



Santa Clara Valley Water District

File No.: 20-1225

Agenda Date: 1/26/2021

Item No.: *4.5.

BOARD AGENDA MEMORANDUM

SUBJECT:

Consider the December 16, 2020, Board Audit Committee Recommendations to have TAP International, Inc. Conduct the Next Tri-annual Risk Assessment that is due by October 2021, prior to the Expiration on June 30, 2021 of the Board Independent Auditing Services Agreement with TAP International, Inc.; and to Direct Staff to Initiate a Procurement Process to Enter into a New Board Independent Auditing Services Agreement that would be Effective on July 1, 2021.

RECOMMENDATION:

- A. Consider the December 16, 2020, Board Audit Committee recommendation to have TAP International, Inc. conduct the next tri-annual Risk Assessment that is due by October 2021 prior to the expiration on June 30, 2021 of the Board Independent Auditing Services Agreement with TAP International, Inc.;
- B. Consider the December 16, 2020, Board Audit Committee recommendation to direct staff to initiate a procurement process to enter into a new Board Independent Auditing Services Agreement that would be effective on July 1, 2021; and
- C. Provide final direction, as needed, based upon the Board Audit Committee recommendations.

SUMMARY:

On May 23, 2017, the Board approved an on-call consultant agreement with TAP International, Inc. (TAP International) for Board Independent Auditing Services and on April 28, 2020, the Board approved extension of the agreement through June 30, 2021. The agreement requires TAP International to work with the Board and the Board Audit Committee (BAC) to develop an annual audit program, assess operational risks, advise on potential audits to ensure Santa Clara Valley Water District (Valley Water) is in full compliance with its policies, procedures, and regulations, and to conduct audits as directed by the Board and BAC.

On September 26, 2018, in accordance with the BAC charter, TAP International presented the final Risk Assessment Model to the BAC assessing operational risks to 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 included 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 included procurement, contract change order management, succession planning, and fraud prevention.

Per Article 3, subparagraph 7.4 of the BAC Charter, the BAC shall conduct a risk assessment every three years. The next tri-annual Risk Assessment is currently scheduled to be completed in October 2021. A Risk Assessment usually takes about four months to complete. At the October 21, 2020, Committee meeting, the BAC requested that staff proceed with a Master Services Request for Proposal (RFP) for additional auditors to complement TAP International as the "Chief Audit Executive." At the December 16, 2020, Committee meeting, the BAC requested that the following recommendations be brought to the full Board for approval:

- 1) Approve the assignment of TAP International to complete the next tri-annual Risk Assessment prior to the expiration of the Board Independent Auditing Services Agreement with TAP International on June 30, 2021; and
- 2) Direct staff to initiate a procurement process to enter into a new Board Independent Auditing Services Agreement that would be effective on July 1, 2021.

FINANCIAL IMPACT:

Adequate funding for the option(s) selected to complete the next Risk Assessment is included in the Office of Chief Financial Officer's Board-adopted FY 2020-2021 budget, Project 60131014, Continual Improvement.

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:

None.

UNCLASSIFIED MANAGER:

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