



Midpeninsula Regional  
Open Space District

R-20-31  
Meeting 20-07  
April 6, 2020

## AGENDA ITEM 6

### AGENDA ITEM

Report from the Bond Oversight Committee to the Board of Directors for the review period from July 1, 2018 to June 30, 2019

### COMMITTEE RECOMMENDATION

The Bond Oversight Committee recommends that the Board of Directors accept this report.

### SUMMARY

In the opinion of the Bond Oversight Committee (BOC), the *Schedule of Program Expenditures* as presented in the Measure AA Bond Annual Accountability Report covering the period from July 1, 2018 to June 30, 2019 conforms with the Measure AA Expenditure Plan. Midpeninsula Regional Open Space District (District) staff compiled the Measure AA Bond Annual Accountability Report for BOC review.

In coming to its opinion, the BOC reviewed the Annual Accountability Report, sampled transactions representing 52% of the Fiscal Year ending June 30, 2019 (FY19) expenditures, and requested and reviewed additional documentation as needed.

The BOC met three times. During those meetings it reviewed its Agreed-Upon Procedures (confirmed annually) for conducting its review of FY19 Measure AA expenditures, sampled and reviewed selected transactions, heard a verbal report from the District's outside independent auditor, and developed its report to the Board of Directors on the BOC's findings and recommendations.

Sheldon Chavan from the District's external auditor, Chavan & Associates LLP, outlined the processes, procedures, and sampling method for the District's total fiscal year expenditures that included the Measure AA expenditures. Chavan & Associates reported that in its opinion, the *Schedule of Program Expenditures* for the Measure AA Bond Program is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

There were no proposed amendments to the Measure AA Expenditure Plan for the BOC to review.

## DISCUSSION

### Committee Formation

The Measure AA ballot included a section to establish the BOC:

*“An independent Citizen Oversight Committee will be formed to verify expenditures of bond proceeds. The independent citizen oversight committee, consisting of seven at-large members, all of whom shall be District residents. The Citizen Oversight Committee will be selected by the Board of Directors and interviewed and approved in open session, and will be subject to the conflict of interest constraints of the California Political Reform Act.”*

(NOTE: the independent Citizen Oversight Committee was established as the Bond Oversight Committee.)

As an integral part of the implementation of Measure AA, the Board adopted, as part of the Board Policy Manual, the Measure AA Oversight Committee Bylaws. Policy 1.10 states the BOC’s purpose as follows:

*The Measure AA Bond Oversight Committee (Committee) is appointed by the Board of Directors (Board) for the Midpeninsula Regional Open Space District (District) in order to promote transparency, and ensure oversight and accountability for all funds collected and allocated under Measure AA.*

### Committee Responsibilities

Per its Bylaws, the BOC has the following three responsibilities for each of the years the Measure AA general obligation tax is collected or revenues expended:

1. *Review Plan expenditures on an annual basis to verify conformity with the Expenditure Plan.*
2. *Review the District’s Annual Audit and Annual Accountability Report and present the BOC’s findings to the Board at a public meeting.*
3. *Review any proposed amendments to the Expenditure Plan.*

### Committee Composition

The Board formed the BOC in accordance with Measure AA in 2016. The BOC’s present members and their terms are as follows:

Paul Betlem (term expiring 2020)  
 Carla Dorow (term expiring 2022)  
 Denise Gilbert (term expiring 2022)  
 Tom Scannell (term expiring 2020)  
 Bruce Tolley (term expiring 2020)  
 Timothy Tomlinson (term expiring 2022)  
 Jo Zientek (term expiring 2020)

### Committee Activity

#### *January 15, 2020 meeting*

The BOC elected Denise Gilbert as Chair and Bruce Tolley as Vice-Chair.

Staff presented the FY19 Annual Accountability Report (see Attachment 1). The report includes the following chapters:

- Executive Summary
- Priority Portfolio Actions by Region (from Measure AA Expenditure Plan)
- Portfolio Expenditure Summary (Numerically by Portfolio Number)
- Financial Report by Project
- *Measure AA Bond Program Schedule of Program Expenditures*, as included in the Comprehensive Annual Financial Report (CAFR)

The Accountability Report includes a reference to the CAFR posted on the District's website (<https://www.openspace.org/about-us/district-reports#CAFR>).

The BOC discussed the Annual Accountability Report and received answers to its questions from District staff. The BOC reaffirmed that it would perform its duties in accordance with its Agreed-Upon Procedures.

District staff provided the BOC with a complete list of all transactions charged as Measure AA expenditures in FY19. The BOC requested back-up documentation for the following FY19 transactions:

- All three expenditures related to land purchases
- Fourteen other expenditures from the top 25 transactions with the highest dollar values
- Five project expenditures selected by BOC members as representative of various types of expenditures coded as Measure AA expenditures

The non-land sampled transactions included one credit card invoice, one journal entry correction, and one payroll related transaction for the reimbursement of staff time charged to Measure AA projects. The selected land purchase expenditures cover 20% of the total Measure AA expenditures for the FY19 and the other selected expenditures cover 32%, for a combined coverage of 52% of the expenditures.

#### ***February 4, 2020 meeting***

The BOC and staff discussed the documentation supporting the transactions selected at the prior meeting. Sheldon Chavan from Chavan & Associates was present and discussed the audit procedures and level of testing on Measure AA expenditures with the BOC. Mr. Chavan reported that the audit found no instances where funds were inappropriately charged to Measure AA and that approximately 70% of total Measure AA expenditures were tested as part of the FY19 audit.

The BOC thanked staff for their professionalism and thoroughness in supporting the work of the BOC, including preparation of the documentation for selected transactions. The BOC requested that in the future, in addition to providing the web-based link to the CAFR, staff include the *Statement of Revenues, Expenditures and Changes in Fund Balance* and the *Balance Sheet Government Funds* from the CAFR in the Annual Accountability Report appendices.

#### ***February 27, 2020 meeting***

The Committee reviewed, discussed and approved the final report of the BOC to be forwarded to the Board.

Staff provided a preview of expected portfolio progress during FY20 and beyond.

**FISCAL IMPACT**

No fiscal impact.

**PUBLIC NOTICE**

Public notice was provided as required by the Brown Act.

**CEQA COMPLIANCE**

This item is not a project subject to the California Environmental Quality Act.

**NEXT STEPS**

After the Annual Audit and Accountability Report for the Fiscal Year 2019-20 is completed, the BOC will reconvene to review the transactions during that fiscal year and report their findings and/or recommendations to the Board in 2021.

Attachments:

1. Materials provided to the Measure AA Bond Oversight Committee may be viewed on the Committee's web page: <http://www.openspace.org/our-work/measure-aa/oversight>

Responsible Department Head:

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services

Prepared by:

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services  
Bond Oversight Committee

Contact:

Denise Gilbert, Measure AA Bond Oversight Committee Chair  
Andrew Taylor, Finance Manager