



MEMORANDUM

FC 14 (01-02-07)

TO: Board of Directors

FROM: Board Audit Committee

SUBJECT: 08/19/2020 Board Audit Committee
Meeting Notes Summary

DATE: August 25, 2020

This memorandum summarizes the Board Audit Committee (Committee) meeting held on August 19, 2020, where the following work plan Items were discussed:

4.1 Set Date and Time for the Annual Audit Training from Board Independent Auditor.

Recommendation: Set date and time for the Annual Audit Training from the Board Independent Auditor.

Ms. Denise Callahan, TAP International, Inc. (TAP) 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 the Board Scheduler set a date and time for the Annual Audit Training and to open the training up to staff.

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

The Committee considered the attached update on the on-going District Counsel Audit, and it was moved by Director LeZotte, seconded by Chairperson Keegan, and unanimously carried that the District Counsel Response to the District Counsel Audit be extended 10 more days allowing for a 20 day staff response to the audit. Director Kremen was absent.

4.3 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; and
 - B. Approve the updated 2020 BAC Work Plan.

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 LeZotte, seconded by Chairperson Keegan, and unanimously carried that the BAC discuss at its next meeting the potential of bringing a Sponsorship Program (BAC Work Plan Line Item 96) Desk Review to the full Board for approval. Director Kremen was absent.

4.4 Recommend Updates to the 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.

Chairperson Keegan, 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 combine the two Community Engagement Audits (BAC Work Plan Line Items 21 and 30) into one audit assuming there are no objections from the full Board; and
- 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.

4.5 Discuss Audit Objectives Based on the Board Independent Auditor's Recommendation Regarding the Safe, Clean Water Program Grant Management Ad-hoc Desk Review.

- Recommendation: Discuss Audit Objective Based on the Board Independent Auditor's Recommendation regarding the Safe, Clean Water Program Grant Management Ad-hoc Desk Review.

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

Chairperson Keegan acknowledged receipt of the attached letter from Ms. Trish Mulvey, Palo Alto resident, identified as Handout 4.5-A, herein. Copies of the Handout were distributed to the Committee and made available to the public.

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

- Mr. Taylor and Ms. Callahan to expand language regarding community concerns and to move forward with the Safe, Clean Water Program Grant Management Ad-hoc Desk Review.

4.6 Discuss Modifications to the Board Audit Committee Audit Charter.

Recommendation: Discuss modifications to the Board Audit Committee Charter and present to the full Board for adoption at a future Board meeting.

Chairperson Keegan, 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 staff to return to the Committee with revisions to the Audit Charter based on meeting outcomes with Chairperson Keegan, Mr. Taylor, Ms. Callahan, and Mr. Brian Hopper, Senior Assistant District Counsel; and
- Staff to include Best Practices from other agencies and return to the Committee for further discussion at a future Committee meeting.

4.9 Consider Recommending the Establishment of Additional Board Auditors to the Full Board of Directors.

Recommendation: Discuss staff recommendation to consider establishing additional Board Auditors and decide whether or not to recommend the idea to the full Board.

Chairperson Keegan, 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 back this Agenda Memorandum to the Committee for further discussion;
- Staff to revise and replace the language on the Committee Agenda Memorandum, Page 1, Summary, Lines 2 and 3, "perceived Conflict of Interest" and to bring back to the Committee for further discussion; and
- Staff to place Master Services Agreement on the Work Plan, and bring back to the Committee for discussion and approval to bring to the full Board.

5.1 Quality Environmental Management System (QEMS) Internal Audit Program and 2019 QEMS Internal Audit Report.

Recommendation: Receive information regarding the QEMS Internal Audit Program and 2019 QEMS Internal Audit Report.

Mr. Anthony Mendiola, Program Administrator, 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.

5.2 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.

The Committee continued this Item to the September 16, 2020 BAC meeting.

5.3 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 continued this Item to the September 16, 2020 BAC meeting.

5.4 Status Update on the Lower Silver Creek Watershed Project Audit.

Recommendation: Receive and discuss a status update on the State Controller Office Audit of Flood Control Subventions Program for claim Numbers 86-91, submitted during the audit period, 08/01/2012 – 05/12/2016.

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

The Committee noted the information without formal action.

5.5 Status Update on the Annual Federal Grants Audit.

Recommendation: Receive and discuss a status update on the Annual Federal Grants Audit.

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

The Committee noted the information without formal action.

5.6 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.

The Committee continued this Item to the September 16, 2020 BAC 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.