



BOARD AUDIT COMMITTEE MEETING

MINUTES

**Wednesday, July 15, 2020
1:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the District Headquarters Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 1:00 PM.

1.1 Roll Call.

Committee members in attendance were District 2. Director B. Keegan, Chairperson presiding. Board members participating by teleconference were, change minutes from ~~District 5 Director N. Hsueh~~, to **District 4 Director L. LeZotte**, and District 7 Director G. Kremen, constituting a quorum of the Committee.

Staff members participating by teleconference were D. Alvey, C. Cannard, M. Cook, G. Del Rosario, A. Gordon, D. Hester, B. Hopper, D. Taylor, and T. Yoke.

Also in attendance by teleconference was D. Callahan and K. Kousser, TAP International, Inc. (TAP).

Chairperson Keegan confirmed that the Committee would adjourn to Closed Session for consideration of Item 2.1.

2. CLOSED SESSION:

2.1 CLOSED SESSION

THREAT TO PUBLIC SERVICES OR FACILITIES

Pursuant to Government Code Section 54957(a)

Consultation with Alex Gordon – Emergency and Security Manager;

Mike Cook – Deputy Admin. Officer, Information Technology Div.

Upon return to Open Session, the same Committee members and staff were present.

2.2 District Counsel Report.

Mr. Brian Hopper, Senior Assistant District Counsel, reported that in regard to Item 2.1, the Committee met in Closed Session with all members present, and gave direction to staff.

2.3 Time Open for Public Comment on any Item not on the Agenda.

Chairperson Keegan declared time open for public comment on any Item not on the agenda.

Ms. Dierdre Des Jardins, California Water Research, requested that the Committee consider performing a full audit of the Grant Management process in the near future.

3. APPROVAL OF MINUTES:

3.1 Approval of Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the February 19, 2020, meeting. It was moved by Director LeZotte, seconded by Director Kremen, and unanimously carried that the minutes be approved.

4. ACTION ITEMS

4.1 Receive an Update on the Status of the Grant Management Ad-hoc Desk Review. (Continued from February 19, 2020)

Recommendation: Discuss the Board Independent Auditor's recommendation regarding the Grant Management Ad-hoc Desk Review.

Ms. Denise Callahan, TAP International, Inc. (TAP) reviewed the information on this Item, per the attached Committee Agenda Memorandum, and per the information contained in Attachment 1.

Ms. Trish Mulvey, Palo Alto resident, requested that the Committee consider performing an Audit regarding Valley Water's Sponsorship Program. The Committee requested that staff place this Item on a future Committee agenda for further discussion.

Ms. Diedre Des Jardins, California Water Research, requested that the Committee consider separating the Grant Management Audit into a performance audit and a management audit.

It was moved by Director Kremen and seconded by Director LeZotte, and unanimously carried that at the July 21, 2020 Special Board meeting that staff bring to the full Board for approval a recommendation from the Committee that TAP hire a sub-contractor to perform a comprehensive Valley Water Grant Management Performance Audit to assess the efficiency and effectiveness of this program. TAP recommended that this performance audit should focus on the grant application, evaluation and award activities, scope of work development, and grant administration; the Valley Water Grant Management Ad-

hoc Desk Review be included as an attachment; that staff bring to the full Board on July 28, 2020, a recommendation from the Committee requesting funding of the Valley Water Grant Management Performance Audit, with a not-To-Exceed dollar amount; and that the Management Audit for Valley Water Grant Management be performed a later date and will be under the direction of Mr. Darin Taylor, Chief Financial Officer.

4.2 Discuss Independent Auditor Recommendations Regarding Hiring Practices Ad-hoc Desk Review. (Continued from February 19, 2020)

Recommendation: Discuss Independent Auditor recommendation regarding hiring practices ad-hoc desk review.

Ms. Callahan reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- The Committee requested that staff consider having the CEO perform a Management Audit of the Valley Water hiring processes; and
- The Committee requested that staff bring to the full Board a report of the findings of the Hiring Practices Desk Review and a recommendation from the Committee that the full Board consider a recommendation from the Committee to consider performing a comprehensive background checks for new employees and existing employees who are being considered for Executive Level positions or those being considered for positions with a fiduciary responsibility.

4.3 Discuss Potential Recommendation to Board to Authorize Release of Attorney-Client Privileged Documents to Board Independent Auditor. (Continued from February 19, 2020)

Recommendation: Discuss potential recommendation to Board to authorize release of attorney-client privileged documents to Board Independent Auditor.

Mr. Brian Hopper, Senior Assistant District Counsel, reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- The Board is the governing body which holds the attorney-client privilege;
- Recommendations to avoid risks associated with attorney-client privilege follow:
 - Review of attorney-client privileged documentation by Board members who are attorneys including a discussion with BAOs regarding findings;
 - Identification of Best Practices by TAP to preserve attorney-client privilege;
 - Sub-Committee of the Board select the records and review to ensure that the records in question do not compromise or are not vulnerable when it comes to attorney-client privilege; and

- Discussion of the more sensitive documentation without disclosing the content of the communications at a public meeting.

4.4 Review and Approve the Updated 2020 Board Audit Committee Work Plan.

- Recommendation:
- A. Review and discuss topics of interest raised at prior Board Audit Committee (BAC) meetings and make any necessary adjustments to the BAC Work Plan; and
 - B. Approve the updated 2020 BAC Work Plan.

Mr. Taylor reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- Staff to add the Sponsorship Program Audit to the Work Plan.

4.5 Discuss the Options to Increase the Board Independent Auditing Services Agreement Not-To-Exceed Amount.

- Recommendation:
- A. Discuss the option to increase the Board Independent Auditing Services Agreement Not-To-Exceed Amount; and
 - B. Approve recommendation to the full Board to:
 - i. Exercise the option to increase the Board Independent Auditing Services Agreement not-to-exceed amount by \$500,000 from \$1,005,000 to \$1,505,000; or
 - ii. Continue with the current not-to-exceed amount of \$1,005,000 for the Board Independent Auditing Services Agreement with TAP International.

Mr. Taylor reviewed the information on this Item, per the attached Committee Agenda Memorandum.

It was moved by Chair Keegan and seconded by Director Kremen, and carried that Board Independent Auditing Services Agreement Not-To-Exceed Amount be increased by \$250,000 to a not-to-exceed amount of \$1,255,000.

Director LeZotte explained that she voted in opposition to the Item because she believed that the remaining \$400,000 was enough money to perform 4 more audits without an increase in the not-to-exceed dollar amount.

4.6 Discuss and Approve for Issuance the Preliminary Draft of the Real Estate Services Audit Report for Formal Comment.

- Recommendation:
- A. Discuss the preliminary draft of the Real Estate Services Audit Report; and
 - B. Approve for issuance the preliminary draft of the Real Estate Services Audit Report for formal comment.

Ms. Kate Kousser, TAP International, Inc., reviewed the information on this Item, per the attached Committee Agenda Memorandum, and per the information contained in Attachment 1.

The Committee noted the information without formal action and requested the following:

- The Committee requested staff to return to the Committee with information regarding the difference between Real Estate being first contact instead of CPRU;
- The Committee requested staff to return to the Committee with information regarding the best practices regarding environmental assessments taking 6 months or is there room for improvement;
- The Committee requested that staff return to the Committee with information regarding the frequency and extent of District Counsel's review throughout the real estate transaction process in an effort to increase efficiency; and
- The Committee requested that the preliminary draft of the Real Estate Services Audit report be released for formal comment.

5. INFORMATION ITEMS

5.1 Receive an Update on the Status of the District Counsel Audit.

Recommendation: Receive an update on the status of the on-going District Counsel Audit.

Ms. Callahan reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action.

5.2 Board Independent Auditor Annual Audit Work Plan – TAP International, Inc.

Recommendation: Discuss the Annual Audit Work Plan and approve any updates to recommend to the Board, if necessary.

Mr. Taylor reviewed the information on this Item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action and requested the following:

- The Committee requested that staff add the Valley Water Grant Management Performance Audit to the Annual Audit Work Plan and to include it on the August Agenda.

6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

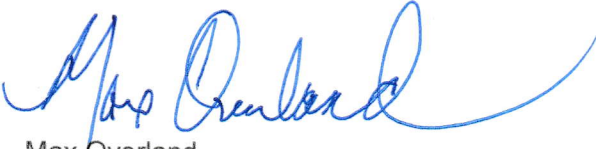
6.1 Clerk Review and Clarification of Committee Requests.

Mr. Max Overland, Assistant Deputy Clerk of the Board, confirmed that there were no new Committee Recommendations or Requests.

7. ADJOURN

- 7.1 Adjourn to Regular Meeting at 2:00 p.m., on August 19, 2020, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.

Chair Keegan adjourned the meeting at 4:45 p.m., to the 2:00 p.m. Regular Meeting on August 19, 2020, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.



Max Overland
Assistant Deputy Clerk of the Board