



Santa Clara Valley Water District

File No.: 20-0636

Agenda Date: 8/11/2020

Item No.: 4.2.

BOARD AGENDA MEMORANDUM

SUBJECT:

Approve Amendment No. 3 to Agreement No. A4071A with TAP International, Inc. for Board Independent Auditing Services Increasing the Not-to-Exceed Fee by \$250,000, for a Total Revised Fee of \$1,255,000.

RECOMMENDATION:

Approve Amendment No. 3 to Agreement No. A4071A with TAP International, Inc. for Board Independent Auditing Services, increasing the not-to-exceed Fee by \$250,000, for a revised total fee of \$1,255,000.

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 Santa Clara Valley Water District (Valley Water) 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 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 December 3, 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 Valley Water'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 a performance audit of Contract Change Order Management, the District Counsel's Office, and Real Estate Services.

On February 26, 2019, the Board approved the BAC's recommendation for TAP to conduct three performance audits and to direct staff amend the agreement 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. The three audits include performance audits of the District Counsel's office, Contract Change Order Management processes, and Real Estate Services.

On June 7, 2019, Amendment No. 1 to the Board independent auditing services agreement was fully executed 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.

Derived from the 41 potential audits identified in the Risk Assessment, the FY 2019-2021 Annual Audit Work Plan outlined 16 audits to be conducted. On June 25, 2019, the Board approved the Annual Audit Work Plan for FY 2019 through FY 2021. On January 14, 2020, the Board approved the revised FY 2019-2021 Annual Audit Work Plan as recommended by the BAC. This Board-approved Annual Audit Work Plan extends the original scope of 16 audits to include: Grant Management Adhoc Desk Review; Hiring Practices Adhoc Desk Review; Board Agenda Preparation Adhoc Desk Review; and the Property Management Audit for implementing encroachment licensing program practices. The extended scope under the FY 2019-2021 Annual Audit Work Plan does not alter the scope of Amendment No. 1 to the Agreement (A4071A) with TAP.

Amendment No. 1 with TAP International was set to expire on May 8, 2020. At the February 19, 2020, Board Audit Committee meeting, the Board Audit Committee discussed the option to extend, terminate, or allow the expiration of the contract for Board Independent Auditing Services with TAP International. On April 28, 2020, the full Board approved the Board Audit Committee's recommendation for an amendment (Amendment No. 2) to extend the Board Independent Auditing Services Agreement (Agreement No. A4071A) with TAP International to June 30, 2021. To provide the time extension for Amendment No. 2 and any future Board-approved audits related to this agreement, on April 28, 2020, the Board approved staff's recommendation to delegate the CEO authority to execute the time extension of the on-call consultant agreement with TAP International (Agreement A4071A).

On July 15, 2020, the Board Audit Committee discussed the option to increase the Board Independent Auditing Services Agreement Not-To-Exceed Amount. The Board Audit Committee recommends the full Board to approve an amendment (Amendment No. 3) to exercise the option to increase the Board Independent Auditing Services Agreement not-to-exceed amount by \$250,000 from \$1,005,000 to \$1,255,000. All future audits related to this agreement will be approved by the Board before initiation.

FINANCIAL IMPACT:

Amendment No. 3 to Agreement No. A4071A with TAP International for Board Independent Auditing Services would increase the Board Independent Auditing Services Agreement not-to-exceed amount by \$250,000 from \$1,005,000 to \$1,255,000. There are adequate funds in the Office of Chief Financial Officer's Board-adopted FY 2020-2021 budget, Project 60131014, Continual Improvement.

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: Amendment No. 3

UNCLASSIFIED MANAGER:

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