

# MEMORANDUM

FC 14 (01-02-07)

**TO:** Board of Directors

**FROM:** Board Audit Committee

**SUBJECT:** 05/26/2021 Amended Rescheduled Board Audit Committee Meeting Summary. **DATE:** June 22, 2021

This memorandum summarizes the Amended Rescheduled Board Audit Committee (Committee) meeting held on May 26, 2021, where the following work plan Items were discussed:

## ACTION ITEMS:

- 4.1 Receive and Discuss the Permitting Best Practices Audit Final Report and Management Response; and Approve the Permitting Best Practices Audit Final Report for Presentation to the Full Board.

Recommendation: A. Receive and discuss the Permitting Best Practices Audit Final Report and Management Response; and  
B. Approve the Permitting Best Practices Audit Final Report and direct staff and TAP International, Inc. to present to the full Board at a future Board meeting.

Ms. Kate Kousser, TAP International, Inc. (TAP), 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, and requested the following information:

- Management response satisfies the recommendations;
- Add a follow-up audit in 2023 to assess the status of recommendation implementation;
- The Committee is concerned about data silos perpetuated by separate systems (data integration)
- Mr. Michael Cook, Deputy Administrative Officer, addressed the Committee's concerns by:
  - Information Technology (IT) collaborating with CPRU to address Recommendation No. 6, Attachment 1, Page 8; and
  - IT to return to a future Committee meeting to update the Committee when software solutions, which Valley Water already possesses, are identified that satisfy Recommendation No. 6, Attachment 1, Page 8.

It was moved by Director Kremen and seconded by Director Santos, and unanimously carried that the Committee recommended that before any procurement decision is made that the design or integration to our ticket management, CRM, and invoicing and payment ERP system is brought forward to the full board for consideration; and that the Committee approved the Permitting Best Practices Audit Final Report and directed staff and TAP International, Inc. to present to the full Board at a future Board meeting.

4.2 Receive an Update on the Status of the On-call Management Services Agreement Request for Proposal and Provide Input as Needed.

- Recommendation:
- A. Receive an update on the status of the On-call Management Services Agreement Request for Proposal;
  - B. Approve moving into the negotiation phase of the procurement with the goal of adding 2 On-Call Auditors to complement the Chief Audit Executive; and
  - C. Provide further input as needed.

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

The Committee noted the information, and noted the following:

- The Committee noted that all three (3) firms have experience with agencies that are similar to Valley Water.

It was moved by Director Santos and seconded by Director Kremen, and unanimously carried that staff proceed into the negotiation phase of the procurement with the goal of adding 2 On-Call Auditors to complement the Chief Audit Executive.

4.3 Receive an update on the Status of the Board Audit consultant Services Agreement Request for Proposal and Select a Committee Member to Sit on the Evaluation Committee.

- Recommendation:
- A. Receive an update on the status of the Board Audit Consultant Services Agreement Request for Proposal; and
  - B. Select a Committee member to sit on the Evaluation Committee.

The Committee considered this item without a staff presentation.

It was moved by Director Kremen and seconded by Director Santos and unanimously carried that Committee Chairperson Keegan sit on the Evaluation Committee.

4.4 Review and Discuss the 2021 Board Audit Committee Work Plan.

- Recommendation:
- Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustment to the BAC Work Plan.

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 add to the BAC Work Plan a Committee Mid-Year Self Evaluation at the August Committee meeting;
- Staff to have Maze and Associates present to the Committee a Fiscal year 2021 Audit at the June Committee meeting;
- Staff add the Contract Change Order Status to the June Committee meeting; and
- Staff add an update to the Work Plan regarding Grants Audit recommendations.

4.5 Discuss and Approve any Updates to the Annual Audit Work Plan.

Recommendation: Discuss and approve any updates to recommend to the Board, 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 noted the following:

- The Committee has not selected the next audit to be conducted by the Board's auditor;
  - TAP is currently conducting the Risk Assessment that will result in the creation of the next Board Audit Committee Annual Audit Work Plan;
  - TAP's current agreement will expire after the Risk Assessment is completed; and
  - No changes were recommended by TAP to the Annual Audit Work Plan.

**INFORMATION ITEMS:**

5.1 Receive an Update on the Status of the Pacheco Reservoir Expansion Audit.

Recommendation: Receive an update on the status of the Pacheco Reservoir Expansion audit.

Mr. Brian Hopper, Senior Assistant District Counsel, reviewed the information on this item, per the attached Board Agenda Memorandum, and per the information contained in Attachment 1.

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

- Legal Counsel clarified that this effort is not an "audit" and that this effort moving forward is a "fact-finding" investigation;
- Jackson Lewis is the firm that is performing this fact-finding investigation;
  - Expected feedback is to shed light on what was known and when; and
- Staff estimates that Jackson Lewis will provide their findings to the Committee at the June, 2021 Committee meeting.

5.2 Fiscal year 2020-21 Third Quarter Financial Status Update.

Recommendation: Receive the Fiscal year 2020-21 third quarter financial status update as of March 31, 2021.

Mr. Enrique De Anda, Budget Manager, reviewed the information on this item, per the attached Board Agenda Memorandum, and per the information contained in Attachment 1.

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

- The Committee raised concerns about the reimbursements pending for Capital projects;
- The Committee requested that staff provide a more detailed breakdown of the finances in the next report; and
- The Committee requested that staff provide an analysis on Valley Water liabilities.

### 5.3 Receive an Update on the 2021 Risk Assessment.

Recommendation: Receive an update on the 2021 Risk Assessment.

Ms. Callahan reviewed the information on this item, per the attached Board Agenda Memorandum, and per the information contained in Attachment 1.

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

- There are two (2) phases to the Risk Assessment;
  - Phase 1 is a survey of contacts to identify risks;
  - Phase 2 is the analysis of the identified risks;
- TAP suggested excluding the group of non-elected committee members due to privacy protocols;
  - The Committee Chair will work with the Clerk of the Board to determine if there is a workaround in order to include the non-elected committee members; and
- TAP is to confirm that the list of State and Federal Partners is complete.

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).