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 11:00 AM.

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, T. Bramer, G. Del Rosario, T. Esch, R. Fuller, C. Hakes, F. Hernandez, B. Hopper, M. Meredith, D. Taylor, S. Tran, K. Yasakawa, and T. Yoke.

Also in attendance were D. Callahan, TAP International, Inc. (TAP), and D. Alvey, Maze and Associates.

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.

APPROVAL OF MINUTES

3.1 Approval of Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the November 18, 2019, meeting. It was moved by Director Hsueh, seconded by Director Kremen, and unanimously carried that the minutes be approved.
4. ACTION ITEMS


Recommendation: Discuss the Valley Water Comprehensive Annual Financial Report (CAFR) for the Fiscal Year (FY) Ending June 30, 2019, that staff will be recommending for Board acceptance and provide direction as needed.

Mr. Darin Taylor, Chief Financial Officer, and Ms. Gloria Del Rosario, Accounting Manager, 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 investigate 1 per cent flood capacity channels;
- Staff to strike the following text in Supplemental Attachment 1, Page 3, Paragraph 6 “tests results showed that highly purified water produced from treated wastewater is just as safe to drink as regular tap water.”;
- Staff to correct references for Cities versus Towns;
- Remove/Change “All Reasonable Measures” from the text; and
- Implement software that conducts actuarial studies on pension liability.

4.2 Develop the 2020 Board Audit Committee Work Plan.

Recommendation: A. Provide feedback and approve the 2020 Board Audit Committee Work Plan; and
B. Confirm 2020 Board Audit Committee monthly meeting schedule selecting the third Wednesday of each month beginning at 12:00 p.m.

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 approved, without formal action, to meet on the third Wednesday of each month, except January 22, 2020, at 12:00 p.m.; and
- The Committee Chair will pursue at the next Board meeting to add a discussion at a future Board meeting that the full Board consider revising the Governance Polices of the Board EL-7.10. to allow the Board Audit Committee to be exempted from 10-day posting, or to allow the ability to forego a 10-day Committee posting to be at the discretion of the Committee Chair.

Chair Keegan moved the Agenda to Item 4.4.
4.4 Quality and Environmental Management System (QEMS) Methodology Benchmarking Analysis.

Recommendation: Discuss potential scope of work for QEMS methodology benchmarking analysis and provide staff feedback.

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 create new purchase order with a $25,000 minimum with Tanner Pacific, Inc. to perform analysis.

Chair Keegan moved the Agenda to Item 5.1.

5.1 Review and Update 2019 Audit Committee Work Plan.

Recommendation: A. Review the 2019 Board Audit Committee Work Plan; and
B. Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustment to the Board Audit Committee Work Plan.

Chair Keegan, reviewed the information on this item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action.

Chair Keegan returned the Agenda to Item 4.3.

4.3 Request Board Auditor Activity Report from TAP International, Inc. to Evaluate Board Auditor Performance.


Ms. Denise Callahan, TAP International, Inc. (TAP), 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 an Annual Performance Report from TAP.
5. INFORMATION ITEMS


Recommendation:  
A. Discuss the Annual Audit Work Plan and update, if necessary;  
B. Discuss the status of on-going audits;  
C. Discuss the Contract Change Order Audit Management Response to Draft Report; and  
D. Discuss the scope of work for the ad-hoc review audits of grants, Valley Water hiring practices, and Board Agenda preparation process.

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:

- Staff to follow up with the auditor on internal review process and timelines and disclosure of comparator agencies;  
- Staff to look at the review process for Construction Contract Change Order Audit and identify opportunities to be more efficient;  
- Auditor to provide “List of Threats”, identified with the audit;  
- Staff to provide information on audit budget and progress made-to-date;  
- Staff to bring to the full Board a waiver for the Board Auditor and associated staff to have the ability to review Attorney-Client privileged documents;  
- The Committee expressed support for prioritizing the ad hoc review audits described in Recommendation D as follows: 1st priority – Valley Water Hiring Practices; 2nd priority – Grants; and 3rd priority – Board Agenda preparation process; and  
- The Committee additionally requested that the Board Agenda Preparation Process ad hoc Review Audit also include Board Committee agenda preparation process.

5.3 Restrictions on Closed Session Meetings.

Recommendation: Receive information on the Board Audit Committee’s ability to have future closed session meetings.

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.
6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

6.1 Clerk Review and Clarification of Committee Requests.

Ms. Michelle Meredith, Deputy Clerk of the Board, confirmed that there were no new Committee Recommendations or Requests.

7. ADJOURN

7.1 Adjourn to Regular Meeting at 12:00 p.m., on January 22, 2020, in the Santa Clara Valley Water District, Headquarters Board Conference Room A-124, 5700 Almaden Expressway, San Jose, California.

Chair Keegan adjourned the meeting at 1:30 p.m., to the 12:00 p.m. Regular Meeting on January 22, 2020, in the Santa Clara Valley Water District, Headquarters Board Conference Room A-124, 5700 Almaden Expressway, San Jose, California.

[Signature]
Max Overland
Assistant Deputy Clerk II