



# Santa Clara Valley Water District

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**File No.:** 19-0551

**Agenda Date:** 6/25/2019

**Item No.:** 4.6.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Approve Recommendation From Board Audit Committee to Approve the Fiscal Years 2018-2019 to 2020-2021 Annual Audit Work Plan Prepared by the Board Independent Auditor, TAP International, Inc.

### **RECOMMENDATION:**

- A. Approve the Fiscal Years 2018-2019 to 2020-2021 Annual Audit Work Plan Prepared by the Board Independent Auditor, TAP International, Inc.; and
- B. Approve the implementation of the performance audits as identified in the Fiscal Years 2018-2019 to 2020-2021 Annual Audit Work Plan, under the direction of the Board Audit Committee.

### **SUMMARY:**

On May 23, 2017, the Board approved an on-call consultant agreement with TAP International, Inc. (TAP International) for Board Independent Auditing Services. 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 the District is in full compliance with its policies, procedures, and regulations, and conduct audits as directed by the Board and BAC.

On September 26, 2018, TAP International presented the final Risk Assessment Model to the BAC assessing operational risks to the District. The Risk Assessment Model developed heat maps of District operational areas based on risk impact (low, moderate, and high risk). The results of the risk assessment include input from the District'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 December 03, 2018, TAP International presented a draft Audit Work Plan to the BAC. The draft Audit Work Plan identified 41 potential audits to conduct, ranked by highest risk, based on the results of the risk assessment previously conducted by the District's independent auditor, Board of Directors, and management and staff.

The BAC reviewed the draft Audit Work Plan and on January 22, 2019, identified and recommended three audits for the full Board's input and approval. These audits include performance audits of the District Counsel's office, Real Estate Services, and an audit of contract change order processes. The

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Board approved the implementation of these three audits on February 26, 2019.

**Next Steps**

Upon Board approval of the FY 2018-2019 to FY 2020-2021 Annual Audit Work Plan (Attachment 1), the Board Independent Auditor, TAP International, Inc., will initiate the audits as planned, within the limits of TAP International's consultant agreement with Santa Clara Valley Water District. Currently, the agreement has funding for approximately 2-4 audits and expires in May 2020.

**FINANCIAL IMPACT:**

There is no financial impact with this item.

On February 26, 2019, the Board approved an amendment increasing the not-to-exceed amount in the on-call consultant agreement with TAP International, Inc. (Agreement A4071A) from \$405,000 to \$1,005,000. This funding covers the three audits identified in the Annual Audit Work Plan for FY 2018-2019 and approximately 2-4 audits in FY 2019-2020. Additional audits identified in the Annual Audit Work Plan will not be initiated without first returning the Board to obtain funding approval.

**CEQA:**

The recommended actions do 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: FY 18-19 to 20-21 Annual Audit Work Plan

**UNCLASSIFIED MANAGER:**

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