

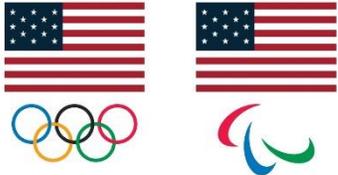


# Audit Report

## American Canoe Association

April 14, 2020

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



## EXECUTIVE SUMMARY

### Background and Audit Scope

The United States Olympic and Paralympic Committee (USOPC) Audit & Organizational Advancement Department completed an audit of the American Canoe Association (ACA). The purpose of the audit was to determine if ACA 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 and USOPC funds received from January 1, 2017 through December 31, 2018.

### Audit Objectives

The objectives of the audit were to determine:

- Previous audit recommendations status,
- 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 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 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
ACA	18

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

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 ACA’s athletes and ACA, the managerial and financial capabilities of ACA, 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
Appointment of Independent Auditors and Completion of Audited Financial Statements	Governance/Managerial	High
Improved Controls of Cash Disbursements	Financial Capability	Medium
Final Grant Reports and General Ledger Support	Financial Capability	Medium
Improvement to Bank Reconciliation Reviews	Financial Capability	Medium
Develop a Travel and Expense Policy	Financial Capability	Low
Review and Approval of Executive Director Expenses	Financial Capability	Low
Improvements to Expense Approval Process	Financial Capability	Low
Continue Updated Background Check Process	Athlete Safety	Low

## PRIOR AUDIT

The American Canoe Association was recognized by the USOPC Board of Directors as the NGB for the sport of canoe and kayak in 2017; therefore, there was no prior audit conducted by the Audit & Organizational Advancement Department.

## CURRENT RECOMMENDATIONS

Risk Level: High			
Audit Area: Governance/Managerial			
#1	Appointment of Independent Auditors and Completion of Audited Financial Statements	Recommendations	Management's Action Plan
	<p>At the time of the audit, ACA had not received an independent financial audit since it has been recognized as the NGB. Further, the board minutes do not reflect that the engagement of independent auditors were either approved or discussed by the Board of Directors or Audit Committee.</p> <p>Per the USOPC Bylaws, NGBs are required to submit audited financial statements to the USOPC annually and that the three most recent audited financial statements be posted on the NGB's website.</p> <p>According to the Bylaws of the ACA, it is the responsibility of the Audit Committee in its capacity as an advisory committee to the board to: "(i) recommend independent auditors; (ii) review the independent audit report and the Association's IRS Form 990; (iii) review the independent auditor management letter and recommend action as needed; and (iv) investigate matters of financial controls and disclosure".</p>	<p>In order to adhere to both the USOPC and its own Bylaws, the Board of the ACA must engage an independent auditor to conduct a financial audit of ACA.</p> <p>The selection of the auditors and discussion or approval of the results must be documented in the board and audit committee minutes.</p>	<p>On January 25, 2020, with the approval of ACA's Board of Directors, Executive Director Beth Spilman signed an Audit Engagement Letter with McMillen &amp; Company, a public accounting firm in Colorado Springs that specializes in working with NGBs. The audit letter included an engagement to prepare ACA's fiscal year 2019 990 and to complete audits for fiscal years 2018 and 2019. The 990 was prepared and filed with the IRS in on March 4, 2020. When we signed the Audit Letter we understood that April 17 was the earliest date McMillen &amp; Company could begin the audits.</p> <p>The pre-audit audit preparation work was scheduled to begin last week, but unfortunately, the COVID-19 virus has caused severe</p>

			<p>disruptions to ACA’s cashflow: recreational membership renewals have slowed down, insurance revenue has virtually stopped and instructors are unable to teach classes. Therefore, ACA has postponed the audit until we have adequate revenue.</p> <p><b>Responsible Party:</b>  <b>Beth Spilman, Executive Director</b>  <b>John Traendly, Treasurer, Board of Directors</b></p> <p><b>Target Date: We now hope to begin the audit in mid May 2020.</b></p>
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**Risk Level: Medium**

**Audit Area: Financial Capability**

#2	Improved Controls of Cash Disbursements	Recommendation	Management’s Action Plan
	<p>The accounting manager has too much control over the cash disbursements process. This includes serving as the accounting system administrator and is listed as a check signer for the bank account, though she does not sign checks as a regular part of her duties They are also responsible for preparing checks on behalf of the organization and receiving the organizations bank and credit card statements.</p> <p>The lack of controls over this process provides an opportunity for unidentified errors or misappropriation of</p>	<p>ACA should review its current processes regarding cash disbursements and ensure that the accounting manager does not have conflicting duties in regard to internal controls.</p>	<p>ACA is a very small NGB with only 6 staff members in the office. This makes it difficult to have the segregation of duties that a larger organization can deploy. Though our accounting manager is listed as a check signer; however, ACA’s policy is that two parties must sign all checks and, the accounting manager serves as the second signatory only when absolutely necessary. Furthermore, because</p>

	<p>funds and manipulation of the accounting system to conceal the missing funds.</p>		<p>the Executive Director directly reconciles every ACA bank account at the end of each month, this serves as strong oversight of the accounting manager.</p> <p>Since this has been identified as a Medium Risk, ACA will remove the accounting manager as a check signer and replace her with another staff member.</p> <p><b>Responsible Party: Beth Spilman</b></p> <p><b>Target Date: June 1, 2020</b></p>
<b>#3</b>	<b>Final Grant Reports and General Ledger Support</b>	<b>Recommendation</b>	<b>Management's Action Plan</b>
	<p>ACA's 2018 Olympic Final Grant Report did not reconcile to the general ledger. One of the projects included general ledger expenses that were under the amount reported, however this was under the \$500 threshold for repayment. The remaining five projects included general ledger expenses that were more than the final amount reported.</p> <p>The USOPC requires that the amount reported as expended on a project agrees with the total reported in the general ledger. This enables us to verify that the expenses were paid and not reported as expenses for other USOPC projects.</p> <p>According to the Performance Partnership Agreement (PPA), funds provided by the USOPC under the PPA and not spent by the NGB will need be returned to the USOPC unless an exception is granted. Though funds are not owed</p>	<p>ACA should use its general ledger to report expenses when preparing the final grant report.</p>	<p>We acknowledge that the expenses were scattered throughout various accounts in our Quickbooks system which made it difficult to pull the general ledger and balance the information to the Final Grant Report. This was largely attributable to the way our Chart of Accounts had been set up in Quickbooks and the previous management team's failure to provide direction and oversight of the previous accounting manager.</p> <p>The Executive Director in collaboration with a new</p>

	<p>back at this time, improperly completing the final grant report could lead to returned payments in the future.</p>		<p>accounting manager has changed the account structure in Quickbooks which will facilitate much more accurate and complete General Ledger reporting in the future.</p> <p><b>Responsible Party: Beth Spilman, Executive Director, and Emma Walther, Accounting Manager</b></p> <p><b>Target Date: Most of this work was completed in January 2020, but we continue to tweak the Chart of Accounts in Quickbooks.</b></p>
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#4	Improvement to Bank Reconciliation Process	Recommendation	Management's Action Plan
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	<p>There is no independent review of bank reconciliations at ACA. The interim Executive Director (ED) has access to the accounting system, has check signing authority and is also responsible for preparing the bank reconciliation. There is no independent review.</p> <p>Bank reconciliations are an internal control tool designed to prevent fraud as well as identify bank errors. They should undergo an independent review by an individual who does not have access to the accounting system. Any differences identified should be adjusted by someone not involved in preparing the reconciliation.</p> <p>Lack of separation in this process could mean that errors go undetected which could lead to loss or misappropriation of the organization's funds.</p>	<p>ACA should identify someone without access to the accounting system and check signing authority to conduct an independent review of the bank reconciliation.</p>	<p>As mentioned above, ACA is a small NGB with only 6 staff people in our office which makes it difficult to segregate duties.</p> <p>We will train another staff member to independently review the bank reconciliations that are currently being completed by ACA's Executive Director.</p> <p>Please also note, that in 2019, we used an outside CPA to review our financial recordkeeping including the review of our bank reconciliations. Before the onslaught of the COVID-19 pandemic, our plan was to have this same independent CPA</p>
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			<p>conduct at least a quarterly review of our financial recordkeeping, including bank recs, to provide an extra layer of oversight. Unfortunately, we may not be able to afford this for the foreseeable future.</p> <p><b>Responsible Party: Beth Spilman</b></p> <p><b>Target Date: May 15, 2020</b></p>
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**Risk Level: Low**

**Audit Area: Financial Capability**

#5	Develop a Travel and Expense Policy	Recommendation	Management's Action Plan
	<p>While ACA does have a Financial Controls Manual that outlines expense reimbursement and corporate credit card activity as well as a personnel manual that outlines staff expenses, there are not specific policies outlining athlete, or board travel.</p> <p>Policies and procedures are an effective management tool that can benefit the organization by promoting consistency and efficiency. For those authorized to travel, these policies and procedures standardize the process and any documentation which needs to be retained. Further, it serves as a formal mechanism for the transfer of authority and responsibility.</p> <p>Policies related specifically to travel can set limits on spending to help ensure the organization is adhering to budgets which would in turn ensure that the organization</p>	<p>ACA should develop a travel and expense policy to ensure reasonable spending for athlete, and board member travel. The policy should include a process by which expenses are tracked and documented for approval.</p>	<p>ACA has had a Staff Travel Policy for a very long time. This was provided to the audit staff earlier this week.</p> <p>In response to this audit finding, the ACA Executive Director developed 2 new travel policies on April 8, 2020 and has provided them to the USOPC audit staff. The new policies are (1) Travel Policy for Athletes and (2) Travel Policy for Board of Directors.</p> <p><b>Responsible Party: Beth Spilman</b></p>

	is meeting its financial goals. If financial policies are unwritten or unclear it could lead to misappropriation or loss to the organization.		<b>Target Date: Completed</b>
<b>#6</b>	<b>Review and Approval of Executive Director Expenses</b>	<b>Recommendation</b>	<b>Management's Action Plan</b>
	<p>ACA's interim ED expenses are being reviewed by the accounting manager. Giving someone in a position of lower authority the ability to approve expenses may make it difficult for them to question expenses or ask for additional documentation. The organization could be reimbursing for expenses that are not appropriate, however no such instances were noted during the audit.</p> <p>Additionally, ACA's Financial Controls Manual states the following: "The ED and COO must approve each other's expense reimbursements. The board treasurer will also review the ED's expense reimbursements at regular meetings to ensure compliance with procedure."</p>	ACA should ensure that the board treasurer or another designated board member is responsible for reviewing and approving ED expenses.	<p>As of April 9, the Executive Director will submit her Expense Reimbursement Request forms + accompanying expense documentation to the board treasurer or chair for review and approval prior to requesting reimbursement from the accounting department.</p> <p><b>Responsible Party: Beth Spilman and Emma Walther</b></p> <p>Target Date: Completed</p>
<b>#7</b>	<b>Improvements to Expense Approval Process</b>	<b>Recommendation</b>	<b>Management's Action Plan</b>
	<p>ACA is not consistently following its procedures related to documenting approvals on expense and credit card reimbursement forms. The reimbursement forms require CEO or CFO approval on all expenses.</p> <p>Without proper approvals, ACA could be paying for expenses that are not appropriate which could lead to misappropriation or loss for the organization.</p>	ACA should ensure that invoices are properly approved prior to being sent for payment.	I believe that this finding was primarily related to monthly credit card payments for a credit card used by the Slalom National Team coach. The Executive Director and Accounting Manager (based on discussions with the USOPC audit staff during the audit) have already changed this process, so that the ED must review approve the credit card statement each month.

			<p><b>Responsible Party:</b> Beth Spilman and Emma Walther</p> <p><b>Target Date:</b> Completed</p>
<b>Audit Area: Athlete Safety</b>			
<b>#8</b>	<b>Continue Updated Background Check Process</b>	<b>Recommendation</b>	<b>Management's Action Plan</b>
	<p>ACA did not have a formal process to verify background checks prior to the audit. Of the 99 individuals tested, 92 did not have background checks, including the Board of Directors and Staff. Individuals without background checks were placed in a non-active membership status until a background check is complete or the member category is adjusted. Prior to testing, ACA changed membership system settings to restrict becoming an active member if a person selects a membership category which is required to complete a background check.</p> <p>The ACA SafeSport Handbook requires that all volunteers in contact with athletes or minors are required to pass a background check. The policy also requires that staff with authority or access to athletes, including "directors, officers, coaches, assistant coaches, managers, and officials, etc., should undergo a background check . . . prior to initial assignment of duties."</p> <p>Prior to the membership system change, individuals were able to select a member category and ACA did not verify that background checks were actually being completed. ACA had a large staff turnover in the past year which caused a lapse in verification of background checks. This led to ACA authorizing individuals to engage with athletes without a background check. This issue was determined to be a low risk because ACA addressed this issue prior to the audit testing.</p>	<p>For these reasons, ACA must continue to background check individuals that are identified in the ACA SafeSport Handbook.</p>	<p>Thanks to Special Grant funding from NGB Services, ACA was (gratefully) able to hire a part time Compliance and Administrative Manager who is responsible for background check procedures and compliance. She has developed a tracking process and is working on diligently to ensure that all applicable parties have completed a background check.</p> <p><b>Responsible Party:</b> Cathlyn Huitt</p> <p><b>Target Date:</b> this is a rolling target because people change roles on a regular basis, so it is our policy to ensure that a background check has been completed before each applicable person has contact with minor athletes. Further, because our team trials were postponed and other team travel was cancelled, the applicable participant group is dynamic.</p>

## CONCLUSION

ACA was determined to be marginal in the area of governance/managerial with one high risk finding and marginal in financial capability with three medium risk and three low risk findings. The area of athlete safety was considered satisfactory with one low risk finding. Due process and athlete representation were considered satisfactory as there were no recommendations in either of these areas. The audit resulted in eight recommendations and an overall audit rating of 18.

We wish to thank ACA'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 36. 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 Background Check Policy utilizing walk-throughs, examination of policies and questionnaires.

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

## APPENDIX D — RISK LEVEL DEFINITIONS

Risk Level Definitions	
Rating	Definition
<b>Low</b>	<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 Background Check Policy and/or procedures have minor improvements needed</li> <li>• NGB’s Background Check Policy is followed appropriately but does not have a process owner</li> <li>• Grievance policy and procedures have minor improvements</li> </ul>
<b>Medium</b>	<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 Background Check Policy and/or procedures are partially out of compliance with USOPC NGB Athlete Safety Policy requirement</li> <li>• Execution of the NGB’s Background Check 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>
<b>High</b>	<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> <li>• NGB’s Background Check Policy and/or procedures are substantially out of compliance with the USOPC NGB Athlete Safety Policy requirements</li> <li>• Execution of the NGB’s Background Check Policy is substantially out of compliance, such as non-current background checks</li> <li>• NGB does not provide for prompt and equitable resolution of grievances</li> <li>• NGB does not provide fair notice and opportunity for a hearing</li> <li>• Less than 20% athlete representation where required</li> </ul>

## 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 NGB Athlete Safety Policy (USOPC's ASP). Important to note, as of September 13, 2019, the USOPC Board approved the revised NGB and HPMO Athlete Safety Policy. Auditing of the U.S. Center for SafeSport's (Center) athlete safety requirements now fall under the jurisdiction of the Center. However, the USOPC AOA will continue to audit compliance with the USOPC policies and procedures. 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 USOPC's 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.