

**TO:** Board of Directors

**FROM:** Board Audit Committee

**SUBJECT:** 01/13/2021 Board Audit Committee  
Meeting Notes Summary

**DATE:** January 14, 2020

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This memorandum summarizes the Board Audit Committee (Committee) meeting held on January 13, 2021, where the following work plan Items were discussed:

4.1 Board Audit Committee's 2020 Annual Self-Evaluation.

Recommendation: A. Conduct the Annual Self-Evaluation;  
B. Direct staff to prepare a formal report; and  
C. Direct staff to return to the Board Audit Committee for approval to present the report to the full Board.

Chairperson Keegan 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 email the Annual Self-Evaluation to the Committee members to fill out and then email completed forms to the Clerk of the Board.

4.2 Discuss Options to Evaluate Risk Management Organizational Alignment; and Direct Staff to Present the Recommended Option to the Full Board for Approval to Update the Annual Audit Work Plan.

Recommendation: A. Discuss the options to evaluate Risk Management Organization alignment; and  
B. Direct staff to present the recommended option to the full Board for approval to update the Annual Audit 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 Options to Evaluate Risk Management Organizational Alignment, and it was moved by Director Kremen, seconded by Director LeZotte, and unanimously carried that the Committee approved Option C contained in Attachment 1, Page 1, by roll call vote.

4.3 Request Board Auditor Activity Report from TAP International, Inc. to Evaluate Board Auditor Performance.

Recommendation: Request 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.

Director LeZotte moved, and Chair Keegan seconded, and it unanimously carried that the Committee approved the request that TAP International provide the Committee a Board Auditor Activity Report to evaluate Board Auditor performance, by roll call vote. Director Kremen was absent.

4.4 Receive and Discuss the Safe, Clean Water Program Grant Management Audit Draft Report and Management Response; and Approve the Safe, Clean Water Program Grant Management Audit Draft Report for Presentation to the Board.

Recommendation: A. Receive and discuss the Safe, Clean Water Program Grant Management Audit Draft Report and Management Response; and  
B. Approve the Safe, Clean Water Program Grant Management Audit Draft Report and direct staff and subconsultants to present to the Board at a future Board meeting.

Mr. Drummond Kahn and Ms. Greta McDonald, TAP International, Inc. (TAP), reviewed the information on this Item, per the attached Committee Agenda Memorandum, and per the information contained in Attachment 1.

Chairperson Keegan read into the record the following statement of Ms. Trish Mulvey, Palo Alto resident: *How can these questions and concerns posed to the Valley Water Board by a colleague regarding the next Safe, Clean Water Grants Program be addressed before the first Measure S grant cycle? What are the best practices for grants to individuals? Can a management response be included when this audit is presented to the full Board? "Grants for individuals will get really messy and will create a large load on the grant administration. There could be thousands of applications. Please limit the language for grants for individuals to state that there needs to be a public benefit or remove the word "individual." The way this is written the public will expect opportunity for grants for all these topics. Would this really fund someone's private well? I see several concerns with flood protection grants. How to differentiate between debris and habitat? Who [is] to decide if the debris is a flood risk? Who is liable should an area flood where Valley Water denied grant? Should the public pay for lack of maintenance or illegal work by private residents? My neighbor dumped loads of brush cuttings in the creek, should the public pay to remove?"*

Mr. Steve Holmes, of undisclosed residency, expressed support for this audit and requested that the Committee consider delaying insurance requirements until the agreement and permits have been acquired. There is concern that the permitting process can take up to two years to acquire causing unwarranted insurance expense.

The Committee considered the attached Safe, Clean Water Program Grant Management Audit Draft Report, and it was moved by Director LeZotte, seconded by Director Kremen, and unanimously carried that the Committee approved the Safe, Clean Water Program Grant Management Audit Draft Report and directed staff and subconsultants to present to the full Board at a future Board meeting, by roll call vote.

4.5 Recommended Updates to 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.

4.6 Review and Approve the Updated 2021 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 2021 BAC Work Plan.

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

Chairperson Keegan read into the record the following statement of Ms. Mulvey: *Thank you for including this inquiry (Line 80): "Recommendation: Discuss the potential for a desk review or audit of the Sponsorship Program." I hope an audit is approved and will start soon.*

The Committee considered the attached updated 2021 Board Audit Committee Work Plan, and it was moved by Director LeZotte, seconded by Chairperson Keegan, and unanimously carried that the Committee approved the updated 2021 Board Audit Committee Work Plan, by roll call vote. Director Kremen was absent.

5.1 Valley Water Policy Discussion Related to Financial Auditor Responsibility.

Recommendation: A. Discuss Valley Water Policy issues related to Financial Auditor responsibilities; and  
B. Recommend to the full Board that this policy issue be referred to the Board Policy and Planning Committee for further discussion and refinement.

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

The Committee considered the Valley Water Policy related to Financial Auditor Responsibility, and it was moved by Director LeZotte, seconded by Chairperson Keegan, and unanimously carried that the Committee recommend to the full Board that this issue be referred to the Board Policy and Planning Committee for further discussion and refinement, by roll call vote. Director Kremen was absent.

5.2 Discuss Scope of Annual Audit Training from Board Independent Auditor

Recommendation: Discuss Scope of Annual Audit Training from Board Independent Auditor.

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:

- Continue this item to a future Committee meeting once the full Board has selected the new Board Audit Committee members.

5.3 Valley Water Comprehensive Annual Financial Report for the Fiscal Year Ending on June 30, 2020.

Recommendation: Discuss the Valley Water Comprehensive Annual Financial Report (CAFR) for the Fiscal Year (FY) Ending on June 30, 2020, that staff will be recommending for Board acceptance and provide direction as needed.

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

The Committee noted the information, without formal action.

5.4 Receive an Update on the Status of the Permitting Best Practices Audit.

Recommendation: Receive an update on the status of the on-going Permitting Best Practices Audit.

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

The Committee noted the information, without formal action.

5.5 Receive and Discuss a Status Update on the Implementation of Audit Recommendations.

Recommendation: Receive and discuss a status update on the implementation of audit recommendations.

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

The Committee noted the information, without formal action.

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](mailto:moverland@valleywater.org).