



Midpeninsula Regional
Open Space District



BOND OVERSIGHT COMMITTEE – MEASURE AA

April XX, 2019

AGENDA ITEM XX

AGENDA ITEM

Report from the Bond Oversight Committee to the Board of Directors for the review period from July 1, 2017 to June 30, 2018.

COMMITTEE RECOMMENDATION

The Bond Oversight Committee recommends that the Board of Directors accepts 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, 2017 to June 30, 2018 fairly represents and is in accordance with the Measure AA Expenditure Plan.

In coming to this opinion the BOC reviewed the Annual Accountability Report, sampled transactions representing 64% of the Fiscal Year (FY) 2017-18 expenditures, requested and reviewed additional documentation as needed, and reviewed a letter from the District's external auditor outlining their audit objectives and sampling process for their audit of Measure AA expenditures.

District staff compiled a report, the Measure AA Bond Annual Accountability Report, for BOC review covering the period from July 1, 2017 to June 30, 2018. The BOC met three times to review the Agreed-Upon Procedures, sample transactions, and develop its report to the Board of Directors on the BOC's findings and recommendations. There were no proposed amendments to the Measure AA Expenditure Plan for the BOC to review.

As part of the ongoing efforts to streamline and strengthen the review process, at the February 7, 2019 meeting, the BOC requested that staff augment the supporting documentation provided next year to facilitate BOC review. The BOC discussed recent improvements to the District's ERP systems that will assist the BOC in verifying labor reimbursement and credit card charges next year.

DISCUSSION

Committee Formation

The Measure AA ballot included a section to establish the Bond Oversight Committee:

“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 of Directors adopted, as part of the Board Policy Manual, the Measure AA Oversight Committee Bylaws, Policy 1.10 with the stated purpose:

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

The Bond Oversight Committee 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

In 2016, applications were received from citizens interested in serving on the BOC. The Board of Directors reviewed the applications and after interviewing the top candidates, the Board of Directors appointed the seven members of the initial BOC. The terms of three members expired in 2018. The Board of Directors reviewed applications and interviewed the top candidates consisting both of members whose terms had expired and wished to serve another term as well as new candidates. The Board appointed three members whose terms will end in 2022. The BOC is currently comprised of the following seven members:

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 16, 2019 meeting

The BOC elected Denise Gilbert as Chair and Jo Zientek as Vice-Chair.

Staff presented the Annual Accountability Report for the review period from July 1, 2017 to June 30, 2018 (see Attachment 2). The structure of the report was reviewed and explained in 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
- Annual Financial Audit Report

The Annual Accountability Report was discussed and questions from BOC members were answered by staff. The BOC affirmed the Agreed-Upon Procedures. The BOC also requested the following samples:

- 4 Expenditures related to land purchases
- 10 non-land expenditures with the highest dollar values
- 6 assorted project expenditures randomly selected by BOC members

From the list of transactions, as provided by staff, the BOC selected the transactions on which supporting documentation will be provided. The samples selected of the land purchase expenditures cover 28.6% of the total Measure AA expenditures for the Fiscal Year 2017-18 and the samples selected of the non-land expenditures cover 35.2%, for a combined sample coverage of 63.8% of the expenditures.

February 7, 2019 meeting

The BOC and staff discussed documentation supporting the transactions selected in the samples. The committee also discussed changes in the District's ERP system processes that would affect how the committee verifies labor reimbursement and credit card charges next year.

The BOC requested that staff make selected changes to the supporting documentation provided to the BOC next year in order to facilitate BOC review. This included:

- Provide the final escrow statement for each land transaction sampled;
- Provide both gross and net expenditures by portfolio in Section 1 of the Annual Accountability Report; and
- Provide a list of project managers for each project transaction sampled, to assist in verifying each invoice was properly authorized.

Based on a request from the Committee, staff followed up the discussion by providing additional clarifications, supplemental documentation, and a letter dated October 24, 2018 from the District's external auditor, Sheldon Chavan from Chavan & Associates (the Auditor), which outlined the audit process which was followed for MAA expenditures. The letter dated October 24, 2018 addressed the District outlined the audit objectives and audit method that were followed for the audit of Measure AA expenditures. A subsequent email from the District's Finance Manager dated February 15, 2019 addressed to the BOC stated that the Auditor tested \$9,639,001 of the total \$11,774,674 which equates to 82% of Measure AA expenditures.

March 6, 2019 meeting

The Committee reviewed and discussed the supplemental documentation requested at the February 7, 2019 meeting. Satisfied that its review was complete the Committee then discussed and approved the final report of the BOC to be forwarded to the Board of Directors.

Staff provided a preview of expected portfolio progress during Fiscal Year 2018-19 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 2018-19 is completed, the BOC will reconvene to review the transactions during that fiscal year and report their findings and/or recommendations to the Board of Directors in 2020.

Attachments:

1. Board Policy Manual – Measure AA Oversight Committee Bylaws – Policy 1.10
2. Measure AA Bond Annual Accountability Report – July 1, 2017 to June 30, 2018
3. Committee Package for the January 16, 2019 meeting
4. Committee Package for the February 7, 2019 meeting
5. Committee Package for the March 6, 2019 meeting
6. Draft minutes of the March 6, 2019 meeting

Responsible Department Head:

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services

Prepared by:

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Bond Oversight Committee

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