

Santa Clara Valley Open Space Authority Expenditure Plan Oversight Committee 2021/2022 Annual Report

This is the 2021-2022 annual report of the Santa Clara Valley Open Space Authority Expenditure Plan Oversight Committee (“EPOC” - formerly the Measure Q and Measure T Expenditure Oversight Committee). The report includes background on the Measure Q, Measure T, 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.

The EPOC has reviewed the 2021/2022 Measure Q and Measure T expenditures and finds that they conform to the Expenditure Plan, as further described below.

The EPOC has reviewed the 2021/2022 independent financial auditor’s report and finds that it confirms that Measure Q and Measure T funds have been collected and allocated according to the Expenditure Plan, as described further below.

The EPOC has reviewed the 2021/2022 Annual report. The EPOC finds that the Annual Report completely describes in adequate detail the Measure Q and Measure T expenditures and finds that they conform to the Expenditure Plan. Recommendations based on the Annual Report review are described further below.

The EPOC has completed the 2021/2022 transaction review and finds that all expenses included in the 9 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 and Measure T

In 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. In November 2020, voters within the Authority boundaries approved the Measure T parcel tax. The approval authorized the Authority to levy a tax of \$24 per parcel in perpetuity.

Measure Q and Measure T Expenditure Plans

The Authority published The Open Space, Wildlife Habitat, Clean Water and Increased Public Access Expenditure Plan (“Measure Q Expenditure Plan”). The Measure Q Expenditure Plan can be found at the link below and on the Investing in Nature page on the Santa Clara Valley Open Space Authority website.

<https://www.openspaceauthority.org/public-information/governance-policies.html?file=Measure+Q+Expenditure+Plan+-+10-07-2014.pdf&field=File&env=policy%5C-document-67---OnViewFile>

The Authority published The 2020 Open Space, Wildlife Habitat, Clean Water and Increased Public Access Expenditure Plan (“Measure T Expenditure Plan”). The Measure Q Expenditure Plan can be found at the link below.

https://www.openspaceauthority.org/system/user_files/Documents/Grids/MQ%20Renewal/Expenditure%20Plan%202020%20Measure.pdf

The Expenditure Plans summarize how Measure Q and Measure T 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 Plans 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.

In order to ensure accountability, transparency and public oversight of all funds collected and allocated under Measure Q and Measure T and to comply with state law, the Expenditure Plans required:

- On or before January 1 of each fiscal year, the Authority’s chief fiscal officer shall file an annual report with the Board that explains the amount of funds collected and expended under the Measures, and the status of the projects authorized to be funded by this revenue.
- An Independent Oversight Committee shall convene to review the expenditures of all parcel tax revenues collected under the Measures, including:
- No more than 5% of the revenue generated by this measure and provided to the Santa

Clara Valley Open Space Authority may be used for administrative expenses (Measure Q only)

- Revenue generated by this measure and provided to the Santa Clara Valley Open Space Authority may also be used for such administrative expenses as the Board determines are reasonable and necessary through its annual budget process or other appropriate mechanism (Measure T only).
- 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 EPOC's activities.

Expenditure Plan Oversight Committee

The Measure Q and Measure T Expenditure Plan Oversight Committee ("EPOC") was created on April 23, 2015, to ensure accountability, transparency and public oversight of all funds collected and allocated under Measure Q and Measure T. The EPOC Bylaws can be found at the link below and under Investing in Nature Measures on the Governance & Policies page of the Santa Clara Valley Open Space Authority website.

<https://www.openspaceauthority.org/public-information/governance-policies.html?file=BRD-041-01+---+EPOC+Bylaws+---+12-09-2021+---+Reso+21-81.pdf&field=File&env=policy%5C-document-104---OnViewFile>

The EPOC is an independent oversight committee established to review the expenditures of all parcel tax revenues collected under Measure Q and Measure T. 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 and Measure T 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 and Measure T Funds. The EPOC submits an annual Oversight Report and recommendations to the Board.

The EPOC members as of April 2022 are:

- David Burckhard
- Linda Marquez
- Jeff Micko

- Rafma Torre
- 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 and at the Investing in Nature page on the Santa Clara Valley Open Space Authority website.

<https://www.openspaceauthority.org/public-information/committees/expenditure-plan-oversight-committee.html>

II. REQUIRED REVIEWS

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

The EPOC has reviewed the Fiscal Year 2021/2022 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 and Measure T Annual Report provides detailed information about all of the projects funded with Measure Q and Measure T funds. The Measure Q and Measure T Annual Report indicates that all expenditures of Measure Q and Measure T funds fell within the four program areas identified in the Expenditure Plans.

Administrative Expenses

The Measure Q and Measure T Annual Report clearly describes what expenses are included in administrative costs. The Measure Q and Measure T Annual Report indicates that no amount of Measure Q funds were used to pay administrative costs. The Measure Q and Measure T Annual Report states that the SCVOSA Board approved a budget of \$500,000 of Measure T revenues to partially fund the agency's administrative expenses, that \$500,000 of Measure T funds were used to pay administrative costs, and that any remaining balance associated with actual administrative costs is charged to other funding sources.

This was the first year that the amount of Measure T revenues to spend on administrative expenses was determined by the Board. Documentation of the approval was not provided at the time the EPOC reviewed the Status report. The EPOC recommends:

1. SCVOSA staff provided documentation Board approval of the allowable administrative expenses to be paid with Measure T revenues with the review of the Annual Report.

EPOC Expenses

The Measure Q and Measure T Annual Report clearly describes what expenses are included in EPOC costs. The Measure Q and Measure T 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 2021/2022 Annual Independent Financial Audit. The report is a complete and organized presentation of the financial audit of Measure Q and Measure T 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 and Measure T 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 Measure T, and to further improve transparency in the Measure Q and Measure T funding process.

Measure Q and Measure T Transaction Sampling Process.

Nine (9) transactions were selected for evaluation. They were split as follows:

- 2 transactions related to land acquisitions
- 2 transactions related to land improvements
- 2 transactions related to preserve maintenance and operations
- 2 transactions not in one of the above categories (over \$1000)
- 1 timecard/payroll review for a capital improvement project

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 and Measure T Transaction Audit Findings

The EPOC found that all expenses included in the 8 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 and Measure T Transaction Audit Recommendations

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

1. Related to cover sheet
 - a. none
2. Related to documentation
 - a. none
3. Related to internal SCVOSA processes
 - a. The EPOC recommends that the SCVOSA carefully monitor the use of Measure Q and Measure T funds to purchase permanent assets, such as tools, using Urban Grant funds. The EPOC notes that there is a risk that a) the expenditure may be unnecessary if the grantee already has the assets, or that b) the asset may be used for other projects or retained for personal use by a member of the grantee organization.

2. Measure Q and Measure T Payroll/Timecard Audit

The Expenditure Plan Oversight Committee, EPOC, has traditionally regarded project expenses in terms of dollars. For this review period, in addition to considering expense dollars for eight transactions, we looked at actual labor hours accrued for a single project during this review period. The intent of this review was:

1. To understand how OSA staff labor hours are planned per project.
2. To understand how OSA staff labor hours are tracked.
3. To determine if the mix and proportion of staff positions are reasonable.
4. To determine whether similar labor hour reviews in the future provide value to the EPOC,

to the Board of Directors, and to the OSA staff.

5. To begin developing a Sample Transaction Cover Sheet that best accommodates the review of supporting documentation and reporting of transaction labor hour reviews.

The EPOC believes reviewing labor hours provides a broader and more comprehensive insight into Measure Q and Measure T expenditures.

Measure Q and Measure T Payroll/Timecard Audit Process

For the single project, the EPOC reviewed the Coyote Ridge Open Space Preserve Public Access (Project ID P-000028). The project is well underway and accrued \$107,398.95 in OSA staff labor expense during the period covered for this report. The EPOC agrees that this project is an appropriate example of an OSA labor intensive project. The committee found it helpful that its members were provided a guided tour and briefing on-site by OSA staff members of the, now named, Máyyan 'Ooyákma preserve, during its visitor area construction phase.

During the first EPOC meeting of the current year, OSA staff members including Fiscal Services Officer, Justina Tien, and project managers briefed the committee on how planned project labor hours are estimated and tracked. The EPOC learned that the labor dollars reported include salary plus benefits – a figure that, for this report, is considered “fully burdened.”

Reviewing a summary report of all staff positions who charged to the project, the committee agrees that the mix and degree of effort of staff positions labor charges are reasonable.

Measure Q and Measure T Payroll/Timecard Process Recommendations

Based on the payroll/timecard audit, the EPOC made the following recommendations:

1. Audit labor hours for at least one project each year.
2. EPOC and SCVOSA staff cooperate to develop an effective Sample Transaction Cover Sheet that accommodates auditing and reporting on project labor hours.

3. Transparency on SCVOSA Website

While preparing this report, the EPOC found that the Measure Q and Measure T Expenditure Plans are much more easily found on the SCVOSA website compared to last year. The Investing in Nature Page clearly explains Measure Q, Measure T, and the EPOC, and provides clear links the Expenditure Plans, the Status Report, and the EPOC page. In addition, a search for “Measure T” returns a link to the Measure T Expenditure Plan.

However, the EPOC feels that the information would still be difficult for a member of the tax-paying public to find from the home page because the term “Investing in Nature” does not clearly identify Measure Q and Measure T.

In addition, the EPOC feels that the full scope of the work of the SCVOSA is not transparent to a member of the tax-paying public visiting the SCVOSA website. The Preserves open to the public are immediately viewable in the tab in the upper left of the main webpage. However, the other key programs funded with Measure Q and Measure T revenues – Protect Lands, Environmental Education Programs, and Urban Grant Programs – are not immediately visible. The EPOC feels that this does not provide a transparent view into the scope of the work that the SCVOSA spends Measure Q and Measure T tax revenues on.

The EPOC recommends:

1. Renaming the Investing in Nature page to “Investing in Nature - Measure Q/Measure T”
2. Making the additional three key programs funded with Measure Q and Measure T revenues – Protect Lands, Environmental Education Programs, and Urban Grant Programs – equally visible to the Preserves on the main page of the SCVOSA website.

IV. STATUS OF 2020/2021 EPOC RECOMMENDATIONS

Based on the sample transactions audit IN 2020/2021, 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.

DONE

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.

DONE

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

DONE

Based on the review of the SCVOSA website, the EPOC made the following recommendations:

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.

DONE

Based on the status of the 2019/2020 EPOC Recommendations, the EPOC made the following recommendations:

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

DONE

V. 2021/2022 EPOC RECOMMENDATIONS

Based on the review of the Annual Report:

1. SCVOSA staff provide documentation of the Board approval of the allowable administrative expenses to be paid with Measure T revenues with the review of the Annual Report.

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

1. Related to cover sheet:
 - a. none
2. Related to documentation:
 - b. none
3. Related to internal SCVOSA processes:
 - c. The EPOC recommends that the SCVOSA carefully monitor the use of Measure Q and Measure T funds to purchase permanent assets, such as tools, using Urban Grant funds. The EPOC notes that there is a risk that a) the expenditure may be unnecessary if the grantee already has the assets, or that b) the asset may be used for other projects or retained for person use by a member of the grantee

organization.

4. Related to timecard/payroll review:
 - a. Audit labor hours for at least one project each year.
 - b. EPOC and SCVOSA staff cooperate to develop an effective Sample Transaction Cover Sheet that accommodates auditing and reporting on project labor hours.
5. Based on the review of the SCVOSA website, the EPOC makes the following recommendations:
 - a. Rename the Investing in Nature page to “Investing in Nature - Measure Q/Measure T.”
 - b. Make the additional three key programs funded with Measure Q and Measure T revenues – protect lands, environmental education programs and urban grant programs – equally visible to the Preserves on the main page of the SCVOSA website.