

November 20, 2018

Mr. Pat Kelleher, Executive Director
USA Hockey, Inc.
1775 Bob Johnson Drive
Colorado Springs, CO 80906

Dear Pat:

This letter reports the results and findings of our recent field visit involving the Pacific Northwest Affiliate, the Pacific Northwest Amateur Hockey Association. In this letter, we have included our recommendations to the Pacific Northwest Affiliate regarding its operating procedures and other matters.

PACIFIC NORTHWEST AMATEUR HOCKEY ASSOCIATION

On October 31, 2018, Bob Weldon and I met with Debbie Didzerekis, Treasurer, and Dru Hammond, President and USA Hockey District Director, in Kennewick, Washington. Dru has been the President for approximately two years for this term; she has served as President of the Affiliate prior to this term as well. Debbie has been the Treasurer for approximately four years.

The Pacific Northwest Affiliate was incorporated on April 21, 1983, and received its 501(c)(3) status from the Internal Revenue Service on March 1, 2002. The Affiliate uses an August 31 fiscal year end.

The Pacific Northwest Affiliate has approximately 9,900 players and charges a fee of \$9.00 for players ages seven through eighteen and \$1.00 for players ages nineteen and over.

The Pacific Northwest Affiliate's revenue and expenses for the fiscal year ended August 31, 2018, are as follows:

REVENUE:

Player fees	\$ 40,275
PHAHA development camp	36,503
Grants	28,881
District tournament fees	10,400
Miscellaneous	<u>369</u>
Total revenue	116,428

EXPENSES:

Player development camp	33,552
Tournaments	18,153
Pacific District player fees*	18,051
Grants	15,005
Seminars	9,281
Miscellaneous	5,944
Meetings & motels	5,673
Goalie Director	5,075
Travel	4,229
Pacific District Select Camp fee	2,900
Referees	2,447
Legal & professional	2,175
Safesport	1,015
Showcase team	950
ADM Director	635
Coaching Director	622
League banners	<u>92</u>
Total expenses	<u>125,799</u>
Excess of expenses over revenues	<u>\$ (9,371)</u>

* includes duplicate payment that was refunded after year end

The Affiliate's \$89,259 of net assets at August 31, 2018, consist entirely of cash.

Internal Control:

The Affiliate's player registrations are collected on the USA Hockey website and wire transferred to the Affiliate's bank account. The cash transferred by USA Hockey for the 2017-2018 season reconciles to the number of registered players times the respective fees charged by the Affiliate within an acceptable variance.

The Treasurer makes deposits into the bank account, typically utilizing a remote deposit feature. Many deposits are electronically transferred to the Affiliate's bank account.

The Board President and Treasurer are authorized signers on the Affiliate's bank account. Only one signature is required for all levels of activity. The Board President and Treasurer have online access to the checking account to review activity.

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The President approves all requests over \$500 and typically all requests submitted by the Treasurer. The Treasurer approves administrative invoices and issues checks for the Affiliate. The Treasurer also approves the President's reimbursement.

The Board Treasurer has an Affiliate credit card. The card has a \$7,500 limit and statements are reviewed by the Board President. Receipts are required to validate all expenditures. The Board Treasurer also has a debit card, but she does not use it.

The Treasurer maintains the financial records, utilizing QuickBooks accounting software. The Board President performs the bank reconciliations. Several stale outstanding checks/EFTs were noted during the review of the bank reconciliation as of August 31, 2018. Wire transfers have been deactivated at the bank level.

The Treasurer presents her report and brings all documentation to the Board meetings. The proposed budget is also presented at Board meetings if being reviewed. The Executive Committee has access to QuickBooks Online.

The Affiliate has not had a review or audit by an independent certified public accountant in recent years. An internal review of the detailed accounting records is not performed; but, the records are available for such review at each meeting.

The Affiliate owns a few equipment items. These items are used and monitored by officers of the Affiliate.

The Affiliate accepts grant requests from local associations. The Board of Directors reviews applications for eligibility. The grants are awarded on a reimbursement basis after substantiation of valid expense is presented.

Compliance:

We selected ten vendor invoices and traced the payments through the accounting system to determine whether the internal controls described above were in fact in place. We did not note any exceptions aside from the President's approval not being attached to a check issued to the Treasurer.

The Board Treasurer and President represented that no other bank accounts exist other than what is reported on the Affiliate's balance sheet.

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Prior to our meeting with the Affiliate, USA Hockey conducted a survey among the registrants within the Affiliate's area, asking if any additional fees were charged. Twenty responses were obtained. Upon examination, we did not identify any particularly concerning responses to that survey or the responses did not contain enough detail to prompt further investigation.

No knowledge of actual or alleged fraudulent activity was noted.

The Board Treasurer monitors requirements for issuance and filing of Forms 1099-MISC. No Forms 1099-MISC were issued in 2017.

An outside Certified Public Accountant prepares the Affiliate's Form 990-EZ tax return. For the years ended August 31, 2017, 2016, and 2015, the Form 990-EZ tax returns were timely filed.

The Affiliate's corporate registration is in good standing with the State of Washington; due to the limited nature of the Affiliate's fundraising activities, the Affiliate is not required to separately register for charitable solicitations in the State of Washington. And, the Affiliate is exempt from sales tax.

The Affiliate does not typically make payments to the District RIC or CIC.

The Board President and the Treasurer represented the block grant has been used for its intended purpose.

Governance:

No related party transactions were noted during our discussion.

The Affiliate has adopted a conflict of interest policy. Annual disclosure statements are required and the Treasurer monitors throughout the year.

The Affiliate has adopted whistleblower and records retention policies.

The Board meeting minutes are posted on the Affiliate website. The Affiliate's Form 990 is not consistently posted on the website.

Upon reviewing the minutes of the Affiliate, I noted a comment about a pending lawsuit against the Affiliate. The Board

President explained the situation and noted that the Affiliate's Risk Manager considers the suit frivolous.

The Affiliate has an appropriate screening policy in place, which is actively monitored. Any adverse results are reported to the President and Safe Sport Coordinator.

The Affiliate obtained an additional \$100,000 of crime coverage over the amount provided through USA Hockey's crime policy.

Debbie and Dru signed our standard representation letter; indicating that they were not aware of any fraud occurring within the past few years, they had no other bank accounts other than the accounts reported in the accounting records, and they have not charged fees or received any sources of income other than those reported in the accounting records.

RECOMMENDATIONS TO PACIFIC NORTHWEST AMATEUR HOCKEY ASSOCIATION

We offer the following recommendations to the Pacific Northwest Affiliate:

1. We noted that the detailed accounting records are available at each meeting. We recommend that the Affiliate assigns an internal review committee to periodically review the detailed accounting records, capitalizing on the availability of the records, and report the results of such review to the Board of Directors.
2. We recommend that evidence of approval by another Board Officer is attached to all reimbursements issued to the bank signers.
3. The Affiliate should consistently post its Form 990-EZ or a notice that it is available upon request on its website to promote greater transparency with its members.

The Pacific Northwest Affiliate should follow up with Bob Weldon within 30 days of receiving this report to provide the status of implementing these recommendations. We also encourage a member of the Affiliate's internal accounting review committee or another independent member to contact us directly and discuss the conduct of this field visit.

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In addition to the preceding recommendations, we noted the following items and discussions for further consideration:

1. We noted several stale, uncleared checks on the Affiliate's bank reconciliation. The Affiliate's local CPA has recommended that the Affiliate simply voids these items.
2. The Affiliate has several effective financial policies and procedures in place. We discussed that formally documenting those items would be beneficial for future reference.
3. Although payments to the District RIC and CIC are not typically made, we discussed with the Board President and Treasurer that the Affiliate should notify the appropriate department of USA Hockey of any payments or support given to someone in a position to submit reimbursement requests to USA Hockey.

In closing, we would like to acknowledge the excellent cooperation we received during this field visit. We welcome the opportunity to discuss these matters in more detail.

Sincerely,

WAUGH & GOODWIN, LLP

Lane S.W. McMillen

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