

NOTICE OF MEETING – REQUEST FOR RSVPS

Members of the Board Audit Committee

Director Tony Estremera, *Chairperson*
Director Gary Kremen, *Vice Chairperson*
Director Barbara Keegan, *Committee Member*

And Supporting Staff Members

Norma Camacho, Interim Chief Executive Officer
Stan Yamamoto, District Counsel
Jim Fiedler, Chief Operating Officer, Water Utilities
Melanie Richardson, Interim Chief Operating Officer, Watersheds
Anil Comelo, Acting Chief Administrative Officer
Anthony Fulcher, Senior Assistant District Counsel
Michael Baratz, Labor Relations Officer
Chris Elias, Deputy Administrative Officer
Candice Kwok-Smith, Program Administrator

A meeting of the Santa Clara Valley Water District Board Audit Committee will take place at **12:00 p.m. on Thursday February 2, 2017**, at the Santa Clara Valley Water District Headquarters Building Conference Room A-124, 5700 Almaden Expressway, San Jose, California.

Enclosed for your convenience is a copy of the agenda and corresponding materials. Additional materials may be distributed and made available to the public at or prior to the meeting, in compliance with the Brown Act.

Please RSVP at your earliest convenience by calling 408-630-2749 or by email to moverland@valleywater.org.

Thank you!

Max Overland

Max Overland
Board Administrative Assistant II
Santa Clara Valley Water District
Office of Clerk of the Board

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BOARD AUDIT COMMITTEE

Chairperson – Tony Estremera

Vice Chairperson – Gary Kremen

Committee Member – Barbara Keegan



AGENDA
BOARD AUDIT COMMITTEE
Board Conference Room A124
5700 Almaden Expressway, San Jose, CA 95118

February 2, 2017

12:00 PM

Time Certain:

- 12:00 PM**
- 1. Call to Order/Roll Call**
 - 2. Time Open for Public Comment on Any Item Not on the Agenda**
Comments should be limited to two minutes. If the Committee wishes to discuss a subject raised by the speaker, it can request placement on a future agenda.
 - 3. Election of Chairperson/Vice Chairperson** (Committee) (Approximate Time: 5 Minutes)

Recommendation: Consider the nomination and election of the 2017 Board Committee Chairperson and Vice Chairperson.
 - 4. Approval of Minutes: November 1, 2016**

Recommendation: Approve the minutes.
 - 5. Action Items:**
 - 5.1 Safe, Clean Water and Natural Flood Protection Program Audit (SCW Program Audit) - Project Update.** (C. Elias, C. Kwok-Smith) - (Approximate Time: 5 Minutes)

Recommendation:

Receive a Project update for the SCW Program Audit.
 - 5.2 Board Independent Audit Consultant Services Contract.** (C. Elias, C. Kwok-Smith) (Approximate Time: 55 Minutes)

Recommendation:
 - a) Receive an update on the status of negotiations with TAP International;
 - b) Direct staff to negotiate an agreement with TAP International to conduct a risk assessment, prepare an annual audit plan, and advise on potential audits; and
 - c) Direct staff to submit a Request for Proposal for an on-call auditor to conduct audits identified in the risk assessment and annual audit plan
 - 5.3 Performance Audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment (A3277G).** (C. Elias, C. Kwok-Smith) (Approximate Time: 10 Minutes)

Recommendation:

Receive an update on the status of the Performance Audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment (A3277G).

5. **Clerk Review and Clarification of Committee Requests and Recommendations**
This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during discussion of Item 4.
(Approximate Time: 5 Minutes)
6. **Review and Discussion of 2017 Committee Work Plan** (Committee)
7. **Discussion of Next Committee Meeting Date** (Committee)
8. **Adjourn**

REASONABLE EFFORTS TO ACCOMMODATE PERSONS WITH DISABILITIES WISHING TO ATTEND COMMITTEE MEETINGS WILL BE MADE. PLEASE ADVISE THE CLERK OF THE BOARD OFFICE OF ANY SPECIAL NEEDS BY CALLING (408) 630-2277.

Meetings of this committee will be conducted in compliance with all Brown Act requirements. All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the same time that the public records are distributed or made available to the legislative body, at the following location:

Santa Clara Valley Water District, Office of the Clerk of the Board
5700 Almaden Expressway, San Jose, CA 95118

Board Audit Committee Purpose: The Board Audit Committee is established to assist the Board of Directors, consistent with direction from the full Board, to identify potential areas for audit and audit priorities; and to review, update, plan and coordinate execution of Board audits.



BOARD AUDIT COMMITTEE

MINUTES

**TUESDAY, NOVEMBER 1, 2016
2:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER/ROLL CALL:

A meeting of the Santa Clara Valley Water District Board Audit Committee (Committee) was called to order in the District Headquarters, Conference Room A- 124, 5700 Almaden Expressway, San Jose, California, at 2:00 p.m.

Committee members in attendance were District 2 Director Keegan, District 7 Director Kremen, and District 6 Director Estremera, Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were C. Elias, R. Jefferson, C. Kwok-Smith, and M. Overland.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA:

Chairperson Estremera declared time open for public comment on any item not on the agenda.

There was no one present who wished to speak.

3. ACTION ITEMS:

3.1 Safe, Clean Water (SCW) and Natural Flood Protection Program Audit.

Recommendation:

a) Receive a project update for the SCW Program Audit.

Ms. Candice Kwok-Smith, Program Administrator, reviewed the information on this item, per the attached Committee Agenda Memorandum.

The Committee noted the information, without formal action.

3.2 Board Independent Audit Consultant Services Statement of Qualifications Oral Interviews, Request for Qualifications No. 4757.

Recommendation:

- a) Conduct the oral interviews for Board Independent Audit Consultant Services;
- b) Select the consultant to enter into negotiations for Board Independent Audit Consultant Services; and
- c) Direct staff to begin negotiations and to prepare consultant agreement for final approval by the full Board of Directors.

Ms. Kwok-Smith reviewed the information on this item, per the attached Committee Agenda Memorandum.

The Committee conducted the interviews for the Board Independent Audit Committee Consultant Services.

The Committee directed staff to begin negotiations with TAP International and to prepare a consultant agreement for final approval by the full Board of Directors.

4. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS AND RECOMMENDATIONS:

There was no Clerk Review and Clarification of Committee Requests and Recommendations given.

5. ADJOURNMENT:

Adjourn to next Audit Committee meeting as scheduled by the Chair.

Chairperson Estremera adjourned at 5:40 p.m.

Respectfully submitted,

Max Overland
Board Administrative Assistant II

Approved:

Date: 02/02/2017



Committee: Board Audit Committee
Meeting Date: February 2, 2017
Agenda Item No.: 5.1
Staff: Candice Kwok-Smith
Email: ckwok-smith@valleywater.org
Unclassified
Manager: Chris Elias
Email: celias@valleywater.org

COMMITTEE AGENDA MEMO

SUBJECT: Safe, Clean Water and Natural Flood Protection Program Audit Project Update

RECOMMENDED ACTION:

Receive a project update for the Safe Clean Water and Natural Flood Protection Program Audit

SUMMARY:

At the May 20, 2016 Board Audit Committee meeting, the Committee approved a Safe Clean Water and Natural Flood Protection Performance Audit update as a standing agenda item for the duration of the project.

BACKGROUND:

On November 6, 2012, Santa Clara County voters passed Measure B, the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) as a countywide special parcel tax. The tax went into effect on July 1, 2014 for a period of 15 years with a sunset date of June 30, 2028. The Program builds upon the success of its predecessor, the 15-year Clean, Safe Creeks and Natural Flood Protection plan (Clean, Safe Creeks).

Section N of the Measure B text states the following:

During the Safe, Clean Water and Natural Flood Protection Program period, the Board of Directors shall conduct at least two professional audits of the Program to provide accountability and transparency.

Moss Adams has completed their evaluation and submitted a draft audit report to staff on January 26, 2017. Staff is reviewing the report and will submit a draft to the Board Audit Committee in the coming weeks.

ATTACHMENT(S):

None

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Committee:	Board Audit Committee
Meeting Date:	February 2, 2017
Agenda Item No.:	5.2
Staff:	Candice Kwok-Smith
Email:	ckwok-smith@valleywater.org
Unclassified Manager:	Chris Elias
Email:	celias@valleywater.org

COMMITTEE AGENDA MEMO

SUBJECT: Board Independent Audit Consultant Services Contract.

RECOMMENDED ACTION:

- A. Receive an update on the status of the negotiations with TAP International;
- B. Direct staff to negotiate an agreement with TAP International to conduct a risk assessment, prepare an annual audit plan, and advise on potential audits; and
- C. Direct staff to submit a Request for Proposal for an on-call auditor to conduct audits identified in the risk assessment and annual audit plan.

SUMMARY:

At the November 1, 2016 Board Audit Committee meeting, the Committee directed staff to begin negotiations with TAP International, the highest ranked firm from the Request for Qualifications competitive process. Staff was directed to prepare a consultant agreement for final approval by the full Board of Directors.

During the negotiations, staff has determined that California Government Section Code 1090 prohibits TAP International consultants from performing the audits they recommend.

BACKGROUND:

The Request for Proposal to hire a Board Independent Auditor Consultant was released on September 9, 2016 through October 7, 2016. The Preliminary Scope of Services stated that the selected on-call consultant will develop an annual audit program, assess operational risks and advise on potential audits to ensure the District is in full compliance with its policies, procedures and regulations. The scope of services further stated that the recommended audits “may or may not be conducted by the Consultant.”

On November 1, 2016, TAP International was the highest ranked firm and selected to move forward with negotiations. During the negotiations, staff from the Office of Ethics and Equal Opportunity Program conducted an analysis which determined that California Government Code Section 1090 prohibits TAP International from performing any audits they recommend to the Board Audit Committee in its official capacity as advisors to the Board. Government Code Section 1090 prevents a situation where a consultant would stand to gain or lose something with respect to the making of a

contract over which, in its official capacity, it could exercise some influence.

Government Code Section 1090 prohibits Tap International from being financially interested in a contract made by it in its official capacity as an advisor to the Board. When Tap International recommends and advises the Board on matters related to the development of an audit program, it is participating in the making of a contract. The approval of the audit program necessitates a subsequent contract for the performance of the identified audits. Since Tap International is prohibited from having a financial interest in contracts that it has made, it is now prohibited from entering into the subsequent audit contract that results from the recommendations and advice provided by it. To award a subsequent audit contract to Tap International would create a situation where it gets to perform the very work it has recommended. This determination was reviewed and confirmed by the District's Senior Assistant District Counsel.

As a result, staff recommends revising the scope of services to preclude TAP International from conducting any of the audits they recommend or advise to the Board Audit Committee.

In preparation for the audits approved by the Board of Directors in the annual audit plan and the risk assessment, staff recommends issuing a Request for Proposal for an on-call consultant to conduct these audits. Staff intends to have the contract in place by the time the risk assessment and annual audit plan are complete.

ATTACHMENT(S):

None



Committee:	Board Audit Committee
Meeting Date:	February 2, 2017
Agenda Item No.:	5.3
Staff:	Candice Kwok-Smith
Email:	ckwok-smith@valleywater.org
Unclassified Manager:	Chris Elias
Email:	celias@valleywater.org

COMMITTEE AGENDA MEMO

SUBJECT: Performance Audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment (A3277G)

RECOMMENDED ACTION:

Receive an update on the status of the performance audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment (A3277G).

SUMMARY:

At the July 7, 2016 Board Audit Committee meeting, the Committee directed staff to issue a Request for Proposal to conduct a performance audit of the Lower Silver Creek Flood Protection Project Agreement with RMC Water and Environment (A3277G)

BACKGROUND:

The Request for Proposal to hire a consultant to conduct a performance audit of the Lower Silver Creek Flood Protection Project Agreement was released on August 12, 2016 through September 9, 2016. A total of three proposals were received and two firms were interviewed. The highest ranked firm was PMA Consultants LLP.

On January 18, 2017, a Notice to Proceed was issued to PMA Consultants LLP to conduct the performance audit. Staff will be scheduling a kick-off meeting with PMA Consultants to begin the audit. The audit is anticipated to be completed within 6 months.

ATTACHMENT(S):

None