



BOARD AUDIT COMMITTEE MEETING

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# MINUTES

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**Monday, November 18, 2019  
12:00 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 12:00 PM.

1.1 Roll Call.

Committee members in attendance were District 5 Director N. Hsueh, District 7 Director G. Kremen, and District 2 Director B. Keegan, Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were A. Blackmon, A Noriega, L. Orta, D. Taylor, and T. Yoke.

Also in attendance were D. Callahan, TAP International, Inc. (TAP)

**2. TIME OPEN FOR PUBLIC COMMENT:**

2.1 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. There was no one present who wished to speak.

**3. APPROVAL OF MINUTES**

3.1 Approval of Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the October 23, 2019, meeting. It was moved by Director Hsueh, seconded by Director Kremen, and unanimously carried that the minutes be approved unanimously with revisions.

#### 4. ACTION ITEMS

##### 4.1 Develop the 2020 Board Audit Committee Work Plan.

Recommendation: Provide feedback and approve the 2020 Board Audit Committee Work Plan.

Mr. Darin Daylor, Chief Financial Officer, reviewed the information on this item, per the attached Committee Agenda Memorandum.

During the presentation, the Committee made the following requests of staff:

- Remove line item 18-22 (FEMA, Grant, and CalPERS Audits); and
- Add line item for Research Valuing Water as an asset.

#### 5. INFORMATION ITEMS

##### 5.1 Board Independent Auditor Report Update – TAP International, Inc.

Recommendation: A. Discuss the Annual Audit Work Plan and update, if necessary;  
B. Discuss the status of on-going audits; and  
C. Discuss the Contract Change Order Audit Management Response to the Draft Report.

Ms. Denise Callahan, TAP, reviewed the information on this item, per the attached Committee Agenda Memorandum.

During the presentation, the Committee made the following requests of staff:

- Add one new audit for FY 2021 Encroachment Program to the Annual Audit Work Plan and present to the full Board for approval;
- Audit Review: TAP to present for full Board approval the addition of the Encroachment Program Audit to the Annual Audit Work Plan;
- Desk Review: The Committee directed TAP to perform under the Annual Audit Work Plan three ad hoc Board Audits. The three ad hoc Board Audits are as follows:
  - TAP to perform a Desk Review of key controls and financial management regarding the extension of grants;
  - TAP to perform a Risk Management review of Valley Water hiring practices; and
  - TAP to perform a desk review of the Board Agenda preparation process.
- Staff to correct, unify, and simplify analysis for the Contract Change Order Management Response and present at the next BAC meeting;
  - Address critical projects with high exposure;
  - Address action under circumstances;
  - Define critical projects and non-critical projects;
  - Identify mega project external subject matter experts;
  - Identify frameworks and further developments needed; and

- Staff to periodically present progress report on Contract Change Order Management following the presentation of the updated management response.

5.2 Review and Update 2019 Board Audit Committee Work Plan.

- Recommendation:
- A. Review the 2019 Board Audit Committee Work Plan; and
  - B. Discuss topics of interest and make any necessary adjustments to the Board Audit Committee Work Plan.

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

During the presentation, the Committee made the following requests of staff:

- Legal to provide the Committee with non-confidential memorandum on closed session special topics and place as an Item on the next Committee Agenda;
- Staff to add the upcoming January 2020 Items to the 2019 Board Audit Committee Work Plan and bring back to the next Committee meeting for approval; and
- Staff to clarify 2019 Board Audit Committee Work Plan Line Item 14 to include research on what other agencies are doing for QEMS/ISO.

5.3 CalPERS Office of Audit Services review of Valley Water's Temporary Upgrade Pay Reported as Special Compensation.

- Recommendation: Receive information pertaining to the August 2019 CalPERS initial audit findings temporary upgrade pay reported as special compensation.

Ms. Anna Noriega, Chief People Officer, reviewed the information on this Item, per the attached Committee Agenda Memorandum.

During the presentation, the Committee made the following requests of staff:

- The Committee to receive a copy of the report once it is available, but this item does not need to be presented to the Committee in the future.

**6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.**

6.1 Clerk Review and Clarification of Committee Requests.

Ms. Natalie Dominguez, Assistant Deputy Clerk II, confirmed that there were no new Committee Recommendations or Requests.

**7. ADJOURN**

- 7.1 Chairperson Keegan adjourned the meeting at 12:35 p.m. to the next meeting, which will be scheduled and posted in accordance with the Brown Act.



Max Overland  
Assistant Deputy Clerk II