

Audit Report

U.S. Figure Skating

November 26, 2019

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



EXECUTIVE SUMMARY

Background and Audit Scope

The United States Olympic and Paralympic Committee (USOPC) Audit & Organizational Advancement Department completed an audit of U.S. Figure Skating. The purpose of the audit was to determine if U.S. Figure Skating 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 in 2017 and 2018 and USOPC funds received from July 1, 2016 through June 30, 2018.

Audit Objectives

The objectives of the audit were to determine:

- Previous audit recommendations status,
- Compliance with select requirements in funding agreements,
- Compliance with select USOPC documents which are applicable to National Governing Bodies (NGBs),
- Internal control environment promotes managerial and financial capabilities, and
- Compliance with NGB internal documents.

Audit Rating

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

Audit Rating	
NGB	Current Audit Rating
U.S. Figure Skating	14

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 the number of recommendations. Appendix B includes an explanation of each conclusion type. Appendix C includes the detailed audit procedures.

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

We would like to thank all the 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 U.S. Figure Skating’s athletes and U.S. Figure Skating, the managerial and financial capabilities of U.S. Figure Skating, 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
Develop a Conflict of Interest Form Tracking & Review Process	Governance	Medium
Provide Fair Notice or Prompt and Equitable Resolution	Due Process	Medium
Improvements to the Athlete Safety Policy	Athlete Safety	Medium
Improvements to Board and Subcommittee Minutes and Documentation of Actions	Governance	Low
Improvements to International Relations Grant Reporting	Financial	Low
Improvements to Performance Partnership Agreement Grant Reporting	Financial	Low
Appropriate Approvals of Board Expenses	Financial	Low
Develop a Process to Eliminate Duplicate Expenses from Final Grant Reports	Financial	Low

PRIOR AUDIT

U.S. Figure Skating’s previous audit report from the USOPC, dated September 1, 2016, resulted in one recommendation in the area of Athlete Safety Education & Training. This recommendation was fully implemented.

CURRENT RECOMMENDATIONS

Risk Level: Medium

Audit Area: Governance/Managerial

#1	Develop a Conflict of Interest Form Tracking & Review Process	Recommendation	Management’s Action Plan
	<p>U.S. Figure Skating’s Rulebook outlines an annual disclosure process that requires all U.S. Figure Skating employees, committee chairs, and directors of the board to disclose conflicts and complete a disclosure form. The form defines some types of conflicts of interests and describes action that will be taken when a potential or actual conflict arises after signing the form. Additionally, the Rulebook requires the Ethics Committee Chair to review the forms annually.</p> <p>The application of the procedures in the U.S. Figure Skating Rulebook are not being followed in that the forms were not reviewed and tracked by the Chair of the Ethics Committee. Instead, conflicts of interest forms were reviewed by the Executive Director (ED). Some Conflict disclosure forms could not be located, or incomplete conflict disclosure forms were submitted. Based on an internet search, it appeared potential or actual conflicts were not disclosed, such as a connection to a figure skating club or other figure skating activities or organizations.</p>	<p>For the aforementioned reasons, it is strongly suggested that U.S. Figure Skating follow its process for conflict of interest disclosures and develop a thorough procedure to track completion and review of the conflict of interest disclosure forms.</p>	<p>U.S. Figure Skating will engage the Chair of the Ethics Committee to develop and use a detailed tracking document for all conflict of interest forms, and for the Chair of the Ethics Committee to review all Conflict of interest forms.</p> <p>Responsible Party: David Raith, Executive Director Kelly Vogtner, Senior Director, Special Projects Steve Wolkin, Ethics Committee Chair</p> <p>Target Date: Start: Immediately</p> <p>Target for Completion: January 1, 2020.</p>

Audit Area: Due Process

#2	Provide Fair Notice or Prompt and Equitable Resolution	Recommendation	Management’s Action Plan
	<p>In some instances, the administrative process to resolve</p>	<p>For the reasons mentioned, U.S.</p>	<p>U.S. Figure Skating has developed and uses a detailed tracking</p>

complaints contributed to a delayed fair notice process or prompt and equitable resolution of the matter. The response and resolution process was previously managed by one staff member and the applicable committee chairs (SafeSport, Ethics and Grievance, depending upon the complaint). The Committees are comprised entirely of volunteers.

The Sports Act requires that fair notice is provided. The U.S. Figure Skating Rulebook requires that within two weeks of the receipt of the grievance statement, the respondent must receive notice of the violation or charges, and the requested resolution.

Also, the Sports Act requires that U.S. Figure Skating provide for the prompt and equitable resolution of grievances of its members. According to the U.S. Figure Skating Rulebook, under the Grievance Committee Rules (GCR), resolutions will be provided within twenty days of a hearing and a hearing will be held within 90 days of selecting a hearing panel. These rules are different for matters refereed to the SafeSport or Ethics Process. According to the U.S. Figure Skating Rulebook, under the Ethics Committee Rules (ECR), the impaneled subcommittee will review the complaint and investigate the allegations within 30 days of receipt of the complaint.

The auditor reviewed a sample of matters to ensure the Sports Act and Rulebook was adhered to and the following concerns were noted:

- There was not a formal written method to track the status of complaints. Of the ten cases tested by the auditor, there was one grievance case where the respondent was not provided fair notice of the allegation within two weeks of the complaint.
- As required by U.S. Figure Skating's GCR, notice must be provided within 20 days after receipt of the complaint, there was one instance where

Figure Skating must provide fair notice and prompt and equitable resolution of all matters as required by the Sports Act. Also, it is strongly suggested that U.S. Figure Skating follow the fair notice and prompt and equitable resolution requirements as set out in the U.S. Figure Skating Rulebook. Lastly, it is recommended that U.S. Figure Skating continue to develop a tracking process to ensure that prompt and equitable resolution is applied properly with the intent of the procedures of U.S. Figure Skating Rulebook.

document for the case management of all complaints and has developed a written policy statement that details the procedure for administering the different types of complaints received by U.S. Figure Skating.

Responsible Party:

John Anderson, Legal Counsel

Shelbi Meyer, Manager of SafeSport Education and Outreach

Denise Kay, SafeSport Paralegal

Target Date:

Completed as of June 1, 2019

notice was received in 24 days.

- There were two cases where a subcommittee was not impaneled or did not provide a final decision within the 30 days as required by U.S. Figure Skating’s ECR.
- Lastly, there were two cases that were determined to be resolved by U.S. Figure Skating, however there was no substantiated written documentation provided to the auditors.

U.S. Figure Skating has added staff members and implemented a new administrative process as of April 2019. The new process is expected to resolve these issues. At the time of audit, other than discussions with staff, audit was unable to verify the new process. But has received a copy of the updated internal process, after audit work was completed.

Audit Area: Athlete Safety

#3	Improvements to the Athlete Safety Policy	Recommendation	Management’s Action Plan
	<p>During testing, the auditor identified two items that resulted in recommendations surrounding the Athlete Safety Policy and its application. According to the USOPC’s NGB Athlete Safety Policy, NGBs must require a criminal background check as well as education and training for those individuals U.S. Figure Skating formally authorizes, approves, or appoints to a position of authority over or to have frequent contact with athletes.</p> <p>First, U.S. Figure Skating does not apply its Athlete Safety Policy to the local figure skating clubs’ respective board members unless those individuals meet the definition of having frequent contact with or authority over athletes. U.S. Figure Skating states this is because of the variety of roles at the local figure skating clubs and they have determined that not all board members at figure skating clubs have authority or frequent contact with athletes. These local figure skating clubs are run by the board members, which makes it appear that they are in a</p>	<p>For the previously mentioned reasons, and in the spirit of the safety and wellbeing of athletes, we encourage an assessment of the application of the U.S. Figure Skating Athlete Safety Policy to the board members of the local figure skating clubs.</p> <p>Also, it is encouraged that U.S. Figure Skating add language to clarify that individuals listed as "not complete" are not authorized by U.S. Figure Skating to be in a position of authority or have frequent contact with athletes.</p>	<p>U.S. Figure Skating plans to require all club board members to complete a background check and SafeSport training. (1)</p> <p>U.S. Figure Skating will clarify its compliance list to add specific language stating that an individual with the notation “not complete” is not authorized to serve in the designated role. (2)</p> <p>Responsible Party: John Anderson, Legal Counsel</p> <p>Susi Wehrli McLaughlin, Senior Director, Membership</p>

<p>position of authority over athletes, despite the frequency of contact with athletes. The audit finds that U.S. Figure Skating may be at risk by not requiring all board members at local figure skating clubs to complete background checks and education and training.</p> <p>Second, a list of individuals that have met the U.S. Figure Skating Athlete Safety Policy requirements are accessible to members and indicates that these individuals are "complete" and eligible or "not complete." The auditor finds there is no specific language indicating those that have a "not complete" status are not authorized by U.S. Figure Skating to be in a position of authority over or have frequent contact with athletes. Also, this lack of clarity related to the "not-complete" individuals creates a risk that the published list is a list of individuals authorized by U.S. Figure Skating to be in a position of authority over or have frequent contact with athletes.</p>		<p>Club Board of Directors</p> <p>Cassy Papajohn, Director, Product Support & Software Applications</p> <p>Target Date:</p> <p>(1) Implementation July 1, 2020, for the 2020-21 season.</p> <p>(2) December 15, 2019</p>
--	--	---

Risk Level: Low

Audit Area: Governance

#4	Improvements to Board and Subcommittee Minutes and Documentation of Actions	Recommendation	Management's Action Plan
	<p>During our audit, we identified that meeting minutes for U.S. Figure Skating's Board of Directors do not reflect that key financial responsibilities are being completed. This includes the selection of the independent auditors. Additionally, there were no minutes kept for the Audit Committee meetings.</p> <p>Per the U.S. Figure Skating Rulebook, Audit Committee Rules: "The jurisdiction of the audit committee shall include activities pertaining to the oversight of: The integrity of U.S. Figure Skating financial statements and financial and tax reporting, including review of the U.S. Figure Skating; The qualifications, selection, engagement and independence of U.S. Figure Skating independent auditors; The performance of U.S. Figure Skating</p>	<p>U.S. Figure Skating should ensure compliance with their Rulebook by documenting the selection of the independent auditors.</p> <p>All standing committees of the Board, including the audit committee, should keep minutes so that activities and motions are accurately documented.</p>	<p>U.S. Figure Skating will require its Audit Committee to keep minutes of its meetings, documenting all motions, including the selection of independent auditors.</p> <p>Responsible Party: Mario Rede, Chief Financial Officer will communicate to the Chair, Audit Committee</p> <p>Chair, Audit Committee</p>

	<p>independent and internal audit functions."</p> <p>Meeting minutes are important to provide a record of regular meeting and communication amongst the board committee, when meetings happen, who is present, and items discussed during the meeting. To ensure that the appointment of external auditors remains independent and without conflict, meeting minutes should reflect the board and/or audit committee's approval of both the selection of the auditors and the review of any reports, financial statements, or recommendations produced as a result of the audit.</p>		<p>Target Date: Start: Immediately, with the next Audit Cycle.</p>
--	--	--	---

Audit Area: Financial

#5	Improvements to International Relations Grant Reporting	Recommendation	Management's Action Plan
	<p>U.S. Figure Skating mistakenly reported 2017 expenses on the 2018 Final Grant report resulting in a \$2,000 overpayment by the USOPC. U.S. Figure Skating operates on a fiscal year, which is different than the calendar year for International Relations grants. The difference in the financial reporting years could have contributed to the reporting error.</p> <p>After the audit, U.S. Figure Skating provided an updated 2018 final grant report. The updated final grant report reflected that U.S. Figure Skating appropriately spent the funds awarded for 2018.</p>	<p>U.S. Figure Skating must pay a total of \$2,000 that was paid out due to a grant reporting error.</p>	<p>U.S. Figure Skating will repay the USOPC the \$2,000 upon all parties' agreement and USFS will ensure all correct documents are provided in the future.</p> <p>Responsible Party: U.S. Figure Skating and USOPC</p> <p>Target Date: Upon documentation from the USOPC's accounting department.</p>
#6	Improvements to Performance Partnership Agreement Grant Reporting	Recommendation	Management's Action Plan
	<p>The 2017/2018 PPA Final Grant report contained overstated expenses for a project. It is also noted, that the Final Grant report prepared by the USOPC contained a formula error which contributed to unspent funds not being identified by either party. This error will require U.S. Figure Skating to repay \$1,000 to the USOPC. Grant</p>	<p>U.S. Figure Skating must repay \$1,000 to account for the overstated expenses originally reported on the 2017/2018 PPA Final Grant report.</p>	<p>U.S. Figure Skating will repay the USOPC the \$1,000 upon all parties' agreement and USFS will ensure all correct documents are provided in the future.</p>

	agreements are legal documents that govern resources between the USOPC and the Sport Organization. These agreements ensure accountability in terms of organizational and financial compliance.		<p>Responsible Party: U.S. Figure Skating and USOPC</p> <p>Target Date: Upon documentation from the USOPC's accounting department</p>
#7	Appropriate Approvals of Board Expenses	Recommendation	Management's Action Plan
	<p>Currently the Chief Financial Officer and ED of U.S. Figure Skating review and approve board expenses. Since the ED reports to the board, this could put them in a difficult situation should questions be raised, or additional documentation be requested.</p> <p>Having board members review others' expenses keeps board spending transparent and ensures expenses are appropriate. The review could be done a monthly, quarterly, or semi-annual basis as a back-up procedure after the board member has been reimbursed. This way, payments are not delayed but an appropriate review procedure is in place.</p>	U.S. Figure Skating should designate a board member to review the other board member expenses on a regular basis and document this process.	<p>U.S. Figure Skating will provide the Treasurer with copies of expenses reports submitted by Board members bi-annually: 1) In November and 2) In April/May. The Treasurer will be required to review, approve and sign a statement confirming his/her actions.</p> <p>Expense reports submitted by the Treasurer will be reviewed and approved in the same format by the President.</p> <p>Responsible Party: Mario Rede, Chief Financial Officer Troy Goldstein, Treasurer Anne Cammett, President</p> <p>Target Date: Start: Immediately</p>
#8	Develop a Process to Eliminate Duplicate Expenses from Final Grant Reports	Recommendation	Management's Action Plan
	Multiple USOPC funded projects included expenses that were double counted in other projects, which resulted in a total of \$55,285 of expenses being disallowed. The USOPC requires that expenses included on final grant reports be unique and only reported once per project. Total	Though repayment and reallocation are not required, in order to avoid possible repayments in the future, U.S. Figure Skating should develop a process to ensure the expenses	U.S. Figure Skating plans to develop a new process that would alleviate potential reporting errors.

expenses must be supported by the general ledger. U.S. Figure Skating does not appear to have a process to ensure expenses are not double counted on the USOPC final grant reports. Because U.S. Figure Skating contributed its own funds into the projects, reallocation or repayment to the USOPC is not necessary. However, U.S. Figure Skating should ensure that their process for tracking expenses to grant projects is accurate.

reported on the final grant reports do not include duplicate expenses.

Responsible Party:
Mario Rede, Chief Financial Officer

Target Date:
Start: FY 2021

CONCLUSION

U.S. Figure Skating was determined to be satisfactory in athlete representation, with no recommendations; satisfactory in athlete safety, with one medium risk finding; satisfactory in financial capabilities, with four low risk recommendations; marginal in governance and managerial, with one medium risk and one low risk finding; and marginal in due process with one medium risk finding. The audit resulted in eight recommendations and an overall audit rating of 14.

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. Audit work performed may vary annually.

The previous audit from 2016 contained one recommendation which would have resulted in an audit rating of 3, if the current audit rating was applied. For comparability purposes, the prior audit of U.S. Figure Skating did not include due process and athlete representation. The current average rating for equivalent NGBs is 7. To calculate the current average rating, we compare NGBs with similar annual revenue, which may not include all the elements contained in the current audit scope.

APPENDIX B – AUDIT SUMMARY SCALE

Audit Area Conclusions	
Conclusion	Explanation
Satisfactory	Recommendations in each audit area are limited to only low-risk recommendations identified or medium-risk recommendations that are not systemic in nature.
Marginal	Recommendations in each audit area include medium-risk recommendations or a combination of high-risk and medium-risk recommendations, which collectively may be systemic.
Unsatisfactory	Recommendations in each audit area include medium-risk recommendations or a combination of high-risk and medium-risk recommendations, which are collectively systemic, significant, and may impact NGB status.

APPENDIX C – DETAILED AUDIT PROCEDURES

During the course of the audit, we performed the procedures described below to complete the objectives and scope of the engagement:

- Review of prior USOPC Audit recommendations to determine full implementation of processes and/or procedures which are still applicable to the NGB.
- Detailed review of a sample of up to 40 expenses charged to USOPC funded projects during the audit period, for compliance with the NGB’s financial policies and USOPC’s sport performance final funding reports.
- Ensured compliance with NGB Performance Partnership Agreements, USOPC Bylaws, and the Ted Stevens Amateur Sports Act.
- Examination of internal control environment utilizing walk-throughs, examination of policies and questionnaires.
- Detailed review of grievances and reports of misconduct submitted to the NGB by members or covered individuals, and the organization’s ability to follow the stated grievance processes outlined in its bylaws or procedural documents.
- Review of the NGB’s Athlete Safety Program utilizing walk-throughs, examination of policies and questionnaires.
- Detailed review of a sample of up to 100 individuals required to complete background checks and Athlete Safety Education & Training (Education & Training) to determine if the individuals have a current background check and current SafeSport education. Appendix E details the Athlete Safety requirements.

APPENDIX D – RISK LEVEL DEFINITIONS

Risk Level Definitions	
Rating	Definition
Low	<p>Minor infractions include but are not limited to:</p> <ul style="list-style-type: none"> • Minor future impact to the athletes, NGB or USOPC • Documentation clean-up • NGB’s Athlete Safety Policy and/or procedures have minor improvements needed • NGB’s Athlete Safety Policy is followed appropriately but does not have a process owner • Grievance policy and procedures have minor improvements
Medium	<p>The 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>The 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 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.