

GRAND JURY RESPONSE TRACKING

2019 REPORT	FINDINGS	ANSWER	ORIGINAL AGENCY RESPONSE	ACTIONS
Finding 1	AWA "lost sight" of transparency.	Disagreed partially	Agreed to improve transparency.	Administrative policies reviewed and revised for readability. Website updated, including creation of a Transparency button at the top of the page to find key information of interest to the public. New budget format includes explanatory narrative, and the presentation of financial information is simpler. Agenda distribution list was updated and every agenda goes out as a full packet and supplements are provided by email. Videoconferencing switched to Zoom platform to allow full video participation by the public. First of a series of Agency open house events was conducted. Newsletter publication was resumed and press releases resulted in numerous stories in the media.
Finding 2	AWA not transparent regarding employee compensation. Management salaries increased out of proportion to employees.	Disagreed partially	Salary information is posted.	Verified that website includes current salary schedules and list of employee benefits. Links to State Controller's Office government employee compensation report are up to date (although the State publishes its report on its own schedule). Transparency page on website includes the current budget, audited financials from past fiscal year, Board Compensation Policy, and the General Manager's contract.
Finding 3	Financial reporting not to industry standards.	Disagreed partially	No need or requirement to join GFOA and publish a CAFR.	Board and staff reviewed the desirability of paying to join GFOA and produce a Comprehensive Annual Financial Report in GFOA's format. The Board determined that was not needed. However, the Agency engaged a team of expert financial consultants to review AWA's accounting processes and reporting to insure compliance with accounting standards. The financial statements and budget now adhere to the standards of the California Society of Municipal Finance Officers. This is more applicable to a water agency in California and avoids the membership fee for GFOA. Audit of FY 2019-20 produced only two substantive findings, far fewer than the two years leading up to the Grand Jury's report, based on improvements implemented in early 2020. Day to day accounting processes are now set up to seamlessly create the financial statements that go to the auditor.
Finding 4	AWA's finances are grossly mismanaged and various financial reports are not consistent with each other.	Disagreed partially	Agency offered explanations for some of the reported inconsistencies.	Revisions to the Agency's day to day accounting procedures, described with Finding 3, have facilitated more accurate regular reporting. Monthly financials are presented to the Budget & Finance Committee each month. The Budget & Finance Committee also reviews a cash flow projection by months. The Board receives monthly reports including cash on hand, sales revenue, restricted fund revenue, and aging receivables. Financial information is entered into the financial system and the same information is used to create management reports and required regulatory reports. The auditor presents that audited financial statements to the Board. The Board has approved a process to repay and eliminate internal loans as quickly as practicable, which greatly simplifies understanding the Agency's financial position. Because of changed procedures and adjusted rates, the Agency was reviewed by Standard & Poor's and the negative outlook on AWA's credit was replaced with a stable outlook.
Finding 5	AWA converted financial systems without in-house expertise, and not all relevant financial information is housed in the Springbrook system.	Disagreed partially	Consultant expertise was engaged to support the conversion.	AWA continues to use consultants to provide financial management services, which provides ample expertise at less cost than management staff. The Agency is moving to better control workload by contracting for controller services to support in house finance staff more closely. The Agency continues to improve utilization of the tools Springbrook offers, including project management and Agency budgeting modules. The contract with Springbrook includes training related to improved utilization of these modules. With other process changes noted above, this eliminates the use of spreadsheets and other separate tools, rather than using the financial management system as the single information set.
Finding 6	There are no department budgets managed by Department Managers.	Disagreed partially	Department Managers participate in the annual budget process, and some programs within the Agency are typically entirely within certain departments, but there is significant overlap of responsibilities.	Starting with the 2020-21 budget, AWA's annual budget is clearly divided into departmental budgets, as well as being divided into water and wastewater categories. Management authority is clearly delegated to the General Manager in the Agency's financial policies. The General Manager has delegated authority to the department heads with appropriate guidance.
Finding 7	A significant portion of CIP costs are budgeted to operational expenses, obscuring the true cost of CIP.	Disagreed wholly with the finding		Project budgets for CIP projects are presented to and approved by the Board. Project budgets include in-house labor costs.

Finding 8	There is an operational reserve target, but no budget or formal accounting for the reserve.	Disagreed partially	Agency adopted an operating reserve policy in 2015 and the reserve target was quantified in the 2017 Water System Financial Plan and Rate Update Study (Reed Group).	AWA further updated its reserve policy in 2021 to target an operational reserve based on 3 months of operating cost. The 2021 rate study (Raftelis) included development of a 5-year financial plan modeling revenue and projected expenses, including commitments to meet reserve targets. Managing Agency cash to achieve reserve targets cannot reasonably be achieved in less than two to three years. This financial management challenge is clearly addressed in the FY2021-22 budget, which introduces the concept of fund balances the Agency budget for the first time. In combination with a refined cash flow projection, the fund balances allow the Agency to see accurately the existing cash on hand and to work gradually toward fund balances that will meet reserve targets. The financial plan predicts meeting the policy target in 2024. The budget and the financial plan presentations provided by Raftelis are available on the Agency's website.
Finding 9	The lack of an operating reserve policy creates a condition where decisions become reactive in the near term rather than proactive for the long term.	Disagreed wholly with the finding.	Policy was adopted to fund reserves and a supplemental report was used to track reserve balances.	Additional improvements in implementing the updated reserve policy are described in the response to Finding 8, above. The Board-approved budget describes managing revenues, operation costs, and CIP implementation in conjunction with adjusted rates to achieve reserve targets over time, with tracking facilitated by the use of fund balances, which are reported in the monthly financials to the Budget & Finance Committee.
Finding 10	AWA employs hardworking personnel who are dedicated to customer service.	Agreed with the finding.		
Finding 11	Valuable recommendations of the 2018 Ad Hoc Organizational Study were not implemented.	Agreed with the finding.		AWA has implemented a major reorganization of its management team in 2020 that addressed the major issues addressed by the 2018 study.
Finding 12	Employees made wage and benefit concessions to help the Agency remain financially viable after the 2008 financial crisis, but management salaries increased.	Disagreed partially with the finding.	Employees have assisted the Agency greatly during the difficult times. Details were provided about pay and benefit adjustments for both hourly employees and managers.	Management changes in 2020 have further significantly reduced management compensation.
Finding 13	AWA failed to adequately communicate management raises and responsibilities.	Disagreed partially	Salary ranges for all employees are posted on the Agency's website. Actions to change manager salaries were taken during noticed public board meetings and direction was given to staff to inform the employees and to conduct a salary survey. MOU provision was added to require meet-and-confer on non-contract manager pay increases that exceed other staff. No letter sent to staff about AGM increase.	The issues have largely been subsumed by the major management team changes in 2020. Additionally, transparency has been improved overall. See the actions in response to Finding 1 above.
Finding 14	There were irregularities in the May 2014 Board meeting when the AGM salary increase was approved.	Disagree partially	Contravening facts reported.	Overcome by events.
Finding 15	AWA does not produce detailed minutes.	Disagreed partially	Action minutes are acceptable in the industry. AWA also posts audio recordings of board meetings on its website. Retention time to be reviewed.	Per updated Records Retention Policy, audio recordings of board meetings are retained on the website for two years.
Finding 16	AGM job description was changed to fit the desired person.	Disagreed partially	Specific timeline of actions provided.	Overcome by events.
Finding 17	AWA maintains a hostile work environment.	Disagreed partially	Board evaluation still in progress.	AWA made significant changes to the management team in 2020. The Board has made employee morale a high priority for management. Past problems have been resolved.

Finding 18	AWA lacks standard processes for capital planning and project management.	Disagreed partially	Standard forms and processes have been created, but improvements are possible. AWA is developing water and wastewater master plans that will rank projects.	Water Master Plan Study was completed in January 2021 and provided major input to the 2021 rate study. Implementation is underway. The Wastewater Master Plan Study is in progress and will be completed in April 2021. The current Pioneer Phase 3 capital project is being used to pilot the Project Management module of the Springbrook system. Staff has produced project completion reports and resolutions for the Board for two capital projects and this is now a regular part of the project process.
Finding 19	Ongoing analysis of project costs and benefits is not occurring.	Disagree partially	Regular reports are made to the Board on progress and costs. Project completion evaluation is done, but not always presented publicly to the Board. This will be done going forward.	See action for Finding 18 above.
Finding 20	Project cost tracking is not subject to rigorous reporting and tracking.	Disagree partially	Cost tracking is done by job cost numbers. Cost are reviewed by staff weekly and reported to the Board monthly. With Springbrook, almost all capital projects will have a unique general ledger number.	See action for Finding 18 above.
Finding 21	No project post-mortem.	Disagree partially	Completion reviews have been done, but not for every project, as will be done going forward.	See action for Finding 18 above.
Finding 22	AWA does not accurately track and report project cost, benefit or operational effectiveness.	Disagree partially	AWA has accurately track costs, but different completion dates have been used for different reports, while staff costs may still be accruing. This will be addressed through standard project completion reports.	See action for Finding 18 above.
Finding 23	AWA has failed to provide consistent and unambiguous information to the public on CIP costs and benefits.	Disagree partially	Described CIP and project consideration and approval process with staff, committee and board. Public information also includes newsletters news releases, and the budget.	Staff will continuously seek to improve the presentation of information to the Board and the public. See actions for Findings 1, 3, 4, 6, 7, and 18 above. Significant outreach was conducted related to the Water Master Plan Study and the during the rate study. Additional outreach avenues and activities, much related to CIP, is being planned with the Outreach & Legislation Committee.
Finding 24	No standard for capital project evaluation, business case development, or cost benefit analysis.	Disagree partially	Evaluation is done using a process long in effect at AWA. Improvements will include a standardized capital project checklist that will determine when a cost benefit analysis is appropriate.	Checklist has been developed. CIP process is being continuously improved. Using the water and wastewater master plans (20-year planning horizon) and financial planning, AWA will develop 5-yr CIPs to bring to the Board with each budget cycle.
Finding 25	No comprehensive project management process in place.	Disagree partially	Refers to response to Finding 18 above. Additional procedrues will be implemented.	See action for Finding 18 above.
Finding 26	Engineering or Operations personnel are designated as project managers for specific projects.	Agreed with the finding		No action required.

2019

RECOMMENDATIONS

ANSWER

ORIGINAL RESPONSE

ACTIONS

Recom 1	AWA Board should determine if AWA is being managed to its satisfaction, considering the Grand Jury report.	Requires further analysis	Board evaluation, begun before the GJ report, is ongoing. Auditor addressed certain financial reporting errors.	Board made substantial management changes, including replacing the GM, deleting the AGM position, and combining Engineering and Operations Departments under one manager. See Actions related to Findings 1, 3, 4, 5, 7, 10 - 14, 17, 20, 22, 23)
Recom 2	Board should consider engaging a business analyst in a permanent role to analyze processes and develop and implement new ideas across all departments.	Will not be implemented	Cost and the action is not warranted. Listed recently completed actions: Strategic Plan, financial system and policies review, conversion to Springbrook. Noted the commitment to improve CIP management and operational cost tracking.	See actions related to Finding 18.
Recom 3	Commission a forensic financial audit of the Agency.	Requires further analysis	Forensic audits are typically focused, but the recommendation is for a generalized review. AWA did a financial system and process review in 2014 (Municipal Resource Group), was commended for financial reporting by the 2012-13 Grand Jury, and gets special and annual evaluations from its independent auditor.	Board determined not warranted. See also Actions related to Findings 3, 4, and 5.
Recom 4	Engage legal or financial professionals to determine if erroneous financial information was historically reported to the State Controller's Office.	Will not be implemented	Not warranted. SCO will not accept revisions. SCO has changed deadlines to follow completion of agencies' audits.	No action needed.
Recom 5	Standardize all financial processes to conform to standard accounting practices.	Has been implemented	See Actions related to Findings 3 and 4 above.	No action needed.
Recom 6	Re-implement the Springbrook system with oversight by a business analyst.	Will not be implemented	Unwarranted and unreasonable. Recommendations of 2014 financial review (MRG) were implemented.	No action needed. See Action related to Finding 5 above.
Recom 7	Board should oversee development of a Comprehensive Annual Financial Report (CAFR)	Will not be implemented	Not required or warranted. Required audited financials are being produced in compliance with GASB and GAAP standards. GFOA requires additional unaudited statistical information in order to get its award. Adds cost but not value.	No action needed. See Action related to Finding 3 above.
Recom 8	Board should require an annual presentation of the CAFR and a budget-to-CAFR comparison	Will not be implemented	See response to Recommendation 7 above. Additionally, audited financials are typically unavailable before December. Auditor presentation to the Board annually is standard practice. Staff will prepare a year end final budget report that compares budget to actual financial information, and it will be posted on the website.	Staff will verify that the FY 20-21 year end budget to actual comparison is posted to the Agency's website.

Recom 9	Join GFOA and seek the CAFR award	Will not be implemented	Membership and participation in CSDA serves AWA's needs better. See Response to Recommendation 7 above.	No action required.
Recom 10	Revisit the 2018 Ad hoc Organizational Study Committee recommendations to take certain actions listed by the Grand Jury.	Requires further analysis	Board is currently evaluating the General Manager and the study recommendations and will act within 6 months.	See Actions related to Recommendation 1 above.
Recom 11	Consider use of a professional grant management consultant oversee Agency grants.	Will not be implemented.	Not affordable. Efficiency will be improved through staff reorganization.	No action required. However, in 2021 AWA engaged grants consultants to provide opportunities tracking and ranking, grant application writing, and grant management services as specifically assigned.
Recom 12	Establish practices and procedures for CIP development, funding, implementation, and tracking with listed required elements.	Will be implemented by the end of FY19-20.	Staff developed standardized capital project procedure checklist which addresses each element in the recommendation.	See Actions related to Findings 18, 23, and 24 above.
Recom 13	Suspend all capital projects pending financial processes review is complete accept for projects required by regulations.	Will not be implemented.	Not warranted or fiscally feasible. Grant funds would be jeopardized and the Agency could face other liabilities. Project-related financial review is already being addressed.	See Actions related to Findings 18, 23, and 24 above.
Recom 14	AWA should produce complete minutes transcribed from the recordings to provide a permanent record to the public.	Will not be implemented.	Not warranted. Audio recordings are posted on the website for 1 year.	Revised Board policy now requires retention of audio recordings on the website for 2 years.
Recom 15	Post Agency response to Grand Jury on AWA website.	Has been implemented		No action required.
2020	FINDINGS	ANSWER	RESPONSE	ACTIONS
Finding 1	Transparency improved, but still room for improvement.	Agree	See Action related to 2019 Finding 1.	Ongoing.
Finding 2	AWA's financial stability remains a great concern.	Agree	Remains a top priority of the Board. Expert consultants retained to improve financial management and to update rates. Major infrastructure needs and strengthened reserve policies have resulted in the Board approving significant rate adjustments. The Board adopted a 5-year financial vision for AWA, and the rates consultant developed a 5-year financial plan.	Ongoing.
Finding 3	Insufficient staff training in Springbrook.	Agree	Additional training is available.	Additional training has occurred and will continue to occur.
Finding 4	No management retaliation against employees found during follow up review period.	Agree	Constantly working to ensure a positive workplace culture.	Ongoing.
Finding 5	Reorganization begun.	Agree	Reorganization was implemented in June 2020.	Completed.

2020	RECOMMENDATIONS	ANSWER	RESPONSE	ACTIONS
Recom 1	Continue to increase transparency. Provide information in ways that are understandable to customers.	Will be implemented	Rate study will exemplify efforts to improve transparency. Web site will be improved. AWA will strive to address critical feedback from the public.	Ongoing. Public meetings and outreach with the rate study far exceeded past practices. Significant outreach was also conducted for the Water Master Plan Study. Web site has been improved--including a Transparency page and one-click rates information button-- but will receive further work. Staff & Legislation Committee are working on additional public engagement opportunities.
Recom 2	Reasons for rate adjustments should be clearly documented and explained.	Will be implemented		Has been implemented. See Action related to Recommendation 1 above.
Recom 3	Join GFOA and produce CAFR.	Requires further analysis	Re-evaluating, but the same considerations are cited as in Action related to 2019 Finding 3.	With advice from financial consulting team, AWA maintained its decision not to join GFOA but to use resources from CSDA and to adhere to the standards of the California Society of Municipal Finance Officers.
Recom 4	Seek GFOA financial reporting award.	Requires further analysis	See Recommendation 3 above.	See Action related to Recommendation 3 above.
Recom 5	Employees using Springbrook to be thoroughly trained by end of 2020.	Has been implemented	But there will be further training, as well.	Ongoing.
Recom 6	Continue fostering a positive work environment.	Has been implemented	Reorganization plan implemented. Board and new GM keep this a high priority.	Ongoing.
Recom 7	Hire new GM.	Has been implemented		Completed.