



BOARD AUDIT COMMITTEE MEETING

MINUTES

**Wednesday, February 19, 2020
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 District Headquarters Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 2:00 p.m.

1.1 Roll Call.

Committee members in attendance were District Director L. LeZotte, District 7 Director G. Kremen, and District 2 Director B. Keegan, Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were A. Blackmon, A. Cooper, R. Fuller, C. Hakes, F. Hernandez, B. Hopper, N. Nguyen, A. Noriega, L. Orta, D. Taylor, and T. Yoke.

Also in attendance was D. Callahan, TAP International, Inc. (TAP).

2. TIME OPEN FOR PUBLIC COMMENT:

2.1 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 present 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 December 16, 2019, and January 22, 2020, meetings. It was moved by Director Keegan, seconded by Director Kremen, and unanimously carried that the minutes be approved.

Director LeZotte abstained because she was not a Committee member when the meetings took place.

4. ACTION ITEMS

4.1 Election of 2020 Board Audit Committee Vice Chair.

Recommendation: Nominate and elect the 2020 Board Audit Committee Vice Chair.

It was moved by Director LeZotte and seconded by Director Kremen, and unanimously carried that Director Kremen be the new Vice Chairperson.

4.2 Approve the Auditor Response to Final Draft Management Response for the Contract Change Order Audit for Presentation to the Full Board.

Recommendation: A. Receive and discuss the Auditor Response to the Final Draft Management Response to Draft Contract Change Order Audit Report; and
B. Approve the Final Draft Audit Report and Management Response for the Contract Change Order Audit and direct staff and TAP International, Inc. to present to the Full Board at a future Board meeting.

Ms. Denise Callahan, TAP International, Inc. (TAP) reviewed the information on the Item, per the attached Committee Agenda Memorandum.

The Committee noted the information and requested the follow:

- When staff brings this Item back to the Committee for review, the Committee requests that staff present the extent to which it is mitigating risk; and
- Staff to provide and update on the progress of implementing audit recommendations at a future Committee meeting.

It was moved by Director LeZotte and seconded by Director Kremen, and unanimously carried that the Committee approve Recommendation B.

4.3 Discuss the Options to Extend, Allow to Expire, or Terminate the Board Independent Auditing Services Agreement, with TAP International, Inc., Set to Expire Effective May 8, 2020.

Recommendation: A. Discuss options to extend, allow to expire, or terminate Board Independent Auditing Services Agreement with TAP International, Inc. for Board Independent Auditing Services currently scheduled to expire effective May 8, 2020; and
B. Approve Recommendation to the full Board to:
i. Exercise option to extend Board Independent Auditing Services Agreement with TAP International, Inc. for one year and

- increase the not-to-exceed amount by \$600,000 from \$1,005,000 to \$1,605,000;
 - ii. Allow the expiration of the Board Independent Auditing Services Agreement with TAP International, Inc.; or
 - iii. Exercise option to terminate the Board Independent Auditing Services Agreement with TAP International, Inc. prior to the expiration date of May 8, 2020.

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

The Committee noted the information and requested the following:

- The Committee requested staff to move the start time of all future Committee meetings to 2:00 p.m.

It was moved by Director LeZotte and seconded by Director Kremen, and unanimously carried that the Committee approve a one year extension of the Board Independent Auditing Services Agreement with TAP International, Inc. with an expiration date of June 30, 2021; and the Committee to review the financial not-to-exceed amount at the March 18, 2020 Committee meeting.

4.4 Conduct Annual Self-Evaluation.

Recommendation: A. Conduct Annual Self-Evaluation; and
 B. Prepare Formal Report to provide to the full Board.

Mr. Taylor reviewed the information on this Item, per the attached Committee Agenda Memorandum, and per the information contained in Attachment 1.

The Committee noted the information without formal action and requested the following:

- Staff to prepare the BAC Self-Evaluation Framework for Committee Chair review;
- Staff requested to complete the following edits to the BAC Self-Evaluation Framework form as contained in Attachment 1:
 - Page 1, No. 7, consider having a member of the public serve on the Committee in the future, and staff to review Committee members experience to ensure there is the appropriate skill set and diverse background for committee membership;
 - Page 1, No. 8, The Board Chair to have discretion regarding term lengths of Committee members, the Committee Chair to follow up with Board Chair regarding term lengths;
 - Page 1, No. 8, The Committee Chair to meet with Board Chair regarding Agenda posting requirements;
 - Page 2, No. 17, Change ~~“BAC reviews key decisions made by management that may impose material risk to Valley Water business areas”~~ to read “BAC refers to the Management

Response to determine if key decisions impose risk to Valley Water”;

- Page 3, No. 21, per staff there is revised language forthcoming; and
- The Self-Evaluation form to be completed and a formal report provided to the full Board at a future meeting.

4.5 Review and Approve the Updated 2020 Board Audit Committee (BAC) Work Plan.

- Recommendation:
- 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 2020 Board Audit Committee Work Plan.

Mr. Taylor reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- Staff to edit lines 18 and 20 to include but not limited to transparency issues.

5. INFORMATION ITEMS

5.1 Receive and Discuss Board Auditor Activity Report from TAP International, Inc. to Evaluate Board Auditor Performance. (Continued from January 22, 2020)

Recommendation: Receive and discuss Board Auditor Activity Report from TAP International, Inc. to evaluate Board Auditor performance.

Mr. Taylor reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action.

5.2 Receive and Discuss Financial Analysis Regarding the Board Independent Auditing Services Contract with TAP International, Inc. (Continued from January 22, 2020)

Recommendation: Receive and discuss financial analysis regarding the Board Independent Auditing Services Contract with TAP International, Inc.

Mr. Taylor reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action.

5.3 Board Independent Auditor Annual Audit Work Plan – TAP International, Inc.

Recommendation: Discuss the Annual Audit Work Plan and update, if necessary.

Ms. Callahan reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- The Committee requested Audit ID 2 to be pushed out in the Annual Audit Work Plan.
- The Committee requested Audit ID 27 to be moved up in the cue in the Annual Audit Work Plan.

5.4 Receive an Update on the Status of the District Counsel Audit.

Recommendation: Receive an update on the status of the on-going District Counsel Audit.

Ms. Callahan reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- Ms. Callahan informed the Committee that the District Counsel's Final Audit Report may be ready to come to the Committee for review as early as mid-July.

5.5 Receive an Update on the Status of the Real Estate Audit.

Recommendation: Receive an update on the status of the on-going Real Estate Audit.

Ms. Callahan reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action.

5.6 Receive an Update on the Status of the Grant Management Ad-hoc Desk Review.

Recommendation: Receive an update on the status of the on-going Grant Management Ad-hoc Desk Review.

Ms. Callahan reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- TAP recommended that the Committee consider outsourcing this Desk Review as a full audit;
- Committee Chair to meet with District Counsel regarding next steps; and
- The Committee continued this Item to the March 18, 2020 Committee meeting.

5.7 Receive an Update on the Status of the Hiring Practices Ad-hoc Desk Review.

Recommendation: Receive an update on the status of the on-going Hiring Practices Ad-hoc Desk Review.

Ms. Callahan reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- The Committee concurred that a performance audit is not recommended now; and
- The Committee continued this Item to the March 18, 2020 Committee meeting.

5.8 Receive an Update on the Status of the Board Agenda Preparation Ad-hoc Desk Review.

Recommendation: Receive an update on the status of the on-going Board Agenda Preparation Ad-hoc Desk Review.

Ms. Callahan reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- The Committee referred this to staff to perform a management review.

5.9 Discuss Potential Recommendation to Board to Authorize Release of Attorney-Client Privileged Documents to Board Independent Auditor.

Recommendation: Discuss potential recommendation to Board to authorize release of attorney-client privileged documents to Board Independent Auditor.

The Committee continued this Item to the March 18, 2020 Committee meeting.

6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

6.1 Clerk Review and Clarification of Committee Requests.

Mr. Max Overland, Assistant Deputy Clerk, confirmed that there were no new Committee Recommendations or Requests.

7. ADJOURN

7.1 Adjourn to Regular Meeting at 2:00 p.m., on March 18, 2020, in the Santa Clara Valley Water District, Headquarters Board Conference Room A-124, 5700 Almaden Expressway, San Jose, California.

Chair Keegan adjourned the meeting at 4:30 p.m., to the 2:00 p.m. Regular Meeting on March 18, 2020, in the Santa Clara Valley Water District, Headquarters Board Conference Room A-124, 5700 Almaden Expressway, San Jose, California

Max Overland
Assistant Deputy Clerk II

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