



# Santa Clara Valley Water District

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**File No.:** 20-0337

**Agenda Date:** 5/12/2020

**Item No.:** 4.1.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Receive and Discuss the Final Audit Report and Management Response for the Contract Change Order Audit Conducted by TAP International, Inc.

### **RECOMMENDATION:**

Receive and discuss the Final Audit Report, and Management Response, for the Contract Change Order Audit conducted by TAP International, Inc.

### **SUMMARY:**

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits. On May 23, 2017, the Board, approved an on-call consultant agreement with TAP International, Inc. (TAP) for Board independent auditing services.

On September 26, 2018, TAP presented the final Risk Assessment Model to the BAC assessing operational risks to the Santa Clara Valley Water District ("Valley Water"). The Risk Assessment Model developed heat maps of Valley Water operational areas based on risk impact (low, moderate, and high risk). The results of the risk assessment include input from Valley Water's Board of Directors, management, and staff and would be used to assist in the development of an Annual Audit Work Plan. The highest risk areas include procurement, contract change order management, succession planning, and fraud prevention.

On February 26, 2019, the Board approved the Board Audit Committee's recommendation for TAP to conduct three performance audits recommended by the Board Audit Committee. The three audits include performance audits of the District Counsel's office, contract change order management processes (Contract Change Order Audit), and real estate services. An amendment to the Board independent auditing services agreement was completed on June 7, 2019, to increase the not-to-exceed amount from \$405,000 to \$1,005,000 to complete all three proposed audits and approximately three additional future audits.

Following Board approval of the amendment, TAP initiated the audit of contract change order management processes and discussed the audit scope with the BAC Chair. On August 28, 2019, TAP provided the draft audit report containing a summary of key findings from the performance audit

of the construction contract change order process. On October 23, 2019, Management Response to the contract change order audit draft report was submitted to TAP, for later discussion by the Committee at the following Board Audit Committee meeting in November 2019.

On November 18, 2019, Staff presented the Draft Management Response and the BAC requested for staff to correct, unify, and simplify analysis for the Contract Change Order Management Response. At the January 22, 2020, BAC meeting, the Contract Change Order Audit Management Response to Draft Report was provided.

At the February 19, 2020, BAC meeting, TAP presented the Auditor Response to the Management Response for the Contract Change Order Audit Report (Attachment 1). Upon Committee review of the Auditor Response, the Committee directed staff to present (Attachment 2) the approved final draft audit report and management response to the Board of Directors at the April 14, 2020 Board meeting.

**FINANCIAL IMPACT:**

There is no financial impact associated with this item.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

**ATTACHMENTS:**

Attachment 1: Final Audit Report, Contract Change Order Audit  
Attachment 2: PowerPoint

**UNCLASSIFIED MANAGER:**

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