

# **Santa Clara Valley Open Space Authority Expenditure Plan Oversight Committee 2020/2021 Annual Report**

This is the sixth annual report of the Measure Q Expenditure Oversight Committee, now the Expenditure Plan Oversight Committee (“EPOC”). The report includes background on the Measure Q and the EPOC, findings from the required annual reviews, findings from the annual transaction reviews, and EPOC committee recommendations. Also included is an update of the status of the previous year’s recommendations.

It is noted that this report only reviews Measure Q expenditures. As authorized by Measure T, this committee will review Measure T expenditures beginning Fiscal Year 2021/2022.

The EPOC has reviewed the 2020/2021 Measure Q expenditures and finds that they conform to the Expenditure Plan, as further described below.

The EPOC has reviewed the 2020/2021 independent financial auditor’s report and finds that it confirms that Measure Q funds have been collected and allocated according to the Expenditure Plan, as described further below.

The EPOC has completed the 2020/2021 transaction review and finds that all expenses included in the 12 transactions reviewed fell under the four program categories identified in the Expenditure Plan. The EPOC finds that most transactions were properly documented and approved. For the few transactions that did not have complete documentation, the EPOC found no indication of improper use of the funds. Recommendations based on the transaction review are described further below.

## **I. BACKGROUND**

### **Measure Q**

During November 2014, voters within the Authority boundaries approved the Measure Q parcel tax. The approval authorized the Authority to levy a tax of \$24 per parcel annually for 15 years. The tax was designed to produce an estimated \$7.8 million per year in additional revenue for the Authority.

### **Measure Q Expenditure Plan**

The Authority published The Open Space, Wildlife Habitat, Clean Water and Increased Public Access Expenditure Plan (“Expenditure Plan”). The Measure Q Expenditure Plan can be found at the link below.

### Measure Q Expenditure Plan

The Expenditure Plan summarized how Measure Q funds would be used, identified four program categories within which all funds would be expended, and identified administrative provisions and financial safeguards. The four program areas that are to benefit from this additional revenue were identified in Section B of the Expenditure Plan as follows:

- Protect open space, redwood forests, wildlife habitat, scenic hillsides and agricultural land,
- Protect land and restore natural areas around our creeks, rivers and streams to prevent pollution and improve local water quality and supply,
- Open, improve and maintain parks, open space and trails, and
- Create urban open space, parks, and environmental education programs.

### Expenditure Plan Oversight Committee

The Expenditure Plan states:

In order to ensure accountability, transparency and public oversight of all funds collected and allocated under this Measure and to comply with state law:

No more than 5% of the revenue generated by this measure and provided to the Santa Clara County Open Space Authority may be used for administrative expenses.

No more than 25 percent of the revenues generated by this funding measure will be made available for the Grant Program.

To the extent permitted by law, up to one-tenth of one percent (0.1 %) of the gross proceeds of the parcel tax shall be made available for the Oversight Committee's activities.

Costs of performing or contracting for project related work shall be paid from the revenues of the measure allocated to the appropriate purpose and project.

An annual independent audit shall be conducted to assure that the revenues expended by the Santa Clara County Open Space Authority under this Plan are necessary and reasonable in carrying out its responsibilities under this Plan.

An Independent Oversight Committee shall be convened to review the expenditures of all parcel tax revenues collected under this Measure.

The responsibilities of this Committee include:

- Reviewing expenditures on an annual basis to ensure they conform to the Expenditure Plan

- Reviewing the annual audit and report prepared by an independent auditor
- Submitting its recommendations and oversight report thereon.

The EPOC is an independent oversight committee established to review the expenditures of all parcel tax revenues collected under Measure Q. The EPOC consists of seven at-large members appointed by the Open Space Authority Board. Members must reside within the Open Space Authority jurisdictional boundaries, and must not be elected officials of any government, nor employees of any agency or organization that directly benefits financially from the proceeds of the parcel tax.

The EPOC meets at least once but no more than four times per year. Meetings of the EPOC are announced in advance and are open to the public.

The EPOC reviews the Measure Q Status Report and the annual independent financial audit, and completes a transaction audit, to provide an independent review of all revenues and expenditures of Measure Q Funds. The EPOC submits an annual Oversight Report and recommendations to the Board.

EPOC Members as of March 2022

- David Burckhard
- Hugh Graham
- Jeff Micko
- Susan Skorey
- Andrea Wheeler

More information about the EPOC including the EPOC meeting schedule and the EPOC Annual Oversight Report can be found at the link below:

[Expenditure Plan Oversight Committee](#) and [Oversight Report](#).

## **II. REQUIRED REVIEWS**

### **1. Review of Annual Expenditures for Conformance to the Measure Q Expenditure Plan**

The EPOC has reviewed the Fiscal Year 2020/2021 Annual Measure Q Status Report. The report is a well-written and organized presentation of Measure Q expenditures by program, project and expense category, including administrative and grant expenditures.

#### **Projects Expenses**

The Measure Q Annual Report provides detailed information about all of the projects funded with Measure Q funds. The Measure Q Annual Report indicates that all expenditures of Measure Q funds fell within the four program areas identified in the Expenditure Plan.

#### **Administrative Expenses**

The Measure Q Annual Report clearly describes what expenses are included in administrative costs. The Measure Q Annual Report indicates that the amount of Measure Q funds used to pay administrative costs is limited to 5%, and that any remaining balance associated with actual administrative costs is charged to other funding sources.

### **EPOC Expenses**

The Measure Q Annual Report clearly describes what expenses are included in EPOC costs. The Measure Q Annual Report indicates the amount of Measure Q funds used to pay EPOC costs does not exceed one-tenth of one percent (0.1 %) of the gross proceeds of the parcel tax, and that any remaining balance, associated with actual EPOC costs, is charged to other funding sources.

### **Grants**

The Measure Q Annual Report provides a good qualitative description of grant management and control. The Measure Q Annual Report indicates that grant funding did not exceed 25 percent of revenues generated.

## **2. Review of the Annual Audit and Report Prepared by the Independent Auditor**

The EPOC has reviewed the Fiscal Year 2020/2021 Annual Independent Financial Audit. The report is a complete and organized presentation of the financial audit of Measure Q finances in accordance with generally accepted accounting principles. The EPOC finds that the financial audit did not disclose any questionable financial practices and that the financial statements provided by the Authority accurately reflect the financial position of the Authority.

## **III. ADDITIONAL REVIEWS**

### **1. Measure Q Sample Transactions Audit**

The EPOC completed a sample transaction audit process for more insight into the invoicing process and typical expenses under Measure Q, and to further improve transparency in the Measure Q funding process.

#### **Measure Q Transaction Sampling Process.**

Twelve (12) transactions were selected for evaluation. They were split as follows:

- 3 expenditures related to land acquisitions
- 3 expenditures related to land improvements
- 3 expenditures related to preserve maintenance and operations

- 3 expenditures not in one of the above categories (over \$1000)

Staff provided thorough and detailed information corresponding to each transaction (expense purchase order, expense account, vendor invoice, staff approvals, paid bills, and other documentation as needed).

Staff also provided to committee members a transaction cover sheet upon which to document their transaction review and evaluation. The completed transaction cover sheets are attached as an appendix.

#### Measure Q Transaction Sampling Process Findings

The EPOC found that all expenses included in the 12 transactions reviewed fell under the four program categories identified in the Expenditure Plan. The EPOC found that most transactions were properly documented and approved. For the few transactions that did not have complete documentation, the EPOC found no indication of improper use of the funds.

#### Measure Q Transaction Sampling Process Recommendations

Based on the sample transactions audit, the EPOC made the following recommendations:

1. Related to cover sheet
  - a. Provide definitions of the four categories of transactions; change the title of the last category to "Other Transactions (over \$1000)"
  - b. Add a check that the project number matches the Acumatica Purchase Order.
  - c. Add a check that the invoice amount is not more than the Acumatica Purchase Order amount.
  - d. Add a check that the amount of the confirmation of receipt of payment matches the invoice.
  - e. Add a check that the vendor of the confirmation of receipt of payment matches the invoice.
2. Related to documentation
  - a. Include confirmation of receipt of payment (for example, a cleared check) in the supporting documentation for each transaction
  - b. Provide more detailed guidance in supporting documentation for tiered projects (for example, project with blanket POs/normal (project) POs/tasks) and adjusted entries
3. Related to internal SCVOSA processes
  - a. Include information from original POs with amended PO's (for example, adjusted approved amounts)
  - b. Document approvals of pre-approved vendors

#### **2. Access to Measure Q/Measure T Expenditure Plans on SCVOSA Website**

While preparing this report, the Committee found that the Measure Q and Measure T

Expenditure Plans are not easily found on the SCVOSA website. For example, a search of “Measure Q Expenditure Plan” returned links to the Measure Q annual status reports and the MQEOC annual oversight reports, but not to the Measure Q Expenditure Plan. Also, while there are links to the Measure Q Annual Status Report on the Investing in Nature page, there are no links to the Measure Q and Measure T Expenditure Plans on the page.

The Committee makes the following recommendations to improve transparency and access to the Measure Q/Measure T Expenditure Plans on the SCVOSA Website:

1. Change the search function so that a search for the Measure Q or Measure T Expenditure Plan returns the expenditure plan as the first result.
2. Add the Measure Q and Measure T Expenditure Plans under Investing In Nature in the Document Library.
3. Add links to the Measure Q and Measure T Expenditure Plans on the Investing in Nature sub-page.

#### **IV. STATUS OF 2019/2020 EPOC RECOMMENDATIONS**

1. The Authority should hire an independent auditor to conduct an independent audit to assure that the revenues expended by the Santa Clara Valley Open Space Authority under this plan are necessary and reasonable in carrying out its responsibilities under the Plan. Given that the Measure T FAQs on the Open Space Authority website stated: “In addition, the appropriate application of funds has been confirmed through careful analysis of our audits by an independent Measure Q Expenditure Oversight Committee,” the EPOC would encourage the Open Space Authority to consider this recommendation once Measure T goes into effect.

**NOT COMPLETE**

2. The Authority should hire an auditor to review internal control so that the independent financial auditor can confirm that there are no material weaknesses.

**NOT COMPLETE**

3. Make the following changes to the sample transactions audit:
  - a. Related to cover sheet
    - i. Add grant # or project # field
    - ii. Amend Item #6: “Verify a manager and/or Board of Directors has authorized the expense purchase order”
    - iii. Rename “Committee Pick” category to “transaction >\$1,000”
  - b. Related to documentation

- i. Include PO balances on blanket POs.
- ii. Order documentation in binders as POs first, then Bills
- iii. Check the readability of the Acumatica PO screenshots before publication

**COMPLETE**

4. Review oversight procedures of other special districts to see if any improvements that can be made in current procedures.

The EPOC conducted a review of procedures of other special districts and determined that there were no further improvements at this time.

**COMPLETE**

5. Require project manager to submit a budget and spending plan, including all projects that include Measure Q funding, and report when total spending exceeds the original budget and why.

**NOT COMPLETE****V. 2020/2021 EPOC FINDINGS AND RECOMMENDATIONS**

Based on the sample transactions audit, the EPOC made the following recommendations:

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  - a. Provide definitions of the four categories of transactions; change the title of the last category to "Other Transactions (over \$1000)"
  - b. Add a check that the project number matches the Acumatica Purchase Order.
  - c. Add a check that the invoice amount is not more than the Acumatica Purchase Order amount.
  - d. Add a check that the amount of the confirmation of receipt of payment matches the invoice.
  - e. Add a check that the vendor of the confirmation of receipt of payment matches the vendor on the invoice.
2. Related to documentation
  - a. Include confirmation of receipt of payment (for example, a cleared check) in the supporting documentation for each transaction
  - b. Provide more detailed guidance in supporting documentation for tiered projects (for example, project with blanket POs/normal (project) POs/tasks) and adjusted entries
3. Related to internal SCVOSA processes
  - a. Include information from original POs with amended PO's (for example, adjusted approved amounts)
  - b. Document approvals of pre-approved vendors

Based on the Access to Measure Q/Measure T Expenditure Plans on SCVOSA Website:

1. Change the search function so that a search for the Measure Q or Measure T Expenditure Plan returns the expenditure plan as the first result.
2. Add the Measure Q and Measure T Expenditure Plans under Investing In Nature in the Document Library.
3. Add links to the Measure Q and Measure T Expenditure Plans on the Investing in Nature sub-page.

Based on the Status of 2019/2020 EPOC Recommendations:

1. EPOC requests that the Authority provides a presentation on the project budget and plan process to the EPOC next calendar year