



AUDIT OF

ORLANDO AFTER-SCHOOL ALL-STARS, INC.

ADMINISTRATIVE PRACTICES

Exit Conference Date: March 30, 2005

Release Date: April 29, 2005

Report No. 05-19

CITY OF ORLANDO

OFFICE OF AUDIT AND EVALUATION

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CITY OF ORLANDO

MEMORANDUM

To: Byron W. Brooks, Families, Parks and Recreation Director
Noel G. "Yogi" Moore, Executive Director, Orlando After-School All-Stars, Inc.

From: Beryl H. Davis, CPA, CGFM, Audit and Evaluation Director

Date: Exit Conference: March 30, 2005; Release: April 29, 2005

Subject: Audit of Orlando After-School All-Stars, Inc. Administrative Practices
(Report No. 05-19)

Upon instructions from the City Attorney following a request from Commissioner Betty T. Wyman, the Office of Audit and Evaluation performed an audit of certain aspects of the administration of the Orlando After-School All-Stars, Inc. (the Organization). The Organization promotes certain activities and raises funds and other resources to benefit the designated youth population in Orlando in accordance with the mission of the national After-School All-Stars Foundation. The Organization also cooperates with the City of Orlando's Families, Parks and Recreation Department (FPR), which provides a number of before and after school, summer, and sports and fitness activities for youth under the designation After-School All-Stars.

The objectives of our audit of the Orlando After-School All-Stars Inc. administrative practices were to: (1) determine whether the Organization's Kids Klassic Golf Tournament proceeds have been properly accounted for and utilized; (2) compare the Organization's prior year budget to actual amounts and review its revenues and expenses to assess proper accounting and disclosure; and (3) determine whether the Organization's corporate business has been properly conducted.

We have made recommendations in this report for each of the above objectives. Regarding the Organization, we concluded that (1) for fundraising events, spending plans should be set forth in advance and accounting practices improved; (2) budget practices are acceptable, but reporting of budget and actual amounts should be more frequent and comprehensive; and (3) there should be more consistent adherence to corporate formalities. City staff should assist the Organization to implement the recommendations in this report.

Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included a review of selected accounting records of the Organization and such other auditing procedures as we considered necessary in the circumstances. This review focused primarily on FY 2003 and FY 2004. We did not audit the City's general fund accounts. The scope and methodology are more fully described in the Issues and Recommendations section of this report.

Mona Mellon, Audit Program Manager, performed this audit.

We would like to express our appreciation to the officials and employees of the Families, Parks and Recreation Department and Orlando After-School All-Stars, Inc. for their courtesy and cooperation during this audit.

BHD/am

c: Honorable Buddy Dyer, Mayor
Jose I. Fernandez, Jr., Chief of Staff
Joseph Robinson, Deputy Chief of Staff
Dykes C. Everett, City Attorney
Richard L. Levey, AICP, Chief Administrative Officer
Deborah D. Girard, Management, Budget and Accounting Director
Board of Directors, Orlando After-School All-Stars, Inc.

EXECUTIVE SUMMARY

Objectives, Conclusions, Scope and Methodology

The objectives of our audit of Orlando After-School All-Stars, Inc. (the Organization) administrative practices were to: (1) determine whether the Organization's Kids Klassic Golf Tournament (Kids Klassic) proceeds have been properly accounted for and utilized; (2) compare the Organization's prior year budget to actual amounts and review its revenues and expenses to assess proper accounting by the City and disclosure to the Board; and (3) determine whether the Organization's corporate business has been properly conducted.

We concluded that (1) for fundraising events, spending plans should be set forth in advance and accounting practices improved; (2) budget practices are acceptable, but reporting of budget and actual amounts should be more frequent and comprehensive; and (3) there should be more consistent adherence to corporate formalities. City staff should assist the Organization to implement the recommendations in this report.

We interviewed City staff and the independent auditor of Orlando After-School All-Stars, Inc. We performed a review of such records of the Organization as we considered necessary in the circumstances, focusing primarily on FY 2003 and FY 2004. We did not audit the City's general fund accounts. The scope and methodology are more fully described in the Issues and Recommendations section of this report.

Commendation

We commend both Families, Parks and Recreation and the Orlando After-School All-Stars, Inc. for their accomplishments in establishing and carrying out activities for the designated youth participants. Through fundraisers, grants, and community partnerships, five sports and health programs are provided. The FPR Recreation Division staff oversees the before and after school programs at all middle schools in the City of Orlando, serving 2,450 children Monday through Friday, and the eight-week summer camp in five middle schools, serving 400 children daily.

Establish City policies and procedures for staff to serve After-School All-Stars

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City of Orlando staff gives oversight and support to the City's After-School All-Stars (ASAS) activities and also supports the not-for-profit Orlando After-School All-Stars, Inc. (the Organization). City internal policies and procedures do not explain how City employees should provide this support. We recommend internal policies and procedures be developed indicating how City employees will serve the Organization and the City's ASAS programs.

Establish Orlando After-School All-Stars, Inc. management and accounting policies and procedures

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The Organization has Articles of Incorporation and Bylaws as its governing documents, but does not have its own written policies and procedures to articulate its activities and the processes it uses to carry out its business. The Executive Director should assist the Organization's Board of Directors (Board) to establish policies and procedures in order to provide effective management and accounting controls.

**Adopt meals,
entertainment and
travel policies and
procedures**

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We reviewed a selection of meals, entertainment and travel expenses incurred by the Organization and found them to be of the types that are customarily made by not-for-profit organizations and relatively modest when compared to the amount of cash and in-kind contributions received from Board members and others. In order to more effectively ensure that these expenditures are reasonable and acceptable, we recommend the Organization establish policies for incurring and fully documenting all expenditures of this nature, including the sources of funds, such as private donations.

**Budget fundraising
events and
document planned
uses of proceeds**

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An annual budget is prepared for and approved by the Organization; however, the use of amounts from certain fundraising events has not been budgeted. Although amounts raised cannot be definitely determined in advance, we believe they merit advance provisions about how the funds will be used and adequate controls to ensure the proceeds are spent as directed. We recommend the Executive Director assist the Organization to create a written policy to budget fundraising events, including documenting how their proceeds will be used.

**Ensure
promotional
materials and
actual spending
reflect planned
uses of proceeds**

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The 2000 through 2004 promotional materials for the Kids Classic Golf Tournament (Kids Klassic) used the After-School All-Stars logo and indicated that the event proceeds were to be used for the Organization's ASAS golf activity for disadvantaged youth. Examples of the expenses to be funded through these proceeds included golf equipment, golf shirts, golf lessons and classroom instruction. We also found that the 2003 and 2004 brochures make a broader statement: to directly benefit the Orlando ASAS Hook a Kid on Golf program, the Multi-Cultural Golf Association of America program and other after-school

programs.

Many of the expenses we reviewed were within the general description of youth golf activities and other after-school programs described in the promotional brochures; however, some were not. We found no formal guidance for approving the uses of event proceeds. These expenditures were not paid for by City or taxpayer dollars, but by Kids Klassic proceeds. They are in two broad categories. (1) Meals, entertainment and travel, included two Board events and a Kids Klassic seminar-meeting. Travel was to two meetings of national ASAS. (2) Donations from Kids Klassic proceeds to events of other organizations were: National Hispanic Corporate Achievers Awards Gala for rehabilitated individuals; Quest, Inc. Bob Haven Golf Memorial for central Floridians with disabilities; and the Foundation for Early Childhood Development.

The above expenditures are of types acceptable for not-for-profit organizations. However, there is a question whether these expenditures are within the descriptions of the expected use of proceeds as outlined in the Kids Klassic promotional brochures. Once spending plans are established, promotional materials and actual spending should reflect the plans, preventing any similar questions in the future.

We recommend that the Executive Director ensure all promotional materials and actual spending for fundraising events accurately reflect the planned uses of the event proceeds.

Set up separate ledger accounts to track uses of committed proceeds

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Accounting standards for not-for-profit organizations provide for separate accounting for various activities to ensure the accounting and reporting are accurate, spending is tracked to honor commitments, and budgets are followed. We noted three instances in which separate accounts in the Organization's ledger were not utilized; it should be noted that the first instance has been largely corrected:

- (1) During FY 2003 and FY 2004, the Kids Klassic and other ledger accounts were mistakenly charged or credited with some amounts unrelated to the purpose of the account. The Fiscal Manager for FPR found these errors, made necessary corrections, and instructed the staff how to request new, separate ledger accounts when they are needed.
- (2) In FY 2003, a ledger account balance containing proceeds from two fundraising events was moved into the Kids Klassic account. The amount, representing what remained of the proceeds from these events, was \$50,950.
- (3) Next, in December 2004, the Kids Klassic ledger account was closed into the Organization's "Other Revenue" account.

For proper accounting and use of funds, the Executive Director should request City staff to help the Organization separate into special ledger accounts the net proceeds from Kids Klassic and other events for which specific spending commitments are made.

Complete an agreement and encourage communications and transparency

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There has been no written agreement between the City and the Organization about the substantial services and contributions each makes to achieve their common objectives. An agreement can help ensure that the respective responsibilities are understood and fulfilled and can encourage communications and transparency. The Families, Parks and Recreation Director is drafting an agreement for consideration by the Organization and we recommend that it be completed. As the City's After-School All-Stars staff has been assigned to take the initiative for much of the Organization's accounting, cash and procedural duties since 2001, we recommend that the agreement provide for the Executive Director to promptly communicate needed information with the Board.

Provide regular financial reports for the Organization

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The Organization's Bylaws outline the officers' duties, with the Treasurer being responsible for receiving, paying out and maintaining all the Organization's funds. The City staff has been performing these duties without active oversight from the Treasurer. The staff has not regularly submitted financial statements or comparisons of actual and budgeted amounts to the Board, although it has presented at Board meetings the annual budget and various verbal reports related to fundraising events. We recommend that the Executive Director provide the Board with regular, detailed and comprehensive financial and statistical reports about the financial standing and activities of the Organization.

Follow formalities in corporate practices

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Our review of minutes of the Board meetings indicated that the Organization should more closely observe corporate formalities, with reference to its Articles of Incorporation and Bylaws. The Executive Director should assist the Board to

address issues such as:

- The last election of officers recorded was June 2001, but should be held annually. The officers' positions should be filled; however, the last Treasurer's name was not on the 2004 Board list.
- Minutes do not always indicate when Directors resign or are removed.
- The minutes should list names of Directors and Advisory Committee members separately on attendee lists in the minutes and state whether there was a quorum present to do business.
- The minutes should be signed by the responsible officials for the permanent records of the Organization. The minutes on file were not signed.
- An effective system should be agreed upon for communicating notices of Board meetings and providing reports to Directors.

**Establish criteria
for active Board
membership**

Page 29

Current criteria for Directors include an annual sustaining Board membership contribution as determined by the Board. The business leaders and philanthropists the Board seeks agree to give financial and program support but may not consistently attend meetings. In order to retain its substantial supporters, the Organization has not placed term limits or criteria such as meeting attendance on its Directors. The Organization could consider defining an "active" Director. We recommend the Executive Director assist the Board to establish criteria for active Board membership and a means to periodically apprise Directors of their standing.

BACKGROUND

Orlando After-School All-Stars, Inc. (the Organization) was founded in 1995 under the name Inner-City Games of Orlando, Inc. According to the Organization's published materials, it was one of the first five chapters of the national After-School All-Stars (formerly named Inner-City Games), which was founded in 1991 and established the After-School All-Stars Foundation in 1995. Until 1999, the Organization in Orlando offered a six to eight week program with a variety of organized athletic and cultural arts activities, and the number of participants in the tri-county area peaked at 42,000. Then the national focus shifted to providing yearlong programs. The local Organization partnered with the City of Orlando to provide these programs.

The respective responsibilities and funding of the Organization and the City may be distinguished as follows:

- Orlando After-School All-Stars, Inc. promotes activities and raises funds and other resources to benefit the designated youth population in Orlando. The Organization's cash revenues for FY 04 are approximately \$218,000, including an annual grant from the national organization of \$200,000 less insurance of \$12,500. Organization Board members make contributions, and fundraising events are held. In addition to the cash revenues mentioned above, the Organization's FY 04 in-kind contributions were reported by the staff as being over \$170,000.
- The City of Orlando, through its Families, Parks and Recreation staff and contracted personnel, operates the before and after school program at eight middle schools within the City, in addition to an eight week summer camp and several special sports and fitness activities. The City's program was previously called "Prime Time." Then the City's program was renamed After-School All-Stars when the Organization changed its mission to provide year-around programs and partnered with the City. The City's FY 05 budget for these activities consists of salaries and benefits of approximately \$778,000, and services and supplies of \$53,000, for total expenditures of \$831,000. The City's projected revenues are \$34,000, as the activities are largely free to the participants.

The Organization has existed continuously with its own Board of Directors (Board) and governing documents since 1995. As of 2004, numerous business and community leaders and five City officials and managers comprise the Organization's Board. During the earlier years in which the mission of the national and local organizations was to provide athletic and cultural activities for a limited number of weeks, the Board had its own bank account and accounting system. Then, in 2001, the Organization's independent auditor reported a "going concern" issue because of its losses from operations and limited cash flow and equity. As the audited report indicated, the solution to this issue was for the Organization's employees to become the City's employees; the City to perform the Organization's accounting and monitor its budget; and the City to earmark additional funding for the Organization.

This is the course of action that has occurred and continued through 2004. As a result, the position description for the City's current After-School All-Stars Director, who also performs as the Organization's Executive Director, indicates that he "serves at the pleasure and direction of the Orlando After-School All-Stars Board of Directors, with day-to-day oversight from the Families, Parks and Recreation Director." Also, the City in 2001 established a separate fund in its accounting system in which the City staff has recorded the Organization's financial transactions and tracked its cash balance, which has been held in the City's bank account. City Council has been approving the Organization's annual budget along with the City's budget, and approving necessary changes in the Organization's budget according to City policies and procedures.

There was a vacancy in the above-referenced Executive Director position in 2004 until July, when the new Executive Director was hired. Also in 2004, FPR added a Staff Assistant position to assist with the administrative and accounting responsibilities of the Organization and of the City's After-School All-Stars programs.

SUMMARY OF RECOMMENDATIONS AND RESPONSES

RECOMMENDATIONS	RESPONSES
1. The Executive Director should develop written internal policies and procedures to indicate how City employees will serve the Organization’s Board of Directors and the City’s ASAS programs.	Concur
2. The Executive Director should assist the Organization to establish written policies and procedures for effective management and accounting controls over its assets and activities.	Concur
3. The Executive Director should facilitate a Board discussion to adopt policies and procedures for authorized expenditures for meals, entertainment, travel and similar expenses.	Concur
4. The Executive Director should assist the Board to create a written policy to budget fundraising events, including documenting planned uses of event proceeds.	Concur
5. The Executive Director should ensure all promotional materials and actual spending for fundraising events accurately reflect the planned uses of the event proceeds.	Concur
6. The Executive Director should request staff to help the Board set up separate ledger accounts for the net proceeds for Kids Klassic and other fundraising proceeds committed for special uses.	Concur
7. The Families, Parks and Recreation Director should ensure that a written agreement is completed between the City and the Organization concerning their respective responsibilities.	Concur
8. The Families, Parks and Recreation Director should include a provision in the agreement that the Executive Director promptly communicate needed information with the Board.	Concur
9. The Executive Director should provide the Board with regular, detailed and comprehensive financial and statistical reports about the financial standing and activities of the Organization.	Concur

RECOMMENDATIONS

RESPONSES

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 10. The Executive Director should assist the Board to follow the formalities set forth in its Articles of Incorporation and Bylaws, and assist the Board to consult with attorneys as needed about corporate practices. | Concur |
| 11. The Executive Director should assist the Board to establish its criteria for active membership of its Directors and a means to periodically apprise the Directors of their standing. | Concur |

ISSUES AND RECOMMENDATIONS

OBJECTIVES AND CONCLUSIONS

The objectives of our audit of Orlando After-School All-Stars, Inc. (the Organization) administrative practices were to: (1) determine whether the Organization's Kids Klassic Golf Tournament (Kids Klassic) proceeds have been properly accounted for and utilized; (2) compare the Organization's prior year budget to actual amounts and review its revenues and expenses to assess proper accounting by the City and disclosure to the Board; and (3) determine whether the Organization's corporate business has been properly conducted.

We concluded that (1) for fundraising events, spending plans should be set forth in advance and accounting practices improved; (2) budget practices are acceptable, but reporting of budget and actual amounts should be more frequent and comprehensive; and (3) there should be more consistent adherence to corporate formalities. City staff should assist the Organization to implement the recommendations in this report.

SCOPE AND METHODOLOGY

We interviewed the City staff knowledgeable about the After-School All-Stars (ASAS) program and the independent auditor of Orlando After-School All-Stars, Inc. We performed a review of selected accounting records of the Organization and such other auditing procedures as we considered necessary in the circumstances, focusing primarily on FY 2003 and FY 2004. We did not audit the general fund accounts of the City-operated After-School All-Star program.

(1) We reviewed transactions going into and out of the Kids Klassic account for October 2002 through September 2004, and examined documentation for selected expenditures over

\$300. As it is not practical to verify whether all contributions are recorded, we did not include this in our scope.

(2) We performed a general comparison of actual to budgeted amounts in the City staff-prepared Analysis of Revenue/Expenditures for a three-year period through FY 2005, and compared the current to prior year budget.

(3) We reviewed the Orlando After-School All-Stars, Inc. Articles of Incorporation and Bylaws, the minutes of meetings held since January 2000 and recent Board of Directors lists.

COMMENDATION

We commend both the Families Parks and Recreation Department (FPR) and the Organization for their accomplishments in establishing and carrying out activities for the designated youth participants. According to all comments we received, the City staff and the Directors are very satisfied with the results the After-School All-Stars programs are achieving. Through fundraisers, grants, and community partnerships, five sports and health programs are provided. The FPR's Recreation Division staff oversees the before and after school programs at all middle schools in the City of Orlando, serving 2,450 children Monday through Friday, and the eight-week summer camp that serves 400 children daily from five middle schools.

Establish City policies and procedures for staff to serve After-School All-Stars

The City of Orlando's After-School All-Stars program is carried out through four full-time City employees in FPR. This staff gives oversight and support to numerous part-time employees at locations where before and after school programs are held. The full-time City staff also provides support services to the not-for-profit organization, Orlando After-School All-Stars, Inc.

In order to clarify the services and reporting they are expected

to provide to the Organization, the City staff should have the benefit of written City policies and procedures. We noted that the Bylaws of the Organization indicate that the Executive Director “shall exercise general and active management of the business affairs of the corporation subject to the direction of the Board of Directors.” Also, the City’s position description for the After-School All-Stars Director hired July 2004 outlines support he is to provide as the Organization’s Executive Director. However, City internal policies and procedures do not explain how the Executive Director or other City employees should provide this support to the Organization or to the City’s After-School All-Stars activities.

Without guidelines, the City staff may not perform all the support necessary to ensure proper functioning of the Organization’s Board of Directors (Board). These guidelines should be based upon an understanding with the Board about its need for knowledge about the Organization’s finances and program activities in order to exercise its fiduciary responsibilities.

Recommendation 1. We recommend that the Executive Director develop written internal policies and procedures to indicate how City employees will serve the Organization’s Board of Directors and the City’s ASAS programs.

Response We concur. Management is in full agreement with the recommendation. Management requires this to be completed no later than 8/1/05.

Establish Orlando After-School All-Stars, Inc. management and accounting policies and procedures

The Organization’s Articles of Incorporation and its Bylaws are its governing documents, setting forth its purpose and the officers’ and directors’ positions and duties.

The Organization also needs but does not have its own written policies and procedures to articulate the types of activities it engages in, the projects it supports, and the processes it uses to carry out these objectives. While the Organization’s mission and its alignment with the national After-School All-Stars Foundation objectives are stated, detailed policies and

procedures would clarify how these objectives will be accomplished on the local level.

The Organization's policies and procedures should provide for effective management and accounting controls over its activities and assets. To accomplish this, it may be appropriate for the Executive Director to contact the Organization's independent auditor about acceptable accounting methods and controls.

Recommendation 2. We recommend that the Executive Director assist the Organization to establish written policies and procedures for effective management and accounting controls over its assets and activities.

Response We concur. Management is in full agreement with the recommendation. Management requires this to be completed no later than 8/1/05.

Adopt meals, entertainment and travel policies and procedures

We believe that a not-for-profit organization may incur reasonable meals, entertainment and travel expenses to support the work of Board members and volunteers. We reviewed a selection of these expenses incurred by the Organization and found them to be customary for not-for-profit organizations. We also believe that the relatively modest total dollars for these expenses incurred from the Organization's funds may be justified by the magnitude of cash and in-kind contributions received from Board members and other donors. However, the Organization may wish to consider formally earmarking some of its unrestricted contributions to pay for these types of expenditures to support the organization's purposes.

We suggest that the Organization establish policies to determine what meals, entertainment and travel expenses it will incur and what source of funding will be used for these expenses. The Organization should, take into account, among other things, the Organization's goals, the expectations of the donors, and customary practices in devising these policies. Documentation should contain all of the details necessary for

good management, such as the Internal Revenue Service requirements and the inclusion of the “who, what, when, where and why” related to each expenditure.

Recommendation 3. We recommend that the Executive Director facilitate a Board discussion to adopt policies and procedures for authorized expenditures for meals, entertainment, travel and similar expenses.

Response We concur. Management is in full agreement with the recommendation. Management requires this to be completed no later than 8/1/05.

**Budget
fundraising events
and document
planned uses of
proceeds**

The City staff annually prepares a budget for the Organization, based upon detailed estimates of what will occur in the upcoming year. As the City has been maintaining the cash balances and accounting of the Organization since 2001, the City Council has been approving this budget as part of its annual budget process. The Board has had a practice to annually approve the budget, but for the past two years the presentation has not been made until after the budget has been adopted by the City Council and the fiscal year has begun.

A budget is a statement of policy about what activities will be engaged in, and how funds will be used. However, we learned that the Organization has not budgeted the use of the proceeds of certain fundraising events.

Although the amounts that will be raised each year cannot be definitely determined in advance, the Board and the staff often determine the type of fundraisers that will occur in advance of the budget period. We found that the proceeds from these events have been substantial enough to merit establishing provisions in advance about how the funds will be used.

A case in point is the Organization’s Kids Klassic Golf Tournament (Kids Klassic). We found that the proceeds from this annual event were accounted for in a balance sheet

account. In a not-for-profit organization, this type of account can be used as a means for accounting for funds until they have been spent for their intended purpose. However, as a balance sheet account, the amounts debited and credited to this account were not considered in the City's annual budget process as revenue and expense items.

If the Board desires to have some proceeds available for discretionary use rather than budgeting their use, then the Board should write a statement of policy about any fundraising events it may hold and how it plans to use funds that will be raised. By whatever method the Organization directs the use of special event proceeds, it should provide for adequate controls and accounting procedures to ensure the proceeds are spent as directed.

Recommendation 4. We recommend that the Executive Director assist the Board to create a written policy to budget fundraising events, including documenting planned uses of event proceeds.

Response We concur. Management is in full agreement with the recommendation. Management requires this to be completed no later than 8/1/05.

Ensure promotional materials and actual spending reflect planned uses of proceeds

The 2000 through 2004 promotional materials for the Kids Klassic event used the After-School All-Stars logo and indicated in each year that the event proceeds were to be used for the Organization's golf activity for disadvantaged youth. This activity is one of several ASAS youth programs. Items to be provided to youths through these funds, mentioned in several of the brochures, included golf equipment, golf shirts, golf lessons, and classroom instruction.

The brochures for the 2003 and 2004 Kids Klassic make a broader statement about how the proceeds would be used: that the monies raised directly benefit the Orlando ASAS Hook a Kid on Golf program, the Multi-Cultural Golf Association of America program and other after-school programs. Therefore, we believe that recent donors to this event would likely realize that there could be some

expenditures for “other after-school programs.”

There should be a link between Board policy and promotional materials. To be on the safe side, and not risk any questions about the propriety of the uses of funds raised, the promotions for each fundraising event should reflect pre-determined Board plans about how the proceeds will be used. Once the promotional materials reflect the Board’s plans, the Organization should ensure that the actual use of the funds is consistent with the representations made in these materials.

In reviewing supporting documents for selected Kids Klassic expenditures for FY 2003 and FY 2004, we noted that many were for the direct costs of the event, as well as the types of youth golf expenses described above. However, we examined documentation and obtained staff explanations for some expenditures from Kids Klassic fundraising event proceeds that were not within the general description of youth golf activities and other after-school programs as set forth in the above-described promotional materials. It is important to note that the expenditures in this discussion were not paid for by City or taxpayer dollars, but rather by the Kids Klassic proceeds.

These expenditures are in two broad categories: (1) meals, entertainment and travel; and (2) donations to benefit other organizations.

(1) The three largest expenditures we noted for meals and entertainment paid from Kids Klassic proceeds, which were not direct costs of the fundraising event itself, were: two annual Board events (December 2002 \$688.35, 14 attending); and January 2004 \$324.38, 10 attending); and a “Kids Klassic seminar-meeting” (August 2003 \$423.03, 9 attending). We also noted two instances of travel to meetings for the national After-School All-Stars organization (December 2002 \$541.50 and August 2003 \$392.62).

(2) We noted three donations of funds from the Kids Klassic proceeds to events of other organizations: the National Hispanic Corporate Achievers Awards Gala for scholarships to

rehabilitated individuals (November 2003 \$1,000); the Quest, Inc. Bob Haven Golf Memorial to benefit central Floridians with disabilities (May 2004 \$1,250); and the Foundation for Early Childhood Development fundraising event to benefit pre-kindergarten programs (August 2004 \$5,000).

The above expenditures are of types that one might consider acceptable for a not-for-profit organization. However, there is a question about whether the expenditures meet the publicized description for use of the Kids Klassic proceeds.

Lacking a spending plan for Kids Klassic proceeds, we reviewed some of the minutes of Board meetings to see whether direction from the Board was recorded. We noted that the minutes of the November 2004 Board meeting reflect that the Board approved a \$5,000 expenditure to the Foundation for Early Childhood Development. It is possible that the Board approved the other donations without this being recorded in the minutes at those times. Since no spending plans had been established for the Kids Klassic, it is a step in the right direction to obtain Board approval and to record this in the minutes.

We believe that the Organization's Executive Director should ensure that promotional materials as well as future expenditures are in accordance with specified spending plans for fundraising events. The policies and controls for this practice should be included in written policies and procedures for the Organization.

Recommendation 5. We recommend that the Executive Director ensure all promotional materials and actual spending for fundraising events accurately reflect the planned uses of the event proceeds.

Response We concur. Management is in full agreement with the recommendation. Management requires this to be completed no later than 8/1/05.

Set up separate ledger accounts to track uses of committed proceeds

Accounting standards for not-for-profit organizations govern the separate accounting for various activities to ensure that accounting and reporting are accurate, spending is tracked in order to honor commitments, and budgets are followed.

We noted past conditions in which separate ledger accounts were not created for this purpose. One has been corrected and two others should be corrected through an accounting tracking mechanism. Each of these instances is explained below.

(1) We found some cases in which the Kids Klassic and other ledger accounts were mistakenly charged or credited with amounts unrelated to the purpose of the account. Examples include revenues and expenses related to two grants that were recorded in the Kids Klassic account during FY 2003 and FY 2004. The FPR Fiscal Manager reviewed postings to these accounts prior to this audit and correctly removed the grant activities out of the Kids Klassic ledger account. The Fiscal Manager had also determined that several mispostings were caused by the staff not realizing they should request separate ledger accounts for special transactions occurring during the year. To correct these occurrences and ensure proper accounting in the future, the Fiscal Manager has given the staff instructions about when to request new accounts.

(2) In contrast, a decision was made in FY 2003 to combine the amounts from an Organization ledger account that had been set up to raise funds to benefit the After-School All-Stars tennis activities (known as City Council Challenge) into the Organization's Kids Klassic ledger account. To compound the effect of this matter, the City Council Challenge account contained revenues and expenditures from a raffle event, which had raised substantial funds. The total in the City Council Challenge ledger account that was moved into the Kids Klassic account was \$50,949.51. These ledger accounts should be separated out again for proper use and accounting.

(3) Finally, in December 2004, FPR and Management, Budget and Accounting officials determined that the Organization's

Kids Klassic ledger account should be closed into its “Other Revenue” account. Thus, whatever proceeds from the various fundraisers with publicized spending commitments remain in this combined account will need to be separately accounted for “off the books,” until the respective proceeds are completely and properly used. To prevent this extra accounting burden, we suggest special separate ledger accounts be set up within the books of the Organization for proceeds that were raised for specified purposes such as the Kids Klassic, to complete tracking the use of the funds.

By combining all these ledger accounts into one which will be closed into the net fund balance of the Organization at the end of FY 2005, it may no longer be feasible to track the special purpose funds and ensure the commitments are kept that were made when the funds were raised. This could result in spending fundraising proceeds not in accordance with the purposes originally publicized.

Recommendation 6.

We recommend that the Executive Director request staff to help the Board set up separate ledger accounts for the net proceeds for Kids Klassic and other fundraising proceeds committed for special uses.

Response

We concur. Management is in full agreement with the recommendation. Management requires this to be completed no later than 8/1/05.

Complete an agreement and encourage communications and transparency

There has been no written agreement between the City and the Organization to provide a clear understanding of each party’s respective responsibilities and expectations. During the time of this audit, the Families, Parks and Recreation Director has been working with the City’s Office of Legal Affairs (OLA) to draft an agreement for consideration by the not-for-profit Organization.

Such an agreement can help ensure that the respective responsibilities are understood and fulfilled. Examples of subjects that may be addressed are responsibilities for personnel, internal controls, risk, and payments between the

City and the Organization.

We support the preparation of a written agreement and we encourage the FPR Director to invite Board comment during the drafting process.

It is important to encourage systematic and thoughtful communications and transparency in financial and business transactions. When we became aware of a situation in which a Board officer requested information about some budget details in November 2004 but did not receive it until January 2005, we inquired into communications between the City staff and Board members.

We also noted during FY 2005 two instances of actions by City officials, which are believed to assist the City and the Organization to perform at their best in their respective areas of responsibility.

In the first instance, the City changed the way the salaries for the City staff shared with the Organization will be accounted for and the way funds paying for these salaries will be transferred between the two entities. This was done to simplify the accounting and reporting for this salary arrangement.

In the second instance, the City determined that, instead of using the City's bank account for all the Organization's transactions, the Organization should have its own bank account. This is in accordance with an OLA staff observation that it is preferable for the City not to have custody of such an organization's cash. The amount paid on February 3, 2005 to the Organization, representing the total accumulated cash in its ledger accounts, was \$291,319.14. The Organization's future use of its funds will not require City Council approval, and the Organization may create its own standards for handling cash and accounting, customary for not-for-profit organizations. This will give the Organization a closer connection to its own funds, albeit through the use of the City-paid staff which will continue to perform the daily

transactions in a fashion to be approved by the Board.

Since 2001, the City staff has been charged to take the initiative in routine matters on behalf of the Organization. However, the Board as a body was not informed in advance of the above actions. Although we are not aware of unintended consequences related to these two actions, we believe the City staff should have a procedure to keep the Organization informed about important actions, sending pertinent information to the Directors between meeting dates if necessary. The FPR Director could consider proposing provisions in the agreement with the Organization about how either party would provide notice to the other about changes that could affect the operations of the other party.

Recommendation 7. We recommend that the Families, Parks and Recreation Director ensure that a written agreement is completed between the City and the Organization concerning their respective responsibilities.

Response We concur. Management is in full agreement with the recommendation. Management requires this to be completed no later than 10/1/05.

Recommendation 8. We recommend that the Families, Parks and Recreation Director include a provision in the agreement that the Executive Director promptly communicate needed information with the Board.

Response We concur. Management is in full agreement with the recommendation. Management requires this to be completed no later than 8/1/05.

Provide regular financial reports for the Organization From its creation, the Organization's Bylaws have specified that the Board's officers have managerial and financial duties. The Treasurer's position has the vital role of financial control and monitoring, being assigned responsibility for all the Organization's funds, and receiving and paying out all monies.

Although the City staff has been performing these duties for several years, in the past it did not regularly submit financial statements or periodic comparisons of actual and budgeted revenues and expenditures of the Organization for review by the Board. Having a new Staff Assistant position in the ASAS program should make this possible in the future. We should note that the budget has been presented to the Board each year, and verbal reports providing information about fundraising events have been given by the City staff at Board meetings.

We believe it is important for the City staff to be proactive to inform the Board about all finances of the Organization. At a minimum, the City staff should quarterly provide the Board its balance sheet, statement of revenues and expenses giving detailed actual to budget comparisons, and a list of checks paid. We also believe the City staff should provide this information more frequently to officers of the Organization, particularly the Treasurer.

Further, to increase the Board's knowledge of the overall results, the Executive Director should consider providing statistical reports for the Organization. The Executive Director should also ensure that each Board member receives a copy of the annual audited financial statements, and arrange for their annual presentation by the independent auditor, if possible.

Recommendation 9. We recommend that the Executive Director provide the Board with regular, detailed and comprehensive financial and statistical reports about the financial standing and activities of the Organization.

Response We concur. Management is in full agreement with the recommendation. Management requires this to be completed no later than 8/1/05.

Follow formalities in corporate practices Our review of minutes of the Board meetings indicated that the Organization should more closely observe corporate formalities. The Executive Director should assist the Board to

consistently perform according to its governing policies and procedures. Fundamental procedures may be found in the Organization's Articles of Incorporation (Articles) and Bylaws. The Board and the City staff also could consult with the City's Office of Legal Affairs (OLA) or other attorneys, the national After-School All-Stars Foundation, or published best practices for further guidance or possible changes to existing requirements. OLA staff advised us that the Organization is not a public body, not covered by the Sunshine law, and not required to publicly post its meetings.

The following are some of the procedures that should be improved:

- The last election of officers recorded in the minutes was June 7, 2001. The Articles state that annual elections shall be held each September with officers taking office October 1. The Articles state that the Board is authorized to fill a vacancy for the unexpired term of an officer. The last Treasurer's name did not appear on the 2004 Board list, and recent minutes indicated that the Treasurer had not been present for several meetings.
- The minutes seem to indicate that Directors are generally added by a vote of the Board, which is in agreement with the Bylaws, but the minutes do not always indicate when Directors resign or are removed by a vote of the Board. The Organization should maintain complete records of official dates of the addition and loss of Directors, and all letters of resignation.
- The Bylaws indicate that the presence of a majority of the Directors constitutes a quorum. In some minutes, the attending Directors and Advisory Committee members present are commingled in a list, making it difficult to determine whether there was a quorum. The Directors should be listed in the minutes as either present or absent, and lists of Advisory Committee members and others attending may follow. The minutes should state whether there was a quorum present to do business. Without a

quorum, a meeting may be held and information may be shared, but action requiring a vote should not be taken.

- The Directors should carry out the Organization's business, as described in the Bylaws. We noted one occasion in which a guest seconded the approval of minutes and another in which a guest seconded a motion to induct Advisory Board members. This condition may be due to the fact that the Advisory Committee over the years has been relatively active in performing fundraising and other activities with the Board.
- An effective system should be agreed upon for scheduling meetings; for notifying members, in accordance with the Bylaws, of agendas and upcoming meetings or their cancellation; and for providing minutes and copies of information passed out at the meetings to Directors who were absent. These steps should help ensure adequate notice and helpful communications.
- The minutes should be signed by the responsible officials and should be maintained in the permanent records of the Organization. The minutes on file were not signed. Minutes should be approved at each meeting for the previous meeting. The January, April and July 2004 minutes were all approved at the November meeting. If audiotapes of Board meetings are created, the staff should retain the audiotapes for a period to be determined by the Board.

Recommendation 10. We recommend that the Executive Director assist the Board to follow the formalities set forth in its Articles of Incorporation and Bylaws, and assist the Board to consult with attorneys as needed about corporate practices.

Response We concur. Management is in full agreement with the recommendation. Management requires this to be completed no later than 10/1/05.

Establish criteria for active Board membership

The Organization may well desire to increase participation by its Directors in the areas of meeting attendance and familiarity with the Organization’s business and the ASAS programs. However, the primary function of the Organization at this time is to raise funds and provide other support for the ASAS activities. Therefore, it seeks as Directors business leaders and philanthropists with resources and ideas to provide substantial finances for the ASAS mission. Such individuals often will agree to give financial and program support but may prefer to allow others to handle details and attend meetings. The current criteria for being a Director include an annual sustaining Board membership contribution as determined by the Board. In order to retain its substantial supporters, the Organization has not placed term limits or criteria such as meeting attendance on its Directors.

We believe that the Organization should consider defining an “active” Director, in which Board attendance is not the only criterion. In addition, the Organization should establish a means to advise a Director that he or she is in good standing.

Recommendation 11.

We recommend that the Executive Director assist the Board to establish its criteria for active membership of its Directors and a means to periodically apprise the Directors of their standing.

Response

We concur. Management is in full agreement with the recommendation. Management requires this to be completed no later than 8/1/05.
