

CITY OF COACHELLA

**REPORT ON THE AUGUST 2017- JULY 2018 FINANCIAL AUDIT OF
COACHELLA VALLEY SOCCER LEAGUE
PROVIDED NOVEMBER 2019**

Draft



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Certified Public Accountants & Consultants

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November 18, 2019

Maritza Martinez, Public Works Director
Parks and Recreation Commission
City of Coachella
Coachella, California

Dear Ms. Martinez and Parks and Recreation Commission:

We have performed the procedures enumerated in our following report, together with our findings, regarding Coachella Valley Soccer League (CVSL) selected by you for a biennial financial audit for August 2017 to July 2018 as required by the Memorandum of Understanding (MOU) between the City of Coachella (the City) and city sports leagues, solely to assist you in connection with the City's responsibilities under the MOU. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. These procedures can include audit work such as inspection, observation, verification, recalculation, re-performance, inquiry and analysis as defined by the City. Consequently, we make no representation regarding the sufficiency of the procedures described in our report either for the purpose for which this report has been requested or any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination as defined in professional standards in which a practitioner obtains reasonable assurance about whether a subject matter as measured against criteria is free from material misstatement, the objective of which would be the expression of an opinion on the financial records of CVSL. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City's management (including use by the League for implementing the City's MOU with the League) and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

Turner, Warren, Hwang + Conrad

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EXECUTIVE SUMMARY

We were engaged to perform a financial audit of CVSL to assist the City in meeting its responsibilities under the MOU. This financial audit was based on agreed-upon procedures noted in our contract agreement dated August 6, 2019. Our findings are based on requests for documentation and information of the League via the Public Works Director and Recreation Services Coordinator as well as our review of certain documents, including publicly available records. Details of our findings are discussed in the *Procedures Performed and Findings* sections of this report.

Administrative burdens can be overwhelming to a small community service organization. We recognize that the League is performing a valuable community service. Our effort has been to disclose findings and provide recommendations appropriate to small volunteer organizations that assist them in complying with their agreements and bylaws as well as any government requirements.

There is substantial effort on the part of the league to comply with the MOU. Grade below is judgmental as requested by the City.

Coachella Valley Soccer League (CVSL)

Grade: A- Excellent with noted exceptions. We observed evidence of strong average organizational formation, tax compliance efforts, and financial records preparation. As noted in our procedures performed and findings, significant items to address include consideration of more frequent accounting and reporting than annual and recommended bylaws amendment.

PROCEDURES PERFORMED AND FINDINGS – CVSL

Results of the steps taken for the financial audit of CVSL are provided below.

PROCEDURES PERFORMED	FINDINGS
INTERNAL CONTROLS	
<p>1. Inquired about how financial transactions were monitored and recorded. Determined that income and expenses from activities were recorded in a manner consistent with sound business practices and that they incorporated elements of control appropriate to a small organization.</p> <p>We reviewed, summarized and analyzed financial records provided. Key records were:</p> <ul style="list-style-type: none"> • Rabobank bank statements for August 2017 to July 2018 and transaction documents for the period • QuickBooks financial statements covering August 2017 to July 2018 	<p>We found the QuickBooks annual financial reporting to be sound. Financial transactions appeared well classified and reported in an organized fashion as prepared <i>annually</i> by the League’s outside tax preparer from spreadsheet activity recorded by the Treasurer. The League reported that their tax preparer also reconciles the bank account.</p> <p>While good, this does not meet the full requirements of Treasurer duties per CVSL bylaws. The bylaws require documenting expenses jointly with the President and monthly financial reporting to the Board of Directors.</p> <p>Also, the bylaws require the Treasurer to jointly sign checks with the President which was not done during the period.</p> <p>We recommend that the League consult with its tax preparer and the City for assistance with implementing Treasurer duties per its bylaws. Treasurer implementation of directly using QuickBooks at the League can assist with this.</p>
<p>2. Determined that fundraising activities were in-line with the League’s bylaws and properly monitored.</p> <p>We inquired about fundraising practices and a sample transaction.</p>	<p>No Internal Revenue Code violations were observed in fundraising activities.</p>
FINANCIAL REPORTING	
<p>3. Obtained monthly or quarterly financial reports to determine whether reports were prepared routinely. Traced amounts on the reports to the supporting documentation such as bank statements and other documentation as related to the balance sheet items.</p> <p>We reviewed the balance sheet (net position) and income and expense statement for fiscal year ending July 2018.</p>	<p>Monthly / quarterly financial reports are not prepared. Please see procedure 1 on financial recording and annual reporting.</p>

PROCEDURES PERFORMED	FINDINGS
<p>4. Tested the income statement items on a test basis to determine that transactions were recorded properly.</p> <p>We reviewed financial statements, bank records, deposit slips, registration records, and other and inquired about procedures.</p>	<p>The League reports that its practice is to deposit all cash and pay all expenses by check or debit card.</p> <p>The League reports that the Treasurer tracks unpaid dues to ensure payment.</p> <p>No exception noted.</p>
<p>5. Tested how income was recorded and vouch a sample of expenses.</p>	<p>CVSL provided supporting documentation for its checking activity.</p> <p>No exception noted.</p> <p>CVSL has transaction support in scanned files. We recommend naming these files by month and systematically retaining for its document retention period and as required by MOU including any backup procedures for reliably storing data.</p>
QUALIFIED AMATEUR SPORTS ORGANIZATION UNDER IRC 501(c)(3)	
<p>6. Determined that the League met the IRS requirements of a Qualified Amateur Sports Organization and tax-exempt charitable organization as discussed in our Letter of Agreement.</p>	<p>CVSL is a tax exempt non-profit 501(c)(3) charitable organization eligible to receive tax exempt donations in addition to fees for services. No exception noted.</p>
REGISTRATIONS AND TAX FILINGS	
<p>7. If applicable, determined that the League had filed the appropriate tax compliance documents. Obtained a copy of the returns.</p> <p>We obtained a copy of prepared CVSL's 2017 Form 990-EZ (for fiscal year ending July 2018) and the prepared California electronic filing authorization form.</p>	<p>No exception noted.</p>
<p>8. Determined that the League had both tax-exempt determination letters from the Federal government as a 501(c)(3) and the Franchise Tax Board (23701d).</p>	<p>CVSL received tax exempt status from the IRS in a letter dated July 19, 2016, effective June 6, 2016 (after filing of IRS Form 1023-EZ Tax Exempt Application).</p> <p>We verified that the League is listed on the California Franchise Tax Board's list of tax-exempt organizations.</p>

PROCEDURES PERFORMED	FINDINGS
REVIEW OF BYLAWS AND MINUTES	
<p>9. Obtained a copy of the bylaws and determined that the League was operating substantially within its bylaws.</p>	<p>If not implemented already, we recommend implementing these prior financial audit findings regarding bylaws:</p> <p>We noted that CVSL had corporate officers and held regular meetings (see Procedure #11). We did not find a report on the full Annual Meeting requirement according to League bylaws, including financial reporting. We recommend fulfilling this requirement and reporting on it to the City.</p> <p>While CVSL was not part of the March 6, 2017 MOU with the City, the League did not have this MOU requirement in its bylaws: "6. By-Laws. Effective July 1, 2016, the Sport League shall ensure their by-laws preclude any board member, including a Sport League President, to hold any position for any official Sport League board/committee for more than two consecutive years or for more than three years in a ten year period; by-laws must be changed by the effective date to be issued a facility use permit. The Sport League must notice the City immediately any time its President resigns." We recommend adding this requirement.</p> <p>We also recommend adding a conflict of interest section to its bylaws as appropriate for a nonprofit organization.</p>
<p>10. Determined that the recorded league registration was documented with the State.</p>	<p>At the California Attorney General Website, we determined that the League is in current status through 2018 RRF-1 Registration Renewal filing.</p>
<p>11. Reviewed the League's board minutes for the last twelve months.</p>	<p>CVSL kept sufficient minutes on its regular meetings.</p>
REVIEW OF INSURANCE BINDER	
<p>12. Obtained a copy of the insurance binder to ensure the League had insurance coverage such that the programs included liability protection for the organization, including its employees and volunteers, for liability claims arising out of its operations. Most importantly, insurance coverage should have a \$1,000,000 general liability which includes covering the City of Coachella.</p>	<p>The CVSL provided us with Certificates of Insurance with \$1 million liability coverage, (\$2 million aggregate) latest expiring October 2019, also covering the City of Coachella as an additional insured.</p>

PROCEDURES PERFORMED	FINDINGS
ADDITIONAL	
13. Traced payments for use of city facilities to League records.	Please see schedule below provided by the League.

Schedule of payments made to City of Coachella for the use of fields for August 1, 2017 to July 31, 2018 fiscal year.

2/6/2018	Retiro de Efectivo para Deposito en la Ciudad (Av 48 Campos)	City of Coachella		With- draw	\$200.00
3/27/2018	Pago de campos en Rancho Las flores Enero/Febrero meses.	City Of Coachella		#1160	\$2,050.50
3/27/2018	Pago de campos en Rancho Las Flores/ Marzo mes	City Of Coachella		#1161	\$1,883.00
5/8/2018	Pago de Renta de Campos/Rancho Las Flores a la ciudad	City Of Coachella		#1173	\$1,762.00
6/20/2018	pago de renta de campos en rancho las Flores	City Of Coachella		#1185	\$2,835.00
7/19/2018	Pago de Renta de Campos En Rancho Las Flores	City Of Coachella		#1193	\$2,971.50

APPENDIX A – MOU REFERENCE

Financial Excerpts from 2017 Memorandum of Understanding between the City and the Leagues (Youth and Adult)6. Bylaws.

Effective July 1, 2016, the Sport League shall ensure their by-laws preclude any board member, including a Sport League President, to hold any position for any official Sport League board/committee for more than two consecutive years or for more than three years in a ten year period; by-laws must be changed by the effective date to be issued a facility use permit. The Sport League must notice the City immediately any time its President resigns.

7. Record Keeping.

7.1 The following documents must be provided to the City thirty (30) days prior to the commencement of the sports season in order to ensure no delays are experienced in permitting sport season play: copy of the league bylaws, submit form identifying its board members, file form identifying: when, where and how often the sport league holds its regular meetings, copy of the league's current 501c3 status and original issuance, current insurance documents providing the coverage referenced in Section 5. A facility use permit will not be issued without the above noted documents. If the documents are not provided to the City thirty (30) days prior to the commencement of the sports season the Sports League may experience up to a thirty (30) day delay in obtaining the required Facility Use Permit for facility access.

7.4 The Sports Leagues shall keep and maintain during the term of this MOU, in accordance with generally accepted accounting principles, complete books of accounts and accounting records collectively, the "Books and Records") of all league enrollment fees, purchases and receipts of merchandise, food, beverage, inventories and all sales and other transactions from which the Sports Leagues' receipts and charges are or can be determined.

7.5 The Sports Leagues shall record all transactions, at the time each transaction is made, whether for cash or credit.

7.6 The Sports Leagues shall retain the Books and Records during the term of this MOU and for a period of at least four (4) years after the end of each calendar year thereof.

8. User Fees. The Sports Leagues must pay the approved user fees for their use of City facilities. All uses must be permitted and codified per an issued Facility Use Permit approved of by the City of Coachella's Public Works Director.

9. Financial Audit. The Books and Records shall, upon five (5) business days' prior written notice to the Sports Leagues, be open for inspection by City, its auditors or other authorized representatives.

9.2 All members of Sport League boards must attend the annual 501c3 training provided by the City.

9.3 All Sport Leagues must obtain a Financial Audit score of C or higher and each Sport League's Financial Audit score much improve each year.

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