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July 25, 2019

Dan Schebler, County Administrator
Santa Rosa County Florida
6495 Caroline Street, Suite D
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Dan,

Please find attached the final report on the Audit of Pace Athletic and Recreation Association, Inc. (PARA).

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

Respectfully,

Samuel S. Scallan, Internal Auditor
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attch

Cc: Don Spencer, Clerk of Courts
Pace Athletic and Recreation Association, Inc.
Tammy Simmons, Santa Rosa County Administrative Services Manager-Recreation Services
Mark Murry, Assistant County Administrator
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**SANTA ROSA COUNTY
CLERK OF THE CIRCUIT COURT AND
COMPTROLLER**

INTERNAL AUDIT DEPARTMENT

**REPORT ON AUDIT OF THE
PACE ATHLETIC & RECREATION ASSOCIATION
(PARA)**

REPORT NUMBER BCC 18-4

REPORT ISSUED JULY 25, 2019

ISSUED BY: SAMUEL SCALLAN, INTERNAL AUDITOR

Audit of Pace Athletic and Recreation Association

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Audit of Pace Athletic and Recreation Association

Executive Summary

We have conducted an audit of the Pace Athletic & Recreation Association Youth Sports (PARA). The objectives of the engagement were to identify the amount of funds generated by PARA and to examine expenditures of those funds. We reviewed compliance with the terms and conditions identified in the agreement with Santa Rosa County and assessed internal controls.

Our work covered the period of October 1, 2016 through June 30, 2018 and flows from authority granted in language contained in the agreement between Santa Rosa County and PARA. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors, Inc.

PARA is managed by its officers and directors who all serve as volunteers without compensation. These people come from every walk of life and generally are parents of children participating in the various programs offered. PARA is a federal 501(c)(3) not for profit corporation operating in Santa Rosa County, Florida. It is registered with the State of Florida, Department of State; Division of Corporations as a Florida Not-For-Profit Corporation. Its registration is current and lists approximately 30 officers and board members of the corporation.

PARA operates two parks in Santa Rosa County providing opportunities for youth and adults to participate in various organized sports programs.

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 pays someone to line the fields before games and to maintain scoreboards/electronics. PARA pays for a custodian to maintain the restrooms and makes minor repairs to them. The cost of lighting and maintaining common areas of the parks such as the parking lots and outer fields are born by the County.

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. Internal controls over how PARA collects and records revenue could be improved as well as compliance with some of the terms and conditions of the agreement with Santa Rosa County.

We have conducted an audit of the Pace Athletic & Recreation Association Youth Sports (PARA).

The objectives of the engagement were to:

- To identify funding sources and revenues generated by PARA
- To identify and examine supporting documentation for expenses of PARA
- To verify that all revenues and expenses are accounted for in the books and accounts of PARA
- To verify compliance with the various terms and conditions of the most current agreement between Santa Rosa County and PARA.
- To evaluate the appropriateness of the expenses of PARA 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 October 1, 2016 through June 30, 2018. Certain tests of expenditures were expanded to cover the period July 1, 2018 through November 20, 2018.

Our work 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 and as such is not an audit of the financial statements of PARA the purpose of which would be to issue an opinion on those financial statements and accordingly we have not issued such an opinion. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors, Inc.

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 State of Florida, Department of State, Division of Corporations as a Florida Not For Profit Corporation. Its registration is current and lists approximately 30 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 and adults. 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 may 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. (See Map-Exhibit A)

PARA operates on a calendar year providing organized sports for youth in Santa Rosa County for Pre-T-ball, T-ball, softball, baseball, football and cheerleading. For the 2017-18 fiscal year, PARA reported income of \$295,831.13 and expenses of \$287,090.07. (See Profit and Loss Statement-Exhibit B) According to information provided by the organization PARA serves over 1,500 participants annually.

PARA has established written bylaws as a means of ensuring control and oversight of the organization. According to those bylaws as well as information obtained from their corporate filing with the Florida Secretary of State, PARA has seven officers and 30 members of the board of directors all of whom volunteer their time. The park business manager is paid as is the individual who maintains the playing fields and grounds.

Volunteers

It is important to note that PARA officers and directors volunteer their time. While the organization pays for the services of a park business manager, groundskeeper and professional accountant, the president, vice presidents, secretary, treasurer and board members all volunteer their time. They 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. These expenses alone amount to over \$93,000.00 annually. In addition, PARA pays for all sports officiating, team jerseys and equipment and all janitorial supplies. PARA pays someone to line the fields before games and to maintain scoreboards and controllers. PARA pays for a custodian to maintain the restrooms and makes minor repairs to them.

Methodology

We obtained and reviewed detailed accounting records for the period under review. We toured the facility and met with PARA's vice president of operations (volunteer). We met after hours to accommodate their schedules where needed and met them at their place of work.

We met with the president, vice president and treasurer for PARA. We interviewed PARA's bookkeeper and park business manager (both paid positions). We examined supporting documentation for expenditures of PARA funds and examined the federal tax return and federal form 1099's issued to those individuals paid by PARA. We reviewed minutes of meetings and bylaws of the organization as well as contracts with concessionaires. We 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. We cannot be sure that all revenues generated by PARA were recorded and deposited into the checking account of the organization. See the discussion on **Internal Control-Revenues**. Compliance issues with the terms and conditions of the agreement with Santa Rosa County exist and are also discussed in the following paragraphs.

Observations and Recommendations

Following are our observations to address compliance, control and governance issues encountered during our audit of PARA. The reader should keep in mind that PARA is run and managed by volunteers who receive no compensation for their time or services. Generally, they are parents of children who are involved in the sports programs offered by PARA. As such they come from every walk of life and may or may not possess the business acumen required to run an organization of this size.

Compliance

Insurance

The agreement with Santa Rosa County requires that PARA maintain a comprehensive general liability policy in the amount of at least \$1,000,000 per occurrence providing for coverage for **any and all losses or claims** (emphasis added). In addition, the agreement requires that the insurance policy list the County as a co-insured and that the County shall be entitled to receive notice of changes to the policy as the named insured.

To verify PARA's compliance with insurance requirements contained in the agreement we obtained a copy of the policy in affect from February 6, 2018 to February 6, 2019. Although not experienced in provisions for general liability insurance we noted the following inconsistencies:

- Santa Rosa County is not listed as the co-insured rather the Santa Rosa County School District is. This fact is apparent on the Insurance Certificate filed with the County's Parks and Recreation Department.
- The policy only covers the sport of baseball and softball. There is no coverage for football or cheerleading.
- The policy only covers activity specifically located at the ball fields on Chumuckla Highway. There is no reference to coverage at the Pace Area Recreational Park located on Limbaugh Lane. This might be understandable as the agreement with the County only references the park on Chumuckla Highway.
- The policy only covers liability for participants and volunteers. There is no reference to coverage for spectators. We question whether such puts the County at risk should an injury occur to a spectator attending one of the events. In addition, the policy does not cover employees of PARA such as those who are paid to perform various activities at the park.
- The policy does not contain a provision to notify Santa Rosa County of any changes to the policy as required in the Agreement. In addition, notice of cancellation of the policy is made to the additional insured (*Santa Rosa County School District*).
- Finally, we note that the use of unmanned aircraft (drones) and trampolines are listed as exclusions in the policy and yet there is no provision to exclude the use of this equipment in the agreement with PARA.

We discussed these issues with Santa Rosa County officials. Most of them have been corrected.

We recommend that PARA officials discuss the unresolved matters with the County's Risk Management Department to insure that coverages meet the needs of the County and are in compliance with requirements contained in the agreement.

Fee Structure-Allowance for Needy 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 noted in minutes of the November 7, 2018 PARA board meeting that the fee structure for the various sports for the coming year was approved. While we noted provisions for discounts for early registration and discounts for multiple siblings from the same family, there is no provision for a discount for children without sufficient funds to pay. Such language is generally referred to as scholarship provisions.

During our review we inquired regarding such provisions. PARA officers 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.

We recommend that the board of directors for PARA formally establish discount rates or amounts, including criteria, to be followed in granting discounts to needy children.

Documentation for Expenditures

The current agreement between PARA and Santa Rosa County requires that PARA maintain all of its records, books and documents for a period of five (5) years. For the period under review we prepared a list of randomly sampled expenditures of PARA and requested supporting documentation for these expenditures. We learned that PARA did not maintain any documentation to support expenditures of the association for the period we examined. Subsequent to our request the treasurer for the organization was able to obtain *duplicate* invoices for the expenditures being reviewed.

In discussing this matter with the treasurer he indicated that he was unaware of the need to maintain such records and the prior agreement with PARA did not contain any provision for records retention.

Whether for profit or otherwise, generally accepted accounting principles dictate that organizations maintain sufficient documentation to support the income and expenses of the organization. In addition, rules of the Internal Revenue Service require that supporting documentation shall be kept for a minimum of three years.

The effective date of the current contract with PARA is December 14, 2017. In an effort to test compliance with the documentation requirements of the current contract we provided a subsequent sample for current year expenditures and requested supporting documentation for same. Except for payments to officials at sporting events, PARA was able to produce

documentation to support the majority of the items sampled. Regarding payments to referees and umpires they explained that payment requests for these people were received via email, subsequently approved and forwarded to PARA's bookkeeper/accountant for payment, however these emails were not maintained in the payment file.

We recommend that 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.

Contract Compliance

As mentioned earlier, PARA operates two parks located at 5976 Chumuckla Highway (Santa Rosa Sports Plex) and on Limbaugh Lane (Pace Area Recreational Park). (See Map-Exhibit A) The park on Chumuckla Highway has baseball fields while the one on Limbaugh Lane has football fields. However, the contract with Santa Rosa County only authorizes the use of the park on Chumuckla Highway.

We recommend that PARA contact Santa Rosa County to discuss an amendment to the agreement to permit them to use both parks for sponsored activities of the organization.

Control

Compliance with provisions contained in Bylaws

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 numerous instances where control provisions contained in the bylaws were not being followed.

Specifically:

- Bylaws require that expenditures in excess of (\$250) must have the approval of the Board of Directors. From our review of minutes we cannot tell that this is always done.
- Bylaws require that the Board of Directors prescribe and publish rules and regulations regulating the use and occupancy of the facilities of the corporation and care thereof. We are unaware of any such rules.
- Bylaws state that the Board of Directors is vested with the power to set registration fees but not all fees have been approved by the board of directors.
- Bylaws require that an audit be conducted by a committee appointed by the president; however such has not been completed.
- Bylaws state that a quorum must include (15) board members. Minutes we reviewed indicate that such was not always the case.
- Bylaws require that a sports calendar be developed and voted upon each year by the PARA Board. There is no sports calendar that we are aware of.

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.

Internal Control- Revenues

As mentioned previously, PARA charges registration fees to participants to cover the costs of the program. For the 2017 year, registration fees amounted to over half of total revenue recorded by PARA or approximately \$175,000.00. We reviewed controls over assessing, collecting, depositing and recording of revenues for the association. Internal controls could be improved.

PARA uses a commercial web-based forms application (WUFOO) to set up online registration for the various sports programs. This customizable forms software application enables participants to register online for a sport and pay registration fees through PayPal. In addition, PARA offers onsite registration events several times a year. WUFOO allows multiple user names with customizable user rights for each. In this way, the person appointed by PARA to set up and modify the registration forms can be given "administrative" rights to customize forms as needed including setting up and modifying the fee schedule. This schedule is changed regularly to provide for multi-sibling and early registration discounts. Because the administrator has the ability to modify and adjust the fee structure they typically would not be responsible for downloading registrations, building team rosters or collecting and depositing fees. These are incompatible duties that should be assigned to different members.

Team rosters are built from registrations. Registrants have to pay fees in order to register. Team rosters then are a key control point. That is, a name added to a team roster means that participant gets to play on that team. During our review we noted that the PARA park administrator (a paid position) handles all aspects of the online registration process from downloading registration data, to building team rosters to clearing the PayPal account to handling cash and making deposits. These are incompatible duties that should be assigned to different members.

In addition, while WUFOO offers the ability to establish multiple user names with customizable user rights, the park administrator is using the "administrator" user name when accessing WUFOO online. In effect, not only do they control all aspects of the registration process but they also have the ability to modify or delete fees established for those registering for the various sports. This is a serious control weakness that should be addressed by the board of directors.

The park administrator also serves as PARA's secretary. Some of their duties include providing periodic reports of registrations to the board of directors. In effect they control all aspects of the organizations revenue process.

Because of these control deficiencies we cannot provide any assurance that all revenues generated by PARA were properly accounted for in the records and accounts of the association.

We recommend that PARA review the control weaknesses identified above and assign the various control aspects of the revenue process to different members.

Governance

Bylaws

As mentioned previously, 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. Officers are vested with certain powers and duties identified in the bylaws of the organization and the organization establishes high level operating and oversight controls in its bylaws. These governance provisions establish control and oversight of the corporation's operations. Because of this, bylaws are an important part of control activities.

As part of our audit we reviewed the bylaws for PARA focusing on control features as well as monitoring and oversight responsibilities of the board of directors.

The bylaws we reviewed were not dated. There was no reference to when they were approved by the governing board and appear to be a draft copy. Other matters noted include:

- Duties of the president do not define legal or fiscal authority such as authority to sign contracts on behalf of the corporation or levels of expenditure authority.
- Sections of the bylaws we reviewed were in a red font with no indication of the meaning of the color used.
- The bylaws reference a president, secretary, treasurer and four vice-presidents however the corporate filing with the Florida Department of State lists seven vice-presidents and no secretary.
- While the bylaws list the officers, they do not indicate a term of office for each.
- Duties of the vice-president of Football contain a circular reference to the same title.

We recommend that the bylaws for PARA be updated to clarify the matters mentioned above and they be presented to and voted on by membership of the association. Minutes of the meeting should reflect this process and bylaws should be dated accordingly.

We presented a draft of this report to the current PARA president for review. The draft was presented to the full PARA board for discussion. Following is the president's response to the report on behalf of the board of directors.

End of Report

Pace Athletic and Recreation Association
Management Response to Audit

3/26/2019

Mr Scallan

I have reviewed your draft response with the PARA BOD. We (PARA) would like to take this opportunity to thank you as well as the county for putting another set of eyes on our organization as well as the way it is being run. After meeting with you on multiple occasions and reviewing your draft response the PARA BOD has taken ALL of your recommendations seriously and has implemented practices to correct them. I am confident that future audits will go much more smoothly.

Thank you

A handwritten signature in blue ink, appearing to read 'Stuart Viator', with a stylized, flowing script.

Stuart Viator

PARA President

5976 Chumuckla Hwy

Pace Florida 32571

Pace Athletic and Recreation Association
Exhibit A Map of PARA Parks

Santa Rosa County Sports Plex

Rectangular Strip

Pace Area Athletic Park

Chumuckla

Berryhill Rd

Chumuckla Hwy

Woodbine Rd

Glenney Rd

Giddens Ln

197B

Spencer Naval
Outlying Field

Hamilton Br

S Spencer Field Rd

Chumuckla Hwy

Pace

197

90

191A

90

Simpson River

Escal

Santa Rosa County Clerk Of Courts
Internal Audit Department
Audit of Pace Athletic & Recreational Association (PARA)
Profit and Loss Statement
(Unaudited)
October 1, 2017 to September 30, 2018

Exhibit B

INCOME	
Registration Fees	\$ 174,164.75
Sponsorships	53,300.00
Tournaments	9,210.24
Fundraisers	36,848.00
Miscellaneous	22,308.14
Total Income	<u>\$ 295,831.13</u>
EXPENSE	
Utilities	\$ 53,102.48
Referees & Umpires	47,272.00
Repairs & Maintenance	40,654.39
Uniforms	38,950.91
Equipment	26,061.28
Contract Labor	18,000.00
Sponsor Signs, Caps & Logo's	11,000.20
Insurance	9,325.41
League Registrations	7,955.00
Professional Fees-Accounting	5,725.00
Depreciation	3,860.00
Security	3,530.00
Supplies	2,821.85
Tournament Fees	2,400.00
Fundraising	1,993.25
Awards & Trophies	1,558.84
Rentals	1,300.00
Miscellaneous	11,542.58
Total Expenses	<u>\$ 287,053.19</u>
NET PROFIT	<u><u>\$ 8,777.94</u></u>