



Santa Clara Valley Water District Board Audit Committee Meeting

Headquarters Building Conference Room A-124
5700 Almaden Expressway
San Jose, CA 95118

REGULAR MEETING AGENDA

Thursday, May 2, 2019
11:00 AM

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

BOARD AUDIT COMMITTEE

Barbara Keegan, Chair, District 2
Nai Hsueh, Vice Chair, District 5
Gary Kremen, District 7

All public records relating to an 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 Office of the Clerk of the Board at the Santa Clara Valley Water District Headquarters Building, 5700 Almaden Expressway, San Jose, CA 95118, at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to attend Board of Directors' meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

DARIN TAYLOR
Committee Liaison

MAX OVERLAND
Assistant Deputy Clerk II
Office/Clerk of the Board
(408) 630-2749
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Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

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**Santa Clara Valley Water District
Board Audit Committee
REGULAR MEETING
AGENDA**

Thursday, May 2, 2019

11:00 AM

Headquarters Building Conference Room A-124

1. CALL TO ORDER:

1.1. Roll Call.

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

Notice to the public: This item is reserved for persons desiring to address the Committee on any matter not on this agenda. Members of the public who wish to address the Committee on any item not listed on the agenda should complete a Speaker Form and present it to the Committee Clerk. The Committee Chair will call individuals in turn. Speakers comments should be limited to three minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

4. ACTION ITEMS:

- 4.1. Santa Clara Valley Water District Internal Audit Schedule and Board Audit Committee Review. (Continued from January 22, 2019 BAC Meeting) [19-0450](#)
Recommendation: Discuss methods of Board Audit Committee monitoring of Santa Clara Valley Water District Internal Audits.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Example Audit Calendar](#)
Est. Staff Time: 10 Minutes
- 4.2. Review 2019 Committee Work Plan. (Continued from January 22, 2019 BAC Meeting) [19-0475](#)
Recommendation: Review and make necessary adjustments to the 2019 Work Plan, and confirm regular meeting schedule for 2019.
Manager: Michele King, 408-630-2711
Attachments: [Attachment 1: 2019 Work Plan Single Page](#)
[Attachment 2: 2019 BAC Work Plan](#)
Est. Staff Time: 5 Minutes

- 4.3. Board Audit Committee Audit Charter. [19-0446](#)

Recommendation: Approve final draft Audit Charter to be presented to the full Board.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Draft Audit Charter](#)

Est. Staff Time: 10 Minutes

5. INFORMATION ITEMS:

- 5.1. Form 700 Procedure for Employee Promotions. [19-0447](#)

Recommendation: Review and discuss the Form 700 procedure for employee promotions.

Manager: Anna Noriega, 408-630-3089

Attachments: [Attachment 1: Form 700 Procedure for Employee Promotions](#)

Est. Staff Time: 10 Minutes

- 5.2. Board Independent Auditor Report Update - TAP International, Inc. [19-0445](#)

Recommendation: A. Discuss the status of the Draft Annual Audit Work Plan; and
B. Discuss the status of the Contract Change Order Audit.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Contract Change Order Audit Plan Approach](#)
[Attachment 2: Draft Annual Audit Work Plan](#)

Est. Staff Time: 15 Minutes

- 5.3. Quality Environmental Management System (QEMS) and ISO Certification. [19-0449](#)

Recommendation: Receive and discuss information regarding the Quality and Environmental Management System and ISO Certification.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: ISO Certification Approximate Cost and Pros/Cons](#)
[Attachment 2: ISO Program Memorandum](#)
[Attachment 3: ISO Certification at Other Agencies](#)

Est. Staff Time: 15 Minutes

6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

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 the meeting.

7. ADJOURN:

7.1. Adjourn to Regular Meeting as set by the Committee.

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File No.: 19-0450

Agenda Date: 5/2/2019
Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Santa Clara Valley Water District Internal Audit Schedule and Board Audit Committee Review.
(Continued from January 22, 2019 BAC Meeting)

RECOMMENDATION:

Discuss methods of Board Audit Committee monitoring of Santa Clara Valley Water District Internal Audits.

SUMMARY:

The Santa Clara Valley Water District conducts various CEO-directed internal audits. The Board Audit Committee has requested to discuss methods of tracking and/or monitoring these types of audits, including Quality and Environmental Management System Internal Audits and Financial Audits.

An example calendar of internal audits is included in Attachment 1.

ATTACHMENTS:

Attachment 1: Example Calendar of Audits

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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AUDIT DESCRIPTION	Proposed Audit Schedule 2019											
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
QUALITY ENVIRONMENTAL MANGEMENT SYSTEM INTERNAL AUDITS												
Treated Water O&M DOO: Customer Service Survey								X				
Laboratory Services Unit												X
North Treatment Operations Unit												X
South Water Treatment Operations Unit												X
Treatment Plant Maintenance Unit												X
Water Quality Unit										X		
Water Utility Capital Division												
Capital Program Planning and Analysis Unit										X		
Construction Services Unit										X		
Pipelines Project Delivery Unit										X		
East Side Project Delivery Unit				X								
West Side Project Delivery Unit									X			
Dam Safety & Capital Delivery Division												
CADD Services Unit					X							
Dam Safety Program & Project Delivery Unit									X			
Design and Construction Unit 3											X	
Pacheco Project Delivery Unit											X	
Water Supply Division DOO: Customer Service Survey												
Wells & Water Measurement Unit				X					X			
Watershed Design and Construction Division												
Design and Construction Unit 1									X			
Design and Construction Unit 2									X			
Design and Construction Unit 4											X	
Design and Construction Unit 5								X				
Land Survey and Mapping Unit											X	
Real Estate Services Unit						X						
Associated Business Support Areas												
Facilities Management						X						
Infrastructure Services/IT					X							
Equipment Management							X					
Purchasing, Consultant Contract, and Warehouse				X								
Security and Emergency Services							X					
Environmental Health and Safety					X							
Workforce Development (Training)						X						
Core ISO Procedures: Continual Improvement Unit					X							
Office of External Affairs (Communications)						X						
Office of the Clerk of the Board (Communications)				X								
FINANCIAL AUDITS												
Financial Statement Audit												X
Treasurer's Report												X
Appropriation's Limit												X
Compensation and Benefit Compliance (odd years)												X
Travel Expenses Reimbursement (even years)												X
Single Audit (if applicable)		X										
WUE Fund Audit						X						
OTHER CEO-DIRECTED INTERNAL AUDITS												

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File No.: 19-0475

Agenda Date: 5/2/2019
Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Review 2019 Committee Work Plan. (Continued from January 22, 2019 BAC Meeting)

RECOMMENDATION:

Review and make necessary adjustments to the 2019 Work Plan, and confirm regular meeting schedule for 2019.

SUMMARY:

Under direction of the Clerk, Work Plans are used by all Board Committees to increase Committee efficiency, provide increased public notice of intended Committee discussions, and enable improved follow-up by staff. Work Plans are dynamic documents managed by Committee Chairs, and are subject to change. Committee Work Plans also serve as Annual Committee Accomplishments Reports.

The 2019 Board Audit Committee Work Plan Single Page View is contained in Attachment 1. The Detailed version of the Board Audit Committee Work Plan is contained in Attachment 2 and was populated by staff as follows:

Schedule for Presentation of Materials:

Discussion topics have been populated on the proposed 2018 Work Plan from the following sources:

- Items referred to the Committee by the Board;
- Items requested by the Committee to be brought back by staff;
- Items scheduled for presentation to the full Board of Directors; and
- Items identified by staff.

ATTACHMENTS:

Attachment 1: 2019 Committee Work Plan Single Page

Attachment 2: 2019 Committee Work Plan

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

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BAC Committee 2019 Workplan

	<i>Jan 22</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>
<i>BAC Implementation</i>												
Draft Audit Charter	X											
Finalize Audit Charter			X									
Initial Audit Selection	X											
Finalize Audit Work Plan			X									
<i>BAC Project Monitoring</i>												
Lower Silver Creek Final Audit Report / Draft Management Response	X											
Review/Discuss Task Orders (Every Meeting)	X											
QEMS Internal Audit Report	X					X						
Financial Audit Status Update			X									
<i>BAC Development</i>												

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BOARD AUDIT COMMITTEE 2019 WORK PLAN

Updated: 4/25/19



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.

The Board Audit Committee was enacted during the September 9, 2004 Board meeting, Agenda Item 3. The Committee was initially established as an ad hoc committee to *assist in the preparation for, and performance of, a comprehensive management audit and come back to the Board with recommendations on audit scope and stakeholder participation.* The Committee fulfilled this purpose in 2007, was inactive in 2008, and redefined its purpose at its March 20, 2009 meeting as follows: *The Audit Ad Hoc Committee of the Santa Clara Valley Water District is established to assist the Board of Directors, consistent with direction from the full Board, to develop the Board's pilot Management Audit Plan and Program.*

The annual work plan establishes a framework for committee discussion and action during the annual meeting schedule. The committee work plan is a dynamic document, subject to change as external and internal issues impacting the District occur and are recommended for committee discussion. Subsequently, an annual committee accomplishments report is developed based on the work plan and presented to the District Board of Directors.

2019 PARKING LOT

The Parking Lot contains unscheduled items referred to the Committee by the Board of Directors, or requested to by the Committee to be brought back by staff.

Date Requested	Requesting Body	Assigned Staff	Discussion Subject	Intended Outcome(s)

BOARD AUDIT COMMITTEE 2019 WORK PLAN

Updated: 4/25/19



2019 WORK PLAN

MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
05/02/19	4.1 Santa Clara Valley Water District Internal Audit Schedule and Board Audit Committee Review. (Continued from January 22, 2019 BAC Meeting)	Discuss methods of Board Audit Committee monitoring of Santa Clara Valley Water District Internal Audits.	
	4.2 Review 2019 Committee Work Plan. (Continued from January 22, 2019 BAC Meeting)	Review and make necessary adjustments to the 2019 Work Plan, and confirm regular meeting schedule for 2019.	
	4.3 Board Audit Committee Audit Charter.	Approve final draft Audit Charter to be presented to the full Board.	
	5.1 Form 700 Procedure for Employee Promotions.	Review and discuss the Form 700 procedure for employee promotions.	
	5.2 Board Independent Auditor Update – TAP International, Inc.	A. Discuss the status of the Draft Annual Audit Work Plan; and B. Discuss the status of the Contract Change Order Audit.	
	5.3 Quality Environmental Management System (QEMS) and ISO Certification.	Receive and discuss information regarding the Quality and Environmental Management System and ISO Certification.	

2019 ACCOMPLISHMENTS

MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
01/22/19	2.1 Approval of Minutes	Approve the minutes	Minutes Approved
	3.1 Board Independent Auditor Report Update - TAP International, Inc.	<ul style="list-style-type: none"> A. Discuss the status of the Draft Audit Work Plan, Draft Audit Charter, and potential audits with the Board's Independent Auditor, TAP International, Inc.; B. Receive and discuss draft task orders for audits #1, 5, and 6; C. Receive copies of TAP International, Inc. task orders and invoice tracking sheet; and D. Direct TAP to present task orders for audits #1, 5, and 6 to the full Board for approval to initiate. 	<ul style="list-style-type: none"> A. T. Yoke to provide a CAS update to the BAC in 6 months. This action is in lieu of conducting an audit. B. TAP to present task orders for audits 1, 5, and 6 to the full Board for approval. Board agenda to include direction to delegate authority to the CEO to approve an increase in the not-to-exceed amount in the Board Auditor Agreement. C. After the full Board approves audits to be conducted, TAP to re-interview Board members as part of determining audit scope. D. TAP to finalize Annual Audit Work Plans for 2019 and 2020. E. BAC Chair to work with Brian Hopper to prepare final draft BAC Charter. F. BAC Charter to be presented to full Board for approval. G. Staff to not include copies of task orders in future BAC agendas.
	3.2 Final Draft Audit Report and Final Draft Management Response for the Performance Audit of Lower Silver Creek Flood Protection Project, Agreement No. A3277G.	<ul style="list-style-type: none"> A. Discuss the Final Draft Audit Report from PMA Consultants on the status of the Performance Audit of Lower Silver Creek Flood Protection Project, Agreement No. A3277G; B. Discuss the Final Draft Management Response for the Performance Audit of 	<ul style="list-style-type: none"> A. Staff to use QEMS (CPAR) to initiate response to PMA's audit-as-you-go recommendation. B. Anna Noriega to return to the BAC in 3 months to provide an update on recommendation R6 (Form 700 procedure for employee promotions).

BOARD AUDIT COMMITTEE 2019 WORK PLAN

Updated: 4/25/19



		<p>Lower Silver Creek Flood Protection Project, Agreement No. A3277G; and</p> <p>C. Direct staff to have PMA Consultants present the final draft audit report and management response to the Board of Directors.</p>	
	3.3 District Internal Audit Schedule and Board Audit Committee Review.	Discuss methods of Board Audit Committee monitoring of District Internal Audits.	Item deferred to the next BAC Meeting.
	3.4 Review 2019 Committee Work Plan.	Review and make necessary adjustments to the 2019 Work Plan, and confirm regular meeting schedule for 2019.	Item deferred to the next BAC Meeting.
	4.1 Quality Environmental Management Systems (QEMS) Compliance Update.	Receive information regarding the Quality and Environmental Management System.	<p>A. TAP to research if it is typical that other government agencies are ISO certified.</p> <p>B. Staff to research the approximate cost of ISO certification and provide pros and cons of certification.</p>

File No.: 19-0446

Agenda Date: 5/2/2019
Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Board Audit Committee Audit Charter.

RECOMMENDATION:

Approve final draft Audit Charter to be presented to the full Board.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), 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.

On September 26, 2018, the Board Audit Committee directed the following:

- BAC Chair to meet with TAP International Inc. (TAP), Brian Hopper, and Michele King to develop a Draft Board Audit Committee Charter to bring to the full Board for discussion.

On October 3, 2018, a meeting was held to discuss an Audit Committee Charter was then held that was attended by the Clerk of the Board, District Counsel staff, Independent Auditor, and the BAC Chair.

TAP discussed leading practices in Audit Charter development, such as roles and responsibilities of the BAC and the Independent Auditor, communication protocols, audit processes, and audit committee authority. District Counsel staff discussed actual implementation practices and the Audit Committee Chair provided guidance and direction. District Counsel staff agreed to develop an initial working draft of the Audit Committee Charter.

On December 3, 2018, the Board Audit Committee directed staff and TAP to return to the Committee to further discuss the draft Audit Charter.

On January 22, 2019, TAP and Brian Hopper presented a draft Audit Charter to the BAC. The Board Audit Committee directed the following:

- BAC Chair to work with Brian Hopper to prepare final draft BAC Charter.
- BAC Charter to be presented to full Board for approval.

On February 20, 2019, Brian Hopper received additional input on the Audit Charter from Director

Hsueh, and modifications were made based on her input and the input from the Committee on January 22, 2019.

ATTACHMENTS:

Attachment 1: Draft Audit Charter

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068



**SANTA CLARA VALLEY WATER DISTRICT
BOARD AUDIT COMMITTEE
AUDIT CHARTER**

ARTICLE I - PURPOSE

1. This Charter shall govern the operation of the Santa Clara Valley Water District Board Audit Committee (Committee).
2. Audits constitute an important oversight tool as they provide independent and fact-based information to an agency's elected officials and management. Information derived from audits can be used by those responsible with governance and oversight to use it to improve program performance and operations, confirm regulatory compliance, reduce costs, and facilitate decision making.
3. Through its oversight of the audit process, the Committee serves a critical role in providing oversight of the District's governance, risk management, ethics program, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. It is the Committee's responsibility to provide the Board with independent, objective advice on the adequacy of District management's arrangements with respect to the aspects of the management of the District being evaluated.
4. The Santa Clara Valley Water District's Board of Directors (Board) is responsible for ensuring that the District provides Silicon Valley with safe, clean water for a healthy life, environment, and economy.
5. The Committee shall assist the Board, consistent with direction from the full Board, by identifying potential areas for audit and audit priorities, and to review, update, plan and coordinate execution of Board audits.
6. In carrying out its functions, the Committee shall emphasize: (a) the identification of organizational risk; (b) service delivery; (c) operational efficiency; (d) effectiveness of District programs; (e) project delivery; (f) establishment of an Annual Workplan and an Annual Audit Workplan to guide the Committee's work; and (g) oversight and monitoring of District operations and compliance with all applicable regulatory requirements.
7. In addition to Board directed audits, the Committee's purpose also includes oversight of audits initiated by District management, review of final audits initiated by third-party governmental or administrative agencies, the review and comment upon, any draft District staff responses to any third-party or management initiated audits.

Deleted: <#>The Committee was enacted during the September 9, 2004 Board meeting, Agenda Item 3. The Committee was initially established as an ad hoc committee to assist in the preparation for, and performance of, a comprehensive management audit with direction to report back to the Board with recommendations on audit scope and stakeholder participation. The Committee fulfilled this purpose in 2007, was inactive in 2008, and had its purpose redefined at its March 20, 2009 meeting as follows: *The Audit Ad Hoc Committee of the Santa Clara Valley Water District is established to assist the Board of Directors, consistent with direction from the full Board, to develop the Board's pilot Management Audit Plan and Program.* ¶

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and the conduct of Limited Investigations of potential fraud, waste or violations of law or policy as set forth herein,

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8. The Committee shall serve to reinforce the wholeness of the Board's job and shall never interfere with delegation from the Board to the Board Appointed Officers.
9. In carrying out its oversight and review functions, the Committee shall provide the Board with independent advice and guidance regarding the adequacy and effectiveness of the District's management practices and potential improvements to those practices.

ARTICLE II - COMPOSITION

1. Number of Committee members/Appointment - The Committee shall consist of at least three members of the Board and shall be appointed by the Board in accordance with the Board's Governance Policies. Committee members shall serve one-year terms.
2. Quorum - The quorum for the Committee shall be a majority of the members.
3. Committee Chair - A Committee Chair shall be elected by a majority of the Committee at the first Committee meeting of the calendar year and shall serve for a one-year term. The Committee Chair shall be responsible for approving agendas for Committee meetings, and making all initial efforts to resolve any conflicts that may arise during an audit. To the extent the Chair is unable to resolve conflicts arising during the audit, the matter shall be referred to the Committee for attempted resolution.
4. Committee Vice-Chair - A Committee Vice-Chair shall be elected by a majority of the Committee at the first Committee meeting of the calendar year and shall serve for a one-year term. The Vice-Chair shall assume the duties of the Chair during the Chair's absence.

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ARTICLE III – OPERATIONAL PRINCIPLES

1. Committee Values. The Committee shall conduct itself in accordance with the District's values as set forth in the District's Governance Policies of the Board of Directors, Governance Process No. GP-7 (Values Statement).

2. Communications – The Committee expects that all communication with management and staff of the District as well as with any external auditors will be direct, open, and complete. The Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Committee will communicate directly with the Board and will not exercise actual authority over District employees.

3. Access to Information - Except where action by the full Board is required (such as for the waiver of a legal privilege), the Committee shall have unrestricted access to records, data, reports, and all other relevant information it consider necessary to discharge its duties. If access to requested documents is denied due to legal or confidentiality reasons, the Committee shall follow any prescribed, Board approved mechanism for resolution of the matter.

4. Authority – This Charter sets out the authority of the Committee to carry out the responsibilities established for it by the Board. In the event of any conflict between this Charter and either the District Act or the Board Governance Policies, the provisions of the District Act and Board Governance Policies shall prevail.

5. Annual Work Plan –
 - 5.1. Under direction of the Clerk of the Board, Work Plans are used by all Board Committees to increase Committee efficiency, provide increased public notice of intended Committee discussions, and enable improved follow-up by District staff. Work Plans are dynamic documents managed by Committee chairs, and are subject to change. Annual Work Plans establish a framework for committee discussion and action during the annual meeting schedule. Committee Work Plans also serve as Annual Committee Accomplishments Reports.

 - 5.2. The Committee shall, in coordination with the District’s Clerk of the Board, develop a proposed Annual Work Plan. Items shall be included in the Annual Work Plan based upon a majority vote of the Committee.

6. Annual Audit Work Plan
 - 6.1. While the Annual Work Plan governs the overall work of the Committee, the Committee shall also develop an “Annual Audit Work Plan” which shall list each of the individual audits and Limited Investigations (see Art. V, sec. 5, herein) to be performed over the course of the year.

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6.2. The Committee shall update and seek input from the Board regarding the Committee's Annual Audit Work Plan. Audits referred to the Committee by the Board shall be included in the Annual Audit Work Plan. ~~Any additional audits~~ and Limited Investigations shall be included based upon a majority vote of the Committee.

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6.3. Only audits and Limited Investigations properly included in an Annual Audit Work Plan approved by the Committee may be undertaken by the Committee. Formal Board approval of the Annual Audit Work Plan is not required. However, formal Board approval of individual audits is required before the Committee proceeds with such audits. Prior Board approval is not required for the initiation of Limited Investigations.

6.4. Risk Assessment – The Committee shall endeavor to complete a District-wide risk assessment, at a minimum, tri-annually and to annually update the District-wide audit risk assessment to include objectively recommended audits ranked based upon the potential level of risk to the District. The results of this District-wide audit risk assessment should be relied upon to develop the Annual Audit Work Plan.

7. District Independent Auditor – Upon approval of the Board following recommendation by the Committee, the District may retain an Independent Auditor to serve as support to the Committee, to recommend audits, and to conduct a broad scope of audits as approved by the Board. The Independent Auditor shall not be an employee of the District. The Independent Auditor must report directly to the Audit Committee and District staff shall not direct or attempt to direct the work of the Independent Auditor. The District's retention of an Independent Auditor shall not preclude the retention of additional Auditors to perform individual audits.

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8. Committee Evaluation of Auditor Performance – The Committee shall evaluate the performance of the Independent Auditor and any other Auditor retained by the Board. The Committee may make a recommendation to the Board to discharge such Independent Auditors or other Auditors where they are not adequately fulfilling their contracted duties.

9. Preparation and Attendance – Committee members are obligated to prepare for and participate in Committee meetings.

10. Conflicts of Interest – It is the responsibility of Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee regarding any matters coming before or considered by the Committee.

ARTICLE IV – MEETINGS

1. Meeting Agendas –The Committee Chair will establish agendas for Committee meetings in consultation with Committee members, District Management, and the Clerk of the Board.
2. Meetings – The Committee will conduct its meetings in accordance with the provisions of the Brown Act. The Committee shall meet at least four times per year. Beyond this minimum, there shall be no limit to the number of meetings held over the course of the year.

ARTICLE V – AUDIT PRINCIPLES

1. Audit Purposes – Audits can serve several purposes including, but not limited to:
 - a. Verifying that programs, services, and operations are working based upon the Committee’s understanding;
 - b. Assuring efficiency and effectiveness;
 - c. Identifying the root cause of any problems experienced by the District;
 - d. Assessing future risks facing the District;
 - e. Assessing the progress of prior audit recommendations;
 - f. Identifying any impact that changes in District operations have had on financial performance and service delivery;
 - g. Identifying leading practices;
 - h. Assessing regulatory compliance;
 - i. Developing policy options; and
 - j. Assessing the accuracy of financial information reported by the District.
2. Audit Types – The types of audits that may be conducted on behalf of the District include, but are not limited to, the following:
 - a. Financial audits – The District hires an outside independent audit firm to perform the District’s financial statement audit;
 - b. Internal audits – Internal audits review the environment, information, and activities that are designed to provide proper accountability over District operations;

- c. Compliance audits – Compliance audits review adherence to District policies and procedures, state regulatory requirements, or federal regulatory requirements;
 - d. Performance audits – Performance audits review the economy, efficiency, and effectiveness of the District’s programs, services and operations. Performance audits can evaluate current impact or assess operations prospectively;
 - e. Desk reviews – Small and quick audits of limited size or duration;
 - f. Follow up audits – Audits evaluating to what extent prior audit recommendations have been implemented. Follow up audits may also assess other actions taken to respond to or prevent the occurrence of problems;
 - g. Best practice reviews – Audits which compare current District operations to best practices.
3. Audit Objectives – Audit objectives must be developed for every audit conducted on behalf of the District and approved by the Committee. These audit objectives are questions posed by management, Committee members, or Board members about the specific nature of the issue or concern that is the subject of the audit. Suggested Audit Objectives shall be referenced in the Annual Work Plan for every audit listed therein. The audit objectives may be subject to revision as necessary during the planning phase of the audit.
4. Audit Standards – Audits conducted by or on behalf of the Committee shall conform with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (Standards) (RED Book) and the Generally Accepted Government Auditing Standards established by the U.S. Government Accountability Standards (YELLOW Book).
5. Limited Investigations. In lieu of an audit, the Committee shall also have discretion to conduct or request Limited Investigations to address any discrete issue or concern regarding fraud, waste, or violations of law or policy at the District. The Committee shall not have jurisdiction to conduct Limited Investigations on any other matters. Such Limited Investigations shall not be subject to the Audit Standards set forth above and shall be undertaken only where: (a) the Limited Investigation is designed to determine the existence or nonexistence of discrete facts involving alleged fraud, waste, or violations of law or policy at the District; (b) the Committee has determined that an audit is not appropriate to address the concern; (c) the Limited Investigation has been formally included on the Committee’s Annual Work Plan; (d) the Limited

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Investigation is not designed to establish misconduct by classified or unclassified District employees; and (e) the Limited Investigation does not address any matters covered or potentially covered by Board Governance Policy GP-6 (Board Members' Code of Conduct). The Committee shall advise the Board of the results of all completed Limited Investigations.

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6. Protection of Confidential or Privileged Information – The Committee shall take all necessary steps to prevent the unnecessary disclosure of privileged or confidential information arising in the audit process. arising in the final reports on the audits, arising in the Limited Investigation process, or arising in final reports issued on Limited Investigations.

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ARTICLE VI – COMMITTEE OVERSIGHT OF BOARD INITIATED AUDITS

1. Committee recommendation of Auditors – The Committee shall make recommendations to the full Board for the selection of all Auditors to perform Board initiated audits. Following such recommendation, the Board shall make the final decision regarding the selection of such auditors.
2. Board Auditors and District Staff – District staff may assist the Committee in its work and may provide information to, assist, or work with Auditors retained by the Board, as necessary. District staff shall not, however, attempt to direct any Auditors retained by the Board. Auditors retained by the Board shall have a duty to the Board and shall not take direction from District staff.
3. Communications with Auditors – Individual Committee members shall have the right to speak with Auditors directly regarding the Auditor's assignments. However, direction to Auditors shall come from the Committee as a whole.
4. Completion of Annual Audit Work Plan – The Committee shall ensure that audits on the Annual Audit Work Plan that are approved by the Board are initiated and completed in an accurate and timely manner. The Committee shall also ensure that Limited Investigation on the Annual Audit Work Plan (which do not require Board approval) are initiated and completed in an accurate and timely manner.
5. Review of Audit Results/Notice to Board – The Committee shall review the observations and conclusions of all Board audits. Upon finalization of the audits and any related reports, the Committee shall periodically provide the Board with timely updates of the results and make any recommendations to the Board regarding improvement of program performance and operations, cost reductions, and best practices.

6. Draft Audit Reports - The Committee may request the opportunity to review and comment on any draft audit reports before such reports are finalized by the Auditor.
7. District Management Response to Audits - District Management must review and respond to any particular audit before they are final. The Committee may request the opportunity to review any draft responses District staff intends to submit. The Committee may ask questions about or make comments on any such draft responses. However, the Committee shall not attempt to direct District staff in its response to any audit. Where such review is requested, District staff shall provide at least fifteen working days for such review unless the Auditor requires the Management response in a shorter amount of time.
8. Board Monitoring of Committee Performance – The Committee shall provide the Board with timely and periodic reports regarding its activities, its progress on individual audits, its progress on the Annual Work Plan, its progress on the Annual Audit Work Plan, the results of completed audits, and the Committee’s recommendations based upon the audit results. The Committee may also identify any recognizable trends in the audit results as part of its periodic reports. The Committee shall provide such reports to the Board at least four times per calendar year.

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ARTICLE VII – THIRD-PARTY AND MANAGEMENT INITIATED AUDITS

1. Third-Party Audits – Third-Party Audits are audits initiated by a separate governmental agency (entities other than the District).
2. Management Initiated Audits – Management Initiated Audits are audits requested by District management as opposed to the Committee or the Board. Nothing in this Charter shall restrict the ability or discretion of District management to undertake any audits it deems required or recommended.
3. Notice to Committee of Third-Party Audits – The Committee shall be promptly notified in writing of the existence and results of any Third-Party audits of the District. Where the District has been given an opportunity to submit a response before the Third-Party audit is finalized, the Committee Chair shall be immediately notified by email or telephone and shall determine whether to have the Committee review and comment upon any draft District response at a regularly scheduled or specially noticed Committee meeting. Where possible,

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District management shall provide the Committee with at least fifteen days for such review and comment. Where timely review and comment by the full Committee is not reasonably possible, the Committee Chair may conduct such review and comment himself/herself and shall report upon such review and comment at the next scheduled Committee meeting. The Committee shall be provided with copies of any final reports on Third-Party Audits.

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4. Notice to Committee of Management Initiated Audits – District management shall notify the Committee in writing of any planned Management Initiated Audits before commencing the same. Upon request by the Board Chair, District management shall provide a report to the Committee of the scope and nature of the planned Management Initiated Audit at the next scheduled Committee meeting. Where circumstances require the Management Initiated Audit to commence before the next regularly scheduled Committee meeting, the Committee Chair shall be advised of this need, and the audit need not be delayed. Where the Management Initiated Audit allows for a response by District staff before it is finalized, the Committee Chair shall be immediately notified by email or telephone and shall determine whether to have the Committee review and comment on any draft District response at a regularly scheduled or specially noticed Committee meeting. Where possible, District management shall provide the Committee with at least fifteen days for such review and comment. Where timely review and comment by the full Committee is not reasonably possible, the Committee Chair may conduct such review and comment himself/herself and shall report upon such review and comment at the next scheduled Committee meeting. The Committee shall be provided with copies of any final reports on Management Initiated Audits.

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5. Comment Upon Draft Audit Responses. The Committee may ask questions about or make comments on any draft audit responses. However, the Committee shall not attempt to direct District staff in its response to any audit.

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6. Audit Results – The Committee may request a report by District Staff on any response to Management Initiated or Third-Party Audits and any plans by District staff to implement changes as a result of the audits.

7. Board Report of Audit Results – In its periodic reports to the full Board, the Committee may include information regarding Third-Party Audits or Management Initiated Audits.

ARTICLE VIII – PERFORMANCE MANAGEMENT

1. The Committee shall periodically review the Audit Charter and shall make any recommendations regarding changes to the Board for final approval.

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2. The Board may make any changes to the Audit Charter it deems to be appropriate.

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3. Education – The Annual Work Plan shall include some component of Committee training on audit principles, practices, or standards. At least annually, the Independent Auditor shall provide Committee training and other knowledge transfer on some component of audit principles, practices, and standards

4. At least annually, the Committee shall conduct an evaluation of its performance to determine whether it is functioning effectively and to discuss with the Independent Auditor any observations related to the effectiveness of the Committee. The Committee shall prepare a formal report based upon each such self-evaluation and shall provide such report to the full Board following its adoption by the Committee.

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File No.: 19-0447

Agenda Date: 5/2/2019
Item No.: 5.1.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Form 700 Procedure for Employee Promotions.

RECOMMENDATION:

Review and discuss the Form 700 procedure for employee promotions.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), 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.

On January 22, 2019, the BAC discussed the Final Draft Audit Report from PMA Consultants on the status of the Performance Audit of Lower Silver Creek Flood Protection Project, Agreement No. A3277G.

Recommendation R6 of the audit report states the following:

“It should state a procedure for reviewing Board member, committee members, employee and consultants Form 700’s and direct all that may obtain positions that a COI may occur, to immediately update their Form 700 and notify the District’s Ethics & Equal Opportunity Program”.

On January 22, 2019, the BAC directed staff to return to the BAC in three months to provide an update on recommendation R6.

The Form 700 Procedure for Employee Promotions is included in Attachment 1.

ATTACHMENTS:

Attachment 1: Form 700 Procedure for Employee Promotions

UNCLASSIFIED MANAGER:

Anna Noriega, 408-630-3089

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Form 700 Distribution - EEOP Unit Procedure

EEOP Staff's Goals:

- For all designated filer non-management movement within the organization where the filer does not need to fill out a new Form 700, the new manager will get a copy of their new employees' Form 700 within 30 calendar days.
- For all designated filer managers who move within the organization and do not need to fill out a new Form 700, their new manager will receive their Form 700 and they will receive the Form 700s for all of their unit if they are Unit Manager, or all of their Direct Reports if they are an Assistant Officer or higher within 30 calendar days.
- For all new filers who have 30 days to file, their manager will receive their Form 700 within 45 calendar days.
- For designated filers who are employees, committee members and consultants who are required to file during the Annual Form 700 Process, the manager will receive the Form 700 within 30 calendar days from the close date.
- EEOP staff will review the Board of Directors Form 700s during the Annual Filing Process and Assuming Office. Any perceived/actual conflicts of interests will be documented and EEOP staff will inform the Office of District Counsel.
- EEOP staff shall review all Form 700s, contact the employee for clarification, document any perceived/actual conflict of interests and notify the Unit Manager or Unclassified Officer depending on who the person reports to directly.
- When an actual or perceived conflict of interest exists, EEOP staff will inform the Office of District Counsel who will determine appropriate firewall procedures for that circumstance.

EEOP's Procedure for Achieving Goals:

Job Actions for:

New Hires
Position Changes
Promotions
Reassignments
Rehires
Transfers

- EEOP staff will email the employee Form 700s to the appropriate reporting manager when changes are made to the unit or division.

Consultant Process:

- EEOP staff will provide the assigned Project Manager with a copy of the Form 700 within 15 calendar days from the filing date as part of the Annual Form 700 Filing Process and when a new consultant Assumes Office as a designated filer.

- EEOP staff will monitor the consultants and conduct a verification of consultants every six months. Any new consultant will have the Form 700 sent to the Project Manager within 15 calendar days from the filing date.

File No.: 19-0445

Agenda Date: 5/2/2019
Item No.: 5.2.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Board Independent Auditor Report Update - TAP International, Inc.

RECOMMENDATION:

- A. Discuss the status of the Draft Annual Audit Work Plan; and
- B. Discuss the status of the Contract Change Order Audit.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), 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.

On May 23, 2017, the Board, approved an on-call consultant agreement with TAP International, Inc. (TAP) for Board independent auditing services.

At the January 22, 2019, BAC meeting, the BAC directed the following:

- TAP to present task orders for audits #1, 5, and 6 to the full Board for approval.
- Following Board approval of the audits to be conducted, TAP to re-interview Board members as part of determining audit scope.
- TAP to finalize the Annual Audit Work Plan.
- Tina Yoke to provide a CAS update to the BAC in 6 months and every 6 months thereafter.

On February 26, 2019, the Board approved the Board Audit Committee's recommendation for TAP to conduct three performance audits recommended by the Board Audit Committee. The three audits include performance audits of the District Counsel's office, contract change order management processes, and real estate services.

Following Board approval of the three performance audits, TAP initiated the audit of contract change order management processes (Attachment 1) and discussed the audit scope with the BAC Chair. Additionally, an amendment to the Board independent auditing services agreement was initiated to increase the not-to-exceed amount from \$405,000 to \$1,005,000 to complete all three proposed audits and approximately three additional future audits. When the agreement amendment is

completed, TAP will initiate the performance audits of the District Counsel's office and real estate services.

TAP has drafted an Annual Audit Work Plan for FY 2018-2019 through FY 2020-2021 and is included in Attachment 2.

ATTACHMENTS:

Attachment 1: Contract Change Order Audit Plan Approach

Attachment 2: Draft Annual Audit Work Plan

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

KEY AUDIT QUESTION

What types of business process improvements can potentially benefit contract change order processing?

SCOPE

Watershed Design and Construction
Water Utility and Capital Procurement

Supporting Stakeholders

Legal Counsel
CIP committee
Finance
Dispute Resolution Board

AUDIT TEAM

Denise Callahan, Audit Director,
916.549.9831;
denise@tapinternational.org
Greg Matayoshi, Team Auditor
greg@tapinternational.org
Kate Kousser, Team Auditor
kate@tapinternational.org

AUDIT APPROACH

- Evaluate contract change order processes related to:
 - Change order initiation, documentation, cost estimating, and monitoring activities
 - Timeliness, completeness and accuracy of justifications
 - Contract scope of work development
 - Project budgeting/estimating
 - Project management activities related to change orders
- Evaluate governance structure for change orders related to:
 - Review and authorization activities, including delegation of authority
 - Role of the CIP Committee.
- Conduct data analysis of change order activities
 - Frequency, types, and cost of change orders
 - Changes from the original scope of work
 - Gap analysis of existing contract change order activities to best practices

TIMELINE

PROJECT KICKOFF MEETING:	4/2/2019
DATA COLLECTION AND ANALYSIS:	4/2/19-6/15/2019
RESULTS MEETING/EXIT CONFERENCE	6/15/2019
DRAFT REPORT	7/20/2019
AGENCY FEEDBACK	7/30/2019
DRAFT REPORT TO BAC	BY 8/30/2019
FINAL DRAFT REPORT	5 DAYS LATER
AGENCY COMMENT	15 DAYS LATER
FINAL REPORT	20 DAYS LATER

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Santa Clara Valley Water District Annual Audit Work Plan, FY 2018-19 to FY 2020-21.

DRAFT AUDIT WORK PLAN

SANTA CLARA VALLEY WATER DISTRICT BOARD OF DIRECTORS DRAFT
ANNUAL WORK PLAN, FY 2018 TO FY 2021

TAP INTERNATIONAL, INC. | Denise Callahan, Point of Contact

OVERVIEW

The selection of audits is an important responsibility of the Audit Committee. The formulation of this audit work began in 2018 when the Valley Water's Board of Director provided input and approved the enterprise risk assessment that was administered across agency operations. The audit work plan is a culmination of a comprehensive effort to consider input on auditable areas from Valley Water employees, mid-level management, executive management, and Board Directors.

The proposed audit work plan considers factors that, if addressed, will provide opportunities to mitigate those risks and improve operations. These factors include:

- **Operational** – Are Valley Water programs/activities performed and services delivered in the most efficient, effective, and economical manner possible, and do they represent sound business decisions, including appropriate responses to changes in the business environment?
- **Financial** – Is there an opportunity to improve how Valley Water manages, invests, spends, and accounts for its financial resources?
- **Regulatory** – Do Valley Water programs and activities comply with applicable laws and regulations?
- **Health and Safety** – Are Valley Water services delivered in a manner that protects our residents and employees from unnecessary exposure to environmental factors?
- **Information Security** – Are Valley Water's information systems and networks protected against unauthorized access, use, disclosure, disruption, modification, inspection, recording, or destruction?

In addition, the proposed audit work plan considers several other factors in the selection of audits.

- **Relevance** – Does the audit have the potential to affect Board decision-making or impact Valley Water customers and residents?
- **Best Practices** – Does the audit provide the opportunity to compare current performance to best practices?
- **Return on Investment** – Does the audit have the potential for cost savings, cost avoidance, or revenue generation?
- **Improvement** – Does the audit have the potential to result in meaningful improvement in how Valley Water does its business?
- **Risk** - The audit work plan also considers risks related to major functions, as identified through a 2017 enterprise risk assessment conducted by TAP International.

AUDIT WORK PLAN

This proposed audit work plan includes ongoing non-audit (e.g. advisory) responsibilities of the Independent auditor and proposed audit work.

NON-AUDIT SERVICES AND SPECIAL PROJECTS

The following table lists non-audit services and special projects for the FY 2019-20 audit work plan:

Project	Scope	Planned Hours
Board of Director/Audit Committee Requests for Information	Ongoing. Should the Board of Directors request information on activities implemented by other public agencies or on other matters of interests applicable to enhancing the efficiency and effectiveness of operations, the independent auditor will collect and summarize information.	40
Audit Training	Annual. The Board Audit Committee Charter describes a requirement to provide audit training to BAC committee members at least annually.	2
Advisory services	Ongoing. Provide advisory services to Board Directors and Valley Water staff applicable to specific initiatives or planning projects to prevent potential service delivery risks, such as the planning of a new ERP system.	20

AUDIT WORK PLAN

FY 2018-19

The following audits have been approved in FY 2018-19 by the Board of Directors and will continue into the FY 2019-20 audit work plan.

ID	Audit	Audit Objectives	Planned Hours
1	District Counsel Office Review	Are there structural, organizational, and process improvement opportunities for the District Counsel's Office?	664
5	Contract Change Order Processing	What types of business process improvements are necessary for contract change order processing?	429
6	Real Estate Review	How can the Real Estate improve its financial and service delivery performance?	574
Total	3 audits		1,667

FY 2019-20 SUGGESTED AUDIT WORK PLAN

The following audits have been selected for approval for the FY 2019-20 audit work plan.

ID	Audit Name	Audit Objectives	Planned Hours	Factors Considered
	Ad-hoc Board Audits	TBD	500-800	Relevance
	Audit Follow up	Review and monitor the status of audit recommendations	200-250	Relevance
2	SCADA audit	Does the District's Supervisory Control and Data Acquisition (SCADA) systems meet established SCADA security frameworks?	714-857	Information Security Relevance Improvement Risk
7	Permitting best practices	How does Valley Water's permitting process compare with other agencies? Can alternative permit processing activities benefit Valley Water?	171-229	Operational Best practices Improvement
3	Billing and Collections audit	Are there opportunities to enhance Valley Water's billing and collection processes?	343-429	Relevance Financial Regulatory Improvement Risk Return on Investment

11	Accountability audit	Are there opportunities to enhance safe clean water audits?	115-171	Health and Safety Relevance Improvement
13	Construction project management	What areas of Valley Water’s capital project budgeting practices can benefit from adopting best practices?	314-371	Financial Improvement Risk Best practices
21	Community engagement	Can the District benefit from updating its purchasing practices for multi-media, advertising, and other community engagement vendor related activities?	371-457	Financial Improvement Operational Best practices
Total	6		2,028-2,514	

FY 2020-21 SUGGESTED AUDIT WORK PLAN

The following audits have been selected for approval for the FY 2020-21 audit work plan.

ID	Audit Name	Audit Objectives	Planned Hours	Factors Considered
	Ad-hoc Board Audits	TBD	500-800	Relevance
	Audit Follow up	Review and monitor the status of audit recommendations	200-250	Relevance
4	Risk Management	Can risk management business processes be implemented more effectively? (i.e. contract claims, workers compensation, small claims).	143-260	Relevance Financial Operational Best practices
20	Homelessness analysis	How can the District enhance its homelessness encampment clean-up activities that protect the health and safety of District employees?	290-371	Health and Safety Relevance Financial Operational
8	Classified information	To what extent does the District’s Counsel’s office appropriately classify confidential information?	143-200	Relevance Operational
26	Local workforce hiring	What are the financial and service delivery disadvantages and advantages of RFPs that require preferences for local workforce hiring?	200-229	Operational
27	Equipment maintenance	Is Valley Water adequately meeting the needs of equipment maintenance?	143-229	Health and safety Operational Financial

30	Community engagement	What are the best practices in planning and facilitating community engagement?	46-86	Best practices Operational
33	Water Fix	What potential financial risks could occur on the California Water Fix project?	160-286	Financial Relevance
Total	7		1,125 -1,661	

File No.: 19-0449

Agenda Date: 5/2/2019

Item No.: 5.3.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Quality Environmental Management System (QEMS) and ISO Certification.

RECOMMENDATION:

Receive and discuss information regarding the Quality and Environmental Management System and ISO Certification.

SUMMARY:

At the December 3, 2018, Board Audit Committee (BAC) meeting, the BAC requested staff return to the BAC to present an update on Valley Water compliance with QEMS procedures and work instructions.

At the January 22, 2018, staff presented the update on district compliance with QEMS procedures and work instructions. The BAC directed the following:

- Staff to provide information on the pros and cons of ISO certification; the cost of being ISO-certified; why Valley Water is no longer seeking ISO certification of its QEMS; and to include the audit-as-you-go PMA recommendation for the Capital project delivery process that derived from the Lower Silver Creek Performance Audit into the Corrective and Preventive Action Request (CPAR) System.
- TAP International Inc. to research the status of ISO certification at other government agencies.

Staff has included in Attachment 1 a table stating some pros and cons and the costs of being ISO-certified. Attachment 2 is the Chief Executive Officer's April 23, 2018, memorandum to the Chief Operating Officers and the Chief of External Affairs expressing Valley Water's commitment to its QEMS and why this agency will no longer seeking recertification. Additionally, the audit-as-you-go recommendation was submitted as a CPAR, assigned as CPAR 709, and assigned to Katherine Oven as the CPAR Owner and Nina Hawk as the Responsible Manager.

TAP International's memo dated April 7, 2019, documenting their research of ISO certification at other agencies is included in Attachment 3.

ATTACHMENTS:

Attachment 1: ISO Certification Approximate Cost and Pros/Cons

File No.: 19-0449

Agenda Date: 5/2/2019
Item No.: 5.3.

Attachment 2: ISO Program Memorandum
Attachment 3: ISO Certification at Other Agencies

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

Approximate cost of ISO certification and pros/cons of ISO certification

ITEM	SAVINGS	DESCRIPTION
External Auditing Services	~\$40K/Year	ISO Registrar Services Contract (External ISO Audits - ABS)
District Labor - External Audits	~\$125K/Year	835 hours x \$150/Hour

Below are the pros and cons of ISO certification.

PROS	CONS
External Auditor may find weaknesses that should be addressed.	Resources (cost and time) to certify and maintain ISO certification are pulled from competing District priorities.
Silicon Valley businesses may recognize the District's commitment to Quality and Environmental controls.	External Auditor may not be familiar with our business, and therefore, may not find weaknesses.
External certification is an accolade that can be referenced in District communications to demonstrate a commitment to industry best practices and quality management.	The public may not recognize the meaning of ISO certification. Claiming that Valley Water is "ISO compliant" may deliver the same value as claiming, "ISO certification."
	Prevents flexibility with regard to how best to manage Valley Water's QEMS. Unable to eliminate activities that are only done for the sake of maintaining certification like facilitating ISO Management Review and ISO Environmental Aspects Assessment process.

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TO: Chief Operating Officer, Watersheds
Chief Operating Officer, Water Utility
Chief Operating Officer, Administrative Services
Chief of External Affairs

FROM: Norma Camacho
Chief Executive Officer

SUBJECT: ISO Certification

DATE: April 23, 2018

The purpose of this memo is to document and communicate the decision to: 1) continue the Santa Clara Valley Water District's (District) Quality and Environmental Management System (QEMS) which is based on the ISO framework, and; 2) not pursue an external ISO re-certification audit this year, which will result in the expiration of the current certification, effective April 23, 2018.

The current certification to ISO 9001:2015 and ISO 14001:2015 expires on August 26, 2018. Given the myriad of competing demands on staff time, the decision to not pursue certification to ISO 9001:2015 and ISO 14001:2015 will free up staff time to work on the Board's urgent priorities and other important activities. The District's ISO certification efforts are well-documented and can be reinstated in the future, by completing an external Stage 1 and Stage 2 ISO audit.

The District's QEMS continues to be an important part of District operations. The QEMS consists of the District's Document Control System, because it captures staff knowledge and organizes our work in a predictable way, and the District's Corrective and Preventive Action Request (CPAR) System, including regular CPAR Review Committee meetings, to drive improvement of our operations. The Continual Improvement Unit will continue to implement and maintain the Document Control System and CPAR System, District-wide.

Approved:



Norma J. Camacho
Chief Executive Officer

Concur:



Melanie Richardson, P.E.
Chief Operating Officer
Watersheds

Concur:



Nina Hawk
Chief Operating Officer
Water Utility Enterprise

Concur:



Anil Comelo
Interim Chief Operating Officer
Administrative Services

Concur:



Rick L. Callender
Chief of External Affairs
External Affairs

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PREPARED BY: TAP INTERNATIONAL, INC.

TASK: QEMS/ ISO CERTIFICATION ACTIVITIES OF SELECTED WATER AGENCIES

BACKGROUND: At the request of the Board Audit Committee, research was conducted to identify California water and other public agencies that support International Organization for Standardization (ISO) certification through quality environmental management programs. ISO, through its ISO 9000-2001 certification program, is recognized as the worldwide standard by which the best quality procedures are implemented and followed.

RESULTS:

- Four of nine agencies researched administered formal ISO certified programs that included implementation of independent formal audits. Three of these agencies -- Metropolitan Water District of Southern California, California EPA, and Los Metropolitan Transportation Agency -- with formal ISO certified programs integrated ISO administration within their own quality management program.
- The remaining five agencies -- Sonoma Water Agency, EBMUD, San Diego County Water Agency, Orange County Water Agency, and San Diego Wastewater Department -- did not appear to have ISO certified programs. One of these five agencies -- San Diego Wastewater Department -- has a QEMS equivalent program.

	Agency	ISO Certified?	ISO Integrated with QEMS?	Comments
1	Sonoma Water Agency	No	No	
2	EBMUD	No	No	
3	San Diego County Water Authority	No	No	
4	Metropolitan Water District of Southern California	Yes	Yes	Invests up to \$2M to support ISO certification MWD has Water Quality and Operations Committee.
5	Orange County Water District	No	No	
6	California Environmental Protection Agency	Yes	Yes	Established new program to encourage organizations to be ISO certified.
7	San Diego Wastewater Department	No	No, but has QEMS equivalent program	Follows California EPA guidelines for environmental quality programs.
8	California Prison Industry Authority	Yes	No	Invests in annual ISO auditing.
9	LA Metropolitan Transportation Authority	Yes	Yes (Env. Mgmt. System)	Invests in annual ISO auditing for certification, which is administered by the Operations Division and outside of any oversight body, such as the internal audit division or audit committee.

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