



Office of the City Auditor

CONSENT CALENDAR
May 23, 2006

To: Honorable Mayor and
Members of the City Council

From: Ann-Marie Hogan, City Auditor

Submitted by: Ann-Marie Hogan, City Auditor

Subject: Audit: Association For Sports Field Users

RECOMMENDATION

Request the City Manager to report back on or before November 28, 2006, and every six months thereafter, regarding the implementation status of each audit recommendation for the Parks, Recreation and Waterfront Department (PRW) in the City Auditor's attached report, Audit of The Association For Sports Field Users, until each recommendation is fully implemented.

SUMMARY

On March 1, 2001, PRW entered into a contract with The Association For Sports Field Users (ASFU), obligating ASFU to maintain the two Gabe Catalfo fields and the field house in Harrison Park. The contract authorized ASFU to use the Gabe Catalfo field user fees, fees the City would normally receive, to maintain the fields. An audit was conducted by the Auditor's Office, which examined ASFU's compliance with the financial and accounting aspects of the contract. The audit was requested by PRW.

The audit covered ASFU's last complete accounting year (at the time on-site fieldwork was performed), which was calendar year 2004. Some of the audit findings in the report are for PRW. The most significant findings in the report are as follows:

- Finding 1: The City did not fully execute its contract with ASFU
- Finding 5: One ASFU volunteer is conducting and accounting for all financial activity
- Finding 6: Fees paid for field use could not always be confirmed as having been deposited into ASFU's bank account
- Finding 7: Concerns with ASFU expense records
- Finding 8: Checkbook is not adequately maintained
- Finding 9: The selling of food is not in compliance with the contract

Finding 10: Requested information about the ASFU organization was not provided
(scope limitation)

FISCAL IMPACTS OF RECOMMENDATIONS

None.

RATIONALE FOR RECOMMENDATIONS

Audit recommendations in the report are intended to resolve the audit findings in the report.

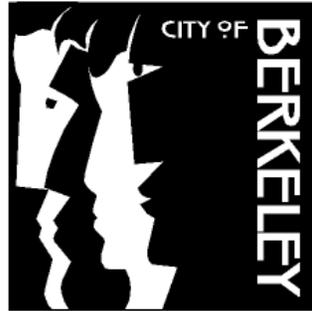
CONTACT PERSON

Ann-Marie Hogan, City Auditor, 981-6750

Attachments:

1: Audit: Association For Sports Field Users

City of Berkeley



Audit of The Association For Sports Field Users

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Presented to Council on May 23, 2006

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Audit of The Association For Sports Field Users
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I. OBJECTIVES OF THE AUDIT

The objectives for this audit were to:

1. Determine whether The Association For Sports Field Users (ASFU) has an adequate system in place to account for revenues and expenses associated with the Harrison Park fields (Gabe Catalfo fields) and field house.
2. Determine if there is a procedure in place for collecting approved fees for the use of the playing fields and field house.
3. Determine if Harrison Park field fees and field house fees were used according to the terms of the contract.

This audit was requested by the Parks Recreation and Waterfront Department (PRW) and was scheduled to be performed as part of the Auditor's Office fiscal year 2006 audit plan. The 2006 audit plan was presented to City Council on June 28, 2005.

II. SCOPE AND METHODOLOGY

This performance audit was limited to ASFU's compliance with the financial and accounting aspects of the contract between the City of Berkeley and ASFU.

The contract requires ASFU to maintain the two Gabe Catalfo fields and the field house in Harrison Park. Harrison Park is located in Berkeley. This audit covers ASFU's last complete accounting year, which was calendar year 2004. On-site fieldwork (where ASFU records were reviewed) was completed July 27, 2005. Subsequent to July 27, some additional audit work was performed. Audit work concluded during February 2006.

We did not review the reasonableness of the labor and material expenses incurred for the maintenance of the Gabe Catalfo playing fields, nor the quality of the maintenance service provided. We also did not review PRW's involvement with the contract. However, any significant concerns in these areas that came to the auditor's attention during the course of fieldwork are included in this report.

The information used to complete this audit was obtained primarily from:

- A walkthrough of ASFU's billing, revenue collection, and payment procedures. This included a site visit where the ASFU financial records are kept.
- Discussions with the ASFU Chair and PRW staff.

- A review of billing, revenue, and expense documents and records and the maintenance contract.

The audit procedures performed during this audit were not designed specifically to detect fraud; however, they were designed to identify weaknesses in policies and procedures that could allow fraud or abuse to occur and go undetected during the normal course of business. Audit work was performed in accordance with Generally Accepted Government Auditing Standards and was limited to those areas specified in the scope and methodology section of this report.

III. BACKGROUND

City Contract

The City has a contract with ASFU to maintain two playing fields (Cabe Catalfo fields) and a field house located at Harrison Park. ASFU also is involved with the semi-annual preparation of the playing field schedule with the user groups. However, this service is not included as part of the contract. Harrison Park is located at 777 Harrison Street in Berkeley. The contract period is March 1, 2001, through December 31, 2005, and was recently extended through March 31, 2006. Under the terms of the agreement, ASFU is required to use the fees it collects from user groups to maintain the fields, related improvements, and the field house. It is also to use these fees to provide all the goals, nets, and bleachers. The contract requires that ASFU maintain an accurate accounting of all maintenance and repair expenses.

ASFU's Operating Structure

ASFU is a non-profit organization. The Chair is a volunteer, who, by himself, performs all the day-to-day tasks for ASFU, except the actual maintenance of the fields and the operation of a café (when fields are in use). The Chair stated that there were four additional board members. ASFU has no employees, no chart of accounts, no organizational chart, no income statements, and no balance sheets. A contractor, J.C. Hauling, maintains the playing fields and field house. In addition to the two Gabe Catalfo fields, J.C. Hauling maintains nine other playing fields for ASFU. None of these other fields are located in Berkeley. The financial and accounting records for ASFU are kept at the Chair's place of business.

Revenue Operations

Each year in April and October, City representatives, field user representatives, and ASFU board members meet and discuss the dates and times (slots) each organization wants to reserve each field. The draft and final schedules are prepared by ASFU's Chair and are given to everyone that attends these meetings and is involved in this process.

The ASFU Chair prepares and maintains the following records to identify and account for

ASFU's revenues:

- Field schedule identifying fields and time slots rented by each organization.
- Invoices sent to organizations bi-annually, charging seasonal fees for field use.
- Billing report (spreadsheet) identifying field use fees billed and the date these fees were paid.
- Checkbook. (Electronic spreadsheet.)
- Bank statements for ASFU checking account.

No fee is charged specifically for the use of the Harrison Park field house. When a field is rented, the ASFU Chair stated that this includes the use of the field house, which has a meeting room.

Expense Operations

The ASFU Chair prepares and maintains the following records to identify and account for ASFU's expenses:

- Spreadsheet titled "Detailed Per Field Maintenance Tracking", which identifies field maintenance expenses:
 - Hours spent each day for field maintenance, by field location.
 - Cost of labor for field maintenance, by field location.
 - Purchases made for each field location.
 - Other general expenses (not specific to a field).
- Invoices and receipts from purchases.
- Checkbook. (electronic spreadsheet)
- ASFU Chair's personal credit card statements.

The Chair purchases and pays for most goods and services by issuing a check to the vendor from ASFU's checking account. The Chair also makes purchases for ASFU with his personal credit card. He later reimburses himself by issuing a check to himself from ASFU's checking account. The Chair is the only signatory on ASFU's checking account. Bank statements for ASFU's checking account are mailed to the Chair's residence.

Profit / Loss and Ending Cash Balance

For 2004, ASFU's records indicated that \$49,360 in revenues was collected in slot fees for the Gabe Catalfo fields and that expenses totaled \$46,342. The difference is a net profit of \$3,018. ASFU also reported total revenues of \$126,513 from all eleven fields that they maintain, and expenses totaling \$98,673. The difference is a net profit of \$27,840. However, the ASFU Chair explained that these profit figures were not accurate because not all expenses were recorded in the expense report. ASFU's checkbook reported deposits of \$126,513 and disbursements of \$132,775 for 2004, indicating disbursements exceeded deposits by \$6,262. ASFU's checkbook showed an ending negative cash balance of -\$960 as of December 31, 2004.

IV. SUMMARY OF AUDIT RESULTS

1. Determine whether ASFU has an adequate system in place to account for revenues and expenses associated with the Harrison Park fields and field house

Although there is a system in place, financial record keeping, and the internal controls over financial record keeping, are not adequate. See Findings 5 - 9 for more information.

2. Determine if there is a procedure in place for collecting approved fees for the use of the playing fields and field house

There is a procedure in place for scheduling playing field use, billing for field use, and collecting fees for fields use. However, records during the first half of 2004 were not sufficiently maintained so that fees paid could consistently be confirmed as deposited in ASFU's checkbook and bank statements. See Finding 6 for more information.

Also, the fees and fee structure used by ASFU are different from the 2004 fees and fee structure the City established for playing fields through City Resolution 62,063 N.S. It appears the City established fees should have been charged, and if this is the case, the overall impact of ASFU charging different fees is not readily apparent. However, if non-residents were using the fields, they would have benefited from the biggest break in fees. Please see Attachment 1 for City and ASFU fees. The City's contract with ASFU is unclear regarding how fees are to be established. It appears California Government Code Section 66,016 requires that the City establish the fees for the fields by resolution. See Finding 3 for more information.

Lastly, although there is a meeting room in the field house, a fee is not charged specifically for its use. The Chair stated that when organizations have paid use of a Gabe Catalfo field, they are also permitted to use the field house. The contract between the City and ASFU does not state that a separate fee is to be charged for the meeting room. See Finding 3 for more information.

3. Determine if Harrison Park playing field fees and field house fees were used according to the terms of the contract

The review of expenses charged to Harrison Park identified no expenses that appeared inappropriate. However, records contained a significant number of errors, and not all expenses were booked, raising concerns about their overall accuracy. See Finding 7 for more information. Also, internal controls over the financial activities and records are not adequate. There is only one volunteer performing and recording all of ASFU's financial activity, including billing and cash receipt activity, and purchasing and bill paying

activity. There is no segregation of incompatible duties nor is this individual's work reviewed and approved by others. As a result, there is a high risk that errors and irregularities will go undetected. See Finding 5 for more information.

The quality of the maintenance service being provided was not within the scope of this audit. However, the auditor did conduct a site visit of the Gabe Catalfo fields, and it was evident they were being well maintained.

V. FINDINGS AND RECOMMENDATIONS

Finding 1 The City Did Not Fully Execute Its Contract with ASFU

The PRW Department entered into an agreement with ASFU to maintain and monitor the Gabe Catalfo fields and the field house located at Harrison Park, beginning March 2001. Although a contract was prepared, and signed by ASFU's Chair, it was never fully executed by the City. According to City contract procedures, a binding contract is not formed, and work may not begin under a contract, until the contract is executed. "Executed" means signed by all parties to the agreement. The signatures of the City Auditor, City Clerk, and City Manager were not obtained. The PRW Department was responsible for ensuring that the contract was fully executed.

The auditor became aware of this deficiency in early May 2005 and PRW representatives stated they were in the process of obtaining the required signatures. By June 17, 2005, the contract was fully executed and evidence of proof of general liability insurance had been provided by ASFU.

Recommendation for PRW

1. Implement written policies and procedures that will provide a reasonable assurance that all PRW contracts are fully executed before the vendors begin providing services.

City Manager's Response

PRW agrees with the finding and recommendation, and will implement the recommendation by June 30, 2006.

Finding 2 It Is Unclear Whether the City or ASFU Is to Provide or Pay for Some Goods or Services

Section 3 of the contract appears to assign both the City and ASFU the responsibility for providing or paying for some of the same goods or services, like tree maintenance, the cleaning of the bathrooms, and emergency telephone service. As a result, it is unclear whether the City or ASFU should be providing these services or paying for these expenses.

An instance was also identified where the City was performing a contractual obligation clearly assigned to ASFU. According to a PRW management representative, the PRW Department is top-dressing the Harrison Park fields annually even though this task was assigned to ASFU in section 3.A.2 of the contract. The representative stated the PRW Department was performing this task because ASFU did not have the required equipment. The audit also found that ASFU representatives were overseeing the semi-annual establishment of the playing field schedules, even though this obligation was not assigned to ASFU in the contract. When a contract does not clearly identify all the obligations for each party, this can lead to confusion and perhaps one or both parties might not be adequately compensated for their efforts.

ASFU's Response

ASFU is clear about responsibilities in the contract but acknowledges that some readers of the contract document unfamiliar with maintenance operations may interpret the document differently.

Recommendation for PRW

- 2.1 The contract for the maintenance of Harrison Park should clearly state all the services and expenses required to maintain and rent out the Harrison Park fields and field house, and who is responsible for each. If a contract obligation is to be shared by both the City and ASFU, the contract should clearly identify the sharing arrangement.

City Manager's Response

PRW agrees with the overall finding and the recommendation.

Finding 3 **Appears ASFU Should Be Charging City Council Approved Fees for Use of the Playing Fields**

The City's contract is unclear regarding how authorized fees for field use are to be established. It appears California Government Code Section 66016 requires that the City (not ASFU) establish the fees for the fields it owns, and that it be done by Council resolution. It also appears that the City is not permitted to delegate this authority. The fees and fee structure used by ASFU during calendar year 2004 were significantly different from the fees and fee structure that the City established for playing fields through City Resolution 62,063 N.S. for this period. See Attachment 1 for a schedule with the City fees and ASFU fees. The biggest difference is with the fees for the non-residents of Berkeley, with ASFU charging much lower fees.

The ASFU Chair stated that the former PRW Director and her staff worked with him and together they determined the slot fees that were to be charged at the start of the contract in 2001 through calendar year 2004. The ASFU Chair also stated that ASFU fees had not increased until

2005 and that the new fees had been approved by the ASFU board and the current PRW Director.

Lastly, a fee is not charged for the use of the field house meeting room. The contract does not state that a separate fee is to be charged for the field house meeting room. The ASFU Chair stated that when organizations have paid use of a Gabe Catalfo field, it includes the use of the meeting room in the field house. However, the City website states the public can also call ASFU to reserve the meeting room. ASFU may not be realizing additional revenues from the rental of the meeting room during field use as well as times when the fields are not in use. Additionally, the community may not be given the opportunity to utilize the meeting room as frequently as it would like.

Recommendation for PRW

3. Determine how authorized fees for the playing fields and field house are to be established. In the contract:
 - a. State the requirements for establishing approved field use fees.
 - b. Clarify whether or not a separate fee is to be charged for the use of the field house meeting room both while the fields are in use (being rented) and when they are not in use.

City Manager's Response

PRW agrees with this finding and recommendation and will implement the recommendation during the contract renewal process. The City Council has adopted ASFU's playing field fee structure and fees.

ASFU's Response

The City of Berkeley has recently adopted the same rate schedule that ASFU uses and so no conflict exists. In terms of a separate fee for use of the field house meeting room, the customers for the field house are the same groups that use the fields. For example youth soccer holds referee classes prior to the start of the season as well as during the season. The Field Use Fee includes the use of the Field House meeting room.

Finding 4 Ownership of Equipment Not Specified in Contract

ASFU purchased equipment to maintain the eleven fields it oversees, including the Gabe Catalfo fields. The contract between the City and ASFU does not specify whether or not the City has any ownership rights to the equipment ASFU purchased during the contract period.

The ASFU Chair stated ASFU has two tractors, a trailer, a seed spreader, and a paint sprayer.

The auditor observed that a paint sprayer, which cost \$1051, was paid for with Cabe Catalfo field fees. The most expensive purchase, a second lawn tractor, was purchased on March 16, 2004, for \$18,519. The Chair explained that ASFU paid for the tractor, then obtained a loan from a local soccer club to finance it. He stated that ASFU had already made two \$5,000 payments towards this loan. Because the accounting records do not document where the money is coming from to pay for the purchase of this tractor and other large equipment purchases, we could not determine whether revenues generated from Berkeley's Gabe Catalfo fields were used to purchase the equipment. However, since a significant percentage of ASFU's revenues are from Gabe Catalfo fees, it appears likely that this revenue was used to pay for a portion of the cost of this equipment.

Recommendation for PRW

4. The City should include in future contracts the specific method to be applied to determine ownership of equipment.

City Manager's Response

PRW agrees with this finding and recommendation. The City has never had any intention of owning any of the equipment purchased by ASFU.

ASFU's Response

As has been agreed to with the City of Berkeley, ASFU will continue to own 100% of all maintenance equipment it purchases. Most of our equipment has a three to four year useful life. Other than tractors, ASFU doesn't own a piece of maintenance equipment that is worth more than \$1,500—new.

Finding 5 One Volunteer Is Conducting and Accounting for All Financial Activity

The ASFU Chair does all the billing for field use, does the purchasing, performs all the cash receipt and cash disbursement activity, and all the bookkeeping. The Chair is the only signatory required to issue a check. The bank statements, slot fee payments, and purchased goods are sent to his home. The financial work performed by this individual is not being reviewed or approved by anyone. Because these conditions represent departures from generally accepted business controls and practices, the auditor could place little reliance on the ASFU accounting records as being accurate and complete.

Businesses and non-profits, whenever possible, try to segregate tasks so no one employee can perform incompatible duties. For example, if an employee is doing the purchasing, another employee should be doing the bill paying. As part of the bill paying duties, the second employee would review the purchases made by the first employee to make sure they were appropriate and

had been received, before paying for them. If the same employee is permitted to perform both tasks (incompatible duties), inappropriate purchases could be made and paid for, and this activity would probably go undetected. When segregation of incompatible duties is not possible, businesses and non-profits may have a supervisor or board members review the work of these employees for errors and irregularities. This review decreases the risk that an error or irregularity will be made and go undetected. Such a review is not taking place at ASFU.

Recommendation for ASFU

- 5.1 Consider segregating all incompatible financial duties such as cash receipt and cash disbursement duties. If there are no other volunteers, recruit some for this purpose.

At a minimum, if incompatible financial duties can't be segregated due to a lack of staff, on a sample basis, require another ASFU board member to periodically review billing and payment records to insure all playing field use is billed, and payment is received, accounted for, and deposited into the ASFU bank account. Require the reviewer sign the documents reviewed to document that the review and approval took place. Concerns identified should be brought to the attention of the ASFU Chair, and the rest of the ASFU board, for correction. Significant concerns should be brought to the attention of the City. These review procedures should be documented in writing.

Also, require two signatures to issue an ASFU check. The second signatory, in addition to that of the ASFU Chair, should be an ASFU board member who is not subordinate to the ASFU Chair. The second signatory should not sign a check until he or she has determined that the expense is adequately supported and appears reasonable.

ASFU's Response

It is difficult to find volunteers to perform this type of community work. Nevertheless, this is a good suggestion and ASFU will attempt to find additional persons to review operations and finances as recommended above. ASFU will obtain the services of a professional book-keeper by December 31, 2006.

Finding 6 Fees Paid for Field Use Could Not Always Be Confirmed As Having Been Deposited Into ASFU's Bank Account

For deposits made during the first half of 2004, it was not always possible to determine if the payment of field use fees had been received and deposited. This condition existed for the following reasons:

- The report that identifies the field user fees each organization was billed did not always identify the date payment of these fees was received by ASFU in the column provided for this purpose.

- A record of the composition of bank account deposits comprised of several checks was not available during the first half of 2004.

The auditor was unable to trace one of the two field reservations reviewed (a \$4,500 fee from Alameda-Contra Costa Youth Soccer) from the playing schedule and billing to the checkbook and bank statement. The above concerns would make it more difficult for a reviewer to detect slot fees that had not been properly deposited into ASFU's checking account.

Recommendations for ASFU

- 6.1 Continue the practice started mid 2004 of identifying the individual checks that comprise each deposit. Also, record in the billing log the date each payment is received. Follow procedures which ensure each payment ASFU receives can be traced to the ASFU checkbook and bank statement.

ASFU's Response

As noted, change is already in place.

Finding 7 Concerns with ASFU Expense Records

There are concerns with the ASFU expense report and expense records, in addition to the concern discussed in Finding 4.

- A. The report that identifies the 2004 ASFU expenses being charged to the various playing fields / funding sources does not include all expenses. The Chair stated expenses that are not recorded in this report include large equipment purchases (neither the purchase, depreciation, or loan payments), equipment repairs, bank service charges, truck rental costs, and license fees. The ASFU expense report for 2004 shows ASFU expenses totaled \$98,673 for all 11 ASFU fields. However, disbursements in the ASFU checkbook for 2004 totaled \$132,775. Included in the \$34,102 difference is an \$18,519 tractor purchase, which the Chair stated was financed by means of a loan from a local soccer club.
- B. Some expenses charged to the Gabe Catalfo fields were not adequately supported or properly recorded. Also, there were instances identified where field maintenance labor was not accurately charged to the correct field. Concerns regarding the six Gabe Catalfo field expenses reviewed are as follows:
 - a. Two payments to the contractor that maintains the ASFU playing fields were reviewed. One, covering the period February 9, 2004, through February 21, 2004, was for \$180 more than the \$1,501.50 invoice. The Chair could not explain the difference. In addition, 3 hours of the contractor's time that had been incurred for another field had been expensed to the Gabe fields. The

second invoice, covering the period November 15, 2004, through December 4, 2004, expensed 17 hours of labor at \$17 per hour to the Gabe Catalfo fields that should have been expensed to other fields. Additionally, the contractor was paid two advances totaling \$3,000 before submitting the invoice for his services. The advances were not recorded as advances on the books. However, no overpayment was made to the contractor as a result of these two advances.

- b. For two of the payments reviewed, the Chair purchased the item or items with his personal credit card. The Chair repaid himself for these purchases with an ASFU check, which he issued, to himself. For one of the two expenses, his credit card statement was the only supporting document for the purchase (no invoice).
- c. Two expenses were recorded in the expense report as having been incurred many months before they were actually incurred or paid. In one instance, a June 14, 2004, invoice from Collegiate Pacific for \$999.61 was paid on July 16, 2004, but recorded as a March 18, 2004 expense. In the second instance, telephone expenses paid throughout the year were booked on March 22, 2004, as one expense totaling \$753, well before most of these expenses had actually been incurred. The Chair stated that he was doing this for his convenience.
- d. None of the invoices reviewed contained notations identifying the fields that the expense was charged to. As a result, it would be more difficult to identify expenses that were inappropriately charged to more than one field.

Section 3.A.4a of the contract requires that ASFU, “Maintain an accurate accounting of all maintenance and repair expenses.”

Recommendations for ASFU

- 7.1 Require ASFU staff identify on each invoice or billing statement paid the allocation of the expense to the various fields / revenue sources. Also require each expense be recorded in the expense report at the time payment is made. There should be an invoice, billing statement, or similar document, kept on file to support all expenses paid.

ASFU’s Response

Suggestion noted and will attempt to rectify. ASFU will obtain the services of a professional book-keeper by December 31, 2006.

- 7.2 The ASFU Chair should discontinue using his personal credit card for ASFU purchases. ASFU should have its own credit card. Prior to payment, the credit card statement should be reviewed and approved for payment by a board member who did not make the purchases. Approval should be in writing.

ASFU's Response

Suggestion noted and will attempt to rectify by obtaining separate ASFU credit card and other measures as noted by December 31, 2006.

- 7.3 Discontinue the practice of paying advances to the contractor who maintains the playing fields. Request that the contractor bill weekly instead of bi-weekly if he requires more frequent payments to operate. If a cash advance is made, this activity should be properly booked.

ASFU's Response

Suggestion noted and will attempt to rectify.

Finding 8 Checkbook Is Not Adequately Maintained

The ASFU checkbook is not being reconciled with the bank statements. Additionally, the checkbook does not identify the check number associated with each check issued. As a result, there is an increased chance that errors can go undetected.

Recommendation for ASFU

8. Someone who is not authorized to issue checks or maintain the checkbook should reconcile the ASFU checkbook with the bank statement each month, but no less frequently than quarterly. A record of the reconciliation should be maintained. Also, the check number of each check issued should be recorded in the ASFU checkbook.

ASFU's Response

Suggestion noted and will attempt to rectify. ASFU will obtain the services of a professional book-keeper by December 31, 2006.

Finding 9 The Selling of Food Is Not in Compliance with the Contract

ASFU is not in compliance with section 3.A.6 of the contract, sentences a and c, which state:

- Contractor has the right, while the playing fields are in use, to sell food and non-alcoholic drinks to the general public, providing all proceeds received by Contractor are used to perform its responsibilities under this agreement.
- Contractor may only assign this right to sell food and non-alcoholic drinks with the

City's prior written approval, which shall not be unreasonably withheld.

The ASFU Chair stated ASFU has a verbal agreement (nothing in writing) with an individual to operate a café at Harrison Park and has not obtained the approval of the City for this arrangement, as required by the contract. The Chair stated that ASFU is to receive 5% of the café gross sales. The Chair and the café operator have stated that the café operator paid ASFU \$500 for calendar year 2004 sales; presumably, the café operator had \$10,000 in sales. However, ASFU's Chair stated the payment was deposited along with several other checks, and the composition of the deposit had not been documented. Therefore, this payment could not be confirmed as having been received by ASFU and deposited in the ASFU checking account. ASFU's Chair stated the café operator operates a for-profit operation and does not give her profits to any non-profit organization as part of the agreement for operating the café.

Recommendation for ASFU and PRW

9. ASFU should implement procedures that ensure the selling of food at Harrison Park is done in accordance with the terms of the contract. PRW should update the contract to identify the percentage of profit or fixed fee ASFU should receive (if any) if someone other than ASFU provides food sales.

City Manager's Response

PRW agrees with the finding and recommendation.

ASFU's Response

Suggestion noted and will rectify by December 31, 2006.

Finding 10 Requested Information About the ASFU Organization Was Not Provided (Scope Limitation)

The ASFU Chair declined to provide the auditor with the following requested documents and information about the ASFU organization.

- ASFU's bylaws. Bylaws provide general policy guidelines for non-profit corporations.
- A mailing address, telephone number, or email address for two of the four ASFU board members (excluding himself).
- Minutes from the last board meeting.

Bylaws were requested to identify the organizational structure and authority behind the ASFU decision-making. In the case of ASFU, there is a concern the ASFU Chair may have both the role and the authority of an executive director and the head of the board. In this case, he would be largely reporting to, and taking direction from, himself. Such a structure could allow errors

and irregularities to go undetected. Additionally, the names of the board members, and contact information for each, were requested so they could be directly provided with a copy of this report. Relying on the ASFU Chair to provide the rest of the ASFU board members with this report would create the possibility that they may not receive the report, and not have the opportunity to take responsibility for ensuring that the audit findings in this report are addressed. The auditor requested the most recent board minutes to determine if the board was meeting and to identify what types of issues were being discussed.

The Chair stated the above requested document and information would not be provided to the auditor because he felt this information had nothing to do with the City's contract with ASFU. However, for the reasons stated above, the auditor disagrees. Section 22 of the contract with ASFU states, "The City Auditor's Office may conduct an audit of Contractor's financial and compliance records maintained in connection with the **operation** and services performed under this Agreement...". The Auditor's Office interprets this to mean it has the right to audit ASFU's operating structure and regulations (operations).

Recommendations for PRW

- 10.1 Before entering into another contract with ASFU, PRW should determine that the basic structure of the ASFU board, the authority given to each of the board members, and the board rules and regulations, all provide for sufficient order, and checks and balances, in the decision-making and oversight process. Concerns with the board should be evaluated in relation to the dollar value and other risks associated with the contract.

ASFU's Response

Suggestions noted and will attempt to rectify. List of Board members sent to Auditor by PRW on January 5, 2006. By-laws and minutes of most recent board meeting will be sent over by May 31, 2006.

- 10.2 Update the language in future contracts between the City and ASFU to include verbiage that ASFU agrees to provide the City with information (if requested) pertaining to:
- ASFU's general organization and operations, including (but not limited to) the Article of incorporation, bylaws, board member information, and board minutes.
 - Full access to records pertaining to all other ASFU maintained fields.
 - Any other information the City deems necessary to monitor ASFU's compliance with requirements set forth in the contract.

City Manager's Response

PRW agrees with this finding and the recommendations.

ASFU's Response

Additional requests noted and ASFU will attempt to comply if it is able to.

VII. CONCLUSION

The ASFU Chair has volunteered his time coordinating and scheduling the use of the Gabe Catalfo fields and overseeing that these fields are maintained. His efforts, as well as the efforts of anyone volunteering to make the City a better place, do not go unrecognized by City staff and the citizens of Berkeley. However, since ASFU is receiving approximately \$49,000 annually in fees from sport field users to maintain these two City fields, money the City would otherwise receive, ASFU should comply with the terms of their contract and properly account for these revenues and how they are used. Presently, since the ASFU Chair is performing all of the financial operations and bookkeeping for ASFU, little reliance can be placed on the accuracy of ASFU's records. This would be the case in any situation where one individual is handling all the financial activity for an organization. Such a situation could allow errors and abuse to go undetected. A number of other concerns were also identified with the financial records being maintained by ASFU. In order to correct these conditions, the recommendations made in this audit report should be implemented.

Audit of The Association For Sports Field Users

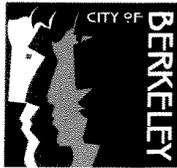
Attachment 1

ASFU and City Playing Field Use Fees

	City Resolution 62,063 N.S.		ASFU
	Fiscal Year 2004	Fiscal Year 2005	Calendar Year 2004
Non-Lighted Fields			
Resident Youth, Senior, Disabled	\$20	\$21	
Resident Community Adult Groups	32	34	
Resident Private Groups	53	56	
Non-Resident Groups	63	66	
Lighted Fields			
Resident Youth, Senior, Disabled	\$30	\$32	
Resident Community Adult Groups	48	50	
Resident Private Groups	80	84	
Non-Resident Groups	95	100	
Adults/Private Schools/College			\$50
Youth/Public Schools			20
COB Summer Camps			5
Other Summer Camps			10

Audit of The Association For Sports Field Users

Attachment 2



Parks Recreation & Waterfront

To: Honorable Mayor and
Members of the City Council

From: Marc Seleznow, Director, Parks Recreation & Waterfront

Subject: Audit of The Association For Sports Field Users (ASFU)

Date: April 25, 2006



In 1999, the City acquired the Harrison Street property from the University of California for the purpose of developing sports fields and a skate park. In 2000, the City of Berkeley contracted with ASFU to construct the sports fields (Gabe's East and West). Since the City did not have the staff capacity to operate, maintain, and schedule the new fields at that time, an agreement was made with ASFU to provide this service. ASFU is able to do this successfully as a non-profit community-based organization by collecting user fees from sports leagues and using the revenue to operate and maintain the fields.

For the past four years, ASFU has done an excellent job of operating, maintaining, and scheduling the sports fields and Field House at the Harrison Street fields to the benefit of the City and field users alike. The City considers this a valuable community service that provides a badly-needed expansion of opportunities for over fifteen sports leagues (soccer, rugby, lacrosse, and frisbee) that play in Berkeley. In terms of capacity, ASFU has also successfully taken on more responsibilities for field operations in Berkeley and Albany each year for several years. The Parks Recreation & Waterfront Department notes that to-date, ASFU has had limited resources for record-keeping and accounting functions, and we look forward to helping ASFU develop enhanced administrative capacity to provide higher levels of service to the community in the years to come. To that end, ASFU has agreed to institute additional practices and procedures that ensure an enhanced level of financial accounting and financial management.