

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT MEETING NOTICE AND AGENDA

AUDIT COMMITTEE

Tuesday, August 20, 2024, No Sooner Than 11:00 AM

SRP Administration Building
1500 N. Mill Avenue, Tempe, AZ 85288

Committee Members: Nicholas Brown, Chairman; Kevin Johnson, District Vice Chairman; Larry Rovey, Association Vice Chairman; and Robert Arnett, Mario Herrera, Sandra Kennedy, Krista O'Brien, and Stephen Williams

Call to Order

Roll Call

1. **CONSENT AGENDA:** The following agenda item(s) will be considered as a group by the Committee and will be enacted with one motion. There will be no separate discussion of these item(s) unless a Committee Member requests, in which event the agenda item(s) will be removed from the Consent Agenda and considered as a separate itemCHAIRMAN NICHOLAS BROWN
 - Request for approval of the minutes for the meeting of June 18, 2024.
2. Corporate Audit Services Internal Quality Assessment Results REUBEN JUDD
3. Report on Current Events by the General Manager and Chief Executive Officer and Designees JIM PRATT
4. Future Agenda Topics CHAIRMAN NICHOLAS BROWN

The Committee may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03 (A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Committee on any of the matters listed on the agenda.

The Committee may go into Closed Session, pursuant to A.R.S. §30-805(B), for records and proceedings relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information.

Visitors: The public has the option to attend in-person or observe via Zoom and may receive teleconference information by contacting the Corporate Secretary's Office at (602) 236-4398. If attending in-person, all property in your possession, including purses, briefcases, packages, or containers, will be subject to inspection.



THE NEXT AUDIT COMMITTEE MEETING IS
SCHEDULED FOR TUESDAY, SEPTEMBER 24, 2024

08/13/2024

MINUTES
AUDIT COMMITTEE

DRAFT

June 18, 2024

A meeting of the Audit Committee of the Salt River Project Agricultural Improvement and Power District (the District) and the Salt River Valley Water Users' Association (the Association), collectively SRP, convened at 11:25 a.m. on Tuesday, June 18, 2024, from the Hoopes Board Conference Room at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona. This meeting was conducted in-person and via teleconference in compliance with open meeting law guidelines.

Committee Members present at roll call were K.L. Mohr-Almeida, Chairman; and R.C. Arnett, M.J. Herrera, K.J. Johnson, M.V. Pace, L.D. Rovey, and P.E. Rovey

Committee Member absent at roll call was C. Clowes.

Also present at roll call were President D. Rousseau and Vice President C.J. Dobson; Board Members S.D. Kennedy, R.J. Miller, K.H. O'Brien, J.M. White Jr., and S.H. Williams; Council Chairman J.R. Shelton; Council Members E.L. Gorsegner and C Resch-Geretti; Mmes. I.R. Avalos, K.R. Beranek, M.J. Burger, K.M. Golubchik, L.F. Hobaica, V.P. Kisicki, K.B. Kochenderfer, S.A Perkinson, and J. Radke; and Messrs. J. Broadbent, J.D. Coggins, J. Evancevich, M. Feder, J.M. Felty, R.T. Judd, B.J. Koch, K.J. Lee, M.J. O'Connor, B.A. Olsen, J.M. Pratt, J.I. Riggs, R.R Taylor, and D.W. Tennis.

In compliance with A.R.S. §38-431.02, Andrew Davis of the Corporate Secretary's Office had posted a notice and agenda of the Audit Committee meeting at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona, at 9:00 a.m. on Friday, June 14, 2024.

Chairman K.L. Mohr-Almeida called the meeting to order.

Consent Agenda

Chairman K.L. Mohr-Almeida requested a motion for Committee approval of the Consent Agenda, in its entirety.

On a motion duly made by Board Member M.J. Herrera and seconded by Board Member M.V. Pace, the Committee unanimously approved and adopted the following item on the Consent Agenda:

- Minutes of the Audit Committee meeting on May 21, 2024, as presented.

Corporate Secretary J.M. Felty polled the Committee Members on Board Member M.J. Herrera's motion to approve the Consent Agenda, in its entirety. The vote was recorded as follows:

| | | |
|------------|-------------------------------------------------------------------------------------------------------------------------------|-----|
| YES: | Board Members K.L. Mohr-Almeida, Chairman; and R.C. Arnett, M.J. Herrera, K.J. Johnson, M.V. Pace, L.D. Rovey, and P.E. Rovey | (7) |
| NO: | None | (0) |
| ABSTAINED: | None | (0) |
| ABSENT: | Board Member C. Clowes | (1) |

Corporate Audit Services Quarterly Review and Annual Summary

Using a PowerPoint presentation, Reuben T. Judd, SRP Corporate Auditor, stated that the purpose of the presentation was to review the audit activity for the three months ending April 30, 2024, and provide the annual summary for Fiscal Year 2024 (FY24). He reviewed the status of the FY24 Audit Plan and fourth quarter completed or in-progress audit reports. Mr. R.T. Judd introduced Marcus Feder, SRP Director and Assistant Corporate Auditor.

Continuing, Mr. M. Feder presented an overview of the Vendor Master File Maintenance Audit as follows: 1) a supplier email was hacked and fraudulent payments were issued; 2) SRP implemented a new system and additional control; 3) Corporate Audit Services performed an audit; and 4) the audit report was validated by an outside third-party. He highlighted that SRP must be proactive. Mr. M. Feder introduced Jennifer Radke, SRP Senior Principal Auditor.

Next, Ms. J. Radke detailed the following key elements of the Vendor Master File Maintenance Audit: the audit approach, key risk areas, and recommendations going forward.

Mr. R.T. Judd concluded with a discussion of the annual summary.

Ms. J. Radke; and Messrs. M. Feder and R.T. Judd responded to questions from the Committee.

Copies of the PowerPoint slides used in this presentation are on file in the Corporate Secretary’s Office and, by reference, made a part of these minutes.

Board Members R.C. Arnett and M.J. Herrera left the meeting during the presentation.

Request for Approval of the Proposed FY25 Audit Plan

Using a PowerPoint presentation, Mr. R.T. Judd stated that the purpose of the presentation was to request approval of the proposed FY25 Audit Plan. He provided an overview along with a timeline of the audit planning process from February to June 2024, a description of the audit planning funnel, and an overview of FY25 risks areas.

Mr. R.T. Judd discussed the characteristics of the proposed Audit Plan for FY25 and compared the FY24 and FY25 Audit Plans. He introduced John Evancevich, SRP Senior Manager of Audit Projects.

Continuing, Mr. J. Evancevich detailed the compliance audits and contract and joint venture audits. He introduced Kristin M. Golubchik, SRP Senior Manager of Audit Projects.

Continuing, Ms. K.M. Golubchik detailed the financial and operational audits.

Next, Mr. M. Feder detailed the information technology and new systems audits.

Mr. R.T. Judd presented the SRP internal audit team and concluded by requesting approval of the proposed FY25 Strategic Risk-Based Audit Plan, as presented.

Ms. K.M. Golubchik; and Messrs. J. Evancevich, M. Feder, and R.T. Judd responded to questions from the Committee.

On a motion duly made by Board Member M.V. Pace, seconded by Board Member K.J Johnson and carried, the Committee agreed to recommend Board approval.

Corporate Secretary J.M. Felty polled the Committee Members on Board Member M.V. Pace’s motion to approve the recommendation as presented. The vote was recorded as follows:

- YES: Board Members K.L. Mohr-Almeida, Chairman; and K.J. Johnson, M.V. Pace, L.D. Rovey, and P.E. Rovey (5)
- NO: None (0)
- ABSTAINED: None (0)
- ABSENT: Board Members R.C Arnett, C. Clowes, and M.J. Herrera (3)

Copies of the PowerPoint slides used in this presentation are on file in the Corporate Secretary’s Office and, by reference, made a part of these minutes.

Review of Paid Vouchers for Fiscal Year Quarter Ended April 30, 2024 for the District and Association

David W. Tennis, SRP Manager of Treasury Operations and Compliance, presented the paid vouchers for the fiscal year quarter ending April 30, 2024.

Mr. D.W. Tennis responded to questions from the Committee.

Chairman K.L. Mohr-Almeida asked if the Committee would like to make a motion to go into Executive Session to review the paid vouchers exempt by law from public inspection for the fiscal year quarter ending April 30, 2024. There was no motion to go into Executive Session.

Copies of the paid vouchers report used in this presentation are on file in the Corporate Secretary’s Office and, by reference, made a part of these minutes.

Review of Purchase Orders, Contracts, and Revisions Equal to or Greater than \$1,000,000

Jaren Broadbent, SRP Director of Purchasing Services, reviewed the Report of Purchase Orders and Revisions Over \$1,000,000 issued for the period February 1, 2024 through April 30, 2024 under authority granted by the Board on September 9, 2019.

Mr. J. Broadbent responded to questions from the Committee.

Copies of the handouts distributed are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

Ms. S.A. Perkinson; and Messrs. J.I Riggs and D.W. Tennis left the meeting during the presentation.

Report on Current Events by the General Manager and Chief Executive Officer or Designees

There was no report on current events by Jim M. Pratt, SRP General Manager and Chief Executive Officer.

Future Agenda Topics

Chairman K.L. Mohr-Almeida asked the Committee if there were any future agenda topics. Board Member J.M. White Jr. requested an update on physical security measures.

There being no further business to come before the Audit Committee, the meeting adjourned at 12:11 p.m.

Lora F. Hobaica
Assistant Corporate Secretary

INTERNAL QUALITY ASSESSMENT

FY 2024 REPORT

July 29, 2024

QAIP Team:
Marcus Feder
Jennifer Radke
Reuben Judd

| DETAIL | July 29, 2024 | GC | PC | DNC |
|------------------------------------------------------------------------------------------------------------|---------------|----|----|-----|
| OVERALL SELF-ASSESSMENT | | X | | |
| ATTRIBUTE STANDARDS | | | | |
| 1000 Purpose, Authority, and Responsibility | | X | | |
| 1010 Recognizing Mandatory Guidance in the Internal Audit Charter | | X | | |
| 1100 Independence and Objectivity | | X | | |
| 1110 Organizational Independence | | X | | |
| 1111 Direct Interaction with the Board | | X | | |
| 1112 Chief Audit Executive Roles Beyond Internal Auditing | | X | | |
| 1120 Individual Objectivity | | X | | |
| 1130 Impairments to Independence and Objectivity | | X | | |
| 1200 Proficiency and Due Professional Care | | X | | |
| 1210 Proficiency | | X | | |
| 1220 Due Professional Care | | X | | |
| 1230 Continuing Professional Development | | X | | |
| 1300 Quality Assurance and Improvement Program | | X | | |
| 1310 Requirements of the Quality Assurance and Improvement Program | | X | | |
| 1311 Internal Assessments | | X | | |
| 1312 External Assessments | | X | | |
| 1320 Reporting on the Quality Assurance and Improvement Program | | X | | |
| 1321 Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing" | | X | | |
| 1322 Disclosure of Nonconformance | | X | | |
| PERFORMANCE STANDARDS | | | | |
| 2000 Managing the Internal Audit Activity | | X | | |
| 2010 Planning | | X | | |
| 2020 Communication and Approval | | X | | |
| 2030 Resource Management | | X | | |
| 2040 Policies and Procedures | | X | | |
| 2050 Coordination and Reliance | | X | | |
| 2060 Reporting to Senior Management and the Board | | X | | |
| 2070 External Service Provider and Organizational Responsibility for Internal Auditing | | X | | |
| 2100 Nature of Work | | X | | |
| 2110 Governance | | X | | |
| 2120 Risk Management | | X | | |
| 2130 Control | | X | | |
| 2200 Engagement Planning | | X | | |
| 2201 Planning Considerations | | X | | |
| 2210 Engagement Objectives | | X | | |
| 2220 Engagement Scope | | X | | |
| 2230 Engagement Resource Allocation | | X | | |

| | | | |
|----------------------------------------------------------------------------------------------------------------------------|---|--|--|
| 2240 Engagement Work Program | X | | |
| 2300 Performing the Engagement | X | | |
| 2310 Identifying Information | X | | |
| 2320 Analysis and Evaluation | X | | |
| 2330 Documenting Information | X | | |
| 2340 Engagement Supervision | X | | |
| 2400 Communicating Results | X | | |
| 2410 Criteria for Communicating | X | | |
| 2420 Quality of Communications | X | | |
| 2421 Errors and Omissions | X | | |
| 2430 Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing" | X | | |
| 2431 Engagement Disclosure of Nonconformance | X | | |
| 2440 Disseminating Results | X | | |
| 2450 Overall Opinions | X | | |
| 2500 Monitoring Progress | X | | |
| 2600 Communicating the Acceptance of Risks | X | | |
| IIA CODE OF ETHICS | | | |
| IIA Code of Ethics | X | | |

| | |
|------------|--------------------|
| GC | Generally Conforms |
| PC | Partially Conforms |
| DNC | Does Not Conform |

Results from the Internal Quality Assessment FY 2024 determined that Corporate Audit Services has met all the Standards. Below are items for consideration in future activities and plans.

Higher Priority Items for Consideration:

| | Standard | Area of Review | Description |
|---|---------------|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | 1321, 2430 | Internal Standards (IPPF) Review | Consider using "Conforms with the International Standards for the Professional Practice of Internal Auditing" as standard language in audit reports. |

Additional Items for Consideration:

| | Standard | Area of Review | Description |
|---|----------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | 1311 | External Review, Internal Standards (IPPF) Review | Consider enhancing the periodic internal assessment process by using the "Core Principles Effectiveness Framework" to demonstrate the effectiveness and maturity of CAS related to the Core Principles. Review Core Principles Effectiveness Framework at a team-huddle with CAS. |

| | | | |
|----------|----------------|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Consider incorporating an evaluation of CAS IT maturity during the review of the Core Principles Effectiveness Framework. |
| 2 | 2110 | Internal Standards (IPPF) Review | Review and implement recommendations from LADWP Case presentation that the CAE previously presented to the Board. |
| 3 | General | Internal Standards (IPPF) Review | Reconcile the new audit process with the old Audit Manual and update as necessary. In addition, review Audit Manual 7-500 for the consulting related information and update as necessary. |

An aerial photograph of a large concrete dam situated in a deep, rugged canyon. The canyon walls are composed of layered, reddish-brown rock formations. The water behind the dam is a deep blue. The sky is clear and light blue. The text is overlaid on the center of the image.

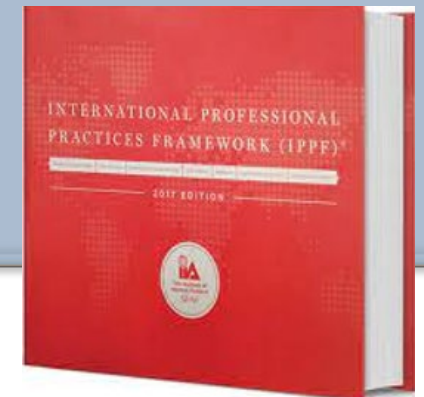
INTERNAL QUALITY ASSESSMENT – FY 2024

**SRP AUDIT COMMITTEE
CORPORATE AUDIT SERVICES
AUGUST 20, 2024**

CORPORATE AUDIT SERVICES INTERNAL QUALITY ASSESSMENT

EXTERNAL QUALITY ASSESSMENTS ARE REQUIRED BY
INTERNATIONAL INTERNAL AUDITING STANDARDS (IPPF)

- An external assessment is required every five years
- We have this assessment performed every four years and conduct an internal assessment in the off years
- Next external assessment will take place in the fall of FY 2025



INTERNAL QUALITY ASSESSMENT FY 2024 RESULTS

| SUMMARY | July 29, 2024 | GC | PC | DNC |
|------------------------------------------------|---------------|----|----|-----|
| OVERALL SELF-ASSESSMENT | | X | | |
| ATTRIBUTE STANDARDS | | | | |
| 1000 Purpose, Authority, and Responsibility | | X | | |
| 1100 Independence and Objectivity | | X | | |
| 1200 Proficiency and Due Professional Care | | X | | |
| 1300 Quality Assurance and Improvement Program | | X | | |
| PERFORMANCE STANDARDS | | | | |
| 2000 Managing the Internal Audit Activity | | X | | |
| 2100 Nature of Work | | X | | |
| 2200 Engagement Planning | | X | | |
| 2300 Performing the Engagement | | X | | |
| 2400 Communicating Results | | X | | |
| 2500 Monitoring Progress | | X | | |
| 2600 Communicating the Acceptance of Risks | | X | | |
| IIA CODE OF ETHICS | | | | |
| IIA Code of Ethics | | X | | |

| | |
|-----|--------------------|
| GC | Generally Conforms |
| PC | Partially Conforms |
| DNC | Does Not Conform |

INTERNAL QUALITY ASSESSMENT FY 2024 RESULTS

**Corporate Audit Services has met all the Standards.
Below are items for consideration in future activities and plans.**

- Consider using “Conforms with the International Standards for the Professional Practice of Internal Auditing” as standard language in audit reports
- Consider enhancing the internal assessment process by using the “Core Principles Effectiveness Framework” to demonstrate the maturity of CAS to Core Principles
- Review and implement recommendations from LADWP Case presentation

THANK YOU

