



**REVIEW
OF
POLICE ATHLETIC LEAGUE (PAL)**

**Report No. 2007-001
October 20, 2006**

**City of West Palm Beach
Internal Auditor's Office**



"The Capital City of the Palm Beaches"

AUDIT COMMITTEE
"A Committee of the City Commission"
P.O. Box 3366
West Palm Beach, Florida 33402
Tel: 561/8221380
Fax: 561/822-1424

TO: Honorable Mayor
and
Members of the City Commission

FROM: Isaac Robinson, Commissioner, Audit Committee Chairperson

DATE: October 25, 2006

SUBJECT: Transmittal of Report No. 2007-001
REVIEW OF POLICE ATHLETIC LEAGUE

Attached is the report on **Review of Police Athletic League (PAL)** approved by the Audit Committee at its regular meeting held on October 20, 2006. Police Athletic League is a Not-For-Profit Corporation working with youth of the City of West Palm Beach through the Police Department.

The Internal Auditor found no questionable financial transactions but has recommended ways PAL and the Police Department can strengthen the internal control systems and improve oversight of PAL operations.

Isaac Robinson, Commissioner, Audit Committee Chairperson

"An Affirmative Action/Equal Opportunity Employer"

REVIEW OF POLICE ATHLETIC LEAGUE

TABLE OF CONTENTS

	page
Introduction	1
Conclusions and Recommendations	1
Background	2
Scope and Methodology	3
Finding, Recommendations, and Responses	3



"The Capital City of the Palm Beaches"

Internal Auditor's Office
P.O. Box 3366
West Palm Beach, Florida 33402
Tel: 561/822-1380
Fax: 561/822-1424

TO: Delsa Bush, Police Chief,
John Roberts, President, Police Athletic League of West Palm Beach, Inc.,
and
Gary Carroll, Police Captain, Executive Director, Police Athletic League of
West Palm Beach, Inc.

FROM: Imogene Isaacs, CIA, Internal Auditor

DATE: October 20, 2006

SUBJECT: REVIEW OF POLICE ATHLETIC LEAGUE (PAL)

INTRODUCTION

Prompted by concerns expressed by Officer Andrea George over the use of PAL funds, we were invited to perform this review by Police Chief Delsa Bush, PAL President John Roberts, and PAL Executive Director Captain Gary Carroll.

The objectives of the review were twofold: (1) to determine that adequate controls were in place to safeguard funds from misuse, abuse, and mismanagement and (2) to assure that funds were used consistent with the purposes of the organization, solicitations, and restricted donations.

This review was performed by Lee Anna Claridge, CPA, Assistant Finance Director, and Imogene Isaacs, CIA, Internal Auditor.

CONCLUSIONS AND RECOMMENDATIONS

Expenditures of PAL funds were, for the most part, supported by invoices, approved time and attendance records, and other types of documentation. We noted no instances of questionable disbursements. To the extent that items donated for the GALA were listed when received, disposition of those items were accounted for and deposits for sales of auction items, tables, seats, and sponsorships were traced to bank deposits.

We noted no instances of funds not being used consistent with the purposes of the organization, solicitations, and restricted donations.

While we found no instances of abuse, misuse, or mismanagement of PAL funds, both PAL and the Police Department have opportunities to strengthen their internal control systems and to improve PAL oversight. Identified opportunities are presented under FINDING, RECOMMENDATIONS, AND RESPONSES.

We thank Police Department staff and John Roberts for their assistance and time given to us during this review. We especially thank Harriet Zahn for providing us everything needed to complete the review and for discussing the procedures followed in performing her responsibilities.

BACKGROUND

Articles of Incorporation were filed with the State of Florida on August 28, 1998 as a Florida Not-For-Profit Corporation. PAL is classified as a public charity under Section 501 (c) (3) of the Internal Revenue Code.

As further defined in the By-Laws, PAL has as its purposes:

- To foster and encourage in the youth of the community a spirit of loyalty and faith in American traditions and institutions.
- To promote and safeguard the interests and general welfare of the youth of the community.
- To instill good health habits, good sportsmanship and high morals and civic standards in the youth of the community.
- To help fulfill the need for recreational, educational and social activities that are designed to rehabilitate youthful first time offenders and prevent their return in the Criminal Justice System.
- To accomplish all of the above purposes for the benefit of all the youth of West Palm Beach, Florida without regard to race, color, creed, sex, or national origin.

The Board of Directors consists of approximately 25 members. Officers of PAL are:

- John Roberts, President
- John Howard, Vice President
- Harriet Zahn, Treasurer (Police Department, Administrative Assistant)
- Lori Colombina, Secretary (Police Department, Detective)

Gary Carroll, Captain, Police Department was recently named by the Police Chief as Executive Director. Day-to-day operations are carried out by Police Officer Stephanie Patterson. Financial activities are carried out by Harriet Zahn.

The PAL facility is located at 720 N. Tamarind Avenue, West Palm Beach, Florida.

SCOPE AND METHODOLOGY

The review covered revenues and disbursements for the fiscal year May 1, 2005 through April 30, 2006, and PAL organizational structure and governance. In performing this review, we:

- Reviewed the articles of incorporation, by-laws, minutes, state filings, financial reports, budgets, and other documents comprising the oversight system of PAL.
- Interviewed Harriet Zahn, Treasurer, Officer Patterson, Program Director, and Officer George.
- Examined the details of the GALA fund raising event on February 11, 2006 and accounted for the disposition of donated items for auction.
- Examined supporting documents for deposits.
- Examined invoices and other documentation supporting checks written.
- Compared check register entries with copies of bank produced checks.
- Verified the bank reconciliations.
- Discussed the results of our review with Delsa Bush, John Roberts, Gary Carroll, and Harriet Zahn.

While the procedures followed in this review were generally the same as would be followed in an audit, we did not comply with all the requirements under Government Auditing Standards. Consequently, we consider this a review and not an audit.

FINDING, RECOMMENDATIONS, AND RESPONSES

Internal control is defined as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, (3) safeguarding of assets, and (4) compliance with applicable laws and regulations. Internal control systems encompass policies, procedures, authorizations, separation of duties, approvals, and other processes and techniques. Policies, procedures, and guidelines have yet to be designed and implemented for PAL.

With this in mind and considering that the number of staff devoted to the operations of PAL does not lend itself to having a completely adequate internal control system, we offer the following recommendations as opportunities to strengthen the internal control systems and to improve oversight of PAL operations.

For PAL, we recommend:

- Review and revise By-Laws, Article VII – Committees, Section 2, Steering Committee (Executive Committee) to make a clear determination whether or not the Steering Committee can authorize and approve the expenditure of funds for budgeted programs. If the Steering Committee is allowed to authorize and approve the expenditure of funds for budgeted programs, the Steering Committee needs to adopt policies and procedures for authorizing and approving expenditures. If the Steering Committee is not allowed to

authorize and approve the expenditure of funds for budgeted programs, PAL needs to adopt policies and procedures detailing how expenditures are to be authorized, approved, and paid. These policies and procedures should include such requirements as paying from original invoices, marking the invoice with the date and check number and amount of payment, and no checks to be written to CASH.

- Adopt a general policy covering receipt of funds. For control purposes, this policy should require that all funds be first deposited in the operating account. Any investments would then be made from the operating account. It should incorporate the current practice of sending a confirmation letter (thank you letter) to donors along with who is to sign and mail the letters. Also, all checks received should be stamped “For Deposit Only Police Athletic League” upon receipt and should be deposited within one or two business days.
- Adopt a general policy for the investment of PAL funds. At April 30, PAL had a bank balance over \$150,000 representing approximately \$125,000 over the same date last year. Funds in excess of those required for the next few months should be invested. The policy needs to identify the types of investments allowable (e.g. money market, certificates of deposits, U. S. Treasury bills) and the method of determining current needs.
- Procure a computer bookkeeping system to keep the accounting transactions and account balances along with other records of PAL. PAL currently pays a CPA to prepare a compilation of the accounting transactions at year end. When the bookkeeping system is in place and up to date, this part of the CPA’s activities could be eliminated. In lieu thereof, PAL should consider the CPA performing an audit of the financial statements.
- Separate the bookkeeper and treasurer responsibilities. Require the bookkeeper to submit financial reports and lists of revenues received and checks written to the Board of Directors monthly. Require the treasurer to receive the banks statements and reconcile the bank account monthly.
- If PAL decides to have another silent auction, consider the following:
 - Prepare a two-part donation received form that would include name of donor, item donated, value placed on item by donor and issue form when item received.
 - Maintain a copy as a support record of donated items and to account for items offered at auction.
 - Retain all bid forms from auction.
 - Consider item sold only if paid for the night of the auction.
 - Prepare detailed listing of items donated and sales amount and account for any item not sold.
 - Provide the Board of Directors a list of donors including items donated and sales amount received.
 - Provide the Board of Directors a complete reconciliation of sales amount, table purchases, etc. with deposits timely.

For the Police Department, we recommend:

- Develop Standard Operating Procedures for PAL activities. These procedures should cover all activities including management oversight, day-to-day operations, and expectations of police officers who, on occasion, assist the day-to-day operations manager in PAL activities.

- Request the City fund PAL costs other than personnel and facility costs through a grant to PAL rather than through City expenditures. Our concern is that when both PAL and the City are making expenditures the possibility exists to make duplicate payments and otherwise pay twice for the same item or service. With the bookkeeping system suggested above, tracking of expenditures by grant, program, etc. should be made easy.

At a meeting held on October 12, Captain Carroll, John Howard, Officer Patterson, and Harriet Zahn agreed to implement the PAL recommendations. Chief Bush earlier agreed to implement the recommendations to the Police Department.

Copies: Members of the Board of Directors, PAL
 Lois J. Frankel, Mayor
 Harriet Zahn, Administrative Assistant, Police, Treasurer PAL
 Officer Stephanie Patterson, PAL Program Director
 Ed Mitchell, City Administrator
 Tom Harris, Finance Director
 Lee Anna Claridge, Assistant Finance Director
 Officer Andrea George