- Permit review process takes too long of time and feels unorganized.
- The application was applied for in June 2020 and was issued on Sept. 2020. Invoices and photos were submitted for reimbursement in Oct. 2020 and the District contact person was notified with a phone call on the same day. As of January 2021 still awaiting reimbursement. The only individual who has been helpful in this process, [omitted] who after being contacted for the second time on the timing of the reimbursement contacted me to advise me of the status and timing of when a check might be issued. COVID is no excuse for the lack of response and delays that were encountered. A timely response to the application and reimbursement, to at a minimum meet the District's own published timeline would be a start to improving the process.
- Provide an online status of permits, increasing staff to address projects in a timely manner, etc.
- Assigned permit engineer did not communicate at all for a very routine request after repeated follow-ups, application stated 2 weeks, yet it took nearly 3 months after escalating to supervisor.
- The CPRU office was great, they did an excellent job with processing my permit application.
- speed up the process...have all comments back at the same time. Took almost a year to get permit.
- Clear explanations of fees, reasonable fees (their automatically escalating annual fee in public ROW is outrageous), permit issuance in a timeframe similar to surrounding agencies.
- Speed up the approval/review process. The process took about 6 months to complete and did not get a proper response time from the technician after numerous calls and emails
- Speed it up. I did not receive my permit in time for work prior to start of rains - which were way late this year.
- Expedite it. Return phone calls.

APPENDIX B: Detailed Description of Valley Water's Permit Process

Before the formal permit process begins, a prospective applicant must determine if their planned project or activity will adversely affect Valley Water facilities, property, or right-of way by requesting a preliminary review by CPRU to assess whether the proposed project or activity is feasible and will require a permit. If a permit is required, the applicant must submit project related documentation, such as engineering plans, federal or state environmental permits obtained from other agencies, biological assessments, and as-builts drawings. The permit application states that an application is not considered complete until the applicant has submitted, "all the information, drawings, reports, and other documents required by Valley Water" that show "that the proposed work will not adversely impact Valley Water's interests, including without limitation, the hydraulics, hydrology, structural integrity, maintenance, and property rights of Valley Water's right-of-way."

Permit processing then proceeds with three steps: Step 1 - record receipt of the application and Step 2 - compile all pertinent background information about the affected CPRU property and update the District's GIS layers to show the application. For Step 2, CPRU Technical Support staff compile information from multiple sources: CPRU's records about the affected property, current assessor's parcel maps, registered well information, and District GIS layers. The CPRU Manager or designated Associate Engineers assign projects (permit application and the project plans) to CPRU's Asset Protection Support staff. For Step 3, the Asset Protection Support staff – comprised of Engineers – conducts additional research, coordinates the review of the proposed work by other Valley Water units, and reviews the application and file to ensure that the permit will meet Valley Water's conditions, land rights, CEQA compliance, and insurance requirements. If the permit requires a real estate transaction, the Engineer will negotiate and prepare licenses, cost share agreements, and land rights transfers for non-capital projects, and may also review the HSLA, plats and description, deed language, appraisals, title reports, and preparation of CEO approval Board agenda memo. Applicants then revise the permit application, if needed, based on the comments from Valley Water reviewers.

The Engineer's review of the permit may require extra steps to gather more information from applicants regarding the project, or to obtain input from other Valley Water units to assess the impact of the planned project on Valley Water facilities, property, or right-of-way. Once the Engineer has completed their review, the Engineer updates the CPRU database, prepares a draft permit and invoice, and submits the package to the CPRU Manager for review. If an assistant Engineer prepared the draft permit, an Associate Engineer may first review the draft and return to the Assistant for further revisions. Step 4 includes the review and approval of the draft permit by the CPRU Manager, and then in Step 5, the Staff Analyst sends the draft permit to the applicant for signature with the invoice for payment and submission of the insurance requirements. During the COVID pandemic's work-from-home orders, CPRU adopted the use of DocuSign to allow electronic signature of documents. The CPRU Manager signs the draft permit, making it effective,

after the applicant has returned the signed permit, payment for the invoice, and insurance certificates. In Step 6, CPRU's Resident Construction Inspector performs the inspections as required by the permit. Finally, under Step 7 and upon completion of the permitted work the Staff Analyst under Step 7 obtains and files as-built plans of any permitted work and updates the CPRU database with the status of the permitted work. A separate unit within CPRU is responsible for enforcement of unpermitted activities, which were outside the scope of this audit.

APPENDIX C: Permits & Valley Water's Water Resource Protection Ordinance

Representatives from Valley Water, 15 cities, Santa Clara County, business, agriculture, streamside property owner and environmental interests formed the Water Resources Protection Collaborative in 2002 to clarify and streamline local permitting for streamside activities. In 2005, the Collaborative developed (and Valley Water later adopted) the *Guidelines & Standards for Land Use Near Streams* to guide permitting activities by public agency members of the Collaborative. The *Guidelines* describe 11 permitting tools for Valley Water and other Collaborative members to follow when issuing encroachment or streamside construction permits, including highlighting steps for coordination between the applicant, permit authority (such as Valley Water, the County or one of the 15 member cities) with Valley Water and each other regarding the water resources impact of the proposed activity. Other permitting tools in the *Guidelines* include exempted land uses, definitions of a stream and bank, questions to illicit information to be provided by the applicant about the project and on plans submitted to the permit authority. The Collaborative last updated the *Guidelines* in July 2006.

In 2007, Valley Water adopted the Water Resources Protection Ordinance, so that a Valley Water permit is only required when a person enters, modifies, or otherwise uses a Valley Water facility, property, or right-of-way. Prior to the Ordinance, for construction and activities near streams, applicants were required to obtain a permit from Valley Water regardless of whether the planned construction or activity would impact District facilities or land rights. If the construction or activity does not affect Valley Water's facilities or land rights, then the applicant is only required to obtain a permit from a local land use agency (either a city or the county, if unincorporated). Local land use agencies, staff explained, will often consult with CPRU when the agency receives permit applicants that could affect local waterways.

APPENDIX D: Management's Response

RECOMMENDATION 1 - The Watersheds' Chief Operating Officer should consolidate overlapping functions between CPRU and other Valley Water units (such as real estate transactions to RESU and CEQA reviews to the Environmental Planner) to reduce CPRU staff workloads and allow CPRU staff to focus on the provision of permit services.	
<p>MANAGEMENT RESPONSE: Management agrees with the recommendation.</p> <p>CPRU's critical function is to protect Valley Water assets where community and land development activities overlap. In doing so, staff collaborates with a wide variety of Valley Water staff. CPRU will brainstorm with RESU and Environmental Planning Unit ways to engage SMEs in these units to streamline workflow processes. In addition, Valley Water will be hiring an environmental planner which will help to reduce the overlap of this function.</p> <p>Target Implementation Date: March 2022</p>	<p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Management's response generally satisfies the recommendation.</p> <p>This recommendation is closely related to the Independent Auditor's recommendations to the Watersheds' Chief Operating Office to evaluate the feasibility of consolidating the CPRU and RESU to better streamline activities implemented by each unit, as described in a prior performance audit of the Real Estate Services Unit (<i>Real Estate Services can be a More Effective Resource for Valley Water</i>).</p> <p>A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>
RECOMMENDATION 2 - The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	
<p>MANAGEMENT RESPONSE: Management agrees with the recommendation.</p> <p>CPRU will update and complete the existing permit review policies, practices, and instruction guidance for various types of transactions to bring consistency in the review of projects.</p> <p>Target Implementation Date: June 2022</p>	<p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>

<p>RECOMMENDATION 3 - The CPRU Manager should develop and implement a training program that includes various courses on:</p> <ul style="list-style-type: none"> a. Permit processing for new and inexperienced staff, which will reduce time spent on final review and approval of draft permits. b. Customer service, building on the training experience of some CPRU staff completed earlier this year. c. Risk management, through coordination with the Valley Water Risk Manager, on Valley Water's insurance requirements. 	
<p>MANAGEMENT RESPONSE: Management agrees with the recommendation.</p> <ul style="list-style-type: none"> a) CPRU Manager and experienced staff will share their knowledge on permit processing and hold training sessions on permit review and processing, and guidance instructions for staff. b) CPRU Manager will incorporate customer service protocol into staff training sessions and look for training opportunities in the area of customer service and encourage staff to take the training. c) CPRU Manager and experienced staff will coordinate with Valley Water Risk Manager to develop and implement a training program to educate new staff on a regular basis and develop a guide sheet for customers. <p>Target Implementation Date: March 2022</p>	<p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>

<p>RECOMMENDATION 4 - The CPRU Manager should establish criteria for the order in which permit applications will be reviewed, who has the authority to authorize exemptions from that process and under what special circumstances authority could be delegated to issue a permit.</p>	
<p>MANAGEMENT RESPONSE: Management agrees with the recommendation.</p> <p>CPRU Manager will establish criteria for the order in which permit applications will be reviewed. Typically, the projects submittals are reviewed in the order they are received. The criteria will provide guidance for exceptions, which may be made on a case-by-case basis or as directed by the Permit Authority (CPRU Manager is designated as the Permit Authority). Prior to the planned absence of Permit Authority or other special circumstance, Permit Authority will designate an acting staff member authorized to issue a permit.</p> <p>Target Implementation Date: March 2022</p>	<p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>

RECOMMENDATION 5 - The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.

MANAGEMENT RESPONSE:

Management partially agrees with the recommendation.

In general, the assignment of liaison responsibilities will increase confusion and will take more time of the staff reviewing the permit to provide and explain the details of customer's request to the liaison. CPRU Manager will explore the role of a liaison where this may increase efficiency and coordinate with IT to explore other tools to integrate with the database (See response to Recommendation 6).

CPRU Manager will request additional resources from Management. Use of additional technicians to assist in background research for projects and review of routine, low-risk tasks will free up time to allow engineers to ensure consistent and timely communication on permit applications.

Target Implementation Date: October 2022

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. The use of additional resources – either a liaison or technician(s) – to perform provide customer service, would allow engineers more time to perform the technical reviews of permit applications and help to reduce review times. These additional resources may be critical to meeting customer's expectations while Valley Water's planned implementation of a new information systems for customer resource management (CRM) is undertaken that will also interface with another new information system that is planned to replace the current CPRU database. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 6 - The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:

- a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file.
- b. Expanded search function for researching past projects and permits.
- c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance.
- d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders.
- e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system.
- f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units.

MANAGEMENT RESPONSE: Management agrees and will approach the implementation of this recommendation in phases:

1. Modernize processes, support submission of permit applications, track requests, complete reviews, facilitate online reporting for customers and reduce administrative burden of tracking and reporting through the selection and implementation of a new CPRU online portal. Management will consider options to include this functionality within other active projects such as the Wells Management System Upgrade and Access Valley Water. (6a, d, e, f)
2. Expand search/research functions and reduce administrative burden via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022. (6b, f)
3. Create Dashboards and reports via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022, the ERP Capital Project currently underway. (6c)"

Target Implementation Date: Varies

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. A target date to complete all activities should be established and a follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 7 - The CPRU Manager should renew regular consultations with other member agencies of the Water Resources Protection Collaborative to allow CPRU to plan for upcoming large land review development requests and to establish a process for monitoring the status of existing agreements.

MANAGEMENT RESPONSE: Management agrees with this recommendation.

CPRU Manager will contact the cities within Santa Clara County to establish a process or set up regular coordination meetings to plan for upcoming large land development projects.

CPRU Manager will explore tools with IT that allow staff to set a trigger and inform of the status of existing agreements several months before the expiration to allow sufficient time for renewal or renegotiation. CPRU staff will also establish a periodic check in with each city to review responsibilities under these agreements.

Target Implementation Date: June 2022

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 8 - The CPRU Manager, in coordination with the Valley Water Risk Management Unit Manager, should develop communication strategies, such as instructional videos, screen shots, and/or brochures to make it easier for applicants and insurance brokers to understand Valley Water's insurance requirements.

MANAGEMENT RESPONSE: Management agrees with this recommendation.

CPRU Manager and staff will coordinate with Risk Management Unit Manager to develop communication strategies and re-evaluate the existing insurance requirements to align with the most up-to-date standards in the insurance practices, to make it easier for applicants and insurance brokers.

Target Implementation Date: March 2022.

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 9 - The CPRU Manager, with the assistance of the Watershed's Chief Operating Officer, should explore the feasibility of adopting strategies of other local agencies to promote their permit services, such as:

- a. Change the name of CPRU to a name that better describes its functions.
- b. Adopt a new model for the allocation of work among staff to minimize delays due to heavy demand, such as separating the roles of project coordination from technical review.
- c. Conduct regular outreach by letter or other communication to neighboring property owners (and to new buyers of neighboring property) describing Valley Water's permit services, the reason for the permit process, and how to access the services.

MANAGEMENT RESPONSE: Management agrees with this recommendation.

- a. CPRU Manager will explore and brainstorm with staff and stakeholders to consider change of unit's name. (Target Date: March 2022)
- b. CPRU Manager will ascertain a new model to consider separation of project coordination from technical review for low-risk, repetitive permit applications and will request additional resources to pursue implementation of the new model. (Target Date: October 2022)
- c. CPRU Manager and staff will work with Communication Unit to conduct outreach to neighboring property owners, engineering consulting firms, and city staff describing Valley Water's permit process, and how to access the services. (Target Date: June 2022)

Target Implementation Date: Varies

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 10 - Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.

MANAGEMENT RESPONSE: Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal.

Target Implementation Date: August 2022

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 11 - The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.	
MANAGEMENT RESPONSE: Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 12 - The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.	
MANAGEMENT RESPONSE: Management agrees with this recommendation. CPRU Manger will consider strategies to reduce processing time for low-risk, repetitive types of permit applications. CPRU Manager and experienced staff, through permit guidance instructions will add further clarity for new and less experienced staff and reduce ambiguity in the process. (Target Date: June 2022) Implementation of Recommendation 6 via the implementation of the Data Consolidation Capital Project Proof of Concept and the ERP Capital Project and the results of the fee study with the implementation of Recommendation 11, and results from Recommendation 13 will provide better information and insight to strategize the tracking and invoicing of permit applications and other processing tasks. (Target Date: June 2023 depending on the research outcome in Recommendation 13) Target Implementation Date: Varies	INDEPENDENT AUDITOR RESPONSE: Management's response generally satisfies the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 13 - The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments, and deposits. One option to consider is to use Valley Water's core financial management information system.	
MANAGEMENT RESPONSE: Management agrees and will engage in the research, specification, selection, procurement, and implementation of a comprehensive tool capable of ensuring accurate recording of invoices, payments, and deposits. Target Implementation Date: June 2023 depending on research outcome.	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 14 - The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation.	
MANAGEMENT RESPONSE: Management agrees and will approach the implementation of this recommendation in phases: <ol style="list-style-type: none"> 1. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021). 2. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022). 3. Implement an IT solution for invoicing that is linked to Valley Water's core financial system and aligns with Valley Water's billing and revenue collection policy (Target date – June 2023 depending on the research outcome (R13)) Target Implementation Date: Varies.	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

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APPENDIX D: Management's Response

RECOMMENDATION 1 - The Watersheds' Chief Operating Officer should consolidate overlapping functions between CPRU and other Valley Water units (such as real estate transactions to RESU and CEQA reviews to the Environmental Planner) to reduce CPRU staff workloads and allow CPRU staff to focus on the provision of permit services.	
MANAGEMENT RESPONSE: Management agrees with the recommendation. CPRU's critical function is to protect Valley Water assets where community and land development activities overlap. In doing so, staff collaborates with a wide variety of Valley Water staff. CPRU will brainstorm with RESU and Environmental Planning Unit ways to engage SMEs in these units to streamline workflow processes. In addition, Valley Water will be hiring an environmental planner which will help to reduce the overlap of this function. Target Implementation Date: March 2022	INDEPENDENT AUDITOR RESPONSE: Management's response generally satisfies the recommendation. This recommendation is closely related to the Independent Auditor's recommendations to the Watersheds' Chief Operating Office to evaluate the feasibility of consolidating the CPRU and RESU to better streamline activities implemented by each unit, as described in a prior performance audit of the Real Estate Services Unit (<i>Real Estate Services can be a More Effective Resource for Valley Water</i>). A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.
RECOMMENDATION 2 - The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	
MANAGEMENT RESPONSE: Management agrees with the recommendation. CPRU will update and complete the existing permit review policies, practices, and instruction guidance for various types of transactions to bring consistency in the review of projects. Target Implementation Date: June 2022	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 3 - The CPRU Manager should develop and implement a training program that includes various courses on: <ul style="list-style-type: none"> a. Permit processing for new and inexperienced staff, which will reduce time spent on final review and approval of draft permits. b. Customer service, building on the training experience of some CPRU staff completed earlier this year. c. Risk management, through coordination with the Valley Water Risk Manager, on Valley Water's insurance requirements. 	
MANAGEMENT RESPONSE: Management agrees with the recommendation. <ul style="list-style-type: none"> a) CPRU Manager and experienced staff will share their knowledge on permit processing and hold training sessions on permit review and processing, and guidance instructions for staff. b) CPRU Manager will incorporate customer service protocol into staff training sessions and look for training opportunities in the area of customer service and encourage staff to take the training. c) CPRU Manager and experienced staff will coordinate with Valley Water Risk Manager to develop and implement a training program to educate new staff on a regular basis and develop a guide sheet for customers. <p>Target Implementation Date: March 2022</p>	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 4 - The CPRU Manager should establish criteria for the order in which permit applications will be reviewed, who has the authority to authorize exemptions from that process and under what special circumstances authority could be delegated to issue a permit.	
MANAGEMENT RESPONSE: Management agrees with the recommendation. CPRU Manager will establish criteria for the order in which permit applications will be reviewed. Typically, the projects submittals are reviewed in the order they are received. The criteria will provide guidance for exceptions, which may be made on a case-by-case basis or as directed by the Permit Authority (CPRU Manager is designated as the Permit Authority). Prior to the planned absence of Permit Authority or other special circumstance, Permit Authority will designate an acting staff member authorized to issue a permit. <p>Target Implementation Date: March 2022</p>	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 5 - The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.

MANAGEMENT RESPONSE:

Management partially agrees with the recommendation.

In general, the assignment of liaison responsibilities will increase confusion and will take more time of the staff reviewing the permit to provide and explain the details of customer's request to the liaison. CPRU Manager will explore the role of a liaison where this may increase efficiency and coordinate with IT to explore other tools to integrate with the database (See response to Recommendation 6).

CPRU Manager will request additional resources from Management. Use of additional technicians to assist in background research for projects and review of routine, low-risk tasks will free up time to allow engineers to ensure consistent and timely communication on permit applications.

Target Implementation Date: October 2022

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. The use of additional resources – either a liaison or technician(s) – to perform provide customer service, would allow engineers more time to perform the technical reviews of permit applications and help to reduce review times. These additional resources may be critical to meeting customer's expectations while Valley Water's planned implementation of a new information systems for customer resource management (CRM) is undertaken that will also interface with another new information system that is planned to replace the current CPRU database. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 6 - The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:

- a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file.
- b. Expanded search function for researching past projects and permits.
- c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance.
- d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders.
- e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system.
- f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units.

MANAGEMENT RESPONSE: Management agrees and will approach the implementation of this recommendation in phases:

1. Modernize processes, support submission of permit applications, track requests, complete reviews, facilitate online reporting for customers and reduce administrative burden of tracking and reporting through the selection and implementation of a new CPRU online portal. Management will consider options to include this functionality within other active projects such as the Wells Management System Upgrade and Access Valley Water. (6a, d, e, f)
2. Expand search/research functions and reduce administrative burden via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022. (6b, f)
3. Create Dashboards and reports via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022, the ERP Capital Project currently underway. (6c)"

Target Implementation Date: Varies

INDEPENDENT AUDITOR RESPONSE:

Management's response generally addresses the recommendation. A target date to complete all activities should be established and a follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 7 - The CPRU Manager should renew regular consultations with other member agencies of the Water Resources Protection Collaborative to allow CPRU to plan for upcoming large land review development requests and to establish a process for monitoring the status of existing agreements.	
<p>MANAGEMENT RESPONSE: Management agrees with this recommendation.</p> <p>CPRU Manager will contact the cities within Santa Clara County to establish a process or set up regular coordination meetings to plan for upcoming large land development projects.</p> <p>CPRU Manager will explore tools with IT that allow staff to set a trigger and inform of the status of existing agreements several months before the expiration to allow sufficient time for renewal or renegotiation. CPRU staff will also establish a periodic check in with each city to review responsibilities under these agreements.</p> <p>Target Implementation Date: June 2022</p>	<p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>

RECOMMENDATION 8 - The CPRU Manager, in coordination with the Valley Water Risk Management Unit Manager, should develop communication strategies, such as instructional videos, screen shots, and/or brochures to make it easier for applicants and insurance brokers to understand Valley Water's insurance requirements.	
<p>MANAGEMENT RESPONSE: Management agrees with this recommendation.</p> <p>CPRU Manager and staff will coordinate with Risk Management Unit Manager to develop communication strategies and re-evaluate the existing insurance requirements to align with the most up-to-date standards in the insurance practices, to make it easier for applicants and insurance brokers.</p> <p>Target Implementation Date: March 2022.</p>	<p>INDEPENDENT AUDITOR RESPONSE:</p> <p>Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>

RECOMMENDATION 9 - The CPRU Manager, with the assistance of the Watershed’s Chief Operating Officer, should explore the feasibility of adopting strategies of other local agencies to promote their permit services, such as: <ol style="list-style-type: none"> Change the name of CPRU to a name that better describes its functions. Adopt a new model for the allocation of work among staff to minimize delays due to heavy demand, such as separating the roles of project coordination from technical review. Conduct regular outreach by letter or other communication to neighboring property owners (and to new buyers of neighboring property) describing Valley Water’s permit services, the reason for the permit process, and how to access the services. 	
MANAGEMENT RESPONSE: Management agrees with this recommendation. <ol style="list-style-type: none"> CPRU Manager will explore and brainstorm with staff and stakeholders to consider change of unit’s name. (Target Date: March 2022) CPRU Manager will ascertain a new model to consider separation of project coordination from technical review for low-risk, repetitive permit applications and will request additional resources to pursue implementation of the new model. (Target Date: October 2022) CPRU Manager and staff will work with Communication Unit to conduct outreach to neighboring property owners, engineering consulting firms, and city staff describing Valley Water’s permit process, and how to access the services. (Target Date: June 2022) Target Implementation Date: Varies	INDEPENDENT AUDITOR RESPONSE: Management’s response generally addresses the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 10 - Valley Water’s CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.	
MANAGEMENT RESPONSE: Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022	INDEPENDENT AUDITOR RESPONSE: Management’s response generally addresses the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 11 - The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.	
MANAGEMENT RESPONSE: Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022	INDEPENDENT AUDITOR RESPONSE: Management’s response generally addresses the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 12 - The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.	
MANAGEMENT RESPONSE: Management agrees with this recommendation. CPRU Manger will consider strategies to reduce processing time for low-risk, repetitive types of permit applications. CPRU Manager and experienced staff, through permit guidance instructions will add further clarity for new and less experienced staff and reduce ambiguity in the process. (Target Date: June 2022) Implementation of Recommendation 6 via the implementation of the Data Consolidation Capital Project Proof of Concept and the ERP Capital Project and the results of the fee study with the implementation of Recommendation 11, and results from Recommendation 13 will provide better information and insight to strategize the tracking and invoicing of permit applications and other processing tasks. (Target Date: June 2023 depending on the research outcome in Recommendation 13) Target Implementation Date: Varies	INDEPENDENT AUDITOR RESPONSE: Management’s response generally satisfies the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 13 - The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments, and deposits. One option to consider is to use Valley Water's core financial management information system.	
MANAGEMENT RESPONSE: Management agrees and will engage in the research, specification, selection, procurement, and implementation of a comprehensive tool capable of ensuring accurate recording of invoices, payments, and deposits. Target Implementation Date: June 2023 depending on research outcome.	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

RECOMMENDATION 14 - The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation.	
MANAGEMENT RESPONSE: Management agrees and will approach the implementation of this recommendation in phases: <ol style="list-style-type: none"> 1. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021). 2. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022). 3. Implement an IT solution for invoicing that is linked to Valley Water's core financial system and aligns with Valley Water's billing and revenue collection policy (Target date – June 2023 depending on the research outcome (R13)) Target Implementation Date: Varies.	INDEPENDENT AUDITOR RESPONSE: Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Community Projects Review Unit (CPRU)	1	The Watersheds' Chief Operating Officer should consolidate overlapping functions between CPRU and other Valley Water units (such as real estate transactions to RESU and CEQA reviews to the Environmental Planner) to reduce CPRU staff workloads and allow CPRU staff to focus on the provision of permit services.	<p><u>Management Response:</u> Management agrees with the recommendation</p> <p>CPRU's critical function is to protect Valley Water assets where community and land development activities overlap. In doing so, staff collaborates with a wide variety of Valley Water staff. CPRU will brainstorm with RESU and Environmental Planning Unit ways to engage SMEs in these units to streamline workflow processes. In addition, Valley Water will be hiring an environmental planner which will help to reduce the overlap of this function. Target Implementation Date: March 2022</p> <p><u>Auditor Response:</u> Management's response generally satisfies the recommendation.</p> <p>This recommendation is closely related to the Independent Auditor's recommendations to the Watersheds' Chief Operating Office to evaluate the feasibility of consolidating the CPRU and RESU to better streamline activities implemented by each unit, as described in a prior performance audit of the Real Estate Services Unit (Real Estate Services can be a More Effective Resource for Valley Water).</p> <p>A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: On Target. Environmental Planner hired summer 2021 and now dedicated to CPRU responsible agency review and other necessary CEQA support, including developing streamlining checklists to issue standard exemptions for minor routine permits, including the Adopt a Creek Program. CPRU manager meets regularly with Senior environmental Planner to coordinate on additional streamlining tools, upcoming projects, and high priority items.</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>CPRU manager held initial meeting with RESU and the Land Management Unit (LMU) to discuss overlapping functions such as documentation for right-of-way transactions and purchase and sale agreements, quitclaim of excess lands, and information requests for easement requirements. Both RESU and CPRU are currently in recruitment processes for new Unit Managers so these discussions will continue when permanent staff are in place.</p> <p>Revised Target Implementation Date: August 2022</p>
Community Projects Review Unit (CPRU)	2	The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	<p><u>Management Response:</u> Management agrees with the recommendation. CPRU will update and complete the existing permit review policies, practices, and instruction guidance for various types of transactions to bring consistency in the review of projects. Target Implementation Date: June 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: On Target: Completed process improvement study with consultant (ReEngine) to develop current workflow maps and conceptual future-state recommendations for the six major CPRU processes: Priority Information Request, Early Consultation, Technical Peer Review, Permits, Agreements, and ROW transactions. Improvements to the Permit Function are recommended to be primarily technology based: upgrading the current database to allow users to track time for specific categories, create notifications and alerts, and integrate with an external website to allow customers to check on project status at their own convenience through a journeyboard-style dashboard. Other specific process improvement recommendations include cost recovery improvements (see Recommendation 11), revised</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>standard procedures and timelines for internal review, and enhanced website to better inform customers about permit process and requirements.</p> <p>Non IT-based improvements (development and publication of revised/clarified procedures) are on track for implementation by June 2022. For IT-based improvements, see Recommendation 6.</p>
Community Projects Review Unit (CPRU)	3	<p>The CPRU Manager should develop and implement a training program that includes various courses on:</p> <ul style="list-style-type: none"> a. Permit processing for new and inexperienced staff, which will reduce time spent on final review and approval of draft permits. b. Customer service, building on the training experience of some CPRU staff completed earlier this year. c. Risk management, through coordination with the Valley Water Risk Manager, on Valley Water's insurance requirements. 	<p><u>Management Response:</u> Management agrees with the recommendation. a) CPRU Manager and experienced staff will share their knowledge on permit processing and hold training sessions on permit review and processing, and guidance instructions for staff. b) CPRU Manager will incorporate customer service protocol into staff training sessions and look for training opportunities in the area of customer service and encourage staff to take the training. c) CPRU Manager and experienced staff will coordinate with Valley Water Risk Manager to develop and implement a training program to educate new staff on a regular basis and develop a guide sheet for customers. Target Implementation Date: March 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: a) Complete/Ongoing CPRU Manager reorganized staff in summer 2021 to create an internal unit structure, appointing senior staff in supervisory roles. Among duties of supervisory staff is the onboarding of new members ensuring continual training/mentorship to provide high-level and efficient permit review and processing for direct reports. Acting Unit Manager instigated monthly training sessions, permit procedures training provided 2/22</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>b) Complete/Ongoing Training session on customer service protocol provided 3/22, new process information to be posted on website as part of Recommendation 2.</p> <p>c) Complete. Insurance requirement guidance sheet updated.</p>
Community Projects Review Unit (CPRU)	4	The CPRU Manager should establish criteria for the order in which permit applications will be reviewed, who has the authority to authorize exemptions from that process and under what special circumstances authority could be delegated to issue a permit.	<p><u>Management Response:</u> Management agrees with the recommendation. CPRU Manager will establish criteria for the order in which permit applications will be reviewed. Typically, the projects submittals are reviewed in the order they are received. The criteria will provide guidance for exceptions, which may be made on a case-by-case basis or as directed by the Permit Authority (CPRU Manager is designated as the Permit Authority). Prior to the planned absence of Permit Authority or other special circumstance, Permit Authority will designate an acting staff member authorized to issue a permit. Target Implementation Date: March 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: Complete. Initial review of applications occurs in the order the applications are received. However, the timeline for approval of applications is dependent on level of complexity, whether ROW transactions or other agreements are required, jurisdictional complexity (ie transactions/agreements between multiple external parties), timeline for other agencies to provide necessary and complete documentation, availability of internal reviewers from other units, legal complexity and level of risk, workload and competing priorities of legal staff, among many other factors. Criteria to elevate the priority of this review were identified to include regulatory requirements, urgency of request, importance of project to Valley Water interests, and special requests by Board members and executive staff. CPRU Manager delegates authority to an acting Manager during planned absences.</p>

Commented [RB1]: Can we change this to 'business'?

Commented [RB2]: Does this imply we are giving preferential treatment? Can this be reworded?

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Community Projects Review Unit (CPRU)	5	The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.	<p><u>"Management Response:</u> Management partially agrees with the recommendation. In general, the assignment of liaison responsibilities will increase confusion and will take more time of the staff reviewing the permit to provide and explain the details of customer's request to the liaison. CPRU Manager will explore the role of a liaison where this may increase efficiency and coordinate with IT to explore other tools to integrate with the database (See response to Recommendation 6). CPRU Manager will request additional resources from Management. Use of additional technicians to assist in background research for projects and review of routine, low-risk tasks will free up time to allow engineers to ensure consistent and timely communication on permit applications. Target Implementation Date: October 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. The use of additional resources – either a liaison or technician(s) – to perform provide customer service, would allow engineers more time to perform the technical reviews of permit applications and help to reduce review times. These additional resources may be critical to meeting customer's expectations while Valley Water's planned implementation of a new information systems for customer resource management (CRM) is undertaken that will also interface with another new information system that is planned to replace the current CPRU database. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: Complete/Ongoing. Additional technicians (2) have been hired and onboarded to conduct routine, low-risk tasks, freeing time for more senior staff to conduct/coordinate technical review in a more timely fashion and provide updates to customers. Additional improvements to customer service and communication to be implemented via database upgrades and customer dashboards (see Recommendation 6).</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Community Projects Review Unit (CPRU)	6	<p>The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:</p> <ul style="list-style-type: none"> a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file. b. Expanded search function for researching past projects and permits. c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance. d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders. e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system. f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units. 	<p><u>Management Response:</u> Management agrees and will approach the implementation of this recommendation in phases:</p> <ol style="list-style-type: none"> 1. Modernize processes, support submission of permit applications, track requests, complete reviews, facilitate online reporting for customers and reduce administrative burden of tracking and reporting through the selection and implementation of a new CPRU online portal. Management will consider options to include this functionality within other active projects such as the Wells Management System Upgrade and Access Valley Water. (6a, d, e, f) 2. Expand search/research functions and reduce administrative burden via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022. (6b, f) 3. Create Dashboards and reports via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022, the ERP Capital Project currently underway. (6c)" <p>Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A target date to complete all activities should be established and a follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022 Ongoing. IT-based improvements (database upgrades, notification/tracking and dashboard capabilities): team review of initial product workplans from Salesforce and OnBase Document Management anticipated in Spring 2022, implementation timeline TBD.</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Community Projects Review Unit (CPRU)	7	The CPRU Manager should renew regular consultations with other member agencies of the Water Resources Protection Collaborative to allow CPRU to plan for upcoming large land review development requests and to establish a process for monitoring the status of existing agreements.	<p><u>Management Response:</u> Management agrees with this recommendation. CPRU Manager will contact the cities within Santa Clara County to establish a process or set up regular coordination meetings to plan for upcoming large land development projects. CPRU Manager will explore tools with IT that allow staff to set a trigger and inform of the status of existing agreements several months before the expiration to allow sufficient time for renewal or renegotiation. CPRU staff will also establish a periodic check in with each city to review responsibilities under these agreements. Target Implementation Date: June 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: Complete/Ongoing. Regular consultations have been set up with Valley Transportation Authority, County Parks, and City of San Jose to discuss current, expiring, and new Joint Use and Joint Trail Agreements and allow for early input in the trails planning process. Monthly meeting with City of Sunnyvale Planning and Public Works department was set up, and meetings with other cities to commence this spring. Database upgrades anticipated to include status reminders for agreements with upcoming expiration dates (within 2 years). CPRU staff maintain a current list of agreements and expiration dates.</p>
Community Projects Review Unit (CPRU)	9	The CPRU Manager, with the assistance of the Watershed's Chief Operating Officer, should explore the feasibility of adopting strategies of other local agencies to promote their permit services, such as: a. Change the name of CPRU to a name that better describes its functions. b. Adopt a new model for the allocation of	<p><u>Management Response:</u> Management agrees with this recommendation. a. CPRU Manager will explore and brainstorm with staff and stakeholders to consider change of unit's name. (Target Date: March 2022) b. CPRU Manager will ascertain a new model to consider separation of project coordination from technical review for low-risk, repetitive permit applications and will request additional resources to pursue implementation of the new model. (Target Date: October 2022)</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		<p>work among staff to minimize delays due to heavy demand, such as separating the roles of project coordination from technical review.</p> <p>c. Conduct regular outreach by letter or other communication to neighboring property owners (and to new buyers of neighboring property) describing Valley Water's permit services, the reason for the permit process, and how to access the services.</p>	<p>c. CPRU Manager and staff will work with Communication Unit to conduct outreach to neighboring property owners, engineering consulting firms, and city staff describing Valley Water's permit process, and how to access the services. (Target Date: June 2022) Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022</p> <p>a. Complete. Unit brainstormed ideas for new name. Suggestion was made to change title to the Water Resources Protection Unit, but some expressed concern that this title would lead to the public confusing Valley Water with the Regional Water Quality Control Board (which already occurs). Unit agreed that since the primary function is to review community projects, the unit is named appropriately.</p> <p>b. Complete. Two staff technicians added to conduct straightforward/routine engineering reviews and permit processing. Technicians perform first pass and conduct preliminary research into land rights, as-builts, flood information and qualifications, and other background research, and provide initial recommendations to staff.</p> <p>c. On Target. Supervising engineering technician coordinating with Communications unit to update external website and optimize visibility. Permit services discussed at regular meetings with city staff.</p>
Community Projects Review Unit (CPRU)	10	Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.	<p><u>Management Response:</u> Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022</p> <p><u>Auditor Response:</u></p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: On Target. Assessed need for consultant services to conduct comparative fee structure and cost recovery goal analysis, and present updated fee schedule for Board approval. Assessment concluded that internal experts will conduct the analysis and made recommendations.</p>
Community Projects Review Unit (CPRU)	11	The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.	<p><u>Management Response:</u> Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: On Target See recommendation 10."</p>
Community Projects Review Unit (CPRU)	12	The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.	<p><u>Management Response:</u> Management agrees with this recommendation. a. CPRU Manger will consider strategies to reduce processing time for low-risk, repetitive types of permit applications. CPRU Manager and experienced staff, through permit guidance instructions will add further clarity for new and less experienced staff and reduce ambiguity in the process. (Target Date: June 2022) b. Implementation of Recommendation 6 via the implementation of the Data Consolidation Capital Project Proof of Concept and the ERP Capital Project and the results of the fee study with the implementation of Recommendation 11, and results from Recommendation 13 will provide better information and insight to strategize the tracking and invoicing of permit applications and</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>other processing tasks. (Target Date: June 2023 depending on the research outcome in Recommendation 13) Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally satisfies the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: a. Complete. See recommendation 9b (new staff) and 1 (checklist for streamlining CEQA responsible agency review of Adopt A Creek projects). b. On Target. See Recommendation 6.</p>
Community Projects Review Unit (CPRU)	13	The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments, and deposits. One option to consider is to use Valley Water's core financial management information system.	<p><u>Management Response:</u> Management agrees and will engage in the research, specification, selection, procurement, and implementation of a comprehensive tool capable of ensuring accurate recording of invoices, payments, and deposits. Target Implementation Date: June 2023 depending on research outcome.</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2023: On Target. An interim fix has been successfully deployed to temporarily address the issue. Software upgrade (see Recommendation 2) will provide a permanent fix. Consultant provided system requirement recommendations, which are currently under review, for inclusion in the new software process.</p>
Community Projects Review Unit (CPRU)	14	The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and	<p><u>Management Response:</u> Management agrees and will approach the implementation of this recommendation in phases:</p>

2021 PERMITTING BEST PRACTICES AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation.	<p>a. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021).</p> <p>b. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022).</p> <p>c. Implement an IT solution for invoicing that is linked to Valley Water's core financial system and aligns with Valley Water's billing and revenue collection policy (Target date – June 2023 depending on the research outcome (R13))</p> <p>Target Implementation Date: Varies.</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CPRU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p> <p>Status 5/2022: a. Complete. CPRU Invoices are processed in MuniBilling as of April 2022. b. On Target. Valley Water engaged financial consultant (MGO) to provide expertise in drafting a new CPRU billing policy. Final Reports expected May 2022. c. On Target. Existing billing system (MuniBilling) has been leveraged as a temporary solution while new CPRU system is researched, identified and implemented. The temporary solution was successfully rolled out in April 2021 and is currently in use. See Recommendation 6.</p>

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Valley Water

Clean Water • Healthy Environment • Flood Protection



Permitting Best Practices: CPRU Performance Audit Progress Report

Board Audit Committee

May 23, 2022

Audit Findings

Finding 1: CPRU Provides Many Services to Protect Valley Water's Assets and Interests, Beyond Issuing Encroachment Permits; Some Overlap the Role of Other Valley Water Units

Finding 2: CPRU's Permit Process Could be Better at Meeting Customer and its Own Expectations for Timeliness and Communication

Finding 3: Timeliness Concerns Attributed to Multiple Factors

Finding 4: Local Agencies' Strategies Could Benefit Valley Water

Finding 5: Update Needed for Fee Schedule and Cost Recovery Strategy

Finding 6: Robust Internal Control Framework Needed to Ensure Accurate and Timely Invoicing and Collection of Fee Payments

Key Accomplishments

- Clarified CPRU critical function and core processes.
- Hired and onboarded new staff and additional staffing resources are allocated.
- Established dedicated environmental planner support and streamlined CEQA review.
- Identified IT system requirements and launched procurement process for permit database upgrades and financial software.
- Implemented internal financial controls and MuniBilling.

CPRU's **critical function** is to protect Valley Water assets where community and land development activities overlap.

Core Processes

**Priority
Information
Request**

**Early
Consultation**

**Technical
Peer
Review**

Permits

Agreements

Recommendations 1 and 2 **Confirm Core Functions and Standardize Processes**

- Process mapping and future state recommendations
- Dedicated environmental planning staff
- CEQA streamlining
- Defining roles and responsibilities to improve workflow
- Revised standard procedures and timelines

Status: On Target

Recommendation 3 Training Program

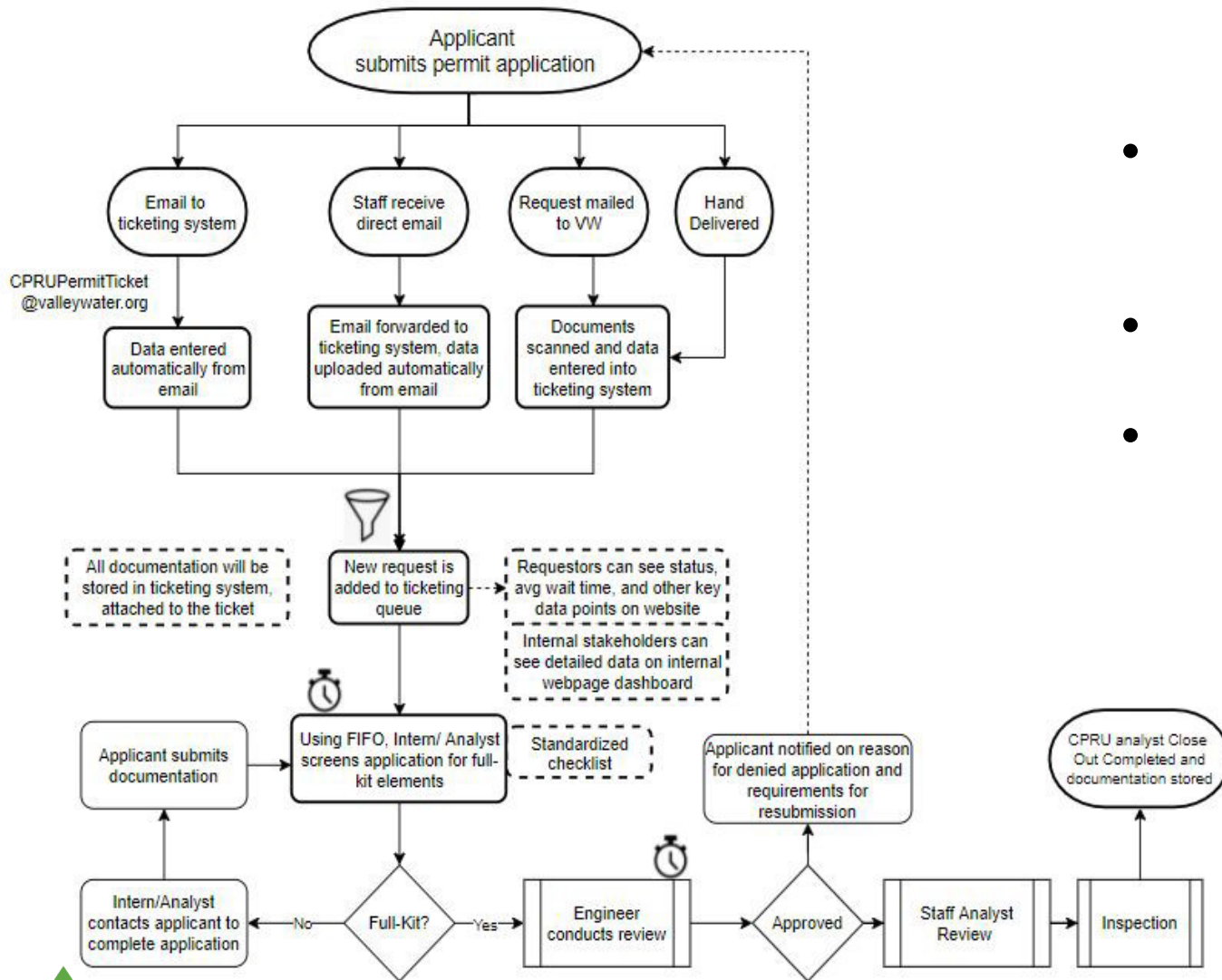
- Implemented supervisory structure to improve knowledge sharing
- Launched monthly training sessions by senior staff
- Improved onboarding procedures
- Developed insurance requirements guidesheet

Status: Complete/Ongoing



valleywater.org

Recommendations 4 and 12 Improve Efficiency of Permit Processing



- Technicians address initial and routine tasks
- Standardized processes and timelines
- Systems improvements

- Customer liaison responsibilities shared/confirmed
- Staff dedicated to customer response
- Early consultation streamlines permit process
- Systems improvements will allow customers to monitor status

Status: Complete/Ongoing

Recommendation 6 IT Upgrades

For Customers

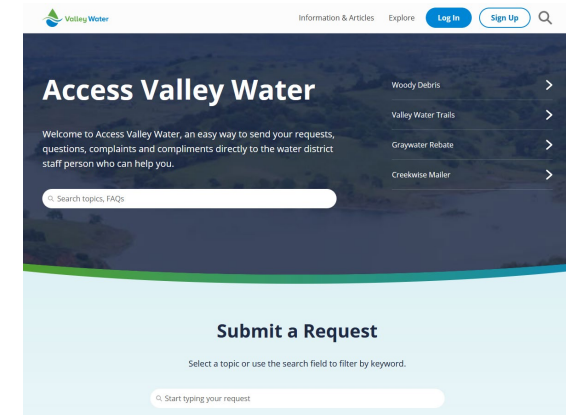
- Electronic Application Process
- Online Status and Updates
- Cost and Time Tracking
- Electronic Permits
- Online Payment

For Department Staff

- Notifications and Reminders
- Single Place for all Information
- Dashboards & Tracking



Process Improvement



Leveraging Existing Technologies



Status: On Target

valleywater.org

Recommendation 7: Regular Consultations with Municipalities

- Staff appointed as trails liaison with County and municipalities to proactively influence new planned trails
- Regular meetings with cities of Cupertino, San Jose, and Sunnyvale to discuss development projects
- Annual meetings with all municipalities to promote protection of water resources/Valley Water assets
- Monthly meetings with key private developers to provide early input
- Water Resources Protection Manual expansion to clarify permitted use of Right of Way

Status: Complete/Ongoing

- Cost recovery goal and comparative fee analysis
- Financial software tool for invoicing and collection
- Financial management internal controls
- Billing and revenue collection policy

Status: On Target

Key Next Steps

- IT/CPRU selects and implements financial, content management, and permit tracking tools: FY23 Q4
- Comparative fee analysis and cost recovery goal setting: FY23 Q2
- Continued clarification of roles, standard procedures/timelines, and checklists: ongoing
- Right of Way Use Policy Project/WRPM Expansion: FY23 Q2
- Proactive coordination with developers and municipalities: ongoing

QUESTIONS





Santa Clara Valley Water District

File No.: 22-0655

Agenda Date: 5/23/2022
Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Progress Report on Implementing the Grants Management Performance Audit Recommendations.

RECOMMENDATION:

Receive information on the progress of implementing the recommendations from the Grants Management Performance Audit.

SUMMARY:

On February 17, 2021, the Board Audit Committee accepted the Grants Management Performance Audit Report by TAP International's subcontractors, Greta MacDonald and Drummond Kahn. Subsequently, the Grants Management Performance Audit Report was accepted by the Board of Directors on March 23, 2021. Since then, staff has continued implementing the 11 recommendations as described in the Management Response to the audit report, and will provide progress updates to the Board Audit Committee semi-annually.

In the first six months since the Board approved the Grants Management Performance Audit Report, five of the 11 recommendations were achieved and six were in progress. Since the last progress update to the Board Audit Committee on September 15, 2021, key updates include:

- **Moving forward with a grants redesign consultant** - An RFP was issued for consultant services to redesign the grants program to address the audit recommendations of right sizing and the expanded project type criteria. No bids were submitted, so staff reached out to potential consultants for a sole-source contract. Staff identified Duckler Consulting to perform the grants project type criteria redesign. Duckler Consulting will develop new grant project requirements, qualifications and evaluation criteria to update and/or replace the current point and weight system and grant funding allocation matrix; develop one comprehensive set of project evaluation criteria that would apply to multi-benefit projects (projects of more than one project type); and expand the eligible project types as described in Measure S. Staff continues to reach out to other potential consultants for the grants administration redesign and right sizing work.

- **Continued to administer active grants while making improvements** - Since April 2021, 17 new agreements were executed, 5 amendments were executed, 30 agreement closeouts were processed, and 65 invoices were processed. Invoices were approved for payment within 20 days, on average, after being submitted by the grantee. There are currently a total of 73 active grants, which includes 40 standard grants, 7 partnerships, and 26 mini-grants. Additionally, 21 standard grants applications were submitted in the FY22 standard grant cycle.
- **Staffing transitions and recruitments** - Two staff members were promoted, one to another business area within Valley Water and one to another company. That left two vacancies on the grants team for the Senior Management Analyst and the Staff Analyst positions. The recruitments are currently underway, with one position about to be filled and the second position accepted applications by May 8, 2022. Additional resources are also being secured to support the grants program.
- **Nearing completion of the Grantee Guide and Grants Manual** - Staff continues to work with a consultant to create a Grantee Guide and a Grants Manual to outline processes and procedures for applicants, grantees, and staff. Preparation of these documents is underway and expected to be completed by June 2022.
- **Preparing for the second annual independent grantee survey** - Staff plan to conduct the next anonymous survey of grantees in summer 2022. The last survey was conducted by an independent third-party in July 2021 and the results were presented to the Board Audit Committee in September 2021.
- **Trainings to learn industry best practices** - The grants management team attended the PEAK Grantmaking conference in March 2022.

A summary of the 11 recommendations and an update on the six recommendations that are in progress is included as Attachment 1.

ATTACHMENTS:

Attachment 1: Grants Audit Progress Report
Attachment 2: PowerPoint

UNCLASSIFIED MANAGER:

Marta Lugo, 408-630-2237

Grants Management Performance Audit Progress Report – May 2022

#	Audit Recommendation	Implementation Status
1	<p>Valley Water should consider developing clear guidelines for “right-sized” application and reporting processes, meaning that application and reporting requirements should be scaled to fit the size, risk, and complexity of each individual grant:</p> <ol style="list-style-type: none"> Valley Water should develop a formal due diligence policy and perform a due diligence review for high risk grant projects. A due diligence review of applicants determines the reasonableness of the grant and grantee’s ability to perform and assess the extent of the grantee’s reliance on grant funds. This would include analysis of managerial and fiscal capacity and past performance. For example, verify grantees have the requisite financial management systems that will produce invoice detail required by the grant agreement, or, gain an understanding of the type of system capabilities the non-profit has to assess whether they can comply with financial reporting required by the grant agreement. For high-risk grants where financial statements are required, analyze fiscal health indicators of the entity and formalize the analysis within the grant file. For areas where Valley Water already implements a number of best practices such as checking GuideStar to verify the non-profits current status and to view the grantee’s IRS Form 990, staff should also memorialize its analysis in the grant file. For smaller non-profits or community groups, based on risk, Valley Water should consider simplifying reporting requirements or developing alternative requirements for projects under a dollar threshold, like \$25,000, or establish a tiered structure and treat smaller projects similar to mini-grants. 	<p>In Progress – Target FY2023</p> <p>Staff is working on hiring a consultant to “right-size” the grants guidelines and address a. and b. of this recommendation.</p> <p>In the meantime, staff is simultaneously working on other ways to “right-size” the grants guidelines and simplify reporting requirements for smaller projects.</p> <p>To address c. of this recommendation, currently the only reporting requirement for mini-grant projects is a one-page final project fact sheet that summarizes the project outcomes upon completion. No receipts or other supporting documentation is required. Staff also implemented an insurance waiver request form and process for low-risk grant projects.</p> <p>Staff is developing the new Bottle Filling Station grant funding opportunity to include a shorter agreement, fewer required reviewers and a shorter routing time, a streamlined CEQA review using a checklist, no insurance requirements, and a photo as the reporting requirement.</p>
2	<p>As new grants are awarded, an orientation for new grantees should be mandatory, and Civic Engagement should provide an electronically accessible grantee guide, outlining all requirements for programmatic and financial reporting compliance. This can be as simple as compiling existing documents, developing reporting templates and developing a process map and including instructions on who to call based on the nature of the question.</p>	<p>In Progress – Target June 2022</p> <p>Staff began implementing kick-off/orientation meetings with all new standard grantees after agreement execution in early FY21. Staff send an onboarding email to mini-grantees with the grant information as part of the award notification. Staff remain available and accessible to all grantees throughout the process.</p>

		A consultant was hired to create a Grantee Guide to outline processes and procedures for applicants and grantees. These documents are expected to be completed by June 2022.
3	Best practices suggest utilizing a grant management information system to run regular reports to track timeliness and to conduct other monitoring activities. While many monitoring functionalities for FLUXX remain in progress, we recommend, at a minimum, adding another column to the Grant Tracker spreadsheet to track the 45-calendar day payment window once initial contact has been made with the grantee. These payment cycle time metrics should be tracked and reported internally monthly, and to the Board Audit Committee quarterly.	<p>Achieved – September 2021 Staff continue to track the timeliness and monitoring of grants activities. Staff continue to process invoices within the 30-day payment deadline once an invoice is approved.</p> <p>Since April 2021, 65 invoices were processed and approved for payment within 20 days, on average, after being submitted by the grantee.</p>
4	Monitoring should be conducted, either manually or through automated reminder emails in FLUXX, to ensure that a progress report, or another form of communication from a grantee, is submitted quarterly ensure that Valley Water is kept apprised of project status and to ensure that work is aligned with the grant agreement.	<p>Achieved – September 2021 Staff set up automatic reminders in the Fluxx grants management system, and continue to monitor grant projects by following up via email.</p>
5	In addition to right sizing invoicing requirements based on the grant’s risk level, Valley Water should right-size the level of progress reporting detail required for smaller dollar value standard grants, for example, under \$25,000.	<p>In Progress – Target FY2023 Staff is working with the Contracts unit to retain a consultant to work on the grants administration redesign to “right-size” the level of progress reporting detail for smaller dollar value standard grants.</p> <p>In the meantime, staff is simultaneously working on other ways to “right-size” the grants guidelines and simplify reporting requirements for smaller projects.</p> <p>Currently, the only reporting requirement for mini-grant projects is a one-page final project fact sheet that summarizes the project outcomes upon completion. No receipts or other supporting documentation is required. Staff also implemented an insurance waiver request form and process for low-risk grant projects.</p> <p>Staff is developing the new Bottle Filling Station grant funding opportunity to include a shorter agreement, fewer required reviewers and a shorter routing time, a streamlined CEQA review using a checklist, no insurance requirements, and a photo as the reporting requirement.</p>

6	<p>Valley Water should explore where, within existing District policies, it can augment grant requirements for grant agreements and invoicing for certain grantees based on risk: partnerships, repeat grantees, establish grant value thresholds, and determine whether the number of approvals and signatures for payments are appropriate. At a minimum, for smaller, lower risk grants, Valley Water should re-assess its reporting and invoicing requirements based on risk, dollar value, and project complexity.</p> <ol style="list-style-type: none"> For example, Valley Water could treat grant agreements up to \$25,000 like mini-grants and expedite payment for low-risk grants and low dollar amount invoices from trusted long-term grantees. Valley Water could consider paying unquestioned amounts earlier, and focus more scrutiny on riskier, larger dollar amount invoices from new grantees. Valley Water could also consider reimbursing expenses when invoiced and then using the closeout process to reconcile remaining amounts below a reasonable threshold. For example, if a grantee bills \$10,000 for its performance, and Valley Water questions \$500 of that amount, it could consider paying the unquestioned amount first, then resolve the questioned amount by project. Staff should focus their review on whether grantee costs are reasonable, allocable and allowable in accordance with the project budget and grant agreement guidelines. Spot checks would be performed to ensure calculations are correct and that receipts match the totals. The level of scrutiny applied and depth of review would be based on the grant and grantee risk factors, as determined by management. 	<p>In Progress – Target FY2023</p> <p>Staff is working with the Contracts unit to retain a consultant to work on the grants administration redesign to “right-size” the grant reporting and invoicing requirements based on risk, dollar value, and project complexity, and develop processes for risk assessment and financial reporting system compliance.</p> <p>In the meantime, staff is simultaneously working on other ways to “right-size” the grants guidelines and simplify reporting requirements for smaller projects.</p> <p>Currently, staff is approving partial payment for unquestioned amounts in invoice reimbursement requests or withholding a 10 percent retention that is approved for payment after the required supporting documentation has been submitted.</p>
7	<p>Should Valley Water decide to continue to require the same information for progress and invoice submission, they should:</p> <ol style="list-style-type: none"> Confirm the integrity of grantee financial management system data used for review before award. Include language in the grant agreement such as, “Failure to submit an accurate financial invoice in a timely manner may result in payments being withheld, delayed, or denied, and will result in payment delays”. 	<p>In Progress – Target FY2023</p> <p>Staff is working with the Contracts unit to retain a consultant to work on the grants administration redesign to “right-size” the grant requirements for agreements and invoicing based on the grant’s risk, dollar value and project complexity.</p> <p>Since September 2021, the auditor’s suggested language has been incorporated into the agreement templates for standard grants and partnerships.</p>
8	<p>Valley Water should solicit grantee and partnership feedback regularly, conducted by an independent third party, as best practices suggest. In addition to assessing satisfaction with the</p>	<p>Achieved – September 2021</p> <p>A consultant conducted an anonymous survey of grantees in July 2021 and results were presented to the Board Audit Committee in</p>

	program, inquiries should be made to determine the extent to which partial funding has impacted the grantee and the project.	<p>September 2021. Staff will use the survey results to improve the program and plans to continue to annually collect feedback from grantees.</p> <p>Staff plan to conduct the next grantee and partner survey in summer 2022.</p>
9	Valley Water should determine a reasonable goal and timeline for final closeout and final payment, including the release of retention. The established dates and timelines should be monitored in the Grant Tracker and when possible, included in any automated flags and alerts that FLUXX can provide.	<p>Achieved – September 2021</p> <p>Staff established a 60-day timeline to close out a project after the final invoice is paid in full, and continue to track and monitor it the grants tracking sheet on a weekly basis.</p>
10	Valley Water should prioritize developing a grants management operations manual containing all relevant policies and procedures.	<p>In Progress – Target June 2022</p> <p>A consultant was hired to work on the Grants Manual to outline processes and procedures for staff. These documents are expected to be completed by June 2022.</p>
11	<p>To ensure that staff understand and carry out their internal control responsibilities, and to promote accountability, Valley Water should consider reconfiguring job assignments to enhance the grants management function once the backlog has been addressed and policies and procedures are developed:</p> <p>a. Option 1: Assign Staff by Priority Area and Specific Grants. This would allow staff to become familiar with the priority area, programs and grantees, as well as create a balanced number of programs a grant manager is expected to manage. This would benefit the grantee with the assignment of a single point of contact for questions at any phase of the project. This would allow for important information concerning a grantee, and project details learned in the application stage to transfer to active project management and throughout the life of the project. The downside to this option is that grant managers would still be required to perform duties that they might not have the technical capacity, knowledge or authorization to properly perform, such as a subject expert having responsibility for invoice processing, or a finance and accounting expert having responsibility for program oversight.</p> <p>b. Option 2: Split Application and Active Grant Management Duties. Civic Engagement may consider dividing the work performed during the application cycle and work performed during the active project management cycle into two separate</p>	<p>Achieved – September 2021</p> <p>The staff positions have designated roles and responsibilities. However, two positions were recently promoted out of the grants program, and recruitment efforts are underway to fill the two vacancies as soon as possible.</p> <p>The grants team continues to meet weekly to ensure sufficient cross-training on all grants management tasks and active items to ensure cohesive, consistent, and uninterrupted customer service to all grantees.</p> <p>The grants team identified individual training opportunities through the Valley Water annual goal setting process to continue learning industry best practices and expand knowledge of grants management. In March 2022, the grants team attended the PEAK Grantmaking conference, and staff will continue to explore and attend additional grants training to ensure best practices continue to be updated and implemented.</p>

	<p>positions or teams. From an efficiency perspective, this delineation could improve overall workflow by decreasing bottlenecks that occur during certain times of the year (e.g., the allocation/application cycle) and ensure that a sufficient number of staff remains focused on active grant management, such as invoice review processing and monitoring. Additionally, with such a delineation of duties, one individual could be assigned to or specialize in contracts and billings for all grants.</p> <p>c. Once job assignments are determined, the Supervising Program Administrator and Unit Manager should develop a training manual and schedule that clearly identifies the type of training needed to effectively perform specified job duties to address any gaps in staff knowledge, skills and abilities.</p> <p>d. As the Safe, Clean Water grants program grows, and the grants management function within Civic Engagement expands, develop grants management position descriptions.</p>	
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Valley Water

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Safe, Clean Water Grants Management Performance Audit Progress Report

Board Audit Committee
May 23, 2022

Key Updates

- Moving forward with grants redesign consultant for the expanded project type criteria.
- Continued to administer 73 active grants while making improvements.
- Staffing transitions and recruitments.
- Trainings to learn industry best practices.
- Grantee Guide and Grants Manual nearing completion.
- Preparing the second annual independent grantee survey.

Progress Update

Of the **11** recommendations:

- **5** recommendations were **achieved** by September 2021
- **6** recommendations are **in progress**, of which:
 - **2** are on target to be achieved in **June 2022** with the completion of the Grants Manual and Grantee Guide.
 - **4** are on target to be achieved in **FY2023** with the completion of the grants redesign and right sizing.

QUESTIONS



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Santa Clara Valley Water District

File No.: 22-0619

Agenda Date: 5/23/2022

Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

South Bay Clean Creeks Coalition Partnership Agreement. (Continued from April 20, 2022)

RECOMMENDATION:

Receive information on the South Bay Clean Creeks Coalition (SBCCC) Partnership Agreement.

SUMMARY:

After a series of exchanges of emails between Santa Clara Valley Water District (Valley Water) staff and SBCCC, on December 7, 2021, Mr. Steve Holmes, Executive Director of SBCCC, sent an email to Director Gary Kremen and Director Richard Santos (Attachment 1) expressing his concerns regarding the administration of SBCCC's Partnership Agreement with Valley Water's grant process.

On December 14, 2021, Valley Water staff sent a letter to Mr. Holmes expressing concerns regarding SBCCC's efforts in meeting with Valley Water staff as requested and meeting the requirements of the Partnership Agreement (included in Attachment 2). On December 26, 2021, Mr. Holmes emailed CEO Rick Callender and ACEO Melanie Richardson expressing concerns with the requirements of the Partnership Agreement and Valley Water staff efforts. On December 27, CEO Callender emailed Mr. Holmes (Attachment 3) to inform him that as CEO he would be asking for an independent third-party management review to be conducted to evaluate, review, and make recommendations surrounding the allegations asserted by both Valley Water staff and the SBCCC.

As this matter directly relates to recommendations from the 2020 Grant Management Audit, executive management instructed staff to engage one of the third-party consultants assisting with management audits to lead the 3rd party management review. As such, PMA Consultants was engaged to conduct the review.

The purpose of this agenda item is for the Board Audit Committee (BAC) to receive the findings and recommendations associated with the review and provide any comment or feedback as appropriate.

FINDINGS:

Based on the information provided and reviewed, interviews with Valley Water staff and interview with Mr. Holmes, PMA Consultants had the following findings:

-
1. The Partnership Agreement used a contract vehicle (i.e., a Standard Technical Services Agreement) which was unique when compared to the current agreement used for Grants.
 2. SBCCC is not fully aligned with Valley Water as to the primary purpose and uniqueness of the Partnership Agreement, specifically:
 - a. SBCCC refers to the Partnership Agreement as a “Grant” which is incorrect.
 - b. Based on our interview with Mr. Steve Holmes (SBCCC’s Executive Director), SBCC believes the primary purpose of the Partnership Agreement is to get disadvantaged communities to participate in creek “clean-ups”. This perspective validates Valley Water’s staff concern that SBCCC does not recognize the importance of the outreach, education, and community engagement services with underserved communities. Valley Water viewed the primary objective as creating outreach and relationships with disadvantaged communities, and the subsequent clean up as a first step in getting involved after having created relationships and improving understanding of the educational aspects of the work. As stated in the Request for Proposals below, with emphasis:

*“The qualified entities to provide and support volunteer cleanup efforts and education to reduce contaminants entering the waterways and groundwater and **increase education and community engagement** for stewardship activities, **specifically in underserved and other communities** in Santa Clara County CA, USA along the Guadalupe and Coyote Watersheds.”*
 3. SBCCC knowingly and willfully let their worker’s compensation insurance lapse, although they knew it was a contractual requirement, in accordance with the provisions of Section 3700 of the California Labor Code. SBCCC justified the action based on “no response from Valley Water’s Procurement Department”, but there is no evidence of Valley Water having waived the requirement.
 4. All invoices submitted to date have been processed and paid, and SBCCC stated that they did not intend to issue another invoice.

Mr. Holmes stated no less than three (3) times during our interview that he considers the contract to be rescinded based on his request to be released as stated in his February 4, 2022 email (included in Attachment 3) to CEO Callender. Additionally, Mr. Holmes claims that he never received a fully executed contract and considers that as further reasoning why SBCCC should not be considered to be currently “in contract”. It is noted that during the review, a fully executed contract was documented.

PMA RECOMENDATIONS TO MANAGEMENT:

1. Continue to use the existing, and recently improved, soliciting and award process administered by the Office of External Affairs, versus using the Procurement department as

was the case in the Partnership Agreement.

2. Develop an escalation and dispute resolutions process and include it as part of future Grants and Partnership Agreements.
3. Review Valley Water insurance notification requirements, specifically related to third party notification of cancellation
4. Review and confirm that SBCCC's insurance is in place for this Agreement, and all other open grants
5. Internally discuss the probability of successfully accomplishing the goals of the Safe, Clean Water Program as funded by the Special Property Tax, in concert with SBCCC's request to be released from their contract and establish a plan to either move forward with SBCCC or release them and initiate the solicitation process as managed by the Office of External Affairs, similar to Grants.

ATTACHMENTS:

Attachment 1: SBCCC Communication to Valley Water

Attachment 2: Valley Water Communication to SBCCC

Attachment 3: CEO Email to SBCCC

Handout 4.2-A: SBCCC Letter

*Handout 4.2-B: SCVWD Response to SBCCC Letter

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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From: Gary Kremen <GKremen@valleywater.org>
Sent: Tuesday, December 07, 2021 4:38 PM
To: Michele King <MKing@valleywater.org>
Subject: Fwd: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Please distribute to audit committee

Gary Kremen

Begin forwarded message:

From: Steve Holmes <s.holmes@sbcleancreeks.com>
Date: December 7, 2021 at 1:05:40 PM PST
To: Gary Kremen <GKremen@valleywater.org>, Richard Santos <rsantos@valleywater.org>
Cc: Rick Callender <rcallender@valleywater.org>
Subject: Fwd: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

To: Dick Santos & Gary Kremen

From: Steve Holmes, South Bay Clean Creeks Coalition

Subject: Partnership Grant #33144

Attached you will find the past couple months of correspondence with VW Staff as we have been asked to revisit an executed grant from 2019. This review/overhaul has been on-going since April 2021 and been fraught with delays and reworks. At this point, my staff has told me that they refuse to administer Valley Water Grants. I'm pretty sure that modifying an executed contract is not a unilateral decision. I was hesitant to share these issues out of concern for repercussions with the many staff members I interface with at the District but this grant situation is toxic, robbed our group of the limited working hours available and ultimately been a fiscal drain on our monetary resources.

SBCCC has secured several grants via Clean, Safe Creeks Grants funding and has demonstrated our ability to execute all aspects of those previous grants. We also have numerous grants through other entities including County of Santa Clara, City of San Jose, Google, Knight Foundation, Sharks Foundation. This VW grant process is broken. I along with many of my partners are reluctant/ unlikely to submit grant requests due to how difficult and time consuming it is to finalize and receive funding. Valley Water has lost sight of how beneficial and necessary these funds are to NGO's as

we mutually struggle to clean our trash clogged waterways and educate community members. I can say that Staff has good intentions but has lost sight of the bigger picture.

So that you have a clear understanding of the struggles we have faced I have included several of the pain points below.

-Grant was to be awarded March 2018; one stipulation was we provide Workers Comp Insurance even though our work was covered under the City of San Jose. We purchased that insurance costing \$835 monthly then after no response from VW for 90 days and \$2505 paid out we canceled the policy. I met with Norma in August and explained once VW executed the grant we would secure a policy. In Sept, our contact reached out to inform us that due to not having an active policy that the grant would be handed over to the second place finisher. I explained my conversation with Norma which led to an internal review and grant ultimately awarded in Jan 2019. By stopping then restarting the insurance policy, we learned that this put us in a bad light with the insurer as premiums increased to \$1445 monthly with an addt. one time charge of \$15,437. And \$2900 paid out over Oct-Dec as we continued to wait. **So over \$5,000 wasted as we waited for a grant award 9 months after the posted March award date.**

-Since the work would be occurring in the field on Valley Water property, we were required to secure an Encroachment Permit. We submitted renewal forms into this Dept and emails defining the work area requesting a Permit. This required numerous emails requesting updates, **it took us ONE YEAR to secure, preventing our work from moving fwd.**

-Our first invoice review was delayed and stretched from one fiscal year into the next. Once the invoice was opened, several of the deliverable items were not accepted. Had we been notified in a timelier manner we could have shifted them to other grants but the delay due to turnover in the Dept meant we had to discard the work, receiving no credit.

-Due to all the starts and stops, Staff put in a request to extend the grant out 3 yrs. In April, we were notified and then asked to enter a deep dive of the grant having to provide definitions of work, schedules, clarify activities and this has gone on till now. You can see the level of granularity in the email stream that only dates back to Sept. Keep in mind that we already have an executed grant in place.

At this point, I feel the best path forward would be for us to prepare an invoice for all this extra work and development of materials, submit and receive payment then close out the grant. It is telling that the three most active groups along our waterways aren't seeking grants from Valley Water. I hope this shines light on a grant process that in essence tortures the grantees.

South Bay Clean Creeks Coalition just eclipsed 1,000,000 pounds of trash cleared from our waterways with over 15,000 volunteers hours logged. Our support for Valley Water had us invite a staff member to our recent Chinook Monitoring event. We share our findings with your Biology group on wildlife like our Chinook salmon. We regularly post on the good work Valley Water is accomplishing through our Social Media. We do need financial support from Valley Water, one solution would be to re-establish a new Partnership Grant between Valley Water and City of San Jose and have us work as agents as this was an effective approach in the past.

Sincerely,

Steve Holmes

----- Forwarded message -----

From: **Kristen Yasukawa** <KYasukawa@valleywater.org>

Date: Fri, Dec 3, 2021, 1:36 PM

Subject: RE: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

To: Steve Holmes <s.holmes@sbccleancreeks.com>, Carol Symkiewicz <c.szymkiewicz@sbccleancreeks.com>, Philip

Bair <p.bair@sbccleancreeks.com>

Cc: Sherilyn Tran <STran@valleywater.org>, Grants <Grants@valleywater.org>, Amy Fonseca <AFonseca@valleywater.org>

Hi SBCCC Team:

In preparation for our meeting next week, here are some follow up items. We can discuss these further and provide any clarification when we meet.

Thanks and have a great weekend!

Kristen

Updated Project Area Map (includes all red and black shaded areas)

<https://www.google.com/maps/d/u/0/edit?mid=1saCODhwwwyREkGLK8xb5S72ypb-7nUt&usp=sharing>

Translation Services

Our agency uses these professional translation services and then follows up with an internal translation review.

- AVANTPAGE – Emma Vargas, emma@avantpage.com, 530-750-2040 x16
- ANDESTRANSLATION – Isabel Oh, info@andestranslations.com, 408-515-5181

Translation guidelines:

1. Keep the organization Valley Water or Santa Clara Valley Water District in English.
2. Keep the city and street names in English.
3. Keep all webpage URLs and links the same in English.
4. For Chinese translation, Simplified Chinese is preferred over Traditional Chinese.

PPT Feedback

Our subject matter experts provided the following feedback on the PowerPoint presentations:

- Suggest clearly identifying the objective and call to action for each PPT
- Suggest aligning the PPT language and concept with the grade level (ex: some of the PPTs for elementary grades use the terminology for high school grade levels, or vice versa)
- Suggest aligning the presentations to learning standards such as Next Generation Science Standards or Common Core Standards
- Suggest incorporating engagement and interactive elements
- Suggest ensuring all text and graphics are legible, and complexity matches the grade level audience
- Recommend correcting grammar and misspellings (ex: Riparian Corridor PPT, slide 7 says “subsistence” should be subsidence)

KRISTEN YASUKAWA

COMMUNITY BENEFITS PROGRAM ADMINISTRATOR
Office of Civic Engagement
Tel. (408) 630-2876 / Cell. (408) 604-5356
[Schedule a meeting with me!](#)



SANTA CLARA VALLEY WATER DISTRICT
5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

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From: Amy Fonseca <AFonseca@valleywater.org>
Sent: Wednesday, November 24, 2021 9:48 AM
To: Steve Holmes <s.holmes@sbcleancreeks.com>
Cc: Philip Bair <p.bair@sbcleancreeks.com>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>; Kristen Yasukawa <KYasukawa@valleywater.org>; Sherilyn Tran <STran@valleywater.org>; Grants <Grants@valleywater.org>
Subject: RE: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Yes, that works!

Just sent out the Zoom invite.

Thanks,

AMY FONSECA

COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889



Clean Water • Healthy Environment • Flood Protection

5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

From: Steve Holmes <s.holmes@sbcleancreeks.com>
Sent: Wednesday, November 24, 2021 9:41 AM
To: Amy Fonseca <AFonseca@valleywater.org>
Cc: Philip Bair <p.bair@sbcleancreeks.com>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>; Kristen Yasukawa <KYasukawa@valleywater.org>; Sherilyn Tran <STran@valleywater.org>; Grants <Grants@valleywater.org>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Amy,

Can we reserve the 12/7 Tues at 2:00 time slot?

Steve

On Fri, Nov 19, 2021, 10:18 AM Amy Fonseca <AFonseca@valleywater.org> wrote:

Thanks, Steve. Right now, the following times are looking good:

Thurs 12/2 – 11:00 am

Mon 12/6 – 4:00 pm

Tues 12/7 – 2:00, 2:30, or 3:00 pm

Please let me know if any of those will work for you.

Thanks,

AMY FONSECA

COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

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From: Steve Holmes <s.holmes@sbcleancreeks.com>
Sent: Thursday, November 18, 2021 3:30 PM
To: Amy Fonseca <AFonseca@valleywater.org>
Cc: Philip Bair <p.bair@sbcleancreeks.com>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>; Kristen Yasukawa <KYasukawa@valleywater.org>; Sherilyn Tran <STran@valleywater.org>; Grants <Grants@valleywater.org>

Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Amy,

Apologize for the slow response. We've had 3 cleanups since Monday and several of my staff are away on vacation thru the 30th. Can we look at week of Dec 6th?

On Thu, Nov 18, 2021, 3:16 PM Amy Fonseca <AFonseca@valleywater.org> wrote:

Thanks, Philip.

Steve – is there any time next week that will work for you? If you could provide some options, I can see what we can arrange.

Thanks,

AMY FONSECA

COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

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From: Philip Bair <p.bair@sbcleancreeks.com>

Sent: Tuesday, November 16, 2021 12:18 PM

To: Amy Fonseca <AFonseca@valleywater.org>

Cc: Steve Holmes <s.holmes@sbcleancreeks.com>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>

Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

I can meet on Tuesdays/Thursdays after 12 and Wednesdays anytime (unfortunately not free on Mondays) - whatever ends up being decided.

On Mon, Nov 15, 2021 at 1:24 PM Amy Fonseca <AFonseca@valleywater.org> wrote:

Thanks, Steve.

If possible, we would like to meet before the holiday to get everything sorted out. The soonest time we can all meet after 11/24 would be Thurs 12/2.

Would any of the following days/times work?

Tues 11/16 – 4:30 pm

Thurs 11/18 – 9:00 am, 1:30 pm or 2:00 pm

Mon 11/22 – Anytime after 2:00 pm

Tues 11/23 - 8:30 am or 11:00 am

Wed 11/24 – 10:00 am or 2:00 pm

Please let us know.

Thanks,

AMY FONSECA

COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

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From: Steve Holmes <s.holmes@sbcleancreeks.com>
Sent: Monday, November 15, 2021 12:55 PM
To: Amy Fonseca <AFonseca@valleywater.org>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Whats available week after Thanksgiving and after the 30th is best.

On Mon, Nov 15, 2021, 12:52 PM Amy Fonseca <AFonseca@valleywater.org> wrote:

Hi everyone,

Would any of the following days/times work?

Tues 11/16 – 4:30 pm

Thurs 11/18 – 9:00 am, 1:30 pm or 2:00 pm

Mon 11/22 – Anytime after 2:00 pm

Let me know if you prefer another time.

Thanks,

AMY FONSECA
COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

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From: Sherilyn Tran <STran@valleywater.org>
Sent: Sunday, November 14, 2021 8:20 PM
To: Philip Bair <p.bair@sbcleancreeks.com>; Kristen Yasukawa <KYasukawa@valleywater.org>
Cc: Grants <Grants@valleywater.org>; Amy Fonseca <AFonseca@valleywater.org>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>; Steve Holmes <s.holmes@sbcleancreeks.com>
Subject: RE: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hi Steve,

Per our conversation last week, I'll request for Amy to set up some time for all of us to be on a call together so we can sort out some of these issues. I appreciate you getting on a call to discuss with me on ways we can come to a compromise on some of these issues, as you are aware of the responsibilities my team has as stewards of public funds and the expectations your staff may have in terms of acceptable deliverables. But as you and I discussed, I think there is a path forward. However, to avoid further miscommunication and out of mutual respect for the work that both of our teams are doing, I think it's best that we all, including you and I, be a part of the next conversation, and hopefully, final conversation to clarify these items so we can move forward. Looking forward to resolving these issues soon.

SHERILYN TRAN
CIVIC ENGAGEMENT MANAGER

Office of Civic Engagement
Ofc. (408) 630-2772 / Cell (408) 604-5836

Santa Clara Valley Water District is now known as:

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From: Philip Bair <p.bair@sbcleancreeks.com>
Sent: Thursday, November 11, 2021 1:25 PM
To: Kristen Yasukawa <KYasukawa@valleywater.org>
Cc: Grants <Grants@valleywater.org>; Sherilyn Tran <STran@valleywater.org>; Amy Fonseca <AFonseca@valleywater.org>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>; Steve Holmes <s.holmes@sbcleancreeks.com>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Attention Valley Water team,

Steve, Carol, and I have gone through the items from the previous email and have outlined our responses below.

This email request for additional information represents the final review of outstanding deliverables. We would like to inform you that we will submit an invoice for the additional work that has been created as a result of the response to the agreement (e.g. meetings, reworks, creation of additional materials, etc.). Any additional materials provided to Valley Water will be uploaded to the Google Drive folder shared specifically with Valley Water (link provided in previous meetings/emails to be bookmarked and saved). We have added some videos for your approval, along with the maps.

Past experiences have resulted in long delays from receipt of documents by Valley Water from SBCCC for review, which have hindered progress on this grant. We request a five business day review time with response. In the event we receive no response, those tasks will be deemed approved by Valley Water and we will proceed with the grant. Through the course of this grant, if this situation occurs three times, we will collectively agree for the review process to be canceled. We are creating a "for review" folder within the shared google drive folder we provided. Upon sending notification of items being added to this folder, they will remain there for five days for review. After this point, they will be considered approved if no response is provided.

We would like to know the best practice for how to submit invoices to Valley Water, if you could provide that.

Below are our responses to your email's bullet points:

- Per our meeting on 10/27/21, could you provide one map that shows the full project area?
Could you provide this map within the coming week by 11/12/21?

I think it is unreasonable for us to hand trace a portion of the underserved community map just to add it to our existing map. We will provide two maps, the original expanded team map and the additional underserved area in San Jose that we agreed to. We appreciate the flexibility in expanding the range of the map. Both maps are in the shared folder awaiting your review.

Outreach Plan

Specific outreach activities: "These outreach activities will need to be documented as they are confirmed and scheduled."

In the spirit of following the terms of the original contract, SBCCC is not required to provide these additional details.

Final schedule – **Given delays in response times, it is unreasonable to expect specific days and times laid out in a schedule in advance and prior to grant approval. Creation of this**

document will have little value until we begin working in the areas to establish partnerships.

List of key stakeholders signed on to partner in activities – **We have already provided a list of stakeholders in the original agreement, and a list of schools/parks has been provided within the currently agreed-upon grant areas. Related to the updated grant areas, a list of parks and schools can be found in the Communication Plan in the shared folder.**

Culturally relevant outreach materials - **We will not develop translated materials for k-12 english-learning schools. Outreach materials will be translated when stakeholder's preferred language dictates it (i.e. In canvassing neighborhoods, we will create a flyer in multiple languages). We will first create outreach materials in English and submit to Valley Water for approval. Once approved, we will create multi-language flyers using google translation and then forward it to a translation service for review. If Valley Water can provide us info about their translation services, that would be appreciated. We will not be translating PPT's into other languages - please note that we are still waiting on a response on the original PPT's, and it is a concern of turnaround time as well.**

BioBlitz events will count as presentation deliverable – **Details and materials were provided to Sherilyn by Steve, we would just like a response on that. We have provided you with two handouts that are presented to participants on the day of the event, along with visuals that tell the story of our living streams (thus creating value in protecting them and our environment). We have a poster provided by San Jose ESD by how trash gets into waterways that we also use. We typically have a small cleanup alongside the bioblitz that reinforces the importance of caring for our urban streams. We have videos of local wildlife that we also provide to attendees during tabling at bioblitz events. See shared folder for aforementioned documents.**

Post-educational outreach survey results – **We would like more clarity on how to administer a survey to k-12 students. Pencil and paper surveys are best suited for this age demographic, but turning this in as a deliverable will pose unrealistic challenges. We cannot administer individual online surveys given that students do not all have access to a device in school. We propose a group survey facilitated by the teacher that covers the efficacy of the presenter and information. We would like to remove the questions regarding demographics from the forms for the post-presentation educational survey results, as they are inappropriate.**

Cleanup plan – **We will provide site location two weeks in advance of a cleanup. We have provided a detailed plan of how we conduct cleanups in the past. Post-cleanup details will be shared with Valley Water, including # of volunteers, what schools or community groups they're from, pictures, and weight estimate.**

Youth Eco Stewards YES Program – **The YES program's scope is aligned with the educational outreach plan already in place - it is explained in both the proposal and the agreement.**

Link for drive once

more: <https://drive.google.com/drive/folders/1bk3rKtCk4iYY0uuAbvPmlXww7VtlcKcZ?usp=sharing>

Thank you for your help,

-SBCCC

On Thu, Nov 4, 2021 at 5:08 PM Kristen Yasukawa <KYasukawa@valleywater.org> wrote:

Hi Philip:

Thanks for your patience as we reviewed the updated documents you sent over. Our feedback is outlined below.

We also compared the plan with the scope and deliverables in the agreement and with what's been completed to date (see attached for the information in a table format).

Please let us know if you have any questions or if we can provide further clarification. We are available for a follow up meeting to further discuss any of these items as well.

I'll be out of the office starting tomorrow, so Amy will be available to work with you to keep these items moving forward.

Thank you!
Kristen

Project Location – Valley Water agrees with SBCCC's proposed project location to include the original project area + the expanded boundaries + the disadvantaged communities areas on the CalEnviroScreen map in Coyote/Guadalupe watersheds in San Jose (red areas of the map).

- Per our meeting on 10/27/21, could you provide one map that shows the full project area? Could you provide this map within the coming week by 11/12/21?

Outreach Plan – SBCCC provided a communication plan and schedule. Valley Water reviewed the plan and would like the following items to be addressed:

- **Specific outreach activities** – SBCCC explained that the specific outreach activities may vary as community groups, schools, stakeholders, etc. confirm availability. These outreach activities will need to be documented as they are confirmed and scheduled.
- **Final schedule** – As explained in the above first bullet, please notify Valley Water of the confirmed activities as far in advance as possible, when they are finalized and scheduled.
- **List of key stakeholders signed on to partner in activities** – The communication plan includes the list of schools that will be outreached to, but could you also include a list of the local businesses, community centers and community organizations that will be outreached to? The original agreement also mentions neighborhood associations, social clubs, local corporations and local elected official offices.
- **Culturally relevant outreach materials** – Thanks for noting that you will be using a professional translation service. Could you provide the name of your translation vendor? We would like our internal translation reviewers to review the translated materials in advance to ensure quality translations.
 - We'd like to note that in the communication plan, you mentioned that flyers will be translated but PPTs will not. It is industry best practice that if you invite participants to engage in another language, that that activity/presentation is also available in the same language.
- **List of educational outreach events** - As explained in the above first bullet, please notify Valley Water of the confirmed activities as far in advance as possible, when they are finalized and scheduled.

PPT presentations – We sent the PPTs to our graphics team for logo approval, and to our

internal subject matter experts for content accuracy. We let them know that you want to use these as soon as possible and we will follow up with their feedback as soon as we receive it, hopefully within the coming week.

BioBlitz events will count as presentation deliverable – Valley Water agrees to count BioBlitz events as a presentation, as long as at the beginning of the BioBlitz event, a verbal presentation covering the talking points and with other visuals (video, display boards, etc) are provided that align with the PPT presentation content.

Post-educational outreach survey results – Please share the survey questions, which should include optional demographic data collection (age, language spoken, ethnic background, etc.). The survey must be reviewed and approved by Valley Water

Cleanup plan – Please develop a cleanup plan that includes proposed cleanup sites, # of volunteers targeted and actual, list of participating collaborating partners in the community, and a timeline/schedule of activities. This clean up plan must be reviewed and approved by Valley Water.

Youth Eco Stewards YES Program – The original scope of work mentions implementation of a Youth Eco Stewards YES Program. Could you provide more information about this program?

KRISTEN YASUKAWA
COMMUNITY BENEFITS PROGRAM ADMINISTRATOR
Office of Civic Engagement
Tel. (408) 630-2876 / Cell. (408) 604-5356
SANTA CLARA VALLEY WATER DISTRICT
5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

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From: Philip Bair <p.bair@sbcleancreeks.com>
Sent: Thursday, October 28, 2021 1:20 PM
To: Amy Fonseca <AFonseca@valleywater.org>
Cc: Grants <Grants@valleywater.org>; Kristen Yasukawa <KYasukawa@valleywater.org>; Sherilyn Tran <STran@valleywater.org>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>; Steve Holmes <s.holmes@sbcleancreeks.com>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hello,

All the updates and changes have been made as per yesterday's meeting notes, see the link here: <https://drive.google.com/drive/folders/1bk3rKtCk4iYY0uuAbvPmIXww7VtlcKcZ?usp=sharing>

This folder is for your viewing and has all PPT's and supporting documents (including the supplemental communication plan - grant document that contains all the elaborative details). Let me know if you have any questions. Could we get a time estimate on when it could get looked at and approved?

Thank you,

-Philip

On Tue, Oct 26, 2021 at 2:05 PM Amy Fonseca <AFonseca@valleywater.org> wrote:

OK, just sent the zoom link.

Thanks,

AMY FONSECA
COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

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From: Philip Bair <p.bair@sbcleancreeks.com>
Sent: Tuesday, October 26, 2021 11:25 AM
To: Amy Fonseca <AFonseca@valleywater.org>
Cc: Grants <Grants@valleywater.org>; Kristen Yasukawa <KYasukawa@valleywater.org>;
Sherilyn Tran <STran@valleywater.org>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Tomorrow at 10AM works for me, thank you. Could you also invite Carol S. from our group as well for that time?

On Tue, Oct 26, 2021 at 10:15 AM Amy Fonseca <AFonseca@valleywater.org> wrote:

Hi Philip,

Sorry about that!

Kristen is out today. I can set something up for the following times:

Wed 10/27 (tomorrow) at 9:30 am, 10:00 am, 2:30 pm or 3:00 pm
Thurs 10/28 anytime after 1:30 pm
Friday 10/29 between 10:30 am and 12:00 pm

Let me know and I will set something up right away.

Thanks,

AMY FONSECA
COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

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From: Philip Bair <p.bair@sbcleancreeks.com>
Sent: Tuesday, October 26, 2021 10:06 AM
To: Kristen Yasukawa <KYasukawa@valleywater.org>
Cc: Amy Fonseca <AFonseca@valleywater.org>; Grants <Grants@valleywater.org>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hello, are we meeting today? I haven't received a zoom link. Just called and left a voicemail as well.

On Oct 22, 2021, at 12:37 PM, Philip Bair <p.bair@sbcleancreeks.com> wrote:

Hi Kristen,

I can meet for a half hour at 11:30 AM on Tuesday if we would like to meet over zoom. Could we invite Carol S. from our group as well for that time?

An item we'd like to address and have in writing is an acknowledgement that we are able to keep the original grant area (as identified in the proposal) in addition to the underserved communities map that you have shared with us. We are okay with expanding our boundaries to include the areas identified in your map - we just want to keep our original project from the agreement as well.

I have updated the logos in the PPT's as well.

Thank you,

Philip

On Fri, Oct 22, 2021 at 12:24 PM Kristen Yasukawa
<KYasukawa@valleywater.org> wrote:

Hi Philip:

I just called you and left a voicemail. Due to scheduling, it might be easier to set a meeting time. Here's my availability for early next week:

- Mon 10/25 any time between 1-3 p.m. or after 4 p.m.
- Tues 10/26 any time before noon

Let me know what date/time works best for you. I understand the urgency for us to connect so you can move forward with the work.

Thanks!
Kristen

KRISTEN YASUKAWA
COMMUNITY BENEFITS PROGRAM ADMINISTRATOR
Office of Civic Engagement
Tel. (408) 630-2876 / Cell. (408) 604-5356
SANTA CLARA VALLEY WATER DISTRICT
5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

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From: Philip Bair <p.bair@sbcleancreeks.com>
Sent: Friday, October 22, 2021 10:48 AM
To: Kristen Yasukawa <KYasukawa@valleywater.org>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hi Kristen,

You can call me today at your convenience, I'm working from home.

On Fri, Oct 22, 2021 at 10:03 AM Kristen Yasukawa
<KYasukawa@valleywater.org> wrote:

Hi Philip:

I apologize for not responding sooner. I did receive your voicemail but had not yet had a chance to re-review the items you sent. Do you have time today for a phone call to further discuss? It would be helpful if we could walk through the documents together to ensure we are on the same page.

Thank you,
Kristen

KRISTEN YASUKAWA
COMMUNITY BENEFITS PROGRAM ADMINISTRATOR
Office of Civic Engagement
Tel. (408) 630-2876 / Cell. (408) 604-5356
SANTA CLARA VALLEY WATER DISTRICT
5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

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From: Philip Bair <p.bair@sbcleancreeks.com>
Sent: Friday, October 22, 2021 9:27 AM
To: Kristen Yasukawa <KYasukawa@valleywater.org>
Cc: c.szymkiewicz@sbcleancreeks.com; Sherilyn Tran
<STran@valleywater.org>; Steve Holmes
<s.holmes@sbcleancreeks.com>; Grants <Grants@valleywater.org>;
Amy Fonseca <AFonseca@valleywater.org>; Dannette Lewis
<DLewis@valleywater.org>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hello,

I have tried contacting Kristen via phone several times this week (both phone #'s) and have left two voicemails in hopes of a call back. I'm writing here to confirm that all of the concerns about the communication plan were addressed in a separate document entitled "Communication Plan Grant." This had all of the details that were requested prior - perhaps it was overlooked. If there's a way you'd like documents sent in a way that they won't be overlooked, let me know.

Thank you for providing the updated logo.

-Philip

On Fri, Oct 15, 2021 at 5:10 PM Kristen Yasukawa
<KYasukawa@valleywater.org> wrote:

Hi Philip:

Thanks for sending over these items for the partnership agreement. We've reviewed what you shared and also have an update on the project area, see below.

If it's helpful, we are available for a follow up meeting to further discuss any of these items.

Thank you!
Kristen

Project Area

After our previous discussions, we discussed the project area internally. We would like to see if you could expand your proposed project area to align with the disadvantaged communities in the Guadalupe and Coyote Watersheds, as indicated on the [Cal EnviroScreen map](#) (screenshot below). Since you requested an expanded project area due to lack of involvement and engagement in the initial project area described in the proposal, we hope that a broader area will help even more with that concern and increase engagement and awareness with disadvantaged communities.

Communication Plan

It looks like you might've sent the old plan over accidentally. Could you send over the updated plan that incorporates our feedback and discussion items from our last meeting? See our comments in the last email chain below. The plan may also need to be expanded to correspond to the broader project area as described above.

9/23/21 email recap - Philip presented a draft project plan and timeline for Valley Water staff review. Initial staff feedback includes:

- **Due to the continued uncertainties of the pandemic impacts, identify the original activities and alternate activities for each task that could be performed in compliance with any public health ordinances (shelter in place, social distancing, etc.). This way, no matter what happens in the coming months, you will have approved activities to perform and that will minimize any delays.**
- **Include the updated creek cleanup protocols**
- **Add detail, description and explanation for the outreach and education materials**

Outreach Materials

At first glance we noticed that the Valley Water/Safe, Clean Water logo needs to be updated. Please see the attached logo file (we also have other file formats, upon request). Friendly reminder that we need to review all items that include the Valley Water/Safe, Clean Water logo.

We will be able to review the outreach materials for content once they are described in the updated communication plan and we can understand how it all fits together.

- Will all of these materials be translated into multiple languages?
Will the translations be conducted and/or reviewed by professional translators?
- How is the SBCCC BioBlitz event incorporated into the project?

KRISTEN YASUKAWA

COMMUNITY BENEFITS PROGRAM ADMINISTRATOR

Office of Civic Engagement

Tel. (408) 630-2876 / Cell. (408) 604-5356

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From: Philip Bair <p.bair@sbcleancreeks.com>

Sent: Wednesday, September 29, 2021 10:17 AM

To: Kristen Yasukawa <KYasukawa@valleywater.org>

Cc: c.szymkiewicz@sbcleancreeks.com; Sherilyn Tran

<STran@valleywater.org>; Steve Holmes

<s.holmes@sbcleancreeks.com>; Grants <Grants@valleywater.org>;

Amy Fonseca <AFonseca@valleywater.org>; Dannette Lewis

<DLewis@valleywater.org>

Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hello,

Following up to provide PPT presentations, an event flyer (2 pages), and a write-up to complement the communication plan. I'm including a link to the PPT's we are looking to get approved before proceeding, viewable

here: <https://drive.google.com/drive/folders/1bk3rKtCk4iYY0uuAbvPmIXww7VtlcKcZ?usp=sharing>

-Philip

On Thu, Sep 23, 2021 at 9:18 PM Kristen Yasukawa
<KYasukawa@valleywater.org> wrote:

Hi Carol and Philip:

It was nice to meet you, Philip, and to connect on the status of the partnership project.

Per our conversation, here are the responses to your initial questions and the next steps we discussed. Please let me know if you have anything to add/update.

I will be out of the office until October. Please continue to work with Amy and Dannette in my absence.

Thank you – and may the force be with you!

Kristen

1) In regards to presentations to the Neighborhood Associations – most are now meeting on Zoom and don't plan on returning to in-person meetings.

Suggested solution: Screen shot of meeting

Forgo the survey and ask for a follow up letter from the Association regarding our participation in which they could provide feedback on our content.

As we discussed, we would prefer not to forgo the survey, especially since there are many successful virtual options. We recommend sending out the online survey via email after the meeting, or in the chat in the Zoom before the meeting ends. The survey would be in addition to the screen shot of the meeting and participant sign up/sign in list.

2) The project area has many commercial elements but few parks, schools or libraries. Can we expand the boundaries of the project by ½ mile to include more parks, schools etc? Here is the link to our proposed expansion of the project area:

<https://www.google.com/maps/d/edit?mid=1GwUUw4LYH1kXrWbTU8L4822agr7256Ue&usp=sharing>

Our team will discuss the project area and get back to you. The project area described in the RFP is the Guadalupe and Coyote Watersheds, specifically in underserved and other communities.

The watersheds map boundaries are accessible here:
<https://www.valleywater.org/learning-center/watersheds-santa-clara-valley>

For the disadvantaged communities boundaries, we use the Cal EnviroScreen map, which is accessible here:

.....ValleyWater A Valley Water

Attachment 2 (to Third Party Review)

From: Rachael Gibson <rgibson@valleywater.org>
Sent: Tuesday, December 14, 2021 12:14 PM
To: Michele King <MKing@valleywater.org>
Cc: Rick Callender <rcallender@valleywater.org>; Darin Taylor <DTaylor@valleywater.org>; Melanie Richardson <mrichardson@valleywater.org>; Marta Lugo <MLugo@valleywater.org>; Sherilyn Tran <STran@valleywater.org>
Subject: SBCCC Partnership #33144 - Failure to meet agreement requirements
Importance: High

Good afternoon Michele, would you please add the response (below) to Item 2.1 that appears on the Board Audit Committee's agenda, and kindly share it with the Board Audit Committee? The issue will be agendized for an update and discussion at their next meeting. Thank you!

--Rachael

RACHAEL GIBSON

CHIEF OF EXTERNAL AFFAIRS

External Affairs Division

rgibson@valleywater.org

Tel. (408) 630-2884 / Cell. (408) 781-4739



SANTA CLARA VALLEY WATER DISTRICT

5750 Almaden Expressway, San Jose CA 95118

www.valleywater.org

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From: Marta Lugo <MLugo@valleywater.org>

Sent: Tuesday, December 14, 2021 10:33 AM

To: Steve Holmes <s.holmes@sbcleancreeks.com>

Cc: Rick Callender <rcallender@valleywater.org>; Melanie Richardson <mrichardson@valleywater.org>; Rachael Gibson <rgibson@valleywater.org>; Sherilyn Tran <STran@valleywater.org>; Kristen Yasukawa <KYasukawa@valleywater.org>

Subject: SBCCC Partnership #33144 - Failure to meet agreement requirements

Importance: High

Hello Steve,

I hope this finds you well. Sherilyn invited me to the meeting scheduled on Tuesday, Dec. 7, between our Grants team and you and your South Bay Clean Creeks Coalition (SBCCC) team to help move the partnership project forward. I was disappointed that you canceled the meeting at the last-minute last week because I wanted to discuss several serious issues regarding the partnership agreement between Valley Water and (SBCCC). Since you canceled last week's meeting, I am sending this email to highlight our concerns, outlined below, including SBCCC's failure to meet the agreement's requirements to increase education and community engagement for stewardship activities, specifically in underserved communities.

1. SBCCC's failure to provide sufficient evidence of progress made towards meeting Partnership deliverables

As you know, Valley Water is responsible for ensuring that the contract terms and deliverables outlined in the partnership are honored and performed in good faith. This partnership agreement, executed December 7, 2018, for approximately \$200,000, is to carry out critical work in communities that have been historically underrepresented in environmental stewardship efforts. Valley Water issued a formal Request for Proposal (RFP) for this partnership agreement to enlist a qualified entity *to: specifically engage underserved groups and disadvantaged communities.*

In the process of reviewing the first invoice for this partnership agreement, our grants staff noted that very little, if any, progress has been made on the tasks relative to engaging with underserved communities. Your staff member only recently shared with our grants team that SBCCC had been unsuccessful in its limited engagement efforts

with underserved communities and requested the grants team to provide him with additional tools and resources, which they did immediately. That included providing your team with best practices such as a list of certified professional translators, a more comprehensive outreach map targeting underserved/ disadvantaged communities, and review of materials and other resources, all as requested.

2. SBCCC's failure to authentically engage with underserved communities of color

SBCCC has made little effort to authentically engage or reach out to underserved communities or provide satisfactory evidence of doing so, as required by the agreement. It appears that there is a clear resistance and/or unwillingness from South Bay Clean Creeks Coalition to meaningfully engage with underserved communities and provide equitable services in our creeks for communities of color, which not only violates the terms of this partnership agreement, but also fails to meet Valley Water's commitment to and expectations relative to racial equality, diversity, and equitable treatment of all our diverse communities in its efforts to advance environmental justice. Here are two examples:

- SBCCC's Communication Plan submitted on November 1 indicated that PowerPoint presentations—which are an important outreach tool for presentations—would not be translated into other languages.
- SBCCC attempted to be reimbursed for outreach activities with other groups that were not included in the agreement, nor considered as historically underserved groups, including:
 - Presentation to the Valley Water Homeless Ad Hoc Committee
 - Presentation at a San Francisco Estuary meeting
 - Tabling event at Google for their employee Earth Day

3. SBCCC's failure to meet with Valley Water staff to provide necessary information and work together in good faith to resolve issues

I am also deeply concerned about your and your staff's refusal to meet with Valley Water staff to resolve these critical issues. In fact, you canceled the last scheduled meeting on Dec. 7 only a few hours prior, with no further explanation and no mention of rescheduling. This was after Valley Water staff attempted to meet with you directly to resolve the issues several times over the last few months. To recap:

- September 23: Valley Water met with your staff to discuss these deliverables and reporting.
- October 27: Valley Water met again with your staff to check-in on the status.
- November 4: Valley Water sent you and your staff an email requesting the follow up items from the last meeting.
- November 4: Phone conversation between you and the Civic Engagement Manager, where you agreed to a team meeting to get on the same page.
- November 5: Grants staff emailed SBCCC to set that meeting up.
- November 11: SBCCC staff emailed grants staff but did not respond to the meeting request.
- November 14: The Civic Engagement Manager reminded SBCCC staff that you

had agreed to meet with our team soon.

- November 18: You emailed to request that meeting occur the week of December 6; the meeting was set for December 7.
- December 3: Valley Water staff emailed some information in advance of the December 7 meeting.
- December 7: You canceled the meeting with no explanation and no offer to reschedule.

Further, I am troubled by SBCCC attempting to invoice Valley Water for SBCCC's time to perform and submit the required documentation, for example, attempting to characterize the work required for the agreement as "additional work" when in fact it is nothing more than doing what SBCCC is contractually obligated to do under the agreement.

4. SBCCC's failure to meet contractual obligations stipulated in partnership agreement

To be clear, your organization has a contractual obligation to provide meaningful engagement with underserved communities of color as outlined in the scope of the agreement, and this requires providing sufficient evidence and satisfactory documentation. That has not occurred to date, which raises serious questions about whether SBCCC wants to meaningfully engage with these underserved communities at all. Our expectation is that SBCCC please adhere to the contract terms and agreed-upon deliverables. As you know, Valley Water has an obligation as stewards of public funds to be accountable in ensuring agreements are carried out and funds are spent as promised to the taxpayers, and SBCCC has not done so thus far.

Valley Water requests that you abide by the terms of the partnership and submit proper documentation and evidence of meeting deliverables relative to outreach and engagement with underserved communities, so that this agreement may continue forward, as committed to by SBCCC. Our offer to meet to resolve these issues still stands; if you have any questions or would like to discuss any aspect of this agreement, I encourage you to please contact me and/or Sherilyn Tran for a meeting right away.

Thank you for your attention to this matter.

MARTA M. LUGO, MPH (*She/ Her*)

EXTERNAL AFFAIRS ASSISTANT OFFICER

Office of Racial Equity, Diversity & Inclusion

Office of Civic Engagement

Division of External Affairs

District Mobile (408) 613-9129

mlugo@valleywater.org

Santa Clara Valley Water District is now known as:



Clean Water • Healthy Environment • Flood Protection

VALLEY WATER

5750 Almaden Expressway, San Jose CA 95118

www.valleywater.org

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RE: SBCCC Partnership #33144 - Failure to meet agreement requirements

External
Inbox



Rick Callender

Fri, Feb 4, 5:23 PM
(6 days ago)

to me

Hi Steve,

I appreciate you sharing your thoughts. This was definitely not an audit but a review which is much shorter and quicker. It would have only likely required a couple hours total of you and your staff time. Suggesting that it would have been an arduous process is simply incorrect, wrong and a bad interpretation of fact. As you know, we have 100s of grants and grantees and we also notice we have a different relationship and response from SBCCC, our surveys of our grantees bear out this fact as well.

I sincerely hope you change your mind about the review as that's the only way we will be able to get to the bottom of what's really going on and causing problems. I truly want to see the problems, no matter who is causing them, fixed. I am always willing to talk, but would include my staff in any conversations as I don't run nor direct the program as you know.

Having a better relationship is my goal too, however getting to and dealing with the truth and facts surrounding the assertions are needed in order to fix whatever is causing the problems. I thought you supported exposing truth, I think in this instance a review is badly needed and why I encourage you to let the facts be told to demonstrate what's the truth.

I appreciate you support for our programs and look forward to future collaborations.

r

Rick L. Callender, Esq.
Chief Executive Officer
Santa Clara Valley Water District
Office: 408-630-2017
Cell: 408-406-5203

Clean Water • Healthy Environment • Flood Protection

5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

From: Steve Holmes <s.holmes@sbccleancreeks.com>

Sent: Friday, February 4, 2022 4:41 PM

To: Rick Callender <rcallender@valleywater.org>

Subject: Re: SBCCC Partnership #33144 - Failure to meet agreement requirements

Rick,

To go through an audit and adding more work to me and my Staff, what is gained if we're walking away? Valley Water is the only Organization where I have a stack of records 5" tall. There are several incidents related to this grant which if we chose to go down this path it wouldn't reflect well. Focusing on these sort of things is toxic.

SBCCC has collaborations with numerous groups yet this is the only one where I have such a contentious relationship, although I must say it has improved. SBCCC is looking for a clean break and closure on this matter. I hope you can help us achieve this outcome.

Having a better relationship amongst our organizations is still an important goal for me. Maybe once we get beyond this, we should pick up the phone and talk. We have some good things on the horizon. I do support your programs, ie. handing off potential Adopt-a-Creek partners. And, we both advocate for one day achieving Clean Healthy Creeks.

Steve

On Fri, Feb 4, 2022, 3:38 PM Rick Callender <rcallender@valleywater.org> wrote:
Hi Steve,

I am a bit disappointed and perplexed that you would not want to engage in a review of the contract and processes so that we could put into place best management practices to address concerns on all sides.

I think this review would have truly been an excellent way ensure that all voices were heard, and a factual report would be provided to me and the Valley Water Board - with solutions identified. I am aware that you raised challenges with our Board audit committee, however I remind you that the reason why I sought an independent review of the matter is Valley Water staff also raised many concerns with the administration of the contract, amongst other issues.

I am ccing the staff at Valley Water who I will ask to determine what process should be undertaken to achieve the outcomes you are seeking, and to determine what path Valley Water should take relative to the contract.

Thanks for the note, and I'm truly sorry you elected to take this path vs a review.

r

Rick L. Callender, Esq.

Chief Executive Officer
Santa Clara Valley Water District
Office: 408-630-2017
Cell: 408-406-5203

Clean Water • Healthy Environment • Flood Protection

5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

From: Steve Holmes <s.holmes@sbcleancreeks.com>
Sent: Friday, February 4, 2022 3:16 PM
To: Rick Callender <rcallender@valleywater.org>
Subject: Re: SBCCC Partnership #33144 - Failure to meet agreement requirements

Rick,

After discussions with my Board Members regarding this Grant, we would like to take a different path. South Bay Clean Creeks Coalition SBCCC doesn't seek to extend grant discussions/review any further. We would ask Valley Water to draft a mutual agreement with both sides rescinding the contract. We have several deliverables in process and/or completed related to this grant but at this time we will not be seeking any further grant monies related to this Partnership Grant. Our recent correspondence to this Committee provides several challenges grantees still face when working with Valley Water. And since we don't intend to seek further grants through VW, adding more time and energy to this situation doesn't make sense.

Steve

On Mon, Dec 27, 2021 at 8:44 PM Steve Holmes <s.holmes@sbcleancreeks.com> wrote:
Thanks Rick.

On Mon, Dec 27, 2021, 8:30 PM Rick Callender <rcallender@valleywater.org> wrote:
Steve,

Thank you for your note. I have seen the back and forth on this matter and want to make sure that all communities, including disadvantaged communities, and that the SBCCC are being treated fairly. I am aware of some of the challenges that have been present in past with moving grants along, however I am confident that many of those challenges were addressed in 2020 and 2021 with the audit, appropriate staffing, and updates to processes.

As you likely agree, this situation clearly requires a 3rd party review, especially since it has played out in front of the audit committee of the Board. As such, I am going to ask

for our independent management auditor to conduct a review of this matter so that I, and the Board, can have an accurate report and findings on what has occurred, and understand solutions and a path forward. I am going to ask for this review to be conducted within 30-45 days so that all can be assured of the facts and ways we can all provide better service and response. If it is expected to take longer, I will ask for Darin to respond to all.

By way of this email I am requesting that Darin immediately get the Management Auditor involved in a review of this matter, and evaluate the assertions on all sides, so adequate solutions and paths forward can be employed to the benefit of our community and the taxpayers of Santa Clara County.

Thanks for reaching out.

r

Rick L. Callender, Esq.
Chief Executive Officer
Santa Clara Valley Water District
Office: 408-630-2017
Cell: 408-406-5203



4/10/2022

To: Board Audit Committee

From: South Bay Clean Creeks Coalition (SBCCC)

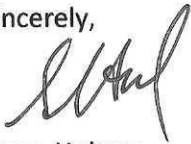
Subject: SBCCC Partnership Agreement Review

After review of the letter submitted by PMA Consultants and their findings (Page 2, Items 1-4) related to the Partnership Agreement and an absence of the issues SBCCC raised. We felt it necessary to include the Summary pages we submitted to PMA so that Board Members have the ability to better understand why SBCCC walked away from \$170,000 in funding through Valley Water (VW).

The majority of our issues stemmed from delays by VW Staff. PMA makes no mention of a near 2 year delay in receiving an encroachment permit to gain access and begin work along the Waterways. Their summary that "all invoices are paid", leaves out much related to our struggles seeking payment for services performed. Requiring we purchase insurance without an executed agreement led to a 9 month window where we were required to lay out \$835 monthly. With no communication back from Staff as to status of agreement we did cancel the policy. Having to outlay monies (insurance, hiring staff) with no means for invoicing VW places it's Partners in fiscal harm's way.

SBCCC's representative will be out of town with no internet or phone access the day of this next Committee meeting. And since the Committee's collection of documents doesn't include our issues, we felt it necessary to forward so that anyone reviewing this issue has a 360 degree view. Support materials related to our Summary can be made available upon request. We have submitted these documents in the hopes that with some adjustments future Grantees will benefit from this exercise.

Sincerely,



Steve Holmes

Executive Director

South Bay Clean Creeks Coalition

A. Sue Tippetts letter dated 2/10/16 Internal review of our earlier derailed Plant Mgt Project

To help provide a historical record of our challenges obtaining an Encroachment permit, we have included this VW Memo. SBCCC approached VW seeking help in locating a parcel to conduct project on VW property. Site was identified; permits from NOAA, CDFW submitted, paid for and secured. City of Campbell & Acterra were brought on board and a Grant application for the project was submitted through VW Grant Program. During this period VW changed their mind, entered project area and removed all invasive thus killing our project. Prior to this, SBCCC had seen VW staff in project site inventorying invasive plants and told by these individuals that a project was eminent. We reached out to lead VW mgrs and were assured that VW was moving fwd with our project.

This letter addresses reasonable expectation for receiving an executed Encroachment Permit, 3-4 weeks (pg 3). And they decided to add inaccurate statements pointed at our Organization; “work activities undertaken outside permit terms and information is relayed to volunteers not in a partnership tone and includes misinformation”. This letter was then published on the VW website. At the time, Board Chair Lezotte asked that the letter be removed but staff reported back that it couldn’t be taken down.

B. Workers Comp

I understated the financial impact resulting from the delays. I spoke with the State Fund auditor as to why my rates were so high. He indicated that the lapse in policy was perceived by the insurance carrier as our organization doing work without coverage in place even though we were covered under the City of San Jose’s Volunteer policy. So a higher rate was implemented as a punitive measure. He said it would revert to lower rates as the policy moved fwd. **Additional fees for Year 1 \$13,144.61**

Timeline

- RFP Notice of Intent to Award Week of March 12-16 2018
- Workers Comp purchased March 2019 (paid 3 months at \$835 = \$2505.90 Total)
- Cancelled Policy after no response from VW June 2019
- Meeting with CEO to discuss cancelled Workers Comp Insurance (Summer 2019)
- Staff instructed SBCCC to purchase new Policy Sept 2019 (paid 2 payments in 2019 \$1,445.25 = \$2,890)
- Contract awarded 12/1/2019 **SBCCC paid out \$5,396.40 with no Contract Awarded**

Recommendation: Require Grantees to procure Insurance once all issues have been resolved with VW to prevent financial hardship. Lack of empathy by VW Staff, no apologizes or acknowledgment of the harmful impact their inactions have had on us as a Partner shines a light on their Culture.

C. Encroachment Permit

Upon receiving the grant award, VW Staff and I notified the Encroachment Permit group of our permit requirement via emails, face-to-face meetings including Dept. Mgr, Sherilyn Tran, Marta Lugo & Rick Callendar. After our early grant activities on VW property without permit, Sherilyn instructed us to cease activities including Cleanups, Bioblitz's, Learning days along Waterways until we received the Permit. Sherilyn's Dept was sympathetic to our frustration but had no power to influence this other Dept to expedite issuing us a permit. Phase 1 of grant activities establishes the target group to migrate to Phase 2 watershed activities, with no permit fwd progress was stopped in its tracks. Our D3 grant will require a permit, our first submittal was pushed out by this Dept. So we will have to start this process from scratch at some point in the future.

Project awarded 12/2018 with a two year term ending 12/31/2020.

Encroachment Permit issued 12/8/2020. It took 2 years to receive an executed Permit.

Recommendation: Delays in this Dept date back at least 6 years (A. Sue Tippetts Letter pg 3). Vincent Gin indicated yrs back that it was a manpower issue or is it a Silo issue? Having to make endless update calls, emails and meetings for updates is the equivalent of death by a thousand paper cuts.

D. Partnership Grant delayed receipt of physical copy to Grantee

Staff member reached out 12/1/18, alerted me that a document would be forthcoming for signatures and that a PO would follow. After no further communication, we reached out to staff person on 12/31/18 who said process had been completed back on 12/1/18. We asked about PO and were told to simply move ahead. No PO?

During our struggles with the Worker Comp/Delayed Grant Award issues, we suggested elevating the situation to a higher authority; she told us that that would disqualify us from being awarded the grant. This placed us in a difficult space so we opted to just move forward without a contract in hand.

E. Invoicing

Time sequence of events provided via email **E. Subject: Request for Payment for C33144 Partnership Date: March 3, 2020. Submittal of invoice delayed due to VW staff working backlogged grant invoices first. District was facing attrition/manpower challenges which delayed all invoicing to grantees.** With no means to receive payment for further work on the grant deliverables SBCCC paused work until VW caught up and processed our first invoice. During this period of time; VW implemented a new invoicing portal further delaying & COVID caused delays near the end of this timeframe as well.

Timeline

- Work completed Jan-Aug 2019
- Invoice submitted 3/3/2020 (pg 1)
- Response from VW Staff, invoices had been reviewed 4/29/2020 (pg 2)

-VW Staff acknowledging delays and accepting some documents 5/7/2020 (pg 3)

-Recap of invoice deliverables and VW accept/declined items 5/7/2020 (pg 4-6)

Note: VW gave us written instructions to cease grant activities along waterway, previously staff had verbally instructed to suspend due to the Encroachment permit issue (Oct/Nov 2019 timeframe?)

-SBCCC resubmits invoice to VW 6/3/2020 (pg 7)

-VW acknowledges receipt and submittal for payment 6/5/2020 (pg 8)

Note: Had VW been able to process our invoice in a timelier manner, we could have shifted the denied deliverable/activities to alternative grants. But due to a delay of up to 16 months since activities had been completed , we essentially lost these activities.

Staff's insistence that SBCCC run through a second discovery phase April to Nov

SBCCC feels that VW already conducted this activity prior to approving the contract in 2018. All this recent discovery work SBCCC was not contractually bound to undertake but was pressured into participating. We think that if VW is seeking the truth then having an outside law group providing an opinion is warranted.

Since April, SBCCC was required to do a deep dive into expanding descriptions of activities to satisfy VW Staff that they met their standards. Many of these were delayed by VW as they waited for responses back from other Depts, our PowerPoint took nearly 30 days to get a response. We felt like there was no end to what staff would ask for next. To get a flavor for this process, we included the email **G. Letter to Board Members dated 12-7-21** which unfortunately only extends back to mid-Sept. During one of my final calls with Sherilyn, we suggested that if we didn't receive a response back within 10 business days that the item would be deemed approved.

I think it's important to look at the bigger picture here, we were being asked to activate neighborhoods in the underserved areas. This in itself posed a challenge as our door to door canvassing connected with many of our underserved. A common response was that due to economic pressures a large percentage of people contacted liked what we were doing but held down 2-3 jobs making it near impossible to attend our outreach activities. To be clear, we are not saying this was a show stopper merely an unforeseen obstacle. My point is, by taking the simplified RFP activities and making them so much more difficult staff was inadvertently making a difficult undertaking even more so. The PowerPoint situation was the breaking point.

Hiring Staff

This project required us to hire a Project Manager paying \$60,000. With delays in payment of invoices, our organization was negatively impacted. Having to then go back over the terms of our grant while providing no funding and having to suspend work due to no Encroachment Permit led to Staff reduction measures. Finding good people in this job market is hard enough.

F. D3 Delay on amendment 7 month

Having multiple grants working gives us a better view of what is actually happening in this Dept. We have been assured that past delays with grant administration are behind us yet in mid-January we received approval on this minor amendment to our grant after 7 months. My concern is that when this next round of grants floods into this Dept. things will revert back. By taking the time to share with you SBCCC's challenges, I do want to emphasize that staff is hard working, fair and has good intentions but we have pain points like permitting, lengthy reviews before grants are approved, manpower shortages that brought invoicing to a halt. SBCCC has several grants through many sources tied to public funds that require minimal paperwork and red tape. The pendulum needs to swing back to a middle point.

H. Letter to Board Members dated 12-26-2021

Direct rebuttal to Marta Lugo's claims

Item 1. Very little progress has been made due to Encroachment Permit delays, VW not able to process invoices, recently the second vetting exercise since April. We did point out that we have accomplished much in this grant target area but have been unable to assign these activities to the grant. It has been very successful, results were shared in our original reply to this email.

Item 2. At the first vetting prior to the grant being awarded, we explained that since the schools taught in English, we would follow this protocol and now we have staff trying to change what has been previously agreed to. The (3) rejected activities have valid reasons to be included but VW Staff said "no". the Google tabling established a relationship with this organization who's new campus in San Jose borders the grant area. The San Francisco Estuary presentation had representatives of NGO's working in the target area as well as SJSU professors who could be allies & VW Ad Hoc Committee presentation updated staff and Board Members working closely with us along the waterways in this grant target area.

Item 3 Many of the calls our Executive Director had with staff are missing, these calls conflicted with other activities we had running during these dates like a Cleanup in the Target Area and a Chinook salmon creek walk but we took the calls with Sherilyn, the second while standing in Los Gatos Creek in waders. Plus email back to staff is not included in her list. Everything seemed to break down after our email dated **Nov 11 (Document G pg. 9-10)** where we pushed back on the entire vetting process questioning whether VW was overstepping the contract terms agreed to prior. Since we never received a strongly worded counter to the email we assumed staff had reviewed the matter and we were later told by Sherilyn that the list of remaining deliverable had been waived. Kristen's email dated **Nov 4 (Document G pg 12)** stating "best practices", participants of a presentation have access to a copy in their language seemed to imply VW was again pushing us to include multiple languages of the PowerPoint. I called Kristen and shared my frustration and Sherilyn reached out to me the next day to clarify this would not be a new requirement. Then in her email dated **Dec 3 (Document G pg 2)** she once again started telling us that the PowerPoint needed to align with Next Generation Science Standards and at that moment we had had enough even though Sherilyn reached out and said this too was just a comment and not a new stipulation but we were done. In Marta's letter it seems to imply we are

refusing to comply with the terms of the contract. We feel VW is overstepping their authority beyond the already agreed to terms with this lengthy revetting.



MEMORANDUM

FC 14 (08-21-19)

TO: Board Audit Committee

FROM: Tina Yoke, Chief Operating Officer of
Administrative Services

Rechelle Blank, Chief Operating Officer
of Watersheds

Rachael Gibson, Chief of External Affairs

SUBJECT: Staff Response to the South
Bay Clean Creeks Coalition
Letter, Dated April 10, 2022

DATE: May 11, 2022

On April 20, 2022, the Board Audit Committee requested staff provide a response to the letter handout submitted on April 10, 2022, by Steve Holmes, Executive Director of the South Bay Clean Creeks Coalition (SBCCC). The letter was submitted in response to PMA Consultants' findings resulting from the independent third-party management review of the B7 Partnership contract for the Guadalupe River/Coyote Creek Watershed Community Engagement Project. Staff from the Watersheds Division, Administrative Services Division and External Affairs Division collaborated to provide the responses below.

A. Sue Tippetts letter dated 2/10/16 Internal review of our earlier derailed Plant Mgt Project

To most, removal of invasive species along a creek by volunteers appears to be an environmentally beneficial and simple request. Valley Water staff endeavored to find a way in which community volunteers could contribute to this worthy goal. However, with increasingly rigorous regulatory permit requirements and reporting, uncertainties associated with the transition between the Stream Maintenance Permits, SMP1 and SMP2, concerns with the activity occurring on Valley Water property and not receiving regulatory credit for mitigation purposes, the deployment of volunteers for this type of work, consideration of a grant proposal request, and Safe Clean Water D2 credit for invasive removal, the response to such a request became very complicated, as explained below.

On January 22, 2014, Valley Water received an encroachment permit application from Mr. Steve Holmes representing Friends of Los Gatos Creek (FOLGC) to remove invasive species from the east bank of Los Gatos Creek at four locations between Campbell Avenue and Bascom Avenue each between 125 and 150 yards in length.

While appearing to be a simple request, the invasive plant removal request raised concerns to staff relative to performance of the activity by a volunteer group and potential conflicts with Valley Water programs and mitigation needs. Community Projects Review Unit staff sought input from other Valley Water units and areas of expertise to consider the permit request. The matter was ultimately coordinated with the Vegetation Field Operations, Environmental Mitigation and Monitoring, Stream Maintenance Program, Water Resource Planning and Policy, Safe Clean Water Implementation and Communications units.

At that time, Valley Water was in the process of negotiating the renewal of the Stream Maintenance Program (SMP). Under SMP, Valley Water would not receive mitigation credit for

this activity by the volunteer group. Inclusion of this work as a component of the Safe Clean Water program D2 for invasive plant removal was also considered; however, concerns were raised because effective invasive removal is best accomplished with the use of herbicides, but herbicide application is not an appropriate activity for un-trained volunteers. After extensive internal discussion, comments and requirements were relayed to Mr. Holmes by email on March 21, 2014. Staff agreed to allow hand removal of invasive plants at one of the requested locations as a pilot program and requested that permits or waivers from the regulatory agencies be provided for the work, which is a requirement common to requests to perform work on Valley Water property by others.

A waiver from the California Department of Fish and Wildlife (CDFW) for FOLGC was received on August 4, 2014, and copies of other resource agency permits were received a month later, on September 10, 2014. Valley Water issued Permit 14326 and sent it to FOLGC for signature, and it became effective on October 10, 2014. The permit was valid for one year, until October 10, 2015. However, notification of work as required by the permit was never received.

Staff analysis for FOLGC's permit occurred before Valley Water received the SMP2 permits, including a Streambed Alteration Agreement from the CDFW in September 2014.

At the same time the FOLGC permit was issued, Valley Water staff received an inquiry from Acterra about the concept of a grant partnership proposal between Acterra, FOLGC and the City of Campbell for invasive removal and restoration of approximately two acres of land at the same location on Los Gatos Creek. Ways to accommodate this grant proposal were discussed internally and with the CDFW. This was followed by a submittal of a grant proposal that was subsequently not approved after Valley Water staff met onsite with Acterra and a mutual decision was made that Valley Water staff would perform the work since Acterra and FOLGC are largely volunteer based organizations and are not equipped to perform the several rounds of herbicidal treatments over a 5-year period for effective eradication.

Valley Water invested time to find a path to incorporate the grant partnership proposal. In anticipation of the partnership grant proceeding in some manner, Valley Water added this invasive control project to its SMP notice of proposed work in April 2015 and a new invasive plant management program (IPMP) project was created with work to begin in the summer/fall timeframe. The IPMP work along Los Gatos Creek downstream of Hamilton Avenue was accepted by the regulatory agencies to mitigate for impacts incurred in the 2015 instream work season.

It appears that Mr. Holmes may not have been informed of Valley Water's intent to manage the invasive removal at the site. When Valley Water staff began treatment of the area in 2015, it did not appear that any invasive plant removal had occurred.

On September 25, 2015, a notice was received from SBCCC soliciting volunteer help for new activities including native plant installation along the creek in Campbell, in-water clean-up activities and for water testing and sampling. Valley Water staff contacted Mr. Holmes and informed him that these particular activities were not included in his invasive plant removal or adopt a creek permits.

On October 7, 2015, Mr. Holmes responded with a request to change the name on all permits issued to FOLGC to SBCCC, to include water quality monitoring, in-water access for trash removal and to extend the permit expiration date.

The Adopt-A-Creek permits did not expire until 2017 so the revisions to the Adopt-A-Creek permits were prioritized by CPRU staff with other pending permit requests. Revisions to the Adopt-A-Creek permits were sent to Mr. Holmes on January 21, 2016. Mr. Holmes made comments and requested revisions to the permits.

On January 25, 2016, Mr. Holmes made an inquiry via email as to the possibility of performing the invasive plant removal on the other three sites included in his January 22, 2014, permit application. While a formal application was not made, staff considered the request and informed Mr. Holmes on January 29, 2016, that the sites are needed to meet Valley Water's SMP mitigation requirements. Subsequently, there was additional internal discussion and staff issued SBCCC a permit (P16316) to conduct limited invasive plant removal on Los Gatos Creek on July 13, 2016. This permit was issued independent of any grant or partnership agreement.

B. Workers Comp

SBCCC initially stated that they met Valley Water's workers' compensation requirement because they are covered under the City of San Jose's Volunteer policy. However, that policy only covers projects worked on for the City of San Jose, and not for projects where Valley Water is involved. Where Valley Water is involved, including for SBCCC's B7 Partnership contract, SBCCC needed its own workers' compensation policy, which staff informed SBCCC about via email on June 6, 2018.

Staff examined the timeline in SBCCC's letter to email correspondence on this issue and offers the following:

1. All activity in the timeline occurred in 2018, not 2019.
2. The successful proposer to the Request for Proposals (RFP) for this project (SBCCC) was identified in an internal memo dated April 23, 2018.
3. The initial insurance certificate was sent to Valley Water staff on June 2, 2018 and did not include the workers compensation insurance.
4. On June 13, 2018, SBCCC requested an adjustment to the pricing to incorporate the cost of the insurance.
5. An email from former CEO Norma Camacho dated August 30, 2018, specifically asked for the status of the workers' compensation insurance.
6. On September 25, 2018, the new certificate with workers' compensation was sent to Procurement staff.
7. The contract was executed on December 7, 2018.

SBCCC suggests, and staff agrees, that grantees should be required to procure insurance once all issues have been resolved with Valley Water to prevent financial hardship. Consequently, Valley Water currently requires that the insurance requirement is met prior to the signing of a contract or grant agreement.

C. Encroachment Permit

The B7 Partnership contract's primary objective was "to provide and support volunteer cleanup efforts and education to reduce contaminants entering waterways and groundwater and increase education and community engagement for stewardship activities, specifically in underserved and other communities in Santa Clara County, CA, USA along the Guadalupe and Coyote Watersheds. The activities must be coordinated in collaboration with community members, residents, schools, and/or other key stakeholders in the specific communities." Three of the four tasks of the B7 Partnership contract were related to education, outreach and

establishing partnerships. Only one task was related to creek cleanups, and that is the only task that required a Valley Water permit from CPRU. A majority of the scope of work was eligible to be conducted without a Valley Water permit; therefore any permit delays should not have impacted the project.

Additionally, this particular situation was complicated by the fact that SBCCC and Valley Water staff were coordinating on multiple projects simultaneously: two B7 grant agreements, one B7 Partnership contract, Valley Water's Adopt-A-Creek program, and special activities that were outside the scope of any grant agreement, partnership contract or Adopt-A-Creek program.

The permit timeline related to the B7 Partnership contract includes:

- On December 21, 2018, staff from grants and Community Projects Review Unit (CPRU) met with SBCCC to discuss the permitting process and expectations for all of SBCCC's active grants and partnerships. One of the outcomes of this meeting was for SBCCC to follow up with CPRU with the exact locations of the work. Additional information was provided by SBCCC on January 18, 2019, and February 28, 2019.
- On May 19, 2020, staff from grants and SBCCC met to discuss the status of permits for all of the SBCCC grants and partnership projects. One of the outcomes of this meeting was that SBCCC was going to complete a unique permit application for the B7 Partnership contract, and hold on all partnership activities that required a permit until the Valley Water permits were issued. In the meeting recap email, staff enclosed the permit application to SBCCC and asked SBCCC to provide the specific locations/reaches for the partnership, and provide a detailed map of the area if possible.

SBCCC submitted the permit application on June 5, 2020 and CPRU issued the permit on December 8, 2020. For the reasons further noted below, it took 6 months for CPRU to issue the permit. During that period, CPRU's typical permit response could take approximately 6-8 weeks.

Staff agrees that there were delays in issuing the permit. In addition to coordinating on multiple topics simultaneously as described above, SBCCC had used previously issued Adopt-A-Creek permits to conduct work covered under the B7 creek clean-up grants and partnerships, but staff determined it was not appropriate to have volunteer activities and grant funded activities covered under one permit for transparency and accountability reasons, and worked with SBCCC on issuance of a separate permit per scope of work in each grant agreement and partnership contract. Additionally, there was discussion with SBCCC regarding relinquishing their Adopt-A-Creek permits to focus on the grants and partnership work. SBCCC also wanted to include other separate, unrelated work into the grants and partnership permits. It took much internal coordination between CPRU, grants, Adopt-A-Creek staff and others as well as meetings and emails with SBCCC to resolve these issues.

Moving forward, staff is working on improvements to overall permitting for cleanup activities included in any grant or partnership agreement or contract. Staff is exploring updating the agreement templates for creek clean-up activities to include the requirements/conditions that would have otherwise been included in the separate encroachment permit. CPRU staff will continue to coordinate with grants staff in review of all grants and partnerships, and provide comments to be included in the agreement templates as needed. Additionally, CPRU and grants staff have been working to better coordinate permit reviews using the FLUXX grants management system and implementation of bi-weekly coordination meetings.

Toward the end of this section of the letter, SBCCC references the D3 grant agreement for the Los Gatos Creek Trestle Area Restoration Project, which is separate from the B7 Partnership contract. SBCCC submitted a permit application for this D3 grant in July 2020. CPRU responded that a permit would only be needed for any proposed tree planting on Valley Water easements, and requested that SBCCC submit an updated permit application once they knew this information.

D. Partnership Grant delayed receipt of physical copy to Grantee

During the RFP process, which was communicated publicly, it clearly stated, "No communication with other District entities: Any communications, whether verbal or written with any District Board Member or District staff other than the individuals indicated above (specific to this RFP), prior to award of a contract by the District, is strictly prohibited and the proposer will be disqualified from consideration."

SBCCC contacted the CEO in August 2018 multiple times prior to the award of the contract and during the procurement process. Since the contract was not awarded yet, the procurement staff member reminded the SBCCC contact of the requirements of the RFP. Staff further informed SBCCC that communicating with anyone other than those individuals would disqualify SBCCC from consideration.

Ultimately, SBCCC was selected, and the contract was sent to SBCCC for signature on December 1, 2018 and a Purchase Order was created as the financial encumbrance mechanism only.

This B7 Partnership contract is the only Safe, Clean Water partnership that was administered by contracts using the RFP process, and staff notes that it is not a good or efficient process to use for partnerships. Due to the challenges with this B7 Partnership contract, this process will not be used for any future Safe, Clean Water partnerships, so hopefully the issues SBCCC identified in this section will not happen again. All other Safe, Clean Water grants and partnerships are administered by the grants team in the Office of Civic Engagement.

E. Invoicing

Invoice #1 was submitted in August 2019, during a time of grants staff turnover, which created a backlog in the grants program. Once new staff were on board in late August 2019, Invoice #1 was reviewed and flagged for follow up because the documentation submitted was not self-explanatory, and it required a walk-through with SBCCC to be understood and clarified. Multiple conversations and emails between Valley Water staff and SBCCC were held in October 2019 through December 2019 to discuss the items submitted as part of Invoice #1. SBCCC resubmitted Invoice #1 in March 2020, which staff reviewed and followed up with SBCCC in April 2020 for further clarification. Valley Water grants staff and SBCCC met in May 2020 to review the resubmitted Invoice #1 documentation and re-review the B7 Partnership scope of work and expectations. Several of the deliverable items were not accepted because they were not included in the terms of the contract or scope of work and expectations were re-reviewed because several did not include any supporting documentation.

After SBCCC submitted the final, accepted Invoice #1 on June 1, 2020, it was submitted to Accounting for payment on June 5, 2020, and a check was issued on June 11, 2020.

a. Staff's insistence that SBCCC run through a second discovery phase April to Nov

The independent third-party management review by PMA Consultants and the resulting findings addresses this topic.

This was not a second discovery phase. After encountering so many issues with Invoice #1, Valley Water staff and SBCCC reviewed the contract terms and scope of work together in May 2020, and identified that an outreach plan was indicated in the scope of work narrative that had not yet been completed, and staff noted that in an email sent following the meeting, on May 6, 2020. Valley Water staff and SBCCC agreed that developing this outreach plan for Valley Water's approval would help in future invoicing. This would ensure that both SBCCC and Valley Water know what work is being performed and know which items will be accepted for reimbursement before SBCCC sends in an invoice.

b. Hiring Staff

In the RFP for the B7 Partnership contract scope of work, the bidders were not required to hire staff, and if they did, bidders were required to abide by the Valley Water Board of Directors' adopted Living Wage policy. SBCCC proposed including funds for labor hours which was included in the final B7 Partnership contract. The budget includes a total of \$172,653 for personnel services, which includes \$118,136 for a project coordinator and \$22,709.00 for an assistant project coordinator.

F. D3 Delay on amendment 7 month

In May 2021, SBCCC's contractor reached out to inquire about a budget adjustment. Valley Water grants staff and SBCCC's contractor met in June 2021 to discuss the budget adjustment request and review the amendment process. Since the requested budget adjustment was within 10% per task, it could be approved at a staff level and did not require a formal amendment. SBCCC's contractor submitted draft documents to request the budget adjustment to grants staff in June 2021. Simultaneously, SBCCC's contractor submitted the project restoration plan to Valley Water for review. Grants staff facilitated Valley Water subject matter expert review and feedback with SBCCC's consultant through December 2021. In December 2021, grants staff notified SBCCC's contractor that the budget adjustment would be accepted, but required revised documentation. After receipt of the revised documentation, grants staff formally notified SBCCC and its contractor of the accepted budget adjustment in January 2022.

H. Letter to Board Members dated 12-26-2021

Marta Lugo's email, dated December 14, 2021, outlined concerns with SBCCC's failure to meet the B7 Partnership contract requirements to increase education and community engagement for stewardship activities, specifically in underserved communities, despite Valley Water staff's offers to help and provide resources.

Item 1. In a meeting between Valley Water grants staff and SBCCC staff on September 23, 2021, SBCCC staff shared that they were experiencing challenges with achieving the project scope of work due to lack of participation and engagement of the community within the project area identified in the contract, and due to COVID-19. Valley Water grants staff understood the

challenges SBCCC shared, and consequently accommodated SBCCC's requested changes to the scope of work, to continue to meet the project goals, outlined below:

- **Collecting participant feedback** – SBCCC shared that most neighborhood associations are meeting on Zoom due to COVID-19 and don't plan on returning to in-person meetings. SBCCC requested to forgo a participant survey and instead submit a screen shot of the meeting as supporting documentation. SBCCC offered to request a follow up letter from the neighborhood association in which they could provide feedback. Grants staff expressed the importance of participant surveys and suggested virtual options that had been successful in Valley Water's own programs, including sending out the online survey via email after the meeting, or in the Zoom chat before the meeting ends.
- **Expanding the project area** – SBCCC shared that they were having a challenging time engaging with the communities within the project area included in the contract. SBCCC requested to expand the project area in the hopes of increasing engagement with more parks, schools and libraries. Valley Water grants staff was supportive of expanding the project area in the hopes that a broader area will help even more with the concern of lack of involvement and increase engagement and awareness with disadvantaged communities. Grants staff suggested expanding the project area to align with the disadvantaged communities in the Guadalupe and Coyote Watersheds, as indicated on the CalEnviroScreen map, and SBCCC agreed to do so.
- **Modifications to scope of work** – SBCCC requested to modify their approach to the scope of work due to the impacts of COVID-19, which was not uncommon at the time. Consequently, to help SBCCC have flexibility in their approach due to the continued uncertainties of the pandemic impacts, grants staff recommended that SBCCC identify the original activities and alternate activities for each task that could be performed in compliance with any public health ordinances (shelter in place, social distancing, etc.). This way, no matter what happened, SBCCC would have approved activities to perform that would minimize delays.
- **Adding BioBlitz events as a deliverable** – SBCCC requested to change their scope of work to include BioBlitz events. Valley Water grants staff asked SBCCC to provide a description of the BioBlitz events to assess if it was aligned with the contract scope of work. After SBCCC provided the information, Valley Water agreed to accept BioBlitz events as a presentation deliverable, as long as the beginning of the BioBlitz event included a verbal presentation with visuals that align with the PowerPoint content.

Item 2. The contract specified the intent of each deliverable and the project area that the partnership activities must be performed within. In Invoice #1, SBCCC requested reimbursement for outreach activities with groups that were not included in the contract, nor considered as historically underserved groups. For example, the presentation at a San Francisco Estuary meeting and a tabling event at Google for their employee Earth Day both took place outside the project area. In the RFP, Task 1.3 outlines that the educational presentations in the community "must include schools, nonprofit organizations, neighborhood community meetings, and community cultural events." For that reason, the presentation to the Valley Water Homeless Ad Hoc Committee did not fit the description of a community presentation.

Item 3. To further assist SBCCC staff in addressing their challenges with achieving the project scope of work due to lack of participation and engagement with the community, Valley Water grants staff inquired about SBCCC's approach to reach out to underserved communities in the project area, as specified in the contract. SBCCC mentioned their approach of only translating

flyers and not the PowerPoint presentations. Grants staff thought it would be helpful to share industry best practice with SBCCC, which is if you invite participants to engage in another language, that activity/presentation is also available in those languages. This was a suggestion, although the contract did include Task 1.2: SBCCC will be creating (6) unique PowerPoint presentations, as well as a series of leaflets utilizing SJSU Students creating them in a culturally relevant form.” In the RFP, Task 1.2 specifically required that “materials should be available in multiple languages including, but not limited to Vietnamese, Spanish, Chinese, Tagalog, and English.”

On November 24, 2021, SBCCC confirmed another follow up meeting with Valley Water grants staff for December 7, 2021 to continue discussions related to the B7 Partnership contract. In advance of the scheduled December 7 meeting, grants staff emailed SBCCC on December 3, 2021 to share follow up items to discuss at the meeting. The follow up items included sharing Valley Water’s best practices for translations and sharing the contact information for professional translation services, and feedback from Valley Water education subject matter experts on the PowerPoint presentations prepared by SBCCC. The items in the email were suggestions and recommendations, and Valley Water grants staff was looking forward to explaining and discussing these items at the scheduled December 7 meeting.

On the morning of December 7, SBCCC emailed grants staff that they were going to pass on the meeting, and that they weren’t sure what direction SBCCC will take and were in discussions with the SBCCC Board. That afternoon, SBCCC submitted a letter to Valley Water Board members.

On December 14, 2021, Marta Lugo emailed SBCCC and shared disappointment that SBCCC canceled the December 7 meeting last minute, and reiterated concerns with SBCCC’s compliance with the requirements of the partnership. This correspondence was what initiated the independent third-party management review by PMA Consultants. The items described in SBCCC’s rebuttal, dated April 10, 2022, to Marta Lugo’s email are further addressed in PMA Consultants’ findings regarding this topic.

cc: D. Taylor, L. Bankosh, J. Codianne, M. Lugo, D. Cahen, C. Gayotin, S. Tran, A. Mendiola, M. Sra, C. Haggerty, K. Yasukawa



Santa Clara Valley Water District

File No.: 22-0220

Agenda Date: 5/23/2022

Item No.: 4.5.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Discuss Process and Scope of 2022 Annual Audit Training from Chief Audit Executive.

RECOMMENDATION:

Discuss process and scope of 2022 Annual Audit Training from Chief Audit Executive.

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 the Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Inc.

Per Article 9, paragraph 3 of the BAC Audit Charter, the Board Independent Auditor shall provide the Committee with annual training related to Audit Principles, Practices, or Standards.

The purpose of this item is to discuss the process and scope of the training to be provided by the CAE. Audit Training may include training on auditing standards, the audit process, and financial statement audits.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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Santa Clara Valley Water District

File No.: 22-0651

Agenda Date: 5/23/2022

Item No.: 4.6.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Fiscal Year 2021-22 Third Quarter Financial Status Update.

RECOMMENDATION:

Receive the Fiscal Year 2021-22 third quarter financial status update as of March 31, 2022.

SUMMARY:

Valley Water's Fiscal Year 2021-22 Third Quarter closed on March 31, 2022. The third quarter financial status update presentation (Attachment 1) summarizes cash and investment balances, the debt portfolio and includes a detailed comparison, and analysis, of the budget to actual status of revenues and expenditures for all funds as of March 31, 2022.

These financial statements have been prepared by Valley Water for informational purposes only and have not been audited by the external auditor. No party is authorized to disseminate these unaudited financial statements to the State Comptroller or any nationally recognized rating agency, nor are they authorized to post these financial statements on EMMA or any similar financial reporting outlets or redistribute the information without the express written authorization of the Chief Financial Officer of Valley Water. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water 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, maintained on the World Wide Web at <<https://emma.msrb.org/>>.

ATTACHMENTS:

Attachment 1: PowerPoint

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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Q3 YTD FY2021-22 Financial Status Update

May 23, 2022

Agenda

2

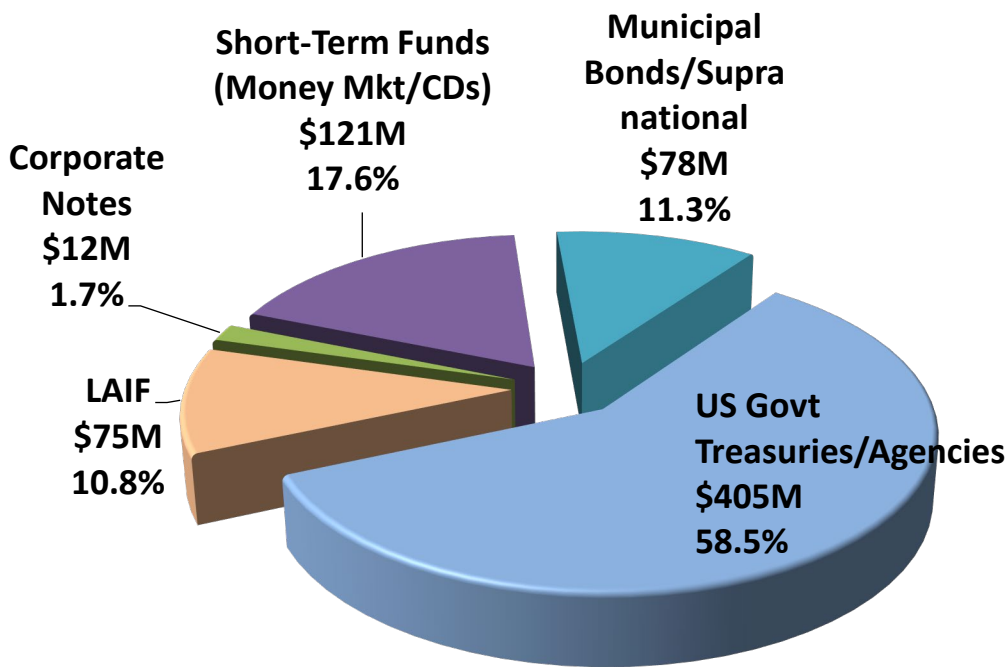
- **Financial Status**
 - **Cash and Investments**
 - **Debt Portfolio**
- **Q3 YTD FY22 Financial Status Update**
 - **Revenue**
 - **Operating and Capital Expenditures**
 - **Reserves**

Financial Status Update – Cash & Investments

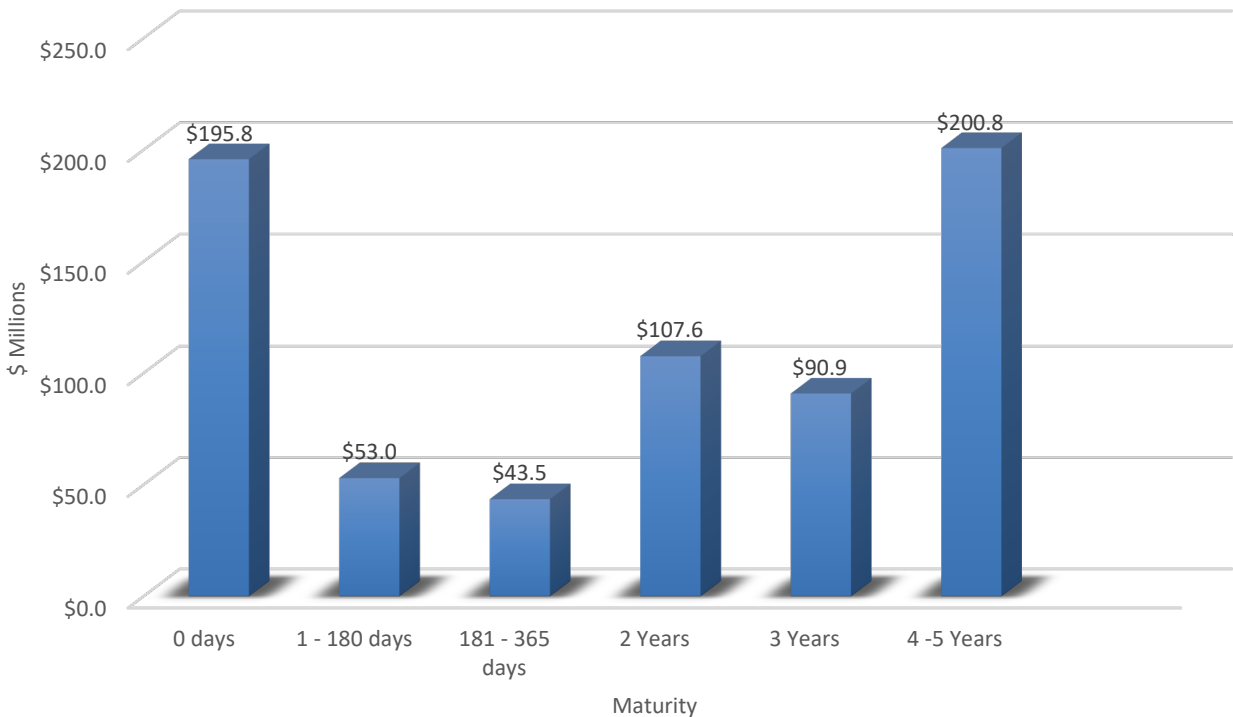
\$292M or 42% of portfolio very liquid (<1-year maturity)

3

SCVWD Investment Portfolio Composition

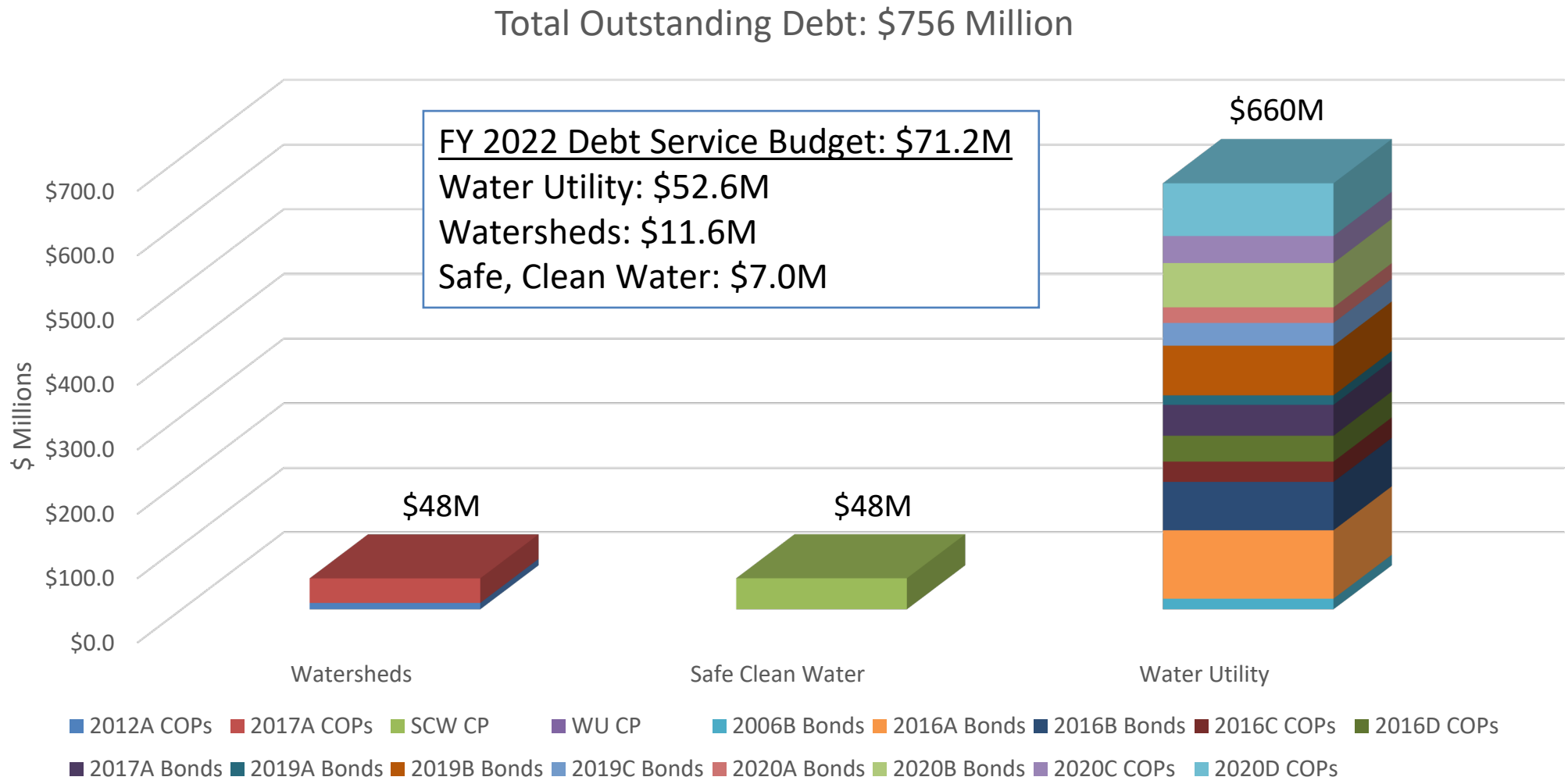


Valley Water Portfolio Aging Report
March 31, 2022
Portfolio Book Value: \$691.6 Million



SCVWD Portfolio Book Value as of Mar 31, 2022: \$691.6Million

Financial Status Update - Outstanding Debt (3/31/22)



Financial Status Update – Debt Portfolio

Ample access to cash at low interest rates

5

\$320M short-term credit facilities

- \$150M Commercial Paper – ongoing program
- \$170M Bank Line of Credit (\$150M Lead + \$20M Small/Local)
 - US Bank Lead (\$150M), Community Bank of the Bay (\$5M), Bank of SF (\$7M), and First Foundation Bank (8M)

FY 2022 & FY 2023 Financing Plan

- Defease WU 2006B by June (~\$20M)
- Refund SCW and WU outstanding short-term debt by November 2022, pending CIP expenditures

WIFIA Loan Program Update: \$80M SCW + \$1.2B Pacheco

Q3 YTD Revenue by Category and Fund

Water revenues affected by conservation measures

6

(\$ in millions)	FY22 Adj Budget	Q3 FY22 Actuals	Q3 FY22 % Rec'd	FY22 Estimate	FY22 Estimate vs Adj Budget
Groundwater Production Charges	\$ 135.3	\$ 75.3	56%	\$129.2	\$ (6.1)
Treated Water Revenue	150.5	95.9	64%	140.5	(10.0)
Surface/Recycled Water Revenue	2.8	1.0	36%	2.8	-
1% Ad-valorem Property Tax	118.4	80.7	68%	123.5	5.1
Safe Clean Water Special Parcel Tax	47.1	26.9	57%	47.1	-
Benefit Assessment	13.5	7.7	57%	13.5	-
State Water Project Tax	26.0	16.9	65%	26.0	-
Capital Reimbursements	35.1	9.7	28%	32.8	(2.3)
Interest Income & Other	10.8	15.7	145%	15.7	4.9
Total Revenue	\$ 539.4	\$ 329.7	61%	\$531.1	\$ (8.3)

(\$ in millions)	FY22 Adj Budget	Q3 FY22 Actuals	Q3 FY22 % Rec'd	FY22 Estimate	FY22 Estimate vs Adj Budget
General Fund	\$ 10.0	\$ 7.6	76%	\$ 10.2	\$ 0.2
Watershed Stream Stewardship Fund	123.4	74.6	60%	126.5	3.1
Safe Clean Water Fund	56.2	31.7	56%	55.8	(0.4)
Water Utility Enterprise Fund	335.9	207.3	62%	324.3	(11.6)
Service Funds	0.4	0.8	200%	0.8	0.4
Benefit Assessment Funds	13.5	7.7	57%	13.5	-
Total Revenue	\$ 539.4	\$ 329.7	61%	\$531.1	\$ (8.3)

Observations

- Q3 FY22 YTD revenue was \$329.7M or 61% of FY22 Budget
- Remainder SCW Special Parcel, Benefit Assessment and State Water Project Tax revenues will be received in Q4
- Groundwater production charges \$75.3M or 56% of Budget and \$3.2M lower than Q3 FY21 actuals
 - FY22 projected to be \$129.2 million due to conservation
- Surface/Recycle Water revenue projected to meet budget
- Treated water revenue \$95.9M or 64% of Budget and \$7.6M lower than Q3 FY21 actuals
 - FY22 projected to be \$140.5 million due to conservation
- Capital reimbursements of \$9.7M, which varies year-over-year depending on progress of grant-funded projects
 - \$15.9M received through April YTD
 - Submitting claims for additional \$17M before 6/30

Q3 YTD Operating and Capital Expenditures

Operating & Capital expenditures estimated to end FY within budgeted levels

7

(\$ in millions)	FY22 Adj Budget	Q3 FY22 Actuals	Q3 FY22 % Spent	FY22 Estimate	FY22 Estimate vs Adj Budget	Observations
General Fund	\$ 76.5	\$ 53.0	69%	\$ 73.5	\$ (3.0)	<ul style="list-style-type: none"> Q3 FY22 Operating Expenditures of \$342.0M or 66% of FY22 Adjusted Budget Safe Clean Water Fund expenses lower than budget due to delay in CP issuance, deferral of the 2022A bond issuance and F9 Safe Clean Water Grants and Partnerships (Board approval on May 24th)
Watershed Stream Stewardship Fund	68.6	46.2	67%	63.4	(5.2)	
Safe Clean Water Fund	30.2	12.6	42%	20.4	(9.8)	
Water Utility Enterprise Fund	299.4	198.0	66%	285.8	(13.6)	
Service Funds	34.8	21.2	61%	30.3	(4.5)	
Benefit Assessment Funds	11.2	11.0	98%	11.0	(0.2)	
Total Operating Expenditures	\$ 520.7	\$ 342.0	66%	\$ 484.4	\$ (36.3)	

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments

Note 2: Budgetary basis Actuals includes actuals and encumbrances as of 3/31/22

Note 3: Estimate based on extrapolation of Q3 YTD actuals result based FY19 to FY21 actuals results

(\$ in millions)	FY22 Adj Budget	Q3 FY22 Actuals	Q3 FY22 % Spent	FY22 Estimate	FY22 Estimate vs Adj Budget	Observations
General Fund	\$ 6.1	\$ 2.0	33%	\$ 5.7	\$ (0.4)	<ul style="list-style-type: none"> Q3 FY22 Capital Expenditures of \$292.1M or 57% of Adjusted Budget; spending trend is 20% higher vs Budget as compared to the same period of FY21 GF Fund lower due to HQ Ops Building project delay (\$2.0M) WSS Fund lower due to Watersheds Asset Rehab (\$16.5M) and Lower Penitencia Creek Improvements (\$7.7M) SCW Fund lower due to Llagas Creek – Upper Construction (\$27.7M), San Francisquito Early Implementation (\$11.7M), and Almaden Lake Improvement (\$8.9M)
Watershed Stream Stewardship Fund	87.5	47.4	54%	67.5	(20.1)	
Safe Clean Water Fund	117.8	44.3	38%	59.6	(58.2)	
Water Utility Enterprise Fund	287.2	189.1	66%	247.6	(39.6)	
Service Funds	15.3	9.3	61%	12.3	(3.0)	
Total Capital Expenditures	\$ 513.9	\$ 292.1	57%	\$ 392.7	\$ (121.2)	

Note 1: Capital Adjusted Budget includes Adopted Budget and prior year capital carryforward

Note 2: Budgetary basis Actuals includes actuals and encumbrances as of 3/31/22

Note 3: Estimate based on extrapolation of Q3 YTD actuals result based FY19 to FY21 actuals results

Reserve Balances

Projected FY22 year-end reserve balances higher than Adopted Budget

8

(\$ in millions)	FY22 Adopted Budget	FY22 Projected Year-end	Projected YE vs Adopted
Restricted Reserves			
Safe Clean Water Fund	\$ 123.9	\$ 155.6	\$ 31.7
Water Utility Enterprise Fund	60.1	92.9	32.8
Restricted Subtotal	\$ 184.0	\$ 248.5	\$ 64.5
Committed Reserves			
General Fund	\$ 6.6	\$ 7.0	\$ 0.4
Watershed & Stream Stewardship Fund	74.3	110.7	36.4
Water Utility Enterprise Fund	56.7	86.4	29.7
Service Funds	14.7	18.9	4.2
Committed Subtotal	\$ 152.3	\$ 223.0	\$ 70.7
Total Reserves	\$ 336.3	\$ 471.5	\$ 135.2

Observations

- FY22 projected year-end total reserve balance of \$471.5M, based on FY21 Actual reserve, FY22 projected Revenue and Expenditures
- Safe Clean Water Fund reserve \$31.7M higher than Adopted Budget primarily due to carryover of higher unspent capital project reserve balances in FY21 to FY22
- Watershed & Stream Stewardship Fund year-end reserve, \$36.4M higher than Adopted Budget due to carryover of higher Actual reserve balance in FY21 (\$38.9M) to FY22 and higher Property Tax Revenue (\$3.2M) in FY22
- Water Utility Enterprise Fund reserve \$62.5M higher than Adopted budget due to carryover of higher Actual reserve balance in FY21 (\$92.7M) to FY22 and increase in FY22 Debt Proceeds (\$12.2M) offset by a decrease in FY22 Water Revenue (\$16.1M)

Q3 YTD Financial Update Summary

9

- Performance of revenues inline with expectations due to conservation
- Operating expenditures estimated to end FY within budgeted levels
- Q3 YTD capital expenditures trending higher than prior years
- Highlight any significant developments as well as identify any potential budget actions necessary in second half of fiscal year

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Santa Clara Valley Water District

File No.: 22-0649

Agenda Date: 5/23/2022
Item No.: 4.7.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Discuss the 2022-2024 Annual Audit Work Plan.

RECOMMENDATION:

Discuss the 2022-2024 Annual Audit Work Plan.

SUMMARY:

On January 11, 2022, the proposed 2022-2024 Annual Audit Work Plan (Attachment 1) was approved by the Board. At its January 19th meeting the Board Audit Committee (BAC) identified the top 3 areas of interest to be audited in 2022: 1) ID #1, CIP Process; 2) ID #3, Emergency Response; and 3) ID #6, Data Management.

At its April 20th meeting, the BAC authorized staff to seek approval from the full Board to initiate the CIP Performance Audit as the first audit for 2022, and to authorize Sjoberg Evashenk Consulting, Inc. to conduct the audit. Staff is scheduled to discuss this topic at the May 24th, 2022, Board meeting.

For this item, the BAC is requested to identify any potential changes to the Annual Audit Work Plan to recommend to the Board for approval.

ATTACHMENTS:

Attachment 1: 2022-2024 Annual Audit Work Plan

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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TAPInternational

FY 2022-2024 Annual Audit Work Plan

November 10, 2021

Final

ANNUAL AUDIT WORK PLAN

The Audit Work Plan serves as a tool for communicating audit priorities as determined by the Santa Clara Valley Water District's Board Audit Committee (BAC) and Board of Directors. The selection of audits for formal review and approval by the Board of Directors is an important responsibility of the Audit Committee.

Audits are an important oversight tool because they provide independent and fact-based information to management and elected officials. Those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making.

Audits can:

- Verify that programs, services, and operations are working based on your understanding.
- Assess efficiency and effectiveness.
- Identify the root cause or problems.
- Assess the progress of prior audit recommendations.
- Identify the impact of changes
- Identify leading practices.
- Assess regulatory compliance.
- Develop policy options.
- Assess the accuracy of financial information reported.

The types of audits that can be conducted include:

- Internal audits: Internal audits review the environment, information, and activities that are designed to provide proper accountability over District operations.
- Compliance audits: Compliance audits review adherence to policies and procedures, state regulatory requirements, and/or federal regulatory requirements.
- Performance audits (impact or prospective audits): Performance audits review the economy, efficiency, and effectiveness of Valley Water programs, services, and operations.
- Desk reviews: Small and quick audits.
- Follow up audits: Follow up audits assess the implementation status of recommendations included in prior audit reports.
- Best practices reviews: Compares current operations to best practices.

This proposed audit work plan is divided into sections. Section A describes anticipated ongoing support services to be provided by the independent auditor as well as other quality assurance activities planned by Valley Water's executive management. Section B describes the audits planned for implementation by the Independent Auditor.

SECTION A

ONGOING SUPPORT SERVICES AND SPECIAL PROJECTS

The following table lists non-audit services and special projects for the FY 2022 to 2024 audit work plan:

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
Board of Director & Board Audit Committee Requests for Information/ Independent Auditor	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	80	80
Audit Training/ Independent Auditor	Annual. The Board Audit Committee Charter describes a requirement to provide audit training to Board Audit Committee members at least annually.	2	2	2
Support Services/ Independent Auditor	Ongoing. Provide support services to Board Directors and Valley Water staff applicable to specific initiatives or planning projects to prevent potential service delivery risks.	40	40	40
QEMS/Valley Water Continual Quality Improvement Unit	Ongoing. Provide services to ensure proper oversight and accountability.	As needed	As needed	As needed

Management Reviews/Valley Water Management	Ongoing. Valley Water's Chief Executive Officer ,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	As needed	As needed
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SECTION B

AUDIT SERVICES – INDEPENDENT AND ON-CALL AUDITORS

Labor Summary

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
Independent and On-Call Auditors	Audits and Follow-up Audits Based on the Audit Work Plan	TBD	TBD	TBD

Recommended Audits

The Board Audit Committee will select and recommend audits described below for approval by the Board of Directors.

ID	Risk Area(s)	Risk Factor	Audit Topic	Type of Audit	Suggested Audit Objectives
1	CIP Planning Process Financial Management	<input checked="" type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	CIP Planning Process	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. Are there opportunities to improve the capital improvement project planning process (project initiation to CIP plan approval)? 2. To what extent can early participation of Valley Water support units (environmental planning, permitting, purchasing, warehousing) on large capital projects prevent project delays and reduce cost overruns? 3. Can the Capital Improvement Plan be better right sized that considers the Agency's funding and staffing levels?
2	Inventory Control	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Inventory Management	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. Does Valley Water effectively manage, account for and record inventory across the agency? 2. What resources (e.g., staffing, systems, facilities) and business processes (communication and coordination) are necessary to meet current and future needs including centralizing inventory management?
3	Emergency Response Emergency Detection Emergency Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Program Monitoring	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. To what extent do the emergency management plans variously established by Valley Water contain gaps and activities to ensure proper prevention, detection, response, and recovery activities? 2. Do gaps exist in surveillance and detection of potential problems across Valley Water's infrastructure?

					<ol style="list-style-type: none"> 3. To what extent is the virtual Emergency Operations Center aligned with FEMA best practices? 4. Are there lessons learned from past emergencies to prevent disruptions to regular operations while providing additional manpower and resources to respond to emergencies?
4	Emergency Cost Recovery Data Management & Accuracy	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Financial Management	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. To what extent has Valley Water been able to claim the full reimbursement of costs for eligible expenses from FEMA? 2. Are business practices aligned with federal and state aid requirements for emergency cost reimbursement? To what extent are information systems and other business processes configured to capture information needed for cost reporting and recovery?
5	Financial Oversight Purchasing and Contracting Processes	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Financial Management	Performance Audit	<ol style="list-style-type: none"> 1. To what extent do Valley Water procurement programs for low dollar purchases (i.e., P-Cards, & Standing Orders) comply with established policies and procurement limits? 2. Are added policies and procedures needed to control spending and prevent work arounds to formal competitive bids?
6	Data Management Data Integrity Data Accuracy	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Business Process	Cross Functional Performance Audit	<ol style="list-style-type: none"> 1. To what extent does Valley Water use multiple data stores for the same information?
7	Plan Implementation Plan Monitoring	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Organizational Culture	Culture Audit	<ol style="list-style-type: none"> 1. How has Valley Water's organizational culture impacted implementation of plan established across the agency? 2. To what extent does Valley Water demonstrate and practice common cultural characteristics including:

- a) Defining organization's values and proactively emphasize and model those values.
- b) Ensuring strategies are consistent with the values and holding management accountable.
- c) Executing their duties within the organization's risk appetite.
- d) Management reinforces the values and culture through clear communication of expectations across the organization.
- e) Management actively gathers and listens to feedback.
- f) All levels are open to constructive criticism and problem solving through methods including information obtained from second- and third-line functions via inputs such as well-received and acknowledged employee suggestion/question program, ethics hotlines, open door policies, employees' events, and meetings, and more.
- g) All employees (to the extent possible) are engaged in objective setting and strategy discussions.

8	Grant Management	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Grant Reimbursement	Performance Audit	1. Can Valley Water's process for tracking labor and expense activities on state grants awarded to Valley Water benefit from updating? 2. How timely are claims for reimbursement submitted to awarding state agencies? 3. What circumstances have contributed to lost opportunities
	Financial Management Coord. & Comm.				
	Financial Oversight				
	Data Accuracy				

					for reimbursement by awarding state agencies?
9	Plan Monitoring	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Human Resources Management	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. What progress has been made in implementing existing workforce development and succession planning plans? 2. What evidenced-based factors have been significant in facilitating the hiring of technical and operational staff? 3. To what extent have position descriptions and classification evolved to ensure that Valley Water has the technical capability to meet future demands to solve complex problems in an agile and creative manner?
10	Aging Infrastructure Detection Aging Infrastructure Monitoring	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Asset Management	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. To what extent do Valley Water divisions and units ensure compliance to specification standards to prevent substandard replacements of parts, equipment, and capital assets? 2. Is Valley Water adequately meeting the needs of equipment maintenance?
11	Data Accuracy	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Unmetered Groundwater Measurement	Desk Review	<ol style="list-style-type: none"> 1. Is the methodology supporting unmetered groundwater usage measurement valid and include all applicable methodological assumptions?
12	CIP Planning Process Financial Management	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Capital Project Budgeting	Performance Audit	<ol style="list-style-type: none"> 1. Are there areas of Valley Water's capital project budgeting practices that can benefit from adopting best practices?
13	IT Security Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	SCADA	Performance Audit	<ol style="list-style-type: none"> 1. What is the status of implementation of prior audit recommendations? 2. Will the recommendations as implemented by Valley Water accomplish intended goals and objectives?

					3. Are changes needed in the frequency of communications to the Board on the progress and status of cybersecurity and other IT needs?
14	Plan Monitoring Management Plan Implementation	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Strategy Development and Implementation	Cross-Functional Performance Audit	1. To what extent are management plans underway or completed across Valley Water? 2. To what extent do the plans need a completion date or require updating? 3. Are strategy and management plans developed across the Agency right sized to the divisions and/or units' staffing levels and workloads? 4. What progress has Valley Water made in implementing management plans to manage risks?
15	Program Monitoring Governance Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Homelessness Programs	Performance Audit	1. To what extent has Valley Water implemented its homelessness plan? 2. Can other cost-effective strategies implemented in other jurisdictions to prevent the creation and establishment of homeless encampments on Valley Water property? 3. How can Valley Water enhance its homelessness encampment clean-up activities to ensure the protection of health and safety of employees?
16	Grant Management	<input checked="" type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Financial Management	Follow-Up Audit	1. Have improvements occurred in the timeliness of grant reimbursements? 2. To what extent has the grant management and administration implemented prior audit recommendations? 3. What improvements in program outcomes have occurred in the timeliness of grant application review, reimbursement, and accomplishment of deliverables?

17	Program Monitoring Management	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Encroachment Program	Performance Audit	1. Is Valley Water implementing its encroachment licensing program consistent with the Board's guiding principles?
18	Data Management Data Accuracy	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Business Process	Cross Functional Performance Audit	1. To what extent have Valley Water units established business processes to ensure accurate data collection and input? 2. What gaps remain in automating data collection and input?
19	Operations	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Risk Management	Performance Audit	1. What are the advantages and disadvantages of realigning business functions (i.e., all risk management activities, workers compensation administration, and claim administration)? 2. Can risk management business processes benefit from updating? (i.e., overall operations, data management, contract claims, workers compensation, small claims, claims administration and management, workers compensation administration, and all risk management activities, including insurance & self-insurance.
20	Emergency Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Peer Review	Best Practices Review	1. Can regulatory permitting practices administered by other utilities districts help reduce barriers and other challenges experienced by Valley Water?
21	IT Project Management & Communication Data Accuracy	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	System Implementation	Post IT Implementation Audit	1. Has the current large ERP project implementation produced the desired functionality? 2. To what extent have all contract deliverables been met? 3. To what extent have data quality issues surfaced post-implementation? 4. What lessons learned can apply to future information system implementations?

22	Emergency Response Emergency Management	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Procurement	Performance Audit	<ol style="list-style-type: none"> 1. Have Valley Water's procurement policies been flexible and agile to effectively and timely respond to and recover from past emergencies? 2. Are other procurement and operational activities needed to ensure prompt and reliable emergency services?
23	Environmental Sustainability Framework Development Program Monitoring Governance	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Program Measurement & Evaluation	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. What level of success has Valley Water's environmental stewardship activities had on preventing environmental damage and promoting environmental sustainability? 2. To what extent has Valley Water adopted sustainability indicators on specific projects to measure progress? 3. To what extent has Valley Water adopted sustainability indicators in its decision-making?
24	Program Monitoring Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Program Outcomes Business Process	Performance Audit	<ol style="list-style-type: none"> 1. To what extent has Valley Water mitigated the environmental hazards caused by non-use of the percolator ponds? 2. In a non-drought year, are barriers present that prevent Valley Water from filling percolator ponds? 3. What processes need development to prevent expiration of groundwater charge permits?
25	Financial Management Coord. & Comm. Financial Oversight	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Capital projects	Desk Review	<ol style="list-style-type: none"> 1. What potential financial risks could occur on the California WaterFix project?
26	CIP Monitoring	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Capital Project Evaluation and Monitoring	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. Have completed capital projects met their intended goals? 2. To what extent does Valley Water include performance measures to measure success and monitor financial management?

					Are there lessons learned that can be adopted in future capital project plans to ensure goal accomplishments as well as implementation of alternative strategies to facilitate early communication to the Board of Directors of potential and actual problems, and to predict success such as performing cost vs. benefit analysis?
27	IT Security Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	IT Risk Management	Desk review	1. To what extent is IT risk management activities aligned with best practices, such as National Institute of Standards and Technology (NIST) guidance, including whether acceptable risk appetites and risk tolerances have been formally documented and approved by the Board of Directors?
28	Purchasing and Contracting Processes	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Financial Oversight	Desk Review	1. Can Valley Water benefit from updating its qualifications and experience criteria to include in future competitive bids for external financial audit services?
29	IT Strategic Planning Emergency Management	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Disaster Planning	Performance Audit	1. Does Valley Water's prioritization for systems and data recovery meet the agency's needs for sustained business continuity? 2. To what extent does Valley Water's process for determining the prioritization of systems and data recovery adhere to best practices (ex. NIST)?
30	Plan Development Plan Implementation Plan Monitoring	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Decision-Making	Cross-Functional Performance Audit	1. What lessons has Valley Water learned from its ad hoc cross-functional efforts to proactively address current or emerging risks?
31	Financial Oversight	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Outsourcing of Legal Services	Desk Review	1. How have changes occurred in District Counsel Office spending

for contracting external legal services?

2. To what extent are the nature of services provided by contracted legal firms presently outside of the District Counsel Office's expertise?
 3. Can expanding outsourced legal services prevent project delivery delays?
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SECTION C

AUDIT SERVICES – VALLEY WATER RESPONSIBILITY

QEMS ACTIVITIES

Under development

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.: 22-0650

Agenda Date: 5/23/2022

Item No.: 4.8.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Review and Discuss the 2022 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:

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

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

Attachment 1 is the 2022 BAC Work Plan. Upon review, the BAC may make changes to be incorporated into the next revision.

ATTACHMENTS:

Attachment 1: Proposed 2022 BAC Work Plan

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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BOARD AUDIT COMMITTEE 2022 WORKPLAN														
#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		19-Jan	16-Feb	16-Mar	20-Apr	18-May	15-Jun	20-Jul	17-Aug	21-Sep	19-Oct	16-Nov	21-Dec	
	Board Audit Committee Meeting Dates													
	Number of Agenda Items per Meeting Date	8	10	4	5	8	4	4	7	4	3	6	3	<u>Note:</u> For informational purposes only. This value excludes Item 12 because that items is prepared by the Committee Clerk, not the CI Team, and is for the Full Board, not just the BAC.
	Meeting Dates	•	•	•	•	•	•	•	•	•	•	•	•	Note: The BAC approved a regular meeting schedule for 2022, to meet monthly, on the third Wednesdays at 2:00 p.m.
	Board Audit Committee Management													
1	Election of 2022 BAC Chair and Vice Chair		•											<u>Recommendation:</u> Nominate and elect the 2022 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 2022 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 2022 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						•							<u>Recommendation:</u> Receive Annual Audit Training from Board Independent Auditor.
6	Conduct Annual Self-Evaluation	•		•	•									<u>Recommendation:</u> A. Conduct Annual Self-Evaluation; and B. Discuss the Results of the Annual Self-Evaluation; and C. Prepare Formal Report to provide to the full Board. <u>Note:</u> Jan = Discuss the Eval and provide forms; Feb = Discuss the results of the Eval; Mar = Provide a Summary Report of Evals; Apr = Present Eval Results to Full Board (Note that in 2022 efforts for March & April were delayed by a month)
7	Discuss Chief Audit Executive (CAE) Final Contract Close-out Report from TAP International, Inc. (Jan 2022) Receive and Discuss CAE Activity Report to Evaluate Auditor Performance (Starting in Jan 2023)	•												<u>Recommendation for 2022:</u> Receive Final Contract Close-out Report from TAP International, Inc. <u>Recommendation for 2023:</u> Receive and discuss CAE Activity Report from Sjoberg Evashenk to evaluate CAE Performance.

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 2022 WORKPLAN														
#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		19-Jan	16-Feb	16-Mar	20-Apr	18-May	15-Jun	20-Jul	17-Aug	21-Sep	19-Oct	16-Nov	21-Dec	
8	Discuss Extension or Termination of Board Chief Audit Executive (CAE) Contract for Board Independent Auditing Services Prior to Expiration of the Agreement around December 2024													Recommendation: 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, 2022; 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. Note: Agreement effective date was 12/27/21 or 1/1/22.
9	Chief Audit Executive - Request for Proposal: Review Panel (Apr 2024)													Note: Review Panel for the role of the Chief Board Auditor will be the BAC members
10	Tri-annual Risk Assessment (CY 2024)													Recommendation: Discuss the scope of work for the 2024 Risk Assessment. Note: Initiate discussions in February 2024; Deliverable due by September 2024
	Board Audit Committee Special Requests													
11	External Financial Auditor Meeting with Individual Board members													Note: Schedule as needed.
12	Provide BAC Summary Report to full Board	•	•	•	•	•	•	•	•	•	•	•	•	Note: Report to be provided to Board in non-agenda the month after each BAC meeting, or as part of the Board Committee Reports, prepared by Committee Clerk
13	Risk Management Organization				•						•			Note: In October 2021 The BAC suggested pushing discussion on this topic out a few months to allow new District Counsel time to ascertain effectiveness of current organizational structure (assume April 2022). Recommendation: Review and discuss Risk Management Organization.
14	Financial Auditor Selection Parameters	•	•											Recommendation: Discuss prior to the selection of the next financial auditor Note: Next procurement scheduled for January 2022.
	Management and Third Party Audits													
15	Review Draft Audited Financial Statements											•		Recommendation: A. Review draft Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022; and B. Direct staff to have Financial Auditor to contact Board Members and present, if necessary. Note: This is a Nov. agenda item

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BOARD AUDIT COMMITTEE 2022 WORKPLAN														
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		19-Jan	16-Feb	16-Mar	20-Apr	18-May	15-Jun	20-Jul	17-Aug	21-Sep	19-Oct	16-Nov	21-Dec	
16	Audit Report of the Water Utility Enterprise Funds for the Fiscal Year								•					Recommendation: Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year.
17	Receive QEMS Annual Internal Audit Report								•					Recommendation: Receive information regarding the Quality and Environmental Management System.
18	Audit Recommendations Implementation Status	•				•		•					•	Recommendation: Receive and discuss a status update on the implementation of audit recommendations. Note: This is a December/June item; January 2022 item was delayed from Dec 2021; April May 2022 return to BAC to provide missing updates from Jan. 2022; Return to the BAC every 6 months - Jan. & Jul. 2022 and then Dec. & Jun. thereafter
Board Independent Auditor - Sjoberg Evashenk Items														
19	Review and Update Annual Audit Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	Recommendation: Discuss the Annual Audit Work Plan and update, if necessary.
	Audit - 2019 Contract Change Order Audit													
20	Recommendation Implementation Status (Annual Rpt. in August; Target Completion = TBD)								•					Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2020 District Counsel Audit													
21	Recommendation Implementation Status (Annual Rpt. in January; Target Completion = TBD)		•											Recommendation: Receive and discuss a status update on the implementation of audit recommendations. Note: This is a January item; February 2022 item was delayed from January
	Audit - 2020 Real Estate Audit													
22	Recommendation Implementation Status (Annual Rpt. in November; Target Completion = TBD)											•		Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2020 SCW Program Grants Management													
23	Recommendation Implementation Status (Semi-Annual Rpt. in March and September; Target Completion = June 30, 2023)					•				•				Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2021 Permitting Best Practices													
24	Recommendation Implementation Status (Annual Rpt. in May; Target Completion = TBD)					•								Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
	Pacheco Reservoir Expansion Investigation													

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BOARD AUDIT COMMITTEE 2022 WORKPLAN														
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		19-Jan	16-Feb	16-Mar	20-Apr	18-May	15-Jun	20-Jul	17-Aug	21-Sep	19-Oct	16-Nov	21-Dec	
25	Review Pacheco Project Investigation Progress Report		•											<u>Recommendation:</u> Receive an update on the status of the on-going investigation. <u>Note:</u> Work with District Counsel on this item
	Audit - To Be Determined													
26	Receive notification of initiated Audit													<u>Note:</u> Audit Objectives - What is the objective of this audit?
27	Review Audit Progress Report													<u>Recommendation:</u> Receive an update on the status of the on-going audit.
28	Review Audit Draft Report Presentation													<u>Recommendation:</u> Receive and discuss the Final Draft Audit Report.
29	Review Management's Response to Audit Final Draft Report													<u>Recommendation:</u> A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Authorize staff work with the CAE to finalize the Audit Report and present it to the Board of Directors.
Management Audits - PMA, MGO, and 3rd Party Items														
	Audit - 2014 Transparency Compliance Audit													
30	Recommendation Implementation Status (Annual Rpt. in November; Target Completion = TBD)											•		<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2015 Mitigation and Monitoring Compliance Audit													
31	Recommendation Implementation Status (Annual Rpt. in January; Target Completion = TBD)		•											<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2015 Consultant Contracts Audit													
32	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.		•						•					<u>Note:</u> Staff CAS update every 6 months. <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.
	Audit - 2019 Lower Silver Creek Audit													
33	Recommendation Implementation Status (Annual Rpt. in February; Target Completion = TBD)						•							<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
	Audit - 2022 Human Resources Audit													
34	HR Audit Report - Review and Comment regarding Management's Response	•												<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
	QEMS Improvements Implementation													
35	Recommendation Implementation Status (Annual Rpt. in August; Target Completion = TBD)								•					<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.
Miscellaneous BAC Work Plan Items														

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BOARD AUDIT COMMITTEE 2022 WORKPLAN														
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		19-Jan	16-Feb	16-Mar	20-Apr	18-May	15-Jun	20-Jul	17-Aug	21-Sep	19-Oct	16-Nov	21-Dec	
36	Financial Status - Quarterly Update		•			•				•		•		<u>Note:</u> suggested frequency is as follows: February for mid-year review; May for Q3 review; September for unaudited close; November for Q1 review Schedule as needed
37	Financial Audit - Periodic Update							•						
38	SBCCC Partnership Grant Issue	•		•	•	•								Added per Darin's comments at the 12/15/21 BAC Meeting <u>Recommendation:</u> Receive and Discuss the SBCCC Partnership Grant Issue

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