



**BOARD FINANCE COMMITTEE MEETING
THURSDAY JANUARY 30, 2025 at 2:30 PM**

AGENDA

Public comments may be submitted via email to
General Manager, Kat Wuelfing, at kwuelfing@midpeninsulawater.org

Please indicate in your email the agenda item to which your comment applies.

Comments submitted before the meeting will be provided to the Board before or during the meeting. Comments submitted after the meeting is called to order will be included in the correspondence that will be provided to the full Board.

Board members, staff, consultants, and the public may participate remotely.

The zoom meeting link is available here: <https://www.midpeninsulawater.org/zoom>

Should Zoom not be operational, please check online at: www.midpeninsulawater.org for any updates or further instruction.

1. Call to Order

A. Roll Call

2. Public Comment

If you wish to address the Committee, please follow the directions at the top of the agenda. If you have anything that you wish distributed to the Committee and included for the official record, please include it in your email. Comments that require a response may be deferred for staff reply.

3. Review Accounting Internal Controls Risk Assessment Report

4. Discuss Frequency of IGS Service Dissemination Agent Reports

5. Adjournment

This agenda was posted at the Mid-Peninsula Water District's office, 1075 Old County Road, Suite A, in Belmont, California, and on its website at www.midpeninsulawater.org.

ACCESSIBLE PUBLIC MEETINGS

Upon request, the Mid-Peninsula Water District will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation (including auxiliary aids or services), to enable individuals with disabilities to participate in public meetings and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested. Requests should be sent to the General Manager at (650) 591-8941 or kwuelfing@midpeninsulawater.org. Requests must be received at least two days before the meeting. Requests will be granted whenever possible and resolved in favor of accessibility.

SECTION I: THE CONTROL ENVIRONMENT

The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.

Relevant Principles	Attributes	Describe the Established Controls Supporting the Relevant Principles or Point of Focus
The organization demonstrates a commitment to integrity and ethical values.	<ol style="list-style-type: none">1. Sets the tone at the top2. Establishes standards of conduct.3. Evaluates adherence to standards of conduct.4. Addresses deviations in a timely manner	<p>The District has a financial management policy that it adopted in April 2024 that addresses various elements including tone at the top and standards of conduct. Within the policy, there are sections related to <i>"Asset Protection and Fraud in the Workplace"</i>.</p> <p>The District also has a personnel manual that contains the Ethics Policy. The District has won the "District Transparency Certificate of Excellence" by the Special Leadership Foundation for demonstrating completion of certain requirements, including conducting ethics training for all board members. Within the personnel manual, Section 8 discusses performance evaluations, standards of conduct, and discipline and termination.</p>
Those charged with governance demonstrate independence from management and exercise oversight of the development and performance of the system of internal control.	<ol style="list-style-type: none">1. Establishes oversight responsibilities.2. Apply relevant expertise.3. Operate independently.4. Provide oversight for the system of internal control.	The District's management team presents the various reports to the Board of Directors on a monthly basis. Sections include: operational status updates; administrative status updates; financial status updates; as well as conditions that may give rise to risks. During the meetings, the Board of Directors are encouraged to ask questions as well as provide direction to the Executive Director, management, and staff. Additionally, all reports provided to the Board are included in a Board packet that is available to the public to ensure accountability as well as meet legal requirements.
Management establishes, with oversight by those charged with governance, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.	<ol style="list-style-type: none">1. Considers all structures of the entity.2. Establishes reporting lines and flow of information.3. Defines, assigns, and limits authorities and responsibilities.	Pursuant to direction from the Board of Directors, management has developed an organization chart that is updated on an annual basis that clearly outlines reporting roles and flows of information. Additionally, all approved job classifications include job descriptions that have been authorized and approved by the Board of Directors. Job descriptions include lines of reporting and accountability.

Relevant Principles	Attributes	Describe the Established Controls Supporting the Relevant Principles or Point of Focus
The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.	1. Establishes policies and practices. 2. Evaluates competence and addresses shortcomings. 3. Attracts, develops, and retains individuals. 4. Plans and preparations for succession.	As noted above, the District has developed a comprehensive personnel manual that includes policies related to the recruitment, hiring, training, promotion, and compensation (direct and indirect) of personnel that is available for the public to view. Additionally, the Board of Directors reviews the compensation and benefits package periodically to ensure that the District is competitive in obtaining and retaining talent. All job descriptions that are approved by the Board of Directors contain core competencies and education requirements. Finally, the Board of Directors has established an informal policy of having two people in the same role for a brief period in order to facilitate the transfer of knowledge.
The organization holds individuals accountable for their system of internal control responsibilities in the pursuit of objectives.	1. Enforces accountability through structures, authorities, and responsibilities. 2. Establishes performance measures, incentives, and rewards. 3. Evaluates performance measures, incentives, and rewards for ongoing relevance. 4. Considers excessive pressures. 5. Evaluates performance and rewards or disciplines in individuals.	As noted above, the District has several policies in place including a personnel manual and a financial management policy. Within the personnel manual, there are sections relating to the standards of conduct and the ramifications if there are deviations from those standards.

Significant changes from prior year
The Board of Directors has adopted a Financial Management Policy that outlines key controls over relevant business processes.

SECTION II: RISK ASSESSMENT

Every entity faces a variety of risks from external and internal sources. Risk is defined as the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of these objectives from across the entity are considered relative to established risk tolerances. Thus, risk assessment forms the basis for determining how risks will be managed.

A precondition to risk assessment is the establishment of objectives, linked at different levels of the entity. Management specifies objectives within categories relating to operations, reporting, and compliance with sufficient clarity to be able to identify and analyze risks to those objectives. Management also considers the suitability of the objectives for the entity. Risk assessment also requires management to consider the impact of possible changes in the external environment and within its own business model that may render internal control ineffective.

Relevant Principles	Attributes	Describe the Established Controls Supporting the Relevant Principles or Point of Focus
The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.	Operations Objectives <div><div>1. Reflects management’s choices.</div><div>2. Considers tolerances for risk.</div><div>3. Includes operations and financial performance goals.</div><div>4. Forms a basis for committing of resources.</div></div> External Financial Reporting Objectives <div><div>1. Complies with applicable accounting standards.</div><div>2. Considers materiality.</div><div>3. Reflects entity activities.</div></div> External Nonfinancial Reporting Objectives <div><div>1. Complies with externally established standards and frameworks.</div><div>2. Considers the required level of precision.</div><div>3. Reflects entity activities.</div></div> Internal Reporting Objectives <div><div>1. Reflects management’s choices.</div><div>2. Considers the required level of precision.</div><div>3. Reflects entity activities.</div></div> Compliance Objectives <div><div>1. Reflects external laws and regulations</div><div>2. Considers tolerances for risk.</div></div>	Objectives are documented within the District's financial management policy document as well as the personnel manual.

<i>Relevant Principles</i>	<i>Attributes</i>	<i>Describe the Established Controls Supporting the Relevant Principles or Point of Focus</i>
The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.	<ol style="list-style-type: none"> 1. Includes entity, subsidiary, division, operating unit, and functional levels. 2. Analyzes internal and external factors. 3. Involves appropriate levels of management. 4. Estimates significance of risks identified, including those related to accounting estimates. 5. Determines how to respond to risks. 	Risks identified are communicated monthly to the Board of Directors through status reports that discuss operational as well as financial risks and status of the mitigation of those risks.
The organization considers the potential for fraud in assessing risks to the achievement of objectives.	<ol style="list-style-type: none"> 1. Considers various types of fraud. 2. Assesses incentives and pressures. 3. Assesses opportunities. 4. Assesses attitudes and rationalizations. 	Fraud is addressed in both the financial management policy as well as the personnel manual.
The organization identifies and assesses changes that could significantly impact the system of internal control.	<ol style="list-style-type: none"> 1. Assesses changes in the external environment. 2. Assesses changes in the business model. 3. Assess change in leadership. 	Through discussions during the Board meetings, operational changes are discussed and direction, if needed, is provided to management who then carry it out.

<i>Significant changes from prior year</i>
The Board of Directors conducted their first assessment of internal controls.

SECTION III: Control activities

Control activities are the actions established through policies and procedures that help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities.

<i>Relevant Principles</i>	<i>Attributes</i>	<i>Describe the Established Controls Supporting the Relevant Principles or Point of Focus</i>
The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.	<ol style="list-style-type: none"> 1. Integrates with risk assessment 2. Considers entity-specific factors. 3. Determines relevant business processes. 4. Evaluates a mix of control activity types. 5. Considers at what level activities are applied. 6. Addresses segregation of duties. 	Management has developed a set of internal controls by transaction cycles that are guided by the Financial Management Policy that include segregate duties between authorization, recording, and custody to ensure that no one person has the ability to complete all three phases of a transaction.
The organization selects and develops general control activities over technology to support the achievement of objectives.	<ol style="list-style-type: none"> 1. Determines dependency between the use of technology in business processes and general IT controls. 2. Establishes relevant technology infrastructure control activities including identifying the risks arising from the use of IT and controls that address such risks. 3. Establishes relevant security management process control activities. 4. Establishes relevant technology acquisition, development, and maintenance process controls activities. 	The ability to change financial information (i.e... record transactions) is limited to only authorized personnel. Additionally, access to specific servers is determined by the General Manager based on the access needed for a particular position or contractor. The IT environment is maintained and monitored by an external vendor with specific expertise.
The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.	<ol style="list-style-type: none"> 1. Establishes policies and procedures to support deployment of management’s directives. 2. Establishes responsibility and accountability for executing policies and procedures. 3. Performs in a timely manner. 4. Takes corrective actions. 5. Performs using competent personnel. 6. Reassesses policies and procedures. 	The District has established a financial management policy and a personnel management policy that established policies and procedures to support the deployment of management's directive. Additionally, they provide accountability measures to address any deviations.

<i>Significant changes from prior year</i>
None noted.

SECTION IV: INFORMATION AND COMMUNICATION SYSTEMS

Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to affect the principles within each component, is present and functioning. Ongoing evaluations, built into business processes at different levels of the entity, provide timely information. Separate evaluations, conducted periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations. Findings are evaluated against criteria established by regulators, recognized standard-setting bodies or management and the board of directors, and deficiencies are communicated to management and the board of directors as appropriate.

<i>Relevant Principles</i>	<i>Attributes</i>	<i>Describe the Established Controls Supporting the Relevant Principles or Point of Focus</i>
The organization obtains or generates and uses relevant quality information to support the functioning of the system of internal control.	1. Identifies information requirements and defines how information flows through the system. 2. Captures internal and external sources of data, including capturing and presenting in the financial statements, information about events and conditions and other than transactions. 3. Maintains quality throughout processing 4. Considers costs and benefits.	The District utilizes Springbrook as the financial management software. Springbrook captures all transactions that impact the District, including but not limited to: payroll, accounts payable, cash management, capital asset tracking, and utility billing. The transactions are reviewed periodically for accuracy and completeness. The District also utilizes ESRI to capture and report data about land records and maintains a water system database. Other critical software includes Granicus as a document management software and Spatial Wave as a Geospatial asset management server. All information in the software is reviewed periodically to ensure accuracy and completeness.
The organization internally communicates information, including objectives and responsibilities for the system of internal control, necessary to support the functioning of the system of internal control.	1. Communicates internal control information, including significant matters that support the preparation of the financial statements and related reporting responsibilities in the information system and other components of the system of internal control between people within the entity. 2. Provides separate communication lines, such as whistle-blower hotlines. 3. Selects relevant method of communication.	The District has policies and procedures as noted under control environment. Responsibility for controls is communicated to the personnel responsible – including job descriptions, manuals, etc. Those charged with governance are presented with a planning communication letter at the beginning of the audit and a final governance letter at the conclusion of the audit that contains management and audit responsibilities, along with any significant matters, respectively.

Relevant Principles	Attributes	Describe the Established Controls Supporting the Relevant Principles or Point of Focus
The organization communicates with external parties regarding matters affecting the functioning of the system of internal control.	<ol style="list-style-type: none">1. Communicates to external parties, including significant matters that support the preparation of the financial statements and related reporting responsibilities in the information system and other components of the system of internal control.2. Enables inbound communications.3. Communicates with those charged with governance.4. Provides separate communication lines, such as whistle-blower hotlines.5. Selects relevant method of communication.	The District has open external communication channels with the independent auditor, as well as other impacted agencies such as the County of San Mateo. The District manages inbound communications through a central line. Communication lines to the Board of Governance primarily consist of either monthly board packets, emails on a more urgent basis, or if on a sensitive manner, a phone call.

Significant changes from prior year
The Board is reviewing the internal control risk assessment for the first time.

SECTION V: MONITORING OF CONTROLS

Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to affect the principles within each component, is present and functioning. Ongoing evaluations, built into business processes at different levels of the entity, provide timely information. Separate evaluations, conducted periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations. Findings are evaluated against criteria established by regulators, recognized standard-setting bodies or management and the board of directors, and deficiencies are communicated to management and the board of directors as appropriate.

Relevant Principles	Attributes	Describe the Established Controls Supporting the Relevant Principles or Point of Focus
The organization selects, develops, and performs ongoing and/or separate evaluations for monitoring the effectiveness of controls and the identification and remediation of control deficiencies identified.	<ol style="list-style-type: none">1. Considers a mix of ongoing and separate evaluations.2. Considers rate of change.3. Establishes baseline understanding.4. Uses knowledgeable personnel.5. Integrates with business processes.6. Adjusts scope and frequency of separate evaluations depending on risk.7. Objectively evaluates and provides feedback.	The District's management team presents the various reports to the Board of Directors on a monthly basis. Sections include: operational status updates; administrative status updates; financial status updates; as well as conditions that may give rise to risks. During the meetings, the Board of Directors are encouraged to ask questions as well as provide direction to the Executive Director, management, and staff. Additionally, all reports provided to the Board are included in a Board packet that is available to the public to ensure accountability as well as meet legal requirements.
The organization evaluates and communicates control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and those charged with governance, as appropriate.	<ol style="list-style-type: none">1. Assesses results of ongoing and separate evaluations.2. Communicates deficiencies.3. Monitors corrective actions taken.	Financial statements and findings are reviewed by management and the Board of Directors.
Significant changes from prior year		
None noted.		

Version history and key changes:

- January 23, 2025 – Adoption of Internal Control Risk Assessment