
City of Laredo, Texas

Internal Audit Division



Special Assignment: Field Use License Agreement
Compliance Audit

Contract (Agency) Reviewed: Youth & Adult Sports League
Organizations

City Department / Division Reviewed: Parks & Leisure Services
Department

December 29, 2017

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EXECUTIVE SUMMARY

As per City Council directive given on May 15, 2017, the Internal Audit Division conducted a Field Use License Agreement Compliance Audit of the Parks (Parks) and Leisure Services Department and the Youth and Adult Sports League (Leagues) Organizations registered with the Parks Department for City field usage. Specifically, the objective of this audit was to determine if the Leagues have been in compliance with the terms of their respective license agreements, and if the Parks Department has been administering and enforcing these license agreements accordingly.

The scope of this audit consisted primarily of a review of the license agreement terms and documentation submitted by the Leagues to the City's Parks Department for the time period of the 2017 season license agreement, which encompassed a term of March 1, 2017 through December 1, 2017.

This report contains a total of seventeen (17) findings and one (1) observation along with recommendations pertinent to our review for compliance with the license agreements between the City of Laredo (Parks Department) and the Youth and Adult Sports League Organizations.

Based upon the audit test work performed and the findings, observations and recommendations noted below, we concluded that:

- 1. Out of the fourteen (14) provisions of the license agreement tested for compliance, our review found a mix of leagues in compliance, partial compliance, non-compliance or no response at all for each individual provision reviewed.**
- 2. The request for a review of 501 (c) 3 non-profit status, which was not a requirement in the license agreement reviewed, reflected that only three (3) leagues met the 501 (c) 3 non-profit status at the time of our audit.**
- 3. Even after the most recent authorization by City Council on June 19, 2017 of League license agreements, our review reflected two (2) leagues not included in the original batch of leagues taken to City Council for approval, and one (1) league registered after the June 19, 2017 authorization, but no subsequent City Council approval was reflected for this league.**
- 4. The individual license agreements provided to us by the Parks Department for our review were not fully executed. While they were signed by the League Presidents, the Parks Department did not obtain City Attorney and City Manager signatures, and did not file the license agreements with the City Secretary's Office.**
- 5. Since the Parks Department currently administers these League license agreements, they are also considered the records custodians for all the documentation submitted by the Leagues. On our initial request for all required documentation to the Parks Department, we found partial documentation on file at the Parks Department leading us to request pending documentation from the Leagues, which indicated to us that enforcement of the provisions of the League license agreements is lacking at the Parks Department level.**

Please keep in mind that the above conclusions are only a summary, and more detailed results can be found in the ensuing audit report. With the summary of audit results reflected above, we are first and foremost recommending that the process for obtaining a license agreement for City field usage change to incorporate an application process with a possible review by the Parks and Leisure Services Advisory Committee prior to consideration and approval from City Council on a yearly basis. We feel that with a strengthening of the license agreement language, incorporation of the 501 (c) 3 non-profit requirement, consistent guidance and training for the Leagues and enforcement from the City's Parks Department, we believe that license agreement compliance can be improved.

BACKGROUND

In the past, the City of Laredo (City) has authorized and entered into license agreements with local league organizations which grants permission for the use of certain specified City baseball, softball, soccer and flag football fields for youth and adult sports programs. The most recent authorization of license agreements by City Council took place on June 19, 2017 and encompassed the term period of March 1, 2017 through December 1, 2017. Additionally, any rental fees for the use of these City fields were waived in view of the public benefit in permitting the associations to use the City's facilities for baseball, softball and soccer programs for the benefit of the youth of the Laredo. The listing below reflects all the youth and adult sports leagues authorized to use City fields with a license agreement through the Parks Department, along with their corresponding field assignments as outlined in their respective license agreements.

Little Leagues

- American: All Slaughter Baseball Fields, Garcia Vela Field and Mario Tijerina Field;
- Pony: Rangel Field, Community Fields and Base Fields (Specific Field Assignments at Base Fields Not Indicated on License Agreement;
- Hillside: Base Field #s 3, 4 and 5;
- National: Jose "Pepe" Moreno Field and Al King Field;
- Rio Grande: Cruz Field, Eistetter Field and Taylor Field;
- Northwest: Father Charles McNaboe Park, Babe Ruth Field #s 1-5;
- Laredo Northside: Anna Baseball Fields;

Adult Leagues

- Laredo Men's Baseball League: Slaughter Park, Dryden Park and Father Charles McNaboe Park;
- Liga de Veteranos: Taylor Field;
- Border Baseball League: Slaughter Baseball Fields and Cigarroa Baseball Fields;

Flag Football Leagues

- Border Flag Football: Father McNaboe Park ;

Soccer Leagues

- Border Soccer League: Santa Rita Soccer Fields;
- United Premier League: Bartlett Soccer Fields, Lafayette Soccer Fields and Father Charles McNaboe Soccer Fields;
- Father McNaboe League: Father Charles McNaboe Soccer Fields;
- Laredo Soccer Association: Dryden Park Soccer Field; and
- Laredo Soccer League: Slaughter Park Soccer Fields.

As part of the terms of the current license agreements, both the City and each respective league organization have been assigned responsibilities as part of the agreement. Listed below are the major responsibilities outlined for each responsible party.

Responsibilities of each League Organization (Licensee):

As per Article III (Licensee's Responsibilities) of the License Agreement, Licensee recognizes and agrees that prior to March 1, 2017, or prior to the commencement of the season, the Licensee must submit to the City the items listed in Section I (Request for Facilities), Subsection A:

- Two Original Copies of this Temporary Non-Exclusive Licensing Agreement signed by the President or other individual with authority to bind License Agreement;
- A current copy of the Licensee's Articles of Incorporation or Bylaws;
- A list of the Licensee's current Board of Directors, their addresses, and phone numbers;
- A certificate of insurance naming the City of Laredo as an additional insured and proof of comprehensive general liability insurance with a combined single limit of \$1,000,000 per occurrence;
- Copies of all licenses and/or permits from state, county and local government agencies required in the provision of a youth program, in addition to proof of affiliation with a parent league, if any;
- A proposed use schedule providing the dates the season will start and end, and the dates Licensee seeks to use the Licensed Area;
- A current list of every coach, assistant coach and manager and all other individuals who will have access to the Licensed Area; and
- Current Food Handlers and any other required Health Permit for sale of food and beverages at the concession stand on the Licensed Area.

Additionally, as per Section III (Licensee's Responsibilities), Subsection B of the License Agreement, Licensee recognizes and agrees that after the first week of scheduled games, Licensee shall submit rosters to City documenting the names and addresses of all players. Moreover, the License Agreement states that Licensee recognizes and agrees that it shall be required to submit a detailed financial report to City not later than June 1, 2017, that contains the following items (as per Section III (Licensee's Responsibilities), Subsection C):

- A certified financial statement;
- All monthly bank statements;
- A copy of all board meeting minutes;
- A financial report of the receipts derived from the operation of the concession stand; and
- Any other documentation deemed necessary by the City's Internal Auditor.

Responsibilities of the City of Laredo (City):

As per Article II (City's Obligations) of the License Agreement, the City is responsible for the following items:

- City agrees to waive the fees for the Licensee to use the following city owned athletic field ("Licenses Area") to provide youth recreation programs only on the dates and times scheduled under the License Agreement;
- City agrees to fund the use of water, wastewater and electricity by Licensee in providing youth recreation programs at the subject fields only on the dates and times scheduled under the License Agreement;
- City will review the Licensee's proposed use schedule and will approve or deny the request not later than 10 days after receipt of the schedule. Once the schedule is

approved, Licensee will have priority use of the field for the dates and times noted in the schedule. City will approve or deny any subsequent amendment requests not later than 5 days after receipt;

- City shall appoint a Single Point of Contact (SPOC) with the Licensee for the performance of the License Agreement; and
- City shall allow advertisements to be displayed facing toward the interior of the subject field for the duration of the License Agreement only after the following conditions have been met:
 - The type of advertisement to be displayed is presented to City for approval in accordance with city ordinances, policies and state law*;
 - Proof of the total amount to be paid or that has been paid to the Licensee for the advertisement is provided to the City*;
 - Payment is submitted by the Licensee to the City in an amount that is equal to half of the total amount to be paid or that has been paid for the advertisement*.

**The last three points above are the responsibility of the Licensee (League Organizations) to submit to the City for approval and subsequent payment regarding advertising proceeds.*

AUDIT SCOPE AND METHODOLOGY

The scope of this audit consisted of a review for compliance with the terms of the season 2017 License Agreements, which covered the time period of March 1, 2017 through December 1, 2017. All youth and adult sports league organizations using City fields were selected as part of our sample, which consisted of a total of sixteen (16) youth and adult sports league organizations. As such, we initially requested the following documentation that would pertain to the 2017 License Agreement from the Parks Department:

- Copy of the current executed License Agreements for each of the league organizations;
- Copy of all documentation required of the league organizations as per the terms of the 2017 License Agreement;
- Copy of the current code of ordinances pertaining to the Parks Department / Field Usage and fee structure; and
- Copies of all requests for maintenance forms submitted by the league organizations to the Parks Department for the current License Agreement year.

The initial submission of requested documentation from the Parks Department revealed that not all required documentation was available at the department level, so we reached out to each of the league organizations with a License Agreement in place in an attempt to secure any pending requested documentation. The following timeline reflects the notification(s) provided to the various league organizations:

- United States Postal Service Certified Letters, with Signature Confirmation, were sent out to all the league Presidents on record on September 6, 2017 providing notification of audit and request for submittal of pending documentation;
- Follow-up letters (regular mail delivery) were sent out to four (4) league Presidents on October 6, 2017 that had not responded to our initial audit notification;
- Notification via telephone on October 23, 2017 to three (3) league Presidents that did not respond to the two (2) previous audit notifications; and
- Notification via email on October 23, 2017 to three (3) league Presidents that did not respond to the three (3) previous audit notifications.

It should be noted that, in spite of our notification attempts reflected above, there were four (4) leagues (National Little League, Northside Little League, Northwest Little League and Border Baseball (Adult) League) that never responded to our requests.

The audit test work consisted of a review of the License Agreement approved by City Council on June 19, 2017 to understand the terms of the agreement. Interviews with Parks staff responsible for the enforcement of the License Agreements were conducted. Copies of all required documentation available were obtained from the Parks Department, and tested for compliance with the terms of the agreement. Follow-up meetings were scheduled with the responding league Presidents and/or authorized representatives to obtain requested documentation, if available, and tested for compliance with the terms of the agreement. Additionally, we enlisted assistance from the following City departments for verification with certain requirements of the License Agreement; for instance, the Health Department (Environmental Services Division) for guidance on verification of Food Handlers Certificates and Food Licenses, the Human Resources Department (Risk Management Division) for guidance on verification of certificates of

insurance, and the City Secretary's Office for verification on execution of the License Agreements under review. In addition, we verified the status of the insurance certificates submitted by the various league organizations with the various insurance companies noted. Additionally, verification for non-profit status of the league organizations was conducted through the Internal Revenue Service (IRS). Furthermore, we conducted site visits to all City fields currently licensed to the various league organizations to verify permit placement, advertising displays, etc.

AUDIT RESULTS & RECOMMENDATIONS (YOUTH & ADULT SPORTS LEAGUE ORGANIZATIONS)

As mentioned previously, the review to monitor for compliance consisted of testing certain provisions of the season 2017 league license agreements for compliance. As part of our process, we began by requesting any and all required documentation needed for our audit from the Parks Department since they maintain the league license agreements. Any documentation not found at the Parks Department was requested from each individual league. As part of that process, we had the opportunity to meet with many of the leagues who provided as much documentation as they had available. What follows below is each provision of the license agreement tested along with the results on compliance and/or non-compliance with each provision. Detailed results on each provision can be found at the end of the audit report under Exhibits 1 and 2.

Article I (Request for Facilities) states that “in order to obtain use of a city field, Licensee must first submit the following to the City”:

1. *Two original copies of this Temporary Non-Exclusive Licensing Agreement Signed by the President or other individual with authority to bind License Agreement.*

Results of Testing / Finding #1

From our review of the documentation provided by the Parks Department, only six (6) leagues out of a total of sixteen (16) tested had two original copies of the license agreement signed by the league President. We found five (5) leagues with one original copy on file, three (3) leagues with a copy of the license agreement on file and two (2) leagues with no license agreement on file. In our attempts to secure any additional information from the leagues, many of the leagues informed us that the originals had been submitted to the Parks Department but that they kept no copies of what had been submitted.

2. *A current copy of the Licensee’s Articles of Incorporation or Bylaws.*

Results of Testing / Finding #2

Our testing for compliance on this item indicated that thirteen (13) leagues out of a total of sixteen (16) tested were in compliance with this provision of the license agreement where the articles were found at the Parks Department. One (1) league provided us with their Articles of Incorporation or Bylaws after we contacted them. For the remaining two (2) leagues not in compliance, we found no documentation on file at the Parks Department nor did the league provide us with this information after we contacted them.

3. *A list of the Licensee’s current Board of Directors, their addresses and phone numbers.*

Results of Testing / Finding #3

In reviewing the documentation provided by the Parks Department initially, there were seven (7) leagues out of a total of sixteen (16) tested that were in compliance with this provision. Additionally, we had another seven (7) leagues that provided us with their listings of current Board of Directors after we contacted them. For the remaining two (2) leagues not in

compliance, we found no documentation on file at the Parks Department nor did the league provide us with this information after we contacted them.

4. *A certificate of insurance naming the City of Laredo as an additional insured and proof of comprehensive general liability insurance with a combined single limit of \$1,000,000 per occurrence.*

Results of Testing / Finding #4

In our verification of this item, we enlisted the assistance of the City's Risk Management Division to provide us guidance on verifying the insurance certificates submitted. We verified the insurance compliance requirements by contacting the individual insurance providers for confirmation of active policies, coverage limits and whether or not the City was named as an Additional Insured. Out of sixteen (16) total leagues tested, six (6) leagues were in full compliance with the terms of this provision, one (1) league did not have the City of Laredo named as an additional insured, seven (7) leagues reflected "partial" coverage meaning that the coverage time period did not begin when the license agreement term began and the remaining two (2) leagues were not in compliance since they did not submit the required certificates of insurance even after we contacted them.

5. *Copies of all licenses and/or permits from state, county and local government agencies required in the provision of a youth baseball program; in addition to proof of affiliation with a parent league, if any.*

Results of Testing / Finding #5

From our testing of this provision, it was indicated that out of seven (7) little leagues with license agreements, only six (6) submitted proof of affiliation with a parent league, one (1) little league did not submit this item even after we contacted them. Seven (7) of the remaining leagues, many of them adult leagues, indicated that they had no affiliation with a parent or association league. The remaining two (2) adult leagues did not submit the required documentation or proof of non-applicability even after we contacted them.

6. *A proposed use schedule providing the dates the season will start and end, and the dates Licensee seeks to use the Licensed Area.*

Results of Testing / Finding #6

From the documentation provided by the Parks Department, our testing reflected that eleven (11) leagues submitted a use schedule. Two (2) leagues submitted a use schedule to us after we contacted them for the information, and three (3) leagues did not submit a use schedule at all even after we contacted them.

7. *A current list of every coach, assistant coach and manager and all other individuals who will have access to the Licensed Area.*

Results of Testing / Finding #7

In reviewing the documentation initially provided by the Parks Department, five (5) leagues were found to be compliant with this provision. Seven (7) leagues out of the population of

sixteen (16) tested provided the listing noted above after we contacted them and four (4) leagues never provided us with this item even after we contacted them.

8. *Current Food Handlers and any other required Health Permit for sale of food and beverages at the concession stand on the Licensed Area.*

Results of Testing / Finding #8

For this particular provision, we verified for both a City Food License and City Food Handler's Certificates, if applicable. As part of our audit, we enlisted assistance from the City's Health Department / Environmental Services Division for guidance, and according to Chapter 13 of the City's Code of Ordinances, a City Food License is required of anyone selling food items to the public. Additionally, a City Food License requires the licensee to have a three compartment sink and a hand washing sink, and without these requirements, the seller is limited to selling packaged items. A City Food Handler's Certificate is required only if the seller is handling foods that require preparation, such as pizza, burgers, nachos, Frito pies, etc. While it was explained to us by several leagues that they had no permanent concession stands located at their fields, we could not confirm if any portable concession stands were used. As part of our process, we requested documentation from the Parks Department, the leagues (if not available at Parks), conducted site visits to the fields noted in the license agreements and verified with the City's Health Department Environmental Services Division for current status.

In regards to City Food Licenses, three (3) leagues had current licenses on file with the Parks Department for the 2017 season, three (3) leagues obtained licenses after the end of the 2017 season, five (5) leagues indicated that they had no permanent concession stands at their assigned fields and five (5) leagues did not submit any documentation even after we contacted them.

In reference to City Food Handler's Certificates, five (5) leagues had current permits on file for the 2017 season, one (1) league obtained a permit after the end of the 2017 season, one (1) league indicated that they use a portable concession stand, five (5) leagues indicated that they had no permanent concession stands at their assigned fields and four (4) leagues did not submit any documentation even after we contacted them.

Recommendations for Finding #s 1 – 8

General Recommendations on Findings Noted Above

Internal Audit recommends, first and foremost, compliance with the requirements outlined in the license agreements by the leagues. In many of the discussions that we had with the leagues, in our attempts to obtain additional documentation, many of the leagues stated that they were not aware of the requirements outlined in the license agreements even though they had been signed by either the respective league president or an authorized representative of the league. We would recommend to the Parks Department that meetings be held with the league presidents or authorized representatives prior to the start of the season to further reinforce the submittal of the requirements of the license agreement. We would further recommend that designated Parks staff entrusted with overseeing and enforcing the league

license agreements conduct frequent spot checks for compliance with the terms of the agreement and hold follow-up meetings with the leagues affected.

Additionally, many of the leagues expressed to us that they had submitted much of the required documentation to the Parks Department at the onset of the season, as required by the license agreement; however, such documentation was not found at the Parks Department. We would additionally recommend that if an application process moves forward with all required documentation at the onset, that the Parks Department mark said documents with a “Received and Dated” stamp and initialed by designated Parks staff. We further recommend that a copy of stamped documentation be provided to the league for their records.

Insurance Requirement Recommendations

Internal Audit recommends that all requirements of the executed license agreement be followed by the leagues, especially the liability insurance component. Access to use of the fields cannot be fully granted if certificates of liability insurance have not been submitted to and verified by the City of Laredo. We would additionally recommend that any and all Certificates of Liability insurance be submitted to the Parks Department and that the Parks Department, in turn, submit to the City’s Risk Management Division for verification of active status, limit requirements and additional insured requirements.

Parent / Association Leagues Requirement Recommendation

It is recommended that if this provision of the license agreement is to apply to all the leagues that the language of the license agreement be amended to include all leagues and not just for the “youth baseball program.”

Article II (City’s Obligations), Section E states that “*City shall allow advertisements to be displayed facing toward the interior of the subject field for the duration of this Agreement only after the following conditions have been met:*

1. *The type of advertisement to be displayed is presented to City for approval in accordance with city ordinances, policies and state law;*
2. *Proof of the total amount to be paid or that has been paid to the Licensee for the advertisement is provided to the City; and,*
3. *Payment is submitted by Licensee to the City in an amount that is equal to half of the total amount to be paid or that has been paid for the advertisement.”*

Results of Testing / Finding #9

As part of our review, we conducted site visits to all of the fields assigned to the leagues in order to verify compliance with the above mentioned provisions pertaining to advertising of the 2017 season license agreement, if applicable. From our site visits, only one (1) league (Pony League) had current advertising displayed during our site visit, and it was further verified in discussions with the league that the advertising was current and had not received prior approval from the City as stipulated in the license agreement. Additionally, it was verified through the sponsorship agreement between the sponsor and the Pony League that

the City had not been paid the applicable amount due for the proceeds received for this advertising, which equated to \$1,150.00.

Recommendation

First and foremost, any revenues derived from the advertising provision confirmed through this audit must be paid to the City by the Pony League. It is recommended that the leagues abide by the terms of the license agreement and if clarification is needed by the leagues regarding the provisions of the agreement; that they reach out to designated City staff at Parks, Legal, Internal Audit, etc. in order to obtain that clarification. Additionally, it is recommended that the Parks Department conduct spot checks on this provision through the site visits that they conduct to the fields on a regular basis.

Article III (Licensee’s Responsibilities), Section B states that *“Licensee recognizes and agrees that after the first week of scheduled games, Licensee shall submit rosters to City documenting the names and addresses of all players.”*

Results of Testing / Finding #10

From our review of the documentation provided initially by the Parks Department, it reflected that only three (3) leagues had submitted player rosters. After we contacted the leagues for any pending documentation, four (4) leagues submitted full player rosters, and two (2) leagues submitted partial player rosters. Seven (7) leagues did not submit any player rosters to us even after we contacted them. It should be noted that many of the leagues expressed concerns regarding our request for this information even though it is expressly stated as a requirement in the license agreement. Many stated that this was sensitive information, and they did not feel comfortable with providing the player rosters to us. Without this item, it would be difficult to reconcile the amounts reported, if any, per league for registration fee revenue.

Recommendation

Again, Internal Audit reiterates compliance with the requirements outlined in the license agreements by the leagues. Additionally, it is recommended that the specific language pertaining to the player roster requirement be reviewed by the Parks Department and the Legal Department, once again, to ensure any concerns raised regarding the release of sensitive information, as noted by some of the leagues.

Article III (Licensee’s Responsibilities), Section C states that *“Licensee recognizes and agrees that it shall be required to submit a detailed financial report to City not later than June 1,2017, that contains the following items”:*

1. *A certified financial statement.*

Results of Testing / Finding #11

From our initial review of documentation maintained at the Parks Department, we found no certified financial statements submitted by any of the leagues with license agreements for season 2017. After we contacted the leagues for this documentation, only five (5) leagues provided us with “Income and Expense Reports” with supporting documentation, but not

certified financial statements. The other eleven (11) leagues provided no documentation pertaining to this provision even after we contacted them.

2. *All monthly bank statements.*

Results of Testing / Finding #12

Our review indicated that five (5) leagues provided a consistent set of monthly bank statements for season 2017, one (1) league provided partial bank statements for the season, and two (2) only provided one month's worth of bank statements. Two (2) leagues provided documentation reflecting that they opened bank accounts in June 2017, but provided no monthly bank statements after that date. Five (5) leagues indicated in follow-up meetings that they could not provide bank statements because they had no bank accounts opened for the leagues and that they worked on a cash basis. Finally, one (1) league provided no documentation even after we contacted them.

3. *A copy of all board meeting minutes.*

Results of Testing / Finding #13

From our review of the documentation provided by the Parks Department, we found no documentation pertaining to the above provision on board meeting minutes. After contacting the leagues for this information, three (3) leagues provided us with current copies of board meeting minutes, and thirteen (13) leagues either provided no documentation pertaining to this provision or provided board meeting minutes from previous seasons.

4. *A financial report of the receipts derived from the operation of the concession stand.*

Results of Testing / Finding #14

Our review of this provision reflected four (4) leagues that provided a financial report of their concessions; some included this report within their "Income and Expense Reports". Six (6) leagues expressed to us that they had no financial report for concessions because their assigned fields had no permanent concession stands available; however, we could not confirm if any of these leagues utilized portable concession stands. Finally, six (6) leagues provided no documentation even after we contacted them.

Recommendations for Finding #s 11-14

General Recommendations on Findings Noted Above

Internal Audit recommends, first and foremost, compliance with the requirements outlined in the license agreements by the leagues. In many of the discussions that we had with the leagues, in our attempts to obtain additional documentation, many of the leagues stated that they were not aware of the requirements outlined in the license agreements even though they had been signed by either the respective league president or an authorized representative of the league. We would recommend to the Parks Department that meetings be held with the league presidents or authorized representatives prior to the start of the season to further reinforce the submittal of the requirements of the license agreement. We would further recommend that designated Parks staff entrusted with overseeing and enforcing the league license agreements conduct frequent spot checks for compliance with the terms of the

agreement and hold follow-up meetings with the leagues affected. Additionally, we would recommend that the license agreement language for the above four items be reviewed by the Parks Department and amended to reflect the time period requested for financial statements, monthly bank statements, board meeting minutes and concession reports.

Additionally, many of the leagues expressed to us that they had submitted much of the required documentation to the Parks Department at the onset of the season, as required by the license agreement; however, such documentation was not found at the Parks Department. We would additionally recommend that if an application process moves forward with all required documentation at the onset, that the Parks Department mark said documents with a “Received and Dated” stamp and initialed by designated Parks staff. We further recommend that a copy of stamped documentation be provided to the league for their records.

Additionally, the following item was not considered a finding because it currently is not a requirement of the license agreement language; however, it was noted as an observation for possible consideration.

Observation #1

When this audit was assigned to Internal Audit by the City Council, one of the areas requested for further review was if any of the league groups authorized to use City fields through these license agreements were registered as 501 (c) 3 non-profit organizations. It should be noted that the license agreement for season 2017 which was used to test against did not include a requirement for the leagues to be registered as non-profit organizations; however, we did attempt to verify through the Internal Revenue Service (IRS) for registration as a 501 (c) 3 and through documentation provided by some of the league presidents. Out of the sixteen leagues reviewed in our sample, only three (3) leagues are currently registered as 501 (c) 3 non-profits with the IRS (American Little League, National Little League and Pony League). Many of the other leagues not currently registered as 501 (c) 3 non-profits indicated to us that they were looking into beginning the process.

Recommendation

It is recommended that for the upcoming season 2018 license agreement language be amended to include proof of 501 (c) 3 non-profit status as a requirement for the Licensee. While we realize that the upcoming season is fast approaching, we would recommend providing the league organizations with a grace period of six (6) months to one (1) year to obtain this non-profit status through the Internal Revenue Service. Currently, the license agreement language calls for certified financial statements which requires that a Certified Public Accountant audit the yearly financial records of the leagues, and based off of the results of our testing, it seems like an impractical requirement considering the cost of audited financial statements; however, with the recommendation made under Observation #1 above regarding 501 (c) 3 non-profit status, we would further recommend that the subsequent license agreement language be amended to incorporate the requirement for the annual submittal of a financial statement reflecting all revenues and expenses of the League including Concessions along with the submittal of their IRS Form 990, which is the “Return of Organization Exempt from Income Tax” once they have their 501 (c) 3 non-profit status. Currently, the license agreement language requires that monthly bank statements be submitted to the City, and we would recommend that this continue

to be a requirement in an effort to reconcile to what is reported under the annual financial statement. Many of the leagues tested confirmed to us that they had no bank accounts set up for their leagues, and that their transactions were all on a cash basis, which is unacceptable. As a 501 (c) 3 non-profit, we would recommend that the leagues be required to submit their Employer Identification Number (EIN) which is issued by the Internal Revenue Service (IRS) and would be required to open a bank account under the league's name.

AUDIT RESULTS & RECOMMENDATIONS (PARKS & LEISURE SERVICES DEPARTMENT)

Finding #15

As part of our initial review of the license agreement documentation on file with the Parks Department, it was discovered that the 2017 season agreements to lease the fields to the individual leagues were not submitted to City Council for authorization prior to the March 1, 2017 start date as per the season 2017 license agreement. It should be noted that Parks Management was made aware of this item early on in our audit, and the license agreements were submitted to City Council for authorization back on June 5, 2017, and subsequently approved by City Council on June 19, 2017. As our audit progressed, we noticed that even after the authorizations provided by City Council, there were two (2) leagues (Northside Little League and Border Flag Football) not included in the original batch of leagues taken to City Council for approval. Additionally, one (1) other league, Border Baseball League, which came in sometime in June 2017, also did not have approval from City Council.

Recommendation

It is recommended that the Parks Department make every effort to abide by the provisions of Section 2.08 of the City Charter. Specifically, as it pertains to this item, Section 2.08 requires an ordinance be brought forward for City Council approval in order to “convey or lease or authorize the conveyance or lease of any lands of the City.”

Finding #16

Additionally, when we reviewed the 2017 season license agreements on file at the Parks Department, we noticed that the agreements on file were not executed agreements. Even though all of the agreements were signed by the league presidents or an authorized representative of the league; the agreements were not signed by the City Attorney and City Manager, nor filed at the City Secretary’s Office by the Parks Department. At the time of our review, Parks staff indicated that the license agreements had not been routed through for signatures pending the receipt of any documentation that had not yet been submitted by the leagues. *It should be noted that as per Article VII (Term; Termination), Section A of the license agreement states that “this temporary agreement becomes effective on the date signed by all parties...”*

Recommendation

We would recommend that the Parks Department ensure that any and all future license agreements authorized by City Council be submitted to all relevant parties for signature as quickly as possible after approval. Additionally, it is recommended that the executed license agreements be submitted to the City Secretary’s Office for official filing.

Finding #17

As was previously explained in the “Scope of the Audit”, we initially requested a copy of all documentation required of the league organizations that was supposed to be submitted to the Parks Department as per the terms of the 2017 season license agreement. In our receipt of the required documentation on file at the Parks Department, we found a large amount of documentation not available at the onset of our audit as can be seen in more detail in Exhibits 1 and 2. Additionally, many of the leagues expressed to us that they had submitted much of the

required documentation to the Parks Department at the onset of the season, as required by the license agreement; however, such documentation was not found at the Parks Department, and it was difficult to decipher if the documentation had been received by the Parks Department without an acknowledgment of some kind. As a result, we moved forward with reaching out to the league organizations to request any documentation not found at the Parks Department.

Recommendation

The last time Internal Audit conducted an audit of the license agreements for City field usage by sports leagues was back in 2016, and the recommendation made at the time was that the request for field usage be treated similar to the Third-Party Funding application process where an annual application must be filled out and submitted with required documentation by the league organizations to the Parks Department for consideration prior to City Council granting authorization for field use. While it appears that this recommendation was not utilized based off of the results of our most recent testing, we would reiterate our prior recommendation in order for the Parks Department to capture as much of the required documentation at the onset of the process. We would additionally recommend that if an application process moves forward with all required documentation at the onset, that the Parks Department mark said documents with a “Received and Dated” stamp and initialed by designated Parks staff. We further recommend that a copy of stamped documentation be provided to the league for their records.

Additionally, we would recommend that an application deadline be implemented by the Parks Department, and that all applications with required documentation be reviewed by the Parks and Leisure Services Advisory Committee for recommendations prior to submittal to City Council for approval.

Enforcement of the terms of these license agreements is fundamental to maintaining consistent compliance from the various league organizations. We are recommending that the Parks Department assess their current staffing resources for enforcement of these license agreements and make the necessary changes so that future enforcement of and guidance on these license agreements is applied consistently to all leagues registered with the City.

APPENDIX A – STAFF ACKNOWLEDGMENT

Veronica Urbano-Baeza, Internal Auditor

Elia Rodriguez, Auditor II

EXHIBIT 1
Internal Audit Results of Compliance Testing on League License Agreements
(Little Leagues & Flag Football Leagues)

| | LITTLE LEAGUES | | | | | | | FLAG FOOTBALL LEAGUES |
|---|-------------------------------|---|--|---|-------------------------------|-------------------------------|---|--|
| | American | Hillside | National | Rio Grande | Northwest | Northside | Pony | Border Flag Football |
| | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 |
| ARTICLE I. REQUEST FOR FACILITIES - SECTION A - In order to obtain use of a city field, LICENSEE must first submit the following to CITY: | | | | | | | | |
| 1) Two original copies of the Temporary Non-Exclusive Licensing Agreement Signed by the President or other individual with authority to bind License Agreement. | 1 Original Found at Parks | 1 Original Found at Parks | 2 Originals Found at Parks | Copy Found at Parks | 1 Original Found at Parks | 2 Originals Found at Parks | Copy Found at Parks | No License Agreement Found at Parks; League Did Not Provide One |
| 2) A current copy of the Licensee's Articles of Incorporation or Bylaws. | NO | YES | YES | NO | YES | YES | YES | YES |
| 3) A List of Licensee's current Board of Directors, their addresses, and phone numbers. | YES | YES | YES | YES | YES | YES | YES | YES |
| 4) A Certificate of insurance with proof of comprehensive general liability insurance with a combined single limit of \$1,000,000 per occurrence: | YES | YES | YES | NO; Proof of Liability Insurance Requirement Not Provided | YES | YES | YES | PARTIAL |
| (a) Insurance Coverage Dates: | 01-09-2017 to 01-01-2018 | 03-30-2017 to 01-01-2018 | 01-01-2017 to 01-01-2018 | | 02-24-2017 to 01-01-2018 | 02-13-2017 to 01-01-2018 | 03-08-2017 to 03-08-2018 | 08-25-2016 to 08-25-2017 |
| (b) Naming the CITY of Laredo as an additional Insured | YES | YES | YES | | YES | NO | YES | YES |
| 5) Copies of all licenses and/or permits from state, county and local government agencies required in the provision of a youth baseball program; in addition to proof of affiliation with a parent league if any. | YES | YES | YES | NO | YES | YES | YES | Licensee Claimed No Affiliation with Parent or Association League |
| 6) A proposed use schedule providing the dates the season will start and end, and the dates LICENSEE seeks to use the Licensed Area. | 04-16-2017 to 08-14-2017 | 04-17-2017 to 05-27-2017 | 03-27-2017 to 06-07-2017; and 07-18-2017 to 09-09-2017 | NO | 03-20-2017 to 05-30-2017 | 04-03-2017 to 10-25-2017 | NO | 09-18-2017 to 10-23-2017 |
| 7) A current list of every coach, assistant coach, and manager and all other individuals who will have access to the Licensed Area. | NO | YES | YES | NO | NO | YES | YES | YES |
| 8) Current Food Handlers and any other required Health Permit for sale of food and beverages at the concession stand on the Licensed Area: (a) City Food License, and | NO | OBTAINED AFTER SEASON BEGAN: 09-18-2017 to 06-01-2018 | YES; 04-01-2017 to 11-30-2017 | NO | YES; 03-30-2017 to 11-30-2017 | YES; 06-01-2017 to 11-30-2017 | OBTAINED AFTER SEASON BEGAN: (FOR TWO LOCATIONS) 10-05-2017 to 06-30-2018 | League Indicated No Concession Sales at their assigned fields; however, we could not confirm any portable concessions. |
| (b) Food Handler's Certificate | YES; 05-21-2017 to 05-21-2019 | YES; 04-28-2017 to 04-28-2019 | YES; 11-06-2015 to 11-06-2017 & 08-29-2021 | NO | NO | NO | YES; (FOR TWO PEOPLE) 02-19-2016 to 02-19-2018 | |
| ARTICLE III. LICENSEE'S RESPONSIBILITIES | | | | | | | | |
| B. LICENSEE recognizes and agrees that after the first week of scheduled games, LICENSEE shall submit rosters to City documenting the names and addresses of all players. | YES | YES | NO | NO | NO | NO | Partial Roster Submitted | NO |
| ARTICLE III (LICENSEE'S RESPONSIBILITIES) SECTION C. LICENSEE recognizes and agrees that it shall be required to submit a detailed financial report to CITY not later June 1, 2017, that contains the following items: | | | | | | | | |
| 1) A certified financial statement. | NO | NO; Provided an Income & Expense Report | NO | NO; Provided an Income & Expense Report | NO | NO | NO; Provided an Income & Expense Report | NO |

EXHIBIT 1
Internal Audit Results of Compliance Testing on League License Agreements
(Little Leagues & Flag Football Leagues)

| | LITTLE LEAGUES | | | | | | | FLAG FOOTBALL LEAGUES |
|---|----------------------------|--|------------------------------|----------------------------------|-----------|------------------------------|------------------------------------|--|
| | American | Hillside | National | Rio Grande | Northwest | Northside | Pony | Border Flag Football |
| | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 |
| 2) All monthly bank statements. | PARTIAL; March to May 2017 | YES; January 2017 to June 2017 | NO; Only One Month Submitted | YES; January 2017 to August 2017 | NO | NO; Only One Month Submitted | YES; January 2017 - September 2017 | NO; League Indicated No Bank Account (Cash Basis) |
| 3) A copy of all board meeting minutes. | NO | NO | NO | NO | NO | NO | YES | NO |
| 4) A financial report of the receipts derived from the operation of the concession stand. | NO | YES; Included in the Income & Expense Report | NO | NO | NO | NO | YES | League Indicated No Concession Sales at their assigned fields; however, we could not confirm any portable concessions. |

LEGEND:

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| Documentation Provided by the Parks and Leisure Department |
| Documentation Provided by the Leagues |
| No Documentation Provided by Parks or the League |

EXHIBIT 2
Internal Audit Results of Compliance Testing on League License Agreements
(Adult Baseball Leagues & Soccer Leagues)

| | ADULT BASEBALL LEAGUES | | | SOCCER LEAGUES | | | | |
|---|--|---|----------------------------|-------------------------------|--|--|--|--|
| | Laredo Men's Adult | Liga De Veteranos Categoria Masters | Border Baseball League Inc | United Premier | Border Soccer League | Father McNaboe | Laredo Soccer Association | Laredo Soccer League |
| | 2017 | 2017 | 2017 (NEW) | 2017 | 2017 | 2017 | 2017 | 2017 |
| ARTICLE I. REQUEST FOR FACILITIES - SECTION A - In order to obtain use of a city field, LICENSEE must first submit the following to CITY: | | | | | | | | |
| 1) Two original copies of the Temporary Non-Exclusive Licensing Agreement Signed by the President or other individual with authority to bind License Agreement. | 2 Originals Found at Parks | No License Agreement Found at Parks; League Did Not Provide One | 1 Original Found at Parks | 2 Originals Found at Parks | 1 Original Found at Parks | Copy Found at Parks | 2 Originals Found at Parks | 2 Originals Found at Parks |
| 2) A current copy of the Licensee's Articles of Incorporation or Bylaws. | YES | YES | YES | YES | YES | YES | YES | YES |
| 3) A List of Licensee's current Board of Directors, their addresses, and phone numbers. | YES | NO | NO | YES | YES | YES | YES | YES |
| 4) A Certificate of insurance with proof of comprehensive general liability insurance with a combined single limit of \$1,000,000 per occurrence: | PARTIAL | YES | PARTIAL | PARTIAL | PARTIAL | PARTIAL | NO; Proof of Certificate of Liability Insurance Requirement Not Provided | PARTIAL |
| (a) Insurance Coverage Dates: | 05-10-2017 to 05-10-2018 | 02-26-2017 to 02-26-2018 | 07-03-2017 to 07-03-2018 | 08-01-2016 to 08-01-2017 | 10-10-2017 to 10-10-2018 | 05-02-2017 to 05-02-2018 | | 05-26-2017 to 05-26-2018 |
| (b) Naming the CITY of Laredo as an additional Insured | YES | YES | YES | YES | YES | YES | | YES |
| 5) Copies of all licenses and/or permits from state, county and local government agencies required in the provision of a youth baseball program; in addition to proof of affiliation with a parent league if any. | Licensee Claimed No Affiliation with Parent or Association League | Licensee Claimed No Affiliation with Parent or Association League | NO | NO | Licensee Claimed No Affiliation with Parent or Association League | Licensee Claimed No Affiliation with Parent or Association League | Licensee Claimed No Affiliation with Parent or Association League | Licensee Claimed No Affiliation with Parent or Association League |
| 6) A proposed use schedule providing the dates the season will start and end, and the dates LICENSEE seeks to use the Licensed Area. | 03-04-2017 to 11-18-2017 | NO | 06-20-2017 to 08-24-2017 | 03-04-2017 to 12-03-2017 | 05-27-2017 to 12-30-2017 (Saturdays & Sundays) | 01-03-2017 to 12-11-2017 | 05-26-2017 to 09-28-2017 | 04-17-2017 to 12-17-2017 |
| 7) A current list of every coach, assistant coach, and manager and all other individuals who will have access to the Licensed Area. | YES | YES | NO | Yes | YES | YES | YES | YES |
| 8) Current Food Handlers and any other required Health Permit for sale of food and beverages at the concession stand on the Licensed Area: (a) City Food License, and | League Indicated No Concession Sales at their assigned fields; however, we could not confirm any portable concessions. | NO | NO | NO | League Indicated No Concession Sales at their assigned fields; however, we could not confirm any portable concessions. | League Indicated No Concession Sales at their assigned fields; however, we could not confirm any portable concessions. | NO; OBTAINED LICENSE FOR 2018 SEASON (03-01-2018 to 11-30-2018) | League Indicated No Concession Sales at their assigned fields; however, we could not confirm any portable concessions. |
| (b) Food Handler's Certificate | | League Indicated They Use Portable Concessions; Not Verified | NO | YES; 03-11-2016 TO 03-11-2018 | | | NO; OBTAINED PERMIT FOR 2018 SEASON (10-18-2017 to 10-18-2019) | |
| ARTICLE III. LICENSEE'S RESPONSIBILITIES | | | | | | | | |
| B. LICENSEE recognizes and agrees that after the first week of scheduled games, LICENSEE shall submit rosters to City documenting the names and addresses of all players. | YES | YES | NO | Partial Roster Submitted | YES | YES | YES | NO |
| ARTICLE III (LICENSEE'S RESPONSIBILITIES) SECTION C. LICENSEE recognizes and agrees that it shall be required to submit a detailed financial report to CITY not later June 1, 2017, that contains the following items: | | | | | | | | |
| 1) A certified financial statement. | NO; Provided an Income & Expense Report | NO; Provided an Income & Expense Report | NO | NO | NO | NO | NO | NO |

EXHIBIT 2
Internal Audit Results of Compliance Testing on League License Agreements
(Adult Baseball Leagues & Soccer Leagues)

| | ADULT BASEBALL LEAGUES | | | SOCCER LEAGUES | | | | |
|--|--|---|--|--|--|--|---|--|
| | Laredo Men's Adult 2017 | Liga De Veteranos Categoria Masters 2017 | Border Baseball League Inc 2017 (NEW) | United Premier 2017 | Border Soccer League 2017 | Father McNaboe 2017 | Laredo Soccer Association 2017 | Laredo Soccer League 2017 |
| 2) All monthly bank statements. | NO; League Indicated No Bank Account (Cash Basis) | NO; League Indicated No Bank Account (Cash Basis) | NO; League Opened Bank Account on 06-15-2017 (As per Documentation Found at Parks) | YES; January 2017 to September 2017 | YES; March 2017-September 2017 | NO; League Indicated No Bank Account (Cash Basis) | NO; League Indicated No Bank Account (Cash Basis) | NO; League Opened Bank Account on 06-02-2017 (As per Documentation Found at Parks) |
| 3) A copy of all board meeting minutes. | YES | NO | NO | NO | NO | NO | YES | NO |
| 4) A financial report of the receipts derived from the operation of the concession stand. | League Indicated No Concession Sales at their assigned fields; however, we could not confirm any portable concessions. | YES; Included in the Income & Expense Report | NO | NO; League Indicated No Concession Sales at Bartlett; however, did not address Lafayette or Father McNaboe | League Indicated No Concession Sales at their assigned fields; however, we could not confirm any portable concessions. | League Indicated No Concession Sales at their assigned fields; however, we could not confirm any portable concessions. | YES; Included in the Income & Expense Report | League Indicated No Concession Sales at their assigned fields; however, we could not confirm any portable concessions. |

LEGEND:

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| Documentation Provided by the Parks and Leisure Department |
| Documentation Provided by the Leagues |
| No Documentation Provided by Parks or the League |