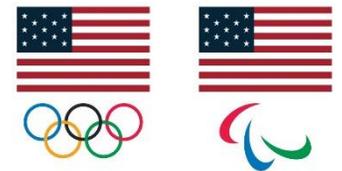


Audit Report

National Wheelchair Basketball Association

May 5, 2020

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 (AOA) completed an audit of National Wheelchair Basketball Association (NWBA). The purpose of the audit was to determine if NWBA 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 as applied to it through the Performance Partnership Agreement (PPA). The audit period focused on activities conducted in 2018 and USOPC funds received from January 1, 2017 through December 31, 2018. It is important to note that NWBA’s current leadership was not in place during the audit period.

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 High Performance Management Organizations (HPMOs),
 - Internal control environment promotes managerial and financial capabilities, and
 - Compliance with HPMO internal documents.

Audit Summary

Based on the audit procedures performed, the application of select policies and procedures were reviewed to determine alignment with USOPC requirements. The conclusion within each area was based on the risk level of each recommendation and number of recommendations. Appendix B includes explanation of each conclusion type. Appendix C includes detailed audit procedures.

Audit Rating

The audit rating is an open-ended rating, with zero being the optimal rating. The audit rating is explained in more detail in Appendix A.

Audit Rating	
HPMO	Current Audit Rating
NWBA	42

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

We would like to thank all HPMO staff who assisted us throughout this review.

*Please note that NWBA is an HPMO, which has different compliance standards than an NGB. As such, NWBA is currently not required to satisfy the 20% athlete representation requirement as set out in the Sports Act and the USOPC Bylaws.

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 NWBA's athletes and NWBA, the managerial and financial capabilities of NWBA, 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
Improve Financial Condition and Manage Cash Flow	Financial Capabilities	High
Improvement of Internal Controls	Financial Capabilities	High
Improve Controls over Payroll Process	Financial Capabilities	High
Improvement of Controls over Membership System	Financial Capabilities	High
Ensure Proper Expense Classifications and Resubmit Final Grant Reports	Financial Capabilities	High
Ensure Potential Conflict of Interest Disclosure	Governance/Managerial	Medium
Improve Controls over Expenditures	Financial Capabilities	Medium
Execute Contracts with Independent Contractors	Financial Capabilities	Medium
Ensure Compliance with IRS Regulations (Form 1099)	Financial Capabilities	Medium
Comply with Athlete Representation Requirements per NWBA Bylaws	Governance/Managerial	Low
Ensure Audit Committee Meeting Minutes are Maintained	Financial Capabilities	Low
Update Employee Handbook to Reflect the Current Processes at NWBA	Financial Capabilities	Low
Ensure Background Check Completion	Athlete Safety	Low
Implement Updated Background Check Policy	Athlete Safety	Low

PRIOR AUDIT

NWBA’s previous audit report from the USOPC, dated November 7, 2016, resulted in 11 recommendations in the areas of Athlete Safety, internal controls, financial reporting and governance. Eight of the recommendations were either fully implemented or are no longer applicable, one of the recommendations was partially implemented and the remaining two are included as repeat recommendations.

CURRENT RECOMMENDATIONS

Risk Level: High

Audit Area: Financial Capabilities

#1	Improve Financial Condition and Manage Cash Flow	Recommendation	Management’s Action Plan
	<p>At the time of audit, NWBA’s financial condition was declining. Analysis of the 2017 audited financial statements shows that NWBA’s change in net assets has been negatively trending with net operating losses for the past five years. AOA notes that the 2018 audited financials were not yet completed at the time of audit. As such, the following analysis identifies financial trends and indicators from 2013 through 2017.</p> <p>NWBA's total revenue has decreased by an average of 20% since 2013 while total operational expenses only decreased by an average of 10% since 2013. The significant decrease in revenue, which is larger than the overall decrease in expenses, has led to a decreasing operating margin. This means that NWBA is spending too much on expenses relative to the revenue volume it is generating.</p> <p>Additionally, NWBA has seen a significant decrease in their unrestricted net assets over the past five years. NWBA’s unrestricted net assets balance has decreased 84% since 2013. NWBA’s balance of cash on hand has also decreased by an average of approximately 4% from 2013. This means that NWBA has been depleting their cash reserves in order</p>	<p>NWBA should increase its financial condition and manage its cash flow to be sustainable and continue operating as a High Performance Management Organization (HPMO).</p>	<ul style="list-style-type: none"> • Implement Financial Policies and Procedures for NWBA. (CEO, Officers - 3/15/2020) • Hire new Accounting Firm with input from USOPC. (CEO, Officers - 4/1/2020) • Implement CEO Performance Process. (Officers - January 2020) • Note: NWBA has augmented financial capability in Board and Management roles in 2019. In 2019, Revenues outpaced Expenses (reversed trend). <ul style="list-style-type: none"> ○ 3 of 4 Officers (8/2019) bring significant Finance / Accounting / NPO experience ○ New CEO in May 2019 ○ Took steps to part ways with prior ED in

	<p>to cover their liabilities and has an overall poor liquidity position.</p> <p>Furthermore, NWBA received a qualified opinion in their 2017 audited financial statements as the external auditors were unable to verify the balances of certain funds held on behalf of others. There was not sufficient audit evidence to satisfy the audit assertions of completeness and existence for the accrued liabilities balance.</p> <p>Additionally, it is likely that NWBA will receive another qualified audit opinion for inventory balances in their 2018 audited financial statements.</p> <p>In order to effectively execute its obligations, NWBA should have proper managerial and financial capability. Continuous operating losses, poor liquidity position, and a qualified audit opinion calls into question the financial capability of NWBA.</p>		<p>2018, related to this item.</p> <p>Responsible Party: CEO, Officers, & Accounting Firm</p> <p>Target Date: (Itemized Above)</p>
#2	Improvement of Internal Controls	Recommendation	Management's Action Plan
	<p>The contracted accountant (Accountant) has too much control over the cash receipts and disbursements processes. The lack of controls over these processes provides an opportunity for unidentified errors or misappropriation of funds and manipulation of the accounting system to conceal the missing funds.</p> <p>For the cash receipts process, the Accountant receives the mail, endorses checks, prepares the deposit slip, enters the funds received into the accounting system, and takes the funds to the bank. He also receives the bank statement and prepares the bank reconciliations on a monthly basis. However, there is a mitigating control in place as the Audit Committee reviews bank reconciliations on a monthly basis which partially reduces the risk for this</p>	<p>NWBA must improve controls over the cash receipts and cash disbursement processes. NWBA should then update its financial policies and procedures in order to reflect the new practices.</p>	<ul style="list-style-type: none"> Review financial processes and controls with new Accounting Firm with a particular emphasis on segregation of duties Where staff size don't allow for ideal theoretical segregation of duties (1 category of duties per role), work with Accounting Firm to implement mitigating controls. <p>Responsible Party: CEO, Treasurer, Accounting Firm</p>

area.

For the cash disbursement process, the Accountant prepares the checks, has access and utilizes a check signature stamp of the Board President's signature, and is responsible for mailing the checks. There is no dual control in place for checks over a certain threshold requiring a second signature. He has online access to bank account transactions and receives the bank and credit card statements. Additionally, he enters the funds disbursed into the accounting system, with a limited independent review of the journal entries by the Audit Committee on an ad hoc basis.

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 two or more 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, NWBA's Accountant has too much control over these functions and responsibilities as it relates to cash receipts and disbursements.

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, NWBA is performing limited mitigating controls such as monthly reviews of bank reconciliations and ad hoc

**Target Date: Complete review by
9/30/2020, implement by
12/31/2020**

	reviews of journal entries. However, without routine or timely review 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 possible misstatements not being detected and corrected timely. Reviews help strengthen internal controls because there's more than one person involved in the process.		
#3	Improve Controls over Payroll Process	Recommendation	Management's Action Plan
	<p>Segregation of duties over the payroll process needs to be strengthened. The Accountant 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 Accountant has too much control over the 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 timely. 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 NWBA from errors and potential compliance violations.</p>	NWBA must improve controls over the payroll process by requiring a second person to review payroll prior to distribution. NWBA should then update its financial policies and procedures in order to reflect the new practice.	<p>In partnership with new Accounting Firm, implement a revised Payroll process that includes a secondary approval</p> <p>Responsible Party: CEO, Treasurer, Accounting Firm</p> <p>Target Date: By 7/1/2020</p>
#4	Improvement of Controls over Membership System	Recommendation	Management's Action Plan
	NWBA's Accountant has too much control over the membership system as he has access to make changes in the membership system, is responsible for entering the	NWBA must strengthen controls over the membership system.	<ul style="list-style-type: none"> • Work with Membership Management System vendor to evaluate ability to limit access.

	<p>membership transactions into the accounting system, can create invoices, and reconciles the membership revenue with the membership records and reports.</p> <p>By allowing the Accountant to have change-access to the membership system and accounting system, this creates an opportunity to misappropriate funds through membership by creating fraudulent invoices or fraudulent membership payments in the membership system and manipulating the accounting system. Restricting access to the membership system to read-only access or requiring an independent person to reconcile the membership revenue to reports would improve the controls over membership.</p>		<ul style="list-style-type: none"> In partnership with Accounting Firm, identify and implement mitigating factors to reduce risk (in alignment with category #2 above) <p>Responsible Party: CEO</p> <p>Target Date: 8/31/2020</p>
#5	Ensure Proper Expense Classifications and Resubmit Final Grant Reports	Recommendation	Management's Action Plan
	<p>Per review of the 2018 Final Grant Report submitted, AOA noted that there is \$26,911 recorded as unspent USOPC funds. After reviewing the general ledger support provided, AOA noted an additional \$2,131 of unspent USOPC funds. Therefore, NWBA has a total of \$29,042 of unspent USOPC funds in 2018.</p> <p>However, during testing, AOA identified four expenses that were improperly classified in the Women's National Team project code that should be in the Men's National Team project code within the general ledger. After fieldwork had concluded, AOA was informed that NWBA found additional expenses that were improperly classified and recorded in the improper grant year in the general ledger. This included approximately \$54,000 of USOPC funding expenses that were recorded in 2017 that should have been recorded in 2018. As such, AOA is unable to reconcile the general ledger support to the Final Grant Report as AOA is unable to rely on the general ledger balances</p>	<p>NWBA must review their general ledger to ensure that expenses are classified in the proper accounts and in the proper periods for both 2017 and 2018. Then, NWBA must resubmit the 2017 and 2018 Final Grant Report to USOPC's Para Sport Performance using the updated supporting general ledgers to accurately reflect the true cost of the approved projects.</p> <p>Furthermore, NWBA must work with USOPC's Para Sport Performance for a retroactive reallocation or repayment of any unspent USOPC funds after the updated 2017 and 2018 Final Grant Reports have been submitted and reviewed.</p>	<ul style="list-style-type: none"> Submit revised 2017 & 2018 Grant reports, based on final General Ledger for High Performance Budgets. <ul style="list-style-type: none"> Note: NWBA Staff taking USOPC guidance to conduct final review of expenditures Partner with USOPC Sport Performance on any pertinent reallocations between projects within either period. Based on results of above items, partner with USOPC Sport Performance and Audit on solutions that fit within 2017 & 2018-2020 Performance Partnership Agreements

	<p>previously provided for 2018.</p> <p>Additionally, per review of the 2017 Men's and Women's National Team general ledger support provided, Audit noted that \$6,000 of expenses related to the 2016 National Team Staff Stipends were included in the 2017 general ledgers. In accordance with US GAAP, revenue and expenses should be recognized when it is earned or incurred, regardless of when the cash was paid. As the stipends related to work performed in 2016, these stipends should be recorded in 2016 and will be disallowed from the 2017 grant funding as the expenses were recorded in the improper grant year. Paired with the improper grant year expenses noted above, AOA is unable to reconcile the general ledger support to the Final Grant Report as AOA is unable to rely on the general ledger balances previously provided for 2017.</p> <p>Without accurate reporting, NWBA is not reflecting the true cost of the approved projects by reporting inaccurate expense amounts.</p>		<p>Responsible Party: CEO</p> <p>Target Date: 5/15/2020</p>
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Risk Level: Medium

Audit Area: Governance/Managerial

#6	Ensure Potential Conflict of Interest Disclosure	Recommendation	Management's Action Plan
	<p>NWBA did not have a conflict of interest process in place prior to the audit. During the audit, the Board quickly adopted and implemented a conflict of interest policy and process. After the conflict of interest forms were completed and reviewed by the Ethics Chair, the auditor tested a total of fourteen individuals which included four who did not disclose potential conflicts and one unsigned form. Additionally, the Ethics Committee Chair is a member of the board and did not have a review by</p>	<p>For these reasons, the Ethics Committee must ensure that proper disclosures and potential conflicts are disclosed on the forms, particularly by the Board, and receive training to prompt disclosures. Also, it is recommended that the Ethics Committee Chair's form be reviewed by an individual</p>	<ul style="list-style-type: none"> • Develop calendar for completion of annual disclosure for relevant parties. (7/31/2020) • Ensure CEO and President review COI disclosure of Ethics Committee chair. (12/31/2020)

	<p>someone else.</p> <p>The NWBA Conflict of Interest Policy requires that if an affiliated individual has any question as to whether a relationship or activity may create a conflict of interest, a disclosure must be made. The policy also specifies that potential conflicts of interest arise when the individual has an interest, whether direct or indirect, with any person or entity such as an organization or association which affect operations of the NWBA. This may include an NWBA individual selecting an athlete when the NWBA individual is a coach or manager of the athlete. Lastly, the policy requires that any actual, perceived, or potential conflict of interest should be disclosed in the annual statement.</p> <p>This is the first time that NWBA has adopted and implemented a conflict of interest policy. The Board quickly reviewed, adopted, and implemented the policy in the best interest of the NWBA. Since this is the first time the policy has been implemented, it is likely the Board is unfamiliar with the complete requirements of conflict disclosures. This is a repeat finding from prior audits.</p>	<p>other than the Ethics Committee Chair.</p>	<ul style="list-style-type: none"> • Conduct COI training with Board of Directors to expand knowledge for the team. (12/31/2020) <p>Responsible Party: CEO, Ethics Chair</p> <p>Target Date: (Itemized Above)</p>
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Audit Area: Financial Capabilities

#7	Improve Controls over Expenditures	Recommendation	Management's Action Plan
	<p>Out of the 27 expenses tested, AOA noted that 16 expenses were missing documented approvals. The missing approvals were from journal entries, credit card statements, and expense reimbursements.</p> <p>Without proper approval, NWBA could be paying for expenses that are not appropriate and is at risk of loss through misappropriation of funds and fraud.</p>	<p>NWBA should increase internal controls over expenditures by obtaining necessary approvals prior to processing payments.</p>	<ul style="list-style-type: none"> • Implement financial policies and procedures. (CEO, Treasurer - 3/15/2020) • Continue the execution of Audit Committee Meetings that were initiated in 2018 (CEO, Officers - Ongoing) • Review expense approval process with new accounting

	This is a repeat finding from the previous USOPC audit.		<p>firm to identify opportunities for improved controls and mitigating factors. (CEO, Treasurer, Accounting Firm - 7/1/2020)</p> <ul style="list-style-type: none"> ○ Update process / policy as necessary <p>Responsible Party: CEO, Treasurer and Accounting Firm</p> <p>Target Date: (Itemized Above)</p>
#8	Execute Contracts with Independent Contractors	Recommendation	Management's Action Plan
	<p>NWBA made payments to independent contractors without signed agreements that detailed the responsibilities and obligations of each party.</p> <p>Executed contracts protect NWBA 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.</p>	<p>NWBA should execute contracts with all independent contractors, including coaches, who provide services for NWBA.</p>	<p>Develop an independent contractor policy to include in financial policies and procedures</p> <p>Responsible Party: CEO, Treasurer and Accounting Firm</p> <p>Target Date: 7/1/2020</p>
#9	Ensure Compliance with IRS Regulations (Form 1099)	Recommendation	Management's Action Plan
	<p>Out of the 27 expenses tested, four expenses related to payments made to independent contractors. AOA noted that NWBA did not provide a Form 1099 to one independent contractor. As such, NWBA must ensure independent contractors receive a Form 1099 for services rendered in amounts over \$600. NWBA could potentially be penalized by the Internal Revenue Service (IRS) for failure to file the proper forms.</p>	<p>NWBA should discuss the issue with its tax accountants in order to comply with IRS standards.</p> <p>Additionally, NWBA should implement a process for reviewing Form 1099s to ensure that all required individuals</p>	<ul style="list-style-type: none"> • Partner with Accounting Firm to ensure compliance with Form 1099 IRS requirements <ul style="list-style-type: none"> ○ Includes requirement that any contractor has a Form 1099 • Develop a process that minimizes risk

	<p>The IRS requires that a Form 1099-Misc is provided for each person to whom NWBA has paid during the year "at least \$600 in services performed by someone who is not your employee."</p>	<p>receive the required form and update the financial policies and procedures to reflect this process.</p>	<p>Responsible Party: CEO, Treasurer, Accounting Firm</p> <p>Target Date: By 9/30/2020</p>
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Risk Level: Low

Audit Area: Governance/Managerial

#10	Comply with Athlete Representation Requirements per NWBA Bylaws	Recommendation	Management's Action Plan
	<p>NWBA's Bylaws state that of the Board "no less than 20% of the total members, shall be athlete representatives". Currently, there is only one elected athlete representative that meets NWBA's AAC qualifications, on a Board of 10 total members. Prior to 2019, NWBA did satisfy the 20% athlete representation requirement with two qualified elected athlete representatives. However, in 2019 one athlete representative was no longer eligible in accordance with the NWBA athlete advisory council qualifications. Therefore, the composition of the Board is not in compliance with NWBA's Bylaws 20% athlete representation requirement.</p>	<p>NWBA should elect additional athlete representatives in accordance with the requirements in the Bylaws.</p>	<p>Implement NWBA AAC to fulfill intent of this Bylaw</p> <p>Responsible Party: CEO, USOPC AAC Representative</p> <p>Target Date: By 7/1/20</p>

Audit Area: Financial Capabilities

#11	Ensure Audit Committee Meeting Minutes are Maintained	Recommendation	Management's Action Plan
	<p>NWBA's Audit Committee held teleconference meetings throughout 2018 but did not retain any formal meeting minutes. As such, NWBA is not fulfilling the necessary responsibilities of the Audit Committee as defined in its Bylaws. As required by NWBA's Bylaws, "each committee and task force shall take and maintain minutes of its</p>	<p>The Audit Committee should adhere to the responsibilities as set out by NWBA's Bylaws by maintaining meeting minutes which demonstrate that Committee's review of all</p>	<p>Ensure consistent and timely completion of Audit Committee duties / responsibilities, including meeting minutes</p>

	meetings. Such minutes should be submitted to the Executive Director within 30 days of the meeting". Without documented meeting minutes, NWBA is not currently meeting the expectations outlined in NWBA's Bylaws.	financial aspects of NWBA's financial capability.	Responsible Party: CEO, Treasurer Target Date: Ongoing
#12	Update Employee Handbook to Reflect the Current Processes at NWBA	Recommendation	Management's Action Plan
	NWBA's Employee Handbook does not reflect the current policies and procedures in place regarding financial practices. Without a complete and current financial policies and procedures, policies may not be adequately communicated, and procedures might not be completed, resulting in difficulty in achieving goals and objectives. This is especially important when an organization is experiencing turnover in key financial positions, as NWBA has.	NWBA should update its Employee Handbook containing the financial policies and procedures to reflect the current processes at NWBA.	Update NWBA Employee Handbook to include financial policies and procedures Responsible Party: CEO Target Date: 03/15/2020

Audit Area: Athlete Safety

#13	Ensure Background Check Completion	Recommendation	Management's Action Plan
	NWBA's membership system does not verify that background checks were completed. During the audit, the NWBA's staff manually reviewed the members' background checks to verify completion or deactivate the membership status and NWBA's authorization to participate in upcoming sanctioned events. Auditor tested 100 individuals of which 2 did not complete a background check, 4 had expired background checks, and 2 were pending background checks that were active in the membership system and deactivated by NWBA once the errors were identified. NWBA's background check policy requires that all non-athlete members of NWBA must complete a background check as they may interact directly, and regardless of	NWBA must continue to ensure that background checks are completed before the member is authorized or approved to be in a position of authority over athletes or before the individual has regular contact with athletes.	Partner with member management system vendor to ensure that this step is automated for the 2020/2021 season. <ul style="list-style-type: none"> Note: New policy makes the background check requirement annual. This step is complete for upcoming season. Responsible Party: CEO Target Date: By 7/31/2020

	<p>frequency, with athletes as a regular part of their duties.</p> <p>NWBA is working with its membership system provider to automate the process of background check completion.</p>		
#14	Implement Updated Background Check Policy	Recommendation	Management's Action Plan
	<p>NWBA's current Background Check Requirement does not require that a background check is completed before an individual is authorized to be in a position of authority over athletes or to have regular contact with athletes. Background check completion is required only 10 days before a sanctioned event even though individuals who are required to complete a background check have access to athletes during practices and training. During the audit, NWBA updated the Background Check Policy to address when a background check must occur. However, the updated policy will not go into effect until the 2020/2021 annual registration period.</p> <p>The USOPC Athlete Safety policy requires that NWBA create a policy that requires individuals to complete a background check before NWBA authorizes or approves an individual to be in a position of authority over athletes or before an individual has regular contact with athletes.</p>	<p>NWBA should consider immediate implementation of the updated background check policy.</p>	<p>Implement new Background Check Policy in conjunction with 2020/2021 season.</p> <p>Responsible Party: CEO</p> <p>Target Date: By 8/31/2020 Note: COVID may delay the start of the 2020 /2021 season</p>

CONCLUSION

NWBA was determined to be satisfactory in governance/managerial with one medium-risk and one low-risk recommendations, athlete safety with two low-risk recommendations, and athlete representation and due process as there were no recommendations in those areas. NWBA was determined to be unsatisfactory in financial capabilities with five high-risk, three medium-risk and two low-risk recommendations. Important to note, NWBA is an HPMO that has differing compliance standards to meet than an NGB, as such NWBA is currently not required to satisfy the 20% athlete representation requirement as set out in the Sports Act and the USOPC Bylaws. Therefore, the athlete representation finding was captured under the governance/managerial portion of the audit. The audit resulted in 14 recommendations and an overall audit rating of 42.

We wish to thank NWBA's staff for being cooperative during the audit. We look forward to working with you again in the future.

APPENDIX A – AUDIT RATINGS

Audit ratings are determined by the number of audit recommendations multiplied by the risk level. The higher the number of recommendations and the higher the risk level of each recommendation, the higher the audit rating. See Appendix D for guiding principles of risk levels. For comparability purposes, audit work performed may vary annually.

The previous audit from 2016 contained 11 recommendations, of which, two are no longer within scope of the audit. Considering only the nine recommendations relevant to the current audit scope, the previous audit would have resulted in an audit rating of 27 if the current audit rating was applied.

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 HPMO 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 HPMO.
- Detailed review of a sample of up to 40 expenses charged to USOPC funded projects during the audit period, for compliance with the HPMO’s financial policies and USOPC’s sport performance final funding reports.
- Ensured compliance with the USOPC Bylaws, and the Ted Stevens Amateur Sports Act as applied through the PPA.
- Examination of internal control environment utilizing walk-throughs, examination of policies and questionnaires.
- Detailed review of grievances and reports of misconduct submitted to the HPMO 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 HPMO’s Background Check Policy utilizing walk-throughs, examination of policies and questionnaires.

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

APPENDIX D — RISK LEVEL DEFINITIONS

Risk Level Definitions	
Rating	Definition
Low	<p>Minor infractions include but are not limited to:</p> <ul style="list-style-type: none"> • Minor future impact to the athletes, HPMO or USOPC • Documentation clean-up • HPMO’s Background Check Policy and/or procedures have minor improvements needed • HPMO’s Background Check 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 HPMO 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 • HPMO’s Background Check Policy and/or procedures are partially out of compliance with USOPC Responsible Sport Organization Background Check Policy requirement • Execution of the HPMO’s Background Check Policy is partially out of compliance • HPMO does not consistently provide for prompt and equitable resolution of grievances • HPMO 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 HPMO 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 • HPMO’s Background Check Policy and/or procedures are substantially out of compliance with the USOPC Responsible Sport Organization Background Check Policy requirements • Execution of the HPMO’s Background Check Policy is substantially out of compliance, such as non-current background checks • HPMO does not provide for prompt and equitable resolution of grievances • HPMO 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 HPMO is different and has not mandated specific language or total uniformity in policies or practices. Instead, USOPC has provided the USOPC's HPMO Athlete Safety Policy (USOPC's ASP). Important to note, as of September 13, 2019, the USOPC Board approved the revised HPMO and HPMO Athlete Safety Policy. Auditing of the U.S. Center for SafeSport's (Center) athlete safety requirements now fall under the jurisdiction of the Center. However, the USOPC AOA will continue to audit compliance with the USOPC policies and procedures. Nothing in the USOPC's ASP limits or replaces an HPMO's responsibilities under applicable laws and regulations. All HPMOs should consult with legal counsel, not only to ensure compliance with the USOPC's ASP, but also to create a compliance strategy that best meets the organization's needs and is reasonable in terms of its size, structure, resources and athlete population.