

# Audit Report

## USA Water Polo

April 22, 2019

Prepared by: United States Olympic Committee,  
NGB Compliance and Audit Department



## EXECUTIVE SUMMARY

### Background and Audit Scope

The United States Olympic Committee (USOC) NGB Compliance and Audit Department completed an audit of USA Water Polo (USAWP). The purpose of the audit was to determine if USAWP complies with select requirements of the Ted Stevens Olympic and Amateur Sports Act, 36 U.S.C. § 220522 et seq (the Act) and USOC Bylaws. The audit period focused on activities conducted in 2017 and 2018 and USOC funds received from January 1, 2016 through December 31, 2017.

### Audit Objectives

The objectives of the audit were to determine:

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

### Audit Summary

Based on the audit procedures performed, the application of select policies and procedures were reviewed to determine alignment with USOC 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 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
USAWP	4

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

We would like to thank all of the NGB staff who assisted us throughout this audit.

## 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 USAWP's athletes, the managerial and financial capabilities of USAWP, 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
Check Signing Authority	Financial	Medium
Approval of Independent Auditors and Audited Financial Statements	Governance	Low

## PRIOR AUDIT

### Summary of Prior Audit Recommendations

USAWP’s previous audit report from the USOC, dated February 2, 2012, resulted in five recommendations in the areas of internal controls, compliance, and governance. All of the recommendations were either fully implemented or are no longer applicable.

## CURRENT RECOMMENDATIONS

**Risk Level: Medium**

### Audit Area: Financial Capabilities

#1	Check Signing Authority	Recommendation	Management’s Action Plan
	While reviewing authorized check signers for USAWP, it was noted that two employees authorized to sign checks have either administrator or full user access to the accounting software. This results in individuals having too much control over the cash disbursements process. Check signers with administrator and full user access have an opportunity to mishandle funds through cash disbursements by signing inappropriate checks and manipulating the accounting system. There could also be errors that are not remedied timely without an independent review of checks before they are signed. Effective segregation of duties requires that individuals with check signing authority not have entry access to the accounting software; these functions should be kept separate in order to ensure appropriate oversight of the cash disbursements process. USAWP’s Department Directors review financial reports which could help to identify mishandling and/or errors.	USAWP should implement stronger segregation of duties over the cash distribution process by not allowing individuals with administrator or full user access to the accounting software have the ability to issue checks and sign checks.	USA Water Polo will remove the Director of Finance as an authorized check signer for our operating bank account, since this position is the Administrator of the QuickBooks. In addition, QuickBooks access for the Special Projects Associate who is a signer of the operating bank account will be changed to Read-Only.  <b>Responsible Party:</b> Scott Aubin – Director of Finance  <b>Target Date:</b> May 31, 2019

**Risk Level: Low**

### Audit Area: Governance

#2	Approval of Independent Auditors and Audited Financial Statements	Recommendation	Management’s Action Plan
	Neither the board minutes nor audit & finance committee meeting minutes reflect that the audited financial	The USAWP Board of Directors or Audit & Finance Committee should	Ensure that the Board minutes and Audit and Finance Committee

statements and the appointment of independent auditors were approved by the board or the audit & finance committee.

Meeting minutes are important to prove a record of regular meeting and communication amongst the committee, when meetings happen, who is present, and items discussed during the meeting. It is also important that board members are involved in selection of external auditors and review of the annual audit. The board of directors, as detailed in USAWP's bylaws "review and approve financial statements, annual reports, audit and control policies, and, upon the recommendation of the audit committee, select independent auditors"

If management is the only party selecting the external auditors there may be appearance of a conflict and the auditor may not be seen as independent. Meeting minutes are necessary to ensure there is documentation of individuals present in the meeting, actions taken in the meeting, and inclusion of a qualified athlete representative. Without meeting minutes, there is no record or accountability to the committee or the board for actions taken.

approve the appointment of the independent auditor and review and approve the annual audit, and ensure it is documented in the Audit Committee minutes or Board meeting minutes.

minutes reflect that the audited financial statements and the appointment of independent auditors were approved by the board or the audit & finance Committee

**Responsible Party:**

Scott Aubin

**Target Date:**

This item has been completed March 21, 2019.

## CONCLUSION

USAWP was determined to be satisfactory in each of the following audit areas: governance/managerial with one low risk recommendation; financial capabilities with one medium risk recommendation; and due process, athlete representation, and athlete safety with no recommendations in those areas. The audit resulted in two recommendations and an overall audit rating of four.

We wish to thank USAWP'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 previous audit from 2012 contained five recommendations which would have resulted in an audit rating of 13 if the current audit rating was applied. For comparability purposes, the prior audit of USA Water Polo did not include due process, athlete representation and athlete safety. The current average rating for equivalent NGBs is ten. 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 Athlete Safety Education & Training (Education & Training) 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"> <li>• Minor future impact to the athletes, NGB or USOPC</li> <li>• Documentation clean-up</li> <li>• NGB’s Athlete Safety Policy and/or procedures have minor improvements needed</li> <li>• NGB’s Athlete Safety Policy is followed appropriately but does not have a process owner</li> <li>• Grievance policy and procedures have minor improvements</li> </ul>
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"> <li>• 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</li> <li>• General internal control breakdowns</li> <li>• NGB’s Athlete Safety Policy and/or procedures are partially out of compliance with USOPC NGB Athlete Safety Policy requirement</li> <li>• Execution of the NGB’s Athlete Safety Policy is partially out of compliance</li> <li>• NGB does not consistently provide for prompt and equitable resolution of grievances</li> <li>• NGB does not consistently provide fair notice and opportunity for a hearing</li> </ul>
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"> <li>• 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</li> <li>• Significant internal control breakdowns or multiple related control breakdowns</li> </ul>

- 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 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.