



# Santa Clara Valley Water District

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**File No.:** 20-0911

**Agenda Date:** 10/13/2020

**Item No.:** \*4.2.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Consider Recommendations Resulting from the September 16, 2020, Board Audit Committee Meeting to Approve Initiation of the Permitting Best Practices Audit (Permits Provided to Requestors); Approve TAP International, Inc. as Auditor for the Permitting Best Practices Audit; and Approve Changes Recommended by the Board Audit Committee to the TAP Annual Audit Work Plan.

### **RECOMMENDATION:**

Consider recommendations resulting from the September 16, 2020, Board Audit Committee meeting and:

- A. Approve Initiation of the Permitting Best Practices Audit (Permits Provided to Requestors);
- B. Approve TAP International, Inc. to be the auditor for the Permitting Best Practices Audit; and
- C. Approve Changes Recommended by the Board Audit Committee to the TAP Annual Audit Work Plan.

### **SUMMARY:**

The Board Audit Committee (BAC) was established by the Valley Water Board of Directors (Board) to identify potential areas and priorities for auditing; to review, update, plan, and coordinate the 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, which provided an assessment of 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 was used to assist in the development of a TAP Annual Audit Work Plan. The highest risk areas included procurement, contract change order management, succession planning, and fraud prevention. On February 26, 2019, the Board approved the BAC's recommendation for TAP to conduct three performance audits. The three audits included performance audits of the District Counsel's office, contract change order management processes, and real estate services.

The Board previously approved updates to the TAP Annual Audit Work Plan (Attachment 2) to include the FY 2020-2021 Property Management Audit, to audit whether Valley Water is implementing the encroachment program consistent with the Board's guiding principles. As part of the FY 2020-2021

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Ad-hoc Board audits included in the TAP Annual Audit Work Plan, the BAC also identified three desk reviews to be performed by TAP: key controls and financial management regarding the extension of grants; risk management review of Valley Water hiring practices; and review of the Board Agenda preparation process. On July 21, 2020, the Board approved an update to the TAP Annual Audit Work Plan to include the FY 2020-2021 Grants Management Audit, for a performance audit of the efficiency and effectiveness of grant management and administration.

The Board Audit Committee recommends the following to the full Board for approval:

(1) approve the Permitting Best Practices Audit (Permits Provided to Requestors) (Attachment 1) as the next audit, and approve TAP International, Inc. to be the auditor for the Permitting Best Practices Audit;

(2) approve modifying the TAP Annual Audit Work Plan (Attachments 2 and 3) such that the two Community Engagement Audits (ID 21 and ID 30) are combined into one audit; and

(3) approve modifying the TAP Annual Audit Work Plan (Attachment 2 and Attachment 3) to note that the SCADA Audit (ID 2) will be deferred and reconsidered during the next Risk Assessment given the master planning efforts underway for Valley Water's SCADA systems.

**FINANCIAL IMPACT:**

The Permitting Best Practices Audit Task Order (Attachment 1) has an estimated total fixed fee amount of \$140,800. There are adequate funds in the Office of Chief Financial Officer's Board-adopted FY 2020-2021 budget, Project 60131014 to conduct this audit.

**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: Permitting Best Practices Audit Task Order  
Attachment 2: TAP Annual Audit Work Plan, Redlined  
Attachment 3: TAP Annual Audit Work Plan, Revised

**UNCLASSIFIED MANAGER:**

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