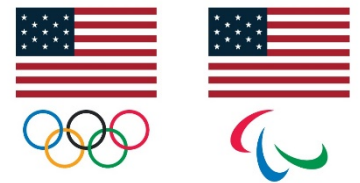


Audit Report

USA Surfing Follow-Up Report

June 15, 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 completed a follow-up audit of USA Surfing. After the completion of the audit dated December 20, 2019 a follow-up was considered necessary for the issues that had not been implemented. The purpose of this follow-up audit is to evaluate and report on the 15 recommendations made in the December 2019 report. The scope was limited to these recommendations.

Audit Recommendation Summary

The 2019 audit report included 15 recommendations for improvement in the areas of governance/managerial, financial capability, due process, and athlete safety. The follow-up included testing to determine if sufficient and appropriate documentation was provided to establish that the previous audit recommendation was implemented. The current status is as follows:

Current Audit Status	Implemented	Partially Implemented	In Progress	Not Implemented	Total
High Risk	5	4	3	1	13
Medium Risk	2	0	0	0	2
Total	7	4	3	1	15

There were two additional observations noted while conducting the follow-up audit. These observations relate to the previously identified recommendations but were not in the prior audit and therefore, do not impact the 2019 follow-up status of the recommendations. If the observations are not fully addressed by USA Surfing, they may become recommendations in upcoming audits.

STATUS OF FOLLOW-UP RECOMMENDATIONS

Risk Level: High

Audit Area: Governance / Managerial

#1	Conflict of Interest Disclosure and Review Process	USA Surfing's Response	Follow-Up Status
	<p>Original Recommendation: USA Surfing must ensure completion of its conflict of interest forms and develop a process to review the conflict disclosures for actual or potential conflicts.</p>	<p>Previously completed Conflict of Interest forms will be resubmitted to the entire group to update for the new year. A new program for tracking conflicts (both noted and perceived) will be instated. A Conflict of Interest Review Administrator (staff) will be appointed and tasked with follow-up to all who are required to submit forms, to ensure their completion and timely return. Completed forms will be submitted to the Ethics Committee for review. USOPC Consultant will liaise with Ethics Committee. The electronic signing DocuSign filing system and tracking of forms due dates/update due dates will be maintained by the Conflict of Interest Review administrator.</p>	<p>Partially Implemented</p> <p>The auditor conducted follow-up testing to determine completion of conflict of interest disclosure forms including disclosures of potential conflicts and verification that a review process is in place. A total of 18 individuals were tested, of which four did not disclose potential conflicts identified by the auditor. These potential conflicts require disclosure according to the conflict of interest policy. USA Surfing developed a review process to determine if conflicts are disabling and effect the role of the individual. This is determined by the Ethics Committee.</p> <p>Relating to the recommendation of developing a review process and ensuring all forms were completed, documentation was provided to demonstrate that this has been implemented. However, because USA Surfing failed to ensure that some commonly known conflicts</p>

			<p>were formally disclosed and reviewed, the auditor determined that the recommendation was not fully satisfied</p> <p>Therefore, this recommendation is partially implemented.</p>
#2	Audited Financial Statements and Appointment of Independent Auditors	USA Surfing's Response	Follow-Up Status
	<p>Original Recommendation: In order to adhere to both the USOPC and their own Bylaws, the Board of USA Surfing must engage an independent auditor to conduct a financial audit of USA Surfing as soon as possible. The selection of the auditors as well as any discussion or approval of the results should be documented in the Board and Audit Committee minutes.</p>	<p>USA Surfing hired McMillen & Company, PLLC (McMillen) in October 2019. McMillen is currently preparing the 2018 990 and independent Audit. McMillen was recommended by a few other NGBs and are familiar with USOPC best practices. McMillen was vetted and recommended for hire by the Audit Committee. The completed 990 and Audit are due by December 31, 2019 for review by the Audit Committee and approval by the Board of Directors. Once approved both the 990 and Audit will be posted to the website. Posting of Board meeting minutes to the website (which include record of discussion and approval of the hiring of the independent auditor) will be completed.</p>	<p>Partially Implemented</p> <p>Audit reviewed the approved Board and Audit Committee minutes for USA Surfing for 2019 and available minutes for 2020. The Audit Committee did review and recommend an audit firm that was subsequently engaged by the organization. Though the firm had been engaged to perform the audit, this had not been completed by the time the follow-up audit was conducted. Because of this, the original recommendation is considered only partially implemented.</p>
#3	Amateur Sports Organization Representation	USA Surfing's Response	Follow-Up Status
	<p>Original Recommendation: USA Surfing's Board must ensure that there is direct representation on its Board for any amateur sport organizations that meet the definition in the Sports Act.</p>	<p>In accordance with requirements in the Sports Act mandating direct representation on NGB Boards for "any amateur sport organization that (A) conducts a national program or regular national amateur athletic competition in the applicable sport on a level of</p>	<p>Implemented</p> <p>USA Surfing indicated in its board minutes that the affiliated organization position would be</p>

proficiency appropriate for the selection of amateur athletes to represent the United States in international amateur athletic competition; and (B) ensures that the representation reflects the nature, scope, quality, and strength of the programs and competitions of the amateur sport organization in relation to all other programs and competitions in the sport in the United States;" the USA Surfing Bylaws amendments will include clear definitions and the method for evaluating these Sports Act Requirements.

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

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

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

Eligibility requirements for membership to the Membership Advisory Committee will be clarified to specifically state that only Member Organizations in compliance with USA Surfing membership requirements will be eligible.

removed from its Bylaws but did not follow through on that action. Currently, the seat is vacant as there are no organizations who meet the criteria for amateur sports organizations. AOA conducted a basic Google search and the results confirmed this was accurate. This recommendation is considered implemented.

		<p>For context, the USA Surfing's first Amateur Sports Organization Representative was an appointee (by the CEO and Board Chair/President) chosen at the time of USOPC NGB recognition, as this was not a position in place before USOPC recognition and was a newly created Board seat at the time of USOPC recognition.</p> <p>Moving forward, establishing an election process (aligned with Organization membership requirements) will ensure membership representation to the USA Surfing Board, for the mutual benefit of Member Organizations and athletes.</p> <p>Conforming Bylaws amendments, including an election process, will undergo USA Surfing Board review by the end of 2019.</p>	
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Audit Area: Financial Capabilities

#4	Improvements to Financial Management	USA Surfing's Response	Follow-Up Status
	<p>Original Recommendation: USA Surfing must ensure it is financially sound by improving oversight of the financial management of the organization. This includes increasing transparency of spending as well as funding sources. Decisions that have major financial implications should be disclosed to the Board members.</p>	<p>In the interest of quickly improving financial management and oversight, USA Surfing (USA Surfing) hired the USOPC recommended accounting firm, Altruic Advisors Certified Public Accountants & Consultants (Altruic) in June 2019 and has transferred the bookkeeping over to them. USA Surfing will utilize Altruic for paying the majority of invoices through their Bill Pay program.</p> <p>USA Surfing is also in the process of developing financial policies and procedures. Oversight measures in the new policies/procedures will include the following, and more (as well as those mentioned in #5):</p>	<p>In Progress</p> <p>There have been improvements to USA Surfing's overall financial management, including the onboarding of the accounting firm Altruic Advisors. However, the organization has failed to complete an external financial audit and the outstanding Surf America debt has not been resolved. For these reasons, this recommendation is considered in progress.</p>

-Budget variances must be approved by the Board
-Month End and Year End Closing procedure checklists (See #5)

-Electronic payments to require dual approvals
-Bank funds may be drawn upon only by check, online payment, or transfer and based on a set dollar amount threshold, require dual approval

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

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

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

Debt inherited from the now defunct organization Surfing America by USA Surfing was taken on as a good faith measure and a repayment plan to prioritize payment of Surfing America debts to companies/organizations (i.e. parks permits), event

		equipment suppliers, etc.) the newly-formed USA Surfing would be working with directly. As of June 2019, repayment of any of this remaining debt was halted.	
#5	Development of Financial Policies and Procedures	USA Surfing's Response	Follow-Up Status
	<p>Original Recommendation: In order to ensure that USA Surfing has proper financial processes and oversight, they must develop comprehensive written procedures regarding how financial transactions are to be handled including clearly defined parameters for financial actions and decisions, as well as, specific financial functions. Including, but not limited to, approvals, expense reporting, per diem and cash advances, cash receipts, and Board member expenses.</p>	<p>USA Surfing has obtained two financial policies/procedures templates/samples (from other NGBs) via the USOPC.</p> <p>With the assistance/consultation of the USOPC Consultant, and USOPC Board Liaison, USA SURFING is in the process of reviewing and customizing the template/sample documents into a new, comprehensive Financial Policies and Procedures document. The policies/procedures are also under review by the Treasurer and Audit Committee.</p> <p>The policies/procedures include requirements such as:</p> <ul style="list-style-type: none"> -a Monthly Financial Reporting Closing Procedures checklist that includes reconciliation of cash accounts, accounts receivable detail, accounts payable detail, general journal entries, and financial statements. -a Year End Closing Procedures checklist. At year-end, the monthly closing detailed above will be completed and presented along with additional detail regarding reconciliation of foreign currency, advances pending receipts, and audits. -an Annual Final USOPC Grant Report to include a final report with a brief narrative and financial overview for each USOPC grant funded projects. - ...and more. 	<p>Partially Implemented</p> <p>USA Surfing has developed financial policies and procedures which include the following: travel expenses (timely submission), original receipts, check signers, reporting lines, and authority for decision making. These procedures did not include a process for paying per diems to staff or athletes. During follow-up testing it was noted that USA Surfing is distributing per diems. (See additional observations below). This recommendation is considered partially implemented.</p>

		<p>A recommended policy for initial review by the USA SURFING Board of Directors will be presented to the Board at its January 2020 meeting.</p> <p>USA Surfing contracted with Altruic Advisors Certified Public Accountants & Consultants (Altruic) in June 2019 to take over accounting for the NGB. Turning accounting over to this firm has automatically tightened accounting processes (necessitating the scanning of receipts, tracking restricted funds as separate projects, etc.) that will also be incorporated into the new financial policy and procedures.</p> <p>McMillen & Company, PLLC (McMillen) was hired in October 2019 to perform an independent audit as well as prepare the 2018 990. Both and are now in the process, with an ETA by end of December. Following the initial onboarding of the two new financial firms, an ongoing calendar will ensure timely completion of these functions annually.</p>	
#6	Improvement of Internal Controls	USA Surfing's Response	Follow-Up Status
	<p>Original Recommendation: USA Surfing must establish internal controls surrounding both the cash receipts and cash disbursements process including developing sound financial policies and procedures to include compensating controls such as the review of journal entries, preparing and reviewing bank reconciliations and other financial reports.</p> <p>Additionally, USA Surfing should consider restricting the access of the Board President so that her duties align with proper internal control structures.</p>	<p>USA Surfing hired the accounting firm. Altruic Advisors in June 2019. Altruic has since taken over accounting functions.</p> <p>USA Surfing requested and has been granted USOPC NGB Services grant funding earmarked for the hiring of a person to handle administrative duties previously handled by the Board President on a volunteer basis. Funds are set to be available in January 2020.</p> <p>The addition of an administrative staff member will mitigate previous lack of segregation of many other duties (previously handled by Board Member volunteers) inherent in an organization as small as USA Surfing.</p> <p>McMillen & Company, PLLC. (McMillen) was hired in October 2019 to perform an independent audit as well</p>	<p>In Progress</p> <p>Though USA Surfing has made some improvements, it was determined that the CEO still has too much control over both the cash receipts and the disbursements process. There are some approvals in place, but they are not well documented. For Wire transfers, there is no system level approval process so the CEO can still transmit funds without approval. The CEO is still primarily responsible for receiving the organization's funds and</p>

		<p>as prepare the 2018 990. Both are now in process, with an ETA by end of 2019.</p> <p>USA Surfing's soon to be adopted financial policies/procedures, the hiring of Altruic and McMillen will address these deficiencies, along with the addition of an administrative person, set to be added in 2020.</p>	<p>preparing deposits, though a high number of deposits are done electronically. This recommendation is considered in progress.</p>
#7	Overstating of Expenses	USA Surfing's Response	Follow-Up Status
	<p>Original Recommendation: USA Surfing must improve the process for recording expenses in the general ledger to ensure that all spending is appropriately supported, particularly when it relates to reallocating USOPC funds.</p>	<p>USA Surfing's new accounting firm Altruic Advisors (hired June 2019) has incorporated a new classification system for projects in the PPA. This system requires all expenditures to be classified by project (in advance) in order to have the ability to quickly and accurately report on expenditures for each project, as well as for any other restricted grant funds USA Surfing receives.</p> <p>New Financial Policies & Procedures now in development/review, will also require detailed monthly project reports.</p>	<p>Implemented</p> <p>The auditor conducted follow-up testing on grant expenses. There were not any expenses that appeared to be overstated. Audit will consider this recommendation implemented.</p>
#8	Expenses Recorded in the Wrong Grant Year	USA Surfing's Response	Follow-Up Status
	<p>Original Recommendation: USA Surfing must work with Sport Performance to determine the course of action for the disallowed funds of \$50,000.</p>	<p>USA Surfing is working with USOPC Sport Performance toward resolution of funding spent in the wrong grant year (2019 vs. 2018).</p> <p>USA Surfing has implemented (with its new accounting firm Altruic, hired June 2019) QuickBooks accounting categories for the tracking of all USOPC grants and projects within each grant. The system is working and USA Surfing is currently up to date and fully compliant with this accounting process.</p> <p>Via consultation with the USOPC, USA Surfing's CEO now has full understanding of the process.</p> <p>Implementation of the new QuickBooks categories has</p>	<p>Not Implemented</p> <p>Following the issuance of the December 2019 report, it was determined that USA Surfing would be required to repay the \$50,000 in funding that was spent in the wrong grant year.</p> <p>Follow-up testing was conducted for 2019 grant year spending.</p>

		<p>resulted in a system to easily and accurately track all restricted funds closely. Soon to be implemented Financial Policies & Procedures also require monthly reports for restricted funds projects.</p>	<p>Through this process, there were an additional \$1,865 in disallowed funds identified due to a transaction that was spent in the wrong grant year. USA Surfing will also be required to repay this amount.</p> <p>This recommendation is considered not implemented.</p>
#9	Unsupported Expenses	USA Surfing's Response	Follow-Up Status
	<p>Original Recommendation: USA Surfing must develop formal policies and procedures to ensure that appropriate documents are retained, and proper approval of spending is received.</p>	<p>USA Surfing now attaches electronic receipts to every transaction in QuickBooks. Every transaction or reimbursement for expenses is required to be accompanied by electronic copies of receipts. USA Surfing's accounting firm Altruic Advisors (hired June 2019) verifies electronic receipts accompany all transactions.</p> <p>A soon to be hired administrative staff member will be charged with verifying and attaching receipts to all expenses.</p>	<p>Partially Implemented</p> <p>It was confirmed that USA Surfing successfully adopted and implemented formal procedures for document retention and spending approval. However, the auditor conducted follow-up testing on 2019 expenses and identified one expense that was not supported with original receipts. This spending occurred in 2018 but was charged to 2019 grant funds, as detailed in issue #8 above. Additionally, the funds were spent by a board member and were not appropriate to the grant project. There were no other expenses identified that were unsupported, as such, audit will consider this recommendation partially implemented.</p>

Audit Area: Due Process

#10	Develop a Case Management Process	USA Surfing's Response	Follow-Up Status
	<p>Original Recommendation: USA Surfing must develop a case management process to ensure that all parties are afforded the rights as required by the Sports Act and the USA Surfing Bylaws.</p>	<p>A new policy requiring the format change to pdf documents (if necessary) and electronic filing of all future case correspondence, by case, is in development. The named Athlete Safety/Safesport Coordinator, and/or a new administrative staff member (to be hired by end of January 2020) will be responsible for tracking and case management.</p> <p>The Advisory Board member serving as legal counsel is assisting with the development of this process.</p>	<p>Implemented</p> <p>USA Surfing created a grievance/complaint tracker, to be completed by the Judicial Committee, which documents the status of the grievance/complaint. The auditor verified that email correspondence to and from the Judicial Committee, as well as documentation of the grievance/complaint, is uploaded into a Dropbox that is accessible by the Judicial Committee. A Judicial Committee member is responsible for ensuring that the tracker is filled out, detailing the status of the complaint, that the documents are kept in order in the file, and the parties receive the same information from the Judicial Committee email to ensure that all parties are afforded the rights as required by the Sports Act. This recommendation is implemented.</p>
#11	Ensure Bylaws are Followed Through Judicial Committee Oversight	USA Surfing's Response	Follow-Up Status

Original Recommendation: The Judicial Committee must exercise its oversight to ensure that the Bylaws are followed by USA Surfing.

Two new volunteer members are being sought for addition to the Judicial Committee, at least one with prior USOPC and/or NGB Judicial Committee experience.

The USOPC Consultant will continue to act as liaison to the Judicial Committee to ensure Committee training and process guidance are properly aligned with the Bylaws. The Board Chair/President will also continue to provide Committee training in this area.

A form for reporting complaints has been drafted and will be posted to the website by the end of the year.

The new reporting form explicitly states:

- SafeSport complaints should be submitted directly (free of charge and anonymously if necessary) to the U.S. Center for SafeSport.

- Complaints for Administrative, Disciplinary, and Right to Participate are to be sent directly to the Judicial Committee via an email address accessible only to the Judicial Committee.

- Directions for the grievance process (for other than SafeSport issues) can be found in Section 13 of the USA Surfing's Bylaws.

- ...and more.

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

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

USOPC Consultant will continue to liaise with the

Implemented

USA Surfing has developed a process which ensures that complaints are processed according to its Bylaws through Judicial Committee oversight. The USA Surfing website provides an email address that is accessible only by the Judicial Committee and provides the option of a fill form to file a complaint.

Additionally, through the newly developed case management process, the auditor verified the Judicial Committee has access to a Dropbox folder which contains individual folders for complaints filed. The individual folders contain all documents and emails relating to the complaint. The complaint tracker in the folder allows the Judicial Committee to monitor the status of the grievance. Auditor also verified the CEO and COO (former President of the Board) do not have access to these file folders. This process is now administratively managed by the recently hired Administrative Assistant and is tasked with collaborating with the Judicial Committee for process needs. This recommendation is implemented.

		Judicial Committee for process training purposes, the search for additional Committee members with Judicial Committee experience, and the search, onboarding and training of potential Hearing Panel volunteers.	
#12	Educate Staff, Board, and the Judicial Committee on the Grievance Process	USA Surfing's Response	Follow-Up Status
	Original Recommendation: USA Surfing must educate the Staff, Board, and Judicial Committee on the grievance processes required by the USA Surfing Bylaws.	<p>The USOPC Consultant is developing a new Response, Due Process, and Resolution Training program for the education of the Board, staff and Judicial Committee on the grievance process for Administrative, Disciplinary, and Right to Participate grievances, as well as grievances returned by the U.S. Center for SafeSport to USA Surfing's jurisdiction.</p> <p>USA Surfing will also fully participate in the USOPC Office of Athlete Safety/Center for SafeSport soon to be adopted Athlete Safety/Safesport Coordinator standards training. Announced at the USOPC Office of Athlete Safety's December 12 Athlete Safety/Safe Sport Coordinator meeting, a training schedule is set for publication the week of December 16, with trainings set for April 2020 and October 2020.</p> <p>USA Surfing will train its Athlete Safety/Safesport Coordinator on this upcoming USOPC Athlete Safety Policy update. Per the USOPC Office of Athlete Safety's December 12 Athlete Safety/Safe Sport Coordinator meeting, the updated policy will "explain very explicitly" the areas in which the USOPC and NGBs have jurisdiction. In order to avoid future confusion in this area, this new explicit explanation of jurisdiction will be a strongly highlighted area of training of the USA Surfing Athlete Safety/Safesport Coordinator position. The Athlete Safety/Safesport</p>	<p>In Progress</p> <p>On April 16, 2020, USA Surfing's Judicial Committee, received virtual training. This training included the duties of the judicial committee, process for filing a complaint, process to hold an impartial hearing, and process after a decision is rendered. Based on conversations, USA Surfing staff was trained prior to the Judicial Committee.</p> <p>Additionally, it was indicated that the Board would receive training in May 2020 as part of the onboarding process for new members. Board training had not been completed prior to the completion of fieldwork testing on May 1, 2020 so this recommendation is considered in progress.</p>

		<p>Coordinator will then be charged with educating staff, the Board and the Judicial Committee on the process. The USOPC Consultant is also charged with training the staff, Board, and Judicial Committee in this area.</p> <p>The pending USOPC Office of Athlete Safety explanation of jurisdiction applies only to cases not under Center for SafeSport jurisdiction—as was the single case critiqued in this audit. It should also be noted that this single critiqued case was among the earliest cases rejected by the Center due to ineligible subject matter and returned to the jurisdiction of an NGB.</p> <p>The Athlete Safety/Safesport Coordinator role will likely fall under the job description of the soon to be hired administrative staff position (target hire date end of January 2020).</p>	
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Audit Area: Athlete Safety

#13	Track Athlete Safety Requirement Completion	USA Surfing’s Response	Follow-Up Status
	<p>Original Recommendation: USA Surfing must immediately complete a thorough review of the list of all individuals listed on the manual excel sheet and explicitly indicate on the sheet any individuals that have not met the athlete safety requirements. Also, it is strongly encouraged that USA Surfing review the process for a better tracking of athlete safety requirements completion.</p>	<p>USA Surfing is currently in conversation with Sport 80 and will also contact Sports Engine to evaluate the service best suited to the NGB.</p> <p>The Athlete Safety/Safesport Coordinator will handle this function. A soon to be hired administrative staff member (target hire date end of January 2020) may be tasked with taking over this responsibility.</p> <p>The initial audit sampling was not adequately delineated between individuals currently authorized to engage with athletes, and individuals identified as</p>	<p>Implemented/Closed</p> <p>The auditor retested all individuals who are required to complete background checks on May 1, 2020. All individuals did complete a background check. Additionally, USA Surfing adjusted the tracking process to explicitly indicate on the tracker individuals who do not meet the athlete safety</p>

	<p>USA Surfing will also be subject to verification within 90 days to ensure these recommendations have been implemented.</p>	<p>those not yet engaging with athletes but needing to be background checked and SafeSport trained in advance of future engagement with athletes. Contracting with a provider such as Sport 80 for tracking will provide more accurate tracking as well as better reporting.</p>	<p>requirements. Additionally, USA Surfing is transitioning to an automated membership system that is expected to begin on July 1, 2020. This recommendation is considered implemented.</p> <p>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. As it relates specifically to this recommendation, education and training of individuals were not included in this follow-up process.</p>
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Risk Level: Medium

Audit Area: Financial Capabilities

#14	Final Grant Reports and General Ledger Support	USA Surfing’s Response	Follow-Up Status
	<p>Original Recommendation: USA Surfing must use their general ledger to report expenses when preparing the final grant report.</p>	<p>The accounting firm Altruic Advisors (hired June 2019) has incorporated a new classification system for projects in the PPA. This system requires all expenditures to be classified by project (in advance) in order to have the ability to quickly and accurately report on expenditures for each project, as well as for any other restricted grant funds USA Surfing receives.</p>	<p>Implemented</p> <p>Testing for the 2019 final grant report was completed, there were not any issues identified with the final grant report reconciling to the general ledger. This</p>

		New Financial Policies & Procedures now in development/review, will also require detailed monthly project reports from the CEO.	recommendation is considered implemented.
#15	Contracts with Organizations for Equipment	USA Surfing's Response	Follow-Up Status
	Original Recommendation: USA Surfing should draft and execute an agreement that outlines responsibility and ownership of the equipment purchased.	USA Surfing is working with legal counsel to draft an agreement with the Medical Director detailing ownership and maintenance of all USA Surfing equipment that is stored and used at the Medical Director's facility. The Medical Director is in full agreement.	Implemented During follow-up fieldwork, USA Surfing created a contract for the equipment purchased using USOPC Grant funds but stored in a facility that is not owned by the organization. The contract seems reasonable and was signed by both parties. This recommendation is considered implemented.

ADDITIONAL OBSERVATIONS

- At the time of the original audit, a verbal recommendation was made regarding the approval of board expenses. USA Surfing's policy was for the CEO to approve board expenses, it was recommended that board member expenses be approved by the board president or treasurer. This was determined to be a verbal recommendation because at the time of the audit, no board members had been reimbursed for expenses. In the interim period, USA Surfing did not update their process for board reimbursements and there have been reimbursements to board members in that time.

Having board members review others' expenses keeps board spending transparent and ensures expenses are appropriate. The review could be done on 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.

USA Surfing should designate a board member to review the other board member expenses on a regular basis and document this process.

- According to the CEO, per diems are handled through a reimbursement process. The USA Surfing staff member charged with issuing per diems would have to distribute personal funds and be reimbursed through their regular expense reimbursement process.

USA Surfing's financial procedures don't include per diems so there are no standards set forth on how any funds are to be tracked or what documents are to be retained.

Lack of a formal process for documenting per diems could lead to misappropriation or loss for the organization.

USA Surfing should develop procedures for issuing per diems which include how the issued funds are tracked and what documentation is to be retained. Alternatively, the organization should require that all expenses are reimbursed and per diems are not issued.

CONCLUSION

USA Surfing has made improvements in the areas of due process, athlete safety, and governance but should continue to enhance their conflict of interest disclosure process and ensure that the board receives training on the grievance process. While USA Surfing did make improvements in the period between the issuance of the December 2019 report and the follow-up audit, many elements were not in place until field work testing was in process.

While progress has been made in the area of financial capability, USA Surfing did not demonstrate significant improvement. There is little documented oversight of organizational spending and the CEO still has a substantial amount of control over both the disbursement and the receipts process. Notably, USA Surfing had yet to complete an independent financial audit at the time of fieldwork and disallowed funds have yet to be paid back to the USOPC. Additionally, the inherited debt from a prior organization had yet to be disposed of.

APPENDIX A –Recommendation Rating

The following recommendation rating was used during both follow-up audits:

- Implemented - sufficient and appropriate documentation was provided to establish the previous audit recommendation was fully satisfied;
- Partially Implemented - documentation was provided but the previous audit recommendation was not fully satisfied;
- In Progress - processes are currently in place and meaningful progress has been made toward implementation of the previous audit recommendation;
- Not Implemented - documentation did not support meaningful movement toward implementation; no documentation was provided demonstrating implementation or there is no intention to implement; and
- Closed - Follow-up for this recommendation is done through another process. No documentation was requested, and no determination was made as it relates to the previous audit recommendation.