

# Audit Report

## USA Boxing

October 18, 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 & Organizational Advancement Department completed an audit of USA Boxing. The purpose of the audit was to determine if USA Boxing 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 2017 and 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 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
USA Boxing	29

### 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	Marginal
Financial Capabilities	Unsatisfactory
Due Process	Satisfactory
Athlete Representation	Marginal
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 USA Boxing’s athletes and USA Boxing, the managerial and financial capabilities of USA Boxing, 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
Follow Conflict Disclosure Requirements During Board Meetings	Governance	High
Ensure 20% Athlete Representation on Hearing Panels	Athlete Representation	High
Develop a Conflict Review Process	Governance	Medium
Ensure Compliance with IRS Regulations (Form 1099)	Financial	Medium
Review and Approval of Journal Entries	Financial	Medium
Improvement of Controls over Membership System	Financial	Medium
Improvement of Controls over Inventory Process	Financial	Medium
Review Financial Oversight Responsibilities per USA Boxing’s Bylaws	Governance	Low
Improvement of Controls over Payroll Process	Financial	Low
Ensure Fair Notice and Prompt Resolution	Due Process	Low
Develop an Administrative Process Policy for Grievances	Due Process	Low

## PRIOR AUDIT

USA Boxing’s previous audit report from the USOPC, dated September 11, 2017, resulted in three recommendations in the areas of governance, internal controls, and compliance. One of the recommendations was either fully implemented or is no longer applicable, and two of the recommendations are included as repeat recommendations.

## CURRENT RECOMMENDATIONS

Risk Level: High		
Audit Area: Governance/Managerial		
Follow Conflict Disclosure Requirements During Board Meetings	Recommendation	Management’s Action Plan
<p>USA Boxing’s Board of Directors (Board) is not following its Bylaws as it relates to disclosing and voting on matters where a director has a potential conflict of interest.</p> <p>Based on a review of the meeting minutes, there is no indication that the Board requires directors to disclose potential conflicts. Also, the Board does not ensure that potentially conflicted directors are not voting and not participating in discussions.</p> <p>USA Boxing’s Bylaws provide that an individual in a position to exercise substantial influence over the affairs of USA Boxing, which "specifically includes, without limitation, directors and officers of the corporation," must immediately inform the deciding body of the transaction of the conflict, disclose any material facts in relation to the conflict, and not be entitled to vote on the decision to enter into such transaction.</p> <p>The lack of proper disclosure, recusal from discussion, and refraining to vote on matters where a director has a personal interest, has resulted in a director entering into a contract with USA Boxing for a business deal which may not be in the best interest of USA Boxing.</p>	<p>For these reasons, USA Boxing’s Board must follow the conflict disclosure requirements during the Board of Director meetings and reflect such in the meeting minutes.</p>	<p>Reconstitution of the makeup of the USA Boxing Board of Directors in March 2019 along with two sessions of ethics and conflict of interest training (3/2019 and 9/2019) to ensure current and future compliance.</p> <p><b>Responsible Party:</b> BOD President</p> <p><b>Target Date:</b> Already in place</p>

**Audit Area: Athlete Representation**

**Ensure 20% Athlete Representation on Hearing Panels**

USA Boxing does not consistently ensure 20% athlete representation on hearing panels for grievances. Of the 10 grievances tested, 5 hearing panels did not have 20% athlete representation.

The USOPC Bylaws provide that athlete representatives shall equal at least 20% of committees that are panels empowered to resolve grievances.

USA Boxing indicated scheduling issues for hearing panels which resulted in last minute cancelations of the committed athletes that would fulfill the requisite 20% athlete representation requirement. This resulted in a panel empowered to resolve grievances with less than 20% athlete representation.

**Recommendation**

For this reason, USA Boxing must ensure 20% athlete representation on hearing panels. It is strongly suggested that the hearing is rescheduled to a time and day the 20% athlete representation requirement can be met.

**Management's Action Plan**

All Judicial hearing panels will have at least 20% athlete representation, or the hearing will be rescheduled.

**Responsible Party:** Membership Director

**Target Date:** Immediate

**Risk Level: Medium**

**Audit Area: Governance/Managerial**

**Develop a Conflict Review Process**

USA Boxing requires an annual conflict of interest disclosure process for the Board members and employees. The completed staff forms are returned to human resources, including the CEO's, and the Board members are returned to the CEO for review of disclosure. Of the 24 individuals tested, the auditor could not verify that the returned forms were reviewed; 13 of these forms did not have a disclosure of potential or actual conflicts; and 2 forms could not be located. Independent directors, non-independent directors, and staff were identified to have potential conflicts that were not disclosed.

USA Boxing's Bylaws require that Board members and employees annually certify compliance with the Conflict of Interest Policy. The Conflict of Interest Policy requires "disclosure of any relevant activities or interests . . . to ensure that business decisions made on behalf of USA Boxing are protected from potential outside influence."

USA Boxing's review process does not include verification that potential and actual conflicts are disclosed. This is a repeat finding

**Recommendation**

For these reasons, it is strongly suggested that USA Boxing develop a conflict disclosure review process that includes documentation of the review and a search of current and previous business and personal affiliations.

**Management's Action Plan**

The USA Boxing Ethics Committee will review conflict of interest disclosure statements annually.

**Responsible Party:** USA Boxing Ethics Committee

**Target Date:** Immediate

from the previous USOPC audit. This allows for decisions to be made by individuals on behalf of USA Boxing, that have a personal interest or benefit in conflict with the interests of USA Boxing.

**Audit Area: Financial Capabilities**

**Ensure Compliance with IRS Regulations (Form 1099)**

Out of the 40 expenses tested, two expenses related to payments made to independent contractors. Audit noted that USA Boxing did not provide a Form 1099 to one independent contractor. As such, USA Boxing must ensure independent contractors receive a Form 1099 for services rendered in amounts over \$600. USA Boxing could potentially be penalized by the Internal Revenue Service (IRS) for failure to file the proper forms.

The IRS requires that a Form 1099-Misc is provided for each person to whom USA Boxing has paid during the year "at least \$600 in services performed by someone who is not your employee."

**Recommendation**

USA Boxing should discuss the issue with its tax accountants in order to comply with IRS standards. Additionally, USA Boxing should implement a process for reviewing Form 1099s to ensure that all required individuals receive the required form and update the financial policies and procedures to reflect this process.

**Management's Action Plan**

All independent contractors will receive a Form 1099.

**Responsible Party:** CFO

**Target Date:** Already in place

**Review and Approval of Journal Entries**

The Finance Director prepares the journal entries and records them in the accounting system. There is currently no process in place for review or approval of journal entries. 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. Without a review process of journal entries, errors could remain undetected for an extended period of time leading to loss and potential misappropriation. The external auditors review journal entries on an annual basis, however external oversight cannot be considered an internal control.

**Recommendation**

USA Boxing should implement a process to review journal entries and document proper approval of the journal entry support. USA Boxing should then update the financial policies and procedures in order to reflect the current processes.

**Management's Action Plan**

Journal Entries will be reviewed monthly.

**Responsible Party:** CFO

**Target Date:** Immediate and Financial Policies will be updated by January 1, 2020.

**Improvement of Controls over Membership System**

USA Boxing's Finance Director has too much control over the membership system as she has access to make changes in the membership system, is responsible for entering the membership transactions into the accounting system, can create invoices, and reconciles the membership revenue with the membership records and reports. By allowing the Finance Director to have change access to the membership system and accounting system, this creates an opportunity to misappropriate funds through membership by creating

**Recommendation**

USA Boxing should strengthen controls over the membership system.

**Management's Action Plan**

Miscommunication with regard to actual access by the CFO. Access profiles are tracked so any function performed is logged per user in the system.

**Responsible Party:** CFO

fraudulent invoices or fraudulent membership payments in the membership system and manipulating the accounting system. Restricting access to the membership system to read-only access or requiring an independent person to reconcile the membership revenue to reports, would improve the controls over membership and protect USA Boxing from potential fraud or financial misstatement.

**Target Date:** N/A

**Improvement of Controls over Inventory Process**

**Recommendation**

**Management's Action Plan**

USA Boxing's inventory coordinator has too much control over the inventory process, as he receives the inventory, has physical access to the inventory, has custody of the inventory records and log, and performs the inventory count. Without proper controls, inventory can be easily misappropriated leading to financial losses for USA Boxing.

In order to strengthen internal controls surrounding the inventory process, USA Boxing should require an independent person(s) to perform the inventory count and have custody of the inventory records and logs.

1. Based upon available resources we will work to have an additional person perform inventory counts.
2. Within available financial resources, will work to initiate inventory software.
3. Will utilize random spot checks as well

**Responsible Party:** Various Staff Members

**Target Date:** 1<sup>st</sup> Quarter 2020

**Risk Level: Low**

**Audit Area: Governance/Managerial**

**Review Financial Oversight Responsibilities per USA Boxing's Bylaws**

**Recommendation**

**Management's Action Plan**

During 2017 and 2018, USA Boxing's Audit Committee did not meet. Rather, USA Boxing's Board took on the Audit Committee duties as outlined in USA Boxing's Bylaws. However, per review of the Board minutes, the auditor noted that there was no discussion of financial reports or financial performance, review and approval of the audited financials, or the approval of the independent auditors. As such, USA Boxing's Audit Committee and Board are not meeting the expectations as outlined by USA Boxing's Bylaws regarding proper financial oversight. This is a repeat finding from the prior USOPC audit.

The Audit Committee, or USA Boxing's Board, if taking on the Audit Committee responsibilities, should review all financial aspects of USA Boxing's financial capability by adhering to the responsibilities as set out by USA Boxing's Bylaws. Additionally, although it is not outlined in USA Boxing's Bylaws, it is recommended that the Audit Committee meet on a regular basis

Audit Committee will review financial documents a minimum of two times per year.

**Responsible Party:** CFO and USA Boxing Audit Committee

**Target Date:** Fully implemented September 2019

In accordance with USA Boxing's Bylaws, the Audit Committee shall "(i) recommend independent auditors of USA Boxing, review the report of the independent auditors and management letter, and recommend action as needed; (ii) investigate matters of fiscal controls and disclosure and such other matters as directed by the Board; and (iii) perform such other duties as assigned by the Board."

to provide the necessary financial oversight to strengthen the financial capability of USA Boxing.

**Audit Area: Financial Capabilities**

**Improvement of Controls over Payroll Process**

**Recommendation**

**Management's Action Plan**

USA Boxing's Finance Director 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. As noted above, no one person should have too much control over a process. Currently, the Finance Director has too many responsibilities over the payroll process which doesn't allow for proper segregation of duties.

USA Boxing should strengthen controls surrounding the payroll process.

1. Human Resources Manager approves and submits bi-weekly payroll in ADP software with her established administrative profile.
2. In addition, Membership Manager will review and approve bi-weekly earnings report.

The lack of an independent review of payroll could allow for errors that are not caught timely. By allowing the Finance Director 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. By restricting the Finance Director's access to the payroll system to read-only access or requiring an independent person to review payroll would improve the controls over payroll and possibly protect USA Boxing from potential compliance violations.

**Responsible Party:** CFO, HR Manager and Membership Director

**Target Date:** November 1, 2019

It was noted there are mitigating controls in place that reduce the risk in this area. On a quarterly basis, the Membership Director reviews earning reports from the payroll system in order to review for any abnormalities. However, it is best practice to review payroll each payroll period in order to capture any abnormalities in a timely manner.

**Audit Area: Due Process**

**Ensure Fair Notice and Prompt Resolution**

**Recommendation**

**Management's Action Plan**

During the audit period of 2017 and 2018, it was determined that USA Boxing was not following its Bylaws as it related to fair notice and prompt resolution. For six of the ten tested grievances, the notice of charges and remedy requested was provided to the

For these reasons, it is encouraged that USA Boxing continue to ensure that fair notice of charges and the requested remedy and prompt

Establish Timeline and Process for Fair Notice and Prompt Resolution.

respondent within an average of two to three months. Additionally, an athlete safety matter took over one year to process and resolve.

The Sports Act requires that fair notice is provided to the respondent. Fair notice occurs when there is adequate warning to allow for preparations to be made. The Sports Act also requires prompt resolution of a matter. Prompt resolution occurs when a hearing is resolved without delay.

Although USA Boxing's Bylaws do not indicate when fair notice needs to be provided, respondents were given 21 days to file a response to the charges, and the judicial committee was provided at least three weeks to review material prior to a hearing. Based on the timeframe provided for the other processes in the grievance procedure, fair notice is best provided earlier than two to three months after the filing of a grievance. Further, untimely fair notice may affect the ability to promptly resolve a grievance. The lack of USA Boxing's tracking process created a delay in providing fair notice to respondents and prompt resolution of grievance matters. According to USA Boxing, it has implemented a new tracking procedure to monitor the status of grievances filed in 2019.

resolution of grievances are afforded to the all parties of the grievance matters.

**Responsible Party:** Membership Director

**Target Date:** 1<sup>st</sup> Quarter 2020

#### Develop an Administrative Process Policy for Grievances

USA Boxing's grievance process is to email the grievance directly to a staff member and not to the Judicial Committee. USA Boxing's office staff receives and manages the administrative process for grievances rather than forwarding the filings directly to the Judicial Committee. Once the grievance is received, reviewed for completion, and tracked in a database by a staff member, it is then forwarded to the Judicial Committee for review, a formal hearing, and resolution. Scheduling of the hearing is also managed by a staff member.

The USA Boxing Grievance & Complaint policy provides that national level grievances, which are not managed by the Local Boxing Club, shall be filed with and sent to the USA Boxing Judicial Committee.

USA Boxing is cognizant of the Judicial Committee's time and dedication to the sport. As a result, there is an administrative function of processing the complaints at the staff level to facilitate the ease of adjudication. However, because there is an administrative process by the office that is not in the policy, and the

#### Recommendation

For these reasons, it is encouraged that USA Boxing develop an administrative process policy for grievances received which includes a second level of review by the Judicial Committee to ensure that grievances are heard.

#### Management's Action Plan

Will include in process mentioned above, send letter to litigants upon receipt of a grievance filing, copy Judicial Committee chair ensuring second level review taking place.

**Responsible Party:** Membership Director

**Target Date:** November 1, 2019

policy is sent directly to USA Boxing, there is a risk that matters relating to the USA Boxing or its staff members will not be heard.

## CONCLUSION

USA Boxing was determined to be satisfactory in due process with two low-risk recommendations, and athlete safety with no recommendations. Governance/managerial and athlete representation were determined to be marginal with one high-risk finding, one medium-risk finding, one low-risk finding and one high-risk finding, respectively. Financial capabilities were determined to be unsatisfactory with four medium-risk findings and one low-risk finding. The audit resulted in 11 recommendations and an overall audit rating of 29.

We wish to thank USA Boxing'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 audit of USA Boxing included several additional audit procedures in the areas of due process, athlete representation, and athlete safety, which contributed to a higher audit rating.

The previous audit from 2017 contained three recommendation which would have resulted in an audit rating of nine if the current audit rating was applied. For comparability purposes, the prior audit of USA Boxing did not include due process, athlete representation and athlete safety. The current average rating for equivalent NGBs is 13. 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
<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 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>
<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 Athlete Safety Policy and/or procedures are partially out of compliance with the USOPC NGB Athlete Safety Policy requirements</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>
<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 Athlete Safety Policy and/or procedures are substantially out of compliance with the USOPC NGB Athlete Safety Policy requirements</li> </ul>

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- 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.