



# Santa Clara Valley Water District

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**File No.:** 20-1022

**Agenda Date:** 11/10/2020  
**Item No.:** 4.5.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Consider the October 21, 2020, Board Audit Committee Recommendation to Receive and Discuss the Final Audit Report and Management Response for the Real Estate Services Audit Conducted by TAP International, Inc.

### **RECOMMENDATION:**

Consider the October 21, 2020, Board Audit Committee recommendation to receive and discuss the Final Audit Report and Management Response for the Real Estate Services 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 International 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 recommendation by the BAC 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, Construction Contract Change Order management processes, and Real Estate services.

An amendment to the Board independent auditing services agreement was initiated 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. On June 7, 2019, the amendment was completed, therefore, TAP initiated the performance audits of the District Counsel's office and Real Estate

services.

On July 24, 2020, TAP issued the preliminary draft of the Real Estate Services Audit report for formal comment. Management Response to the Real Estate Services Audit draft report was submitted by Valley Water to TAP on August 12, 2020. On August 13, 2020, TAP provided the Summary of Agency Responses that were discussed by the Committee at the September 16, 2020, Board Audit Committee meeting. At the October 21, 2020, Board Audit Committee meeting, the Committee approved the final draft audit report (Attachment 1) and management response for staff to present to the Board of Directors at the November 10, 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 Real Estate Services Audit Report

**UNCLASSIFIED MANAGER:**

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