



October 3, 2008

United States Olympic Committee  
Audit Division  
Debra D. Yoshimura  
1 Olympic Plaza  
Colorado Springs, CO 80909

Dear Debra,

Thank you for the Audit Report of the 2007 grant year and the first quarter of 2008. The Audit Report was reviewed and our response to each recommendation is listed below.

1. Fencing's Leadership must continue to improve its financial position, reduce liabilities and manage cash flow in order to demonstrate financial and managerial capability sufficient to administer the sport of fencing.

Action: Fencing has minimized expenses and is in the process of entering the budget for the new fiscal year so that financial position can be monitored on an on-going basis. The organization is fully committed to improving it's financial position.

Implementation Date: In progress

2. Fencing should carefully analyze its account receivables, particularly those greater than 90 days old, to determine if any accounts should be written off or reclassified.

Action: Notes are attached to the membership database for any active athlete with an overdue amount owed to Fencing. These athletes are not able to compete in future events until the balance is paid. Fencing management is reviewing the aged accounts receivable to determine if an increase in allowance for doubtful accounts is needed. The "Other Receivables" mentioned in the audit report are primarily amounts due from a company that is involved in a pending lawsuit. The amounts due to Fencing have been placed in escrow and will be paid when that case is finalized. Therefore, those amounts are still considered collectible.

Implementation Date: The allowance for doubtful accounts should be determined within a month.

3. In addition to its other duties, Fencing's Audit Committee should review and approve the selections of Fencing's external auditors.

Action: Fencing's Audit Committee was involved in approving the auditors for the audit of the fiscal year ended July 31, 2008, currently in progress.

Implementation Date: Completed

4. Fencing must obtain written approval to reallocate the \$6,909 of unspent 2007 grant funding, or Fencing must return the grant funding to the USOC.

Action: The Interim High Performance Director has contacted Sports Partnerships and she has submitted a written request to reallocate \$6,909 of unspent 2007 grant funding to 2008.

Implementation Date: Completed

5. Fencing's management should prepare final grant reports for each project outlined in the PPA and ensure amounts are calculated correctly on the report.

Action: In prior years, Fencing has prepared one grant report for each discipline rather than separate grant reports for each activity conducted. This has never been an audit issue in the past, nor has USOC Sports Partnerships ever requested additional information. Therefore, precedent indicated that this was an acceptable method of reporting. Now that a change has been requested, Fencing will prepare separate grant reports for each activity in the future.

Implementation Date: Changes will be implemented on the next grant reports due to the USOC.

6. Fencing's management must ensure total expenses reported on the grant reports agree to the general ledger detail presented as support for the grant. Fencing's Finance personnel must maintain detailed and organized records describing how the amounts reported on the final grant reports are determined if the final grant reports do not tie directly to the general ledger.

Action: Fencing will maintain clear records of how the amounts reported on the final grant reports are calculated.

Implementation Date: Changes will be implemented for the next grant reports due to the USOC.

7. USOC and Fencing management should work together to determine how the \$549,900 of grant funding paid to Fencing has been spent and how these amounts relate to the projects outlined in the 2008 PPA.

Action: Fencing does have records of how amounts already received from the USOC have been spent. Fencing is currently working with USOC staff to try and obtain clear records of which expenses have been paid by the USOC directly in lieu of making the grant payments to Fencing.

Implementation Date: In progress.

8. Fencing personnel should separately record all Paralympic expenses in the general ledger to ensure grant funding is fully supported.

Action: Expenses that pertain to more than one grant activity are now being allocated to the different projects when the expense is posted.

Implementation Date: Completed

9. Fencing should maintain documentation to support allocations of salaries, venue space and other expenses charged to grants; allocations should be reasonable amounts based on time studies, space usage or some other measurable amount.

Action: Fencing will request that the US Paralympic Division clearly displays the amount allocated for salary on the final 2009 PPA. Going forward, venue expenditures and other expenses for wheelchair events at National Tournaments will be calculated at 30% of the total cost.

Implementation Date: Completed

10. Fencing must obtain written approval for the significant variance in the timing of expenditures for the 2008 International Relations grant funding, or Fencing must return the \$7,520.00 of grant funding to the USOC.

Action: Variance was requested in the 2009 International Relations grant request that was submitted on September 30, 2008.

Implementation Date: Completed

11. Fencing should initiate contracts or agreements signed by both parties with coaches and other independent contractors prior to receiving services in order to minimize the risk of disputes and lawsuits and to help ensure that Fencing's goals and objectives remain on track.

Action: Since coaches' agreements expired after completion of the Olympic Games, Fencing is currently in the process of revising the contractor agreements. The revised agreements are being reviewed by legal council and will be implemented for all contractors for the next quad.

Implementation Date: In Process

12. Fencing should strengthen internal controls for inventory by establishing written procedures, separation of duties and security safeguards.

Action: Inventory has been moved to secured areas. The Interim Executive Director maintains the keys to the inventory storage areas. Inventory details have been entered into QuickBooks to facilitate real-time inventory tracking and forms have been created for checking inventory in and out.

Implementation Date: Completed

13. Fencing should implement review and reconciliation procedures for credit card refunds.

Action: Currently, a daily refund report is generated that lists all refunds processed and includes the amount, name and purpose of the refund. The Executive Director will also review the report.

Implementation Date: Completed

14. Fencing's Board should designate a member to review and approve the Executive Director's expenses.

Action: There are no Board members who live locally. Therefore, in order to have a Board member review and approve the Executive Director's expenses, the expense report would have to be mailed to the Board member, approved, and mailed back to Fencing, increasing the time and expense involved in the process and the possibility that expense reports could be lost. Since expense reports are reviewed by the designated staff member and accounting personnel, the risk that an inappropriate expense reimbursement will be paid is minimal compared to the inefficiency of having a Board member review each expense report. Therefore, Fencing is willing to accept the risk and does not intend to change the procedures.

Implementation Date: N/A

15. Fencing's Board of Directors and Executive Director should review and update the organization's policies and procedures manual to ensure it aligns with the current practices of the organization.

Action: The Policies and Procedures manual has been reviewed and revised. The revisions will be sent to the Board for approval after pending staffing issues have been finalized.

Implementation Date: To be determined

16. In order to comply with the USOC PPAs, provide increased organizational transparency and to communicate financial information on a timely basis, Fencing should post its most recent IRS Form 990 on its website and complete its audited financial statements within the timeframe agreed to in the PPA.

Action: This information has been posted on the US Fencing website.

Implementation Date: Completed

17. Fencing and USOC Management should determine which Pros Consulting recommendations are the "agreed upon" recommendations for Fencing to implement. The "agreed upon" recommendations should be documented, and Fencing should provide periodic reporting on the progress of implementation.

Action: Fencing will be working with USOC Management to determine which Pros Consulting recommendations to implement.

Implementation Date: To be determined

18. Fencing should implement NGB Governance Guidelines including a 7-12 member Board, 20% independent Board representation, term limits, staggered terms, a Compensation Committee and transparency to its members.

Action: The US Fencing Executive Committee and the USOC are currently discussing this recommendation.

Implementation Date: To be determined

19. Fencing should adopt a conflict of interest policy and require Board members, Staff, Contractors and Volunteers to annually disclose conflicts and certify acceptance of the policy.

Action: Using the USOC Conflict of Interest policy as a guideline, this policy is being added to our Policy and Procedures Manual. This policy already exists in the US Fencing Employee Manual. The Policy and Procedures Manual will be sent to the Board for approval.

Implementation Date: To be determined

Should you have any questions or comments, please feel free to contact me.

Sincerely,

Christine Strong Simmons  
Interim Executive Director  
US Fencing Association

cc: Jim Scheer                      Norman Bellingham  
Bob Gambardella                  Chris Vadala  
Walt Glover                        Eric Parthen  
Chris Duplanty                      Steve Roush  
Rana Dershowitz                    Kalle Weeks