October 11, 2023

Darrin,

Thank you for taking the time to speak with me today. I truly appreciate it. As you may be aware, when I was on the Board we averaged around $3.5M per year in non-debt assessments. Fiscal 22 increased to $3.6M. Fiscal 23 increased to $3.96M and Fiscal 24 is set at $4.31M.

A big reason for my review of the invoices is to understand where we are wasting money as a   
Board. These increases are unsustainable and the Board is wasting taxpayer dollars. There are also instances of incorrect payments being made and we discussed my concerns when we spoke.

I have put together a review of our discussion as well as supporting documentation. My goal is to make sure that GMS receives the proper documentation and pays the bills according to the contract or the agreement made when hiring contractors.

I understand that there are crooks out there that steal FedEx numbers and the like. When I was on the Board, I got a call from DPFG about an invoice that they received from Cardno that DPFG thought was suspicious because it said it was overdue and they wanted the money wired. DPFG sent it to me and I found some inconsistencies with how the engineering was charged to the seawall fund and the general fund. These folks were professionals. They copied every font correctly. They used the names of different Cardno employees. These just didn’t understand that the money used to pay for the seawall through the bond was different than the money used to pay for the general fund and they mismatched this info on their invoice.

As we discussed, you and I disagree as to who should approve what for payment. The Vesta contract says the following: *Invoice Processing After verifying receipt of goods or services, Contractor shall sign, date and approve each invoice and submit the invoice electronically to the District Manager for issuance of payment to supplier. The District Manager will process invoices and issue payment directly to the supplier.*

*Contractor Initiated Purchases. If the contractor desires that a purchase be made by the District for Operations Expenses or Program Expenses, Contractor shall furnish a request (“****Payment Request****”)to the District Manager detailing the proposed supplier, the nature of supplies or inventory and the costs there of. Such request may be made by e-mail to the District Manager. Payment by the District Manager will be made once an invoice is received, signed, dated and approved by the authorized District Representative.*

The GMS contract states:

***C. Accounts Payable/Receivable***

***1. Administer the processing, review and approval and payment of all invoices and purchase orders. Ensure timely payment of vendor invoices and purchase orders.***

As I stated above, you and I disagree on who is responsible for what. It seems to me that both companies are responsible to make sure the invoices are paid properly. From a personal point of view, I can not understand how a treasurer hired by the District can sign their name to a check without verifying that the amount they are paying is correct. When I signed checks at UPS, my Accounts Payable Department produced the check, invoice information, expense coding, purchase order or the contract information that allowed me to make sure we paid no more or no less than what was owed. For you to rely solely on Vesta without checking their work, results in overpayments. The process needs better checks and balances.

I told you about an invoice that was paid to Kim for after storm cleanup for $3200. Kim’s contract in effect in November says that except for hurricanes and major flooding, after storm cleanup is part of the standard services. Kim also sent us a bill in November for $2000. (We did not discuss this particular bill) but it is for $2000 to upright 2 trees and trim back trees encroaching the sidewalk. Kim’s contract calls for him to trim any trees encroaching the sidewalk as part of his standard monthly services. Kim’s current contract includes fertilization in his standard services. Yet every proposal that we get from Kim for the $330K that was approved for new plantings on the islands includes a charge for fertilizer. This is included in his standard services.

We talked about the Down To Earth underpayment when Down To Earth was charging us $6633 per month on a contract that was for $26,500 per month. Even after I brought up the fact at 3 meetings that we were under paying the bill and not accruing the right amount, Jordan did nothing. You had to point out to Jordan that the contract stated pretty clearly that the amount was $26,500. When you have a large bill like this, how can accounting not know about it so they can accrue the invoice properly?

Enclosed you will find the bill for $5000 that was paid to Adam King. This bill was for a retainer to investigate whether I interfered in government business. GMS expensed this bill to legal fees. This is a prepayment for a retainer and should have been charged to the general ledger as a prepayment. Please find out how much money we still have on account. There has yet to be one invoice put into the records for work that was done. I would like to see the invoices charged to his retainer and what report he gave to the district. Nothing was ever brought up at any meeting and Adam never contacted me. Let me know what you find out.

Enclosed you will find a GMS bill for $1755 for charges related to a budget workshop in May 2022. GMS’ standard services call for 12 monthly meetings and 1 budget workshop. In addition I asked at the May 2023 meeting what the date of the budget workshop would be for 2023. GMS never held a budget workshop in 2023 yet you charged us as part of your standard services.

We also spoke about the Vesta contract. No one is checking what we are billed to the contract. (Invoice enclosed) First you will find that Vesta uses a gross up fee of 1.2171225599. The contract calls for a gross up of 1.2171. Now the difference amounts to less than $2, but my point is that no one is looking. In addition you will see that Vesta says \* Burden for tips and Tennis commissions are included in the cost plus calculation. Charging a 12% burden on Personal Training and bartending fees. This 12% burden is not in the contract. Also you will find that group exercise is not being split 70/30 as required by the contract. Vesta doesn’t compare the expense they pay for their workers teaching goup exercise to the revenue received for group exercise. The district has been overbilled every month since GMS took over for DPFG. If you look at the YTD August financial statements, you will see the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  | August YTD Revenue | August YTD Expense | % Expense to revenue |
| Personal Training | $34,681 | $25,927 | 74.76% |
| Group Exercise | $7,935 |  | 0.00% |
| Tennis lessons | $42,579 | $28,391 | 66.68% |
| Swim lessons | $0 | $3,100 | #DIV/0! |

Again, who is checking this?

Finally, we talked about setting up the FIT account to receive the tax payments from the county. You said you weren’t sure if this was legal or not. If we can legally do this, then this should be done. If there are legal issues, then you need to find a way to control this so the money doesn’t set in a checking account earning .1% when the FIT account is over 5%. Last year I estimate that this cost the district around $33K.

Let me reiterate that I really appreciate you taking the time to speak with me. My goal is not to beat on GMS but to help you see what I see so that you can put the proper controls in place. My goal is to eliminate overpayments and make sure we invest our money wisely. This will result in a much slower increase in our tax payments. I truly understand who you have to work with on this Board and the tightrope that you need to walk. When I receive the September invoices, I would be happy to do a complete invoice audit and review it with you. Let me know if you would like me to perform that audit.