



Santa Clara Valley Water District Board Audit Committee Meeting

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

9:00 AM REGULAR MEETING AGENDA

Wednesday, September 26, 2018
9:00 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
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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

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**Santa Clara Valley Water District
Board Audit Committee
9:00 AM REGULAR MEETING
AGENDA**

Wednesday, September 26, 2018

9:00 AM

Headquarters Building Conference Room A-124

1. CALL TO ORDER:

1.1. Roll Call.

1.2. 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 Card 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.

2. APPROVAL OF MINUTES:

2.1. Approval of Minutes.

[18-0766](#)

Recommendation: Approve the minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 081518 BAC Minutes](#)

Est. Staff Time: 5 Minutes

3. ACTION ITEMS:

- 3.1. Board Independent Auditor Report Update - TAP International, Inc. [18-0770](#)
- Recommendation: A. Receive and discuss the draft Risk Assessment Report and the draft Audit Work Plan from the Board's Independent Auditor, TAP International, Inc.; and
- B. Receive copies of TAP International, Inc. task orders and invoice tracking sheet.
- Manager: Darin Taylor, 408-630-3068
- Attachments: [Attachment 1: Draft Risk Assessment](#)
[Attachment 2: TAP Task Orders and Invoice Tracking](#)
- Est. Staff Time: 15 Minutes
- 3.2. Proposed Board Audit Committee Charter. [18-0209](#)
- Recommendation: A. Discuss the Committee's desire or need for a Board Audit Committee Charter;
- B. Identify desired elements for inclusion in a Board Audit Committee Charter; and
- C. Provide direction to staff as needed.
- Manager: Brian Hopper, 408-630-2765
- Attachments: [Attachment 1: Model Audit Committee Charter](#)
- Est. Staff Time: 15 Minutes
- 3.3. Conflict of Interest Status Update. (Continued from 08/15/2018) [18-0767](#)
- Recommendation: A. Receive and discuss draft Ethics Policy; and
- B. Receive information regarding planned Conflict of Interest avoidance measures.
- Manager: Tina Yoke, 408-630-2385
- Attachments: [Attachment 1: Draft Ethics Policy](#)
[Attachment 2: Form 700 Applicability Master Template](#)
- Est. Staff Time: 10 Minutes

- 3.4. Review of the 2017 Board Performance Measures and Report. (Continued from 08/15/2018) [18-0768](#)

Recommendation: A. Review the 2017 Board Performance Measures and Report and identify areas where revisions and/or additions can be made to better reflect outcomes of the Board's work; and

B. Identify possible stretch goals of the Board that can be incorporated into future Board Performance Reports.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 2017 Board Performance Measures and Report](#)

Est. Staff Time: 10 Minutes

- 3.5. Review 2018 Committee Work Plan. [18-0769](#)

Recommendation: Review and make necessary adjustments to the 2018 Work Plan, and confirm regular meeting schedule for 2018.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 2018 Committee Work Plan](#)

Est. Staff Time: 10 Minutes

4. **ADJOURN:**

- 4.1. 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.

- 4.2. Adjourn to Regular Meeting as set by the Committee.

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File No.: 18-0766

Agenda Date: 9/26/2018

Item No.: 2.1.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Approval of Minutes.

RECOMMENDATION:

Approve the minutes.

SUMMARY:

In accordance with the Ralph M. Brown Act, a summary of Committee discussions, and details of all actions taken by the Board Audit Committee, during all open and public Committee meetings, is transcribed and submitted to the Committee for review and approval.

Upon Committee approval, minutes transcripts are finalized and entered into the Committee's historical records archives and serve as historical records of the Committee's meetings.

ATTACHMENTS:

Attachment 1: 081518 BAC Minutes

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

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BOARD AUDIT COMMITTEE MEETING

MINUTES

**Wednesday, August 15, 2018
11:30 AM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER

A meeting of the Santa Clara Valley Water District (District) Board Audit Committee (Committee) was called to order in District Headquarters Building Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 11:30 a.m.

1.1. Roll Call.

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

Director Hsueh arrived as noted below.

Staff members in attendance were N. Camacho, Chief Executive Officer, S. Yamamoto, District Counsel, M. King, Clerk/Board of Directors, A. Cheung, J. Collins, M. Heller, F. Hernandez, A. Noriega, L. Orta, D. Taylor, S. Tippetts, T. Yoke.

Vice Chairperson Keegan moved the Agenda to Item 2.1.

2.1. Approval of Minutes.

Recommendation: Approve the minutes

The Committee considered the attached minutes of the February 6, 2018, meeting. It was moved by Director Kremen, seconded by Vice Chairperson Keegan, and unanimously carried that the minutes be approved as presented.

Vice Chairperson Keegan returned the Agenda to Item 1.2.

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

Vice Chairperson Keegan declared time open for public comment on any subject not on the agenda. There was no one present who wished to speak.

Director Hsueh arrived.

1.3. Election of Chair and Vice Chair.

It was moved by Director Kremen and seconded by Director Hsueh, and unanimously carried that Vice Chairperson Keegan be the new Chairperson, and Director Hsueh be the new Vice Chairperson.

Newly elected Chairperson Keegan moved the Agenda to Item 3.2

3. ACTION ITEMS

3.2. Board Independent Auditor Report Update – TAP International, Inc.

- Recommendation:
- A. Receive an update on the Risk Assessment Implementation Project and recommended audits from the Board’s Independent Auditor, TAP International, Inc.; and
 - B. Receive copies of TAP International, Inc. task orders and invoice tracking sheet.

Ms. Denise Callahan, 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 received and discussed a presentation contained in Attachment 1, on proposed Risk Assessment Implementation Project and recommended audits from the Board’s Independent Auditor and requested the following of staff:

- TAP International Inc. to interview each of the Board Members; and
- Develop an Audit Plan and return to the Committee for approval to bring the Audit Plan to the full Board for consideration.

3.3. PMA Consultants Update on the Performance Audit of Lower Silver Creek Flood Protection Project, Agreement No. A3277G.

- Recommendation: Receive an update from PMA Consultants on the status of the Performance Audit of Lower Silver Creek Flood Protection Project, Agreement No. A3277G.

Mr. Mike Brown, PMA, reviewed the information on this item, per the attached Committee Agenda Memorandum.

The Committee noted the information without formal action.

Chairperson Keegan returned the Agenda to Item 3.1.

3.1. Status Update on the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit Conducted by Navigant Consulting, Inc. (Navigant) and the Subsequent Fiscal Year 2017-2018 (FY18) Consultant Contracts Improvement Process.

Recommendation: Receive a status update on the implementation of the recommendations made by Navigant in the 2015 Consultant Contracts Management Process Audit and on the FY18 Consultant Contracts Improvements Process.

Ms. Jessica Collins, Program Administrator, reviewed the information on this item, per the attached Committee Agenda Memorandum, and per the information contained in Attachment 3.

The Committee received and discussed the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit and made the following recommendation:

- The Committee requested that staff continue to track the performance of implementing the recommendations from the 2015 Consultant Contracts Management Process Audit and to provide the Board a 6 month status update via CEO Bulletin, and to return to the Board with a full 12 month report during Q1 of Fiscal Year 2020.

3.4. Conflict of Interest Status Update.

- Recommendation:
- A. Receive and discuss draft Ethics Policy; and
 - B. Receive information regarding planned Conflict of Interest avoidance measures.

The Committee continued the item to a future meeting date.

3.5. Review of the 2017 Board Performance Measures and Report.

- Recommendation:
- A. Review the 2017 Board Performance Measures and Report and identify areas where revisions and/or additions can be made to better reflect outcomes of the Board's work; and
 - B. Identify possible stretch goals of the Board that can be incorporated into future Board Performance Reports.

The Committee continued the item to a future meeting date.

3.6. Review 2018 Committee Work Plan.

- Recommendation: Review and make necessary adjustments to the 2018 Work Plan, and confirm regular meeting schedule for 2018.

The Committee continued the item to a future meeting date.

4. INFORMATION ITEMS:

None.

5. ADJOURN:

5.1 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.

Mr. Max Overland, Assistant Deputy Clerk II, read the new Committee Member Requests into the record.

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

Chairperson Keegan adjourned the meeting at 1:30 p.m., to the next meeting, to be scheduled and posted in accordance with the Brown Act.

Max Overland
Assistant Deputy Clerk II

Approved:

Date: September 26, 2018

File No.: 18-0770

Agenda Date: 9/26/2018

Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Board Independent Auditor Report Update - TAP International, Inc.

RECOMMENDATION:

- A. Receive and discuss the draft Risk Assessment Report and the draft Audit Work Plan from the Board's Independent Auditor, TAP International, Inc.; and
- B. Receive copies of TAP International, Inc. task orders and invoice tracking sheet.

SUMMARY:

The Board Audit Committee 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. for Board Independent Auditing Services.

On August 15, 2018, the Board Audit Committee received and discussed a presentation from TAP International, Inc., on the initial results of the risk assessment implementation project. The Board Audit Committee directed the following:

- TAP International, Inc. to interview Board members, develop an Audit Work Plan, and then return to the Board Audit Committee for approval.

ATTACHMENTS:

Attachment 1: Draft Risk Assessment Report

Attachment 2: Invoice Tracking Sheet and Task Orders

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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Santa Clara Valley Water District

DISTRICT WIDE AUDIT RISK ASSESSMENT

FINAL REPORT: SEPTEMBER 2018

Transmittal Letter



TAP International

Date: September 12, 2018
To: Board Audit Committee
From: TAP International, Independent Auditor
Subject: Districtwide Risk Assessment

The Santa Clara Valley Water District (District) is the largest multi-purpose water supply, watershed stewardship and flood management special district in California, covering 1,300 square miles of the Silicon Valley. The District, governed by seven elected Board of Directors to oversee the management of the District, is responsible for ensuring a safe, reliable water supply, reducing toxins, hazards, and contaminants in waterways, protecting water supplies from natural disasters, restoring wildlife habitat, and providing flood protection.

The District engaged TAP International to conduct a District-wide risk assessment of operations for FY 2017-18. Generally Accepted Government Auditing Standards suggest use of a risk assessment to prioritize limited financial resources on areas that need immediate attention.

The results of the risk assessment are used to assist in the development of an Annual Audit Work Plan. The Annual Audit Work Plan also includes the audit suggestions of individual Board members and District staff. The Annual Audit Work Plan will be prepared under separate cover.

Risks, from an audit perspective, represent improvement opportunities that could result from active monitoring or from audits. The identification of risk areas does not necessarily indicate that a problem is currently present. All public agencies have risk that could be inherent or be specific risks. An example of inherent risk is managing a multi-million capital construction program. The magnitude of the District's financial investment into capital projects is the leading cause of the inherent risk. One example of a specific risk is repeated cost overruns on capital construction projects.

The risk assessment was based on interviews and reviews of reports, plans, budgets, and other District-generated information. Staff interviews were conducted at the executive and mid-management levels across 13 offices, divisions, and units, focusing on 14 operational areas selected by the Board of Directors. Any high-risk area will be addressed in the Annual Audit Work Plan.

TAP International thanks the 32 District employees who participated in this assessment.

TAP International, Inc.



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RESULTS IN BRIEF

Introduction

A primary purpose of the Santa Clara Valley Water District (District) Board Audit Committee (BAC) is to advance open and accountable government through accurate, independent, and objective audits that seek to improve the economy, efficiency, and effectiveness of District operations. To support the oversight and monitoring role of the BAC and of the Board, the District Board established an independent auditor function in 2017. TAP International, Inc. serves as the current independent auditor. To initiate the audit planning function of the independent auditor, professional auditing standards urge the use of a risk-based approach in prioritizing audits. The results of the risk assessment serve as one mechanism to develop an annual audit plan. Other mechanisms include input from the Board of Directors, District management and staff.

When conducting a risk assessment for auditing purposes, risk is measured by the likelihood of a problem occurring and the expected impact of the risk should it materialize. Risk areas represent potential opportunities to conduct audits that will provide objective analysis and recommendations to improve performance, reduce costs, and strengthen public accountability. Examples of audit objectives may include but are not limited to:

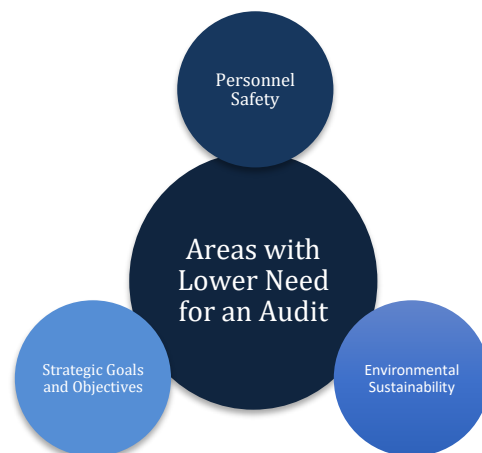
- Determining the cost-effectiveness of a program or activity.
- Evaluating how an organization can improve its procurement and contracting activities.
- Assessing the reliability, validity or relevancy of performance measures related to project effectiveness, results, economy, or efficiency.

Using information collected from 13 District office, divisions, and units, hereafter referred to as entities, TAP International assessed the need for an audit across 14 operational activities.

Risk Summary

As shown in Figure 1, there are low needs for audits in three of 14 operational activities—Personnel Safety, Strategic Goals and Objectives, and Environmental Sustainability. These areas will not likely benefit from an audit because current activities sufficiently mitigate inherent and specific risks. For example, in the area of Personnel Safety, the District implements adequate administration, management and employee training activities that reduce the risk of employee injury. When injuries do occur, the District responds effectively to prevent their re-occurrence.

Figure 1. Operational Areas with Lower Audit Need



Results in Brief -

As shown in Figure 2, there are four areas with high need for audits. These areas are: Procurement and Contracts, Contract Change Order Management, Succession Planning, and Fraud Prevention. For example, procurement and contracting processes are not implemented based upon risk management principles, which subjects all contracts to a lengthy review process that may not always be warranted. A high-risk score does not mean that an activity is being managed ineffectively or indicate whether adequate internal controls are in place that function as intended. Instead, a high-risk score means that factors are present, inherent, or specific, that warrant an audit to ensure Board priorities of project and service delivery as well as operational effectiveness are met.

As shown in Figure 3, the District should monitor activities in seven areas. These areas include: (1) Business Continuity, (2) Capital Planning and Management, (3) Financial Management; (4) EEO/Diversity, (5) Performance Management, (6) Internal Controls, and (7) Transparency. The District's current activities in these areas are sufficient to the extent that an audit is not immediately needed, but District monitoring is needed to help avoid future problems. Monitoring activities can include the review of reports submitted to the Board of Directors, spot checks of transaction activities, review of project outcomes, or short assessments of management actions, staffing changes, or short limited audits of newly discovered issues and concerns.

Conclusions

Implementation of a risk assessment serves as one mechanism to support the development of an annual audit work program. Areas of high risk and moderate risk could be addressed in the audit work program or the District's Chief Executive Officer can address them internally. The BAC provides final review and approval of the audits to be included or not included in the Annual Audit Work Plan.

RECOMMENDATIONS:

1. The BAC should consider including audits in the Annual Audit Work Plan that address the following areas:

Figure 2. Operational Areas with High Audit Need



Figure 3. Operational Areas that Need Monitoring



Results in Brief -

- a. Contract management and purchasing
 - b. Contract change order management
 - c. Capital project cost estimating
 - d. Workforce planning
2. The BAC and District Board of Directors should direct the District's CEO to actively monitor the following areas for continued improvement. These areas include:

Business Continuity

- Business impact analysis

Financial Management

- Accounts payable administration
- Financial administration
- Payroll tax liability reporting
- Financial performance effectiveness

Performance Management

- Budget analytics

Internal Controls:

- Control activities
- Control environment
- Information and communication
- Monitoring

Transparency:

- Information sharing

3. The District CEO should act to implement the following recommendations to mitigate risks.
- a. To ensure accurate financial reporting, the District, in the next system financial system upgrade, should restrict employees from entering unauthorized project codes and develop system work flows to ensure supervisors acknowledge and attest to the accuracy of the payroll timesheets.
 - b. To ensure operating effectiveness, assign responsibility to complete the District's business continuity plan; test the plan to ensure its effectiveness and check the working condition of incident response equipment.
 - c. To prevent potential fraud, waste, and abuse, establish and implement a fraud prevention program that includes (a) delegated responsibility for education and training activities, (b) the implementation of a fraud reporting system, and (c) the development of policies and procedures for investigating fraud reports.
 - d. To better assess operating effectiveness, develop and compute meaningful performance measures, such as, the number of contracts over budget, average cost overruns, costs to administer accounts payable processing, and cost to administer

Results in Brief -

procurement and contract review from issuance of requests for proposals to contract execution.

- e. To enhance succession planning activities, perform a District-wide workforce planning study, and develop a District-wide succession plan.
- f. To ensure prompt recovery of operations due to disruption, finalize and test the District's business continuity plan.

Risk Assessment Results -DRAFT

PRINCIPAL RESULTS

Operational Activity Areas that have Low Need for Audits

Personnel Safety

Personnel Safety Activity Areas	Likelihood*	Impact**
Employee Participation	Low	Low
Safety Governance	Low	Low
Safety Management	Low	Moderate

*The level of need for an audit.

**Impact (if an audit was conducted, the level of impact on Board priorities on service delivery, project delivery, or overall effectiveness)

The risk assessment examined three personnel safety activities—employee participation, safety governance, and safety management. District-wide, this operational area showed the least potential for concern that an audit is needed. District staff across all the departments that participated in the assessment provided positive information about the training and response efforts by Personnel Safety. When incidents do occur, the unit responds promptly. Our review of Occupational Safety Health Administration (OSHA) records show the last major incident occurred in 2007 that led to a fine imposed on the District.

Strategic Goals and Objectives

Strategic Goals and Objectives Activity Areas	Likelihood	Impact
Goal Setting	Low	Moderate

The risk assessment examined strategic goal setting and activities, such as whether the entity's goals reflect the District's highest priorities, how the goals were established, and assignment of goal owners. Risk assessment results showed low level of concerns for audits in this area. The District sets priorities, focuses energy and resources on goal setting, and ensures that employees and other stakeholders are working toward common goals. However, since the District has not yet formalized or documented a District-wide strategic plan, there is moderate risk that problems could impact operations across multiple departments.

Environmental Sustainability

Environmental Sustainability Activity Areas	Likelihood	Impact
Green Building	Low	Moderate
Water and Wastewater	Moderate	High

The risk assessment examined District activities to facilitate green initiatives and implement technology to reduce the District's carbon footprint with water and wastewater operations. District employees raised concerns about the District's decentralization of environmental stewardship and how the District plans to respond to the increasing challenge of complying with environmental regulations within the State. While these structural and governance risks were noted, there were

Risk Assessment Results

not enough gaps in District activities to raise overall risk levels. While there is not an immediate need for audit, District monitoring is needed of its environmental sustainability activities.

Operational Activity Areas with High Need of Audits

Purchasing/Contracting

Purchasing/Contracting Activity Areas	Likelihood	Impact
Contract Management	High	High
Purchasing	High	High

The risk assessment examined contract management and purchases activities. Both activity areas have high need for audits. Concerns include:

- The use of an outdated and District-built information system to track and monitor contracts.
- The long length of time needed by District Counsel to review contracts when suggested revisions are grammar related.
- The absence of effective training in developing requests for proposals and contracts .The District, with the hiring of an Interim Chief Operating Officer for Administrative Services, implemented extensive training on writing contracts, implementing the request for proposal process, and contract negotiations in 2017 and 2018 and plans to offer continued training to District staff in the future. The impact of this training on proposal preparation and contract processing will need to be monitored by the District.
- The absence of applying key principles of risk management. Many Requests for Proposals and contracts are subject to the same lengthy processes when some types of work do not present a high risk to District.
- The absence of updated purchasing forms, templates, and other tools to govern the processes.

While the District has developed plans to implement improvements, service delivery and operating effectiveness, risks will remain without more detailed and comprehensive performance audits.

Succession planning

Succession Planning Activity Area	Likelihood	Impact
Succession Planning	High	High

The risk assessment examined succession planning activities, such as identification of critical skill sets, identification and professional development of emerging leaders, and development of comprehensive standard operating procedures. While the Human Resources Department has provided training on succession planning activities, many divisions and units have not continued initial efforts to implement formal succession planning efforts, generally reacting to immediate workforce planning needs versus proactive planning. Department officials said the District internship program is an excellent resource to hire new and qualified talent, but the length of time for positions to become available in some District divisions has hampered succession planning

Risk Assessment Results

efforts. In addition, District managers reported that priorities for emerging leader training program compete with other higher priorities of the District.

Contract Change Order Processing

Change Order Processing Activity Area	Likelihood	Impact
Change Order Management	High	High

The risk assessment examined change order management activities because the financial value of the District’s change orders can total up to 10 percent of the contract’s original value. For multi-million-dollar capital improvement projects, the added costs are significant. The procedures, forms and templates used throughout the District to process change orders to contracts varies. Some divisions follow robust procedures and others do not. Audits in this area can further examine business processes to develop solutions that mitigate District risks.

Fraud Prevention

Fraud Prevention Activity Areas	Likelihood	Impact
Fraud Detection	High	High
Fraud Governance	Moderate	High
Fraud Prevention	High	High

The risk assessment examined fraud detection, fraud governance, and fraud prevention. A government best practice is to have a formal fraud prevention program in place. A fraud program clearly assigns responsibility of key staff members for their implementation, and includes education, training, and active monitoring of operations. Concerns include:

- Absence of a formal fraud program.
- Although many District leaders and managers have general awareness of fraud risks, there is no one at the District that is fully responsible for fraud prevention.
- Absence of mechanisms to report fraud, such as a fraud hotline, to formally report fraud although the District’s CEO maintains an open-door policy for staff to report concerns.
- Absence of independent third-party contract close out audits of large construction projects.
- Absence of formal fraud detection training.
- Absence of independent evaluation of construction contractor bid estimates.

Operational Areas with Moderate Need of Audits or District Monitoring

Business Continuity

Business Continuity Activity Areas	Likelihood	Impact
Business Continuity Plan Management	Moderate	High
Business Impact Analysis	Moderate	Moderate
Disaster Recovery	Moderate	Moderate
Incident Response	Moderate	Moderate

Risk Assessment Results

The risk assessment examined four business continuity activities – business continuity plan development, disaster recovery, incident response, and business impact analysis. Three of the four areas examined had moderate risks that need action or monitoring by the District. Our analysis found that the District began a comprehensive business continuity planning project that led to development of a draft plan. However, the plan has not yet been finished due to staff turnover. In the absence of a formal plan and related testing of the plan, the District does not have assurance of an effective and prompt response should operational disruptions occur. District staff had general awareness of the steps to be implemented in case of operational disruptions, but others raised concern over the adequacy of communication protocols and whether communication devices were fully functional.

Capital Planning and Management

Capital Planning and Management Activity Areas	Likelihood	Impact
Budgeting	High	High
Planning	Moderate	High
Prioritizing	Moderate	High

The risk assessment examined three capital planning and management activities—budgeting, planning, and the process for prioritizing capital project activities. While concerns were found in all areas, one of these areas – capital budgeting – has a high need for an audit. Concerns include:

- The revenue forecasting methodologies used by the District serve to manage cash flow needed for capital improvement project, but District staff reported that revenue forecasts are not fully consistent with the timing of the project.
- Review of capital project cost estimates found unrealistic budgets. The procurement staff who can help District managers with developing cost estimates do not take part in planning meetings.
- District project managers rely on their personal experience in developing budget estimates without consideration of best practices for capital budget development.

The remaining two areas – capital project planning and prioritization – have moderate risk concerning their overall effectiveness. In capital project planning, District staff cited the need to conduct District-wide sharing on efforts to plan and perform public engagement activities for specific projects. In capital planning prioritization, projects with high priority can encounter permitting processes imposed by local, state and federal regulators that can hamper the District's ability to deliver capital projects and can delay project construction for years. District monitoring is needed in these two areas as the District continually improves on its information sharing efforts and works to address regulatory and permitting burdens.

Risk Assessment Results

Financial Management

Financial Management Activity Areas	Likelihood	Impact
AP Administration	Moderate	Moderate
Authorization and Review	Low	Moderate
Automated Reconciliation Monitoring	Low	Low
Billing	Low	Low
Financial Administration	Moderate	Moderate
Financial Performance Effectiveness	Moderate	High
GL Administration	Low	Moderate
Payroll Processing	High	High
Payroll Tax Liability Reporting	Moderate	Moderate
Payroll Review and Reconciliation	High	High

The risk assessment examined 10 areas commonly implemented by government finance departments. The Finance Division implements many standard activities, but moderate and high risks are present in six of 10 areas examined. Although there was noted improvement within the Division since the District's prior 2014 transparency and accountability audit, our analysis found the following:

- The District has not performed a comprehensive examination of its compliance with payroll tax liability reporting, or the accuracy of retirement calculations. Given the District has over 800 employees, risks have occurred in other public agencies about the overpayment of benefits and incurring significant penalties for untimely tax reporting. District monitoring is needed to ensure that controls are in place are working effectively.
- Payroll timesheet reviews are not performed effectively or consistently throughout the District, which impact the financial reporting on projects.
- Accounts payable processing is manually cumbersome, untimely, and needs substantial follow up for some departments by the District's finance staff.

Equal Employment Opportunity

Equal Employment Opportunity Activity Areas	Likelihood	Impact
ADA Compliance	Low	Moderate
Diversity and Inclusion	Low	Low
Grievance Management	Low	Moderate
Workforce Planning	High	High

The risk assessment examined four activity areas applicable to equal employment opportunity (EEO) – American with Disabilities Act (ADA) compliance, diversity and inclusion, grievance management, and workforce planning. Risk levels are mixed across these four areas. The District, overall, implements many suggested activities to accomplish ADA compliance and has had low

Risk Assessment Results

levels of grievances filed against District management leading to the “low” likelihood risk scores¹, suggesting that audits are not needed in these areas.

Workforce planning activities, which would identify skillsets needed within each unit and estimate future workloads/staffing needs, pose high risks to the District. Workforce planning activities were limited across the District, and many divisions raised the concern about the complexity of developing a position description and classification that accurately described the work.

In other EEO areas, the District implements many activities to ensure diversity and inclusion, such as establishing different cultural groups. Although each group has its own individual cultural identity, the District sponsors regular pot luck luncheons and mini-cultural events that bring the groups together. Because the risk assessment focused on concerns that could impact operating effectiveness and service/project delivery, we do not believe that audits related to diversity and inclusion would significantly impact these goals.

Performance Management

Performance Management Activity Areas	Likelihood	Impact
Budget Analytics	High	Moderate
Budget Preparation	Moderate	Moderate
Budget Presentation	Low	Moderate
Financial Performance Measurement	High	Moderate

The risk assessment examined four areas of performance management – budget analytics, budget preparation, budget presentation, and financial performance measurement. The District implements many activities across these areas, but key gaps are present in budget analytics activities and financial performance measurement. The District does not assess the cost effectiveness of agency activities. Performance audits can identify District operations that may not spend District resources wisely.

Transparency

Transparency Activity Area	Likelihood	Impact
Transparency	Moderate	Moderate

The risk assessment examined transparency related to the availability of information, information sharing internal and external stakeholders, and conflict of interest activities. In comparison to the District’s 2014 transparency and accountability performance audit, the District increased its sharing of public information. For instance, the District has enhanced its website, making it easier to find information. The District’s Intranet site also has key information available, but District staff consistently raised concerns about the effectiveness and timeliness of information sharing between

¹The risk score in one division was high due to potential ADA compliance issues. This area could benefit from management attention. A district-wide audit is not needed because potential ADA compliance issues were limited to one unit.

Risk Assessment Results

District divisions and among employees. District managers report that some departments and employees are better than others in giving timely response to internal information requests. Others reported inconsistent information sharing on scheduled public engagement activities. Finally, the District is working on how it manages conflicts of interests and financial disclosures, which are potential auditable areas in the future should newly develop policies and procedures continue to present high risk areas for the District.

Internal Controls

Internal Controls Activity Areas	Likelihood	Impact
Control Activities	Moderate	Moderate
Control Environment	Moderate	Moderate
Information and Communication	Moderate	Moderate
Monitoring	Moderate	Moderate

The risk assessment examined practices for control activities, control environment, information and communication and monitoring. The District, through its efforts of following International Organization for Standardization (ISO) guidance implements sufficient internal control activities but continued monitoring of district activities is needed by District management to ensure that current efforts to streamline business processes and upgrade to new information systems continue to provide adequate accountability.

Audit Work Plan

APPENDIX A: METHODOLOGY

Goal of the Risk Assessment

The goal of an audit risk assessment is to identify inherent and specific risks from operational activities administered by the District Areas found to have a high potential for problems would be recommended for inclusion in an Annual Audit Work Plan. A risk assessment may determine the need for audits across programs, services, or activities that the District recognizes for its exemplary performance. However, a high performing activity may still not mitigate inherent risks to the District.

Scope of the Risk Assessment

Operational activities

The scope of the risk assessment assessed 14 operational activities, as shown in Figure A1.

Figure A1: Activities included in the Risk Assessment

1. Capital Improvement Planning & Budgeting
2. Performance Based Budgeting
3. Financial Management
4. Internal Controls
5. Strategic Goals & Objectives
6. Fraud Prevention
7. Equal Employment Opportunity
8. Purchasing/Contracting
9. Contract Change Order Management
10. Succession Planning
11. Business Continuity Planning
12. Environmental Sustainability
13. Personnel Safety
14. Transparency

Board driven goals

To evaluate whether each of the 14 operational activities could receive help from an audit, TAP International assessed each operational area against three goals, otherwise known as risk factors. These risk factors are:

1. Project Delivery
2. Service Delivery
3. Effectiveness

Risk Assessment Results

District entities taking part in the risk assessment

Thirteen District entities took part in the risk assessment, as shown in Figure A2.

Figure A2: District departments included in the Risk Assessment

1. Water Utility Capital Division
2. Water Supply Division
3. Watershed Design & Construction Division -
4. Treated Water Operations & Maintenance Division
5. Watershed Operations & Maintenance Division
6. Office of COO Water Utility
7. Office of the COO Watershed
8. Information Technology Division
9. General Services Division
10. Financial Planning and Management Division
11. Watershed Stewardship and Planning Division
12. Office of District Counsel
13. Human Resources

To select the participating entities for data collection efforts, TAP International analyzed the District's FY 17-18 annual operating and capital budget to identify those entities that comprise 65 percent of the District's total \$351 million budget. Figures A3 below shows the results of the selection analysis.

Figure A3: Department Selection Data

Division	Proposed Budget 2017-2018
Water Utility Capital Division	108,513,336
Water Supply Division	87,044,190
Watershed Design & Construction Division	46,649,727
Water Utility Operations & Maintenance Division	29,356,864
Financial Planning and Management Division	28,315,337
Information Technology Division	10,593,957
General Services Division	9,467,408
Watershed Stewardship & Planning Division	7,555,726
Office of COO Water Utility	7,361,540
Watershed Operations & Maintenance Division	5,309,289
Office of COO Watershed	5,117,639
Office of District Counsel	3,234,587
Human Resources Division	3,102,761
Grand Total	\$351,622,361

Risk Assessment Results

District activities were compared against generally accepted government practices and guidance for government operations developed by the Government Financial Officer’s Association, U.S. Governmental Accountability Office, IBM Center for Performance, Committee of Sponsoring Organization (COSO), California Institute of Local Government, and National Institute of Technology. TAP International conducted meetings with 32 executives, managers, and supervisors across the 14 operational areas and reviewed relevant District documentation such as prior reports, budget information, annual reports, policies and procedures, and project information.

The information collected was assessed and scored to (1) assess the likely occurrence of concerns with project and service delivery and operating effectiveness, and (2) assess the potential impact to the District if potential risks materialized. Table A4 shows the scoring criteria used for the risk assessment.

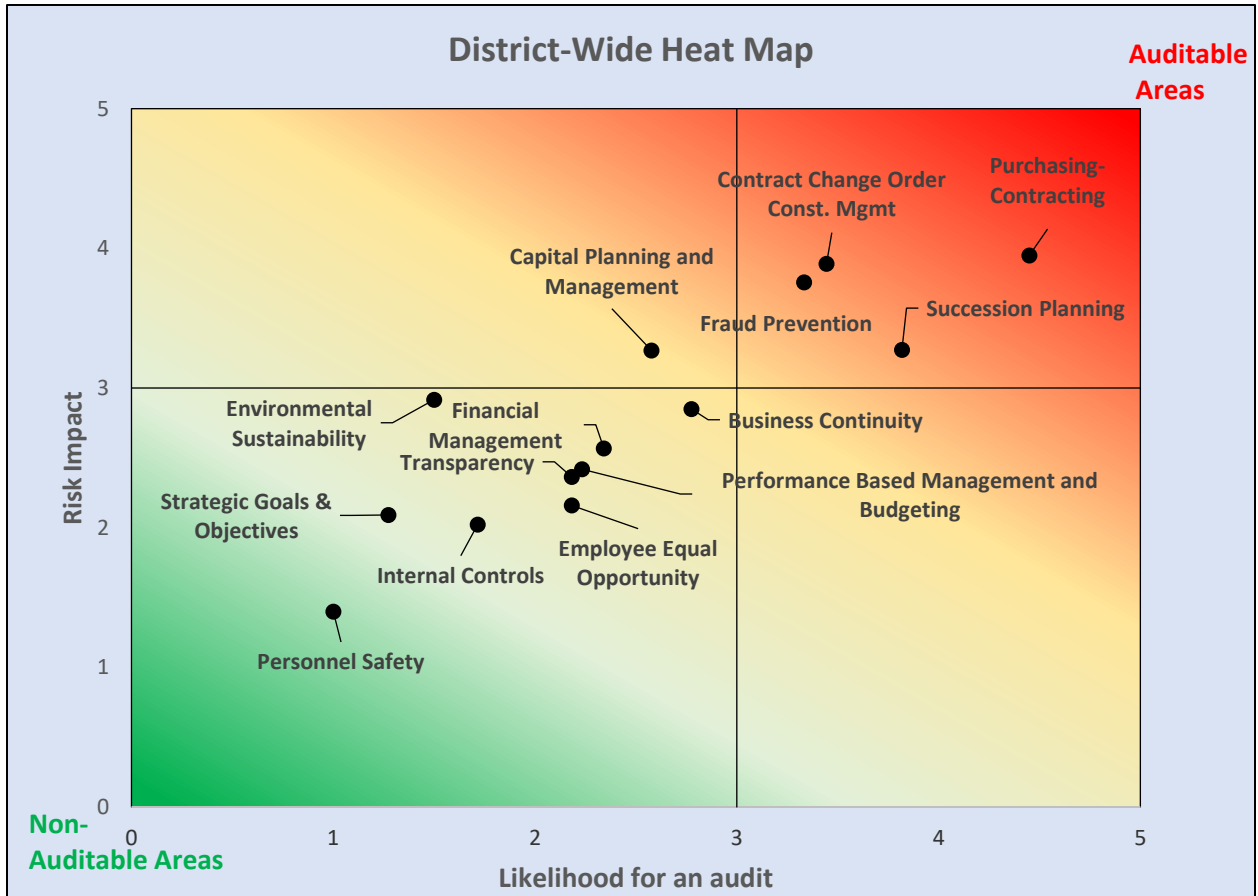
Table A4: Risk Assessment Scoring Criteria

Likelihood for Significant problems in Project and Service Delivery and Operating Effectiveness–		Score
Rare		1
Low		2
Moderate		3
High		4
Almost Certain		5
Impact – Potential reach of Significant Problems		Score
Rare – Little or No Improvement on Any Entity		1
Low – Single Department		2
Moderate – Multiple Departments		3
High – District-Wide		4
Almost Certain – Public and District		5

An internal quality review expert later reviewed the analysis for consistency in scoring and accuracy. Finally, TAP International identified those areas within each of the 14 operational activity areas where audits are most likely to find substantial improvement opportunities that could help accomplish the Board’s interest in facilitating overall effectiveness, service delivery, and project delivery.

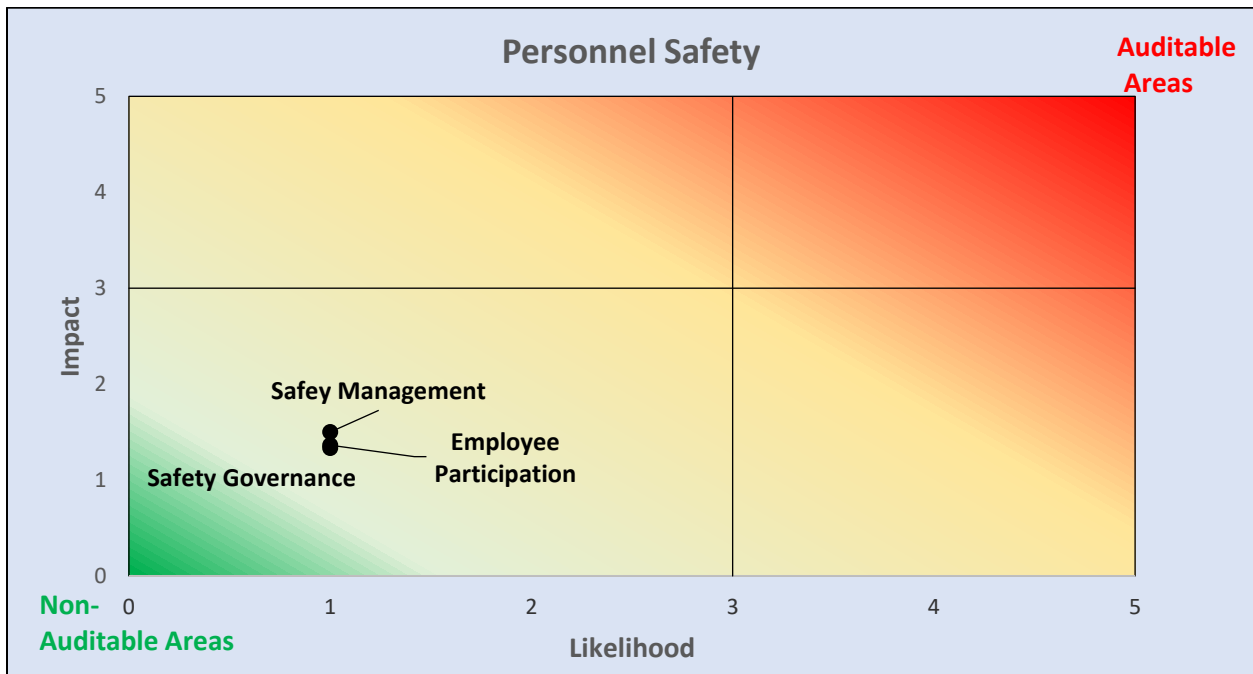
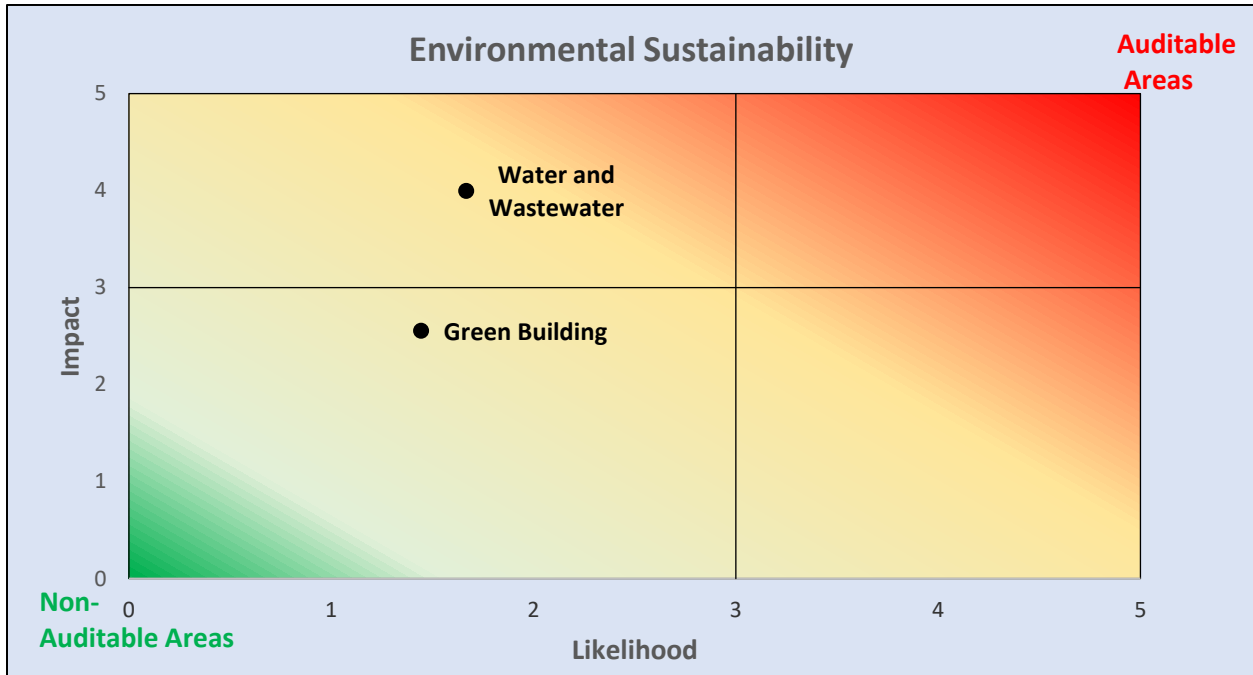
Risk Assessment Results

APPENDIX B: HEAT MAP - DISTRICT WIDE



Risk Assessment Results

APPENDIX C: HEAT MAPS - Low Audit Risk Areas

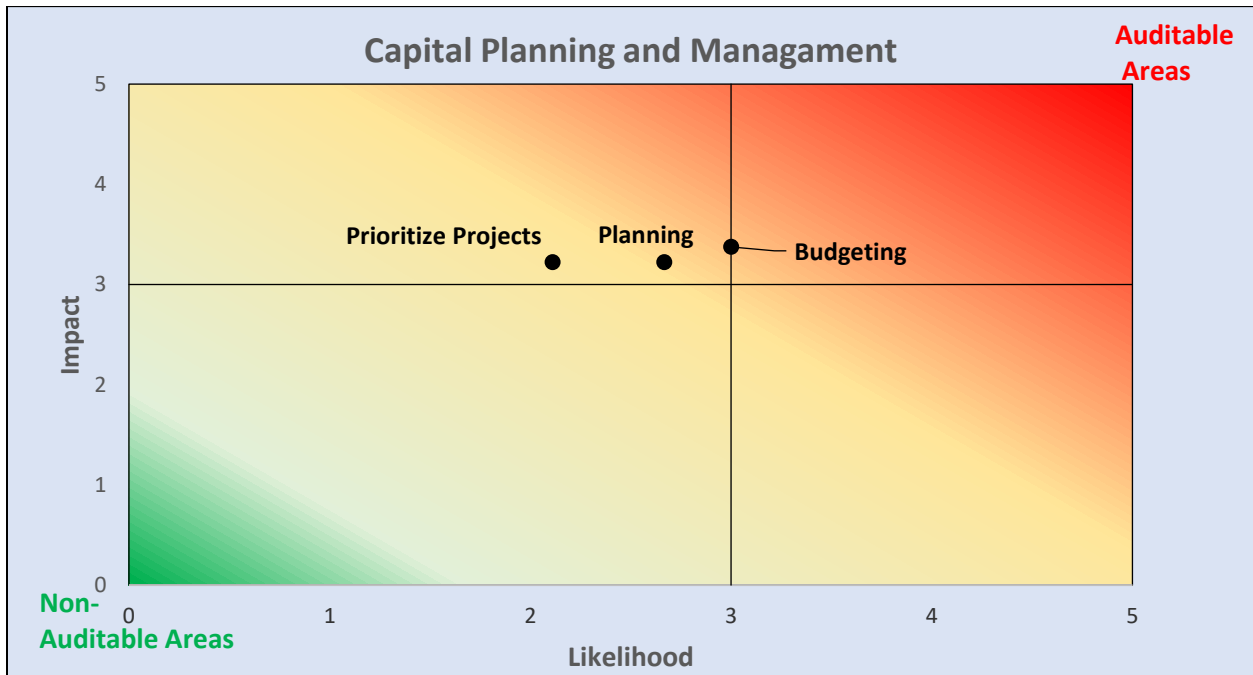
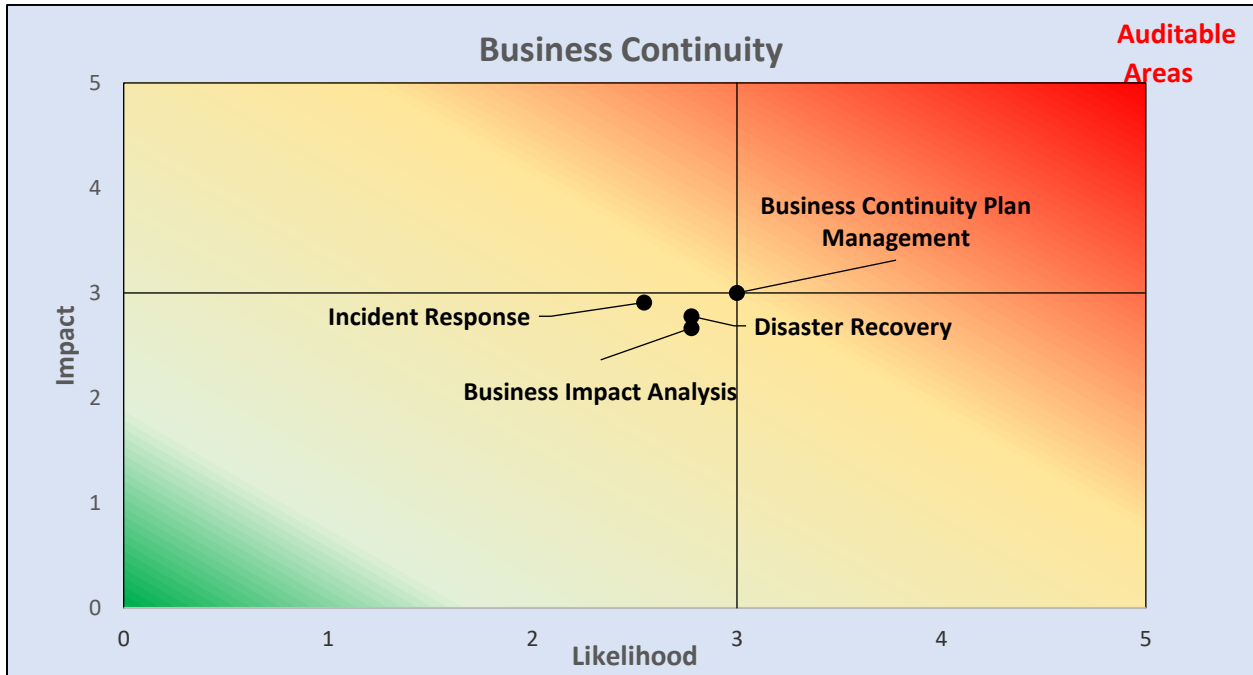


Risk Assessment Results

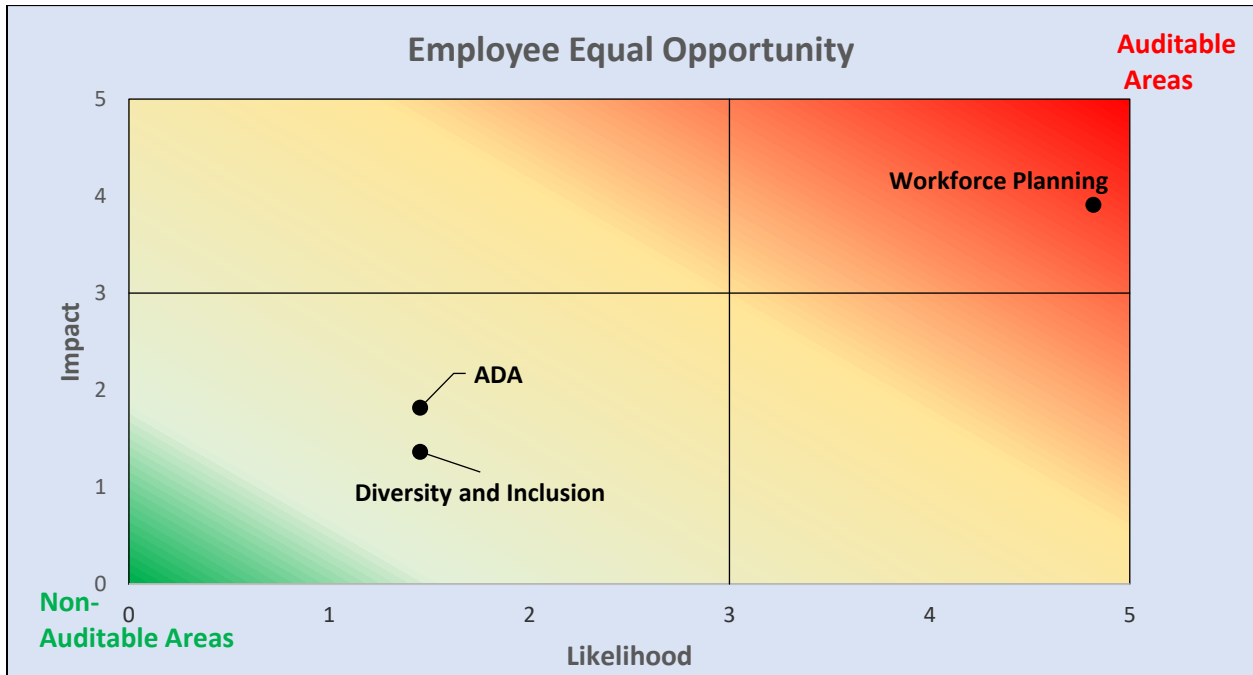
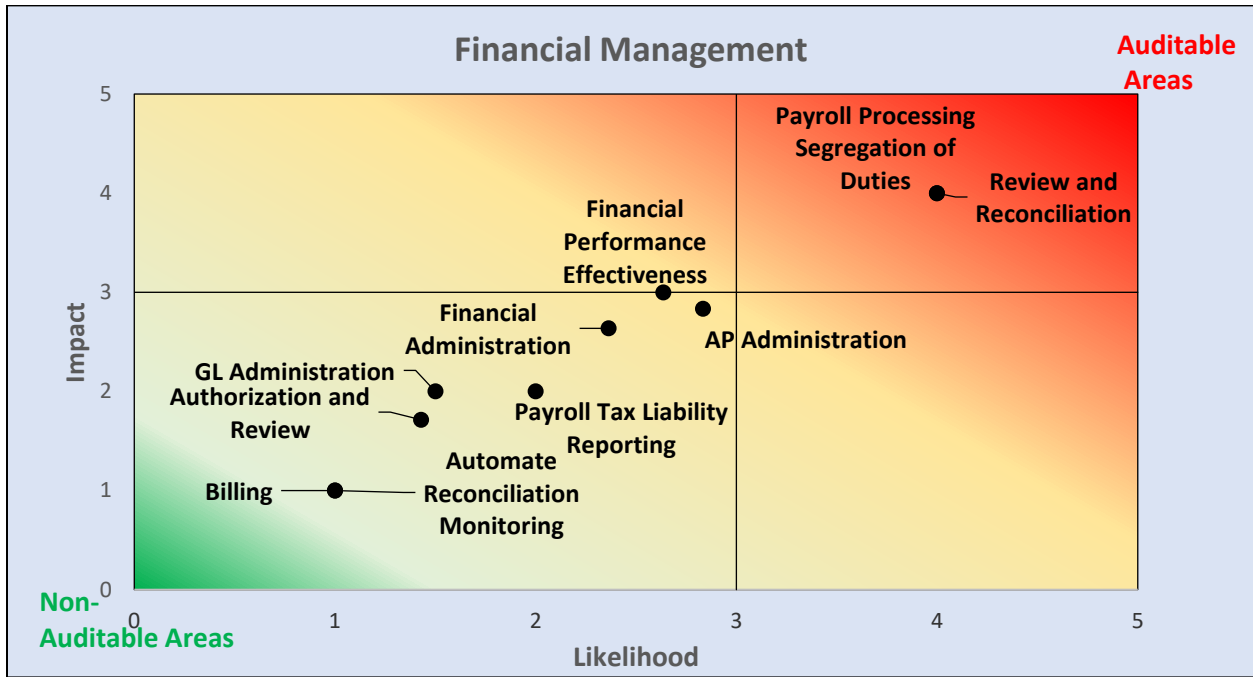


Risk Assessment Results

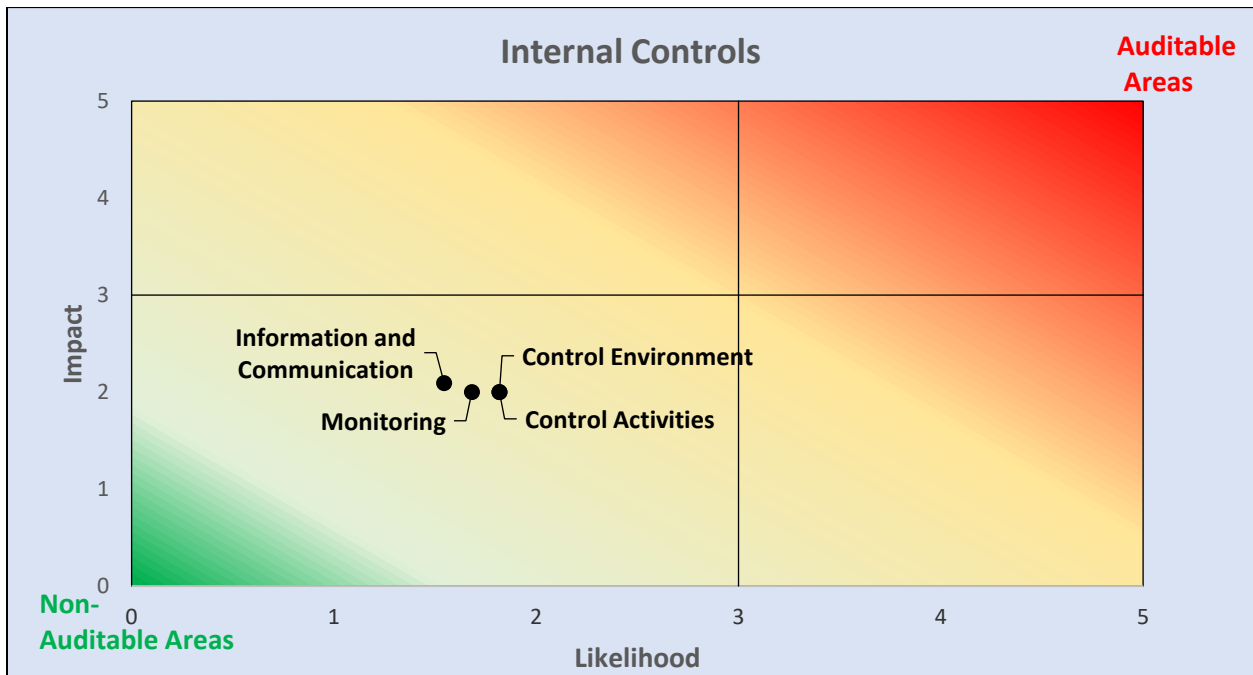
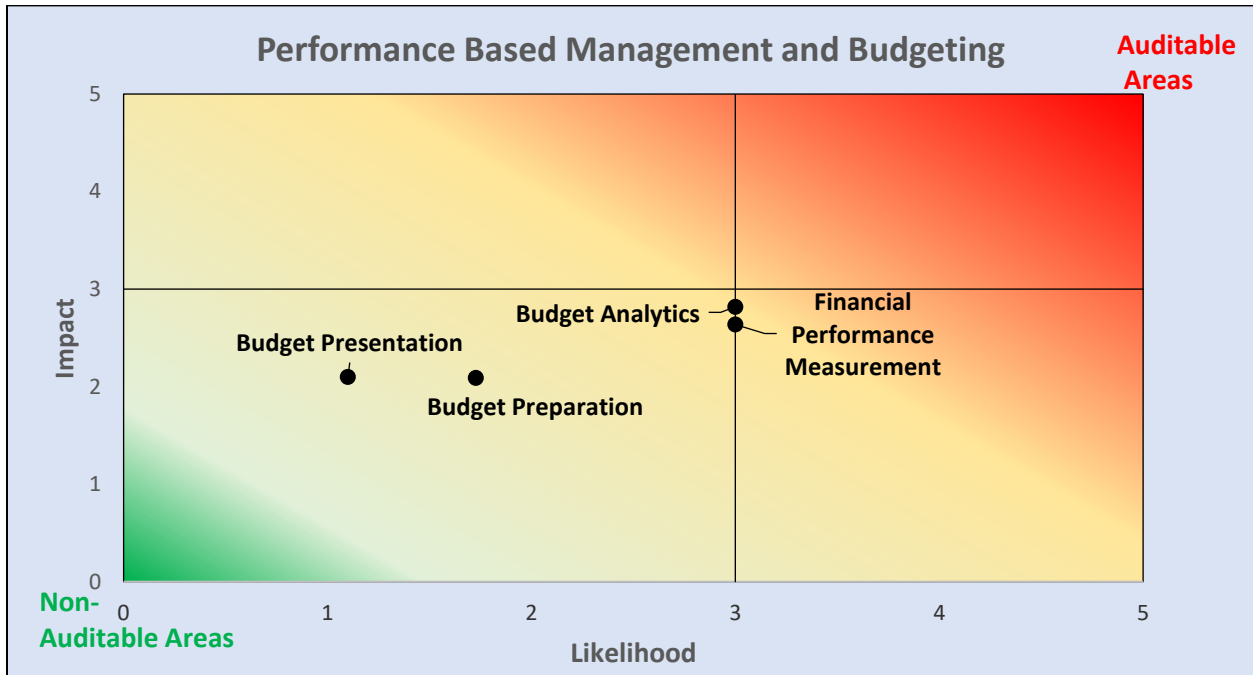
APPENDIX D: HEAT MAPS – Moderate Audit Risk Areas



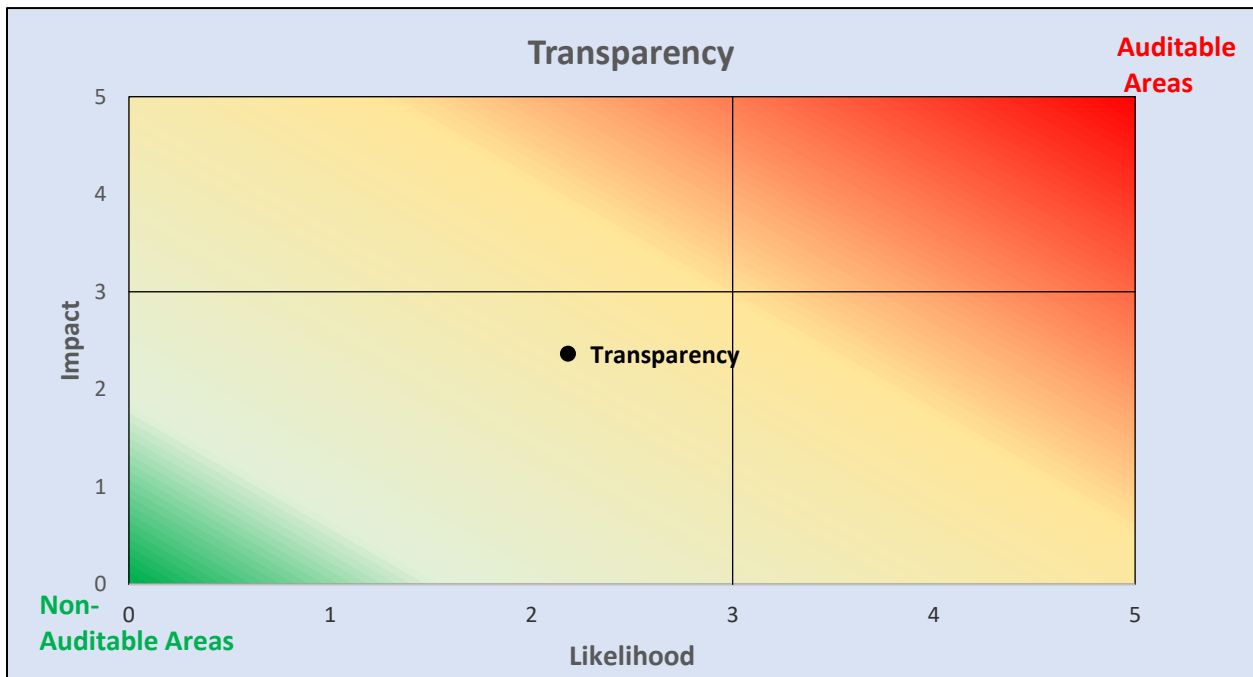
Risk Assessment Results



Risk Assessment Results

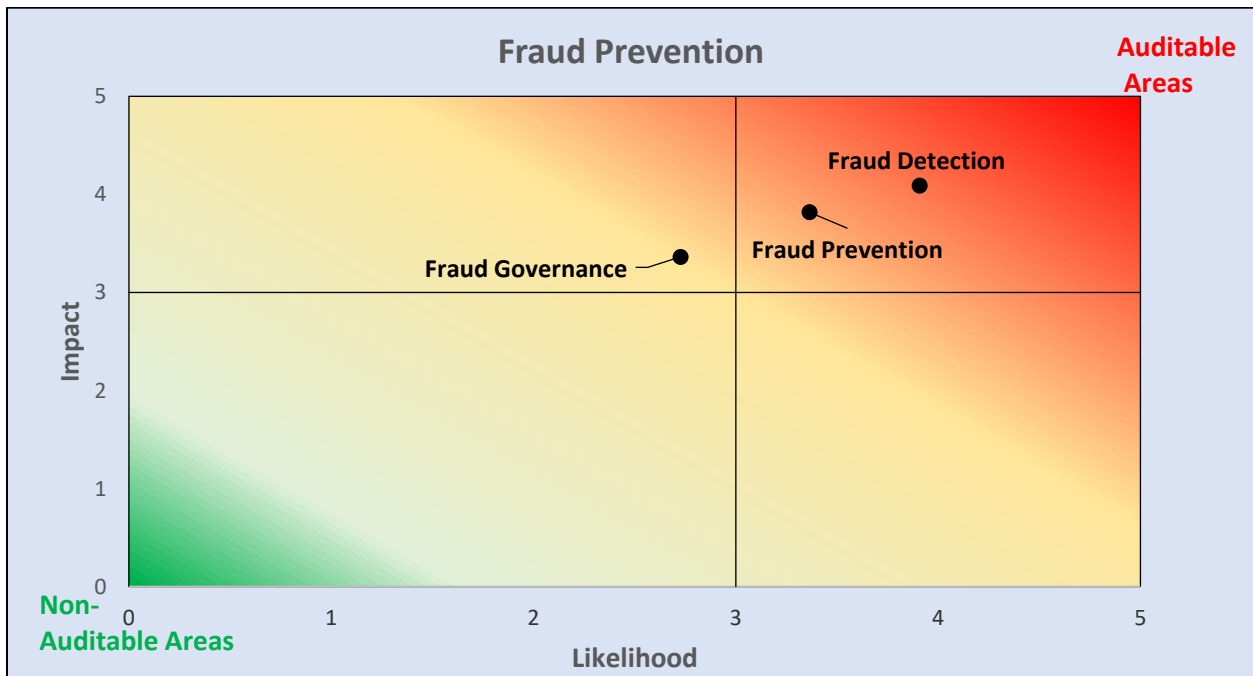
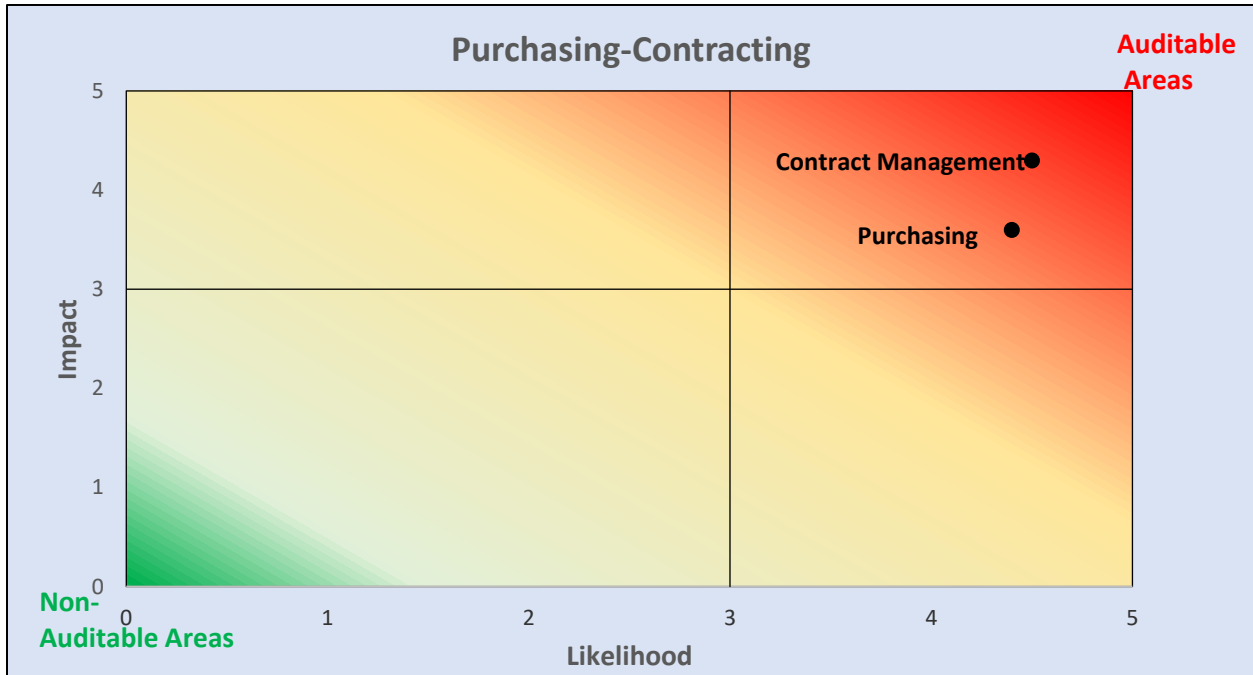


Risk Assessment Results

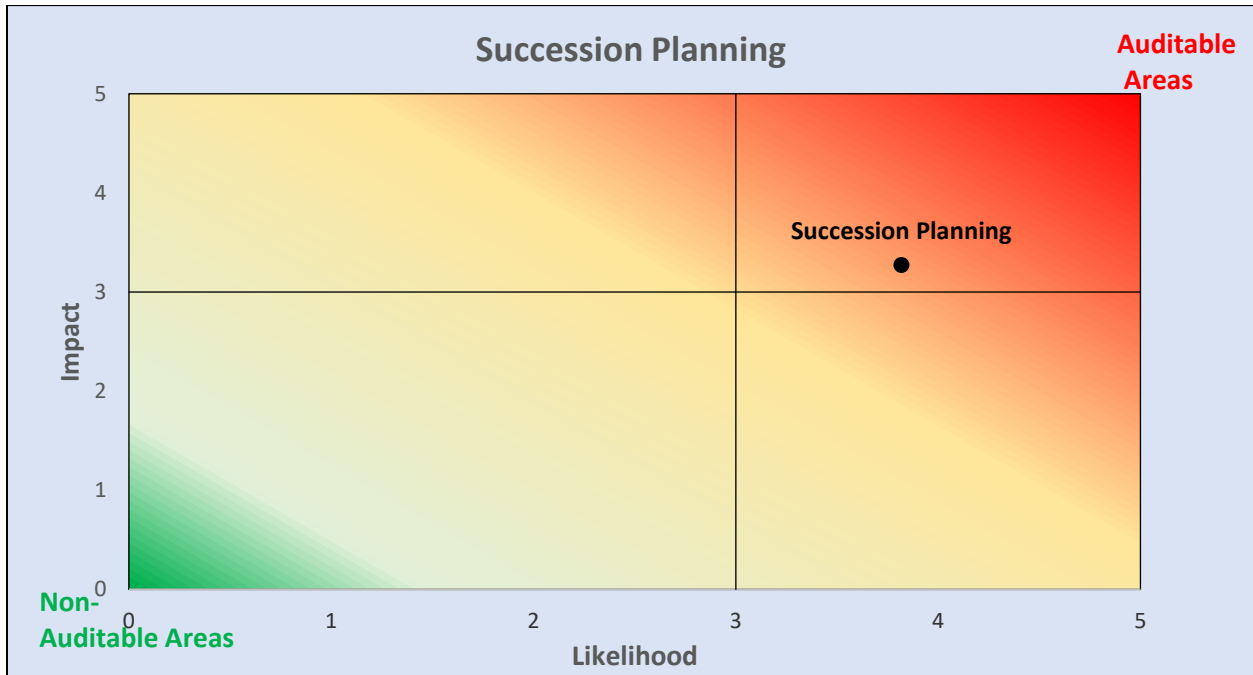
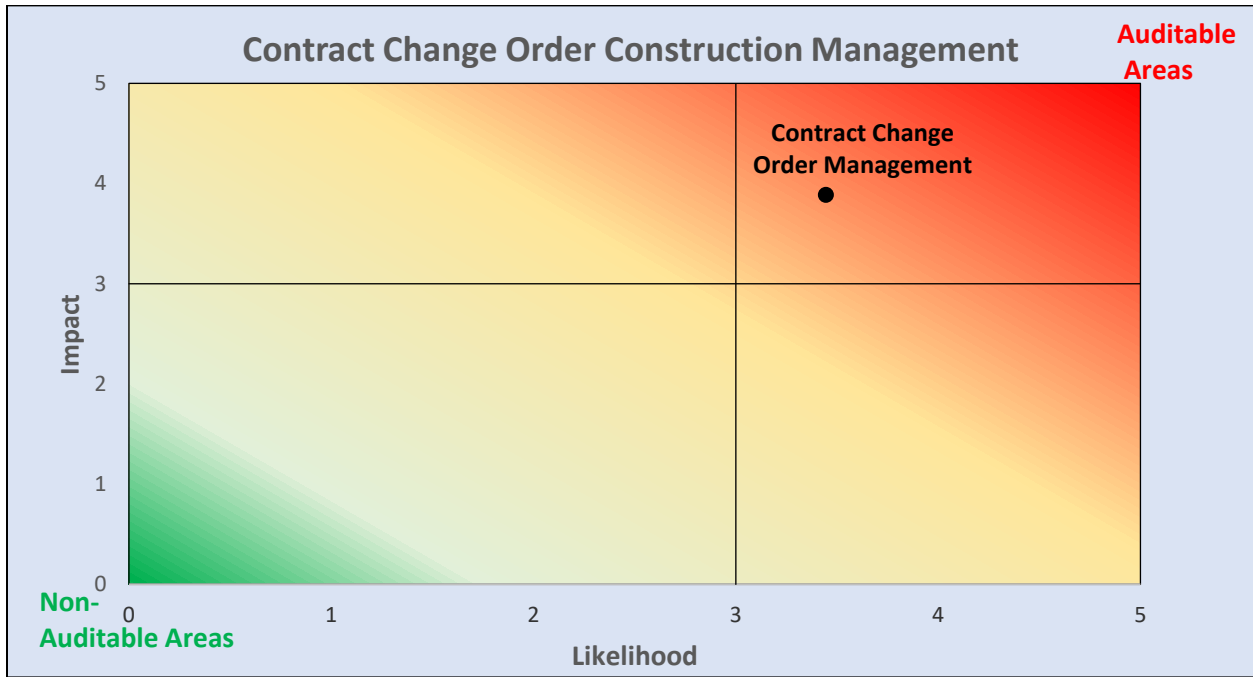


Risk Assessment Results

APPENDIX E: HEAT MAPS – High Audit Risk Areas



Risk Assessment Results



BOARD INDEPENDENT AUDITOR - INVOICE TRACKING SHEET AND TASK ORDERS
As of August 30, 2018

TASK ORDER #	DESCRIPTION	TASK ORDER BUDGET	TASK ORDER PAYMENTS	TASK ORDER REMAINING TO BE PAID	Task Complete	Invoice	Invoice	Invoice	Invoice	Invoice	Invoice	Invoice	Invoice
						524	530	531	538	542	549	555	556
						06/29/17	10/20/17	10/26/17	01/31/18	02/28/18	04/30/18	06/30/18	06/30/18
1	06/01/17 Board Audit Committee Meeting	\$4,385.00	\$4,369.90	\$15.10	X	\$4,369.90							
2	Develop Draft Risk Assessment Model	\$25,460.00	\$25,460.00	\$0.00	X			\$25,460.00					
3	9/12/17 Board Meeting Presentation	\$3,190.00	\$3,190.00	\$0.00	X		\$3,190.00						
4a	Risk Assessment - Implementation	\$79,625.00	\$79,607.50	\$17.50							\$74,357.50	\$5,250.00	
4b	Risk Assessment - Analysis	\$11,400.00	\$11,400.00	\$0.00							\$9,880.00	\$1,520.00	
4c	Risk Assessment - Expenses	\$4,000.00	\$2,838.14	\$1,161.86							\$2,668.82	\$169.32	
5	11/30/17 Board Audit Committee Meeting	\$4,590.00	\$3,736.95	\$853.05	X				\$3,736.95				
6	01/23/18 Board Meeting Presentation	\$4,485.00	\$4,485.00	\$0.00	X				\$4,485.00				
7	02/06/18 Board Audit Committee Meeting	\$6,695.00	\$6,668.61	\$26.39	X					\$6,668.61			
8a	Expanded Risk Assessment - Implementation	\$17,500.00	\$17,500.00	\$0.00								\$17,500.00	
8b	Expanded Risk Assessment - Analysis	\$3,800.00	\$3,800.00	\$0.00								\$3,800.00	
8c	Expanded Risk Assessment - Report	\$19,000.00	\$11,875.00	\$7,125.00								\$11,875.00	
8d	Expanded Risk Assessment - Expenses	\$1,000.00	\$0.00	\$1,000.00									
9	08/15/18 Board Audit Committee Meeting	\$7,150.00	\$2,095.00	\$5,055.00									\$2,095.00
10a	Annual Audit Work Plan - Interviews	\$4,650.00	\$0.00	\$4,650.00									
10b	Annual Audit Work Plan - Development	\$3,040.00	\$0.00	\$3,040.00									
10c	Annual Audit Work Plan - Expenses	\$1,000.00	\$0.00	\$1,000.00									
TOTAL		\$200,970.00	\$177,026.10	\$23,943.90		\$4,369.90	\$3,190.00	\$25,460.00	\$8,221.95	\$6,668.61	\$86,906.32	\$40,114.32	\$2,095.00

AGREEMENT NOT-TO-EXCEED AMOUNT: \$405,000.00

EXCESS BALANCE ON COMPLETED TASK ORDERS: \$894.54

OVERALL REMAINING BALANCE: \$204,924.54

AGREEMENT NUMBER = A4071A
CONTRACT EXPIRES = May 8, 2020

Task Order No. 001

Title: Board Audit Committee Attendance

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

District Project Manager: Mike Heller, Office of CEO & Board Support


Consultant Project Manager: Denise Callahan, President, Lead Auditor


Dollar Amount of Task Order: Fixed Fee \$4,385

1. Upon full execution of this Task Order No. 1, as set forth in the Standard On-Call Consultant Agreement Section Twelve, subsection 13., Task Orders, and the issuance of a notice to proceed by the District Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the notice to proceed will be considered outside the contracted scope of Services and will not be eligible for payment.
2. Both the scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
 - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
 - B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
 - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
 - D. Project schedule for completing the scope of Services.
3. The Consultant shall be compensated at fixed fees or at the hourly rates established in the Agreement, Attachment One to the Scope of Services, Fees, and Payments. The Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order will become effective on the date of full execution by authorized representatives of the Parties and remain in effect until the earlier of: termination of this Agreement; completion of the tasks set forth in Attachment A.
5. Copies of applicable local, state and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to the District.

6. The Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the terms and conditions of the Agreement.

7. Signatures:

Signature:  5/30/2017
TAP INTERNATIONAL INC. DATE
Denise Callahan
President, Lead Auditor

Signature:  5/30/17
SANTA CLARA VALLEY WATER DISTRICT DATE
Mike Heller
Management Analyst II
Office of CEO & Board Support

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ATTACHMENT A

Task Order No. 1

Title: Board Audit Committee Attendance

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

1. Representatives.

- A. The District Project Manager (DPM) for this task is listed below. Unless otherwise provided, all correspondences to the District shall be addressed to the District Project Manager:

Mike Heller
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3638
Phone: 408-630-2656
E-mail: mheller@valleywater.org

- B. The Consultant's Contact and Principal Officer for this Agreement is as listed below. All District questions pertaining to this Task Order shall be referred to the Consultant's Project Manager. All correspondence to Consultant shall be addressed to the address below:

Denise Callahan, President, Lead Auditor
3436 American River Drive, Suite 9A
Sacramento, CA 95864
Phone: C: (916) 549-0831
O: (916) 333-3401
E-mail: Denise@TAPinternational.org

2. Project Objective

Attend Board Audit Committee Meeting and kick off risk assessment.

3. Tasks

Task 1—Board Audit Committee Meeting Attendance

The purpose of this task is for Consultant to 1) attend the Board Audit Committee meeting on June 1, 2017, and 2) prepare, as needed, the meeting agenda and notes, minutes, and presentation materials and submit them for review by the District.

4. Cost Breakdown

Task	Description	Classification	Estimated Hours	Rate	Fixed Fees	Scheduled Completion Date
1	Development of Meeting Materials and Meeting Preparation	Lead Auditor – Denise Callahan	7	\$190	\$1,330	May 31, 2017
		Team Auditor – Greg Matayoshi	2	\$175	\$350	May 31, 2017
2	June 1 Meeting (travel time, meeting)	Lead Auditor – Denise Callahan	7	\$190	\$1,330	June 1, 2017
		Team Auditor – Greg Matayoshi	7	\$175	\$1,225	June 1, 2017
3	Direct Expenses	Mileage	270 miles plus toll	.535	\$150	June 1, 2017
TOTAL					\$4,385	

Task Order No. 002

Title: Development of Risk Assessment Model

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

District Project Manager: Mike Heller, Office of CEO & Board Support


Consultant Project Manager: Denise Callahan, President, Lead Auditor

Dollar Amount of Task Order: Fixed Fee \$21,280 to \$25,460


1. Upon full execution of this Task Order No. 002, as set forth in the Standard On-Call Consultant Agreement Section Twelve, subsection 13., Task Orders, and the issuance of a notice to proceed by the District Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the notice to proceed will be considered outside the contracted scope of Services and will not be eligible for payment.
2. Both the scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A, which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
 - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
 - B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
 - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
 - D. Project schedule for completing the scope of Services.
3. The Consultant shall be compensated at fixed fees or at the hourly rates established in the Agreement, Attachment One to the Scope of Services, Fees, and Payments. The Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order will become effective on the date of full execution by authorized representatives of the Parties and remain in effect until the earlier of: termination of this Agreement; completion of the tasks set forth in Attachment A.
5. Copies of applicable local, state, and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to the District.

6. The Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the terms and conditions of the Agreement.


7. Signatures:

Signature:  6/21/2017

TAP INTERNATIONAL INC. DATE
Denise Callahan
President, Lead Auditor

Signature:  6/21/17

SANTA CLARA VALLEY WATER DISTRICT DATE
Karna DuQuite
Supervising Program Administrator
Continual Improvement Unit

Signature:  6/27/17

SANTA CLARA VALLEY WATER DISTRICT DATE
Mike Heller
Management Analyst II
Continual Improvement Unit

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ATTACHMENT A

Task Order No. 002

Title: Development of Risk Assessment Model

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

1. Representatives.

- A. The District Project Manager (DPM) for this task is listed below. Unless otherwise provided, all correspondences to the District shall be addressed to the District Project Manager:

Mike Heller
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3638
Phone: 408-630-2656
E-mail: mheller@valleywater.org

- B. The Consultant's Contact and Principal Officer for this Agreement is as listed below. All District questions pertaining to this Task Order shall be referred to the Consultant's Project Manager. All correspondence to Consultant shall be addressed to the address below:

Denise Callahan, President, Lead Auditor
3436 American River Drive, Suite 9A
Sacramento, CA 95864
Phone: C: (916) 549-0831
O: (916) 333-3401
E-mail: Denise@TAPinternational.org

2. Project Objective

Develop draft Risk Assessment Model and update model per Board input.

3. Tasks

Task 1— Development of Risk Assessment Model

- Identify proposed risk areas for full Board discussion
- Develop proposed criteria for each risk area for full Board discussion
- Develop Draft Risk Assessment Model that includes list of risk areas and criteria for assessment for full Board input and direction

Deliverables:

- Prepare and transmit Draft Risk Assessment Model to District Project Manager
- Develop and transmit presentation materials for Board meeting to Project Manager to meet the District's Board Agenda posting schedule

Task 2— Update Risk Assessment Model Per Board Input

- Receive and incorporate full Board input into Risk Assessment Model

Deliverable: Transmit Final Draft Risk Assessment Model to District Project Manager

4. Cost Breakdown

Task	Deliverables	Classification	Estimated Hours	Rate	Fixed Fees	Scheduled Completion Date
1	<ul style="list-style-type: none"> • Prepare and transmit Draft Risk Assessment Model to District Project Manager • Develop and transmit presentation materials for Board meeting to Project Manager to meet the District's Board Agenda posting schedule 	Lead Auditor – Denise Callahan	110	\$190	\$20,900	07/14/17
2	Transmit Final Draft Risk Assessment Model to District Project Manager	Lead Auditor – Denise Callahan	2-24* *Estimated hours to incorporate full Board input are 2-24 hours, dependent on the level of Board input	\$190	\$380 To \$4,560	09/19/17
TOTAL					\$21,280 To \$25,460	

Task Order No. 003

Title: Board Meeting Attendance

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

District Project Manager: Mike Heller, Office of CEO & Board Support


Consultant Project Manager: Denise Callahan, President, Lead Auditor

Dollar Amount of Task Order: Fixed Fee \$3,190

1. Upon full execution of this Task Order No. 003, as set forth in the Standard On-Call Consultant Agreement Section Twelve, subsection 13., Task Orders, and the issuance of a notice to proceed by the District Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the notice to proceed will be considered outside the contracted scope of Services and will not be eligible for payment.
2. Both the scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A, which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
 - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
 - B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
 - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
 - D. Project schedule for completing the scope of Services.
3. The Consultant shall be compensated at fixed fees or at the hourly rates established in the Agreement, Attachment One to the Scope of Services, Fees, and Payments. The Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order will become effective on the date of full execution by authorized representatives of the Parties and remain in effect until the earlier of: termination of this Agreement; completion of the tasks set forth in Attachment A.
5. Copies of applicable local, state, and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to the District.

6. The Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the terms and conditions of the Agreement.


7. Signatures:

Signature:  6/21/2017

TAP INTERNATIONAL INC. DATE
Denise Callahan
President, Lead Auditor

Signature:  6/27/17

SANTA CLARA VALLEY WATER DISTRICT DATE
Karna DuQuite
Supervising Program Administrator
Continual Improvement Unit

Signature:  6/27/17

SANTA CLARA VALLEY WATER DISTRICT DATE
Mike Heller
Management Analyst II
Continual Improvement Unit

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ATTACHMENT A

Task Order No. 003

Title: Attend Board Meeting and Present Draft Risk Assessment Model

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

1. Representatives.

- A. The District Project Manager (DPM) for this task is listed below. Unless otherwise provided, all correspondences to the District shall be addressed to the District Project Manager:

Mike Heller
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3638
Phone: 408-630-2656
E-mail: mheller@valleywater.org

- B. The Consultant's Contact and Principal Officer for this Agreement is as listed below. All District questions pertaining to this Task Order shall be referred to the Consultant's Project Manager. All correspondence to Consultant shall be addressed to the address below:

Denise Callahan, President, Lead Auditor
3436 American River Drive, Suite 9A
Sacramento, CA 95864
Phone: C: (916) 549-0831
O: (916) 333-3401
E-mail: Denise@TAPinternational.org

2. Project Objective

Attend Board Meeting, present, and receive input on draft Risk Assessment Model.

3. Tasks

Task 1—Board Meeting Attendance

The purpose of this task is for Consultant to: 1) attend the Board meeting on September 12, 2017, and 2) prepare, as needed, the meeting agenda and notes, minutes, and presentation materials, and submit them for review by the District.

4. Cost Breakdown

Task	Description	Classification	Estimated Hours	Rate	Fixed Fees	Scheduled Completion Date
1	Development of Meeting Materials and Meeting Preparation	Lead Auditor – Denise Callahan	7	\$190	\$1,330	Board Meeting Date: 9/12/17
	Board Meeting (travel time, meeting)	Lead Auditor – Denise Callahan	9	\$190	\$1,710	Board Meeting Date: 9/12/17
	Direct Expenses	Mileage	270 miles plus toll	.535	\$150	Board Meeting Date: 9/12/17
TOTAL					\$3,190	

Task Order No. 004

Title: Risk Assessment Implementation

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

District Supervising Program Administrator: Karna DuQuite, Continual Improvement Unit


Consultant Project Manager: Denise Callahan, President


Dollar Amount of Task Order: Fixed Fee \$95,025

1. Upon full execution of this Task Order No. 004, as set forth in the Standard On-Call Consultant Agreement Section Twelve, subsection 13., Task Orders, and the issuance of a notice to proceed by the District Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the notice to proceed will be considered outside the contracted scope of Services and will not be eligible for payment.
2. Both the scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A, which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
 - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
 - B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
 - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
 - D. Project schedule for completing the scope of Services.
3. The Consultant shall be compensated at fixed fees or at the hourly rates established in the Agreement, Attachment A to the Scope of Services, Fees, and Payments. The Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order will become effective on the date of full execution by authorized representatives of the Parties and remain in effect until the earlier of: termination of this Agreement; completion of the tasks set forth in Attachment A.
5. Copies of applicable local, state, and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to the District.

6. The Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the terms and conditions of the Agreement.

7. Signatures:

Signature:  10/5/2017
TAP INTERNATIONAL INC. DATE
Denise Callahan
President, Lead Auditor

Signature:  10/12/17
SANTA CLARA VALLEY WATER DISTRICT DATE
Karna DuQuite
Supervising Program Administrator
Continual Improvement Unit

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Task Order No. 4

Attachment A – TAP International, Inc.

Risk Assessment Implementation

- A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
- B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
- C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
- D. Project schedule for completing the Scope of Services.

Activity	Assigned Consultant	Hours	Rate	Sub Total	Project Schedule Completion Date
Implementation of Risk Assessment Model (10 Operational Activities across 12 District Department/Division) See below for list of departments and activities.	Lead Auditor- Matayoshi	200	175	\$35,000	100 working days after issuance of audit notification letter
	Team Auditors- Hoffman, Kousser,	255	175	\$44,625	
Analysis of Risk Assessment Results	Lead Auditor – Callahan	60	190	\$11,400	Three weeks upon completion of data collection efforts among the 10 departments
Travel expense (20 trips) mileage (*depending on meeting coordination, overnight lodging may take place, but expenses will stay within budget)	Mileage miles plus toll	270	.535	\$4,000*	
Total Fixed Fee Amount				\$95,025	

Scope of Work

District Departments

1. Water Utility Capital Division
2. Water Supply Division
3. Watershed Design & Construction Division
4. Treated Water Operations & Maintenance Division
5. Watershed Operations & Maintenance Division
6. Office of COO Watershed
7. Office of COO Water Utility
8. Information Technology Division
9. General Services Division
10. Financial Planning and Management Division
11. Watershed Stewardship & Planning Division
12. Office of District Counsel

Operational Activities

1. Capital Improvement Planning & Budgeting
2. Performance Base Budgeting
3. Financial Management
4. Internal Controls
5. Strategic Goals & Objectives
6. Fraud Prevention
7. Human Resources Management - EEO
8. Purchasing/Contracting
9. Change Order Applicable to Construction Management
10. Business Continuity Planning
11. Succession Planning
12. Environmental Sustainability

Task Order No. 005

Title: Board Audit Committee Meeting Attendance, November 30, 2017

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

District Supervising Program Administrator: Karna DuQuite, Continual Improvement Unit

Consultant Project Manager: Denise Callahan, President

Dollar Amount of Task Order: Fixed Fee \$ 4,590.00

1. Upon full execution of this Task Order No. 005, as set forth in the Standard On-Call Consultant Agreement Section Twelve, subsection 13., Task Orders, and the issuance of a notice to proceed by the District Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the notice to proceed will be considered outside the contracted scope of Services and will not be eligible for payment.
2. Both the scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A, which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
 - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
 - B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
 - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
 - D. Project schedule for completing the scope of Services.
3. The Consultant shall be compensated at fixed fees or at the hourly rates established in the Agreement, Attachment A to the Scope of Services, Fees, and Payments. The Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order will become effective on the date of full execution by authorized representatives of the Parties and remain in effect until the earlier of: termination of this Agreement; completion of the tasks set forth in Attachment A.
5. Copies of applicable local, state, and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to the District.

6. The Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the terms and conditions of the Agreement.

7. Signatures:

Signature: *Denise P. Callahan* 11/08/2017
TAP INTERNATIONAL, INC. DATE
Denise Callahan
President, Lead Auditor

Signature: *Karna DuQuite* 11/9/17
SANTA CLARA VALLEY WATER DISTRICT DATE
Karna DuQuite
Supervising Program Administrator
Continual Improvement Unit

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Task Order 5

Attachment A – TAP International, Inc.

Board Meeting Attendance

- A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
- B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
- C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
- D. Project schedule for completing the scope of Services.

Activity	Assigned Consultant	Hours	Rate	Sub Total	Project Schedule Completion Date
Development of PowerPoint Presentation discussing risk assessment scope and implementation, discuss execution of audits, costs, feasibility, and timelines; discuss other issues as arise by committee.	Lead Auditor – Callahan	8	\$190	\$1,520	Prior to Nov. 30, 2017
Board Meeting (travel time, meeting)	Lead Auditor – Callahan	8	\$190	\$1,520	Nov. 30, 2017 (Board Audit Committee Meeting Date)
	Team Auditor – Matayoshi	8	\$175	\$1,400	
Direct Expenses	Mileage	270 miles plus toll	.535 /mile	\$150	Nov. 30, 2017 (Board Audit Committee Meeting Date)
Total Fixed Fee Amount				\$4,590	

Task Order No. 006

Title: Board Meeting Attendance, January 23, 2018

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

District Supervising Program Administrator: Karna DuQuite, Continual Improvement Unit

Consultant Project Manager: Denise Callahan, President

Dollar Amount of Task Order: Fixed Fee \$ 4,485.00

1. Upon full execution of this Task Order No. 006, as set forth in the Standard On-Call Consultant Agreement Section Twelve, subsection 13., Task Orders, and the issuance of a notice to proceed by the District Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the notice to proceed will be considered outside the contracted scope of Services and will not be eligible for payment.
2. Both the scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A, which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
 - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
 - B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
 - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
 - D. Project schedule for completing the scope of Services.
3. The Consultant shall be compensated at fixed fees or at the hourly rates established in the Agreement, Attachment A to the Scope of Services, Fees, and Payments. The Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order will become effective on the date of full execution by authorized representatives of the Parties and remain in effect until the earlier of: termination of this Agreement; completion of the tasks set forth in Attachment A.
5. Copies of applicable local, state, and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to the District.

6. The Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the terms and conditions of the Agreement.

7. Signatures:

Signature: Denise Callahan 1/11/2018
TAP INTERNATIONAL, INC. DATE
Denise Callahan
President, Lead Auditor

Signature: Karna DuQuite 1/9/18
SANTA CLARA VALLEY WATER DISTRICT DATE
Karna DuQuite
Supervising Program Administrator
Continual Improvement Unit

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Task Order 6

Attachment A – TAP International, Inc.

Board Meeting Attendance and Presentation of Risk Assessment Scope

- A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
- B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
- C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
- D. Project schedule for completing the scope of Services.

Activity	Assigned Consultant	Hours	Rate	Sub Total	Project Schedule Completion Date
Development of board meeting presentation materials discussing revised risk assessment scope and implementation, discuss execution of risk assessment, costs, and timelines; discuss other issues such as an audit committee charter and other topics as arise by committee.	Lead Auditor – Callahan	1	\$190	\$190.00	Prior to Jan. 23, 2018
	Team Auditor -- Matayoshi	7	\$175	\$1,225.00	
	Lead Auditor – Callahan	8	\$190	\$1,520.00	
Board Meeting (travel time, meeting)	Team Auditor – Matayoshi	8	\$175	\$1,400.00	Jan. 23, 2018 (Board Meeting Date)
	Direct Expenses	Mileage	270 miles plus toll	.535 /mile	\$150.00
Total Fixed Fee Amount				\$4,485.00	

Task Order No. 007

Title: Board Audit Committee Meeting Attendance, Feb. 6, 2018

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

District Supervising Program Administrator: Karna DuQuite, Continual Improvement Unit

Consultant Project Manager: Denise Callahan, President


Dollar Amount of Task Order: Fixed Fee \$ 6,695.00

1. Upon full execution of this Task Order No. 007, as set forth in the Standard On-Call Consultant Agreement Section Twelve, subsection 13., Task Orders, and the issuance of a notice to proceed by the District Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the notice to proceed will be considered outside the contracted scope of Services and will not be eligible for payment.
2. Both the scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A, which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
 - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
 - B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
 - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
 - D. Project schedule for completing the scope of Services.
3. The Consultant shall be compensated at fixed fees or at the hourly rates established in the Agreement, Attachment A to the Scope of Services, Fees, and Payments. The Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order will become effective on the date of full execution by authorized representatives of the Parties and remain in effect until the earlier of: termination of this Agreement; completion of the tasks set forth in Attachment A.
5. Copies of applicable local, state, and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to the District.

6. The Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the terms and conditions of the Agreement.

7. Signatures:

Signature:  1/24/2018
TAP INTERNATIONAL, INC. DATE
Denise Callahan
President, Lead Auditor

Signature:  1/25/18
SANTA CLARA VALLEY WATER DISTRICT DATE
Karna DuQuite
Supervising Program Administrator
Continual Improvement Unit

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Task Order 7

Attachment A – TAP International, Inc.

Board Meeting Attendance

- A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
- B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
- C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
- D. Project schedule for completing the scope of Services.

Activity	Assigned Consultant	Hours	Rate	Sub Total	Project Schedule Completion Date	
Development of presentation material to aid in the discussion of the District risk assessment: <ul style="list-style-type: none"> • Finalized risk assessment Departments/Divisions and Operating Activities/Areas. • Development of an execution plan to complete the risk assessment. • Recommendations on internal vs. external execution of audits, costs, feasibility, and timelines. • Meeting preparation 	Lead Auditor – Callahan	8	\$190	\$1,520	Jan. 24, 2018	
	Team Auditor – Matayoshi	12	\$175	\$2,100		
	Board Meeting (travel time, meeting)	Lead Auditor – Callahan	8	\$190	\$1,520	Feb. 6, 2018 (Board Audit Committee Meeting Date)
		Team Auditor – Matayoshi	8	\$175	\$1,400	
Direct Expenses	Mileage	270 miles plus toll	.545 /mile	\$155	Feb. 6, 2018 (Board Audit Committee Meeting Date)	
Total Fixed Fee Amount				\$6,695		

Task Order No. 008

Title: Risk Assessment Implementation

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

District Supervising Program Administrator: Karna DuQuite, Office of CEO & Board Support


Consultant Project Manager: Denise Callahan, President

Dollar Amount of Task Order: Fixed Fee \$41,300

1. Upon full execution of this Task Order No. 008, as set forth in the Standard On-Call Consultant Agreement Section Twelve, subsection 13., Task Orders, and the issuance of a notice to proceed by the District Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the notice to proceed will be considered outside the contracted scope of Services and will not be eligible for payment.
2. Both the scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A, which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
 - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
 - B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
 - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
 - D. Project schedule for completing the scope of Services.
3. The Consultant shall be compensated at fixed fees or at the hourly rates established in the Agreement, Attachment A to the Scope of Services, Fees, and Payments. The Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order will become effective on the date of full execution by authorized representatives of the Parties and remain in effect until the earlier of: termination of this Agreement; completion of the tasks set forth in Attachment A.
5. Copies of applicable local, state, and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to the District.

6. The Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the terms and conditions of the Agreement.

7. Signatures:  2/16/18
TAP INTERNATIONAL INC. DATE
Denise Callahan
President, Lead Auditor

Signature:  2/23/18
SANTA CLARA VALLEY WATER DISTRICT DATE
Karna DuQuite
Supervising Program Administrator
Continual Improvement Unit

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Task Order No. 8

Attachment A – TAP International, Inc.

Risk Assessment Implementation

- A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
- B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
- C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
- D. Project schedule for completing the Scope of Services.

Activity	Assigned Consultant	Hours	Rate	Sub Total	Project Schedule Completion Date
Implementation of Risk Assessment Model (1 additional department, 2 additional operational activities across 12 other Department/Divisions) See below for list of departments and activities.	Team Auditors- Callahan, Matayoshi Hoffman, Kousser,	100	175	\$17,500	100 working days after issuance of audit notification letter
Analysis of Risk Assessment Results	Lead Auditor – Callahan	20	190	\$3,800	Three weeks upon completion of data collection efforts among 13 departments
Preparation of Draft and Final Results Report	Lead Auditor	100	190	\$19,000	Three weeks upon completion of data collection efforts among 13 departments
		735			
Travel expense (1 trip) mileage (*depending on meeting coordination, overnight lodging may take place, but expenses will stay within budget)	Mileage miles plus toll	270	.545	\$1,000*	
Total Fixed Fee Amount				\$41,300	

Scope of Work

District Departments

1. Human Resources Division

Operational Activities

1. Personnel Safety
2. Transparency

Draft and Final Report (Excludes Board meeting /Audit committee attendance

Task Order No. 9

Title: Board Audit Committee Meeting Attendance, May 3, 2018

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

District Supervising Program Administrator: Felicia Hernandez

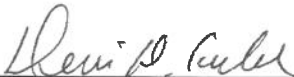
Consultant Project Manager: Denise Callahan, President

Dollar Amount of Task Order: Fixed Fee \$7,150

1. Upon full execution of this Task Order No. 9, as set forth in the Standard On-Call Consultant Agreement Section Twelve, subsection 13., Task Orders, and the issuance of a notice to proceed by the District Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the notice to proceed will be considered outside the contracted scope of Services and will not be eligible for payment.
2. Both the scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A, which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
 - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
 - B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
 - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
 - D. Project schedule for completing the scope of Services.
3. The Consultant shall be compensated at fixed fees or at the hourly rates established in the Agreement, Attachment A to the Scope of Services, Fees, and Payments. The Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order will become effective on the date of full execution by authorized representatives of the Parties and remain in effect until the earlier of: termination of this Agreement; completion of the tasks set forth in Attachment A.
5. Copies of applicable local, state, and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to the District.

6. The Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the terms and conditions of the Agreement.

7. Signatures:

Signature:  4/03/2018
TAP INTERNATIONAL, INC. DATE
Denise Callahan
President, Lead Auditor

Signature:  4/5/18
SANTA CLARA VALLEY WATER DISTRICT DATE
Felicia Hernandez

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Task Order 9

Attachment A – TAP International, Inc.

Board Meeting Attendance

- A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
- B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
- C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
- D. Project schedule for completing the Scope of Services.

Activity	Assigned Consultant	Hours	Rate	Sub Total	Project Schedule Completion Date
Development of presentation material to aid in the discussion on the progress made related to the District-wide risk assessment.	Lead Auditor – Callahan	15	\$190	\$2,850	April 20, 2018
	Team Auditor – Matayoshi	15	\$175	\$2,625	
Board Meeting (travel time, meeting)	Lead Auditor – Callahan	8	\$190	\$1,520	May 3, 2018 (Board Audit Committee Meeting Date)
Direct Expenses	Mileage	270 miles plus tolls	.545 /mile	\$155	May 3, 2018 (Board Audit Committee Meeting Date)
Total Fixed Fee Amount				\$7,150	

Task Order No. 010

Title: Draft and Final ANNUAL AUDIT WORK PLAN

Agreement: Standard On-Call Consultant Agreement 04071A ("Agreement") Between the Santa Clara Valley Water District ("District") and TAP International, Inc. ("Consultant"), dated May 23, 2017.

District Supervising Program Administrator: Felicia Hernandez

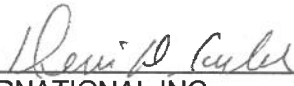
Consultant Project Manager: Denise Callahan, President

Dollar Amount of Task Order: Fixed Fee \$

1. Upon full execution of this Task Order No. 010, as set forth in the Standard On-Call Consultant Agreement Section Twelve, subsection 13., Task Orders, and the issuance of a notice to proceed by the District Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the notice to proceed will be considered outside the contracted scope of Services and will not be eligible for payment.
2. Both the scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A, which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:
 - A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
 - B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
 - C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
 - D. Project schedule for completing the scope of Services.
3. The Consultant shall be compensated at fixed fees or at the hourly rates established in the Agreement, Attachment A to the Scope of Services, Fees, and Payments. The Consultant agrees that it will provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.
4. This Task Order will become effective on the date of full execution by authorized representatives of the Parties and remain in effect until the earlier of: termination of this Agreement; completion of the tasks set forth in Attachment A.
5. Copies of applicable local, state, and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to the District.

6. The Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the terms and conditions of the Agreement.

7. Signatures:

Signature:  8/16/20
TAP INTERNATIONAL INC. DATE
Denise Callahan
President, Lead Auditor

Signature:  8/23/18
SANTA CLARA VALLEY WATER DISTRICT DATE
Felicia Hernandez
Supervising Program Administrator

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Task Order No. 010

Attachment A – TAP International, Inc.

Risk Assessment Implementation

- A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to the District Project Manager.
- B. The total fixed fee amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification.
- C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees.
- D. Project schedule for completing the Scope of Services.

Activity	Assigned Consultant	Hours	Rate	Sub Total	Project Schedule Completion Date
Interviews of Clerk of the Board and individual Board Members to discuss auditable areas.	Lead Auditor- Callahan	24	190	\$4,560	Two weeks upon approval of task order dependent on successful Board member scheduling of meetings.
Development of Audit Work Plan	Lead Auditor – Callahan	16	190	\$3,040	Two weeks upon completing individual interviews.
Travel expense (8 trips) mileage (*depending on meeting coordination, overnight lodging may take place, but expenses will stay within budget)	Mileage miles plus tolls and possible lodging	270 miles /trip	.545	\$1,000*	
Total Fixed Fee Amount				\$8,600	

File No.: 18-0209

Agenda Date: 9/26/2018

Item No.: 3.2.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Proposed Board Audit Committee Charter.

RECOMMENDATION:

- A. Discuss the Committee's desire or need for a Board Audit Committee Charter;
- B. Identify desired elements for inclusion in a Board Audit Committee Charter; and
- C. Provide direction to staff as needed.

SUMMARY:

The District's on-call advisor to the Board Audit Committee (BAC), TAP International, Inc. (TAP), has recommended that the BAC adopt a formal charter to guide its work. To develop such a Charter, input is needed from the BAC on certain key elements so that the Charter is in accord with the values and goals of the BAC. This agenda item is intended to foster discussion on these issues and to allow the BAC to provide feedback on the values and other elements it wants reflected in the Charter.

A. BAC Background

Pursuant to Board Governance Policy GP-8 (Board Committee Principles), the Board may establish Standing Committees or Ad Hoc Committees to "assist it with policy advice, District Mission implementation, respective expertise" and producing a link with the community. These Board Committees are established for a specific purpose as defined by the Board, and their purpose may also include a definition in authority and limitation in duration. (GP-8.1.1.)

The BAC was originally enacted by the District's Board of Directors at its September 9, 2004 Board meeting. The BAC was initially established as an ad hoc committee to assist in the preparation for, and performance of, a management audit and to return to the Board with recommendations on the audit scope and stakeholder participation. Having fulfilled this purpose in 2007, the BAC became inactive the following year. In 2009, the BAC resumed its meetings. Currently, the purpose of the BAC is defined as follows:

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.

In short:

- The BAC operates to assist the full Board of Directors;
- The BAC's activities must be consistent with direction from the full Board;
- The BAC is tasked with identifying potential areas for audit and audit priorities; and
- The BAC is tasked with managing the audits that are ultimately undertaken

B. Audit Committee Charters

Currently, the BAC is guided by the broad purpose it was designed to fulfill as defined by the Board of Directors. These broad powers do not provide detailed guidance regarding how the BAC should carry out its functions. This could result in different standards being applied in different cases (e.g., what audit standards to use), the loss of time spent discussing what approaches to take in different cases, and potentially conflicting expectations of the Board, the Committee members, and the public. Adoption of a Charter to govern the BAC's activities would resolve these issues.

In the same way that the full Board of Directors has adopted a Governance Policy to guide its functions and activities, the BAC could adopt a charter to concisely set forth its function, its purpose, its values, and its overarching goals. Additionally, the Charter could provide additional guidance regarding *how* the BAC fulfills its goals by including defined Operational Principles.

By way of illustration, a generic Model Audit Committee Charter published by the Institute of Internal Auditors is attached hereto as Attachment-1. This Model Charter outlines the general areas that could be included and would need to be customized to suit the BAC's purposes:

Organizational Principles

- Background
- Purpose
- Composition of Audit Committee / Role of the Chair

Operational Principles

- Committee values
- Work Plan
- Meeting Agenda
- Information Requirements
- Orientation and Training

Operational Procedures

- Meetings
- Minutes
- Values and Ethics
- Organizational Governance
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- Fraud
- Control
- Compliance

Oversight of the Internal Audit Activity and other Assurance Providers

- Internal Audit Activity
 - Reviewing and approving internal audit charter periodically
 - Internal Audit Strategy and Plan
 - Internal Audit Engagement and Follow Up
 - Standards Conformance
- External Auditors
 - Reviewing external auditors' proposed audit scope and approach
 - Reviewing performance of external auditors
 - Exercising approval on appointment or discharge of auditors
 - Monitor management's progress on action plans
- Financial Statements and Public Accountability Reporting
- Reporting on Audit Committee Performance

C. BAC Input Regarding Charter Elements

The BAC may adopt a Charter to govern its activities so long as the authority and powers stated therein are consistent with, and do not exceed, the authority granted by the Board of Directors when it established this Committee. To the extent some broader powers are desired by the BAC, it will need to make a recommendation to the full Board of Directors to approve that expansion.

1. Questions Identified by TAP

TAP has identified the following general questions for the BAC to consider in the development of this Charter:

Audit committee roles and responsibilities

What do you want the purpose of the Audit Committee to be?

- Policy oversight role?
- Operational oversight role?
- Financial oversight role?
- Combination of above?

How long shall be the terms?

How often shall it meet?

What shall be the role of the Chair?

Professionalism (Audit Standards to Use):

What audit standards does the Audit Committee want all audits to follow?

- Generally accepted government auditing standards (GAGAS), (i.e. applies to all audits)
OR
- International Standards for the Professional Practice of Internal Auditing (i.e. for audits of internal operations only)

Roles and Responsibility of the Independent Auditor:

What authority do you want the independent auditor to have?

What areas can be covered by the Audits?

- Governance
- Operations
- Financial management
- Internal Controls

- Efficiency and effectiveness
- types of audits do you want the Independent Auditor to perform?
- Non-audit services (consulting, best practices advisories, etc.)

How Shall Audit be Prioritized? (project delivery impact, service delivery impact, financial impact, etc.)

Requirements for an Audit Work Plan:

- Annual
- Bi-annual
- Triennial?

Reporting and Monitoring

- Requirement for Management response of draft report or after issuance of final report?
- Timeframe allowed for Agency response?
- What monitoring activities will take place to ensure the implementation of audit recommendations?

Code of ethics

2. Additional Questions for BAC

In addition to the above-referenced questions identified by TAP, the Board is requested to provide input on the following:

1. Should the operational section include language regarding the process of making recommendations to the Board and obtaining Board approval before undertaking audits?
2. Should the operational section include any time requirements regarding reports to the Board following completion of final audit reports?
3. Should the operations section include any minimum requirements for District staff support to the BAC?

D. Next Steps

Once the BAC has provided input in response to the above-referenced questions, staff can develop a proposed Charter for approval at the next BAC meeting.

To the extent the BAC desires changes that essentially expand its authority beyond its original purpose as defined by the full Board (e.g., making a final determination on what audits to conduct without obtaining Board approval), a recommendation will initially need to be made to the full Board to approve of this expanded role. Following such Board approval, the broader Charter can be adopted by the BAC.

ATTACHMENTS:

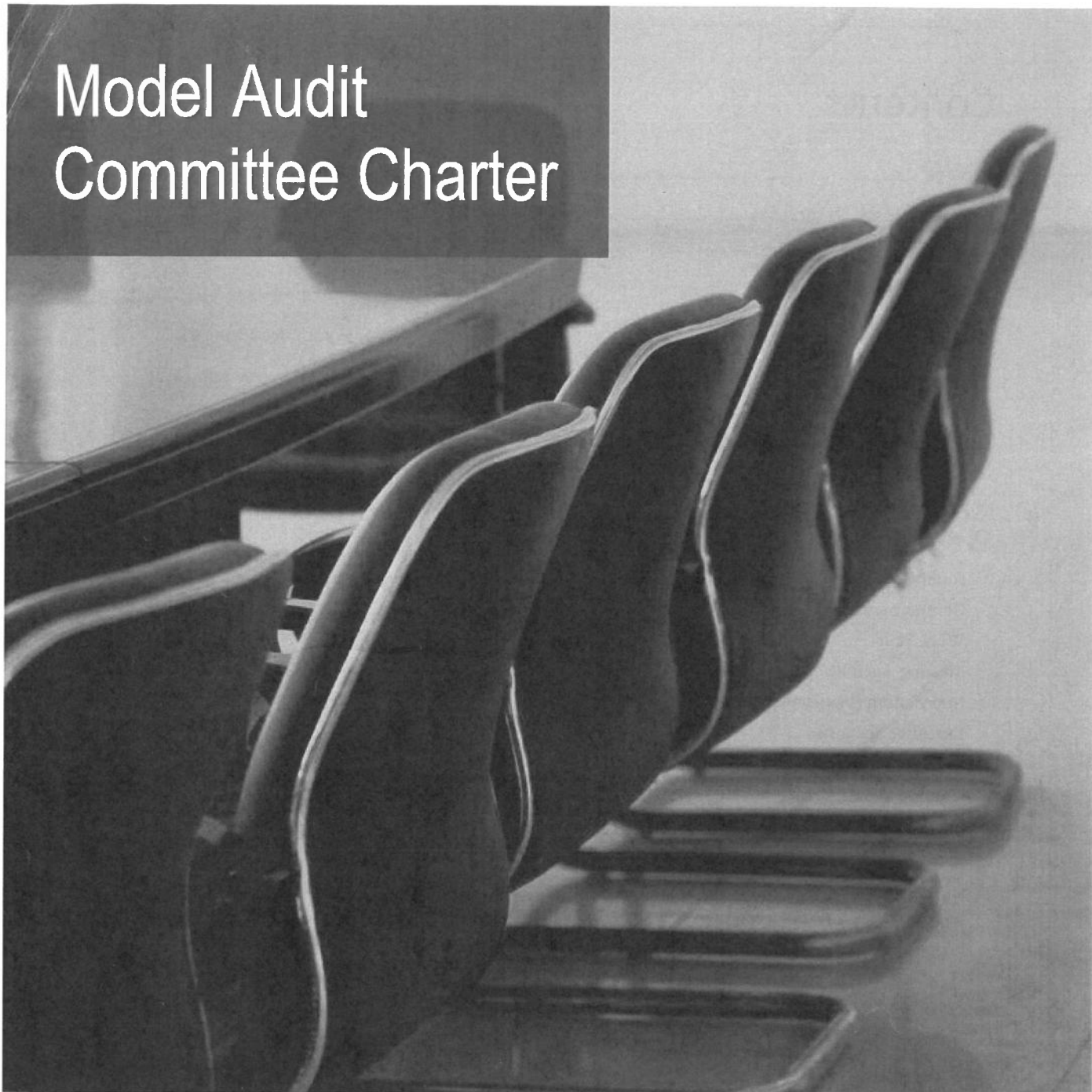
Attachment 1: Model Audit Committee Charter

UNCLASSIFIED MANAGER:

Brian Hopper, 408-630-2765

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Model Audit Committee Charter



Revised: March 2017

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Preface

The Model Audit Committee Charter is designed to illustrate common or leading practices typically set out in an audit committee charter. The generic nature of this draft is intended to encourage customization.

The document may not reflect all legal or regulatory requirements that exist in the every jurisdiction. Additionally, stakeholder expectations may influence the inclusion or deletion of certain practices.

In drafting an audit committee charter, care should be exercised to customize the charter, including replacing bracketed, blue text with language that accurately reflects the user's situation.

Organizational Principles

Introduction [Optional]

The audit committee plays an important role in providing oversight of the organization's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The audit committee performs its role by providing independent oversight to the governing body e.g. board.

Background [Optional]

The audit committee was established on [date]. At that time, the charter for the committee was established. The charter, which governs the work of the committee, was reviewed and updated on [date].

Purpose

The purpose of the audit committee is to provide a structured, systematic oversight of the organization's governance, risk management, and internal control practices. The committee assists the board and management by providing advice and guidance on the adequacy of the organization's initiatives for:

- Values and ethics.
- Governance structure.
- Risk management.
- Internal control framework.
- Oversight of the internal audit activity, external auditors, and other providers of assurance.
- Financial statements and public accountability reporting.

In broad terms, the audit committee reviews each of the items noted above and provides the board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

Mandate [Optional]

The mandate for the establishment of the audit committee was derived from [Insert text; the exact source of the mandate will vary among jurisdictions and depend on the location, government structure, type of public sector services, and relationship to other government entities. This section is typical for public sector organizations and may come in the form of laws, regulations, policies and procedures, or bylaws.].

Authority

The audit committee charter sets out the authority of the audit committee to carry out the responsibilities established for it by the board as articulated within the Audit Committee Charter.

In discharging its responsibilities, the audit committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The committee also will have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the Audit Committee and/or CAE will follow a prescribed, board approved mechanism for resolution of the matter.

The audit committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The organization's management and staff should cooperate with audit committee requests.

The audit committee may engage independent counsel and/or other advisors it deems necessary to carry out its duties.

The audit committee is empowered to:

- Appoint, compensate, and oversee all audit and non-audit services performed by auditors, including the work of any registered public accounting firm employed by the organization. [Note: This requirement may not be applicable in the public sector if the external auditor is established by legislation; for example, an Auditor General.]
- Resolve any disagreements between management and the external auditor regarding financial reporting and other matters.
- Preapprove all auditing and non-audit services performed by auditors.

Composition of the Audit Committee

The audit committee will consist of [Insert number; at least three] members that are independent of the organization. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk, and control. Because the responsibilities of the audit committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the committee in response to emerging needs.

The Chair of the Audit Committee

The board will designate the chair of the audit committee and appointment committee members.

Terms of Office

The term of office for an audit committee member is [Insert number; typically three to four] years. Continuance of audit committee members will be reviewed annually. To ensure continuity

within the audit committee, the appointment of members should be staggered. [Note: In some jurisdictions there are limits to the number of terms which independent members of the committee may serve, if this is the case such limits may be reflected in the charter.]

Quorum

The quorum for the audit committee will be a majority of the members.

Operational Principles

Audit Committee Values

The audit committee will conduct itself in accordance with the code of values and ethics of the organization and [Add reference to additional pertinent legislation/regulations/policies]. The audit committee expects that management and staff of the organization will adhere to these requirements.

Communications

The audit committee expects that all communication with management and staff of the organization as well as with any external assurance providers will be direct, open, and complete.

Work Plan

The audit committee chair will collaborate with senior management and the chief audit executive (CAE) to establish a work plan to ensure that the responsibilities of the audit committee are scheduled and will be carried out.

Meeting Agenda

The chair will establish agendas for audit committee meetings in consultation with audit committee members, senior management, and the CAE.

Information Requirements

The audit committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information will be provided to the audit committee at least one week prior to each audit committee meeting.

Executive Sessions

The audit committee will schedule, and hold if necessary, a private session with the chief executive officer (CEO), the chief financial officer (CFO), the CAE, external assurance providers, and with any other officials that the audit committee may deem appropriate at each of its meetings.

Preparation and Attendance

Audit committee members are obligated to prepare for and participate in committee meetings.

Conflict(s) of Interest

Audit committee members should adhere to the organizations code of conduct and any values and ethics established by the organization. It is the responsibility of audit committee members to disclose any conflict of interest or appearance of a conflict of interest to the committee. If there is any question as to whether audit committee member(s) should recuse themselves from a vote, the committee should vote to determine whether the member should recuse himself or herself.

Orientation and Training

Audit committee members will receive formal orientation training on the purpose and mandate of the committee and on the organization's objectives. A process of continuing education will be established.

Operational Procedures

Meetings

The audit committee will meet at least [Insert number; at least four is generally recommended] times annually or more frequently as the committee deems necessary. The time frame between audit committee meetings should not exceed four months.

Minutes

Minutes will be prepared in accordance with applicable law, regulation, bylaw, policy, procedure, and/or other applicable requirements. Meeting minutes will be provided in draft format at least two weeks after the audit committee meeting.

Required Attendance

The CAE and [Insert text; include the title of the person to whom the CAE reports and the title of the person responsible for managing the external audit relationship] are required to attend all audit committee meetings.

Secretariat Services

The CAE (or another appropriate designee) will facilitate and coordinate meetings as well as provide ancillary support to the committee, as time and resources permit.

Remuneration of Committee Members

Committee members may be reimbursed for travel and committee-related expenses. [If applicable, a policy should be established and outlined in the legal basis and/or a formal travel policy that applies to all committee members.]

Payment rates and allowances for committee members' time and/or services are established formally in [Insert text regarding laws, regulations, or in written policy and procedures by the governing body].

Professional Indemnity Insurance: [Professional indemnity insurance arrangements that are suitable to both the member and the organization should be established. Insert text regarding agreed-upon arrangements].

Responsibilities

It is the responsibility of the audit committee to provide the board with independent, objective advice on the adequacy of management's arrangements with respect to the following aspects of the management of the organization:

Values and Ethics

To obtain reasonable assurance with respect to the organization's values and ethics practices, the audit committee will:

- Review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the organization.
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all of the managers and staff of the organization.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

Organizational Governance

To obtain reasonable assurance with respect to the organization's governance process, the audit committee will review and provide advice on the governance process established and maintained within the organization and the procedures in place to ensure that they are operating as intended.

Risk Management

To obtain reasonable assurance with respect to the organization's risk management practices, the audit committee will:

- Annually review the organization's risk profile.
- Obtain from the CAE an annual report on management's implementation and maintenance of an appropriate enterprise wide risk management process.

- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
- Provide oversight of the adequacy of the combined assurance being provided.
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

Fraud

To obtain reasonable assurance with respect to the organization's procedures for the prevention and detection of fraud, the audit committee will:

- Oversee management's arrangements for the prevention and deterrence of fraud.
- Ensure that appropriate action is taken against known perpetrators of fraud.
- Challenge management and internal and external auditors to ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of the organization's controls in responding to risks within the organization's governance, operations and information systems, the audit committee will:

- Consider the effectiveness of the organization's control framework, including information technology security and control.
- Review and provide advice on the control of the organization as a whole and its individual units.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and the board.

Compliance

The audit committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies.

- Review the process for communicating the code of conduct to the organization's personnel and for monitoring compliance.
- Obtain regular updates from management and the organization's legal counsel regarding compliance matters.

Oversight of the Internal Audit Activity and Other Assurance Providers

Internal Audit Activity

To obtain reasonable assurance with respect to work of the internal audit activity, the audit committee will provide oversight related to:

Internal Audit Charter and Resources

- Review and approve the internal audit charter at least annually. The charter should be reviewed to ensure that it accurately reflects the internal audit activity's purpose, authority, and responsibility, consistent with the mandatory guidance of The IIA's International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the organization and reflects developments in the professional practice of internal auditing.
- Advise the board about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through outsourcing.

CAE Performance

- Advise the board regarding the qualifications and recruitment, appointment, and removal of the CAE.
- Provide input to management related to evaluating the performance of the CAE.
- Recommend to management or the governing body the appropriate compensation of the CAE.

Internal Audit Strategy and Plan

- Review and provide input on the internal audit activity's strategic plan, objectives, performance measures, and outcomes.
- Review and approve proposed risk-based internal audit plan and make recommendations concerning internal audit projects.
- Review and approve the internal audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan.
- Review the internal audit activity's performance relative to its audit plan.

Internal Audit Engagement and Follow Up

- Review internal audit reports and other communications to management.
- Review and track management's action plans to address the results of internal audit engagements.
- Review and advise management on the results of any special investigations.
- Inquire of the CAE whether any internal audit engagements or non-audit engagements have been completed but not reported to the committee; if so, inquire whether any matters of significance arose from such work.
- Inquire of the CAE whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

Standards Conformance

- Inquire of the CAE about steps taken to ensure that the internal audit activity conforms with The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- Ensure that the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the audit committee.
- Ensure that the internal audit activity has an external quality assurance review every five years.
- Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- Advise the board about any recommendations for the continuous improvement of the internal audit activity.

External Auditors

To obtain reasonable assurance with respect to work of the external assurance providers, the audit committee will meet with the external assurance providers during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for management.

The audit committee will:

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit activity. [Note: This may not be applicable in a public sector setting.]
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. [Note: This may not be applicable in a public sector setting.]

- Obtain statements from the external auditors about their relationships with the organization, including non-audit services performed in the past, and discuss the information with the external auditors to review and confirm their independence.
- Have regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters.
- Monitor management's progress on action plans.

To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the audit committee will regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.

Financial Statements and Public Accountability Reporting

The audit committee is responsible for oversight of the independent audit of the government entity's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

The audit committee will:

- Review with management and the external auditors the results of audit engagements, including any difficulties encountered.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings and consider the accuracy and completeness of the information before it is released.
- Review with management and the external auditors all matters required to be communicated to the audit committee under generally accepted external auditing standards.
- Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement in the process.
- Review interim financial reports with management and external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

Other Responsibilities

In addition, the audit committee will:

- Perform other activities related to this charter as requested by the governing body.
- Institute and oversee special investigations as needed.
- Regularly evaluate its performance and that of its individual members. [Note: Annual assessments are recommended.]

Reporting on Audit Committee Performance

The audit committee will report to the board annually, summarizing the committee's activities and recommendations. The report may be delivered during an audit committee meeting attended by the board or during a regularly scheduled meeting of the board.

The report should include:

- A summary of the work the audit committee performed to fully discharge its responsibilities during the preceding year.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the governing organization.
- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.
- The committee may report to the governing body at any time regarding any other matter it deems of sufficient importance.

Approval/Signatures

Chief Executive Officer _____ Date _____

Audit Committee Chair _____ Date _____

Chairman of the Board _____ Date _____

ABOUT THE IIA

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File No.: 18-0767

Agenda Date: 9/26/2018

Item No.: 3.3.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Conflict of Interest Status Update. (Continued from 08/15/2018)

RECOMMENDATION:

- A. Receive and discuss draft Ethics Policy; and
- B. Receive information regarding planned Conflict of Interest avoidance measures.

SUMMARY:

At the February 6, 2018 Board Audit Committee (BAC) meeting, staff was asked to come back to the Committee with a number of recommendations regarding strengthening the Conflict of Interest process for contractors and staff, including providing the draft Ethics policy for their review.

Draft Ethics Policy

The draft update to the District's Ethics policy is attached for reference. (Attachment 1). Pending Committee members' comments, staff is prepared to begin routing this draft Ethics policy for stakeholder review and implementation.

Manager Evaluations

Staff is in the process of developing language to incorporate into manager level evaluations that addresses the need for awareness of both actual and perceived conflicts of interest pertaining to their respective staff and project assignments. This language is slated to be incorporated into the Employee Development and Performance Management Program (EDDP) effective FY19.

Contracting Process Changes

Staff will be creating a Conflict of Interest disclosure template for inclusion in the District bid submission packet that will require consultants to disclose whether they have immediate family members working at the District (parents, children, spouses or registered domestic partners). Currently staff is evaluating which parties in the bid will be subject to this new disclosure requirement (e.g., owners, high-level managers, etc.).

TAP Audit Recommendations for Form 700

Following the 2014 TAP Audit, the Form 700 process was transferred to the Ethics office. Since that time, the Ethics office staff in conjunction with District Counsel has established and conducted a consistent and comprehensive process to analyze District contracts administered through the CAS system for Form 700 filing determination. For legacy contracts prior to 2015, retroactive analysis is being conducted as amendments are approved by the Board. The template currently in use for Form 700 filing determination is attached for reference. (Attachment 2).

Background

The issue of conflicts of interest has been ongoing for several years. At the February 6, 2018, committee meeting, staff was asked to agendize processes for addressing conflicts of interest between contractors and staff (Attachment 1). While the District's practice is to comply with California law, the Ethics and Equal Opportunity Programs staff has developed proposed language that will formalize the District's practice with respect to conflicts of interest between contractors and staff and is developing additional conflict of interest avoidance measures. They plan to pursue incorporating the proposed language into the Ethics and Business Conduct policy through their stakeholder review process. At the direction of the committee staff will bring this issue to the full Board for discussion.

At this meeting, the Committee will receive, discuss, and provide input regarding the draft changes to the Ethics policy, as contained in Attachment 1, along with the planned Conflict of Interest avoidance measures.

ATTACHMENTS:

Attachment 1: Draft Ethics Policy

Attachment 2: Form 700 Applicability Master Template

UNCLASSIFIED MANAGER:

Tina Yoke, 408-630-2385

	ETHICS - TO BE DETERMINED	DOCUMENT NO.: AD-2.11
		REVISION: A
		EFFECTIVE DATE:
		PROCESS OWNER: Anil Comelo
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1. POLICY STATEMENT

As stewards of the public trust, all employees of the Santa Clara Valley Water District (District) are accountable to the public and are required to demonstrate the highest standards of personal integrity, honesty, and business and professional conduct with each other and with the individuals and communities they serve. Their actions as individuals, and collectively as an organization, must comply with all applicable laws and must align with the public service values that underpin their work. Actions and decisions must always be in the public's interest and not for personal gain. Conflicts of interest, and actions which create a perception of conflict of interest, must be avoided. In short, employees must conduct themselves in a manner which engenders public trust in government. This policy sets forth the minimum standards for ethical conduct to be followed by the employees of the District.

Employees are expected to seek guidance from the Ethics & Equal Opportunity Program staff in the event of any questions or uncertainty regarding compliance with the requirements contained herein.

GOVERNING POLICIES

Employees shall govern themselves in accordance with the following specific policies. These are summaries of the requirements for each specified area, and the full requirements are set forth in the referenced District policies, state statutes, or state regulations. Those requirements are incorporated by reference as if set forth fully herein.

A. Responsibilities of Public Service

Public service is a privilege and is the foundation of the District's work. The principles on which the District's ethics policies are based include the following ethics-related provisions of the District's Values Statement:

- a. We are entrusted to serve the public and are responsible for carrying out the District mission for the benefit of the community.
- b. We take pride in our work and are accountable and trusted to carry out our responsibilities with honesty and integrity.

The conduct of Employees in their official and private affairs should be above reproach. With respect to their official duties, Employees must never allow personal or private financial considerations to enter their decision-making process. Employees should also be cognizant of appearances and avoid carrying out their duties in a manner which gives any appearance of a conflict of interest even where an actual conflict of interest may not exist as a matter of law.

B. Conflicts of Interest

Conflict-of-interest laws are grounded on the notion that government officials and employees owe paramount loyalty to the public, and that personal or private financial considerations on the part of government officials and employees should never be allowed to enter the decision-making process. Employees are required to avoid any actual conflicts of interest and any

	ETHICS - TO BE DETERMINED	DOCUMENT NO.: AD-2.11
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appearances of conflicts of interest in order to assure the public that District decisions are being made impartially and in the public’s interest. Employees are prohibited from making, participating in making, or attempting to use their positions to influence any District decision which may have a reasonably foreseeable and material effect on the employee’s Immediate Family, or any of the employee’s financial interests including: real property, sources of income, business entities owned in whole or in part by the Employee, business entities in which the Employee holds a management position, and donors of gifts (Financial Interests). Where an actual or perceived conflict of interest exists, the employee and his or her manager (when made aware of the conflict) shall contact the Ethics & Equal Opportunity Program for further advice regarding the necessary steps to be taken.

Where a perceived conflict of interest exists, the manager in consultation with the employee and/or EEOP staff may consider removing the employee from the assignment. Employees shall immediately notify their managers when they become aware of a potential conflict of interest, and where a conflict of interest is determined to exist, the Employee shall be removed from any conflicting assignments.

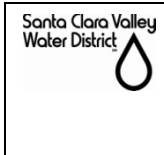
Apart from avoiding conflicts involving their Financial Interests, Employees are also required to exercise their duties free from personal bias – including biases having nothing to do with financial gain or losses. Employees are expected and required to exercise their duties with disinterested skill, zeal, and diligence, for the benefit of the public. Employees are not allowed to use their official positions to secure private benefits even where not expressly prohibited under state law – sometimes referred to as Common Law Conflicts of Interest. Employees are strictly prohibited from volunteering for or knowingly remaining in assignments that place their private, personal interests in conflict with their official duties.

C. Personal Interest in District Contracts

Employees with a financial interest in an actual or proposed contract with the District are prohibited from participating, in any way, in negotiations for the contract. This bar on participation includes preliminary discussions, negotiations, planning and solicitation of bids, execution of the contract, and making recommendations regarding execution of the contract. Financial interest in a contract includes direct or indirect financial interest. A direct financial interest exists where the employee is the party contracting with the District. An indirect financial interest exists where the employee has a financial relationship with the contracting party or will receive some benefit from the making of the contract. Employees possessing such a financial interest in actual or proposed contracts with the District must notify their managers of the conflict, and the managers must remove them from all work involving the actual or proposed contract. Where such a financial interest exists, the employee and his or her manager shall also contact the Ethics & Equal Opportunity Program for further advice regarding the necessary steps to be taken.

Note: This standard applies for Employees. A more restrictive standard applies for District elected officials.

D. Statements of Economic Interest



ETHICS - TO BE DETERMINED

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Employees holding designated positions under the District's Conflict of Interest Code (Designated Filers) and individuals identified as Consultants by the District's Ethics & Equal Opportunity Program must file Statements of Economic Interest (Form 700) with the District's filing official upon taking office, leaving office, and on an annual basis. The disclosures shall be in accordance with the District's Conflict of Interest Code and all state statutes and regulations relating to Statements of Economic Interest. Designated Filers shall be responsible for being aware of their disclosed economic interests and shall alert their supervisors and managers when a current or proposed work assignment involves, or may involve, an economic interest. Managers and supervisors shall review and be familiar with their subordinates' Statements of Economic Interest and take those disclosed interests into account when making job assignments. Questions regarding whether work on particular projects or assignments would constitute a conflict of interest should be directed to the Ethics & Equal Opportunity Program.

E. Use of Public Funds/District Property

Except where expressly permitted by written District policy (e.g., incidental issuance or receipt of non-work related e-mail: Ad 7.5 - Information Management Electronic Mail (E-Mail)), Employees shall not use District funds or resources (including staff time) for personal use or personal gain. Additionally, Employees shall not use District funds or resources for non-District purposes. The Ethics Officer shall evaluate whether any violation of this section should be referred to law enforcement.

F. Acceptance of Gifts

Employees must not use their positions to solicit money or other considerations, such as gifts, from third-parties. The receipt of gifts from those the District does business with can result in, or create the appearance of, the loss of objectivity, undue influence, and personal obligation. It can also decrease public trust in government.

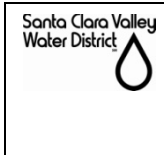
Subject to the exceptions set forth in the District's Gifts Policy (AD-2.8.03), Employees shall not accept gifts from firms or individuals with whom the District conducts business, and they must advise consultants, contractors, vendors and others with whom the District does business that they should not send gifts or things of value to any District employee.

Designated Filers are also required to comply with state law restrictions on the receipt of gifts including, but not limited to: source of the gift, reporting requirements, and limitations on the value of gifts received within a year.

G. Outside Employment

Employees are prohibited from engaging in any employment, activity, or enterprise for compensation which is inconsistent, incompatible, or in conflict with, his or her official duties or with the duties of his or her appointing authority or the District. Inconsistency, incompatibility or conflict exists where:

1. Any part of his or her efforts will be subject to approval or review by any officer, employee, board, or commission of the District;



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2. A position involves time demands that would render performance of his or her duties as an Employee less efficient;
3. There is any significant clash of duties or loyalties between the positions;
4. The dual office holdings would be improper for reasons of public policy; or
5. If either position exercises a supervisory, auditory, or removal power over the other.

Prior to engaging in any outside employment for compensation, Employees must first obtain written approval from both their manager and the Ethics & Equal Employment Program. There shall be no approval of such outside employment where it would be prohibited as set forth above.

H. Decisions Regarding Prospective Employers

Where an Employee has received an offer from, is in negotiations with, or has an arrangement for future employment with an individual, firm, or entity, he or she shall not make, participate in making, or influencing any decision directly relating to that prospective employer. Where such offers, negotiations, or arrangements for prospective employment have been made to an Employee, he or she shall immediately alert his or her manager of this fact and request to be removed from the disqualifying assignment or project. The manager shall then make all necessary reassignments so that the Employee will not be in a position to make, participate in making, or influencing any decision directly relating to that prospective employer.

I. Revolving Door

For a one-year period following the end of their employment at the District, Designated Filers shall be prohibited from representing for compensation any other person or entity before the District regarding any issues over which they had decision-making authority during the three years prior to leaving District employment. For purposes of this policy, “representing” shall mean appearing before or communicating with elected officials or employees of the District in an attempt to influence the District’s decisions in: (1) an administrative action; (2) a legislative action; (3) an action involving a permit, license, or contract; or (4) a transaction involving the sale or purchase of property or goods.

This restriction shall not apply:

- Where the Employee was terminated or involuntarily separated from District service;
- To the representation of nonprofit organizations or government entities; or
- To work performed for an entity contracting to perform services for the District where the former Employee does not “represent” that entity before the District.

The District shall provide Employees with notice of this policy upon their voluntary separation from service. This section shall only apply to employees separating after the adoption of this policy and shall not apply retroactively. Former Employees representing for compensation any other person or entity before the District in violation of this policy shall be deemed in violation of this policy and shall be deemed out of order at any such proceeding. The District may seek judicial or injunctive relief in the courts to enjoin violations of or to compel compliance with the provisions of this section.

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J. Nepotism

It is in the District's interest to avoid favoritism and the appearance of favoritism, and to decrease the potential for inappropriate or illegal conduct in the workplace. To that end, Employees are prohibited from participating in decisions or formal recommendations to hire, promote, change the compensation of, or transfer members of their Immediate Family or Dating Partner.

Even where they have not been involved in any hiring, promotion, or transfer decisions or recommendations, Employees shall also be prohibited from: (1) assigning, evaluating, or supervising the work of Immediate Family or Dating Partners; (2) recommending discipline of Immediate Family or Dating Partners; and (3) having access to confidential information regarding Immediate Family or Dating Partners. Employees shall have an obligation to immediately notify their supervisors when members of their Immediate Family are placed, or are proposed to be placed, under their supervision.

K. Whistleblowing

Reporting

Where they possess reasonable cause to believe there has been: (1) a violation of law; (2) noncompliance with any District, local, state, or federal rule or regulation; or (3) unsafe working conditions or work practices in the employee's employment or place of employment, Employees who disclose information to: (a) a government or law enforcement agency; (b) an administrative agency; (c) a person with authority over the employee; (d) another employee with authority to investigate, discover, or correct the violation or noncompliance; or (e) an elected official, are engaging in protected activity and shall be protected from retaliation.

Testifying

Where they possess reasonable cause to believe there has been: (1) a violation of law; (2) noncompliance with any District, local, state, or federal rule or regulation; or (3) unsafe working conditions or work practices in the employee's employment or place of employment, Employees who participate in an investigation or testify before a public body conducting an investigation, hearing, or inquiry are also engaging in protected activity and shall be protected from retaliation.

Unreasonable Beliefs/Malicious Complaints

Reasonable belief means a genuine belief in the truth of the disclosure which a reasonable person in the whistleblower's position could possess based upon the facts. Stated beliefs are not reasonable if held with reckless disregard for, or willful ignorance of facts that would disprove the stated belief.

Filing a knowingly false or malicious complaint is, in itself, a violation of this policy, and may subject the complainant to disciplinary action pursuant to District rules and regulations pertaining to employee discipline and any applicable MOU.

L. Retaliation

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Employees are encouraged to make good faith complaints and disclosures of perceived violations of law, noncompliance with any District, local, state, or federal rule or regulation, or unsafe working conditions or work practices. Employees are also encouraged to truthfully testify in any proceeding before any public body conducting an investigation, hearing, or inquiry. The public interest is served by such complaints, disclosures, and the exercise of protected rights must always be protected. The District strictly prohibits retaliation against any person by another at the District for testifying, utilizing the complaint procedure, or reporting violations or non-compliance with any District, local, state, or federal rule or regulation, or unsafe working conditions or work practices.

Prohibited retaliation includes, but is not limited to: termination, demotion, suspension, informal discipline, failure to hire or consider for hire, failure to give equal consideration in making employment decision, failure to make employment recommendations impartially, adversely affecting working conditions, or otherwise denying any employment benefit to the person engaging in protected activity (Adverse Employment Action). Retaliation exists where the Employee’s protected conduct is a substantial motivating reason for the Adverse Employment Action. When established Retaliation constitutes a separate violation subject to investigation.

M. Political Activities/Solicitations

In accordance with state law no employee shall, when on District time, take an active part opposing or supporting any ballot proposition or candidate for any political officer, or make or seek contributions on behalf of any candidate, nor shall any employee, when on District time, seek signatures to any petition seeking to advance any ballot proposition or the candidacy of any person for political office. No employee shall use District services such as equipment or supplies for such purposes.

This prohibition does not extend to the use of public resources for providing information to the public about the possible effects of any bond issue or other ballot measure on state activities, operations, or policies, so long as (1) the informational activities are otherwise authorized by the constitution or laws of the state of California, and (2) the information provided constitutes a fair and impartial presentation of relevant facts to aid the electorate in reaching an informed judgment regarding the bond issue or ballot measure.

N. Fair Contract Processes

District contracting policies are designed to give all interested parties the opportunity to do business with the District on an equal basis and to assure the public is receiving the best value for its money. District policies relating to the procurement of goods, services, and contractors, must be strictly adhered to in order to ensure fairness to the participants. In addition to complying with restrictions regarding Conflicts of Interest and Personal Interest in District Contracts set forth elsewhere in this Policy, Employees are also prohibited from making contract decisions based upon political connections, family connections (including relatives other than Immediate Family), friendship, or favoritism. With regards to contracting decisions, Employees are prohibited from granting any special consideration or treatment or advantage to any firm or individual beyond that available to every other firm or individual in the same circumstances.

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2. PURPOSE

The purpose of this policy is to set forth the District policies and procedures that relate to ethics, incorporate by reference the state laws relating to ethical conduct, and provide:

- Guidance on ethical behavior requirements for all Employees;
- A point of contact to address questions and concerns relating to ethical issues; and
- A process to initiate inquiries and complaints into ethical issues.

3. SCOPE, ASSUMPTIONS & EXCEPTIONS

This policy applies to all Employees of the District. Individuals employed by the District under contractual agreement must also observe the provisions of this policy for the term of their agreement or as the agreement may otherwise stipulate.

This policy does not apply to District elected officials.

In the event of a conflict between this policy and any employee Bargaining Unit Memorandum of Understanding (MOU), the MOU shall prevail.

4. ROLES & RESPONSIBILITIES

Chief Executive Officer

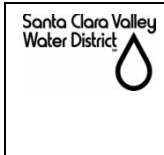
It is the role and responsibility of the Chief Executive Officer (CEO) or designee to promote practices, activities, decisions, and organizational circumstances that are supportive of the ethical standards and requirements set forth in this policy.

Office of District Counsel

It is the role of the Office of the District Counsel to provide legal advice regarding the requirements of this Ethics Policy and the requirements of state laws involving ethical issues (e.g., Political Reform Act, Brown Act, Conflicts of Interest, Incompatible Activities, Use of Political Funds for Political or Private Purposes). When requested or recommended, the Office of the District Counsel shall also seek formal or informal determinations from the Fair Political Practices Commission regarding potential conflicts of interest. The Office of the District Counsel shall handle any complaints of violations of this Policy by the CEO, the Chief Operating Officer – Administration, or the Ethics & Equal Opportunity Program Director. Any findings of violation by the CEO shall be referred to the Board of Directors. Any finding of violation by the Ethics & Equal Opportunity Program Director or the Chief Operating Officer - Administration shall be referred to the Labor Relations Unit for possible disciplinary action.

Ethics & Equal Opportunity Program

As designated by the District’s Chief Operating Officer – Administration, the Ethics Officer shall be responsible for administering the District’s Ethics Program. The Ethics Program is made up of five components:



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1. Required compliance with relevant state, federal, and local ethics-related laws
2. Required compliance with District ethics-related policies and procedures
3. The exercise of individual responsibility to seek guidance on the application of the law, policies, and District values in practice, because no set of policies can address every circumstance Employees may encounter
4. Impartial and objective inquiries and investigations into alleged non-compliance with ethics laws or policies; and
5. Individual accountability for actions found to have breached applicable ethics laws or policies

The Ethics & Equal Opportunity Program shall also:

1. Work with District Directors, management and staff to administer District ethics policies
2. Impartially and effectively implement the District's Ethics Program.
3. Administer the Statement of Economic Interests ("Form 700") filing requirements, which is required under state law for the Board and designated employees.
4. Evaluate whether individuals and entities doing business with the District will be subject to the Statement of Economic Interest reporting requirements as "Consultants" under the Political Reform Act.
5. Conduct periodic reviews to determine whether District Form 700 filers are working on matters for which they have disqualifying conflicts of interest.
6. Manage communication and training to support understanding and compliance the District's Ethics policy and procedures by Employees and District contractors, vendors, customers, and others where appropriate.
7. Be available to employees for confidential consultation, guidance and coaching, exploration of issues related to this policy, and determination of the best approach to address them.
8. Develop methods to regularly and objectively evaluate the effectiveness and continuous improvement of the Ethics Program.
9. Provide regular reports to the CEO on status of program milestones and general caseload
10. Investigate complaints regarding alleged violations of this policy by employees other than the CEO and the Ethics & Equal Opportunity Program Director. Findings of policy violations shall be referred to the Labor Relations Unit for possible disciplinary action. Allegations regarding violation of this policy by the CEO or Ethics & Equal Opportunity Program Director shall be referred to the District Counsel for investigation. Sustained allegations regarding the Clerk of the Board or District Counsel shall be referred to the District's Board of Directors.
11. Have primary jurisdiction to investigate suspected violations of this policy. The Ethics & Equal Opportunity Program may also decline jurisdiction and refer matters to the Labor Relations Unit for investigation.

Ethics Officer

The Ethics Officer shall be designated by the District's Chief Operating Officer - Administration. The Ethics Officer shall be the final authority regarding interpretation or application of this Ethics Policy. The Ethics Officer shall also review all findings for investigations handled by the Ethics

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& Equal Opportunity Program and ensure that the findings are supported by the facts. Where a sustained finding regarding a violation of this Ethics policy also amounts to a violation of state law, the Ethics Officer shall also determine whether the matter shall be referred to external agencies with jurisdiction over the violation (e.g., the Fair Political Practices Commission, the Santa Clara County District Attorney). The Ethics Officer shall be responsible for determining any exemptions from application of this policy. Exemptions may only be granted for good cause and where they would not constitute a violation of state or federal law. Exemption determinations by the Ethics Officer shall be final and not subject to appeal or further review.

Purchasing, Consultant Contracts and Warehouse Services Unit

The Purchasing, Consultant Contracts and Warehouse Services Unit shall refer all concerns regarding conflict of interest by employees and by existing or potential consultants and contractors to the Ethics & Equal Opportunity Program. The Unit shall cooperate with and provide information and support to the Ethics & Equal Opportunity Program in any investigation, inquiry or administrative proceeding so that the Ethics Officer can make determinations regarding whether individuals doing business with the District constitute “Consultants” subject to Statement of Economic Interest (Form 700) reporting requirements under the Political Reform Act.

Employees

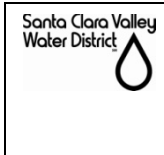
Employees, including regular employees, temporary workers, intermittent employees, and student interns, shall:

- Familiarize themselves with this Ethics policy and its requirements;
- Fully comply with the standards set forth in this Ethics policy;
- Report or seek consultation on any possible violation of the ethics laws or policies involving themselves or any other employee or individual subject to the Policy;
- Report or seek consultation from the Ethics & Equal Opportunity Program on conflicts of interest that apply or may apply to their job assignments;
- Report or seek consultation from the Ethics & Equal Opportunity Program where they possess a personal interest in District Contracts;
- Designated Filers shall submit complete and timely statements of economic interest (Form 700);
- Designated Filers shall familiarize themselves with their Financial Interests subject to disclosure in statements of economic interest; avoid participating in matters involving disqualifying financial interests; and alert supervisors and managers if receiving assignments involving disqualifying financial interests; and
- Cooperate in any investigation involving suspected violations of this policy.

Managers

In addition to complying with all of the requirements set forth for Employees above, managers (classified and unclassified) shall be responsible for:

- Familiarizing themselves with the financial interests disclosed by subordinates in their Statements of Economic Interest (Form 700);



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- Avoid assigning subordinates to matters involving their respective disqualifying financial interests or allowing them to remain in such assignments;
- Seeking the advice of Ethics & Equal Opportunity Program when in doubt regarding whether a subordinate has a financial interest disqualifying him or her from working on a matter.
- Reporting or seeking consultation from the Ethics & Equal Opportunity Program on conflicts of interest that may exist for their subordinates with respect to their assignments;
- Reporting or seeking consultation from the Ethics & Equal Opportunity Program where their subordinates possess a personal interest in District Contracts they are assigned to work on;
- Cooperating in any investigation involving suspected violations of this policy; and
- Taking appropriate action, in consultation with the Labor Relations Unit, in response to any established violations of this policy.

Labor Relations Unit

Where findings of violations of this policy have been referred to it, the Labor Relations Unit shall evaluate the underlying matter to determine if a disciplinary action is warranted.

District Policies

* District Administrative Policies

DOCUMENT TITLE/ID #	DOCUMENT LOCATION(S)
Ad-2.9.104 Nepotism	District Intranet
Ad 2.8.03 Gifts	District Intranet
Personnel Ordinance 5-015, Political Activities/ Solicitations	District Intranet
Ad 2.5.109 Outside Employment	District Intranet
Ad 2.8.04 Use of Public Funds/District Property	District Intranet
F-630-070 Application Use District Facilities/Premises	District Intranet
Ad-2.5.111 Confidentiality	District Intranet
Ad 2.8 – Equal Opportunity Programs	District Intranet
Q-741-003 Procurement of Good and Related Services	District Intranet
Q-741-004 Procurement of General Services	District Intranet
Q-741-005 Procurement of Consulting Services	District Intranet
Ethics Case Flowchart	District Intranet/Ethics Webpage
Conflict of Interest	District Intranet/Ethics Webpage
Reporting of Economic Interests (“Form 700”)	District Intranet/Ethics Webpage

5. ETHICS & EQUAL OPPORTUNITY PROGRAM INQUIRY AND COMPLAINT PROCEDURE

A. Consultations

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District staff is encouraged to seek guidance on the ethical subjects noted in this policy by contacting Ethics & Equal Opportunity Program staff. Employees can raise questions, discuss problems, receive answers and resolve issues through the Ethics Office by requesting a consultation.

B. Complaints

Employees, temporary workers and members of the public who have concerns about an individual or organizational process or who have allegations of non-compliance with the Ethics policies or state or federal law, are encouraged to report them to the Ethics office.

Complaints may be filed in person or made anonymously. Identification is appreciated, as is documentation, that supports the allegation. Speculations of wrongdoing or second-hand reports will not be investigated unless accompanied with reasons that provide the Ethics Office with sufficient information that supports the allegation is credible. Complaints may be submitted verbally or in writing; anonymous reporting is available through completion of the Anonymous Ethics/EO Input and Complaint Form, which is located on the Ethics webpage.

Complaints received by Ethics & Equal Opportunity Program staff about the CEO, COO-Administration, Human Resources DAO, or the Ethics Officer shall be directed to District Counsel.

EEOP will attempt to resolve issues at the lowest possible level. Each complaint that raises issues within the mandate of the Ethics Office is subject to a preliminary review to assess the credibility of the allegations and to determine whether a full investigation is warranted. A preliminary review generally includes an interview of the Complainant, a review of any documents submitted by the Complainant and any additional investigative steps necessary to determine whether there is a reasonable evidentiary basis that a violation of the District's ethics policies may have occurred.

C. Investigations

Speculations of wrongdoing or second-hand reports will not be investigated unless accompanied with reasons for believing that the allegation is credible. Allegations of non-compliance will be reviewed and credible allegations will be investigated by the Ethics office.

To protect the rights of all individuals involved in the investigative process, the Ethics Office carries out investigations in confidence to the extent permitted by law; except, relevant information and findings will be provided and disclosed as appropriate and necessary to address a violation. Persons accused of unethical behavior will be informed of the allegations in writing and allowed to respond once an investigation is initiated.

Upon conclusion of the investigation, the Ethics & Equal Opportunity Program staff will submit a draft report of findings Ethics Officer for review and upon concurrence, the report will then be forwarded to District Counsel's Office for legal review.

Once the report is finalized, the complainant, the respondent, and the respondent's supervisor and/or manager will be notified of a summary of the findings. If the respondent's supervisor or manager was the subject of the complaint, the next level manager will be notified of a summary of the findings.

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Investigation findings may be categorized as: sustained, not sustained, exonerated or unfounded. The Ethics & Equal Opportunity Program will refer sustained complaints to the Labor Relations Unit for further action.

D. Right to Representation

1. Classified Employees: The complainant and the respondent have the right to union representation at each step of the investigative process. The complainant and respondent may also be represented by legal counsel at each step of the investigative process; however, the District shall have no obligation to provide for such representation.
2. Unclassified Employees: The complainant and the respondent have the right to legal representation at each step of the investigative process; however, the District shall have no obligation to provide for such representation.

E. Violations of the Code of Ethics

Where it is determined that the conduct violated the policy, EEOP staff will inform the complainant that appropriate action will be taken to ensure that the conduct ceases. The privacy rights of the respondent will generally preclude the District from disclosing details of any disciplinary or corrective action taken against respondent.

Sustained allegations of Ethics Policy violations will be referred to Labor Relations for disciplinary determination, up to and including termination. Where a sustained finding regarding a violation of this Ethics policy also amounts to a violation of state law, the Ethics Officer shall also determine whether the matter shall be referred to external agencies with jurisdiction over the violation (e.g., the Fair Political Practices Commission, the Santa Clara County District Attorney).

F. Failure to Cooperate

An Employee involved in matters under investigation are expected to cooperate fully, including answering any questions from investigators completely and truthfully and providing any requested documents or other information. Failure to cooperate or to knowingly provide false or misleading information during the course of an investigation constitutes a violation of the District’s Ethics Policy, and may lead to disciplinary action.

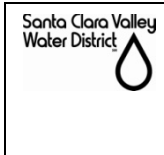
G. Withdrawing a Complaint

If a complainant wishes to withdraw their complaint during the process, the Ethics Office will document the reasons, but has the discretion to continue its investigation when deemed necessary.

H. Record Access and Maintenance

Ethics and Equal Opportunity Program Staff shall have access to all information deemed necessary to determine the validity of a complaint.

The Ethics Office registers all complaints and inquiries in a database. Ethics Office consultation and investigation files are maintained in accordance with the District’s Retention policy.



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6. MANDATORY TRAINING

Designated Filers must complete legally mandated AB-1234 training within a year of starting their Designated Filing position. Training must then be completed every two years after that. Training is available online through the FPPC website and offered in-house every odd numbered year by the District Counsel’s office.

AB-1234 training must cover general ethics principles relating to public service and ethics laws and comply with all legal requirements for such training.

7. DEFINITIONS

Definitions used by the District include:

Common Law Conflict of Interest – Allowing personal bias, including those having nothing to do with financial gain or loss, to affect the decision-making process of a government official or employee. A common-law conflict of interest may exist even where there is no statutory conflict of interest under the Political Reform Act and Government Code section 1090.

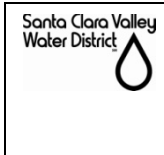
Complainant - The person submitting any allegation, claim, concern or information known to the Ethics Office indicating possible breach of the District ethics rules or policies.

Conflict of Interest – Allowing personal or private financial considerations to enter the decision-making process of a government official or employee.

Consultant – This Policy adopts the definition of “Consultant” set forth in the California Code of Regulations (2 Cal. Code Regs. Sec. 18700.3), as if fully set forth herein. Generally, Consultant means an individual who, pursuant to a contract with the District:

- (1) Makes a governmental decision whether to:
 - (A) Approve a rate, rule, or regulation;
 - (B) Adopt or enforce a law;
 - (C) Issue, deny, suspend, or revoke any permit, license, application, certificate, approval, order, or similar authorization or entitlement;
 - (D) Authorize the District to enter into, modify, or renew a contract provided it is the type of contract that requires District approval;
 - (E) Grant District approval to a contract that requires District approval and to which the District is a party, or to the specifications for such a contract;
 - (F) Grant District approval to a plan, design, report, study, or similar item;
 - (G) Adopt, or grant District approval of, policies, standards, or guidelines for the agency, or for any subdivision thereof; **or**

- (2) Serves in a staff capacity with the District and in that capacity participates in making a governmental decision or performs the same or substantially all the



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same duties for the District that would otherwise be performed by a Designated Filer.

Employee - Any individual appointed by the Board, Board Appointed Officer, or a designate, as a regular employee of the District and for purposes of this policy includes temporary, or intermittent workers.

Dating Partner – Any individual with whom an employee is having a romantic relationship.

Designated Filer –Employees holding designated positions under the District’s conflict of interest code who by virtue of that designation are required to file statements of economic interest (Form 700).

Ethics -- Standards of behavior that tell us what humans ought to do in their personal and professional lives such as honesty, integrity, respect, responsibility, fairness, and respect for law and authority (Josephson’s Institute of Ethics).

Favoritism – The practice of giving unfair preferential treatment to one person or group at the expense of another.

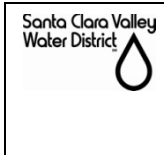
Financial Interests – This policy adopts the definition of Financial Interest set forth in the California Code of Regulations (2 Cal. Code Regs. Sec. 18700(c)(6)), and those provisions are incorporated by reference as if fully set forth. Generally, however, Financial Interest means anyone or anything listed below and includes an interest in the Employee’s own personal finances:

- (A) Any business entity in which the Employee has a direct or indirect investment worth at least \$2,000;
- (B) Any real property in which the Employee has a direct or indirect interest of at least \$2,000;
- (C) Any source of income, including commission income and incentive income as defined amounting to a total of at least \$500, provided or promised to, and received by the Employee within 12 months before the decision is made;
- (D) Any business entity in which the Employee is a director, officer, partner, trustee, employee, or holds any position of management;
- (E) Any donor of, or any intermediary or agent for a donor of, a gift or gifts amounting to a total of at least \$470 provided to, received by, or promised to the Employee within 12 months before the decision is made;

Gifts – Any payment or other benefit conferring a personal benefit for which the employee does not provide goods or services of equal or greater value.

Immediate Family – Means spouse, registered domestic partner, and children.

Investigative Findings – Determinations made based on the preponderance of evidence found in the investigation. A preponderance of evidence means it is more likely than not that the allegation(s) did or did not occur.



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Exonerated – Possible finding in an investigation that indicates that the alleged conduct or failure to act was found to be true; however, such conduct either was appropriate under the circumstances or was not found to constitute a violation of the applicable provisions of the rule and/or policy.

Not Sustained – Possible finding in an investigation which indicates that the alleged misconduct could neither be proved nor disproved, given the existing evidence.

Sustained – Possible finding in an investigation which indicates that the alleged misconduct is found to have occurred, and, where applicable, to have violated an applicable rule and/or policy.

Unfounded – Possible finding in an investigation which indicates that the alleged misconduct revealed conclusively that the alleged act did not occur.

Nepotism – Favoritism to a member of an immediate family member.

Political Activity – Activity directed at the success or failure of any ballot measure or candidate for elective office in a future election and include but is not limited to: endorsing a candidate; engaging in fundraising, developing, displaying, or distributing campaign materials; conducting research; or posting comments on social media or other internet sites.

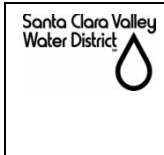
Public Resources – Money or anything paid for with public funds – including but not limited to, staff time, office space, equipment, supplies, and postage.

Retaliation – Any adverse action or credible threat of adverse action taken by the District, or any employee of the District, substantially motivated by an Employee’s complaints, testimony, or disclosures based upon reasonable belief, or his or her exercise of any other protected activity.

Whistleblower – An Employee who discloses information to a government or law enforcement agency, person with authority over the Employee, or to another Employee with authority to investigate, discover or correct the violation or non-compliance, or who provides information to or testifies before a public body conducting an investigation, hearing or inquiry, where the Employee has reasonable cause to believe that the information discloses a violation of a state or federal statutes; a violation or non-compliance with a local, state or federal rule or regulations, or with reference to Employee health or safety, unsafe working conditions or work practice in the Employee’s employment or place of employment. A whistleblower can also be an Employee who refuses to participate in an activity that would result in a violation of a state or federal statute, or a violation of or non-compliance with a local, state or federal rule of regulation.

8. CHANGE HISTORY

DATE	REVISION	COMMENTS
	A	Update



ETHICS - TO BE DETERMINED

DOCUMENT NO.: **AD-2.11**
REVISION: **A**
EFFECTIVE DATE:
PROCESS OWNER: **Anil Comelo**

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DATE	REVISION	COMMENTS

DRAFT



MEMORANDUM

FC 14 (01-02-07)

TO: [DISTRICT EMPLOYEE NAME]
[UNIT]
[DIVISION]

FROM: Anna Noriega
Program Administrator
Ethics & Equal Opportunity

SUBJECT Determination of Form 700 Applicability:
[PROJECT TITLE] – [CONSULTANT
ORG]

DATE: [DATE]

This memo provides a determination regarding the applicability of Statement of Economic Interests (Form 700) filings with regard to the District consulting contract identified below.

Contract	[PROJECT TITLE]
Approval Date/Notice to Proceed	Approved by action of the Board on [BOARD APPROVAL DATE]; [BOARD MEETING RESULT]; Notice to Proceed issued on [DATE]
Consultant Organization	[CONSULTANT ORG]
Individuals Required to File Form 700	[CONSULTANT'S NAME(S)]

This analysis is based on the final Scope of Services provided on [DATE PROVIDED], as detailed in Schedule [#] of the Standard Consultant Agreement (“Agreement”) with [CONSULTANT ORG]. Should any tasks or deliverables of the Agreement be amended over the course of the contract, this office should review those amendments to assess whether they affect this Form 700 applicability determination.

As required by the District’s Conflict of Interest Code, this determination is a public record and shall be retained for public inspection in the same manner and location as the Conflict of Interest Code.

BACKGROUND

The California Political Reform Act (“PRA”, or Government Code Sections 81000, *et seq.*), provides that agency Consultants, as defined in the Act, shall disclose pursuant to the broadest disclosure category in an agency’s Conflict of Interest Code (Code). This requirement is subject to the limitation that a written determination may be made that a Consultant, although in a position designated on the agency’s Code, is hired to perform a range of duties that are limited in scope and thus is not required to comply fully with the broadest disclosure category, but must instead comply with more tailored disclosure requirements specific to that Consultant.

On December 6, 2016, the District’s updated Code was approved by the Santa Clara County Board of Supervisors, the District’s Code reviewing body, and took effect upon adoption. In part, the District’s Code provides that the District’s Chief Executive Officer may delegate authority for determining a Consultant’s Scope of Disclosure (See SCVWD Code at Attachment 1, Exhibit B, Category 7).

Effective July 15, 2015, the CEO delegated authority to the Program Administrator of the District's Ethics and Equal Opportunity Programs (EEOP) to review and make the above-described determinations. As a result, Conflict of Interest Code matters that involve the proposed scope of disclosure for District Consultants, including review and approval of state Forms 804 and 805, now require the EEOP Program Administrator's review and approval.

ANALYSIS

The Consultant Contract

On [BOARD MEETING DATE], the District's Board of Directors considered Item [ITEM #] on its regular meeting agenda, which was a request by staff to approve a Consultant Agreement ("Agreement") with [CONSULTANT ORG] ("Consultant") for [PROJECT TITLE] ("Project"). Approved by the Board on [BOARD APPR. DATE], the term of the Agreement is until [TIME PERIOD APPROVED] with a not-to-exceed fee of [MAX FEE ON PROJECT]. A Notice to Proceed was issued on [DATE].

[BACKGROUND ON THE DISTRICT'S DEPT ROLE]

[REASON FOR CONSULTANT NEED AND CONSULTANT'S ROLE]

According to the staff memorandum for the Board's [DATE OF BOARD MEETING] action, the consulting contract would provide for the District [CONSULTANT PURPOSE OVERVIEW WITH PROJECT TIME PERIOD AND WHO IT WILL BE APPROVED BY].

Tasks and Deliverables

The Scope of Services provides that the Consultant, among other tasks, will provide:

- [LIST OF SCOPE OF SERVICES]. This involves, among other tasks, xyz

Information provided in the Agreement and by District staff indicates that the [CONSULTANT ORG] project team includes: [CONSULTANT'S NAME(S)]. In addition, the Agreement identifies [SUB-CONTRACTOR(S)], that will be working as a sub-consultant to [CONSULTANT ORG] for this Agreement. District staff indicates that the [CONSULTANT ORG] team is headed by a Principal-in-Charge, [PRINCIPAL NAME].

Form 700 Applicability

To determine scope of a Consultant's Form 700 filing requirements, the following questions are analyzed as required by the defined terms and provisions of the Political Reform Act (Title 2, California Code of Regulations, Section 18700.3 et seq.).

1. **Does the contractor perform work for the District pursuant to a contract?**
[Yes/No]. [CONSULTANT ORG] has been selected to perform its work on behalf of the District through a [SELECTION PROCESS NAME] selection process.
2. **Will the contractor make a governmental decision?**
[Yes/No].

If Yes: Under the state law definition, making a governmental decision requires a contractor, acting within the scope of the contract, to vote on a matter, appoint a person, obligate or commit the District to any course of action, enter into any contractual

agreement on behalf of the District, or decide not to take any of these actions, with regard to any of the following types of decisions:

1. Approving a rate, rule, or regulation;
2. Adopting or enforcing a law;
3. Issuing, denying, suspending, or revoking any permit, license, application, certificate, approval, order, or similar authorization or entitlement;
4. Authorizing the District to enter into, modify, or renew a contract provided it is the type of contract that requires District approval;
5. Granting District approval to a contract which requires District approval and to which the District is a party, or to the specifications for any such contract;
6. Granting District approval to a plan, design, report, study, or similar item; or
7. Adopting, or granting District approval of, policies, standards, or guidelines for the District.

As state law defines these activities, therefore, the identified employees in [CONSULTANT ORG] will be making governmental decisions pursuant to this contract, to the extent that any action by the [CONSULTANT ORG] (*INSPECTOR EXAMPLE: inspector obligates or commits the District Project to any course of action based on the Inspector's assessment of the Project's adherence to applicable standards, guidelines, or requirements. See Murad advice letter (where contractor hired by city was responsible for examining building plans for compliance with state codes, performed field inspections as a building inspector, had the power to recommend corrections, and had the ability to temporarily stop work on a project in order for corrections to be made, it met the definition of Consultant) (FPPC Advice Letter A-04-070).*)

If No: Under the state law definition, [CONSULTANT ORG] will not be making a governmental decision. Making a government decision requires a contractor, acting within the scope of the contract, to vote on a matter, appoint a person, obligate or commit the District to any course of action, enter into any contractual agreement on behalf of the District, or decide not to take any of these actions, with regard to any of the following types of decisions:

1. Approving a rate, rule, or regulation;
2. Adopting or enforcing a law;
3. Issuing, denying, suspending, or revoking any permit, license, application, certificate, approval, order, or similar authorization or entitlement;
4. Authorizing the District to enter into, modify, or renew a contract provided it is the type of contract that requires District approval;
5. Granting District approval to a contract which requires District approval and to which the District is a party, or to the specifications for any such contract;
6. Granting District approval to a plan, design, report, study, or similar item; or
7. Adopting, or granting District approval of, policies, standards, or guidelines for the District.

3. Does the contractor serve in a staff capacity?

[Yes/No]. Consideration under state regulations is given here to the duration and scope of work performed by the Consultant. The contract term is for [a year or more with services to be provided on the Project on a regular and continuous basis OR a year or less with services to be provided on the Project on an irregular and non-continuous basis]; therefore, this component of the analysis is [met/not met].

4. Does the contractor participate in making governmental decisions?

[Yes/No]. [CONSULTANT ORG] *example: will be participating in the making of governmental decisions to the extent that it (1) advises, or makes recommendations to a*

District decision-maker by (2) conducting research and preparing reports that require the exercise of judgment; and (3) that intend to inform District staff determinations and which (4) is a professional judgment relied upon by District staff without staff checking the research or reports independently.

5. Does the contractor perform the same or similar duties as a District employee required to file?

[Yes/ No]. *Example:* Tasks to be performed by the Consultant are substantially the same as services that are provided by the District's Engineering Unit Manager (Category 1), Senior Engineer, Associate Civil Engineer (Category 2), and Chief Construction Inspector (Category 5). Each is a designated position required to disclose financial interests as defined in the District's Code.

6. Does the contractor perform duties other than those that are clerical in nature or perform work without substantive review?

[Yes/No].

FORM 700 FILING DETERMINATION

1. As described above, the nature and scope of the **[CONSULTANT ORG]** contract subjects the performance of its services to Form 700 filing requirements.
2. Work to be performed pursuant to the Agreement is similar to work performed by District employees who file at the level of Category **[CATEGORY #'S]** on the District's Conflict of Interest Code. Work to be performed pursuant to the Agreement, therefore, warrants similarly tailoring Consultant's disclosure requirements.
3. As the individuals on the **[CONSULTANT ORG]** project team with responsibility for contract administration and inspections, the following individuals should be designated to file Form 700 and disclose the interests shown below, as those interests are defined under state regulations:
 - **[CONSULTANT(S) NAMES], [TITLE],** Category **[CATEGORY #]**
 - **[CATEGORY DEFINITION]**

REMINDER: FORM 700 REQUIRED FILINGS

As detailed in Appendix One of the Agreement's Scope of Services, Consultant employees, officers, agents, sub-consultants, and subcontractors assigned to perform services under the Agreement that are required to file a Form 700 shall file the following:

- An Assuming Office Statement within thirty (30) calendar days of the effective date of the Agreement;
- An Assuming Office Statement, within thirty (30) calendar days, of Consultant hiring, adding or promoting to a designated filer position employees, officers, agents, sub-consultants, and subcontractors to perform services under the Agreement.
- An Amended Form 700, anytime there is a change in their required disclosure information.
- An Annual Form 700 no later than April 1 of each calendar year; and
- A Leaving Office Form 700 within 30 calendar days of termination of the Agreement;

- A Leaving Office Form 700 within 30 calendar days of Consultant employees, officers, agents, sub-consultants, and subcontractors vacating a designated filing position (i.e. removed from the Project, promotion, demotion, transfer to non- designated position, end of employment, or as a result of changes in designated filer positions in the Districts Conflict of Interest Code.)

Questions related to the content or filing procedures for Form 700s may be directed to me at 408-630-3089.

Thank you for providing information for this review. If you have any questions about this determination, please feel free to contact me at X3089.

Anna Noriega
Program Administrator, Ethics & Equal Opportunity Programs

cc:

[NAME], Chief Operating Officer, [DIVISION]

[NAME], Deputy Operating Officer, [DIVISION]

[NAME], Manager, [DIVISION]

Tina Yoke, Deputy Administrative Officer, General Services

[NAME], Program Administrator, Procurement

Brian Hopper, Senior Assistant District Counsel

EEOP – [INITIALS]

File No.: 18-0768

Agenda Date: 9/26/2018

Item No.: 3.4.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Review of the 2017 Board Performance Measures and Report. (Continued from 08/15/2018)

RECOMMENDATION:

- A. Review the 2017 Board Performance Measures and Report and identify areas where revisions and/or additions can be made to better reflect outcomes of the Board's work; and
- B. Identify possible stretch goals of the Board that can be incorporated into future Board Performance Reports.

SUMMARY:

At the March 27, 2018, meeting, the Board requested that the Board Policy and Planning Committee (BPPC) review the 2017 Board Performance Measures and Report (Report), contained in Attachment 1, and identify areas that can be revised to better reflect the outcomes of the Board's work; and to identify possible stretch goals that can be incorporated into future performance reports.

After reviewing and discussing the Report at their April 23, 2018 meeting, the BPPC thought that the Board Audit Committee, based on the audit functions they oversee, could conduct a more detailed review the Report and provide more appropriate feedback to better reflect the outcomes of the Board's work.

ATTACHMENTS:

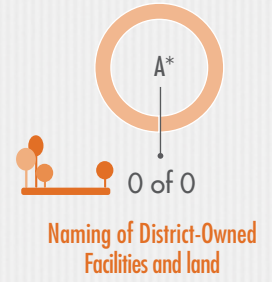
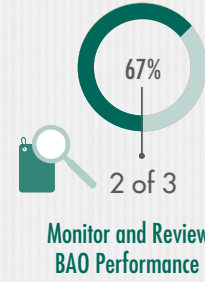
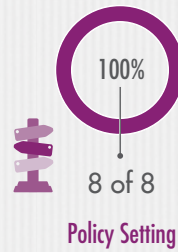
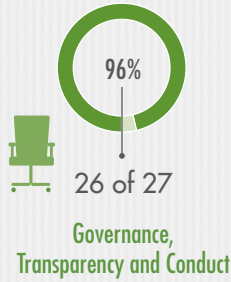
Attachment 1: 2017 Board Performance Measures and Report

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

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OVERVIEW OF BOARD'S ANNUAL PERFORMANCE



I. Governance, Transparency and Conduct	
Indicator	Measure
1 Education Number, nature, and scope of continuing education, undertaken individually and collectively, on issues relevant to the district to improve board performance and increase governance skills and understanding	A. Percent of board-attended meetings, events, and conferences attended to improve board performance and increase governance skills and understanding. 100% Target = 100% (≥ 80 per board member, per year)
2 Attendance Board member attendance	A. Percent of board meeting attendance, not including excused absences. 100% Target ≥ 95%
	B. Percent of Board Standing and Ad Hoc Committee meeting attendance (excluding advisory committees), not including excused absences. 100% Target ≥ 95%
	C. Percent of board advisory committee meeting attendance, not including excused absences. 100% Target ≥ 90%
3 Review Review board's performance in open session annually, no later than March 31	A. Conduct annual board performance review by March 31 for the previous calendar year. YES Target = Yes
	B. Conduct annual mid-year review of board performance by September 30. NO Target = Yes

BOARD GOVERNANCE POLICIES AND PERFORMANCE

The board's governance policies provide for fiduciary oversight, transparency, and accountability to further organizational stewardship, which contributes both to the effectiveness of the organization and to the trust that is placed in it by stakeholders and the public it serves.

These governance policies provide the basis for the board's performance monitoring framework, which was established in 2013, and annually reviewed during open, public meetings of the board. Specifically, the expectation that the board will monitor its performance against its own policies is defined by Governance Process Policy 2.7:

"The board will monitor the board's process and performance. Self-monitoring will include comparison of board activity and discipline to policies in the Governance Process and Board-BAO Linkage categories."

Enclosed in this report are the results of the board's review of its own performance for calendar year 2017.

A* No board action taken in 2016 (0 of 0)

2017 Annual Board Performance Report

<p>4</p> <p>Employment</p> <p>Comply with board ban on seeking/accepting compensated employment with the district while serving on board and for one year after serving on board</p>	<p>A. Number of attempts to seek or accept compensated employment. <i>Target = Zero</i></p> <p>0</p>	<p>9</p> <p>Conduct</p> <p>Comply with board member code of conduct, including limits on exercise of individual authority over organization</p>	<p>A. Board members adhere to Code of Conduct, and follow proper procedure identified in GP-6 to report and investigate compliant(s) filed by a Board Member alleging Director misconduct or failure to act in the best interests of the District. <i>Target = Yes</i></p> <p>YES</p>
<p>5</p> <p>Reserves</p> <p>Review financial reserves at the same time and place that budget is publicly reviewed, including an overview of and rationale for its reserve management policy, and receive public comments before acting on the budget</p>	<p>A. Conduct annual board budget work study sessions prior to budget adoption. <i>Target = Yes</i></p> <p>YES</p> <p>B. Board budget development update sessions include a review of financial reserves, a rationale for reserve management policy (sustainable and minimum reserves), and time for public comment. <i>Target = Yes</i></p> <p>YES</p>	<p>10</p> <p>Committees</p> <p>Establish clear expectations and purposes for board committees in order not to conflict with authority delegated to BAOs</p>	<p>A. Percent of board committees that have a formalized purpose and scope. <i>Target = 100%</i></p> <p>100%</p> <p>B. Percent of standing board committees that have an annual work plan. <i>Target = 100%</i></p> <p>100%</p>
<p>6</p> <p>Lobbying</p> <p>Comply with district's lobbying ordinance provision requiring Directors' disclosure of contact with lobbyists prior to voting on matters related to the contact (Ord. No.10-01, Sec. 8)</p>	<p>A. Number of lobbying contacts by board members that resulted in admonition, censure, sanction, or referral to District Attorney. <i>Target = Zero</i></p> <p>0</p>	<p>11</p> <p>Transparency</p> <p>Conduct organizational transparency audit through a third party, periodically</p>	<p>A. Conduct third party transparency audit, periodically. <i>Target = Yes</i></p> <p>YES</p>
<p>7</p> <p>Meetings</p> <p>Conduct all board and committee meetings (including those composed of less than a quorum of the board) in accordance with the District Act and Brown Act (California Open Meetings Law)</p>	<p>A. Percent of board meetings in accordance with the District Act and the Brown Act. <i>Target = 100%</i></p> <p>100%</p> <p>B. Percent of board committee meetings in accordance with the Brown Act. <i>Target = 100%</i></p> <p>100%</p>	<p>12</p> <p>Monitoring</p> <p>Secure outside monitoring assistance as necessary, including for fiscal audit, to assure governing with excellence</p>	<p>A. Conduct annual board-commissioned audit planning. <i>Target = Yes</i></p> <p>YES</p> <p>B. Percent of board-commissioned audits completed, or underway as scheduled, as identified in the multi-year audit plan. <i>Target ≥ 90%</i></p> <p>100%</p> <p>C. Percent of required financial audits reviewed. <i>Target = 100%</i></p> <p>100%</p>
<p>8</p> <p>Loyalty</p> <p>Members must have loyalty to the district and community and not be conflicted by loyalties to staff, other organizations or any personal interest</p>	<p>A. Percent of board members that comply with state mandated training requirement on ethics in public service for public officials in California. <i>Target = 100%</i></p> <p>100%</p> <p>B. Percent of board members that timely file CA Form 700. <i>Target = 100%</i></p> <p>100%</p>	<p>13</p> <p>Expenses</p> <p>Implementation of Board-directed audit recommendations identified through internal and external audits</p>	<p>A. Applicable Board-directed audit recommendations are implemented according to plan. <i>Target = 100%</i></p> <p>100%</p>
		<p>14</p> <p>Expenses</p> <p>Review individual and collective board member expenses in open session quarterly, and make a determination whether reimbursements comply with board reimbursement policies</p>	<p>A. Percent of quarterly board member expense reports reviewed by the board. <i>Target = 100%</i></p> <p>100%</p> <p>B. Number of board member reimbursements that do not comply with board reimbursement policies. <i>Target = Zero</i></p> <p>0</p>

2017 Annual Board Performance Report

15
Compensation
 Conduct board compensation adjustments in open session, annually

A. Percent of board compensation adjustments discussed in open session, following the standard board agenda process. **100%**
Target = 100%

16
EEO / D&I
 Demonstrate actions and behaviors as a board member in alignment with board commitment to Equal Employment Opportunity, diversity and inclusion

A. Number of board members that demonstrated actions and behaviors not in alignment with GP-11 that resulted in admonition, censure, sanction, or referral to District Attorney. **0**
Target = Zero

B. Percent of board members that comply with state mandated training requirement on sexual harassment prevention for public officials in California. **100%**
Target = 100%

20
Community
 Conduct review of board linkage with community, including board member service on external committees

A. Conduct review of board linkage with community by annually reviewing proposed board member representation on external committees to determine if that representation serves in the best interest of the district. **YES**
Target = Yes

21
Outreach
 Use outreach mechanisms that enhance board ability to listen to a broad range of viewpoints and values

A. Percent of board meetings that provide an opportunity for public comment. **100%**
Target = 100%

II. Linkage with the Community

Indicator	Measure
17 Budget Provide at least three opportunities for public input on development of operating budget (e.g., second pass budget, third pass budget, budget work study sessions)	A. Number of opportunities for public input in development of the annual operating budget. 4 <i>Target ≥ 3</i>

18 CIP Provide at least two opportunities for public input into development of capital budget (e.g., draft CIP, and final CIP)	A. Number of opportunities for public input in development of the Capital Improvement Program, annually. 5 <i>Target ≥ 2</i>
--	--

19 Correspondence Respond timely to correspondence received by the board from the public	A. Percent of board correspondence responded to within 14 calendar days of receipt, or in situations where it is not possible for the BAOs to respond completely to an inquiry, responses sent to originators, acknowledging receipt of the inquiry and an explanation of actions being taken and timelines for preparing the complete response is acceptable for complying with this 14 day response time. 98% <i>Target ≥ 90%</i>
--	---

III. Policy Setting

Indicator	Measure
22 Policy Input Provide opportunities for public input in policy related Board and Committee actions	A. The public is given opportunity to provide input in Board and Committee policy related actions. YES <i>Target = Yes</i>

23 Policies Initiate, produce, and maintain broad written policies that address each category of organizational decision, with a major policy focus on intended results, not on the administrative or programmatic means of attaining those effects	A. Board has adopted Board Governance Policies that include four categories: Governance Process, Board Appointed Officer Linkage, Ends, and Executive Limitations. YES <i>Target = Yes</i>
	B. Board and BAOs regularly review and the Board adopts new or revised Board Governance Policies. YES <i>Target = Yes</i>

2017 Annual Board Performance Report

Adopt Budget

24
Adopt district capital and operating budget no later than June 15

A. Adopt district capital and operating budget no later than June 15. *Target = Yes*

YES

Water Rates

25
Adopt water rate adjustments annually no later than June 1 and review for mid year water rate adjustment no later than December 15

A. Adopt water rate adjustments annually no later than June 1. *Target = Yes*

YES

B. Review for mid year water rate adjustment no later than December 15. *Target = Yes*

YES

Planning

26
Adopt Board Policy Planning and Performance Monitoring Calendars for the upcoming fiscal year by the end of June

A. Adopt Board Policy Planning and Performance Monitoring Calendars for the upcoming fiscal year by the end of June. *Target = Yes*

YES

Planning

27
Conduct reviews of the Board Policy Planning and Performance Monitoring Calendars when determined necessary by the Board

A. Conduct at least quarterly reviews of the Board Policy Planning and Performance Monitoring Calendars. *Target = Yes*

YES

IV. Monitor and Review BAO Performance

Indicator	Measure		
BAO Review	28 Conduct BAO performance reviews no less than twice per year (mid-year by end of April, annual by end of September), and conduct annual salary adjustment in open session at a regular meeting in accordance with BAO Performance Evaluation procedure	A. Conduct mid-year BAO performance reviews by end of April. <i>Target = Yes</i>	NO
		B. Conduct annual BAO performance reviews by end of September. <i>Target = Yes</i>	YES
		C. Conduct annual BAO salary adjustment in open session, at a regular board meeting. <i>Target = Yes</i>	YES

V. Naming of District-Owned Facilities and Land

Indicator	Measure		
Naming	29 Approve or deny nominations to name or rename district-owned land, facilities and amenities in accordance with the naming procedure	A. Naming actions were approved or denied in accordance with the naming procedure. <i>Target = Yes</i>	A*

A* No board action taken in 2017

File No.: 18-0769

Agenda Date: 9/26/2018

Item No.: 3.5.

COMMITTEE AGENDA MEMORANDUM

Board Audit Committee

SUBJECT:

Review 2018 Committee Work Plan.

RECOMMENDATION:

Review and make necessary adjustments to the 2018 Work Plan, and confirm regular meeting schedule for 2018.

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 2018 Board Audit Committee Work Plan is contained in Attachment 1. Information on this document 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: 2018 Committee Work Plan

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

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BOARD AUDIT COMMITTEE 2018 WORK PLAN

Updated: 8/30/18



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.

2018 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 2018 WORK PLAN

Updated: 8/30/18



2018 WORK PLAN

MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
09/26/18 9:00 AM	2.1. Approval of Minutes, 08/15/18	M. Overland	Approval of minutes.	
	Action Items:			
	3.1. Board Independent Auditor Report Update - TAP International, Inc.	M. Heller	Recommendation: Pending Language.	
	3.2. Internal Audit Charter.	B. Hopper	Recommendation: Pending Language.	
	3.3. Conflict of Interest Status Update. (Continued from 08/15/2018)	A. Noriega	Recommendation: A. Receive and discuss draft Ethics Policy; and B. Receive information regarding planned Conflict of Interest avoidance measures.	
3.4. Review of the 2017 Board Performance Measures and Report. (Continued from 08/15/2018)	M. King	Recommendation: A. Review the 2017 Board Performance Measures and Report and identify areas where revisions and/or additions can be made to better reflect outcomes of the Board's work; and		

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			B. Identify possible stretch goals of the Board that can be incorporated into future Board Performance Reports.
	3.5. Review 2018 Committee Work Plan.	M. Overland	Recommendation: Review and make necessary adjustments to the 2018 Work Plan, and confirm regular meeting schedule for 2018.

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2018 ACCOMPLISHMENTS

MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
2/06/18	3.1 Approval of Minutes	M. Overland	Approval of Minutes.	Approved

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	<p>4.1 Discussion of Conflict of Interest Between Contractors and Staff.</p>	<p>R. Callender</p>	<p>A. Discuss the District's process for addressing conflict of interest between contractors and staff; and</p> <p>B. Recommend to the Board of Directors that the Ethics and Equal Opportunity Programs staff continue in their efforts to have proposed conflict of interest language incorporated into to District's Ethics and Business Conduct policy and that no further actions and/or policy are warranted.</p>	<p>The Committee received and discussed the proposed Conflict of Interest between contractors and staff language and made the following recommendations:</p> <ul style="list-style-type: none"> • That the Ethics and Equal Opportunity Programs staff continue in their efforts for proposed Conflict of Interest (COI) language to incorporate into the District's Ethics and Business Conduct Policy and to incorporate the Committee's comments regarding: <ul style="list-style-type: none"> ○ Identifying the differences between the legal and cultural understanding of COI; ○ Family Hiring issues and procedures; ○ Place COI requirements on the Manager's Work Plan; and ○ Review and incorporate comments by the Internal Auditor TAP International.
	<p>4.2 Board's Independent Auditor.</p>	<p>D. Callahan TAP International</p>	<p>The following actions were previously directed by the Board Audit Committee to be discussed on a future agenda:</p> <p>A. Review the finalized list of identified risk assessments, as adopted by the Committee and amended by feedback from the Board on January 23, 2018;</p>	<p>The Committee received and discussed a presentation contained in Attachment 1, on proposed risk assessments from the Board's Independent Auditor and requested the following of staff:</p>

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			<p>B. Solicit TAP International recommendations on internal vs. external execution of audits, costs, feasibility, and timelines;</p> <p>C. Develop an execution plan to complete the risk assessments adopted by the Board;</p> <p>D. Discuss an audit charter; and</p> <p>E. Direct next steps, as needed.</p>	<ul style="list-style-type: none"> • Conduct the risk assessments, as defined; • Assign a new Task Order for TAP International to conduct risk assessments; • Establish an Internal Audit Charter which will be presented to the full Board, at a future Board meeting, for approval by the full Board and incorporated into the Governance Policy. TAP International (TAP) to provide Internal Audit Charter templates to the District • Include TAP task orders and invoices for Board Audit Committee (Committee) review. District staff to check-in with the Committee Chair to review and approve invoices before sign off
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2018 ACCOMPLISHMENTS (Cont'd)

MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
05/03/18	BAC Meeting Canceled			

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2018 ACCOMPLISHMENTS (Cont'd)

MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
08/15/2018 11:30 AM	1.3 Election of Chair and Vice Chair	Committee	Elect Committee Officers 1. Chair – 2. Vice Chair –	Chair – Director Keegan Vice Chair – Director Hsueh
	2.1 Approval of Minutes, 11/30/2017	M. Overland	Approval of minutes.	Approved
	<p>Action Items:</p> <p>3.1. Status Update on the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit Conducted by Navigant Consulting, Inc. (Navigant) and the Subsequent Fiscal Year 2017-2018 (FY18) Consultant Contracts Improvement Process.</p> <p>3.2. Board Independent Auditor Report Update - TAP International, Inc.</p>	Chair	<p>Recommendation:</p> <p>Receive a status update on the implementation of the recommendations made by Navigant in the 2015 Consultant Contracts Management Process Audit and on the FY18 Consultant Contracts Improvements Process.</p> <p>Recommendation:</p> <p>A. Receive an update on the Risk Assessment Implementation Project and recommended audits from the Board's Independent Auditor, TAP International, Inc.; and</p> <p>B. Receive copies of TAP</p>	<p>The Committee requested that staff continue to track the performance of implementing the recommendations from the 2015 Consultant Contracts Management Process Audit and to provide the Board a 6 month status update via CEO Bulletin, and to return to the Board with a full 12 month report during Q1 of Fiscal Year 2020.</p> <p>TAP to interview Board members and develop an audit plan then return to the Committee for approval and bring the audit plan to the full Board for consideration.</p>

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	<p>3.3. PMA Consultants Update on the Performance Audit of Lower Silver Creek Flood Protection Project, Agreement No. A3277G.</p> <p>3.4. Conflict of Interest Status Update.</p> <p>3.5. Review of the 2017 Board Performance Measures and Report.</p>		<p>International, Inc. task orders and invoice tracking sheet.</p> <p>Recommendation:</p> <p>Receive an update from PMA Consultants on the status of the Performance Audit of Lower Silver Creek Flood Protection Project, Agreement No. A3277G.</p> <p>Recommendation:</p> <p>A. Receive and discuss draft Ethics Policy; and</p> <p>B. Receive information regarding planned Conflict of Interest avoidance measures.</p> <p>Recommendation:</p> <p>A. Review the 2017 Board Performance Measures and Report and identify areas where revisions and/or additions can be made to better reflect outcomes of the Board's work; and</p> <p>B. Identify possible stretch goals of the Board that can be incorporated into future Board Performance Reports.</p>	<p>The Committee noted the information without formal action.</p> <p>Continued to the next Committee meeting.</p> <p>Continued to the next Committee meeting.</p>
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	3.6. Review 2018 Committee Work Plan.		Recommendation: Review and make necessary adjustments to the 2018 Work Plan, and confirm regular meeting schedule for 2018.	Continued to the next Committee meeting.
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