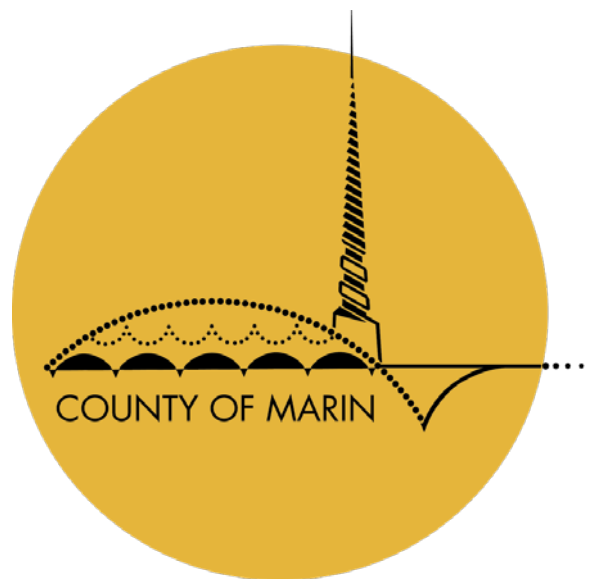


**COUNTY OF MARIN**

DEPARTMENT OF FINANCE

INTERNAL AUDIT DIVISION



Measure A - Marin Parks, Open Space, and Sustainable Agriculture Sales Tax

Grant Compliance Audit

For the Fiscal Year Ended June 30, 2024

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**DEPARTMENT OF FINANCE - INTERNAL AUDIT DIVISION**  
**MEASURE A - MARIN PARKS, OPEN SPACE AND SUSTAINABLE AGRICULTURE SALES TAX**  
**GRANTEE COMPLIANCE AUDIT**  
**FOR THE AUDIT PERIOD JULY 1, 2023 THROUGH JUNE 30, 2024**

**Marin County Parks Management**

**Measure A Community Oversight Committee:**

Pamela Tom, Andrew Ward, Robert Steinberg, Michael Dyett, Thomas Lamar, Jonathan Kathrein, Pat O'Brien

**I. EXECUTIVE SUMMARY**

**Background**

In June 2022, Marin County voters approved the reauthorization of Measure A, a one-fourth cent (0.25%) sales tax to support the preservation and enhancement of Marin County's parks, open space preserves, and agricultural lands. The tax is authorized under Ordinance No. 3760, the "Marin Parks, Open Space, and Sustainable Agriculture Transactions and Use Tax Ordinance."

Ordinance No. 3760 became effective immediately upon adoption, with the tax becoming operative on October 1, 2022. Any unspent funds from the previous ordinance (Ordinance No. 3586) were rolled into this new ordinance and remain subject to the updated requirements of Measure A.

Measure A is projected to generate \$16 million annually, with funding allocated based on an Expenditure into the following program areas:

**1) Parks and Open Space Program (65%)**

- Focuses on protecting natural resources, maintaining County parks and preserves, reducing wildfire risk, and acquiring lands with high natural resource value.

**2) Sustainable Agriculture Program (20%)**

- Supports conservation easements, climate resiliency efforts, sustainable food systems, and agricultural sustainability through competitive grants.

**3) City, Town, and Applicable Special District Program (15%)**

- Assists municipalities and special districts in managing parks, recreation programs, open space preserves, and reducing wildfire risks.

**Administrative Expenses: A portion of Measure A funds (not exceeding 5%) may be used for administrative costs incurred by Marin County Parks and the Sustainable Agriculture Program.**

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## **Governance Structure**

The Community Oversight Committee (Oversight Committee), originally established under Ordinance No. 3586, continues under Ordinance No. 3760. The Oversight Committee is responsible for:

1. Ensuring Measure A expenditures comply with the Expenditure Plan.
2. Calling for and overseeing an annual audit of Measure A funds.
3. Preparing an annual report detailing how funds were spent.

The Oversight Committee consists of seven members appointed by the Marin County Board of Supervisors, who must be County residents and may not be elected officials or employees of any organization receiving Measure A funds. The Oversight Committee reports to the Director and General Manager of Marin County Parks and will dissolve once all Measure A funds are expended and a final report is issued.

## **Administrative Oversight**

The County of Marin is responsible for administering Measure A funds in compliance with applicable laws and the Expenditure Plan. The California Department of Tax and Fee Administration collects and remits Measure A tax revenues to the County on a monthly basis. These funds are deposited into a dedicated special revenue fund exclusively for Measure A transactions.

Funds may be accumulated over multiple years to support larger or long-term projects. Interest income earned on Measure A funds must be used in accordance with the Expenditure Plan and allocated proportionately to the programs areas.

Unused funds from the Sustainable Agriculture Program and the City/Town/Applicable Special District Program may be reallocated for any purpose consistent with the Expenditure Plan 10 years after the termination date of Measure A, subject to Board of Supervisors approval.

## **Compliance Oversight**

The Oversight Committee ensures that Measure A funds are spent appropriately. This includes overseeing an annual two-fold audit process:

1. Independent External Audit
  - Conducted by an external public accounting firm to assess compliance with Measure A administration.
  - Ensures funds were received and allocated in accordance with the Expenditure Plan.
  - Confirms disbursements were properly supported and used for eligible purposes.
  - Verifies administrative expenses did not exceed the 5% cap.
2. Internal Audit Division Compliance Audit (*This Audit Report*)
  - Conducted by the County Department of Finance Internal Audit Division.
  - Focuses on compliance of Measure A grantees.
  - Reviews grant agreements, expenditure reports, and fund usage.
  - Ensures funds were used in accordance with grant terms and allowable activities.

## II. SUMMARY OF WORK

### Audit Scope, Objective, and Approach

The scope of this compliance audit covers Fiscal Year 2023-24, which spans July 1, 2023 through June 30, 2024. The audit objective was to determine whether Measure A grantees (Grantee) complied with provisions of their respective grant agreements and whether expenditure met the requirements of the Expenditure Plan.

This compliance audit was conducted based on an audit plan that included an assessment of the Measure A grants awarded, and the corresponding funds spent by the Grantee, during the scope period. The Department of Finance Internal Audit Division performed its compliance testing through inquiry, observation, inspection, recalculation and re-performance. To obtain an understanding of the processes, risks, and controls of the Measure A program, the audit team met with Marin County Parks fiscal staff and the Measure A Lead Program Coordinator. Per our review of the County's general ledger as of June 30, 2024, we note the following life-to-date Measure A Sales Tax Revenues and corresponding grants awarded to Grantees:

Fiscal Year	Measure A Sales Tax	
	Revenue	Grants Awarded to Grantees
FY 2013-14	\$ 14,457,591	\$ 2,313,994
FY 2014-15	12,779,350	1,857,767
FY 2015-16	13,312,972	4,389,224
FY 2016-17	13,177,763	3,819,713
FY 2017-18	13,344,388	8,748,295
FY 2018-19	14,673,946	5,896,813
FY 2019-20	13,766,174	2,350,448
FY 2020-21	15,547,563	2,465,338
FY 2021-22	13,219,549	2,652,341
FY 2022-23	13,105,240	5,209,683
FY 2023-24	17,401,106	9,698,832
TOTAL	\$ 154,785,642	\$ 49,402,448

### Audit Procedures Performed

Our audit procedures, as detailed below, were conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditors (IIA) Standards for the Professional Practice of Internal Auditing. Detailed work papers can be made available for review upon written request.

The following audit procedures were conducted

#### 1. Internal Control Assessment

The audit included an assessment of the adequacy of internal controls in place for Measure A funds. The audit team obtained and documented an understanding of the overall Measure A funding and disbursement process. A sample of grantees was selected for further review their respective Measure A Work Plans and expenditure reports were examined to evaluate the effectiveness of internal controls in ensuring compliance with program requirements. This review helped define the framework and scope of substantive audit procedures. Based on the procedure performed, we determined a breakdown in internal control occurred. Management discovered and proactively disclosed that the SPAHR Center, a Measure A Community Grant Program grantee, received an advance payment in November 2023 and suspended operations in February 2024. Refer to Finding 2024-001 in the 'Findings and Recommendations' section.

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## 2. **Verification of Fund Segregation**

The audit examined whether Grantees maintained Measure A funds in separate bank account or special revenue funds, as required. General ledger records as of June 30, 2024, were reviewed to verify compliance with this requirement. The audit did not identify any exceptions regarding the segregation of funds.

## 3. **Reconciliation of Cash Balances**

The audit included a reconciliation of Measure A funds held by Grantees as of June 30, 2024. The balances were compared against total Measure A disbursements received, less expenditures reported. Any discrepancies were reviewed for reasonableness and reconciled to supporting documentation to ensure completeness and accuracy. No exceptions were noted in the reconciliation process.

## 4. **Testing of Grant Expenditures**

A sample of 17 Measure A Grantees that reported expenditures between July 1, 2023 and June 30, 2024, was selected for detailed testing. This sample represented 85% of total grant disbursements for the period. The audit traced reported expenditures to supporting invoices and payment records and reviewed the nature of each transaction to determine if it was allowable under the Expenditure Plan. No exceptions were noted in the expenditures tested. A full list of Measure A Grantees and the expenditures tested is included in **APPENDIX A**.

## 5. **Follow-Up on Prior Audit Findings**

The audit reviewed prior compliance reports for Measure A to determine if any findings or corrective actions had been noted in previous years. No prior audit findings or corrective actions were identified. As such, this year's audit focused solely on evaluating current compliance with grant agreements and the Expenditure Plan. However, one new instance of noncompliance was identified during the audit period, as detailed in the 'Findings and Recommendations' section.

Based on the procedures performed, the audit identified one significant finding of noncompliance with grant agreements and allowable use of funds, as detailed in the next section.

# III. **FINDINGS AND RECOMMENDATIONS**

## **Results of Audit Procedures**

Based on the compliance procedures performed, one instance of noncompliance with grant agreements and unallowable use of funds was identified. The details of this finding and the recommended corrective actions are outlined below:

### **Finding 2024-001: Noncompliance with Grant Agreements and Unallowable Use of Funds**

#### **Condition:**

During the audit, management identified that SPAHR Center, a Measure A Grantee, received an advance payment of \$8,000 in grant funds but did not use the funds in accordance with the grant agreement. The Grantee subsequently declared bankruptcy and failed to return unspent funds to the grant administrator. Further investigation determined that SPAHR Center did not produce an accounting of grant funding per reporting requirements or return the funding, resulting in noncompliance with the grant agreement and the Expenditure Plan.

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### Criteria:

According to Measure A grant agreements, as well as applicable state and federal grant management principles, grantees must:

- Utilize grant funds solely for the purposes specified in the Expenditure Plan.
- Return unspent or misused funds to the granting agency if they are not used for allowable costs.
- Maintain proper financial records to document expenditures and compliance with grant terms.
- Ensure that any advance payments are appropriately safeguarded and used for allowable activities.

Additionally, Uniform Guidance (2 CFR § 200.305(b)), which provides best practices for grant management, states that advanced grant funds must be expended timely and only for allowable program costs. The grantee's failure to use the funds appropriately and return unspent amounts is a direct violation of these principles.

### Cause:

- The Grantee's financial instability and bankruptcy proceedings prevented the organization from fulfilling its contractual obligations.
- Insufficient oversight over advance payments contributed to the failure to recover the funds when the Grantee encountered financial distress.

### Effect:

The mismanagement of these grant funds has resulted in:

1. **Unallowable Costs:** Since the funds were neither used for Measure A-related activities nor returned, they are considered unallowable expenditures under grant compliance standards.
2. **Financial Loss to the Grant Program:** The grant administrator is unable to recover the misused funds, reducing the availability of Measure A funds for other eligible projects.
3. **Lack of Accountability:** The failure to monitor and recover advanced funds in a timely manner represents a breakdown in internal controls over grant disbursements.
4. **Potential Grant Policy Violations:** If no corrective measures are taken, this could set a precedent for other grantees regarding the misuse of advanced funds.

### Recommendations:

To prevent similar instances in the future, we recommend the following corrective actions:

1. **Strengthen Grant Monitoring Controls:**
  - Implement a risk assessment process to evaluate a grantee's financial health before issuing advance payments.
  - Require grantees receiving advances to submit periodic financial status reports demonstrating proper fund utilization.
2. **Implement a Clawback and Recovery Process:**
  - Establish clear procedures for recouping unspent or misused grant funds in the event of financial insolvency.
  - Engage legal counsel to determine whether any outstanding funds can be recovered from bankruptcy proceedings.

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### 3. Transition to a Reimbursement-Based Model for High-Risk Grantees:

- Instead of issuing advance payments, require reimbursement-based funding for grantees with financial risk indicators.
- Provide technical assistance for financially distressed grantees to support compliance with grant requirements.

### 4. Enhance Financial Due Diligence Requirements:

- Require grantees receiving advance payments to provide financial statements or solvency attestations.
- Implement a red flag system to monitor financial health throughout the grant period.

#### Management Response:

In late February 2024 SPAHR Center suspended operations. Beginning in early March 2024, Management took immediate action to recover Measure A funds; working with Health and Human Services, County Counsel, and the Department of Finance to contact SPAHR board members and explore other clawback mechanisms. Though unsuccessful to date, Management will continue to attempt to recover funds using any method available.

Several years ago, Management shifted from providing Measure A Community Grants on a reimbursement basis to providing the entire amount of each grant up front; reducing the burden on small local organizations to have cash on hand. After trying this shift in approach for several years, Management agrees to return to a reimbursement basis for the upcoming grant cycle. Returning to a reimbursement basis during the next year will allow staff to evaluate the administrative and community benefits and corresponding risks of each approach, and help to guide future grantmaking decisions.

#### Conclusion

The compliance audit verified Grantee adherence to Measure A requirements, with a notable finding of noncompliance with grant agreements and unallowable use of funds. The cooperation of Marin County Parks staff and Measure A Grantees is appreciated. Further corrective actions should be considered to strengthen financial oversight and reduce the risk of future occurrences.

## IV. DISTRIBUTION

Marin County Parks Management  
Measure A Community Oversight Committee

Audit Team:  
Michelle Camacho, Audit Manager  
Kulwarn Bassi, Auditor II

Issued this 10<sup>th</sup> day of February 2025



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Mina Martinovich, CPA  
Director of Finance

## APPENDIX A

#	Grantee Name	Measure A Program Area	Amount Awarded to Grantee	Amount Spent by Grantee	
1	City of Belvedere	CTSD	21,466.45	(53,626.57)	A
2	Town of Corte Madera	CTSD	95,909.56	(210,312.19)	A
3	Town of Fairfax	CTSD	77,170.16	(7,209.00)	A
4	City of Larkspur	CTSD		-	
5	City of Mill Valley	CTSD	145,582.90	(47,554.00)	
6	City of Novato	CTSD	540,818.81	(250,657.02)	
7	Town of Ross	CTSD	25,171.11	(24,729.52)	
8	Town of San Anselmo	CTSD	127,924.02	(215,003.57)	
9	City of San Rafael	CTSD	598,735.01	(190,802.62)	
10	City of Sausalito	CTSD	73,228.81	-	
11	Town of Tiburon	CTSD	92,935.55	(109,495.31)	A
12	Bel Marin Keys Community Services	CTSD	32,686.28	(31,262.30)	A
13	Marin City Community Services	CTSD	78,875.43	(65,606.00)	A
14	Marinwood Community Services	CTSD		(81,306.01)	
15	Muir Beach Community Services	CTSD	47,003.58	(96,509.39)	
16	Strawberry Recreation District	CTSD		(230,045.56)	
17	Tamalpais Community Services	CTSD	147,974.12	(267,676.73)	A
18	Tomales Community Services	CTSD	45,468.56	(51,982.88)	
19	Firehouse Community Park Agency	CTSD	62,471.91	(61,375.94)	A
20	Marin Resource Conservation	Sust.Ag	690,318.82	(210,181.71)	A
21	Marin Agricultural Land Trust	Sust.Ag	6,241,953.65	(6,241,953.65)	A
22	San Geronimo Valley Community Center	CGP	8,000.00	(8,000.00)	
23	Trips for Kids Marin	CGP	8,000.00	(8,000.00)	
24	Marin Link	CGP	13,800.00	(13,800.00)	A
25	Conservation Corps North Bay Inc	CGP	6,281.00	(6,281.00)	A
26	North Marin Community Services	CGP	8,000.00	(8,000.00)	
27	West Marin Community Services	CGP	8,000.00	(8,000.00)	
28	Environmental Action Committee of West Marin	CGP	8,000.00	(8,000.00)	
29	LITA-Love is the answer	CGP	8,000.00	(8,000.00)	
30	City of Sausalito	CGP	8,000.00	(8,000.00)	
31	SAPHR Center	CGP	8,000.00	-	A
32	The Multicultural Center of Marin Inc	CGP	24,000.00	(24,000.00)	
33	Vivalon	CGP	8,000.00	(8,000.00)	
34	Youth Transforming Justice	CGP	8,000.00	(8,000.00)	
35	Bolinas Stinson Young Stewards of the Land	CGP	7,740.00	(7,740.00)	
36	Young Men's Christian Association of San Francisco	CGP	16,000.00	(16,000.00)	
37	Marin County Bicycle Coalition	CGP	8,000.00	(8,000.00)	
38	EAH Inc	CGP	16,000.0	(16,000.00)	A
39	Homestead Valley Community	CGP	2,000.00	(2,000.00)	A
40	Performing Stars of Marin	CGP	8,000.00	(8,000.00)	A
41	Canal Alliance	CGP	8,000.00	(8,000.00)	A
	TOTAL		\$9,698,832.04	(\$8,637,110.97)	