

Audit Report

USA Surfing

December 20, 2019

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



EXECUTIVE SUMMARY

Background and Audit Scope

The United States Olympic & Paralympic Committee (USOPC) Audit & Organizational Advancement Department completed an audit of USA Surfing. The purpose of the audit was to determine if USA Surfing 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 Board. 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 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

Audit Rating	
NGB	Current Audit Rating
USA Surfing	71

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

We would like to thank all 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 USA Surfing’s athletes and USA Surfing, the managerial and financial capabilities of USA Surfing, 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
Conflict of Interest Disclosure and Review Process	Governance	High
Audited Financial Statements and Appointment of Independent Auditors	Governance	High
Amateur Sports Organization Representation	Governance	High
Improvements to Financial Management	Financial	High
Development of Financial Policies and Procedures	Financial	High
Improvement of Internal Controls	Financial	High
Overstating of Expenses	Financial	High
Expenses Recorded in the Wrong Grant Year	Financial	High
Unsupported Expenses	Financial	High
Develop a Case Management Process	Due Process	High
Ensure Bylaws are Followed Through Judicial Committee Oversight	Due Process	High
Educate Staff, Board, and the Judicial Committee on the Grievance Process	Due Process	High
Track Athlete Safety Requirement Completion	Athlete Safety	High
Final Grant Reports and General Ledger Support	Financial	Medium
Contracts with Organizations for Equipment	Financial	Medium

PRIOR AUDIT

USA Surfing was recognized by the USOPC Board of Directors as the NGB for the sport of surfing 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	Conflict of Interest Disclosure and Review Process	Recommendation	Management's Action Plan
	<p>USA Surfing does not review completed conflict of interest disclosures. None of the selected forms were reviewed to determine if potential or actual conflicts were disclosed. Auditor tested a total of 17 Board members and staff. Of the 17 individuals tested, only 8 submitted conflict of interest forms. From the 8 submitted forms, 2 were not completed in its entirety and 7 did not disclose potential or actual conflicts.</p> <p>USA Surfing "requires that its Board members, employees and volunteers recognize and avoid activities or investments which involve, might appear to involve, or could result in a potential conflict of interest," and are required to "complete a Disclosure Certification."</p> <p>Because USA Surfing does not review the completed conflict of interest disclosures, USA Surfing does not enforce the conflict of interest policy. Also, USA Surfing is not able to identify actual or potential conflicts because USA Surfing does not enforce the completion of the conflict of interest disclosure form.</p>	<p>For these reasons, USA Surfing must ensure completion of its conflict of interest forms and develop a process to review the conflict disclosures for actual or potential conflicts.</p>	<p>Previously completed Conflict of Interest forms will be resubmitted to the entire group to update for the new year. A new program for tracking conflicts (both noted and perceived) will be instated.</p> <p>A Conflict of Interest Review Administrator (staff) will be appointed and tasked with follow-up to all who are required to submit forms, to ensure their completion and timely return.</p> <p>Completed forms will be submitted to the Ethics Committee for review. USOPC Consultant will liaise with Ethics Committee.</p> <p>The electronic signing DocuSign filing system and tracking of forms due dates/update due dates will be maintained by the Conflict of Interest Review administrator.</p>

			<p>A new contract administration software (IronClad) is in the final stages of vetting for addition to this process. This software integrates with the DocuSign system.</p> <p>Responsible Party: Ethics Committee, CEO, USOPC Consultant, Conflict of Interest Review administrator</p> <p>Target Date: Mid-January 2020</p>
#2	Audited Financial Statements and Appointment of Independent Auditors	Recommendations	Management's Action Plan
	<p>At the time of the audit, an independent financial audit of USA Surfing had not taken place. Further, minutes do not reflect that the appointment of independent auditors were either approved or discussed by the Board or Audit Committee.</p> <p>Per the USOPC Bylaws, NGBs are required to submit audited financial statements and IRS Form 990s to the USOPC annually and that the three most recent audited financial statements and IRS Form 990s be posted on the NGB's website.</p> <p>USA Surfing's Bylaws define several functions of the Board including: "reviews and approves financial statements, annual reports, financial and control policies, and, upon the recommendation of the Audit Committee, selects independent auditors". The Bylaws further outline one of the responsibilities of the Audit Committee as follows, "recommend the independent auditors of USA Surfing, review the report of the independent auditors and</p>	<p>In order to adhere to both the USOPC and their own Bylaws, the Board of USA Surfing must engage an independent auditor to conduct a financial audit of USA Surfing as soon as possible. The selection of the auditors as well as any discussion or approval of the results should be documented in the Board and Audit Committee minutes.</p>	<p>USA Surfing hired McMillen & Company, PLLC (McMillen) in October 2019. McMillen is currently preparing the 2018 990 and independent Audit. McMillen was recommended by a few other NGBs and are familiar with USOPC best practices. McMillen was vetted and recommended for hire by the Audit Committee.</p> <p>The completed 990 and Audit are due by December 31, 2019 for review by the Audit Committee and approval by the Board of Directors. Once approved both the 990 and Audit will be posted to the website. Posting of Board meeting minutes to the website (which include record of discussion and</p>

	management letter, and recommend action as needed."		approval of the hiring of the independent auditor) will be completed. Responsible Party: CEO, Treasurer, Audit Committee, Board Chair/President, BOD Target Date: December 31, 2019
#3	Amateur Sports Organization Representation	Recommendation	Management's Action Plan
	<p>USA Surfing does not have an Amateur Sports Organization representative seated on its Board. This position, referred to as the Affiliated Organization Director in the USA Surfing's Bylaws, was seated until July 2018, when USA Surfing's Board convened a special meeting to discuss if the Affiliated Organization Director should be removed. The Board voted to both remove the Director and to discontinue the position and Committee from the Board. The minutes also stated that the Bylaws would be updated to reflect this change, however the Bylaws still list an Affiliated Organization Director as a position to be seated.</p> <p>The Sports Act requires NGBs to have reasonable direct representation on its board for "any amateur sport organization that (A) conducts a national program or regular national amateur athletic competition in the applicable sport on a level of proficiency appropriate for the selection of amateur athletes to represent the United States in international amateur athletic competition; and (B) ensures that the representation reflects the nature, scope, quality, and strength of the programs and competitions of the amateur sport organization in relation to all other programs and competitions in the sport in the</p>	USA Surfing's Board must ensure that there is direct representation on its Board for any amateur sport organizations that meet the definition in the Sports Act.	In accordance with requirements in the Sports Act mandating direct representation on NGB Boards for "any amateur sport organization that (A) conducts a national program or regular national amateur athletic competition in the applicable sport on a level of proficiency appropriate for the selection of amateur athletes to represent the United States in international amateur athletic competition; and (B) ensures that the representation reflects the nature, scope, quality, and strength of the programs and competitions of the amateur sport organization in relation to all other programs and competitions in the sport in the United States;" the USA Surfing Bylaws amendments will include clear definitions and the method for evaluating these Sports Act Requirements.

United States."

Upon communication to Member Organizations of the 2020/2021 season requirements for membership, Organizations in good standing and conforming to the above listed Sports Act Requirements, will also be informed of an election process, for the purpose of choosing an Organization Representative to serve on the USA Surfing Board of Directors or in a Membership Advisory Committee.

For Organizations in good standing that don't conform to the Sports Act Requirements, an alternative method of representation (membership in a Membership Advisory Committee to the USA Surfing Board) will be offered.

Eligibility requirements for the Organization Rep seat will also be clarified to specifically state that only Member Organizations in compliance with USA Surfing membership and Sports Act Requirements will be eligible to nominate a person to run for the Membership Organization Rep seat on the USA Surfing Board of Directors.

Eligibility requirements for membership to the Membership Advisory Committee will be

clarified to specifically state that only Member Organizations in compliance with USA Surfing membership requirements will be eligible.

For context, the USA Surfing's first Amateur Sports Organization Representative was an appointee (by the CEO and Board Chair/President) chosen at the time of USOPC NGB recognition, as this was not a position in place before USOPC recognition and was a newly created Board seat at the time of USOPC recognition.

Moving forward, establishing an election process (aligned with Organization membership requirements) will ensure membership representation to the USA Surfing Board, for the mutual benefit of Member Organizations and athletes.

Conforming Bylaws amendments, including an election process, will undergo USA Surfing Board review by the end of 2019.

Responsible Party: CEO, Board Chair/President, BOD, USOPC Consultant

Target Date: Bylaws amendment target date-December 31, 2109.

Applicable representative elections target date-first quarter 2020.

Audit Area: Financial

#4	Improvements to Financial Management	Recommendation	Management's Action Plan
	<p>Although an independent financial audit of USA Surfing has not been completed, through a review of documents submitted by USA Surfing it appears that the organization needs improvements to its financial management.</p> <p>The following was noted during the audit process:</p> <ul style="list-style-type: none"> • Bank statements dating from January 2018 through June 2019 show over \$1,500 paid in overdraft and insufficient funds fees. • There were multiple cash withdrawals including ATM withdrawals and cash back with purchases. Many of the ATM withdrawals resulted in additional fees being paid by the organization. USA Surfing does not have financial policies and procedures that outline oversight of cash advances including approvals, records to be maintained or how the cash is reconciled. • Bank statements also included transactions that appeared to be payments to the CEO's personal credit card. USA Surfing lacks procedures that outline how use of personal funds are to be recorded and repaid. According to the CEO, the purchases on the personal credit card were for USA Surfing; although this was not verified by the auditors. • USA Surfing inherited debt from the now defunct organization Surfing America, some of this debt dates back to 2010. 	<p>USA Surfing must ensure it is financially sound by improving oversight of the financial management of the organization. This includes increasing transparency of spending as well as funding sources. Decisions that have major financial implications should be disclosed to the Board members.</p>	<p>In the interest of quickly improving financial management and oversight, USA Surfing (USA Surfing) hired the USOPC recommended accounting firm, Altruic Advisors Certified Public Accountants & Consultants (Altruic) in June 2019 and has transferred the bookkeeping over to them. USA Surfing will utilize Altruic for paying the majority of invoices through their Bill Pay program.</p> <p>USA Surfing is also in the process of developing financial policies and procedures. Oversight measures in the new policies/procedures will include the following, and more (as well as those mentioned in #5):</p> <ul style="list-style-type: none"> -Budget variances must be approved by the Board -Month End and Year End Closing procedure checklists (See #5) -Electronic payments to require dual approvals -Bank funds may be drawn upon only by check, online payment, or transfer and based on a set dollar

- In addition, multiple payments made to a family member of the CEO were identified. According to the CEO, these payments were repayment of a loan made to USA Surfing from this family member. The Board minutes reviewed for 2018 do not indicate that the Board was aware of the financial shortfall and subsequent loan.

According to the Sports Act "An amateur sports organization is eligible to be recognized, or to continue to be recognized, as a national governing body only if it... has the managerial and financial capability to plan and execute its obligations" Significant cash withdrawals without proper documentation; payments to personal credit cards or family members; and substantial long-standing debt are all examples that call into question USA Surfing's financial capabilities.

amount threshold, require dual approval

Expense repayment requests/reports (including electronic receipt backup) for every purchase will be mandatory.

USA Surfing has received grant funding approval from USOPC for the hiring of an administrative assistant to assist with entering invoices into the accounting system and with bookkeeping and financial records management.

USA Surfing started as a new NGB in 2017 with little funding beyond membership and event entry fees. USA Surfing has since generated some major sponsorship revenue along with the beginning of donor and fundraising programs that have greatly improved its financial situation. USA Surfing is in the process of revamping its membership program, an exercise that promises to generate additional funds by increasing participation (via improved membership requirements and member benefits).

Debt inherited from the now defunct organization Surfing

			<p>America by USA Surfing was taken on as a good faith measure and a repayment plan to prioritize payment of Surfing America debts to companies/organizations (i.e. parks permits), event equipment suppliers, etc.) the newly-formed USA Surfing would be working with directly. As of June 2019, repayment of any of this remaining debt was halted.</p> <p>Responsible Party: CEO, Treasurer, Audit Committee, BOD, USOPC Consultant, USOPC Board Liaison</p> <p>Target Date: February 2020; Administrative Assistant hire targeted for end of January 2020</p>
#5	Development of Financial Policies and Procedures	Recommendation	Management’s Action Plan
	<p>USA Surfing has some written financial procedures within their Bylaws and within the CEO’s contract but does not have formal, comprehensive financial policies and procedures.</p> <p>These documents are an effective management tool that can benefit the organization by promoting consistency and efficiency by standardizing how staff members carry out their duties. It serves as a formal mechanism for the transfer of authority and responsibility to staff. They should detail, in part, controls over cash disbursements including oversight or approvals on spending including cash advances, athlete and staff per diem, and documents to</p>	<p>In order to ensure that USA Surfing has proper financial processes and oversight, they must develop comprehensive written procedures regarding how financial transactions are to be handled including clearly defined parameters for financial actions and decisions, as well as, specific financial functions. Including, but not limited to, approvals, expense reporting, per diem and cash advances, cash</p>	<p>USA Surfing has obtained two financial policies/procedures templates/samples (from other NGBs) via the USOPC.</p> <p>With the assistance/consultation of the USOPC Consultant, and USOPC Board Liaison, USA SURFING is in the process of reviewing and customizing the template/sample documents into a new, comprehensive Financial Policies and Procedures document. The policies/procedures are also under</p>

be retained to show expenses are appropriate. A procedures document should also outline the cash receipts process to ensure that all cash coming into the organization is reconciled and accounted for appropriately.

When financial policies are unwritten or unclear, it can result in duties not being completed and could lead to misappropriations within the organization.

receipts, and Board member expenses.

review by the Treasurer and Audit Committee.

The policies/procedures include requirements such as:

- a Monthly Financial Reporting Closing Procedures checklist that includes reconciliation of cash accounts, accounts receivable detail, accounts payable detail, general journal entries, and financial statements.
- a Year End Closing Procedures checklist. At year-end, the monthly closing detailed above will be completed and presented along with additional detail regarding reconciliation of foreign currency, advances pending receipts, and audits.
- an Annual Final USOPC Grant Report to include a final report with a brief narrative and financial overview for each USOPC grant funded projects.
- ...and more.

A recommended policy for initial review by the USA SURFING Board of Directors will be presented to the Board at its January 2020 meeting.

USA Surfing contracted with Altruic Advisors Certified Public Accountants & Consultants (Altruic) in June 2019 to take over

			<p>accounting for the NGB. Turning accounting over to this firm has automatically tightened accounting processes (necessitating the scanning of receipts, tracking restricted funds as separate projects, etc.) that will also be incorporated into the new financial policy and procedures.</p> <p>McMillen & Company, PLLC (McMillen) was hired in October 2019 to perform an independent audit as well as prepare the 2018 990. Both and are now in the process, with an ETA by end of December. Following the initial onboarding of the two new financial firms, an ongoing calendar will ensure timely completion of these functions annually.</p> <p>Responsible Party: BOD, Audit Committee, Board Chair/President, CEO, USOPC Consultant, USOPC Board Liaison</p> <p>Target Date: February 2020</p>
#6	Improvement of Internal Controls	Recommendations	Management's Action Plan
	The CEO is the sole individual responsible for the day to day operations of USA Surfing and has too much control over both the cash receipts and cash disbursements process. Lack of controls over these processes provides an opportunity for errors to go unnoticed or misappropriation	USA Surfing must establish internal controls surrounding both the cash receipts and cash disbursements process including developing sound financial policies and procedures to	USA Surfing hired the accounting firm. Altruic Advisors in June 2019. Altruic has since taken over accounting functions.

of funds which could be concealed by manipulation of the accounting system. Additionally, the Board President has voluntarily taken on administrative responsibilities that may be incompatible with her board duties.

The CEO is responsible for nearly all aspects of the cash receipts process including collecting and recording funds received, restrictively endorsing checks and depositing funds, and has full access to both the membership and accounting systems giving him the ability to manipulate funds received. Occasionally, the Board President handles deposits if they are time sensitive and the CEO is unable to collect them. She also has entry access into the accounting system as well as full access to the membership system.

Regarding disbursements, the CEO is primarily responsible for making or approving purchases made on behalf of the organization and only major purchases require Board approval. All other purchases are reviewed when the total budget is reviewed for variances. The Board President is a check signer. There aren't clear approval processes to ensure these purchases are appropriate.

USA Surfing does not have written financial policies and procedures to provide a framework for how these processes should function including mitigating or compensating controls. In situations where duties cannot be fully segregated, mitigating or compensating controls must be established. These controls are additional procedures designed to reduce the risk of errors, fraud or irregularities. Compensating controls can include independent reconciliation of accounts, a signature on checks by someone without access to the accounting system, and a review of transactions by a Board member or staff that does not have access to the accounting system or membership system.

include compensating controls such as the review of journal entries, preparing and reviewing bank reconciliations and other financial reports.

Additionally, USA Surfing should consider restricting the access of the Board President so that her duties align with proper internal control structures.

USA Surfing requested and has been granted USOPC NGB Services grant funding earmarked for the hiring of a person to handle administrative duties previously handled by the Board President on a volunteer basis. Funds are set to be available in January 2020.

The addition of an administrative staff member will mitigate previous lack of segregation of many other duties (previously handled by Board Member volunteers) inherent in an organization as small as USA Surfing.

McMillen & Company, PLLC. (McMillen) was hired in October 2019 to perform an independent audit as well as prepare the 2018 990. Both are now in process, with an ETA by end of 2019.

USA Surfing's soon to be adopted financial policies/procedures, the hiring of Altruic and McMillen will address these deficiencies, along with the addition of an administrative person, set to be added in 2020.

Responsible Party: CEO, Audit Committee, Treasurer, BOD, USOPC Consultant, USOPC Board Liaison

	<p>Currently, USA Surfing is not performing controls such as a review of bank reconciliations, financial reports, or review of journal entries. The purpose of reviewing a bank reconciliation is to detect any discrepancies between the accounting records of the organization and the bank. Reviewing frequent and detailed financial reports is also a compensating control. Without a review process for journal entries, errors could remain undetected for an extended period.</p>		<p>Target Date: First Quarter 2020</p>
<p>#7</p>	<p>Overstating of Expenses</p>	<p>Recommendation</p>	<p>Management’s Action Plan</p>
	<p>At the end of 2018, one project from the original PPA Agreement was not completed and the funds for that project were reallocated to other projects. As part of that process, \$2,180 was reallocated to one specific project. During testing, all of the invoices were reviewed for that project and it appears that the spending was overstated by the exact amount of the reallocation. The overstated funding was disallowed by the auditor and accounted for in the amount required to be repaid in issue #9 below.</p> <p>The Performance Partnership Agreement (PPA), requires complete and accurate records be maintained to support how USOPC funds were spent. Without proper support for grant expenses it can appear as if spending is being deliberately manipulated.</p>	<p>USA Surfing must improve the process for recording expenses in the general ledger to ensure that all spending is appropriately supported, particularly when it relates to reallocating USOPC funds.</p>	<p>USA Surfing’s new accounting firm Altruic Advisors (hired June 2019) has incorporated a new classification system for projects in the PPA. This system requires all expenditures to be classified by project (in advance) in order to have the ability to quickly and accurately report on expenditures for each project, as well as for any other restricted grant funds USA Surfing receives.</p> <p>New Financial Policies & Procedures now in development/review, will also require detailed monthly project reports.</p> <p>Responsible Party: CEO, Treasurer, Audit Committee</p> <p>Target Date: January 2020</p>

#8	Expenses Recorded in the Wrong Grant Year	Recommendation	Management's Action Plan
	<p>While reviewing expenses charged to USOPC grant funds, it was noted that two of the expenses sampled were spent in the wrong grant year. A total of \$50,450 was spent in 2019 and will be disallowed.</p> <p>According to the PPA agreement "Any funds provided by the USOPC under this Statement and not spent by the SPORTS ORG in the manner provided in this Statement will be returned to the USOPC, unless this Agreement is amended to reflect reallocation of funds within the same grant year."</p> <p>There was a total of \$450 contributed to the project from USA Surfing, so \$50,000 will need to be reallocated or repaid.</p>	<p>USA Surfing must work with Sport Performance to determine the course of action for the disallowed funds of \$50,000.</p>	<p>USA Surfing is working with USOPC Sport Performance toward resolution of funding spent in the wrong grant year (2019 vs. 2018).</p> <p>USA Surfing has implemented (with its new accounting firm Altruic, hired June 2019) QuickBooks accounting categories for the tracking of all USOPC grants and projects within each grant. The system is working and USA Surfing is currently up to date and fully compliant with this accounting process.</p> <p>Via consultation with the USOPC, USA Surfing's CEO now has full understanding of the process. Implementation of the new QuickBooks categories has resulted in a system to easily and accurately track all restricted funds closely. Soon to be implemented Financial Policies & Procedures also require monthly reports for restricted funds projects.</p> <p>Responsible Party: CEO</p> <p>Target Date: December 31, 2019</p>

#9	Unsupported Expenses	Recommendation	Management's Action Plan
	<p>While reviewing expenses charged to USOPC grant funds, it was noted that out of the 17 transactions tested, five were not appropriately supported with relevant receipts or invoices. There was either no receipt or invoice, or the amount recorded in the general ledger did not match the amount listed on the invoice.</p> <p>The PPA, which outlines the rules and requirements the organization must agree to in order to receive performance funding, stipulates the following: "SPORTS ORG will keep complete and accurate records of all receipts and expenditures relating to the cash, VIK and other resources provided to SPORTS ORG, as applicable, together with any reports or other documents submitted to USOPC in connection with this Agreement, for four years after expiration or early termination of this Agreement."</p> <p>The PPA further states that "Any funds provided by the USOPC under this Statement and not spent by the SPORTS ORG in the manner provided in this Statement will be returned to the USOPC, unless this Agreement is amended to reflect reallocation of funds within the same grant year. No amendment or modification of this Statement shall be effective unless in writing and signed by both Parties."</p> <p>Without appropriate support it could not be determined that the funds were spent in the manner provided in the PPA. The funds were disallowed; however, USA Surfing spent enough of its own funds and therefore does not owe money back to the USOPC.</p> <p>Currently, USA Surfing doesn't have financial policies and procedures that detail how these documents are to be</p>	<p>USA Surfing must develop formal policies and procedures to ensure that appropriate documents are retained, and proper approval of spending is received.</p>	<p>USA Surfing now attaches electronic receipts to every transaction in QuickBooks. Every transaction or reimbursement for expenses is required to be accompanied by electronic copies of receipts. USA Surfing's accounting firm Altruic Advisors (hired June 2019) verifies electronic receipts accompany all transactions.</p> <p>A soon to be hired administrative staff member will be charged with verifying and attaching receipts to all expenses.</p> <p>Responsible Party: CEO</p> <p>Target Date: December 31, 2019. Administrative staff member target hire date is end of January 2020.</p>

retained or submitted for approval.

Unsupported expenses, especially when combined with a weak oversight and approval structure, could result in loss to the organization through inappropriate payments made to vendors or improperly reimbursed expenses.

Audit Area: Due Process

#10	Develop a Case Management Process	Recommendation	Management's Action Plan
	<p>At the time of audit, USA Surfing was unable to provide all information related to the complaint tested. Auditor was unable to verify that notice of the complaint and the requested resolution was provided to all parties. Additionally, the auditor could not verify that all parties received the same email communications from the Judicial Committee. Lastly, USA Surfing did not provide signed resolutions from the parties involved as requested by auditor.</p> <p>The Sports Act requires fair notice before declaring an individual ineligible to participate. USA Surfing Bylaws require that basic due process rights are afforded to the parties. The SafeSport Adjudication Procedures for USA Surfing provide that the Judicial Committee issue a recommendation to USA Surfing for any possible actions or sanctions. This could include declaring an individual ineligible to participate which requires USA Surfing to provide fair notice as mandated by the Sports Act.</p> <p>USA Surfing does not have a case management process to track the status of a complaint, keep submitted documents in order, or file emails received and sent out to parties involved with a complaint. This creates the risk that parties are not afforded basic due process rights in accordance with the procedures.</p>	<p>For these reasons, USA Surfing must develop a case management process to ensure that all parties are afforded the rights as required by the Sports Act and the USA Surfing Bylaws.</p>	<p>A new policy requiring the format change to pdf documents (if necessary) and electronic filing of all future case correspondence, by case, is in development. The named Athlete Safety/Safesport Coordinator, and/or a new administrative staff member (to be hired by end of January 2020) will be responsible for tracking and case management.</p> <p>The Advisory Board member serving as legal counsel is assisting with the development of this process.</p> <p>Responsible Party: Board Chair/President, USOPC Consultant, Advisory Board Member/Legal Counsel, Athlete Safety/Safesport Coordinator (The Board Chair/President has been acting as the volunteer USOPC-recognized Coordinator. This may become a function of the new administrative staff member to be</p>

			added in January 2020, or other staff to be added in 2020). Target Date: First Quarter 2020
#11	Ensure Bylaws are Followed Through Judicial Committee Oversight	Recommendation	Management's Action Plan
	<p>USA Surfing did not process a complaint according to its Bylaws. This was the first complaint USA Surfing received as an NGB and was preliminarily investigated by the Board President. It appeared that the Board President had access to the email that was intended to be exclusive to the Judicial Committee. Audit was unable to verify that emails were sent directly from the Judicial Committee. Additionally, one of the parties consistently asked that the email address to the Judicial Committee be provided so that a complaint could be properly filed in accordance with the Bylaws. This email address was not provided until after a formal independent investigation was concluded. Once the filing party was provided with contact information for the Judicial Committee, a recommendation from the Committee was issued. After the recommendation was issued to the parties, one party requested a hearing. USA Surfing's Judicial Committee did not provide the party with a hearing within a reasonable time frame. Auditor was unable to verify that the Judicial Committee was made aware of this request through the formal Judicial Committee email. Overall, once the matter was provided to the Judicial Committee a recommendation was rendered in less than 30 days. However, when a hearing was requested, a hearing panel was not confirmed until five months after the original request and four months after unsuccessful attempts at mediation.</p> <p>USA Surfing's Complaint Procedures in the Bylaws require that the "complainant shall file the complaint with the</p>	<p>For these reasons, the Judicial Committee must exercise its oversight to ensure that the Bylaws are followed by USA Surfing.</p>	<p>Two new volunteer members are being sought for addition to the Judicial Committee, at least one with prior USOPC and/or NGB Judicial Committee experience.</p> <p>The USOPC Consultant will continue to act as liaison to the Judicial Committee to ensure Committee training and process guidance are properly aligned with the Bylaws. The Board Chair/President will also continue to provide Committee training in this area.</p> <p>A form for reporting complaints has been drafted and will be posted to the website by the end of the year.</p> <p>The new reporting form explicitly states: -SafeSport complaints should be submitted directly (free of charge and anonymously if necessary) to the U.S. Center for SafeSport. -Complaints for Administrative, Disciplinary, and Right to Participate are to be sent directly to the Judicial Committee via an</p>

Judicial Committee." Also, the Bylaws provide that the "Judicial Committee shall hear and render a decision . . . on grievances and disciplinary matters." USA Surfing SafeSport adjudication procedures provide that the Judicial Committee will determine the extent of any investigation necessary to rule on the matter. Additionally, any party that receives a recommended sanction has five business days to request a hearing to challenge the recommended sanction. The hearing is to be held in two weeks after the request, if possible, however, the party requesting the appeal must be available within the two-week period or the sanction takes effect until the hearing. If the party requesting the appeal is not present for the hearing within two months, the sanction becomes permanent. Lastly, the Sports Act requires USA Surfing to provide prompt and equitable resolution of its grievances of its members.

The Board President and the CEO managing the grievance process created a delay in administering the grievance process. The Board President having the access to the Judicial Committee email creates a risk of a complaint being filed at this email without the Judicial Committee having the ability to hear and render a decision in a timely manner as required. Lastly, there are many time provision restrictions on the appealing party but no time provisions for USA Surfing. Collectively, these individual practices create a risk that an individual is not provided with the grievance procedures that are guaranteed by USA Surfing's Bylaws.

email address accessible only to the Judicial Committee.
-Directions for the grievance process (for other than SafeSport issues) can be found in Section 13 of the USA Surfing's Bylaws.
-...and more.

A change to the USA Surfing Bylaws adding the new form for reporting complaints not related to Safesport issues will be presented to the Board for review, consideration and adoption.

A new email address, accessible only to the Judicial Committee Chair has been created and posted to the website in November 2019.

USOPC Consultant will continue to liaise with the Judicial Committee for process training purposes, the search for additional Committee members with Judicial Committee experience, and the search, onboarding and training of potential Hearing Panel volunteers.

Responsible party: Board Chair/President, USOPC Consultant, BOD, Judicial Committee, USOPC Board Liaison

Target date: January 15, 2020 for addition of form approved by BOD and added to website/Bylaws. First

			quarter 2020 targeted for the addition of new members to the Judicial Committee.
#12	Educate Staff, Board, and the Judicial Committee on the Grievance Process	Recommendation	Management's Action Plan
	<p>USA Surfing did not have a complete understanding of when a complaint is filed. Audit determined that the Board President was managing the grievance process. It appeared that the Judicial Committee was not involved with the grievance process unless contacted directly by the Board President.</p> <p>USA Surfing's Bylaws provide that administrative grievances, disciplinary proceedings, and right to participate complaints may be filed with USA Surfing. According to the Bylaws, the Judicial Committee administers and oversees this process.</p> <p>This is the first time USA Surfing was required to apply its grievance procedures resulting in the Board President and CEO not understanding the separation of duties as required by the Bylaws. This creates the risk that USA Surfing may violate its Bylaws.</p>	<p>For these reasons, USA Surfing must educate the Staff, Board, and Judicial Committee on the grievance processes required by the USA Surfing Bylaws.</p>	<p>The USOPC Consultant is developing a new Response, Due Process, and Resolution Training program for the education of the Board, staff and Judicial Committee on the grievance process for Administrative, Disciplinary, and Right to Participate grievances, as well as grievances returned by the U.S. Center for SafeSport to USA Surfing's jurisdiction.</p> <p>USA Surfing will also fully participate in the USOPC Office of Athlete Safety/Center for SafeSport soon to be adopted Athlete Safety/Safesport Coordinator standards training. Announced at the USOPC Office of Athlete Safety's December 12 Athlete Safety/Safe Sport Coordinator meeting, a training schedule is set for publication the week of December 16, with trainings set for April 2020 and October 2020.</p> <p>USA Surfing will train its Athlete Safety/Safesport Coordinator on this upcoming USOPC Athlete</p>

Safety Policy update. Per the USOPC Office of Athlete Safety’s December 12 Athlete Safety/Safe Sport Coordinator meeting, the updated policy will “explain very explicitly” the areas in which the USOPC and NGBs have jurisdiction. In order to avoid future confusion in this area, this new explicit explanation of jurisdiction will be a strongly highlighted area of training of the USA Surfing Athlete Safety/Safesport Coordinator position. The Athlete Safety/Safesport Coordinator will then be charged with educating staff, the Board and the Judicial Committee on the process. The USOPC Consultant is also charged with training the staff, Board, and Judicial Committee in this area.

The pending USOPC Office of Athlete Safety explanation of jurisdiction applies only to cases not under Center for SafeSport jurisdiction—as was the single case critiqued in this audit. It should also be noted that this single critiqued case was among the earliest cases rejected by the Center due to ineligible subject matter and returned to the jurisdiction of an NGB.

The Athlete Safety/Safesport Coordinator role will likely fall

			<p>under the job description of the soon to be hired administrative staff position (target hire date end of January 2020).</p> <p>Responsible party: CEO, Board Chair/President, USOPC Consultant, Athlete Safety/Safesport Coordinator</p> <p>Target date: First quarter 2020</p>
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Audit Area: Athlete Safety

#13	Track Athlete Safety Requirement Completion	Recommendation	Management's Action Plan
	<p>USA Surfing has a manual process to track the completion of background checks and education and training. Audit tested all the individuals that were authorized to engage with athletes to verify the process in place complies with the USOPC NGB Athlete Safety Policy. Of the 61 individuals authorized to engage with athletes including the staff and Board members, 22 individuals did not have a background check and 33 did not complete education and training.</p> <p>USOPC's NGB Athlete Safety Policy provides, "criminal background checks, at least every two years," and "education and training" for those individuals the NGB formally "authorizes, approves or appoints (a) to a position of authority over, or (b) to have frequent contact with athletes."</p> <p>The manual process to track background checks and education and training does not efficiently monitor the completion of athlete safety requirements for these individuals. As a result, individuals are authorized to engage with athletes without meeting the requirements</p>	<p>For the mentioned reasons, USA Surfing must immediately complete a thorough review of the list of all individuals listed on the manual excel sheet and explicitly indicate on the sheet any individuals that have not met the athlete safety requirements. Also, it is strongly encouraged that USA Surfing review the process for a better tracking of athlete safety requirements completion.</p> <p>USA Surfing will also be subject to verification within 90 days to ensure these recommendations have been implemented.</p>	<p>USA Surfing is currently in conversation with Sport 80 and will also contact Sports Engine to evaluate the service best suited to the NGB.</p> <p>The Athlete Safety/Safesport Coordinator will handle this function. A soon to be hired administrative staff member (target hire date end of January 2020) may be tasked with taking over this responsibility.</p> <p>The initial audit sampling was not adequately delineated between individuals currently authorized to engage with athletes, and individuals identified as those not yet engaging with athletes but needing to be background checked and SafeSport trained in advance of future engagement with</p>

	for athlete safety.		<p>athletes. Contracting with a provider such as Sport 80 for tracking will provide more accurate tracking as well as better reporting.</p> <p>Responsible party: CEO, Board Chair/President, Athlete Safety/SafeSport Coordinator, BOD, USOPC Consultant, USOPC Board Liaison</p> <p>Target date: First Quarter 2020</p>
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Risk Level: Medium

Audit Area: Financial

#14	Final Grant Reports and General Ledger Support	Recommendation	Management's Action Plan
	<p>USA Surfing's 2018 final grant report did not reconcile to the general ledger. Of the five projects reported, two included general ledger expenses that were more than the final amount reported, and three projects had less supported expenses than the final amount reported. For one project the variance was \$53,007, however, USA Surfing was able to demonstrate that USOPC funds were spent on the project so the organization will not be required to repay funds at this time.</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</p>	<p>USA Surfing must use their general ledger to report expenses when preparing the final grant report.</p>	<p>The accounting firm Altruic Advisors (hired June 2019) has incorporated a new classification system for projects in the PPA. This system requires all expenditures to be classified by project (in advance) in order to have the ability to quickly and accurately report on expenditures for each project, as well as for any other restricted grant funds USA Surfing receives.</p> <p>New Financial Policies & Procedures now in development/review, will also require detailed monthly project</p>

	unless an exception is granted. Though funds are not owed back at this time, improperly completing the final grant report could lead to this situation in the future.		reports from the CEO. Responsible Party: CEO Target Date: System currently implemented. Completion of coding 2019 transactions set for completion by January 31, 2020.
#15	Contracts with Organizations for Equipment	Recommendation	Management's Action Plan
	<p>It was identified through testing that USOPC funds were used to purchase equipment that is being stored in a facility owned and operated by a USA Surfing Board Member who also serves as the Medical Director.</p> <p>There is no contract or agreement on file detailing that the equipment purchased is owned by USA Surfing or who is responsible for maintenance and upkeep of the equipment. Contracts and agreements are important legal documents that identify roles and responsibilities and ensure all parties are protected.</p> <p>If the relationship between the organization and the Medical Director is severed there could be issues regarding who owns the equipment which could lead to a loss for USA Surfing.</p>	USA Surfing should draft and execute an agreement that outlines responsibility and ownership of the equipment purchased.	<p>USA Surfing is working with legal counsel to draft an agreement with the Medical Director detailing ownership and maintenance of all USA Surfing equipment that is stored and used at the Medical Director's facility. The Medical Director is in full agreement.</p> <p>Responsible Party: CEO, Advisory Board Member/Legal Counsel, USOPC Board Liaison, Medical Director, BOD</p> <p>Target Date: January 31, 2020</p>

CONCLUSION

USA Surfing was determined to be unsatisfactory in governance/managerial with three high risk recommendations; financial capability with six high risk and two medium risk recommendations; due process with three high risk recommendations; and athlete safety with one high risk recommendation. Since there were no recommendations in the area of Athlete Representation, USA Surfing was determined to be satisfactory in this area. The audit resulted in 15 recommendations and an overall audit rating of 71.

We wish to thank the staff and Board of USA Surfing for being cooperative during the audit.

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 38. 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 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.