

Audit Report

USA Table Tennis

August 16, 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 and Organizational Advancement Department (Audit) completed an audit of USA Table Tennis (USATT). The purpose of the audit was to determine if USATT 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. At the time of audit, USATT was in the process of hiring a Chief Executive Officer (CEO). USATT indicated that implementation of some of the following recommendations may take longer to remedy because of the transition to the incoming CEO.

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

Audit Rating			
NGB	Current Audit Rating	Prior Audit Rating	Current Average Rating
USA Table Tennis	62	3	33

The audit rating is an open-ended rating, with zero being the optimal rating. To calculate the current average rating, we compared USATT to NGBs with comparable annual revenue. 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 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 USATT’s athletes and USATT, the managerial and financial capabilities of USATT, 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
Provide Conflict of Interest Training	Governance	High
Implement a Procedure to Document a Preliminary Review for Conflicts	Governance	High
Improve Financial Reporting Processes	Financial	High
Improve Controls over Cash Receipts Process	Financial	High
Improve Controls over Payroll Process	Financial	High
Follow Financial Policies and Procedures for Approval of Purchases	Financial	High
Follow the Complaint Procedure in the Bylaws	Due Process	High
Enhance Tracking and Management of Athlete Safety Requirements	Athlete Safety	High
Comply with Audit Committee Requirements	Governance	Medium
Improve Controls over Inventory Process	Financial	Medium
Improve Controls over Offsite Events	Financial	Medium
Execute Contracts with Independent Contractors	Financial	Medium
Review and Approval of Board Expenses	Financial	Medium
Implement Procedures for Prompt Resolution	Due Process	Medium
Follow the USATT SafeSport Policy	Due Process	Medium
Improve Controls over Petty Cash	Financial	Low

PRIOR AUDIT

USA Table Tennis’s previous audit report from the USOPC, dated November 25, 2014, resulted in one recommendation in the area of internal controls. The recommendation is included as a repeat recommendation.

CURRENT RECOMMENDATIONS

Risk Level: High			
Audit Area: Governance			
#1	Provide Conflict of Interest Training	Recommendations	Management’s Action Plan
	<p>USATT requires Board members, committee members, and staff to disclose conflicts of interest on an annual basis. Auditor tested 21 Conflict of Interest Disclosure forms. Through testing, including a preliminary internet search, Audit found that nine individuals did not disclose potential conflicts. Upon review of the Board Meeting minutes, no conflicts were disclosed during the meeting, and no vote for discussions regarding conflicts of interest to be held in executive session were made.</p> <p>The USATT’s Conflict of Interest Disclosure form requires disclosure of conflicts on an annual basis and updated as often as necessary. Further, USATT Bylaws provide that if a Board member, officer, or committee member has an interest that would affect the individual and that individual is able to influence the decision regarding that interest, then the individual shall disclose the conflict, not participate in the discussions and decisions, and will not vote on the matter. Moreover, USATT Bylaws provide that all discussions of conflict of interest shall be open to the public unless most Board members vote to conduct the conversation in executive session.</p> <p>USATT suggests that there is a lack of understanding as to what a potential conflict is. As a result, the potential conflicts identified have the ability to benefit individuals</p>	<p>USATT must offer a conflict of interest training to the individuals required to complete Conflict of Interest Disclosure forms.</p> <p>Also, it is strongly suggested that updated Conflict of Interest Disclosure forms are returned with complete disclosures of potential or actual conflicts.</p>	<p>USATT’s Board of Directors and selected committee chairs will have online Conflict of Interest Training on October 28. Staff will receive the same training either on October 28 or shortly afterward. Subsequent to that training, all Board, committee, and staff members will be required to prepare and submit an updated Conflict of Interest Form to the Board Chair, who will forward these updated forms to the USATT Ethics and Grievance Committee to complete the vetting process and to the Chief Operating Officer for proper recordation.</p> <p>Responsible Parties: USATT Board Chair; Ethics and Grievance Committee; USATT General Counsel; USATT Chief Operating Officer</p> <p>Target Date: November 1, 2019</p>

	with an interest beyond that of USATT. This creates a high risk of USATT's contracts, transactions, and business affairs benefiting the individual and leaving USATT at a loss.		
#2	Implement a Procedure to Document a Preliminary Review for Conflicts	Recommendations	Management's Action Plan
	<p>USATT requires Board members, staff, and committee members to disclose conflicts by completing Conflict of Interest Disclosure forms on an annual basis. At the time of audit, all the previously listed individuals completed Conflict of Interest Disclosure forms for 2019. Of the 21 forms tested, the auditor could not verify that the forms were reviewed for potential conflicts. The Chief Operating Officer (COO), who was aware that potential conflicts existed, did not verify that known conflicts were disclosed on the Conflict of Interest Disclosure forms.</p> <p>USATT Bylaws provide that determinations of conflicts for Board members are reviewed and cleared by the Board by a majority vote. Also, USATT Bylaws provide that the Ethics & Grievance Committee will review and provide guidance on ethical questions presented to it by the Board. It is a best practice that conflict disclosure forms are reviewed, properly documented, and forwarded to the appropriate persons.</p> <p>At the time of audit, there was not a CEO at USATT that would have enforced the provisions of the conflict of interest requirements. The COO assumed the responsibilities of the CEO during the search for an individual to fill that role. The COO created a temporary process of review to determine whether the forms were completed. However, this process does not include any documentation that the form was reviewed or a preliminary review of whether conflicts were or were not</p>	<p>It is strongly suggested that USATT implement a procedure for a preliminary review of conflict of interest disclosures that is documented, protecting the interests of USATT.</p> <p>Also, it is encouraged that USATT use the Ethics & Grievance Committee as a resource for review as provided in the Bylaws, Article IV, Section 9.13(b)(6).</p>	<p>USATT's Chief Executive Officer will direct USATT's Chief Operating Officer to develop and implement a written procedure for submission and review of appropriate Conflict of Interest forms for all appropriate persons, including Board members, USATT staff, and committee members. The written procedures shall include a complete vetting process of these Conflict of Interest Forms by the Ethics and Grievance Committee, who will be charged with preparing a written report for Board review regarding any and all Conflicts and particularly those that are deemed disqualifying conflicts. Specific to Board members, the Ethics and Grievance Committee will report potential conflicts to the Board. The Board will make the final determinations as provided in Bylaw 19.3.</p> <p>Responsible Parties: USATT Chief Operating Officer; USATT Ethics and Grievance Committee; and</p>

disclosed.

Out of the eight Board members, the auditor identified six with potential conflicts. However, only one of those Board members disclosed their potential conflicts on the Conflict of Interest Disclosure form. Also, three of the National Team staff did not disclose potential conflicts. The current process entails that the Board only receives Conflict of Interest Disclosure forms that include disclosures. Forms without any potential conflicts listed are not forwarded to the Board for review. Therefore, because known potential conflicts of interest were not included on the disclosure forms, no forms were forwarded to the Board for conflict review. The lack of preliminary review may result in a high risk of the Board members and National Team staff making decisions that benefit the individual and not USATT.

USATT Board of Directors.

Target Date: November 1, 2019

Audit Area: Financial

#3	Improve Financial Reporting Processes	Recommendations	Management's Action Plan
	<p>USATT is not currently compliant with the Sports Act, USOPC Bylaws, or following USATT's Financial Policies and Procedures manual. Audit found that there was no evidence of generating or reviewing financial reports and detail, including an annual budget and budget-to-actual, at the staff or Board level.</p> <p>USATT does not have an approved budget for 2019. This is a violation of the Sports Act and USOPC Bylaws. The Sports Act requires that an NGB have the managerial and financial capabilities to plan and execute its obligations. Without an approved budget, it is difficult for an organization to plan and execute its obligations. It is an accounting best practice to operate a business with a budget. Developing and operating with a budget is done to monitor progress toward the organization's goals, helps</p>	<p>USATT must develop and operate within an approved budget to operate a fiscally responsible organization and be in accordance with the Sports Act and USOPC Bylaws.</p> <p>USATT must also ensure that there is an approval process in place to appropriately account for any deviations from the annual approved budget for all expected expense categories.</p> <p>In accordance with USATT's Financial Policies and Procedures manual, USATT must continually review the</p>	<p>USATT's Board of Directors approved an operating budget effective June 10, 2019.</p> <p>USATT's Chief Executive Officer has directed USATT's Finance Director to deliver regular and complete monthly and quarterly Financial Reports to the Board of Directors. These reports include an income statement and balance sheet. USATT's Chief Executive Officer will undertake the responsibility to notify USATT's Board of Directors of any material</p>

	<p>control spending, and predicts cash flow. In addition, according to USOPC Bylaws Section 8.7, an NGB shall adopt a budget.</p> <p>Additionally, although USATT had a Board-approved budget for 2018, the budget by division is not being reviewed throughout the year by the department heads and CEO. There is currently no process in place to approve deviations from the budget. Without timely review of budgets and approval of budget deviations, USATT cannot adequately manage finances or sufficiently review financial activities within the operating budget.</p> <p>Furthermore, USATT's Financial Policies and Procedures manual requires the following reports be generated and distributed monthly to Board members and the CEO: the income statement summary; income statement detail; balance sheet; statement of activities; and a list of club tournaments including star level/fees generated. Per review of the Board minutes, it is evident that during the year the Board did not receive or discuss any financial reports during their meetings. Without review of financial reports, USATT's financial condition may not be adequately communicated resulting in difficulty in achieving goals and organizational objectives.</p>	<p>progress of the budget-to-actual and other financial reports throughout the year to appropriately manage finances.</p>	<p>deviations from the established operating budget. USATT's Audit Committee is charged with the task of conducting a quarterly review of the budget-to-actual expenditure and revenue reports, as well as the income statement and balance sheet.</p> <p>After conducting this financial review, the Audit Committee is charged with the responsibility of providing a written report to the full Board at the next regularly scheduled Board Meeting.</p> <p>Responsible Parties: USATT Finance Director; USATT Chief Executive Officer; USATT Audit Committee; USATT Board of Directors</p> <p>Target Date: August 15, 2019</p>
#4	Improve Controls over Cash Receipts Process	Recommendations	Management's Action Plan
	<p>The Director of Finance (DOF) has too much control over the cash receipts process. The lack of controls over this process provides an opportunity for unidentified errors or misappropriation of funds and manipulation of the accounting system to conceal the missing funds.</p> <p>The DOF receives the mail, restrictively endorses the checks, and then passes along the checks to the Director of Ratings, Membership and Database Management, and the Administrative Assistant to record in the membership</p>	<p>USATT must follow its Financial Policies and Procedures manual as it relates to the cash receipts process; including detailed reviews of bank reconciliations.</p> <p>Additionally, USATT must update its Financial Policies and Procedures manual to implement a process to</p>	<p>USATT's Board Chair will charge USATT's Audit Committee with the responsibility of conducting a detailed review of the Department of Finance's daily procedures as they compare with the formal written policies of the organization. The Audit Committee will prepare a written report detailing its findings, including any</p>

system and prepare the deposit, respectively. Additionally, there is no initial logging of checks received. This process does not currently align with USATT's Financial Policies and Procedures manual that requires the Administrative Assistant open the mail, stamp with the bank endorsement stamp and create a machine tape total of the checks, date stamp and initial the tape, and submit check support and tape to the CEO.

There are four general categories of duties or responsibilities which are examined when segregation of duties are discussed: authorization, custody, record keeping, and reconciliation. No one person should have control of more than two of these responsibilities. The more negotiable the asset, the greater the need for proper segregation of duties - especially when dealing with cash, negotiable checks, and inventories. Currently, USATT's DOF has all four of these functions and responsibilities as it relates to cash receipts.

In situations where duties cannot be fully segregated, mitigating or compensating controls must be established. Mitigating or compensating 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 reviews of transactions by staff.

Currently, USATT is not performing mitigating controls such as a review of bank reconciliations or journal entries. The purpose of reviewing a bank reconciliation is to detect any discrepancies between the accounting records of the organization and the bank. Without a review process of journal entries, errors could remain undetected for an extended period of time. The external auditors review journal entries on an annual basis which could result in

review journal entries.

and all internal controls that must be implemented to ensure compliance with the organization's written policies. The internal controls shall be amended as necessary to include ensuring review of all actions related to cash receipts.

USATT's Chief Executive Officer will charge USATT's Director of Finance with the responsibility of revising USATT's actual practices so they are consistent with USATT's written financial procedures, particularly with respect to receiving, distributing and date stamping mail and checks. Reports of these activities shall be submitted to the Chief Executive Officer for final verification.

USATT's Chief Executive Officer will request that the Audit Committee work with the Director of Finance and other USATT staff members to ensure proper segregation of duties, particularly when dealing with cash, negotiable checks, and inventories. Compensating controls shall be implemented where segregation is not feasible.

	<p>possible misstatements not being detected and corrected in a timely manner. Reviews help strengthen internal controls over cash receipts, cash disbursements and financial reporting, because there's more than one person involved in the process.</p> <p>Furthermore, USATT's Financial Policies and Procedures manual requires that the Audit Committee review and approve the bank reconciliations. Currently, there is no documented process in USATT's Financial Policies and Procedures manual for review of journal entries.</p>		<p>Through QuickBooks Online, the Audit Committee Chair shall conduct monthly reviews of all bank reconciliations and/or journal entries conducted by the Director of Finance. All such reviews shall be properly documented by the Audit Committee, with reports submitted to the CEO.</p> <p>Responsible Parties: USATT Finance Director; USATT Chief Executive Officer; USATT Audit Committee Members</p> <p>Target Date: November 1, 2019</p>
#5	Improve Controls over Payroll Process	Recommendations	Management's Action Plan
	<p>Segregation of duties over the payroll process needs to be strengthened. The DOF has too much control over payroll as he has access to make changes in the payroll system and is the only person reviewing payroll prior to distribution. As noted above, proper segregation of duties requires that no one person has authorization, custody, recordkeeping, and reconciliation responsibilities. Currently, the DOF has all four functions and responsibilities over the payroll process.</p> <p>The lack of an independent review of payroll could allow for errors that are not caught in a timely manner. Restricting payroll responsibilities to one individual creates an opportunity to misappropriate funds through payroll by changing salary information or adding unauthorized individuals and manipulating the accounting system. Requiring a second person to review payroll would improve the controls over payroll and possibly protect</p>	<p>USATT must improve controls over the payroll process by requiring a second person to review payroll prior to distribution.</p> <p>USATT should then update its Financial Policies and Procedures manual in order to reflect the new practice.</p>	<p>USATT's Chief Executive Officer currently reviews all matters undertaken by USATT's Director of Finance with respect to payroll. The Chief Executive Officer will consult with USATT's Audit Committee to secure a consensus revision of the current USATT financial policies and procedures in order to ensure a proper review process for all matters related to payroll.</p> <p>Following the consensus revision, USATT's Chief Executive Officer shall update the Financial Policies and Procedures manual accordingly.</p>

	USATT from potential compliance violations.		<p>Responsible Parties: USATT Chief Executive Officer; USATT Finance Director; USATT Audit Committee</p> <p>Target Date: November 1, 2019</p>
#6	Follow Financial Policies and Procedures for Approval of Purchases	Recommendation	Management's Action Plan
	<p>USATT is not following its Financial Policies and Procedures manual regarding approval of purchases, including expense requests, reimbursements and corporate credit card transactions. The Financial Policies and Procedures manual outlines that for competitions that require funds to cover unanticipated contingencies, and for payments of goods and services that require payment in cash, the High Performance/Technical Director should determine the cash advance requirement and submit a check request to the CEO for approval. Expense reimbursement requests require a completed expense report with accompanying receipts be submitted to the DOF for reimbursement and approved for payment by the CEO. In respect to corporate credit card transactions, the policy outlines that all credit card charges must be approved in advance by the CEO on a credit card charge request form and then forwarded to the DOF. However, out of 40 expenses sampled during testing, 34 were missing documented approvals. By not following the Financial Policies and Procedures manual surrounding the expense approval process, there is no supporting documentation verifying that expenses are reviewed or approved, and errors and inappropriate expenditures could go unnoticed.</p>	<p>USATT must follow its Financial Policies and Procedures manual for approvals of expenditures, including expense requests, reimbursements and corporate credit card transactions.</p>	<p>USATT's Chief Executive Officer will direct USATT's Finance Director to immediately implement written check and credit card expense forms to be utilized in expense requests, reimbursements and corporate credit card transactions. Each such form shall be submitted for approval by the Chief Executive Officer.</p> <p>A report of approved transactions will be submitted to the USATT Audit Committee for review.</p> <p>Responsible Party: USATT Director of Finance; USATT Chief Executive Officer; USATT Audit Committee</p> <p>Target Date: August 15, 2019</p>

Audit Area: Due Process

#7	Follow the Complaint Procedure in the Bylaws	Recommendations	Management’s Action Plan
	<p>The Sports Act requires equitable resolution of grievances for the members of USATT. Procedurally, USATT Bylaws provide this and state that, “[t]he Ethics and Grievance Committee shall . . . pursuant to Article X of these Bylaws, investigate, hear and render written decisions on matters of . . . administrative or member grievances and disciplinary matters, right to compete matters filed with USATT, and the standards of conduct, fair play, and good sportsmanship.” Also, the Ethics and Grievance Committee is allowed to create additional procedures beyond what is stated in the Bylaws for an effective management of complaints filed to ensure “that all complaints are heard in a timely, fair and impartial manner.”</p> <p>Currently, USATT receives verbal and written complaints that are managed by the USATT staff. The COO reviews the complaints with USATT staff and then investigates to determine if this is a grievance that will be forwarded to the Ethics and Grievance committee for resolution. Previously, the CEO and COO were the recipients of all complaints filed with USATT, including complaints that were filed against the staff and Board members. Currently, grievances are not handled by the Ethics and Grievance Committee, pursuant to USATT Bylaws, that allows for an independent investigation and determination of whether the complaint should be heard on the merits or dismissed.</p> <p>The staff’s intake of grievances creates an automatic potential conflict for a person filing a complaint against any persons involved with or competing at the tournament who is on the USATT staff or Board of Directors. As a result, allegations made against the staff or Board members, about an occurrence at a tournament may not</p>	<p>USATT must follow the complaint procedures set out in its Bylaws.</p> <p>If the Ethics and Grievance Committee would like to create an additional case management process for complaints, it is recommended that this process is developed and adopted by the Ethics and Grievance Committee as set out in the USATT Bylaws.</p>	<p>USATT’s Chief Executive Officer will direct USATT’s Ethics and Grievance Committee to conduct a review and revision of policies and practices in the process of filing of grievances within the USATT system so as to fully protect individual due process rights and privileges and to preclude the possibility of conflicts of interest within the USATT staff. EGC procedures shall accommodate direct submission of complaints to the EGC, who shall also provide proper notice of all such procedures to the grievance process to ensure that USATT membership is properly informed regarding the updated processes.</p> <p>Complaints filed pursuant to USATT’s SafeSport Policies and Procedures will continue to be directed to the Athlete Protection Officer for processing under those procedures. If a SafeSport hearing is deemed necessary, the APO will transmit the case to the Chief Executive Officer, who will review the matter and request that the Ethics and Grievance Committee appoint a hearing panel to resolve</p>

	<p>receive equitable resolution. This creates a risk that a member would choose not to file a complaint because of the intake process and fear of retaliation by USATT.</p>		<p>the issue in accordance with the SafeSport Code and USATT SafeSport Policies and Procedures.</p> <p>Responsible Parties: USATT Chief Executive Officer; USATT Athlete Protection Officer; USATT Ethics and Grievance Committee</p> <p>Target Date: November 1, 2019</p>
--	---	--	--

Audit Area: Athlete Safety

#8	Enhance Tracking and Management of Athlete Safety Requirements	Recommendations	Management's Action Plan
	<p>USOPC's NGB Athlete Safety Policy requires "criminal background checks, at least every two years," and Athlete Safety Education and Training (Education & 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>Currently, USATT has a manual process to track the completion of background checks and Education & Training. Audit tested a total of 63 individuals, including staff and Board members, that were authorized to engage with athletes to verify the process in place complies with the USOPC NGB Athlete Safety Policy. Of those 63 individuals, 26 did not complete a background check or the requisite Education & Training. These individuals are currently authorized to engage with athletes as indicated by the various Coach, Umpire, and Referee lists published on the USATT website.</p> <p>The manual process to track background checks and Education & Training does not efficiently monitor the</p>	<p>USATT must immediately complete a thorough review of the active membership list and remove any individuals that have not met the athlete safety requirements from the active list and the USATT website.</p> <p>USATT must immediately restrict an individual's responsibilities when they are not in compliance and ensure that they don't have access to athletes. Access can resume when they have successfully completed the required background check and Education & Training.</p> <p>Also, it is strongly encouraged that the membership services department train staff and review the process for tracking the completion of background checks and Education &</p>	<p>USATT's Chief Executive Officer shall direct USATT's Ratings and Membership Department in conjunction with USATT's Chief Operating Officer to review the current USATT member database for all persons who are subject to criminal background checks and Athlete Safety Education. Those members who have not completed mandatory background checks and/or training shall be immediately removed from any official lists authorizing interaction with athletes. Furthermore, non-compliant members will be restricted from access with those athletes.</p> <p>Upon determination that any covered individual's SafeSport</p>

status of completion for required individuals. As a result, individuals are authorized to engage with athletes without meeting the requirements for athlete safety.

Training.
USATT will also be subject to verification within 90 days to ensure these recommendations have been implemented.

background check or Education & Training is no longer compliant, that will be reported to USATT’s Chief Operating Officer, who will oversee remedial measures.
USATT’s Ratings and Membership Department is also charged with the responsibility of recommending digital automation of this database review process, including API Systems. The implementation of this automated digital system is already underway.

Responsible Party: USATT Chief Executive Officer; USATT Ratings and Membership Department; USATT Chief Operating Officer

Target Date: November 1, 2019

Risk Level: Medium

Audit Area: Governance

#9	Comply with Audit Committee Requirements	Recommendations	Management’s Action Plan
	USATT’s Audit Committee did not meet during 2018. As such, USATT is not fulfilling the necessary responsibilities of the Audit Committee as defined in its Bylaws. The Audit Committee is, as required by USATT’s Bylaws, expected to recommend the independent auditors of USATT, review the report of the independent auditors and management letter, and recommend action as needed; investigate matters of fiscal controls and disclosure and such other matter as directed by the Board; annually perform an internal audit of staff operations and compliance with the	The Audit Committee should review all financial aspects of USATT’s financial capability by adhering to the responsibilities as set out by USATT’s Bylaws. Additionally, although it is not outlined in USATT’s Bylaws, in order to meet the expectations of the Audit	USATT’s Chief Executive Officer in conjunction with USATT’s Financial Working Group has for some time been conducting regular weekly teleconferences dedicated to the reorganization of USATT’s financial processes. These weekly teleconferences are scheduled to be concluded - and the Working Group will be phased out - in the

	<p>Board adopted budget and policies; and perform such other duties as assigned by the Board.</p> <p>However, without Audit Committee meetings, USATT is not able to meet the expectations outlined in USATT’s Bylaws. By not meeting the expectations as outlined by USATT’s Bylaws, the Committee is not able to make the necessary financial decisions to strengthen the financial capability of USATT.</p>	<p>Committee per USATT’s Bylaws, it is recommended that the Audit Committee meet on a more frequent basis to make the necessary financial decisions to strengthen the financial capability of USATT.</p>	<p>relative near future, when it is determined that the Working Group has completed the successful reorganization of USATT’s financial processes.</p> <p>USATT’s Audit Committee began conducting monthly meetings in February of 2019; those meetings will become quarterly in Q4 of 2019. The Audit Committee reviews the quarterly Financial Reports prepared for the Board of Directors prior to those reports being submitted to the Board of Directors.</p> <p>Responsible Parties: USATT Financial Working Group; USATT Chief Executive Officer; USATT Audit Committee</p> <p>Target Date: August 15, 2019</p>
--	--	--	---

Audit Area: Financial

#10	Improve Controls over Inventory Process	Recommendation	Management’s Action Plan
	<p>USATT does not currently have inventory records or internal controls over the inventory process. Inventory is currently stored in a common area within the main office, providing all staff members with access to the inventory. Although the COO and Director of Ratings, Membership and Database Management conduct periodic counts of the inventory at events, there is no record of these inventory counts. Proper controls require controlled access to inventory and periodic counts of inventory which is then reconciled with inventory records. Without proper controls</p>	<p>USATT should create procedures regarding inventory controls. These procedures should include: where inventory is stored; how it is safeguarded; who has inventory access; and who would be responsible for conducting a periodic count of inventory on hand. These duties should be separated in such a way that the employees who have</p>	<p>USATT’s Chief Executive Officer will direct USATT’s Chief Operating Officer to develop written inventory control procedures and inventory status reports. The inventory control process shall include a clear separation of persons charged with the responsibility of maintaining inventory records from those who</p>

	and inventory records, inventory can be easily misappropriated leading to financial losses for USATT.	inventory access do not keep inventory records and are not responsible for the periodic count.	have direct access to inventory, where possible. Responsible Parties: USATT Chief Executive Officer; USATT Chief Operating Officer Target Date: November 1, 2019
#11	Improve Controls over Offsite Events	Recommendation	Management's Action Plan
	<p>The internal controls utilized at offsite events, including cash receipts and inventory, need to be strengthened. USATT has two offsite events, the US Open and Nationals. To keep track of differing sales such as admissions, merch, customization, VIP section, etc., USATT utilizes a cash register with separate department settings. However, the process for the cash register is not documented and is not always communicated to the volunteer cashier onsite at events, as it is not always feasible for a USATT employee to be working the register at all times. The DOF has discussed the procedure with the Director of Ratings, Membership and Database Management and together they are responsible for balancing the register at the end of the night by department.</p> <p>By not having a documented process or a process in place to effectively communicate the required procedures to volunteers, errors can arise when reconciling the registers. This can lead to further issues such as improper accounting records and noncompliance with tax regulations as certain items are taxed at separate rates.</p>	USATT should create procedures regarding offsite event processes and update its Financial Policies and Procedures manual to reflect the updated process. Additionally, USATT should consider creating a training manual for volunteers at events to effectively communicate these processes.	<p>USATT's Chief Executive Officer shall direct USATT's Director of Finance to develop and follow updated financial procedures for off-site events, design a training module for volunteers at these events, and draft a formal manual which volunteers may consult during the course of their activities.</p> <p>Responsible Parties: USATT Chief Executive Officer; USATT Director of Finance</p> <p>Target Date: November 1, 2019</p>
#12	Execute Contracts with Independent Contractors	Recommendation	Management's Action Plan
	USATT made payments to coaches and coaching seminar instructors without signed agreements that detailed the	USATT should execute contracts with all independent contractors,	USATT's Chief Executive Officer has directed USATT's General

	<p>responsibilities and obligations of each party. This finding was also included in the prior USOPC audit report.</p> <p>Executed contracts protect USATT and the independent contractors who perform services on their behalf. It is essential to have executed contracts that identify the rights and obligations of each party. At a minimum, the key details should be in writing between the parties.</p>	<p>including coaches and instructors, who provide services for USATT.</p>	<p>Counsel to prepare a draft template Agreement for all Independent Contractors, including coaches and instructors. The draft template is expected to be presented in the near future with implementation immediately following preparation.</p> <p>The Agreements will include a checkbox to indicate the completion (to be verified) of SafeSport compliance.</p> <p>Responsible Party: USATT Chief Executive Officer; USATT General Counsel</p> <p>Target Date: September 1, 2019</p>
#13	Review and Approval of Board Expenses	Recommendation	Management’s Action Plan
	<p>The Board’s expenses are reviewed and approved by the CEO, or COO in the absence of a CEO. The CEO and COO currently report to the Board. It may be difficult for someone who reports to the Board to question expenses or request additional documentation.</p> <p>The organization could be reimbursing for expenses that are not appropriate. Having Board members review each other’s expenses keeps Board spending transparent. The review could be done on a monthly, quarterly, or semi-annual basis as a back-up procedure after the Board member has already been reimbursed. This way, payments are not delayed, but an appropriate review procedure is in place.</p>	<p>USATT should designate a Board member to review the other Board member’s expenses on a regular basis and document when the process was done.</p>	<p>USATT’s Audit Committee shall review aggregate records of all Board Expenses on a quarterly basis, request supplementary documentation as necessary, and submit all reports to the full Board.</p> <p>Responsible Party: USATT Audit Committee</p> <p>Target Date: September 1, 2019</p>

Audit Area: Due Process

#14	Implement Procedures for Prompt Resolution	Recommendation	Management's Action Plan
	<p>USATT provides hearings for complaints filed with the NGB. Of the three complaints tested, none of the matters were promptly resolved. Although one complaint may have been delayed because it was filed in multiple forums, matters were generally heard approximately six to eight months after filing.</p> <p>The Sports Act provides that an NGB should provide procedures for the prompt resolution of grievances of its members. USATT's Bylaws provide a 90 day statute of limitation for complaints to be filed for resolution.</p> <p>The bylaws do not provide for a timeframe of resolution for a complainant. However, there is a restriction upon when complaints can no longer be filed. Because there is not a guideline for when matters should be heard, there is a lack of prompt resolution for the aggrieved party exceeding what is permissible for an aggrieved to file a complaint. This creates a risk that a complainant and respondent would not receive the basic due process rights of which should be afforded.</p>	<p>It is recommended that USATT implement a procedure that would adjudicate matters in a manner that would result in a prompt resolution.</p>	<p>USATT's Chief Executive Officer shall direct USATT's General Counsel to prepare a recommended procedure to facilitate the prompt adjudication of disputes in the table tennis community. General Counsel's proposed recommendations shall be submitted to the Ethics and Grievance Committee for further refinement and transmission to USATT's Board of Directors for review, approval, and codification into USATT By-Laws.</p> <p>Responsible Parties: USATT General Counsel; USATT Ethics and Grievance Committee; USATT Board of Directors.</p> <p>Target Date: November 1, 2019</p>
#15	Follow the USATT SafeSport Policy	Recommendation	Management's Action Plan
	<p>USATT investigates matters that are returned from the Center for SafeSport for declined jurisdiction. Currently, the General Counsel empanels a hearing panel, appoints a chair, and allows the hearing panel to make the decision to hold a hearing or dismiss the matter. The COO understood this process to be in USATT's SafeSport Policy and incorporated by reference into USATT's Bylaws. Upon review of the USATT SafeSport Policy, it was determined that the process currently employed by USATT does not</p>	<p>It is strongly suggested that USATT follow its SafeSport Policy.</p>	<p>USATT's Chief Executive Officer has directed the correct application of USATT's current SafeSport Policies and Procedures. USATT notes that the procedures described to the USOPC audit team reflect those from a previous Policies and Procedures Manual. USATT's Athlete Protection Officer</p>

conform to its stated policies.

The USATT SafeSport Policy provides that after the investigation is completed, if the Athlete Safety Protection officer finds there is enough reasonable evidence to support the complaint, it will be forwarded to the CEO. Then, the CEO in consultation with the General Counsel, "shall refer the matter to the USATT Ethics & Grievance Committee, which will appoint a Hearing Panel pursuant to Bylaw Article X."

The COO and General Counsel do not follow the USATT SafeSport Policy, which creates a risk of improper adjudication.

and General Counsel will immediately implement current SafeSport Policies with respect to the initial intake, investigation and submission to the Chief Executive Officer, who shall refer the matter to the Ethics and Grievance Committee for appointment of an appropriate hearing panel

Responsible Parties: USATT Chief Executive Officer; USATT Athlete Protection Officer; USATT General Counsel; and USATT Ethics and Grievance Committee.

Target Date: August 15, 2019

Risk Level: Low

Audit Area: Financial

#16	Improve Controls over Petty Cash	Recommendations	Management's Action Plan
	<p>The DOF has too much control over petty cash as he is the only person with custody of the petty cash and reviews petty cash transactions. USATT's Financial Policies and Procedures manual does not currently detail a review process for petty cash. This creates an opportunity to misappropriate the petty cash funds and manipulate the accounting system to conceal the missing funds. There could also be errors that are not caught in a timely manner without an independent review of the petty cash transactions.</p> <p>As noted above, proper segregation of duties requires that no one person has authorization, custody, recordkeeping, and reconciliation responsibilities. Currently, the DOF has</p>	<p>USATT should consider implementing a review process or eliminate petty cash.</p> <p>USATT should then update its Financial Policies and Procedures manual in order to reflect the new practice.</p>	<p>USATT's Chief Executive Officer shall direct USATT's Director of Finance to take all necessary steps to reduce the use of petty cash in USATT transactions to a de minimis role; and to the extent that petty cash is utilized, the Director of Finance, in consultation with the USATT Audit Committee, shall create a procedure to document any such transactions, separating the responsibilities of those with authorization, custody,</p>

all four functions and responsibilities over petty cash.

In situations where duties cannot be fully segregated, mitigating or compensating controls must be established. Mitigating or compensating controls are additional procedures designed to reduce the risk of errors, fraud or irregularities. Compensating controls can include independent review of transactions. Currently, there are no compensating controls in place.

recordkeeping, and reconciliation responsibilities.

Responsible Party: USATT Chief Executive Officer; USATT Director of Finance; USATT Audit Committee

Target Date: November 1, 2019

CONCLUSION

USATT was determined to be unsatisfactory in governance/managerial with two high-risk and one medium-risk recommendations. Financial capabilities were determined to be unsatisfactory with four high-risk, four medium-risk and one low-risk recommendations. Due process and athlete safety were determined to be unsatisfactory with one high-risk and two medium-risk recommendations and one high-risk recommendation, respectively. Athlete representation was determined to be satisfactory with no recommendations in this area. The audit resulted in sixteen recommendations and an overall audit rating of sixty-two.

We wish to thank USATT's staff 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 A for guiding principles of risk levels. For comparability purposes, audit work performed may vary annually.

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 Olympic and 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 and Training to determine if the individuals have a current background check and current Education & Training. 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 Olympic and Amateur Sports 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 Olympic and Amateur Sports 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 Athlete Safety Education and Training 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 Athlete Safety 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.