



Audit Report

USA Climbing

July 16, 2019

Prepared by: United States Olympic and Paralympic Committee,
Audit & Organizational Advancement Department



EXECUTIVE SUMMARY

Background and Audit Scope

The United States Olympic and Paralympic Committee (USOPC) Audit and Organizational Advancement Department completed an audit of USA Climbing (USAC). The purpose of the audit was to determine if USAC complies with select requirements of the Ted Stevens Olympic and Amateur Sports Act, 36 U.S.C. § 220522 et seq (the Sports Act) and USOPC Bylaws. The audit period focused on activities conducted in 2018.

Audit Objectives

The objectives of the audit were to determine:

- Compliance with select requirements in funding agreements,
- Compliance with select USOPC documents which are applicable to National Governing Bodies (NGBs),
- Internal control environment promotes managerial and financial capabilities, and
- Compliance with NGB internal documents.

Audit Rating The audit rating is an open-ended rating, with zero being the optimal rating. The audit rating is explained in more detail in Appendix A.

Audit Rating	
NGB	Current Audit Rating
USAC	7

Audit Summary

Based on the audit procedures performed, the application of select policies and procedures were reviewed to determine alignment with USOPC requirements. The conclusion within each area was based on the risk level of each recommendation and number of recommendations. Appendix B includes explanation of each conclusion type. Appendix C includes detailed audit procedures.

Audit Summary	
Audit Area	Conclusion
Governance/Managerial	Satisfactory
Financial Capabilities	Satisfactory
Due Process	Satisfactory
Athlete Representation	Satisfactory
Athlete Safety	Marginal

We would like to thank all NGB staff who assisted us throughout this review.

EXECUTIVE SUMMARY (CONTINUED)

The following is a summary of the opportunities for improvement identified during the audit and are detailed on subsequent pages. The level of risk was determined based on the potential impact it could have to USAC’s athletes and USAC, the managerial and financial capabilities of USAC, and any mitigating controls noted during the audit. Definitions of the risk levels are included in Appendix D.

Recommendation by Risk Level		
Recommendations	Audit Area	Risk Level
Enhance Tracking and Ensure Background Checks are completed for All Judges and Directors of the Board	Athlete Safety	Medium
Improvements to Audit Committee Minutes and Documentation of Actions	Governance/Managerial	Low
Improvements to Inventory Controls	Financial Capability	Low
Strengthen Internal Controls of Cash Receipts	Financial Capability	Low
Improved Oversight of Board Expenses	Financial Capability	Low

PRIOR AUDIT

USAC was recognized by the USOPC Board of Directors as the NGB for the sport of Sport Climbing in 2017; therefore, there was no prior audit conducted by the Audit and Organizational Advancement Department.

CURRENT RECOMMENDATIONS

Risk Level: Medium

Audit Area: Athlete Safety

#1	Enhance Tracking and Ensure Background Checks are completed for All Judges and Directors of the Board	Recommendation	Management's Action Plan
	<p>USAC requires background checks and education and training of all coaches and staff members. At the time of audit, USAC did not require Directors of the Board to complete background checks. Of the 100 individuals tested, twelve individuals did not have background checks or the Center's SafeSport education and training completed. Of the twelve individuals, nine are Board of Directors; two are retiring officials; and one is a coach.</p> <p>Additionally, only Chief/Head Judges are required to complete background checks. All judges are approved by USAC to a position of authority over athletes because of the competition scoring process.</p> <p>USAC is a newly recognized NGB and is not as familiar with the applicability of the requirements. At the time of audit, USAC hired a SafeSport Coordinator and was in the process of formalizing an athlete safety policy which includes determinations of individuals required to submit to background checks and the Center's SafeSport and education training.</p> <p>USOPC's NGB Athlete Safety Policy requires individuals that USAC formally approves or appoints to a position of authority over athletes must submit to a background check at least every two years and complete the Center's SafeSport education and training.</p> <p>There is a risk of individuals being in a position of</p>	<p>It is recommended that USAC continue to work on compliance with the USOPC's NGB Athlete Safety Policy to ensure all the required individuals complete background checks and education and training, specifically as it relates to judges and Directors of the Board.</p>	<p>USAC will require all Directors of the Board to complete background checks. USAC will work with the USOPC to review the current authority of the judges and determine future roles and responsibilities to ensure full compliance with the USOPC's NGB Athlete Safety Policy.</p> <p>In addition, we are in the process of replacing our membership registration platform with a new system that will go live September 1st for the 2019/2020 season. As part of the transition USAC is requiring the Board, Committees, Working groups, Task Forces, Certified Judges, Regional and National Coordinators, and certain others to become members of USAC to better assist in tracking of SafeSport and background check requirements going forward.</p> <p>The system will not allow a membership to be active until all</p>

	<p>authority without background checks engaging with athletes.</p>		<p>requirements are complete in an effort to ensure that athlete safety requirements are met.</p> <p>Responsible Party: USA Climbing</p> <p>Target Date: 10/1/19</p>
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Risk Level: Low

Audit Area: Governance/Managerial

#2	Improvements to Audit Committee Minutes and Documentation of Actions	Recommendations	Management’s Action Plan
	<p>The minutes of the Board of Directors for USAC do not reflect that there was approval of the selection of the independent auditors. Further, there are no minutes kept for Audit Committee meetings.</p> <p>According to its bylaws, USAC's Board is charged with "review[ing] and approv[ing] financial statements, annual reports, audit and control policies, and, upon the recommendation of the Audit Committee, select[ing] the independent auditors."</p> <p>USAC's bylaws further state, "Each committee and task force shall generally take and maintain minutes of its meetings."</p> <p>Meeting minutes are important to prove a record of regular meeting and communication amongst the board committee, when meetings happen, who is present, and items discussed during the meeting. It is also important that board and audit committee members are involved in selection of external auditors.</p> <p>To ensure that the appointment of external auditors remains independent and without conflict, meeting minutes should reflect the board and audit committee’s approval of both the selection of the auditors and the review of any reports, financial statements, or recommendations produced as a result of the audit.</p>	<p>USAC should ensure compliance with their bylaws by documenting the selection of the independent auditors by the board of directors.</p> <p>All standing committees of the Board, including the audit committee, should keep minutes so that activities and motions are accurately documented as required by the bylaws.</p>	<p>USAC notes that the Board of Directors did provide various audit-related reviews, including reviewing the financial statements, audit and control policies, and the auditor’s report to those charged with governance. With regard to formal approval of the selection of the independent auditors, USAC will document the selection of the independent auditors by the Board of Directors going forward. Further, USAC, since being made aware of the USOPC’s comment regarding minutes of the audit committee, has already taken action and minutes are being taken for all AC meetings. Finally, a review will be conducted of USAC’s bylaws to clarify requirements for taking and maintaining minutes by category of committee, work group, task force.</p> <p>Responsible Party: Kyle Jablon</p>

Target Date: 10/25/19

Audit Area: Financial Capabilities

#3	Improvements to Inventory Controls	Recommendation	Management's Action Plan
	<p>USAC does not have adequate segregation of duties over its inventory. The inventory is not secured, the Finance Manager has sole access to inventory reports and is the only employee responsible for counting and reconciling inventory. There are four general categories of duties or responsibilities which are examined when segregation of duties are discussed: authorization, custody, record keeping, and reconciliation. No one person should have control of two or more of these responsibilities. The more negotiable the asset, the greater the need for proper segregation of duties - especially when dealing with cash, negotiable checks, and inventories.</p> <p>In situations where duties cannot be fully segregated, mitigating or compensating controls must be established. Mitigating or compensating controls are additional procedures designed to reduce the risk of errors, fraud or irregularities. Compensating controls can include independent reconciliation of inventory by someone without access to the inventory records or to the inventory itself. Without proper controls and inventory counts, inventory can be easily misappropriated leading to losses for USAC.</p>	<p>USAC should ensure that access to both merchandise and team apparel/equipment is kept secure. Regular inventory counts should be conducted by someone who does not have access to inventory records to ensure its accuracy.</p>	<p>USAC notes that the total wholesale value of all inventory is quite small. Nonetheless, USAC is moving into a new office space in September which will allow inventory to be properly secured. However, it should be noted at certain times of the year when team gear arrives storing and securing all product would be cost prohibitive for the short period product comes in and is then shipped out to athletes. USAC is also in process of finalizing an RFP for a merchandise provider which would eliminate retail items being stored in the office.</p> <p>Inventory counts will be conducted by staff without access to inventory records.</p> <p>USAC will update its Fiscal Policies and Procedures to reflect the recommendations made by the USOPC for both retail sale and athlete team gear are addressed.</p> <p>Responsible Party: Kyle Jablon</p> <p>Target Date: 10/1/19</p>

#4	Strengthen Internal Controls of Cash Receipt	Recommendations	Management's Action Plan
	<p>The Finance Manager at USAC has too much control over the cash receipts process. He receives and opens the mail, records mail transactions, endorses checks, prepares the deposit, enters the funds received in the accounting system and takes the funds to the bank.</p> <p>In addition, when USAC is managing events, the finance manager is responsible for collecting cash and reconciling the cash received to the point of sale system.</p> <p>As stated in the prior issue, no one person should have control of two or more of categories of duties or responsibilities. The Finance Manager currently has duties in all the control categories. Without proper segregation of duties or other mitigating controls, the risk of misappropriation or loss to the organization is heightened.</p>	<p>In order to protect its employees and the organization, USAC should segregate duties by having another employee open and record mail transactions.</p> <p>At USAC events, the collection and reconciliation of cash receipts should be separated.</p> <p>The Fiscal Policies and Procedures should be updated to reflect the changes made to these processes.</p>	<p>USAC has already implemented these changes in practice by having another employee in the office open mail and record any checks received.</p> <p>USAC will, when possible, separate reconciliation of cash at events. Due to limited staff at events this may not always be possible.</p> <p>USAC will update its Fiscal Policies and Procedures to reflect the USOPC recommendations</p> <p>Responsible Party: Kyle Jablon</p> <p>Target Date: October 1</p>
#5	Improved Oversight of Board Expenses	Recommendation	Management's Action Plan
	<p>Currently, the CEO of USAC is responsible for the review and approval of Board member expenses. Since the CEO reports to the board, this could put them in a difficult situation should the CEO question expenses or request additional documentation.</p> <p>The organization could be reimbursing for expenses that are not appropriate, although none were noted during the audit. Having another Board member review each other's expenses keeps Board spending transparent. The review could be done on a monthly, quarterly, or semi-annual basis as a back-up procedure after the Board member has already been reimbursed. This way, payments are not delayed, but an appropriate review procedure is in place.</p>	<p>USAC should designate a Board member to review the other Board member's expenses on a regular basis and document this process.</p>	<p>USAC will update its Fiscal Policies and Procedures to reflect the USOPC recommendations</p> <p>Responsible Party: Kyle Jablon</p> <p>Target Date: 10/1/19</p>

CONCLUSION

USAC was determined to be satisfactory in governance/managerial with one low risk recommendation, it was also satisfactory in athlete representation and due process as there were no recommendations in those areas; marginal in athlete safety with one medium risk; and satisfactory in financial capabilities with three low risk recommendations. The audit resulted in five recommendations and an overall audit rating of seven.

We wish to thank USAC's staff for being cooperative during the audit. We look forward to working with you again in the future.

APPENDIX A – AUDIT RATINGS

Audit ratings are determined by the number of audit recommendations multiplied by the risk level. The higher the number of recommendations and the higher the risk level of each recommendation, the higher the audit rating. See Appendix D for guiding principles of risk levels. For comparability purposes, audit work performed may vary annually.

The current average rating for equivalent NGBs is 11. To calculate the current average rating, we compare NGBs with similar annual revenue, which may not include all the elements contained in the current audit scope.

APPENDIX B – AUDIT SUMMARY SCALE

Audit Area Conclusions	
Conclusion	Explanation
Satisfactory	Recommendations in each audit area are limited to only low-risk recommendations identified or medium-risk recommendations that are not systemic in nature.
Marginal	Recommendations in each audit area include medium-risk recommendations or a combination of high-risk and medium-risk recommendations, which collectively may be systemic.
Unsatisfactory	Recommendations in each audit area include medium-risk recommendations or a combination of high-risk and medium-risk recommendations, which are collectively systemic, significant, and may impact NGB status.

APPENDIX C – DETAILED AUDIT PROCEDURES

During the course of the audit, we performed the procedures described below to complete the objectives and scope of the engagement:

- Review of prior USOPC Audit recommendations to determine full implementation of processes and/or procedures which are still applicable to the NGB.
- Detailed review of a sample of up to 40 expenses charged to USOPC funded projects during the audit period, for compliance with the NGB’s financial policies and USOPC’s sport performance final funding reports.
- Ensured compliance with NGB Performance Partnership Agreements, USOPC Bylaws, and the Ted Stevens Amateur Sports Act.
- Examination of internal control environment utilizing walk-throughs, examination of policies and questionnaires.
- Detailed review of grievances and reports of misconduct submitted to the NGB by members or covered individuals, and the organization’s ability to follow the stated grievance processes outlined in its bylaws or procedural documents.
- Review of the NGB’s Athlete Safety Program utilizing walk-throughs, examination of policies and questionnaires.

- Detailed review of a sample of up to 100 individuals required to complete background checks and SafeSport education to determine if the individuals have a current background check and current SafeSport education. Appendix E details the Athlete Safety requirements.

APPENDIX D – RISK LEVEL DEFINITIONS

Risk Level Definitions	
Rating	Definition
Low	<p>Minor infractions include but are not limited to:</p> <ul style="list-style-type: none"> • Minor future impact to the athletes, NGB or USOPC • Documentation clean-up • NGB’s Athlete Safety Policy and/or procedures have minor improvements needed • NGB’s Athlete Safety Policy is followed appropriately but does not have a process owner • Grievance policy and procedures have minor improvements
Medium	<p>Ted Stevens Act, or USOPC Bylaws infractions which are more than minimal and less than significant and may impact 501(c)3 or NGB status. These infractions include but are not limited to:</p> <ul style="list-style-type: none"> • Funding owed back to the USOPC or reallocated to a different project is less than 5% or \$50,000 of each year’s total funding • General internal control breakdowns • NGB’s Athlete Safety Policy and/or procedures are partially out of compliance with USOPC NGB Athlete Safety Policy requirement • Execution of the NGB’s Athlete Safety Policy is partially out of compliance • NGB does not consistently provide for prompt and equitable resolution of grievances • NGB does not consistently provide fair notice and opportunity for a hearing
High	<p>Ted Stevens Act, USOPC Bylaws, legal violations, or a combination thereof significant enough to impact 501(c)3 or NGB status. Violations that may constitute as significant include but are not limited to:</p> <ul style="list-style-type: none"> • Funding owed back to the USOPC or reallocated to a different project is greater than or equal to 5% or \$50,000 of each year’s total funding • Significant internal control breakdowns or multiple related control breakdowns • NGB’s Athlete Safety Policy and/or procedures are substantially out of compliance with the USOPC NGB Athlete Safety Policy requirements • Execution of the NGB’s Athlete Safety Policy is substantially out of compliance, such as non-current background checks or non-current education for required individuals • NGB does not provide for prompt and equitable resolution of grievances • NGB does not provide fair notice and opportunity for a hearing • Less than 20% athlete representation where required

APPENDIX E — ATHLETE SAFETY PROGRAM

The USOPC recognizes that each NGB is different and has not mandated specific language or total uniformity in policies or practices. Instead, USOPC has provided the USOPC's Athlete Safety Policy (ASP). All NGBs must implement and maintain compliance, including at least the following components: define prohibited conduct, conduct criminal background checks, require Athlete Education and Training, reporting processes and procedures, and enforcement. Compliance with the USOPC's ASP does not ensure an NGB's program is effective. Nothing in the USOPC's ASP limits or replaces an NGB's responsibilities under applicable laws and regulations. All NGBs should consult with legal counsel, not only to ensure compliance with the NGB ASP, but also to create a compliance strategy that best meets the organization's needs and is reasonable in terms of its size, structure, resources and athlete population.