



Santa Clara Valley Water District

File No.: 17-0221

Agenda Date: 5/23/2017
Item No.: 4.2.

BOARD AGENDA MEMORANDUM

SUBJECT:

Standard On-Call Consultant Agreement with TAP International, Inc. (TAP International) for Board Independent Auditing Services.

RECOMMENDATION:

Approve the Standard On-Call Consultant Agreement with TAP International, Inc. for Board independent auditing services at a not-to-exceed amount of \$405,000.

SUMMARY:

The Board's Audit Committee (Audit Committee) recommends the District enter into this Consultant Agreement with TAP International, Inc. to provide on-call audit consulting services for a period of three years.

The Board's Audit Committee consists of three directors and was established to assist the Board of Directors with identifying potential areas for audit and audit priorities, and to review, update, plan and coordinate execution of Board audits.

TAP International will serve as an on-call advisor to the Audit Committee in fulfilling its duties, responsibilities, and functions. Specifically, they will assess operational risks and advise on potential audits to ensure the District is in compliance with its policies, procedures, and regulations. TAP International will also conduct audits and assist in preparing an annual program of audits with associated schedules and budgets; prepare formal and informal reports, and presentations to the Audit Committee and the full Board of Directors on an as-needed basis.

A California certified small business, TAP International is a management consulting firm that has provided audit management support services for domestic and international government agencies, including the County of Sonoma, the Republic of the Marshall Islands, North Dakota State Auditor's Office, the Washington State Auditor's Office, and the Los Angeles Metropolitan Transportation Authority.

In 2014, TAP International completed a transparency and accountability audit of District operations. This transparency audit assessed the District's compliance with key transparency and accountability requirements mandated by applicable California Government regulations and benchmarked the District's current activities against leading practices for transparency and open government.

In summary, the consultant's scope of work for the recommended agreement includes:

- Provide advice and recommendations on audits of District programs
- Develop an annual audit program, schedule, and budget
- Conduct audits as directed by the Audit Committee and/or Board of Directors
- Prepare and deliver formal and informal audit reports and presentations
- Attend Audit Committee and Board meetings on as needed basis
- Meet with District staff as needed to support direction of the Audit Committee and the Board of Directors

Background and Consultant Selection Process

On March 25, 2016, the Board Audit Committee requested staff to prepare a proposal to commission an independent auditor to conduct a broad scope of future audits, based on future auditing needs.

On September 9, 2016, a Request for Qualifications (RFQ) was distributed to auditors and financial service consulting firms on the District's self-registered list.

Six (6) proposals were received by the RFQ submittal deadline of October 7, 2016, one of which was disqualified.

A Consultant Review Board (CRB), consisting of three Board Audit Committee members, Directors Estremera, Keegan and Kremen, evaluated the written proposals.

The District invited the five consulting firms for subsequent oral interviews. The CRB selected Tap International of Sacramento, California as the top-ranked firm and were subsequently invited to begin negotiating the scope and compensation limit for the Consultant Agreement.

The final Consultant Agreement, including scope and hourly rates, has been successfully negotiated with TAP International. The Consultant Agreement provides for TAP International to begin performing the on-call consultant services after receiving the notice to proceed following Board approval of the Audit Committee recommendation.

Before directing staff to commence negotiations, the Audit Committee considered a report by the District's Office of Ethics and Equal Opportunity as to whether TAP could also perform audits of areas it recommends to the Committee in compliance with Government Code Section 1090. Section 1090 of the Government Code prohibits a firm from performing the audits of areas it originally recommended. After considerable discussion of the report, the Audit Committee was satisfied that TAP should proceed to negotiations as there are sufficient safeguards and assurances of transparency in place to prevent the types of conflict of interest concerns addressed in Section 1090 of the Government Code.

The Task Order for the scope of services to develop the audit program must still be developed, and the District Counsel's Office and District staff have been researching means to avoid a potential

Government Code Section 1090 violation. District staff with the guidance of the District Counsel's Office will work with Tap International to structure a scope of services to emphasize the development and application of objective criteria. If the provision of services will breach the requirements of Government Code Section 1090, the District staff and the District Counsel's Office will advise the Board accordingly.

FINANCIAL IMPACT:

The not-to-exceed compensation limit for the Consultant Agreement with TAP International for Board Independent Auditing Services is \$405,000. Funding for this project is proposed to be budgeted and encumbered as follows:

FY 2016-17: \$135,000

FY 2017-18: \$135,000

FY 2018-19: \$135,000

There funds budgeted in both FY 2016-17 and FY 2017-18 in Project 60131016, Office of CEO & Board Support to cover each year's contract expenditure of \$135,000.

CEQA:

The recommended action to approve the Consultant Agreement does not constitute a project under California Environmental Quality Act (CEQA) because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: Consultant Agreement

UNCLASSIFIED MANAGER:

Norma Camacho, 408-630-2084