

ATTACHMENT C
MEMORANDUM

October 8, 2012

Norm Vanhole, Chair
Pleasant Hill Recreation & Park District
Citizen's Bond Oversight Committee for
Measure E Projects

Subject: Revised BOC Audit Subcommittee Semi-Annual Report for January to June 2012

Subcommittee Responsibilities

The role and responsibilities of the Audit Subcommittee are to 1) monitor bond expenditures and review an annual Measure E financial report, 2) review any major changes in costs previously approved by the District and 3) report to voters and people of the District semi-annually regarding revenues and expenditures of Measure E funds.

Background and Activity

Pleasant Hill Recreation & Park District (District) prepares a general ledger that is the official accounting system for revenues and expenditures and keeps a separate record of Measure E outlays for each construction project and for each fiscal year ending June 30. The Audit Subcommittee developed a software application that analyzes the details recorded in the general ledger and produces a listing that expedites tracing invoice payments to underlying documents once a quarter.

Findings and Conclusions

- A. **The Subcommittee's analysis of the District's general ledger record of Measure E** expenditures for the semi-annual period ended June 30, 2012, showed bond fund payments for January to March 2012 were \$2,399,456.89 and for April to June 2012 were \$2,499,529.30, a total of \$4,898,986.19 for the six months. Senior and Teen Center construction costs accounted for about ninety percent of the six-month period bond expenditures. Bond fund outlays are commencing for the Pleasant Oaks Park project and are increasing for the Community Center project. Measure E expenditures since the beginning of all bond project work until June 30, 2012 were \$11,981,467.18.

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All Measure E payments from inception to June 30, 2012 made to Contractor/ Consultant organizations serving the bond construction projects are presented in Attachment C-1 to this report. The Audit Subcommittee continued its selective examination of invoices paid with Measure E funds to determine that payments were made according to bond Measure E. Included in the Subcommittee examination was an additional adjustment made to Measure E expenditures to recognize escrow payments related to the March 2012 credit adjustment of \$23,853.23 to Senior Center construction costs previously recorded as Measure E expenditures. As the Substantial Completion dates for the Senior and Teen Centers project approach, the Audit Subcommittee is looking closely for payments to contractors that exceed contract dollars the District has authorized.

- B. **The District's Measure E expenditures spreadsheet allows comparisons with Master Program budget dollars at any given date.** The Audit Subcommittee **compared the District's spreadsheet totals by project with the related general ledger cumulative amounts at June 30, 2011.** The difference was minor—the spreadsheet understated general ledger costs by \$129. District staff prepared a general ledger report of Bond fund expenditures at June 6, 2012, and added the prior two years general ledger Bond fund expenditures (a total of \$10,288,966) **to compare with the District's spreadsheet at the same date (a total of \$10,290,715).** The difference of \$1,749 was reduced to \$1,551 by a quick District check for duplicate postings or omissions.

The Audit Subcommittee believes the District's spreadsheet serves a good purpose and the \$1,551 difference is minor and unworthy of further checking at this time. In future validation efforts, the Subcommittee will bring duplicate **postings, omissions and misstated amounts to the District staff's attention as** such items are encountered in looking at general ledger or spreadsheet entries.

- C. The Subcommittee prepared change order listings for each Measure E contractor organization that had one or more approved changes during the contract term. A few of the organizations, such as the PRA Group and WRA, Inc., have more than one contract with the District for Measure E projects. The listings helped to confirm that Measure E authorized contract dollars were sufficient to cover cumulative bond fund payments to each of the organizations. As noted in the previous Subcommittee report for quarter ended December 31, 2011, District approval **of change orders to the PRA organization's authorized bond contract dollars** has lagged the pace of payments by a few weeks. During the current six-month reporting period authorized PRA dollars lagged payments again by a few weeks for the quarter ended March 31, 2012. The Audit Subcommittee met **with the District's construction management contractor [Critical Solutions, Inc.]** to understand the controls in place to prevent overpayments to bond project contractors. The Subcommittee is satisfied that CSI procedures are adequate to separate payments by individual contract and prevent significant overpayments.

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In a second instance of potential Measure E payments beyond authorized dollars, the Audit Subcommittee found that another contractor, WRA Inc., had two contracts to which bond fund payments could be applied. The Subcommittee is confident that CSI will exercise sufficient control over the invoice validation process to prevent overpayment to a contractor.

- D. **The Subcommittee's monitoring** of bond Measure E revenues revealed earned interest on invested [unspent] bond funds was \$14,186.61 for the six months January through June 2012. Proceeds related to the sale of the final \$8,000,000 portion of the Pleasant Hill Recreation and Park District bond Measure E were received in April 2012 and deposited in an interest bearing account related to Measure E funds. Interest on the \$8,000,000 deposited funds to June 30, 2012 is included in the foregoing amount stated.

Submitted by BOC Audit Subcommittee

Leo Vardas and Harold Jeffrey

Attachment C-1

Revised 10-8-12 Final Measure E Expenditure Payments To
Contractor/Consultant Organizations Serving The Bond Measure Construction
Projects at June 30, 2012