

TO: Board of Directors

FROM: Board Audit Committee

SUBJECT: 09/16/2020 Board Audit Committee
Meeting Notes Summary

DATE: September 17, 2020

This memorandum summarizes the Board Audit Committee (Committee) meeting held on September 16, 2020, where the following work plan Items were discussed:

4.1 Status Update on the Safe, Clean Water Program Grant Management Audit.

Recommendation: Receive a status update on the Safe, Clean Water Program Grant Management Audit.

Mr. Drummond Kahn, and Ms. Greta Macdonald, TAP International Inc., 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:

- The Committee informed staff that Grantee Interviews are a priority and should be completed before staff is interviewed; and
- Chairperson Keegan acknowledged receipt of the attached Request to Speak from Ms. Trish Mulvey, Palo Alto resident, identified as Handout 4.1-A, herein, and read it into the record as follows: *I continue to be concerned about if-and-how the Auditors are considering the challenges of this grant program from the perspective of the grantees. It would be helpful if future Project Status Reports can include more insights as to how the current Safe, Clean Water Grant Management Program can be come more responsive to its grantees.*

4.2 Management Response for the Real Estate Services Audit Conducted by TAP International, Inc.

Recommendation: Discuss the Management Response to the Real Estate Services Audit Report.

Ms. Kate Kousser, TAP International, Inc., 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:

- The Committee requested staff to ensure that “follow through” on the target implementation of Recommendation 7 (Page 18) is completed and verified; and
- The Committee recommends that deputies of Capital Improvement Projects will ensure that each capital improvement project, that require acquisition of right-of-way, continue to have Real Estate Services Unit staff involved in meetings at the beginning of the project as key core team members.

4.3 Receive a Response to the Board Audit Committee's Inquiries Regarding the Real Estate Services Audit Report Findings.

Recommendation: Receive a response to the Board Audit Committee's inquiries regarding the Real Estate Services Audit Report Findings.

Mr. Eli Serrano, Real Estate Services Manager, 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:

- The Committee requested that staff and IT develop a CRM tracking mechanism to effectively communicate with customers and members of the public, and to bring this back to the Committee for discussion at a future Committee meeting.

4.4 Review and Approve the Updated 2020 Board Audit Committee Work Plan.

Recommendation: A. Review and discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan;
B. Approve the updated 2020 BAC Work Plan; and
C. Discuss next performance audit to be conducted.

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

The Committee considered the attached update on the 2020 Board Audit Committee Work Plan, and it was moved by Director Kremen, seconded by Director LeZotte, and unanimously carried that staff bring to the full Board a recommendation that TAP International begin the Permitting Best Practices Audit; and that staff place the Desk Review of the Sponsorship Program on the November 18, 2020 Board Audit Committee Agenda for discussion by the Committee, by roll call vote.

4.5 Recommended Updates to Board Independent Auditor (TAP International, Inc.) Annual Audit Work Plan.

Recommendation: Discuss the Annual Audit Work Plan and approve any updates to recommend to the Board, if necessary.

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 bring to the full Board an Agenda Item at a future Board meeting where the following will be discussed:
 - Staff to combine the two Community Engagement Audits (BAC Work Plan Line Items 21 and 30) into one audit assuming there are not objections from the full Board;
 - Staff to note that (BAC Work plan Line Item 3) will be deferred to the next Risk Assessment scheduled for October 2021, given that Valley Water is currently embarking on a SCADA Master Plan effort, and assuming there are no objections from the full Board; and
 - Staff to include in the following Committee request from Item 4.4:
 - Request for approval to start the Permitting Best Practices Audit, Page 49, Line 48.

- 4.6 Discuss the October 2021 Risk Assessment given that the Board Independent Auditing Services Agreement with TAP International expires on June 30, 2021.

Recommendation: Discuss the October 2021 Risk Assessment given that the Board Independent Auditing Services Agreement with TAP International expires on June 30, 2021.

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:

- The Committee requested that staff bring this item back to the Committee for further discussion.

- 4.7 Discuss Proposed Updates to the Board Audit Committee Audit Charter.

Recommendation: Discuss proposed updates to the Board Audit Committee Audit Charter and decide whether or not to recommend for full Board adoption at a future Board meeting.

Mr. Brian Hopper, Senior Assistant District Counsel, reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee considered the proposed updates to the Board Audit Committee Audit Charter, and it was moved by Director LeZotte, seconded by Director Kremen, and unanimously carried that staff incorporate the proposed changes to the Board Audit Committee Audit Charter and present to the full Board for adoption at a future Board meeting, by roll call vote.

- 5.1 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, and per the information contained in Supplemental Attachment 2.

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

- The Committee requested staff to bring (to a future Board meeting) an Agenda Item to the full Board recommending that this item (Item 5.1) be referred to the Board Policy and Planning Committee for discussion and recommendations.

- 5.2 Valley Water Comprehensive Annual Financial Report Transparency and Policy Issues.

Recommendation: Discuss content and format of the Valley Water Comprehensive Annual Financial Report (CAFR) and determine whether or not to recommend policy changes to the full Board.

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

- The Committee requested that this item be continued to a Special BAC Committee meeting to be scheduled within the next two weeks via a Zoom Teleconference meeting.

Board member comments and suggestions can be forwarded to Mr. Max Overland, Assistant Deputy Clerk at (408) 630-2749 or by email to moverland@valleywater.org.

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