

ATTACHMENT C
MEMORANDUM

March 11, 2014
Norm Vanhole, Chair
Pleasant Hill Recreation & Park District
Citizen's Bond Oversight Committee for
Measure E Projects

**Subject: BOC Audit Subcommittee Report of Monitoring Measure E
Financial Activities July to December 2013**

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 and enhanced a software application that analyzes the details recorded in the general ledger accounts set aside for Measure E projects and produces listings that expedite tracing invoice payments to underlying documents each fiscal year quarter. The results of monitoring outlays assigned to Measure E expenditures for two consecutive quarters are incorporated in the BOC semi-annual report to the District Board of Directors (Board) and made available to the general public. The BOC notes that the District has added other funding sources to complete Measure E project work.

Findings and Conclusions

- A. The Subcommittee's analysis of the District's general ledger record of Measure E expenditures for the period July to December 2013 shows the bond fund outlay was \$7,148,320.35. Revenue (interest earned on invested, i.e. unspent, bond proceeds) for the period was \$ 5,741.02. Recorded Measure E expenditures now exceed the \$28,000,000 received from Measure E bond sales. Since the beginning of all bond project work in 2010 until December 31, 2013 payments for these projects are a total of \$28,813,430.43. Also since the beginning of the projects, invested Measure E funds have earned \$221,061.**

During this reporting period, about \$880,000 of the East Bay Regional Park District Measure WW funds was received to supplement Measure E funds applied to the costs of constructing the Community Center. Total payments for constructing the Center are \$11,049,221.32 at December 31, 2013. Construction of the center is nearly complete and a grand opening is planned for January 2014. Except for a delay to allow the park turf sod to take root, construction and upgrade of the Pleasant Oaks Park facilities is complete at December 31, 2013. Total expenditures for the Park project at that date are \$3,852,723.20.

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- B. As reported at June 30, 2013, the Audit Subcommittee looked at 382 paid invoices during Fiscal Year 2012/2013 and deemed them proper Measure E expenditures. The subcommittee examined 85 additional invoices recorded as Measure E project expenses during the months July to December 2013 and also deemed them proper Measure E expenditures. The District's external auditors' report presented in January 2014 shows interest on invested Measure E funds for Fiscal Year 2012/2013 was \$35,887 and the total of Measure E expenditures for the same year was \$9,695,668. In the Bond Oversight Committee's six months report ending June 30, 2013, the same amounts as the external auditors stated for revenue and Measure E expenditures were reported [\$1 rounding difference].

The subcommittee noted that the increased pace of construction to make the Community Center and Pleasant Oaks Park facilities ready for grand openings to the public in early 2014 caused some change orders to be approved after invoices were submitted and paid. The project management contractor, Critical Solutions, Inc. [CSI], together with District staff have prepared and obtained approval for most change orders to bring authorized project dollars for all contractors up to or beyond cumulative payments at December 31, 2013. As early as March 2013 some contractors have been engaged to complete small [under \$5,000] assigned project work tasks on a direct invoice basis. In these cases change orders were not required of the contractor's main [written] contract for bond project work. The few [five] contractors that received payments slightly above their authorized contract dollar amounts at December 31, 2013 are deemed proper Measure E expenditures because each of their invoices were approved by the District General Manager. CSI is continuing to work with the District to make sure that authorized dollars in larger contracts are sufficient for the remaining invoices expected in the next few months when all Measure E projects are completed and accepted by the District Board.

- C. The audit subcommittee notes that the Pleasant Oaks Park construction contractor arranged for the District to withhold five percent of each approved construction invoice in lieu of depositing the withheld amount with an escrow holder. The District approved the invoices the construction contractor submitted between June and December 2013. The total of these invoices was \$3,458,870.77. The District paid the contractor \$3,285,927.23 and holds \$172,943.54 as a guarantee pending completion and acceptance of the work performed.

Submitted by BOC Audit Subcommittee

Leo Vardas and Harold Jeffrey

Attachment C-1

**Measure E Expenditure Payments To Contractor/Consultant Organizations
Serving The Bond Measure Construction Projects at December 31, 2013**