

Audit Report

USA Archery

December 12, 2019

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 Division completed an audit of USA Archery (USAA). The purpose of the audit was to determine if USAA 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 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
USAA	22

Audit Summary	
Audit Area	Conclusion
Governance/Managerial	Unsatisfactory
Financial Capabilities	Satisfactory
Due Process	Marginal
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 USAA’s athletes and USAA, the managerial and financial capabilities of USAA, 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
Ensure the Board of Directors Disclose Conflicts and Do Not Vote or Participate in Discussion	Governance/Managerial	High
Ensure the Ethics Committee is Following the Conflict of Interest Policy Procedures	Governance/Managerial	High
Follow the Complaint Procedures in the Bylaws	Due Process	High
Ensure Fair Notice and Equitable Resolution of Facts	Due Process	Medium
Ensure Background Checks of Arrow Agents and Board of Directors	Athlete Safety	Medium
Improvement of Controls over Payroll Process	Financial Capabilities	Low

PRIOR AUDIT

USA Archery’s previous audit report from the USOPC, dated January 21, 2014, resulted in two recommendations in the areas of grant funding and contract review. Both recommendations were fully implemented.

CURRENT RECOMMENDATIONS

Risk Level: High			
Audit Area: Governance/Managerial			
#1	Ensure the Board of Directors Disclose Conflicts and Do Not Vote or Participate in Discussion	Recommendation	Management’s Action Plan
	<p>Based on a review of the USAA's board minutes and conflict of interest disclosures, the Board does not abstain from voting or discussion when there is a conflict. Individuals were identified to have potential conflicts with USAA, yet still engage in business transactions with USAA. For example, a conflict disclosure form was provided that disclosed one of these individuals has direct input into criteria for selection and trial qualifications and is a competitor that would fall under the criteria.</p> <p>The USAA conflict of interest policy provides that, "transactions with parties whom a conflicting interest exists may be undertaken only if . . . the conflicting interest is fully disclosed . . . the person with the conflict of interest is excluded from the discussion and approval of such transaction."</p> <p>USAA does not forward all the conflict disclosure forms to the Ethics Committee for review. This creates the risk that business transactions are entered into on behalf of the potentially conflicted individual or selection criteria is created on behalf of the potentially conflicted individual and not in the best interests of USAA.</p>	<p>For these reasons, USAA must ensure that the Board of Directors are disclosing conflicts and not voting or discussing the approval of transactions or activities.</p>	<p>The annual conflict of interest disclosure forms completed by the Board of Directors and the CEO are distributed to each Board member, so individual Board members are better aware of potential conflicts of interest involving other Board members and the CEO. These forms are reviewed annually by the USAA Ethics Committee per USAA bylaws 7.2m and 9.13b2. The Board Chair at the beginning of each Board meeting will remind the Board of its obligation to adhere to any findings of the Ethics Committee in regard to their disclosed conflicts. Should any new conflicts arise during Board meetings, they need to be disclosed to the Board and documented in the meeting minutes and subsequently submitted to the Ethics Committee for review.</p>

			<p>Responsible Party: Board of Directors Chair</p> <p>Target Date: 12/7/19</p>
#2	Ensure the Ethics Committee is Following the Conflict of Interest Policy Procedures	Recommendation	Management's Action Plan
	<p>USAA's Ethics Committee does not have an effective formal process to review all of the conflicts of interest disclosure forms. Of the twenty forms tested, the auditor could not verify that the forms were reviewed, and potential conflicts of interest were identified. One of the forms had a date that did not occur yet and two forms could not be provided to the auditor for review. Also, it appears the Ethics Committee does not ensure that risks of potential and actual conflict decisions are precluded or mitigated by providing relevant information to the Board to alleviate concerns regarding potential or actual conflicts. Separately, the Chief Executive Officer's (CEO) form is reviewed by a staff member that is a direct report to the CEO.</p> <p>The USAA's Conflict of Interest Policy requires that individuals sign and submit to the Ethics Committee and CEO a conflict of interest form. Disclosures must be made to the Ethics Committee. The Ethics Committee is then required to decide if a conflict exists by having the interested person make a presentation to the committee; review alternatives to any proposed transaction that involves the conflicted individual; exercise due diligence and reasonable effort to find an arrangement that would not give rise to a conflict; and determine whether the transaction is in the best interest of USAA or implement mitigating measures to alleviate conflict of interest concerns.</p>	<p>For these reasons, USAA's Ethics Committee must conduct reviews of all the conflict of interest forms to ensure disclosures were made. Also, the USAA Ethics Committee must follow the procedures provided in the Conflict of Interest Policy and ensure that business transactions are entered into properly without the potential for conflicts.</p>	<p>USAA bylaws have been updated (7.2.m which states the Board of Directors is responsible for "develops a review process for conflict of interest forms and timelines for the Ethics Committee to follow" Also, the USAA bylaws have been updated in regards to Ethics Committee duties to include 9.13.b2 "Report to the Board on all ethical issues, to include an annual review of USAA Conflict of Interest Forms and provide annual review meeting minutes".</p> <p>Responsible Party: Board of Directors Chair</p> <p>Target Date: December 9, 2019</p>

In practice, the completed conflict of interest statements are collected and reviewed by a staff member. If a conflict is disclosed, then the forms are forwarded to the Ethics Committee. This creates a risk that a proper review, as required by the Conflict of Interest Policy, is not completed. Additionally, there is a risk that the staff member would be placed in a position to ask the CEO to disclose a conflict but would not have the authority to compel the CEO to do so.

Audit Area: Due Process

#3	Follow the Complaint Procedures in the Bylaws	Recommendation	Management's Action Plan
	<p>USAA did not provide an expedited hearing for two of the grievances audited from 2018. The USAA Bylaws require that an expedited hearing be heard and decided within 24 hours. This creates a risk for resolutions to fall outside of the 24-hour period and can prevent athletes from participating in an event because of the delay.</p>	<p>For these reasons, USAA must follow its complaint procedures in the Bylaws and provide an expedited hearing within the time frame proscribed.</p>	<p>The USAA bylaws have been updated (see section 15.10). Expedited complaints shall be heard and decided within forty-eight (48) hours of the filing of the complaint. Also, the manner to which an expedited complaint is to be filed has been updated in (see section 15.3.)</p> <p>Responsible Party: CEO</p> <p>Target Date: December 9, 2019</p>

Risk Level: Medium

Audit Area: Due Process

#4	Ensure Fair Notice and Equitable Resolution of Facts	Recommendation	Management's Action Plan
	<p>USAA does not provide parties with all facts and charges presented to the decision maker. One of the reviewed grievances determined that there were email communications between USAA and the Board of Justice. However, the communication was not provided to the filing party. Additionally, USAA could not provide documentation to the auditor that the USAA response was sent to the filing party.</p> <p>The Sports Act requires fair notice before an individual is declared ineligible to participate. This includes the complainant receiving fair notice of the response filed by the other party. Additionally, the Sports Act requires equitable resolution of grievances.</p> <p>Communications limited just to the Board of Justice and USAA does not provide the filing party with opportunity for fair notice of the response filed with the Board of Justice. Additionally, the complainant cannot be provided equitable resolution if the facts are not provided to all parties for preparation and the opportunity to be heard.</p>	<p>For these reasons, it is recommended that the Board of Justice provide information (including communications) to all parties involved so that fair notice is provided.</p>	<p>USAA has appointed new Chair of the Board of Justice and all communications (including complaint and resolution) will be communicated to all parties involved.</p> <p>Responsible Party: Board of Justice Chair and USAA CEO</p> <p>Target Date: December 9, 2019</p>

Audit Area: Athlete Safety

#5	Ensure Background Checks of Arrow Agents and Board of Directors	Recommendation	Management's Action Plan
	<p>During testing, audit identified that USAA is not ensuring completions of background checks. Out of 99 tested individuals, 4 did not have a background check and were authorized to have frequent contact with athletes or are in a position of authority over athletes. Specifically, 2 arrow agents were provided coaching credentials without completing a background check and 2 committee members</p>	<p>For these reasons, USAA must background check arrow agents before providing a credential for events and tournaments. Also, USAA must ensure committee members complete background checks.</p>	<p>The USAA International Team Staffing Policy has been updated and now includes coaches, assistant coaches, team leader, medical personnel, sport psychologists, and para athlete assistants. Additionally, USA</p>

	<p>did not complete a background check.</p> <p>The USOPC NGB Athlete Safety Policy requires that the USAA create and enforce a process that requires criminal background checks for those individuals USAA formally authorizes, approves, or appoints to a position of authority over or to have frequent contact with athletes.</p> <p>USAA does not have an arrow agent credential. Thus, coaching access is provided to arrow agents during events and tournaments. Also, committee members do not have a membership that can be placed in a pending status, resulting in a lack of oversight for background check completion. This creates a risk of non-compliance with the USOPC NGB Athlete Safety Policy.</p>		<p>Archery has created a “free membership” for volunteers to better track volunteers at clubs and events. Per USAA’s current code of conduct all of these individuals are required to take the U.S. Center for SafeSport Training and have a current USAA background screen. Additionally, USAA’s Personal Coach policy, requires these same credentials prior to having access to the field of play.</p> <p>Responsible Party: CEO</p> <p>Target Date: December 9, 2019</p>
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Risk Level: Low

Audit Area: Financial Capabilities

#6	Improvement of Controls over Payroll Process	Recommendation	Management’s Action Plan
	<p>USAA’s Director of Finance and Operations has too much control over the payroll process as she has access to make changes in the payroll system and is responsible for reviewing payroll prior to distribution. No one person should have the ability to prepare, approve, and enter an item in the accounting records. For adequate separation of duties, another person should be involved in the process and their involvement should be documented. Currently, the Director of Finance and Operations has conflicting responsibilities over the payroll process.</p> <p>The lack of an independent review of payroll could allow</p>	<p>USAA should strengthen controls surrounding the payroll process.</p>	<p>USAA has already begun having each payroll detail be reviewed and signed off on by the CEO along with the Director of Finance and Operations to ensure dual control.</p> <p>Responsible Party: CEO and Director of Finance and Operations</p> <p>Target Date: November 1, 2019</p>

for errors that are not caught timely. By allowing the Director of Finance to have change access to the payroll system and accounting system, this creates an opportunity to misappropriate funds through payroll by changing salary information or adding unauthorized individuals and manipulating the accounting system. Requiring an independent person to review payroll would improve the controls over payroll and possibly protect USAA from potential violations.

However, there are mitigating controls in place that reduce the risk in this area. The payroll system is designed to restrict the change of the administrator's own salary. As such, the CEO and Director of Finance and Operations are unable to change their own salaries in the system. Additionally, on a biweekly basis the CEO receives an email detailing the aggregate total for payroll information. Therefore, if the amount in total seems unreasonable, the CEO can login and review the payroll information.

Yet, due to the aggregate total being reviewed rather than a detailed review of payroll, there is still a risk that funds could be misappropriated, or errors would not be caught in a timely manner.

CONCLUSION

USAA was determined to be satisfactory in financial capabilities, with one low-risk recommendation, and athlete representation with no recommendations in that area; marginal in due process with one high-risk and one medium-risk recommendations, and in athlete safety with one medium-risk recommendation; and unsatisfactory in governance/managerial with two high-risk recommendations. The audit resulted in six recommendations and an overall audit rating of 22.

We wish to thank USAA'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 2014 contained two recommendations which would have resulted in an audit rating of 4 if the current audit rating was applied. For comparability purposes, the prior audit of USA Archery did not include due process, athlete representation, and athlete safety. The current average rating for an equivalent NGBs is 15. 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"> • 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 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.