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October 4, 2023

Honorable Donald C. Spencer
Santa Rosa County Clerk of Courts
6865 Caroline Street
Milton, FL 32570

Clerk Spencer,

Please find attached the final audit report of Pace Athletic and Recreation Association.

Please feel free to contact me should you have any questions or wish to discuss the report.

Respectfully Submitted,

Teresa Garber, Internal Auditor
Santa Rosa County Clerk of Circuit Court
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attch

CC: DeVann Cook, Santa Rosa County Administrator
Brad Baker, Santa Rosa County Assistant Administrator
Jason English, Chief Deputy Clerk, Santa Rosa Clerk of Circuit Court
Jace Baxley, President, Pace Athletic and Recreation Association

**SANTA ROSA COUNTY
CLERK OF THE CIRCUIT COURT AND
COMPTROLLER**

INTERNAL AUDIT DEPARTMENT

AUDIT REPORT

**PACE ATHLETIC & RECREATION ASSOCIATION
(PARA)**

REPORT NUMBER BCC 23-02

REPORT ISSUED OCTOBER 3, 2023

ISSUED BY: TERESA GARBER, INTERNAL AUDITOR

Audit of Pace Athletic and Recreation Association

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Executive Summary

We have conducted an audit of Pace Athletic & Recreation Association (PARA) in follow-up to the audit issued by this office in 2020. The objectives of the engagement were to:

- Identify funding sources and revenues generated by PARA
- Identify and examine supporting documentation for expenses of PARA
- Verify that all revenues and expenses are accounted for in PARA's books and accounts
- Verify compliance with the terms and conditions of the PARA's agreement with Santa Rosa County
- Evaluate the appropriateness of the PARA's expenses given the organization's status as a not-for-profit and based on language in the agreement with Santa Rosa County

Our work covered the period of January 1, 2023 through June 30, 2023 and flows from authority granted in language contained in the agreement between Santa Rosa County and PARA. Although not a primary objective of our review we attempted to identify and evaluate, to the extent possible, basic internal controls over revenues and expenses and to make recommendations to improve those controls where appropriate.

This was a limited scope audit based on agreed upon procedures. As such, it is not an audit of the financial statements of PARA the purpose of which would be to issue an opinion on those financial statements. Accordingly, we have not issued such an opinion.

PARA is a federal 501(c)(3) not-for-profit corporation operating in Santa Rosa County, Florida and is currently registered as such with the Florida Department of State, Division of Corporations. PARA is managed by approximately twenty officers and directors all of whom serve as volunteers without compensation. PARA's officers and directors come from every walk of life and generally are parents of children participating in the various programs offered.

PARA operates parks in Santa Rosa County providing opportunities for youth to participate in various organized sports programs. PARA pays for utilities and ground maintenance of all playing fields, concession stands, restroom facilities, and sanitation pick up. In addition, PARA pays for all sports officiating, team jerseys and equipment and all janitorial supplies. PARA compensates someone to line the fields before games, to maintain scoreboards and controllers, and a custodian to maintain and repair the restrooms.

Based on our work we believe that expenditures of funds made by PARA were ordinary and necessary for programs and services authorized in the agreement with Santa Rosa County. While not all expenditures were properly supported by an invoice or receipt, we are reasonably confident that expenditures were appropriate for the programs offered. In addition, we have reasonable assurance that revenues generated by PARA were recorded and deposited into the checking account of the organization.

Board operational and financial governance and internal controls could be improved. PARA's bylaws continue to be outdated and compliance issues with some of the terms and conditions of

the agreement with Santa Rosa County still exist. These issues are discussed in detail under the Observations and Recommendations section of this report.

PARA Background Information

PARA is a federal 501(c)(3) not for profit corporation operating in Santa Rosa County, Florida. It is registered with the Florida Department of State, Division of Corporations as a Florida Not-For-Profit Corporation. Its registration is current and lists approximately 20 officers and board members of the corporation. Numerous members serve as vice-presidents over the various aspects of the association. All donate their time, serving as volunteers without compensation.

According to information on PARA's website, <https://www.parayouthsports.org/>:

PARA is a sports association, located in Santa Rosa County, Florida, managing multiple sports leagues for youth athletics. PARA's mission is to provide all Pace area residents with organized sporting leagues and great facilities on which to play.

PARA entered into a revised agreement with Santa Rosa County effective January 1, 2018. According to the agreement, PARA is organized to provide social and character development and sports programming for citizens of Santa Rosa County. The agreement provides that PARA manage and administer specific parks in Santa Rosa County for the purpose of providing a location for members of PARA, as well as other citizens and groups in Santa Rosa County to engage in athletic/recreational programs.

PARA operates two parks located at 5976 Chumuckla Highway (Santa Rosa Sports Plex) and the Pace Area Recreational Park located on Limbaugh Lane, although the latter is not identified in the current agreement with Santa Rosa County.

PARA operates on a calendar year basis providing organized sports for youth in Santa Rosa County for pre-T-ball, T-ball, softball, baseball, football and cheerleading. PARA is a member of the Northwest Florida Youth Sports Alliance and the Emerald Coast Cheer Association, both commonly referred to as leagues, and as such are required to adhere to league rules, policies, and procedures for competitive play.

For calendar year 2022, PARA reported income of \$415,824 and expenses of \$389,685. According to information provided by the organization, PARA serves over 850 participants annually.¹

PARA has established written bylaws as a means of ensuring control and oversight of the organization and has drafted updated bylaws that have yet to be ratified by the Board. According to those bylaws as well as information obtained from their corporate filing with the Florida Secretary of State, PARA has nine officers and twenty members of the board of directors all of

¹ 2022 Federal Form 990

whom volunteer their time. The park administrator/secretary is a recently filled, paid position that was previously vacant since mid-2022. The individual who maintains the playing fields and grounds is also a paid position.

Volunteers

PARA officers and directors volunteer their time. The organization pays for the services of a park administrator/secretary, groundskeeper and professional accountant. The president, vice presidents, treasurer and board members all volunteer their time and are not compensated.

Operations

Under the agreement with Santa Rosa County, PARA manages the Santa Rosa Sports Plex. The tennis courts and community center are not part of this agreement. Santa Rosa County maintains the common areas of the parks such as parking lots and outer lying fields. In addition, the County performs regular maintenance of the ball field lights. The County pays for utilities at the Community Center and parking areas only.

PARA pays for utilities and ground maintenance of all playing fields, concession stands and restroom facilities as well as sanitation pick up. In addition, PARA pays for all sports officiating, team jerseys and equipment and all janitorial supplies. PARA compensates someone to line the fields before games and to maintain scoreboards and controllers, and a custodian to maintain and repair the restrooms.

Methodology

We obtained and reviewed detailed accounting records for the period under review. We met with and interviewed PARA's president and numerous vice presidents over the various aspects of the association. We met in PARA's boardroom after hours to accommodate their schedules.

We reviewed the prior audit of PARA conducted by this office in 2019. We examined PARA's most recent federal tax return, accounting records and supporting documentation for expenditures of PARA funds. We conducted a limited systems audit of PARA's newly acquired cloud-based sports management solution, SportsEngine, tracing participant fees paid through the system to PARA's bank account, and reconciled paid, refunded, and voided registrations to rosters. We compared volunteers with direct access to participants to volunteer background screening reports. We reviewed minutes of meetings and bylaws of the organization and analyzed revenues and expenditures to determine the reasonableness of the type and amounts reported.

Conclusion

Based on our work we believe that expenditures of funds made by PARA were ordinary and necessary for programs and services authorized in the agreement with Santa Rosa County. While not all expenditures were properly supported by an invoice or receipt, we are reasonably confident

that expenditures were appropriate for the programs offered. In addition, we have reasonable assurance that revenues generated by PARA were recorded and deposited into the checking account of the organization.

PARA's bylaws continue to be outdated and compliance issues with some of the terms and conditions of the agreement with Santa Rosa County still exists. Board operational and financial governance could be improved. These issues are discussed in the following paragraphs.

Observations and Recommendations

The following are our observations to address compliance, control and governance issues encountered during our audit of PARA.

Compliance

Fee Structure-Allowance for Financially Disadvantaged Children

Included in PARA's agreement with Santa Rosa County is a provision allowing PARA to charge fees for participation in organized events. Language in the agreement also requires that the fee structure provide for appropriate allowances for participation by children without sufficient funds to pay the fees.

We reviewed the fee structure established in PARA's newly utilized sports management system, SportsEngine. While we noted discount provisions for families that have multiple children participating (commonly referred to as sibling discounts) and for the children of volunteers who serve on the board or as head coaches, there is no discount provision for children without sufficient funds to pay. Such language is generally referred to as scholarship provisions.

When we inquired regarding such provisions PARA explained that allowances for needy students are made; however, they are undefined, not in writing and are generally left up to the individual vice president for that sport. Leaving matters such as this up to individuals within the organization without clearly defined criteria can lead to abuse and favoritism.

This issue was initially noted four years ago during the prior audit conducted in 2019. We again recommend that the board of directors for PARA formally establish discount rates or amounts, including criteria, to be followed in granting discounts to financially disadvantaged children.

Background Screening

PARA's agreement with Santa Rosa County calls for all volunteers with the potential for regular or intermittent contact with children to have a background screening performed. During our discussion with PARA, we learned volunteer background screenings are required once a year from the date last conducted and, as a member of Northwest Florida Youth Sports Alliance and Emerald Coast Cheer Association, PARA football and cheer coaches are required to forward passing

background screenings for their volunteers to the league prior to being allowed to participate in competitive play.

Beginning January 1, 2023, in coordination with Santa Rosa County (SRC), PARA transitioned from requesting volunteer background screenings from the SRC Parks and Recreation Department to conducting background screenings utilizing PARA's newly acquired sports management solution, SportsEngine.

We reviewed background screenings conducted by SRC in calendar year 2022 as well as background screenings conducted by PARA utilizing SportsEngine. We were unable to locate background screening reports for 69% of the volunteers who served during the Spring 2023 season. The remaining 31% of volunteers passed background screenings; however, the reports showed the screenings were conducted anywhere between one to three months after the first game of the season was played.

Allowing volunteers to have contact with children prior to confirming a background screening was conducted increases the risk for incidents of abuse and/or inappropriate behavior by volunteers who exercise authority over the minor participants. We recommend PARA establish and follow written procedures for confirming all volunteers have passed a background screening prior to being allowed to volunteer.

Expenditures

Whether for profit or otherwise, generally accepted accounting principles dictate that organizations maintain sufficient documentation to support the income and expenses of the organization. Although the rules of the Internal Revenue Service require supporting documentation be kept for a minimum of three years, the current agreement between PARA and Santa Rosa County requires PARA to maintain all records, books and documents for a minimum period of five years.

For the period under review, we prepared a list of randomly sampled expenditures of PARA and requested supporting documentation such as receipts or invoices for these expenditures. While PARA produced receipts for most of the expenditures sampled, 27% were unsupported.

During our discussion with PARA we learned that one debit card was issued by the bank and the card number is shared amongst PARA officers for making purchases necessary for ongoing administration of their sport. 57% percent of the missing invoices/receipts were for purchases made by debit card where the receipt was not maintained. Without the itemized receipt PARA cannot identify the officer who made the purchase, verify the items purchased, or confirm the vendor charged the correct amount.

We recommend PARA maintain all records and supporting documentation for both income and expenses of the association and that they be filed in an organized manner for audit and maintained for a period of five years in accordance with the terms and conditions of the agreement.

In addition, we recommend PARA incorporate internal controls by canceling the currently shared debit card and issuing a purchasing card to each officers authorized by the board. Use of the

purchasing card should be restricted to the officer to whom the card was issued. A record of the card number assigned to each officer should be maintained. The board should establish a single transaction limit for each card to prevent the cardholder from exceeding the spending limit established in the bylaws requiring board approval, currently \$250. A monthly transaction limit should also be established to prevent overspending. In addition, the board should create a written debit card policy that, at a minimum, should identify officers authorized to utilize a purchasing card, define rules for permissive and prohibited use, establish spending limits, and document the approval process and submission requirements.

Control

Bylaw Compliance

As mentioned previously, provisions contained in PARA's bylaws help to establish control and oversight of the corporation's operations. During our review we noticed that the bylaws require expenditures in excess of \$250 be approved by the Board of Directors. From minutes available for our review, we cannot tell that this is always done. Additionally, bylaws state that a quorum must include fifteen board members. Minutes we reviewed indicate that such was not always the case.

As mentioned above, language adopted in PARA's bylaws ensure that the goals and objectives of the association are met. We recommend that the Board of Directors for PARA comply with adopted bylaws of the corporation.

Governance

Bylaws

PARA is a Florida 501(c)(3) corporation. As with any corporation such as this, PARA elects officers and directors to run the organization on behalf of its membership. Directors bestow powers and duties to officers and establish high level operating and oversight controls in the bylaws of the corporation. Because of this, bylaws are an important part of control activities.

As part of our audit, we reviewed PARA's current and drafted bylaws. The prior audit conducted by this office in 2019 noted that PARA's bylaws were unratified, inaccurate, incorrect, and needed updating. Bylaws have been recently drafted but remain unratified as does the current bylaws.

We recommend that the bylaws for PARA be updated to clarify the matters mentioned in our previous audit and be presented to and voted on by directors. Meeting minutes should reflect this process and bylaws should be dated accordingly.

SportsEngine

Florida law assigns the responsibility to manage the affairs of a nonprofit organization to the board² and requires nonprofits to keep minutes of all board meetings and actions taken by the

² 617.01401(2), F.S.

board for three years³. In compliance with Florida law, the current and draft bylaws specify that the board has jurisdiction over finances.

During our review of SportsEngine we noted that PARA systematically established seven payment-plan options, credits for sibling participation, and discounts for head coaches and board members. Meeting minutes documenting the board's approval were not available to confirm such. We were informed that board meeting minutes had not been recorded since the secretary/administrator position became vacant in 2022.

We recommend PARA refrain from creating payment plans, credits, and discounts in SportsEngine unless approved by the board and documented in the minutes. In addition, PARA should ensure that all actions of the board, whether taken during a board meeting or decided otherwise, are formally recorded and maintained in the minutes of the corporation for at least three years.

Board Meeting Minutes

Meeting minutes are a record of what was done. A review of financial information should be documented in the meeting minutes with a copy of the financial report attached. Meeting minutes should be distributed to, reviewed and approved by the board during the next meeting. If the board makes corrections to the minutes prior to approval, those corrections should also be documented in the minutes.

As already noted, nonprofit corporations are required to record the board actions taken during board meetings or otherwise in the minutes and maintain such for three years. The board can only act if a quorum of the board is present, defined by PARA's bylaws as fifteen directors not including the presiding officer. Otherwise, the proceedings of that meeting are invalid. Additionally, an act of the board is determined by an affirmative vote by a majority of the directors present.⁴

Our review of the minutes was limited to one month since the board's actions were unrecorded due to the secretary/administrator position becoming vacant in 2022 and only recently filled. We noted that although a quorum was not met, the minutes documented a vote taken and an action approved during the meeting. We discussed this observation with PARA who explained that being aware that a quorum had not been met, phone calls were made to those directors not present to obtain their vote prior to approving. This action and the number of favorable and unfavorable votes were not documented in the minutes.

In addition, we noted that there was no mention of financial documents being distributed to or reviewed by the board nor was there any mention of a treasurer's report. During our discussion with PARA, we learned that a profit and loss statement and balance sheet is distributed to the board of directors a week prior to the board meeting for their review.

We recommend that PARA ensure a quorum is met before board action commences and all proceedings, including the number of favorable and unfavorable votes, are recorded in the minutes.

³ 617.1601, F.S.

⁴ 617.0824(3), F.S.

Furthermore, we recommend that any distribution to and review of monthly financial statements by the directors be documented in the minutes, with a copy of the distributed financial statements attached.

End of Report

Pace Athletic and Recreation Association, Inc.
4960 Highway 90 #221
Pace, FL 3257

September 29, 2023

Teresa Garber, Internal Auditor
Santa Rosa County Clerk of Circuit Court
6495 Caroline Street, Suite B
Milton, FL 32570

RE: Follow-Up Audit Report of PARA

Dear Ms. Garber,

Let me begin by thanking you for the extension we requested. As you can imagine we had numerous items to discuss as a Board, plus research and follow-up discussion. It is our hope that the following plan will be acceptable to you in our humble attempt to comply with all requests.

As noted in the report we had a paid secretary and a grounds keeper - both of whom were Directors and thereby voting members of the PARA Board. The Board took action on Wednesday September 28, 2023 by adopting a motion to remove them as Directors and therefore they will no longer be voting.

Although the report recognizes that we have a "discount provision" for certain situations we appreciate the recommendation that the documentation with official PARA forms is necessary and should be distributed to all members. A scholarship plan will be outlined before our next annual meeting in November of 2023*. It will outline eligibility to those families with financial assistance needs. A Scholarship review committee will be tasked with decisions regarding those eligible and those who will be granted scholarships. We will be reviewing our plan with SportsEngine to ensure discounts, payments, and credits are done correctly.

With regard to our background screening, we have been pleased with the new process, and timely response of the submitted forms through our SportsEngine program. The safety of the youth at our park is of utmost importance. We have added the process of individual confirmation to the sport VP's - so that all coaches and assistant coaches have an approved background check on file prior to on-field interaction with players.

Each of our Board meetings will have a financial report along with a profit and loss statement distributed either by email prior to each monthly meeting or available to review at the meeting.

Thank you for the opportunity to improve on our Board Meetings and Bylaws. We have read the recommendations and agree wholeheartedly that improvement and compliance is needed. We have already begun making changes to improve our PARA not-for-profit order of business. We

* PARA Annual Member Meeting is the 3rd Wednesday in November Annually. They are on a fiscal calendar year.

Pace Athletic and Recreation Association, Inc.
4960 Highway 90 #221
Pace, FL 3257

have adopted a plan to bring our Bylaws into compliance with our Articles of Incorporation and to create a “policy and procedures” document that will detail the day-to-day activities as they change constantly with each season and each sport.

Changes to our financial structure have already begun. We have discussed new ways of managing our checks and balance on expenditures. We will have a designated card for each sport with a single transaction limit for each card holder and they will have a limit of \$500. We will monitor each card holder and their purchases - monthly. We will be tracking and filing receipts or documents of these expenses per card holder, in accordance with the policy and procedures guidelines we are currently drafting. A 5 year period for maintaining all of our records will be adopted.

After the Board makes the necessary corrections to our currently unratified Bylaws we will be presenting them to the membership in November to be ratified by the members, at the Annual Members meeting*. We appreciated you bringing this matter to our attention.

The observations found in the process of this Audit have proven to be helpful in becoming more organized. We welcome the opportunity to be better. We are including the most recent Board Meeting minutes with the newly adopted procedures.

Thank you for your work to help us,

Respectfully

Jace Baxley, President
PARA

* PARA Annual Member Meeting is the 3rd Wednesday in November Annually. They are on a fiscal calendar year.