

S. HRG. 108-895

**UNITED STATES OLYMPIC COMMITTEE (USOC)
REFORM**

HEARING

BEFORE THE

**COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION**

UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

FEBRUARY 13, 2003

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ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

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UNITED STATES OLYMPIC COMMITTEE (USOC) REFORM

THURSDAY, FEBRUARY 13, 2003

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Committee met, pursuant to notice, at 9:30 a.m. in room SR-253, Russell Senate Office Building, Hon. John McCain, Chairman of the Committee, presiding.

OPENING STATEMENT OF HON. JOHN MCCAIN, U.S. SENATOR FROM ARIZONA

The CHAIRMAN. The Committee will come to order. I welcome the witnesses who are appearing before the Committee today, and thank those who made special arrangements to be here. I would like to reiterate my appreciation for the efforts and support of Senators Stevens and Campbell.

The purpose of this hearing is to begin the process of examining the current organizational structure and culture of the United States Olympic Committee and consider what legislative reforms are needed to ensure that the USOC operates more effectively and efficiently. It is important that the organization functions in a manner that places emphasis on athletes rather than personal and organizational interests, as intended by the 1978 Amateur Sports Act.

The Committee held a hearing 2 weeks ago to examine the turmoil among USOC leaders that ultimately led to congressional intervention. Since that time, the USOC president and the chief marketing officer have both resigned, and the USOC Executive Committee has formed an internal governance and ethics review task force that is expected to provide its report and recommendations to the USOC board of directors in April.

While I do not oppose any effort by the USOC to conduct an internal review—in fact, I encourage it—I feel that the proposed task force will amount to possibly nothing more than a reshuffling of chairs on the deck of the Titanic. I believe that in order to better ensure the future credibility of the USOC movement an independent and objective analysis of the current organizational structure and culture is necessary.

The Olympic movement is not about people who attach themselves to the organization for their own benefit. It is a movement that is driven by athletes who pour their souls into improving their God-given talents with the hope of some day realizing their Olympic dreams. The American people have entrusted the USOC with

the privilege of serving as the custodian of the athletes' dreams, but time and again the USOC has breached that trust.

The athletes appear to be nothing more than an after-thought in the eyes of this ever-growing behemoth of an organization. Recent comments by highly respected corporate sponsors, reporters, and international Olympic officials, referring to the USOC as dysfunctional, cannibalistic, and a nincompoop, have been embarrassing and destructive to the credibility of the USOC. We must restore faith in this organization in the eyes of our athletes, the American people and the international sports community.

To do this, we must first be sure that the structure of the organization is in line with the USOC mission to "preserve and promote the Olympic ideal as an effective, positive model that inspires all Americans."

The Commerce Committee oversees Olympic issues, and has a responsibility to ensure that the USOC operates effectively. I hope that the USOC will cooperate with this Committee and be mindful that its charter is a privilege bestowed upon it, and that the charter can be easily revoked and placed in the hands of those who may be better qualified to preserve its trust.

I thank the witnesses again for being here, and I look forward to your testimony.

Senator Stevens.

**STATEMENT OF HON TED STEVENS,
U.S. SENATOR FROM ALASKA**

Senator STEVENS. Mr. Chairman, thank you very much for holding this hearing.

I think we should state at the beginning, for the people who are here, or listening to this, that at the time we are talking now there is a briefing going on by Governor Ridge, or Secretary Ridge on the security matters that affect our country. The four of us happen to serve on two committees that receive those briefings on a classified basis anyway, so I am pleased we are able to be here and conduct this hearing that you have scheduled so that there will not be another disruption in this process.

I thank you for holding the hearing. Senator Campbell and I look forward to working with you on it.

During the last hearing, Mr. Chairman, you and Senator Campbell and I mentioned how disappointed we were that the focus of the articles that were appearing at that time in the newspapers were about failures of governance and not about athletes. It really saddens me to note that athletes have finally come into this picture, but the stories and the articles are about athletes who are now facing the problem of not having the funds that they were counting upon because the USOC has decided to use those funds for internal restructuring.

That internal restructuring, I assume, must be done, but I am disturbed that a fund that was set aside and dedicated to athletes was allocated for that purpose. I personally want to put the USOC on notice that that is not acceptable.

We are intent upon trying to save what is left of the USOC emphasis on athletes, and it certainly is not conducive to coming to an agreement with this panel, in my opinion, to remove funds from

those allocated for athletes to—and this is a little harsh, perhaps, but to use those to save the little fiefdoms that have been created in the USOC which were not intended by this law.

Now, I am hopeful that I will be able to stay with you, Mr. Chairman. Unfortunately, we have just finished this enormous appropriations bill, and I think I am going to be called away. I can think of nothing that I am more proud of in my career than having worked with the Ford Commission and with the USOC over the years. It was just a matter of a few years that the USOC, which was hardly efficient at all, turned into one of the, if not the most important Olympic organization in the world, and I am saddened to see it slip so hard, so deeply, and I hope that working together, we may find a way to refashion this law so that that cannot—first it will be restructured properly, and that cannot happen again.

Again, I thank you for this, and I look forward to the trip we are going to make to Colorado Springs to talk to some of the athletes and the people involved in the administration of this concept, the USOC, that is, who are not really on an advisory level and not one of an enormous board of directors, but the people who work daily to try to try to assure that these athletes can achieve their dreams. We have a very broad spectrum of people on this panel now, and I think they are all dedicated to the future of the USOC.

I want to take a moment to welcome my good friend Donna de Varona. I do not know of anyone who has been through this process more than she has. Senator Magnuson, Mr. Chairman, hired—well, I do not know if hired is a good word, but retained her services to consult with us as an athlete at the time we considered this legislation in the first instance. She was on the Ford Commission, and has worked throughout her life to try to improve the conditions for athletes who follow in her distinguished record in the Olympics.

So I look forward to listening to all of these witnesses, Mr. Chairman, but I am a little uptight, because I do not like to see a program that we put together and gave sound footing unravel because of personalities and personal ambitions. I hope that day is over.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Stevens, and again I want to reiterate my appreciation for your long involvement in this issue. I do believe that it needs fundamental restructuring, and I believe that you and I and Senator Campbell and other Members of this Committee can see this thing through to a conclusion, and I thank you, and I know you may have to leave to steward one of my favorite bills through the Congress here very soon.

[Laughter.]

Senator STEVENS. I am looking forward to more of your statements, Mr. Chairman.

The CHAIRMAN. Senator Burns.

Senator BURNS. I think Senator Campbell was here first.

The CHAIRMAN. Senator Campbell, go ahead.

Senator CAMPBELL. I would yield to Senator Burns.

**STATEMENT OF HON. CONRAD BURNS,
U.S. SENATOR FROM MONTANA**

Senator BURNS. My statement will be very, very brief. I have to go to the briefing, too. We are involved in the same issue in appro-

priations, but we hear this great thing, it is great to be in public service, and I think we miss the definition of that is, we serve the public. And as in a government bureaucracy who tend to forget why they are there, as sort of happened to the USOC, but I think for those of us who have not been that involved with the Olympics, I will tell you that the American people are only concerned about two things, and that is accountability and credibility, or you will lose your public support, and when you lose your public support, we will lose the real meaning of the Olympics.

You are not there for self-serving, you are there to serve, and I just want to—just two words I want you to remember are accountability and credibility, and that is what is at stake here. If you have neither, you will not have an organization that can contribute anything to a greater life for any of us.

Thank you very much, Mr. Chairman, for holding this hearing. Thank you for the involvement of Senator Campbell and yourself and Senator Stevens, who has been around this subject—we accompanied Senator Stevens to Athens one time and had a wonderful experience out there, and especially his work with Special Olympics, and that should be noted for the record, because he has been a champion, but he is also concerned about these two words right here. They are very small words, but boy, do they pack a lot of meaning and power with the American public.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Burns. Senator Campbell.

**STATEMENT OF HON. BEN NIGHTHORSE CAMPBELL,
U.S. SENATOR FROM COLORADO**

Senator CAMPBELL. Thank you, Mr. Chairman. First let me associate myself with the words of Senator Stevens about our friend, Donna de Varona. Donna and I were team mates in 1964, but just by chance, I think I met her for the first time when she was 16, swimming at the Santa Clara Swim Club in California, and I was a student at San Jose State University, right across town, and I used to go over and watch them train in swimming. George Haynes was her coach in those days, and he was, I mean, breaking all kinds of new training methods and turning out champions like you would not believe, and Donna was one of the really great ones in the pool, and we certainly welcome her.

I would also like, before I make my statement, Mr. Chairman, to clarify the record. I was reading, a story in Roll Call that I stated took Mr. Ward to task last time about his membership in the Augusta Golf Club, but the story implied that I somehow do not think it is wrong for Senators to belong to the same kinds of clubs, and I would like the record to reflect I do not care who they are, Senators or not, they should not belong to a club or a group that discriminates against women or minorities or racial differences or gender differences or anything else. It is just as wrong for Senators, it is wrong for private citizens, and I wanted the record to reflect that.

At our last hearing regarding the problems faced by the USOC, I also stated that the ongoing internal fights within the USOC structure could only hurt the athletes, and according to a story that

was in Tuesday's USA Today, I think Senator Stevens alluded to that, that is already happening.

This story said that the USOC is going to set aside \$2.5 million in their budget for two purposes, \$1.5 million for the restructuring of their committees to conform to congressional demands, and \$1 million to repair the damaged public relations image. The article went on to say that that allocation had delayed the decision by the USOC officials to give an extra \$3.5 million to the athletes and their national governing bodies. Clearly, that money should have gone to helping the athletes, there is no question about it.

There is a big wrestler out there in Colorado Springs now training named Rulon Gardner, who I have met several times. He came out of Wyoming. He was the 2000 gold medalist in Greco-Roman wrestling, who defeated the previously undefeated three-time gold medal winner from Russia named Alexander Karelin. You may have read that story. This guy had not been defeated in 14 years of international competition. He is like a wrestling god in most of Europe.

And Rulon I think said it best when he said, why can't they figure out where they can take it out of their budget? It should not affect the athletes, because the athletes did not create the problem, and Rulon is absolutely right. And he, like many other young Americans, are doing their best to represent this Nation with honor and dignity, and they are doing it in spite of a sometimes self-serving bureaucracy.

To be clear, the vast majority of athletes, coaches, trainers, officials, are doing what I think is an admirable job trying to get the USOC back on track, but there is no question in my mind that it is not going to be easy, and it is going to require some downsizing and some streamlining.

When Ms. Mankamyer resigned, she said there was no possibility of peace unless she did resign, and I think that is probably a fair statement to make. I would like to also note that yet another high-ranking USOC staffer has resigned, too, according to the press, Toby Wong, who had only worked for the USOC for 10 months. She was the chief marketing officer. She was just hired last April, and her exit was just made a few days ago, and it just reinforces my belief that a partial housecleaning is not going to cure the problems.

We have received three calls in our office, because I represent Colorado in Colorado Springs, three calls in our office from employees of the USOC, and I know this hearing is supposed to deal with structure and not personalities, but I think I need to put this in the record. These calls all said basically the same thing, that Ms. Wong had hired an attorney, and was about to file a sexual harassment suit against a top-level USOC official, whose name I will not mention, but I do not know if those calls are partly wrong, or all wrong, or partly right, or all right, or what, but in my view, we should find out.

If that is a common practice—the reported severance package after 10 months was a six-figure package in addition to a salary. I would like to know if that is a common practice for the USOC, or if that was, in lieu of a better term, some kind of hush money for her not to proceed with a lawsuit, and I would just ask you if

there is a possibility of having Ms. Wong come before this Committee and telling us why she resigned and what happened.

And with that, I have a number of other quiet and refined comments that I would like to make as we move along through the hearing.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Our first witness is Mr. Fred Fielding, if he would come forward. Welcome, Mr. Fielding. Please proceed with your opening statement.

**STATEMENT OF FRED F. FIELDING, PARTNER,
WILEY, REIN & FIELDING**

Mr. FIELDING. Thank you, Mr. Chairman, distinguished Members of this Committee.

Senator STEVENS. Would you pull that mike toward you, Mr. Fielding?

Mr. FIELDING. Is that better, sir?

At the outset, I would again like to express my apologies to this Committee for not being present at your last hearing. Although I did have a prior engagement out of town, I am really, truly sorry for any inconvenience I may have caused the Committee in your deliberations, and I want to assure you that by my absence, I did not intend in any way to mean any disrespect to the Committee or to the importance of what the Committee is looking into.

Mr. Chairman, after a meeting of the Ethics Oversight Committee of the USOC on October 24, 2002, I was retained by its chairman, Kenneth Duberstein, to conduct an independent internal investigation in regard to allegations that were presented to that committee by the chief ethics officer of the USOC, Mr. Patrick Rodgers, concerning certain conduct of the CEO, Mr. Lloyd Ward.

Mr. Rodgers briefed me on this assignment and provided the facts and materials he had gathered, and I was specifically directed to obtain any additional information basically on two areas, first, since he had not interviewed Mr. Ward, to find out if Mr. Ward had a financial interest in his brother's companies and, second, whether there were any other related communications between Lloyd Ward, his brother, and a Mr. Hernando Madronero, who was, in fact, the gentleman in question later on, and that information was to be determined by me in an interview with Mr. Madronero, with the results provided to the committee before the committee would proceed further.

I was also advised the oversight committee would reconvene upon the completion of my preliminary investigation.

When I undertook this assignment, I suggested and was granted permission to expand my charter to permit direct interviews of others potentially having knowledge of this incident beyond Mr. Madronero.

By way of process, I reviewed all the documents that were provided to me by Mr. Rodgers, as well as the relevant USOC policies and notes of the Ethics Committee meetings related to this charge. I also checked indices, public resources in regard to EMT, which was the company that Mr. Ward's brother was involved with, and its parent company, West Bank Holdings, and compared notes with

Mr. Rodgers in this regard, as he has done the same thing, and advised me he had.

I then conducted a series of interviews with the individuals that I determined as a result of information brought to my attention, and in some instances, I had followup interviews with these people, and each of my interviews was conducted telephonically, which is not my preferred method of interviewing, but is an effective method, and certainly much more economical, and the method that was requested by Mr. Rodgers.

Upon completion of my interviews, and the fact-finding, and in anticipation of the oversight committee's meeting, on November 21, I had a briefing and a telephonic oral report of my findings to Chairman Duberstein and to Mr. Rodgers. At that time, they decided that they would not proceed with a telephone hearing, and on the next day, I was advised by the chairman that I should provide a written summary of my determinations and my findings so that everyone on the committee would have the same access to the same information.

At or about that time, I was also advised by Chairman Duberstein and by Mr. Rodgers that Mr. Rodgers had agreed to recuse himself from further participation since he had been factually involved, and also, it had come out, and was told to me by Mr. Duberstein and Mr. Rodgers that Rodgers and Ward had had some disagreements over Mr. Rodgers' work performance.

In early December, Mr. Rodgers advised me that he had discovered additional documents in Mr. Madronero's office, including a presentation made by EMT to the Pan Am Organizing Committee, and he was going to review that presentation to determine whether it had any unique information that was exclusively USOC property, or had been derived from USOC documents, and he later advised me that that review was not conclusive.

Subsequently, in December, Mr. Rodgers advised me that President Mankamyer had been discussing the EMT proposal with officials in Santo Domingo, and had determined that those discussions were still ongoing, and I did not attempt to interview the president on any of this, and I so advised the oversight committee, as it was already clear that discussions had occurred through my interview with Mr. Madronero.

And at that time, I did question Mr. Rodgers as to whether he had counseled the president on the propriety of her conducting an ethics investigation and also discussing the charges about Mr. Ward outside of the oversight committee's purview with others, and he said that President Mankamyer had told him that was part of her management review of Mr. Ward, and she was preparing for the January board meeting, at which time his compensation would be discussed.

On December 16, I submitted my written internal investigation report to Chairman Duberstein. Now, questions have been raised as to why my report, or the oversight committee's report had no recommendations. In simple response in regard to my report and this assignment, as had been in prior assignments for the USOC, I was asked to merely provide a factual report to the committee, and actually it was phrased, a preliminary report, in the written instructions that I received. I was further told that the committee,

the Ethics Committee had been specifically directed by the president to provide no recommendations to the Executive Committee, but only to report its conclusions.

The oversight committee did meet telephonically on December 23 and again on January 8 to discuss the results of my investigation as well as other information that had been developed and was in its possession, and at the latter meeting to also carefully review the wording of its report to the Executive Committee.

I was invited to attend both those meetings, and so I can advise this Committee that the meetings were lengthy, thoughtful discussions. They reached the following conclusions, and I should add that these conclusions were unanimous.

First, that Mr. Ward's actions created the appearance of a conflict of interest, and he later failed to make a written disclosure of this relationship with his brother, both actions clearly contrary to the ethics code.

Second, that there was a serious lack of sensitivity by Mr. Rodgers, the ethics officer, in enforcing the ethics code, which could have corrected Mr. Ward's conduct at the time it initially occurred, and would have prevented his further conduct and his further violations.

And there were actions by the president, this was the last conclusion, by the president and other USOC officials, especially in leaking of information, which violated the ethics code and abused the ethics oversight process.

By information sent to the committee, not to me, but to the committee, the president also attempted to introduce a charge of alleged bribery by EMT into the committee's debate, and the committee discussed this at some length, and it was the unanimous conclusion that that information was not relevant to the deliberations on the conduct of Mr. Ward. Although I was not asked for my recommendations—specifically as to what to do—by the oversight committee, at the first meeting one of the members did ask if I had any other observations for them as a result of my interviews.

I responded that this ethics program, like any ethics program, can survive only, and can really work only if it is viewed by everyone as fair, equitable, has bright lines of acceptable conduct, and is not marred and is totally independent of politics, personalities, workplace issues. Unfortunately, from my interviews, I advised them, it was clear that there was a very unhealthy atmosphere within this organization.

There was open hostility between the CEO and the president. It was known to everyone. There was a history of spying on each other. There was a history of feuding openly. Worse still, there was a feeling among some of those interviewed that the ethics officer himself had taken sides in the case and should have recused himself from the probe from the beginning.

The discussions and the deliberations of the Ethics Committee were thorough and candid, they were detailed, and they were careful. The precise wording of the final report was cleared after that meeting with every member, not by me, but by the vice chairman, I believe. Further, after some questions by one or two members who had already agreed to attend, it was decided unanimously that no one from the Ethics Committee would attend the Executive

Committee meeting, that the report would speak for the Ethics Oversight Committee, and after precautions were made by the oversight committee to mitigate the possibility of leaks, it was distributed, along with my investigative report, to all the members of the Executive Committee and also to Mr. Ward.

That would conclude my testimony, Mr. Chairman.
[The prepared statement of Mr. Fielding follows:]

PREPARED STATEMENT OF FRED F. FIELDING, PARTNER, WILEY, REIN & FIELDING

Mr. Chairman and other distinguished Members of the Committee:

At the outset, I would like to again express my sincere apologies for not being present at your last hearing. Although I did have a prior commitment out of the city, I am truly sorry for any inconvenience my absence caused and I want to assure the Chair and the Members that by my absence I meant no disrespect to the Committee or to the importance of its investigation.

I am advised that I have been released from my obligation to preserve the attorney-client privilege and relationship in regard to this matter, so I am prepared to provide any information I can.

Mr. Chairman, after a meeting of the Ethics Oversight Committee of the USOC on October 24, 2002, I was retained as counsel by its Chairman, Kenneth Duberstein, to conduct an independent internal investigation in regard to allegations presented to the Committee by the USOC Chief Ethics Compliance Officer, Mr. Patrick Rodgers, regarding certain conduct of USOC CEO Lloyd Ward.

Mr. Rodgers briefed me on this assignment and the facts and materials he had gathered, and I was specifically directed as follows to obtain any additional information concerning:

- “The financial interest of Lloyd Ward in his brother’s company Energy Management Technologies (EMT) and its parent company West Bank Holdings, LLC.
- Whether or not there were other related communications between Lloyd Ward, Hernando Madronero, Rubert Ward and other USOC staff (information to be determined by interview with Hernando Madronero with results provided to Ethics Oversight Committee before preceding (sic) further).”

I was advised that the Oversight Committee would reconvene upon completion of my preliminary investigation.

Upon undertaking this assignment, I suggested and was granted permission to expand my charter to permit interviews of others potentially having knowledge of this incident beyond Mr. Madronero.

By way of process, I reviewed all documents provided to me by Mr. Rodgers, as well as the relevant USOC policies and notes of the Ethics Committee meeting related to this charge. I also checked relevant indices and public sources in regard to EMT and its parent company, West Bank Holdings, LLC, and compared notes with Mr. Rodgers in this regard as he had done the same. I then conducted a series of interviews with individuals determined by me as the result of information brought to my attention, and in some instances, I had follow-up interviews. Each of my interviews was conducted telephonically, which is not my preferred method of interviewing, but is an effective method and certainly much more economical, and was the method requested by Mr. Rodgers.

Upon completion of my interviews and fact-finding, and in anticipation of an Oversight Committee meeting, on November 21 I made a brief telephonic oral report of my findings to Chairman Duberstein and Mr. Rodgers. The next day, I was advised by the Chairman that I should prepare a written summary of my fact-finding, so all members of the Committee would have complete access to the information. At or about this time I was advised by both Chairman Duberstein and Mr. Rodgers that Mr. Rodgers had agreed to recuse himself from further participation since he was factually involved and also he and Mr. Ward had disagreed over Mr. Rodgers’ work performance.

In early December, Mr. Rodgers advised me that he had discovered additional documents in Mr. Madronero’s office, including a Presentation made by EMT to the Pan Am Organizing Committee. He was going to review the Presentation to determine whether it contained information that would have been derived exclusively from USOC documents; he later advised me that his review could not conclusively determine that. Subsequently in December, Mr. Rodgers advised me that President Mankamy had been discussing the EMT proposal and the probe with officials in Santo Domingo, and had determined that discussions were still “on-going.” I did not

attempt to interview President Mankamyer on any of this (and so advised the Oversight Committee) as it was already clear that such discussions had occurred, through the interview of Mr. Madronero. At that time I did question whether Mr. Rodgers had counseled the President as to the propriety of her conducting an “ethics investigation” and discussing the charges about Mr. Ward with others; he said Ms. Mankamyer had told him that this was part of her management review of Mr. Ward in preparation for the January Board meeting to discuss his compensation.

On December 16, I submitted my written Internal Investigation report to Chairman Duberstein. Questions have been raised as to why my report or the Oversight Committee’s Report had no recommendations. In simple response, in this assignment, as in prior ones for the USOC, I was asked to merely provide a factual report to the Committee. I was further told that the Committee had been specifically directed by the President to provide no recommendations to the Executive Committee, but only to report its conclusions.

The Oversight Committee met telephonically on December 23 and January 8 to discuss the results of my investigation, as well as other information in its possession, and at the latter meeting to also carefully review the wording of its Report to the Executive Committee. I was invited to attend both meetings, and so can advise you that the Committee had lengthy and thoughtful discussions, and reached the following conclusions, *unanimously*:

- Mr. Ward’s actions created the appearance of a conflict and he later failed to make a written disclosure of this relationship (both actions clearly contrary to the Ethics Code).
- There was a serious lack of sensitivity by Mr. Rodgers in enforcing the Ethics Code, which could have corrected Mr. Ward’s conduct at the time it initially occurred and prevented his further conduct and violations.
- There were actions by the President and other USOC officials, especially in leaking information, which violated the Ethics Code and abused the ethics oversight process.

By information sent to Committee members, but not to me, the President attempted to introduce a charge of alleged bribery by EMT into the Committee’s debate; it was discussed fully and the *unanimous* conclusion was that that information was not relevant to its deliberations on the conduct of Mr. Ward. Although I was not asked for my recommendations by the Oversight Committee, at the first meeting one of the members asked if I had any other observations from my review. I responded that this Ethics program, or any such program, can only survive and really work if it is viewed by all as fair and equitable, has bright lines of acceptable conduct and is independent of politics, personalities and work place issues. Unfortunately, from my interviews it was clear there was a “very unhealthy atmosphere” within the USOC, where the open hostility between the CEO and the President was known to all, with a history of spying and feuding. Worse still, there was a feeling among some interviewed that the Ethics Officer had taken sides in this case and should have recused himself from any probe.

The discussions and deliberations of the Ethics Committee were thorough, careful, detailed and candid. The precise wording of its final Report was cleared with *every* member.

Further, after some questions by one or two members who had already agreed to attend, it was the *unanimous* decision of the Ethics Committee that no member of the Committee would attend the Executive Committee meeting—their Report would speak for the Ethics Committee.

After precautions were taken by the Oversight Committee and the General Counsel to prevent the premature disclosure of the Report, it was distributed along with my investigative report to the Executive Committee and to Mr. Ward.

The CHAIRMAN. Thank you, Mr. Fielding.

Your investigation was clearly the basis upon which the Ethics Committee acted. Do you believe that to be the case?

Mr. FIELDING. It certainly was the basis upon which they concluded what they did as far as Mr. Ward, with the addition of the other information that had come to them subsequent to the completion of my investigation, yes, sir.

The CHAIRMAN. And although they did not make a recommendation, which was in violation of the bylaws of the mission describing the duties of the Ethics Committee, which clearly calls for rec-

ommendations to be made, if you had been asked for recommendations as to what disposition should have been made in this case, what would have been your recommendation?

Mr. FIELDING. Well, Senator, there was clearly a violation of the ethics code. There was more than one violation of the ethics code by Mr. Ward, and I assume you mean exclusively as to Mr. Ward, my recommendation. At that point, the governing authority, the executive of any entity has to make the decision as to whether they have a zero tolerance, or whether they have a policy which mitigates for performance and that sort of thing, so it is difficult for me to step in. But I must say to you there were clearly violations of the code, and there was clearly a very bad management situation abounding. I do not know how else I can embellish on that answer, sir.

The CHAIRMAN. So you do not want to answer my question, which is, what recommendation would you have made, which is your right to do, if you do not choose to make—

Mr. FIELDING. My recommendation would be to treat this person as you would treat other people in your organization, according to your executive mandates as you see them. Most entities have a zero tolerance, and if this entity has a zero tolerance, he should have been dismissed.

If they were looking at the entirety of the circumstances and concluded that there were mitigating circumstances, and that was the executive policy, then that is what they should do.

The CHAIRMAN. How many hours did you spend in your review, Mr. Fielding?

Mr. FIELDING. The review, the initial review, up to—

The CHAIRMAN. Your entire work. How many hours did it take you?

Mr. FIELDING. I would have to check that, sir.

The total billing for the matter up through November, the end of November, which was really my initial assignment, was a little in excess of \$15,000, and my billing rate to this organization is \$500 an hour, so whatever the mathematics would work out to.

Some of that was not exclusively with this, but I would consider that that was within the ballpark, and my budget for this was \$20,000, but it has exceeded that with the additional work and the preparation of a written report, so that I think through the end of December, it was in excess of, I would say, \$22,000, but that also included additional work outside of the direct assignment.

The CHAIRMAN. Did you receive any instructions from the USOC when you were retained as counsel?

Mr. FIELDING. In what regard, sir?

The CHAIRMAN. As to whether you should make recommendations or not.

Mr. FIELDING. Yes. My instructions were written, and initial instructions were to interview Mr. Ward to determine if he had a financial interest, and to interview Mr. Madronero to see if he had talked with anybody else, and to report back to the committee, and then, the committee would make the decisions.

I was only to make a fact-finding to the committee. I asked that it be expanded so that I could interview other people, because I did not think it would be complete without at least the interviews. But

my function, as I understood it and as it was written, was strictly a fact-finding function.

The CHAIRMAN. Well, I thank you, Mr. Fielding, and I find it interesting that you can conduct an investigation and get \$22,000 for it, and then not find time to appear before this Committee when you were requested.

Senator Stevens.

Senator STEVENS. Mr. Fielding, just to get this in focus, the chairman at that time, of the USOC, really—I take it she was then the president—was not compensated, right? She was volunteer?

Mr. FIELDING. Yes. The president—as I understand the USOC, the president—I am sorry, the president is not compensated. The CEO is compensated. There is a dichotomy of the staffing.

Senator STEVENS. And to make sure we all understand this now, the CEO is Mr. Ward, right?

Mr. FIELDING. That is correct, sir.

Senator STEVENS. And he is full-time?

Mr. FIELDING. It is my understanding he is full-time, full compensation plus options.

Senator STEVENS. Is Mr. Rodgers a full-time ethics compliance officer?

Mr. FIELDING. He was, sir.

Senator STEVENS. Responsible to the CEO?

Mr. FIELDING. Responsible to the CEO, and from my reading of the documents, he is responsible to the Ethics Oversight Board as well.

Senator STEVENS. Now, what was the role of Mr. Madronero?

Mr. FIELDING. Madronero. His role was—I believe he was in charge of the international section, whatever—however they divvy it up, and part of the problem that Mr. Ward was having with him, as Mr. Ward told me, and as he told me, was that there was a dispute as to whose jurisdiction was international, whether it was the president, the voluntary president, or the CEO, who was the paid staff.

Senator STEVENS. Was Madronero, was he a permanent employee?

Mr. FIELDING. Yes, sir.

Senator STEVENS. An employee of the USOC?

Mr. FIELDING. A paid employee, yes, sir.

Senator STEVENS. Did you have a hand in writing the ethics code?

Mr. FIELDING. No, I did not.

Senator STEVENS. That was there before you were retained?

Mr. FIELDING. That is right, sir.

Senator STEVENS. Have you made other ethics investigations for the USOC?

Mr. FIELDING. No. The only related type of work I have done for the USOC was, I conducted the vetting, if you will, for the president, and for then the vice president, two separate assignments.

Senator STEVENS. Who retained the CEO? Was that done by the board, or by the president herself?

Mr. FIELDING. I do not now. I believe it was by the board, but I do not know.

Senator STEVENS. It does seem to be sort of a strange relationship here, and particularly in terms of the EMT reference. Did you ever get called on to discuss the relationship to EMT and that accusation of bribery?

Mr. FIELDING. The EMT accusation came up late, really after I had finished my investigation, but when I was preparing the documents for the committee. We discussed it at some length at the first oversight committee meeting, at the time I was in—December 23, and the decision was not to go forward with it because it really did not relate to Mr. Ward, per se, as to his conduct, and Mr. Duberstein was going to advise the president that although we had received this information from her, that we did not feel this was in the purview of the oversight committee at this juncture.

There was some concern expressed as to whether this was a violation of the Foreign Corrupt Practices Act. There was some discussion as to whether we, having received this information, that the president had an affirmative obligation to do something in response. But, the decision of the committee was to refer it back to her, and advise her that we were not considering that an aspect of Mr. Ward's conduct.

Senator STEVENS. Well, my staff counsel tells me that the board can hire and fire the CEO. The president does not have that power. Did you realize that?

Mr. FIELDING. I guess I assumed that. I did not realize that.

Senator STEVENS. That leads me to have a question—we have to know a little bit more about what the role of the Executive Committee here from the board is.

Mr. FIELDING. Right.

Senator STEVENS. You were meeting with the Executive Committee of the board, were you not?

Mr. FIELDING. No, sir, I did not meet with them at all. I was working exclusively with the oversight committee which reported to the Executive Committee.

Senator STEVENS. I see. I gathered from your statement that there was unanimous consent of the Ethics Committee that no member of the committee would attend the Executive Committee meeting. Their report would speak for the ethics committee. You did not attend that meeting?

Mr. FIELDING. The Executive Committee?

Senator STEVENS. Yes.

Mr. FIELDING. No, sir.

Senator STEVENS. Having been chairman of our Ethics Committee here, I, too, share the chairman's wonderment at having hired a counsel to make the report, but specifically directing counsel not to have any recommendations.

Mr. FIELDING. That is right, sir.

Senator STEVENS. Well, I respect your right not to answer that question, but I—

Mr. FIELDING. Well, I—excuse me. I will answer any question as best I can.

Senator STEVENS. Not you, but I mean, the chairman asked you, would you state your opinion now, but if you were not hired to make those recommendations, I do not know why we should go into

it further right now. I just find it strange also that your directions were not to do that.

Mr. FIELDING. Yes, sir.

Senator STEVENS. Thank you very much.

The CHAIRMAN. Thank you. Senator Campbell.

Senator CAMPBELL. Just maybe a short question or two, Mr. Chairman.

Mr. Fielding, in your interviews and your fact-finding, did you feel at the time that there was a pattern of behavior, because in the last hearing we also heard of Mr. Ward's, what he was accused of, of directing contracts toward his daughter, or daughters before the EMT problem.

Mr. FIELDING. I had no information in that regard, nor did the ethics officer provide that to me, sir.

Senator CAMPBELL. Well, the Olympic Committee met—the Executive Board, I guess it was. I am not sure if the whole board met in Chicago last week. They decided to give what I thought was a light reprimand to Mr. Ward, and by the way, Mr. Chairman, we got a call about that, too, from a lady who works at the USOC, angrier than the dickens.

She said that taking away his bonus, his bonus was more, she said, than she had earned in 10 years working for the United States Olympic Committee, and she was pretty upset about that. I just pass that on for you.

Do you think that they came to any conclusions that they are going to really move ahead, whether there should have been a light reprimand for Mr. Ward or, even more important, the commission that they have talked about to study how to restructure, do you think that is going to do any good? I would like to know your recommendations, perhaps, on that, and what your personal view is on the reprimand, too, if you have one.

Mr. FIELDING. Well, I can give you my personal view.

Senator CAMPBELL. That is good enough.

Mr. FIELDING. That is all I can give you.

Senator CAMPBELL. Fine.

Mr. FIELDING. My personal view is that this committee as it is currently structured is in just total disarray. I do not want to use the word dysfunctional, because everybody has been using it, but it happens to be very apt, and when I said that there is an unhealthy atmosphere, that is all I can say. I mean, you cannot have good ethics programs, you cannot have good management if you have this kind of internal strife and the pressures that I have observed, and I have only observed them in this limited sense.

Senator CAMPBELL. Thank you.

Mr. Chairman, in a little while I will have some comparative charts I would like to put up a little later in the hearing to just show that dysfunctionalization, or whatever word you want to use for it, but thanks very much for appearing here. I have no further questions.

The CHAIRMAN. Mr. Fielding, you would agree this organization cries out for reorganization?

Mr. FIELDING. Yes, I would, sir.

The CHAIRMAN. Thank you very much, Mr. Fielding.

Mr. FIELDING. Thank you, and again my apologies to the Committee.

The CHAIRMAN. Thank you very much.

The next panel is Mr. Donald Fehr, executive director of the Major League Baseball Players Association, Ms. Anita DeFrantz, senior member of the IOC and board member of the USOC, vice president of the International Rowing Federation, Mr. Harvey Schiller, president and CEO, Assante U.S., former executive director of the U.S. Olympic Committee, Mr. David D'Alessandro, chairman and CEO of John Hancock Financial Services, and Ms. Donna de Varona, Olympian and sports commentator, member of the International Relations Committee of the U.S. Olympic Committee.

Ms. de Varona, we will begin with you.

STATEMENT OF DONNA DE VARONA, OLYMPIAN AND SPORTS COMMENTATOR; CO-CHAIR, GOVERNMENT RELATIONS COMMITTEE, U.S. OLYMPIC COMMITTEE

Ms. DE VARONA. First of all, I would like to correct that. I am not a member of the International Relations Committee. I resigned from that post after Sandy Baldwin left office.

The CHAIRMAN. The record stands corrected.

Ms. DE VARONA. But I am currently a lame duck cochair, and that has been very confusing, of the Government Relations Committee.

The CHAIRMAN. Let the record show.

Ms. DE VARONA. I want to say it has been a privilege to be back here. I wish I was here under better circumstances, because 30 years ago—and I do feel like it is Groundhog Day—we went to a lot of work to try to set this organization straight, and I think for many years it has functioned brilliantly, but as with all organizations it has suffered from very big growing pains.

I want to thank you Senator McCain, for chairing these meetings, Senator Stevens for always being there and, of course, my good friend Senator Campbell, my teammate from the 1964 Olympics. I remember the days when we used to work in inner cities with kids. Some day I would like these programs to reach those kids again, because they were very successful.

I am here today as a representative of some 6,000 registered Olympic alumni in this country who are willing and eager to help make America's Olympic movement what it should be. I am also here today to help redirect the U.S. Olympic movement so that the inspirational achievements of a Bode Miller, who won some gold medals, the best ever, yesterday for the United States, or a Sarah Hughes and the many, many others who have achieved success since the Salt Lake Winter Olympic Games, are not eclipsed by the conflicts that have erupted within our Olympic movement.

For many of us who have seen the Olympics through boycotts, organizational disputes, bid scandals, doping issues, and even terrorism, we encourage Congress to exert its oversight powers in the most vigorous possible manner.

It is so sad, as we celebrate the 1-year anniversary of the incredibly successful Salt Lake City Olympic and Paralympic Games which brought such renewed confidence in America's Olympic movement post the Salt Lake City scandals, that the United States

Olympic Committee has brought scandal upon itself once again, and in so doing, has overshadowed its own triumphs as well as the accomplishments of those who stand to suffer the consequences of an Olympic Committee in disarray.

I am referring, of course, to the American athletes who won an unprecedented 34 Winter Olympic medals, who will lose a major part of their funding for 2004, as well as those who, after the horrific events of 9/11, organized a winter celebration which did so much to lift the spirits of a Nation in mourning and a world eager to find common ground.

For athletes in minor sports, the Olympics are their only Super Bowl. That is why it is so disheartening to witness the festering issues within the United States that has threatened to compromise their effectiveness in a broad range of areas.

Given the steady departure of executives armed with reportedly generous buyouts and severance pays, escalating staff salaries, ethics violations, and the financial burden of hosting large board of directors' meetings which drain the United States Olympics coffers to the tune of millions of dollars per quadrennium, as well as fundraising inefficiencies which have led to a negative rating by Forbes in its year-end review of foundations, this kind of dysfunction can only lead to more crisis.

With the Pan American Games scheduled to take place this summer, and the Olympic Games in Athens, Greece, just 18 months away, those involved in sorting out how to make the USOC more effective need to act quickly, as you are today. In this regard, I recommend the Senate Commerce Committee, when considering this option to reorganize the Olympic Committee, take an approach similar to one taken subsequent to the 1972 Munich Olympics, when Congress intervened to end disputes and jurisdictional battles among the AU, the NCAA, as well as to investigate why the United States Olympic Committee had failed to provide American athletes with the kind of administrative support they needed during those games.

It was apparent then, as it is now, that America's sporting community needed outside help to change. Eventually, after many congressional hearings and legislative initiatives to try to solve the problems, President Ford appointed a commission. It is instructive to note that the commission included eight Members of Congress as well as athletes and prominent public sector members from business, education, and the media.

It is significant that not one commissioner was directly or actively affiliated with the NCAA, the USOC, or an NGB. These organizations, however, were invited to make recommendations and address the group during open town hall meetings.

President Ford's Commission on Olympic Sports, in summary, did the following things, and they did it while the U.S. Olympic Committee, because they were under pressure, restructured itself. While the act for very good reasons was designed as an amendment to the original charter of 1950, it went far beyond its intent of that time, and not only redefined USOC's purposes, but it expanded the role and scope of the organization.

It also developed criteria, duties, and authorities for national sports governing bodies, provided a mechanism to guarantee the

right of an athlete to compete in certain types of competitions, supported the notion that athletes should be included in governance. However, compromises during the legislative process both in Washington and within the Olympic sporting community left business, as recommended by the Ford Commission, unfinished, and I believe that unfinished business, in most part, is why we are here today.

Since the passage of the Amateur Sports Act in 1978, now renamed the Ted Stevens Olympic and Amateur Sports Act, which was further revised in 1998, the USOC has not only been faced with new and emerging issues, but it has evolved into a cumbersome, as we know, a multitiered, two-track structure, one of which is a 123-member unwieldy and unfocused volunteer board of directors headed by, as we know, a volunteer president and a 21-member Executive Committee.

The other track is a large professional staff of nearly 500 people headed by a paid CEO. The two tracks often operate independently, at best, and cross purposes at worst. Like the geometric principle of two parallel lines meeting only at one point of infinity, it often seems the same principle applies to the two branches of the United States Olympic Committee.

As we have seen, this perpetual organizational flaw has led to confusion, frustration, power struggles, and squabbling. No one knows who should report to whom and who is responsible for what. Lost in this disorder is the USOC's primary mission to identify and support programs to benefit America's athletes. Endlessly caught up in this environment, which excludes rather than encourages inclusion of outside leadership and resources, the USOC has failed to reach its full potential, most lately.

Recommendations. I recommend that you on the Senate Commerce Committee, appoint a small working group to look at changes to the operating structure of the United States Olympic Committee, as well as to identify obstacles which have prevented the Olympic family from serving America's athletes. Appointed individuals should have either a working knowledge of ethics, well-run nonprofit organizations, corporate boards, or have experience working with the Olympic community as a prerequisite to address the unique challenges the Olympic movement presents in the following areas.

Governance. We all recognize, at least we can all agree on this, that the governance of the United States Olympic Committee has to be streamlined. In that regard, section 2205(2) of the Amateur Sports Act pertaining to membership should be closely examined based on that report of the President's Commission on Olympic Sports.

The commission recommended then that the United States Olympic Committee should have both a smaller board of directors and Executive Committee to permit the United States Olympic Committee to be governed more efficiently and be more responsive to the athletes.

Therefore, I propose the act be amended in at least two ways, require the USOC board to become comprised of a membership of not more than 22, or some such number, with 51 percent participation of national federations. This is an IOC rule, and if we do not follow

that rule, we would have to get a waiver from the International Olympic Committee. That is my understanding.

Public sector members, which would be individuals skilled in outside areas of sport, such as the late Bill Simon was, who, as president of the USOC from 1980 through 1984, brought his unchallenged leadership skills and concern for all parts of the committee.

Mandate—this is the second one—that the United States Olympic Committee larger body, whether it is called a council, or assembly, or congress, be comprised of NGB's. This would only streamline the organization, but it would encourage an implementation of a vertical structure, a fundamental organizational concept proposed in the 1978 Amateur Sports Act and the commission report, but unimplemented so far.

However, in changing governance, the United States Olympic Committee should continue to host a gathering of all interested constituents during a Congress or national sports assembly which would encourage participation by members of the different organizations that provide strength to the Olympic movement in the United States. During these yearly gatherings, new leadership could be identified, emerging issues could be addressed, and athletes, volunteers, and sponsors could be recognized.

Always problematic, the size of the USOC board has been, and is a product of its own making. The USOC is free to reduce the size of its board by revising its own constitution and bylaws.

With these changes in place, the recent flap over the conduct of the ethics inquiry most likely could have been avoided. Under a revised Olympic structure, the Ethics Committee would be a committee of the board, as it is in all well-managed corporations, smaller in number and comprised of the board members elected from internal constituents, and those elected from outside the internal constituents.

Instead, under the current model, the USOC has to completely externalize its ethics reviews to nonboard members, because its current 123 board members are potentially the very persons whose ethics might be scrutinized. Reporting on ethics matters under the model would be more streamlined and confidential, and be solely to the other board members, whose ethics would have been previously vetted in order to serve on the board.

Finally, if the USOC is going to be fully reexamined in the light of the Ted Stevens Olympic and Amateur Sports Act, we should also revisit not only the new amendments and the other parts of the act, but also current interpretations of the act by the USOC. As one who has just completed work on the Opportunity in Athletics Commission, I can attest that tinkering in one area of legislation could have a profound impact in other areas.

The role of the volunteer versus staff must also be examined. Perhaps we could look at the International Olympic Committee, where they do have special committees and they bring in people from the outside. They include IOC members and staff. International relations, as we know, has been a breeding ground for the United States for trouble. Clear lines of authority and responsibility must be drawn in this area.

Since the IOC movement depends on volunteers, National Olympic Committee presidents are recognized as the official voice of au-

thority when international sports protocol is observed. However, when business is conducted, overlapping areas of responsibility often create friction between the president and the CEO. Therefore, in areas of Olympic protocol, the president should take the lead, and in business dealings the CEO should have the responsibility.

In order to get a handle on the financial situation of the United States Olympic Committee and its attendant programs initiative, the United States Olympic Committee must be willing to account for all funds raised and donated, be they in the form of cash or VIK, how moneys are spent and allocated and to whom or for what purpose should be documented to Congress on a yearly basis.

Ideally, if the USOC finds the will and the way to respond to change, discussions with the NCAA, the high school community, and the President's Council on Physical Fitness in Sports on how to find ways to support each other's programs, i.e., men's minor sports, and share resources, will result in even more Olympic participation opportunities for America's youth.

In conclusion, I know the USOC is going through a troublesome and embarrassing period. Nevertheless, as one who has been part of this movement for most of my life, I believe that it serves a very important function, and that there are many good and passionate people involved, and want to be involved. Ideally, a restructured USOC would attract America's brightest and most dedicated, the kind of people who seek out dreams and help those who dare to reach for them, the kind of people who work for nonprofits because the bonus they get from it is a smile on the faces of those who dare to reach for excellence.

As we seek to make this committee a more streamlined and responsible organization, we must not lose sight or abandon that which is good. Ultimately the USOC exists to serve not only the athletes, but the American people.

Thank you for giving me this time to speak.

[The prepared statement of Ms. de Varona follows:]

PREPARED STATEMENT OF DONNA DE VARONA, OLYMPIAN AND SPORTS COMMENTATOR, Co-CHAIR, GOVERNMENT RELATIONS COMMITTEE, U.S. OLYMPIC COMMITTEE

Good morning Mr. Chairman and Members of the Committee. I am Donna de Varona a former member of President Ford's Commission on Olympic Sports, a consultant to the United States Senate during the passage of the 1978 Amateur Sports Act, a former member of the United States Olympic Committee Board of Directors and, most important, one who cares deeply and personally about America's Olympic Movement. I am here today in that latter role, and as a representative of some 6,000 registered Olympic alumni in this country who are willing and eager to help make America's Olympic Movement what it should be.

I am also here today to help redirect the U.S. Olympic movement so that the inspirational achievements of a Bode Miller or a Sarah Hughes and the many, many others who have achieved success since the Salt Lake Winter Olympic Games are not eclipsed by the conflicts that have erupted within our Olympic movement. For many of us who have seen the Olympics through boycotts, organizational disputes, bid scandals, doping issues and even terrorism, we are supportive of the changes required to help our Olympic Committee reach its full potential.

It is so sad, as we celebrate the one-year anniversary of the incredibly successful Salt Lake City Olympic and Paralympic Winter Games which brought such renewed confidence in America's Olympic Movement, that the USOC has brought scandal upon itself once again, and, in so doing, has overshadowed its own triumphs as well as the accomplishments of those who stand to suffer the consequences of an Olympic Committee in disarray. I am referring, of course, to the American athletes who won

an unprecedented 34 winter Olympic medals, as well as those who, after the horrific events of 9/11, organized a winter celebration which did so much to lift the spirits of a nation in mourning and a world eager to find common ground.

I would not be here if I were not devoted to what the Olympic Movement offers to this nation and to the world. Over the years it has not only inspired the notable accomplishments of elite athletes but it has given birth to other noble undertakings, such as the Paralympics and the Special Olympics, and motivated youngsters to seek the Olympic dream which celebrates the triumph of the human spirit.

For athletes in minor sports, the Olympics are their only Super Bowl. That is why it is so disheartening, especially given the outstanding accomplishments of our Olympic and Paralympic athletes in both the Sydney and Salt Lake Games, that festering issues within the USOC threaten to compromise its effectiveness in a broad range of areas. Given the steady departure of executives armed with reportedly generous buyouts, escalating staff salaries, ethics violations, the financial burden of hosting large board of directors meetings which drain USOC coffers to the tune of 6 million dollars per quadrennium, as well as fund raising inefficiencies which lead to a negative rating by *Forbes* in its year end review of Foundations, this kind of dysfunction can only lead to more crisis which will continue to have a negative impact on future Olympic efforts both on and off the field of competition.

With the Pan American Games scheduled to take place this summer and the Olympic Games in Athens, Greece, just 18 months away, those involved in sorting out how to make the USOC more effective need to act quickly.

In this regard, I just hope that this time around those involved in the process of reforming the USOC will consider recommendations which were originally offered by President Ford's Commission on Olympic Sports, recommendations which were not adopted but would have helped this organization avoid the predicament it finds itself in today.

History of the USOC

The United States Olympic Committee began its existence in 1896, the year of the first Olympic Games of the modern era. In 1950, as with numerous other corporations concerned with the public good, it received a federal charter, the most important aspect of which was the first statutory protection of the Olympic trademarks to assist the USOC in its corporate and other fundraising efforts. Since its inception in 1896 and through 1976, the USOC was little more than a travel agency which functioned once every 4 years to send Olympic teams to the sites of the games.

Through the years of the American Olympic movement, there were both successes and failures. The successes may be summarized by a quick examination of the achievements of the some 6,000 Olympians. People like our alumni President John Naber and Mark Spitz, wrestlers Rulon Gardner and Brandon Slay, decathletes Rafer Johnson and Congressman Bob Mathias, miler Jim Ryun, Senators Bill Bradley and Ben Nighthorse Campbell, Statesmen Jesse Owens and Muhammad Ali, Olympic gold medalists such as Wilma Rudolf, Marion Jones, Janet Evans and the Williams sisters as well as many others who succeeded in becoming household names to whom our youth looked up as role models.

Many of these athletes succeeded despite the U.S. Olympic Movement's failures as embodied in huge disputes among organizations that comprised it. In the 1950s and early 1960s, as college and Olympic sports became more popular and prominent, three competing sports organizations began to fight over athlete jurisdiction; the AAU, then the national governing body (NGB) for 10 Olympic sports: the school/college sports community; and the "independent" NGBs which conducted their programs apart from the AAU and did not have school/college participation in their sports.

The consequences were (1) our best athletes often were left off of or denied the opportunity to compete in certain major international competitions, resulting in losses the United States would otherwise have won; (2) athletes were denied the opportunity to compete as a result of jurisdictional disputes; (3) no mechanism existed in our American Olympic system to solve or address these and other such problems.

Eventually, because of the absence of a unified organization in charge of amateur sports in the United States, and troubled by internecine squabbling which threatened to compromise U.S. athletes, Congress held oversight hearings and President Ford's Commission on Olympic Sports was established.

President Ford's Commission on Olympic Sports

In 1975 President Gerald Ford established the Commission on Olympic Sports:

1. To recommend an organizational blueprint for how Olympic sports activities should be structured in this country so that certain types of disputes could be resolved, including an athletes right to compete, and

2. To find better ways to finance Olympic sport in America.

After a two-year comprehensive study in which all interested parties were invited to participate, the Commission issued its final report in January, 1977. It, called for a totally reorganized USOC which would assume the leadership for all Olympic sports in the United States while addressing the issues that had plagued the U.S. Olympic movement for years.

It directed the USOC to:

1. Create a mechanism to settle disputes.
2. Facilitate the establishment of independent National Governing Bodies.
3. Ensure athletes rights to compete.
4. Be responsible for fund raising efforts.
5. Provide fair and equitable opportunities for minorities, those with special needs, and women athletes.

To its credit, the former USOC, in response to the Commission report, voluntarily reorganized itself in 1977 and 1978, ridding itself of a far more unwieldy structure than even exists today. And, it set out on new fundraising/marketing efforts that resulted in more funds being raised than in all of its previous years of existence combined! It was during that quadrennial period that U.S. Olympic programs we now take for granted came to life such as the creation of the Olympic Training Center, financial support for NGBs and travel and training grants for developing athletes.

Meanwhile, Congress was enacting the Amateur Sports Act of 1978 which was based on the Ford Commission Report. The Act was, for very good reasons, designed as an amendment to the USOC original charter of 1950. The Act did several things.

1. It redefined USOC purposes, expanding the USOC s scope of assigned activity.
2. It developed criteria, duties and authorities for national sports governing bodies (NGBs) that an NGB had to meet in order to be recognized by the USOC.
3. It provided procedures for resolving disputes using the NGB criteria and duties as standards.
4. It provided a mechanism to guarantee the right of an athlete to compete in certain types of competitions, most notably when a national team was involved.
5. It supported the notion that athletes should be included in governance on all sporting boards within the USOC structure.

Current Situation

However, since the passage of the Amateur Sports Act in 1978, now renamed the "Ted Stevens Olympic and Amateur Sports Act," which was further revised in 1998, the USOC has not only been faced with new and emerging issues but it has evolved into a cumbersome, multi-tiered, two-track structure, one of which is a 123-member, unwieldy and unfocused volunteer Board of Directors headed by a Volunteer President, and a 21-member Executive Board. The other track is a large professional staff of nearly 500 people headed by a paid CEO. The two tracks often operate independently at best and cross-purposes at the worst. Like the geometric principle of two parallel lines meeting only at the point of infinity, it often seems that the same principle applies to the two branches of the USOC.

As we have seen, this perpetual organizational flaw has lead to confusion, frustration, power struggles and squabbling. No one knows who should report to whom and who is responsible for what. Lost in this disorder is the USOCs primary mission to identify and support programs to benefit Americas athletes. Endlessly caught up in an environment which excludes rather than encourages inclusion of outside leadership and resources, the USOC has failed to reach its full potential.

Recommendations

1. Working Group

Senators Ted Stevens, John McCain and Ben Nighthorse Campbell SHOULD appoint a small working group to recommend changes to the operating structure of the USOC as well as identify obstacles which have prevented the Olympic committee from fully serving America's athletes. Appointed individuals should have either a working knowledge of ethics, well-run non-profit organizations, corporate boards, or have experience working with the Olympic community as a prerequisite to address the unique challenges the Olympic movement presents in the following areas:

2. *Foundation of Governance: History revisited*

We all recognize that the governance of the USOC has to be streamlined. In that regard, section 22052 of the Amateur Sports Act, pertaining to Membership, should be closely examined. Based on the Report of the Presidents Commission On Olympic Sports (PCOS, 1975–77), the Commission recommended then that the USOC should have both a smaller Board of Directors and Executive Committee to permit the USOC to be governed more efficiently and be more responsive to the athletes.

Therefore I propose the Act be amended in at least two ways.

(1) Require the USOC board be comprised of not more than 15 members with major representation from individuals skilled in areas outside of sport such as the late Bill Simon, who, as President of the USOC from 1980 through 1984 brought his unchallenged leadership skills and concern for all parts of the USOC organization.

(2) Mandate that the USOC's larger body (whether it is called a council or assembly or a congress) be comprised of only NGBs. This would not only streamline the organization but it would encourage implementation of a "vertical structure", a fundamental organizational concept proposed in the 1978 Amateur Sports Act and the Commission report but unimplemented so far.

However, in changing governance, the USOC should continue to host a gathering of all interested constituents during a "Congress" or "National Sports Assembly" which would encourage participation by members of disparate organizations that provide strength to the Olympic Movement in the United States (at the expense of the attendees). During these yearly gatherings, new leadership could be identified, emerging issues could be addressed and athletes, volunteers and sponsors could be recognized.

Always problematic, the size of the USOC Board has been and is a product of its own making. The USOC is free to reduce the size of its board by revising its own Constitution and Bylaws. However when streamlining, the volunteer aspect of the USOC, which makes up the foundation of the Olympic Movement both in the U.S. and internationally, should be preserved and protected.

With these changes in place, the recent flap over the conduct of the ethics inquiry, most likely could have been avoided. Under a revised Olympic structure the ethics committee would be a committee of the board, as it is in all well managed corporations, smaller in number (5) and comprised of board members elected from internal constituencies and those elected from outside the internal constituencies (e.g. Bill Simon). Instead, under the current model, the USOC has to completely externalize its ethics reviews to non Board members because its current 123 Board members are potentially the very persons whose ethics might be scrutinized. Reporting on ethics matters under this model would be more streamlined and confidential and be solely to the other Board members whose ethics would have been previously vetted in order to serve on the Board.

Finally if the USOC is going to be fully reexamined in light of the Ted Stevens Olympic and Amateur Sports Act we should also revisit not only the new amendments and other parts of the Act but also current interpretation of the Act by USOC. As one who has just completed work on the Opportunity in Athletics Commission, I can attest that tinkering in one area of legislation can have a profound impact in other areas.

3. *Role of the Volunteer vs. the Staff*

Studying the way in which the International Olympic Committee ("IOC") delineates and coordinates staff functions in partnership with its volunteer membership to prioritize its agenda and implement policies could be very instructive when identifying how the USOC should function. Currently the IOC appoints commissions that are comprised of IOC staff, IOC members as well as outside experts to deal with different aspects of international sport. These Commissions include Marketing, Media, television and broadcast communications, Solidarity, Olympic Games site selection, Olympic Host City Oversight, etc.

4. *International Relations*

This area has been a breeding ground for trouble. Clear lines of authority and responsibility must be drawn in this area. Since the International Olympic Movement depends on volunteers, National Olympic Committee Presidents are recognized as the official voice of authority when international sports protocol is observed. However when business is conducted, overlapping areas of responsibility often create friction between the President and the CEO. Therefore in areas of Olympic protocol, the President should take the lead, and in business dealings, the CEO should have the responsibility.

5. *Transparency*

In order to get a handle on the financial situation of the USOC and its attendant programs and initiatives, the USOC must be willing to account for all funds raised and donated be they in the form of cash or "V.I.K.". How monies are spent and allocated and to whom and for what purpose should be documented in a report to Congress on a yearly basis.

6. *Future*

Ideally, if the USOC finds the will and the way to respond to change, discussions with the NCAA, the High School community and the President's Council on Physical Fitness and Sports on how to find ways to support each others programs and share resources will result in even more Olympic participation opportunities for Americas youth.

Conclusion

The USOC is going through a troublesome and embarrassing period, and perhaps has only itself to blame. Nevertheless, as one who has been part of this movement for most of my life I believe that it serves a very important function and that there are many good and passionate people already involved. Ideally a restructured USOC would attract America's brightest and most dedicated, the kind of people who seek out dreams and help those who dare to reach for them. The kind of people who work for non-profits because the bonus they get is the smile on the faces of those who dare to reach for excellence.

As we seek to make the USOC a more streamlined and responsive organization we must not lose sight, or abandon that which is good. Ultimately the USOC exists to serve not only the athletes, but also the American people. It is doing both now, but it can do it much better. I look forward to whatever contribution I can offer to help it become an even better and more inclusive organization as do the athletes that we are all dedicated to serving.

The CHAIRMAN. Thank you very much.
Mr. D'Alessandro.

**STATEMENT OF DAVID F. D'ALESSANDRO, CHAIRMAN AND
CEO, JOHN HANCOCK FINANCIAL SERVICES, INC.**

Mr. D'ALESSANDRO. Good morning, Mr. Chairman. I would like to thank the Committee for showing leadership on this important issue. The USOC's problems go well beyond the embarrassing public feud and predate current management. Simply changing and shrinking the current structure will solve only part of the problem. The USOC cannot be fixed until its operational underpinnings are also understood and addressed.

Contrary to popular belief, the United States Olympic Committee does not select athletes, it does not develop most of our Olympians, and it does not operate the games, which begs the question, what exactly do they do? Their mission, according to their statement, is to "lead the world's best national Olympic committee, help U.S. athletes achieve sustained competitive excellence, while inspiring all Americans and preserving the Olympic ideal."

It would appear clearly the USOC has lost its way. It fails to provide enough resources for athletes, it fails to be financially self-reliant, and it fails to provide the transparency we all deserve. Every dollar the USOC wastes on its bureaucracy or misguided self-indulgence is a dollar not spent giving a child an opportunity.

Here are some facts. The USOC spends an average of 24 percent of its total revenue on overhead. Most major nonprofits spend much less. Now, only 46 percent of these revenues go directly to the NGB's and the athletes. The USOC's real estate, according to their tax returns, including headquarters and training centers, are worth \$145 million, with annual expenses of \$21 million, yet as most ath-

letes would agree, most Olympians do not even use the training facilities. People are trained in this country on a grassroots basis, and the money just does not get there.

The USOC has 500 paid employees. Even the IOC has only 150. Though it receives an average of \$70 million a year from the IOC, it distributes an average of just over \$1 million to each NGB. If the USOC was eliminated except for a person to cash the IOC checks, our athletes would get \$18 million more directly than they are getting today.

In 2001, the USOC gave more money to NGB's that use professional athletes from the NBA and the NHL than they gave to gymnastics and figure skating, kids who are really scraping for the money. The NHL and NBA should be paying the USOC for the right to market their product worldwide. The USOC should be measured primarily on its ability to give our athletes maximum opportunities through financial support.

Now, I believe the USOC wrongly heralds the number of medals won as their primary measure of success. As Donna says, we have excellent Olympic athletes in this country, and we have every reason to be proud of them. In Sydney, we won 97 medals, but let us look at those numbers. With a combined population 35 million lower than the U.S., Russia, Australia, and Germany won 202 medals. Salt Lake is a similar story. While I do not agree, as I said, that we should measure ourselves on medals, if one has to guess, what would the U.S. have won if the USOC was actually doing its job?

Let us turn to the failure of self-reliance. The IOC, as we all have heard, provides a large portion of the budget, as much as 60 percent, and it comes in cash. We should receive a large portion of the IOC's revenues. We deserve it. We send a lot to Switzerland, but overdependence on the IOC is fragile and dangerous.

The IOC governs 199 national organizing committees, and it is under growing pressure to support other nations. We should neither overly rely on fluctuating IOC funding, nor consider public subsidies. What we need in this country is a committee competent enough to compete with the likes of the NFL and the NBA for a share of the \$6.4 billion annually spent in corporate America on sports sponsorships.

The USOC is not transparent and accountable for much of its money. For example, the IRS now requires the USOC to specifically disclose certain contributors and their contributions, yet the USOC failed to do so. In its 2001 tax return, only international sponsors are listed. All others are missing. In addition, value in kind contributions are not accounted for. The public cannot tell what the USOC gets, its value, or how it is distributed.

For example, gas cards and shopping credits donated by sponsors Chevron and Sears are given USOC staff for bonuses. Sports Illustrated yesterday reported 197 company cars are given to USOC staff. Yes, the USOC has lost its way. Why? I think we all have different conclusions on this subject. As a corporate person, I will tell you I believe it has lost its way because it does not believe it has a boss to hold it accountable. All of us have to answer to somebody. I have shareholders and directors. You have voters.

Mr. Chairman, you are right by reminding the USOC of this committee's prerogatives. I would also encourage you to hold the USOC to high standards and impose certain goals, including, obviously, downsizing and streamlining. I believe Congress should look to appoint at least half of the membership of any newly reconstituted group.

We should require in this country that 85 cents of every dollar the USOC brings in goes directly to the athletes. It should be an absolute requirement. They need to become financially progressively self-reliant. I believe the IOC money at some point—and I think we should scrape for every dollar of it—should be put into a special endowment so the athletes will have an ongoing stream over the years that we can rely on.

If we took the IOC money, we would have, in 10 years, a billion-dollar endowment if the cash-flow from the USOC were simply to come from U.S. sponsors. Obviously, they need to adhere to standards of financial management, and I think they need to make a full progress report every year in Congress. If this process begins, the next time the USOC officers appear at this table, we will all have something to be proud of and not embarrassed by.

Thank you.

[The prepared statement of Mr. D'Alessandro follows:]

PREPARED STATEMENT OF DAVID F. D'ALESSANDRO, CHAIRMAN AND CEO, JOHN HANCOCK FINANCIAL SERVICES, INC.

I want to thank the Committee for showing leadership on this important issue and for inviting this panel to be part of the discussion.

John Hancock is a ten-year Olympic sponsor. We have invested over \$100 million in the Olympics because it is the only sports sponsorship that gives us the dual opportunities for an investment return and to help America's youth achieve their dreams.

The problems at the USOC go well beyond the current embarrassing public displays. Changing and shrinking the governance structure will only solve part of the problem. The USOC cannot be fixed properly unless its financial and operational underpinnings are understood and addressed.

In order to address them, a few fallacies first have to be disavowed:

- Contrary to popular belief, the USOC does not select Olympic athletes. They are selected by the 39 National Governing Bodies—or NGB's—the federations that run individual sports.
- The USOC also has virtually no responsibility for the Games when they occur in the U.S. That is primarily the responsibility of the host city.
- And it is not the primary developer and trainer of potential Olympic athletes. That role falls to parents, schools, universities, sports clubs and the NGB's.

So, what, exactly, is the USOC supposed to do?

The 1978 Ted Stevens Amateur Sports Act, which helped empower the modern USOC, certainly intends support for athletes. And according to the USOC's constitution, its mission is to "lead the world's *best* National Olympic Committee: help U.S. Olympic athletes achieve sustained competitive excellence, while inspiring all Americans and preserving the Olympic ideal."

Given the USOC's less than ideal performance in recent years, it is clear that it has lost sight of this mission.

Frankly, the USOC has lost its way.

It has lost its way by:

- Failing to provide enough resources and opportunities directly to aspiring athletes;
- Failing to be financially self-reliant; and
- Failing to provide the financial and ethical transparency that the athletes and the American public deserve.

Let me give a few facts about each of these issues. Much of what we are going to talk about is taken from the USOC's federal tax filings and audited consolidated financial statements available to anyone on the USOC's Web site. These documents are frequently incomplete, confusing, and difficult to reconcile. Nonetheless, the outline of the USOC's problems is crystal clear.

First, opportunities for athletes: the USOC uses its money inefficiently and does not spend enough on the athletes.

For the four-year period ending December 31, 2000, the USOC spent an annual average of 24 percent of its total support and revenue on overhead.¹ The average major nonprofit spends just 16 percent on overhead—with many lower than that number.² A further statistic: during the same four-year period, the portion of the USOC's revenues that actually went directly to the NGB's and the athletes was only an annual average of 46 percent.³

The USOC reports that it has considerable real estate investments, including its corporate headquarters and training facilities, with a cost basis of approximately \$145 million and associated annual operating expenses of over \$21 million.⁴ While the USOC will claim that its training facilities are vital, a great many Olympians and aspiring Olympians don't use them and train instead at other sites, such as universities, private athletic clubs, rinks, and gyms, and public and community training centers. And most athletes would agree, this is an ineffective use of a major part of the USOC's budget.

The USOC has also created a paid bureaucracy that is—in the words of Lloyd Ward at this Committee's January 28 hearing—"500 strong."⁵ Contrast this with the International Olympic Committee, which has received its share of criticism in recent years. Responsible for both the Games and supporting athletes worldwide, the IOC has just 150 paid employees.⁶

The USOC also reports that it will receive from the IOC \$418 million in television royalties over a ten-year period that began in 1998 and approximately \$27 million annually from fees paid to the IOC by U.S.-based international sponsors. On average, that totals about \$70 million a year.⁷ Between 1997 and 2000, the USOC distributed direct grants and allocations to the NGB's and athletes that averaged \$52 million per year—an average of only slightly over a million dollars for each sport.⁸ If the entire USOC bureaucracy in Colorado Springs were eliminated—even if the questionable training facilities were kept—and the IOC money were just given directly to the NGB's and the athletes, they could get about \$18 million more a year.

Here is just one of hundreds of examples of how the USOC has distributed its money: In 2001, the USOC gave \$2.6 million to gymnastics and figure skating. These are the two most popular Olympic sports, yet the vast majority of participants are not professional. They are aspiring amateur athletes who virtually have to scrape for funding. Meanwhile, in the same year, the USOC gave the hockey and basketball federations \$3.1 million.⁹ The NHL and NBA pros who populate the Olympic teams in these sports hardly need the subsidy. Why are the NHL and NBA not paying the USOC for marketing their properties worldwide?

Every dollar that the USOC wastes on its bureaucracy or misguided self-indulgence is a dollar not spent giving a child an opportunity to see what he or she can achieve as an athlete. We should measure the USOC on its ability to allow the greatest number of young people to avail themselves of that opportunity.

The USOC, on the other hand, heralds the medals won by the world's greatest nation as evidence of its success.¹⁰ It is not just about the medals. But even on their own terms, they are not effective.

In the 2002 Salt Lake City Games, the U.S., with a population of 288 million, won 35 medals. Germany, Norway, Austria, Canada and the Russian Federation, with a smaller combined population of 272 million, won 111 medals. Certainly, there is an argument to be made that we are stronger in the Summer Games. We do have great athletes, but even in the 2000 Summer Games in Sydney, with a population

¹ USOC 2000 Consolidated Financial Statements, pp. 58–59.

² *Forbes Magazine* Annual Survey of Charities, December 9, 2002, p. 186.

³ USOC 2000 Consolidated Financial Statements, pp. 58–59.

⁴ USOC 2001 Consolidated Financial Statements, p. 32, p. 36.

⁵ U.S. Senate Commerce Committee Hearing, January 28, 2003. Transcript pages attached.

⁶ IOC Marketing Department.

⁷ \$418 million: USOC 2001 Consolidated Financial Statements, p. 33. \$27 million: USOC 2001 Federal Tax Return, Schedule B, and USOC 2001 Consolidated Financial Statements, p. 25.

⁸ USOC 2000 Consolidated Financial Statements, p. 59.

⁹ USOC 2001 Federal Tax Return, form 990, statement 8.

¹⁰ Lloyd Ward, "U.S. Can Be Proud Of Olympic Committee," *The New York Times*, January 12, 2003.

of 282 million, we won just 97 medals. With a combined population of 247 million, the Russian Federation, Australia, and Germany won 202 medals.¹¹

This leads to my second issue, the lack of self-reliance at the USOC.

What do we mean by a lack of self-reliance?

If we look back at the estimated \$70 million that the USOC receives on average from the IOC each year, that represents a large percentage of the USOC's annual operating budget—in some years nearly as much as 60 percent.¹²

While we should get a fair portion of the IOC's revenues, we should also be cognizant that our dependence on the IOC is dangerous.

The IOC now has 199 national organizing committees to support—more than twice as many in both Summer and Winter Games as in 1976.¹³ Many of these nations cannot afford an Olympic program at all. There is considerable international pressure on the IOC to reallocate money to them. Given the way the USOC operates, that will only mean even less money will make its way to American athletes in the future.

Furthermore, the IOC has awarded the Olympic Games to the United States four times in the last 23 years. And in the periods when the Games are in the U.S., the USOC achieves higher revenues than when they are not. All of this contributes to the USOC's perceived waste and gluttony and understandably exacerbates the animosity of some IOC members towards the USOC.

And when the IOC determines two years from now whether to award the 2012 Summer Games to New York City—or not—it may be more interested in holding the Games in a country where the national organizing committee is not going to insist on huge sums of money to fund its own bloated bureaucracy.

Other countries subsidize their national organizing committees. But we are the richest nation on earth. In 2001, \$6.4 billion was spent on sports sponsorships in North America.¹⁴ We don't need to depend on the largesse of the IOC to support our athletes. We don't need public subsidies or lotteries for the USOC. We need a USOC competent enough to compete for those billions of sponsorship dollars with the likes of Major League Baseball and the NFL.

Here is the third issue: the USOC's current financial reporting is far from transparent, allowing it to avoid accountability for the way it raises and spends money.

For example, the USOC is required to specifically disclose to the IRS all contributors who give at least 2 percent of its revenue in cash and value-in-kind—approximately \$950,000 in 2001.¹⁵ In its 2001 tax return, only international sponsors are listed. Its individual donors, domestic sponsors, suppliers, and licensees appear to be missing. The question is, where are they?

Value-in-kind contributions are also not accounted for. The public cannot tell what the USOC gets, its value, or how it is distributed. The *Los Angeles Times* gave us a possible hint when it reported on January 23 that gasoline donated by Chevron and shopping credits donated by Sears are going to the USOC bureaucracy for bonuses, not to the athletes.¹⁶ The question is, how much, what is it, and where does it go?

Obviously, the USOC's financial statements raise more questions than they answer. That is why we sent the USOC a letter on January 20 asking them to fill in the blanks. We look forward to seeing their financials tomorrow, as promised by Lloyd Ward and the USOC's acting president, Bill Martin.

Clearly, the USOC has lost its way. How did this happen?

Among other reasons, it has lost its way because it does not have a boss. The rest of us all answer to somebody. I have shareholders and a board as my bosses. The members of this Committee have the voters. The USOC believes it has no boss. I would suggest that this Committee become the boss.

As boss, I would urge this Committee to hold the USOC to a higher standard and force it to meet specific goals.

They should include:

- Dramatically downsizing and streamlining the governance structure;

¹¹ www.Olympic.org; U.S. Census Bureau, International Data Base, population figures for 2000 and 2002, updated October 10, 2002.

¹² USOC 2000 Consolidated Financial Statements, p. 59; USOC 2001 Consolidated Financial Statements p. 25.

¹³ www.Olympic.org/uk/games/index.

¹⁴ "Sponsorship spending n1 in North America by property type," The American Marketing Association's *Marketing News*, July 8, 2002.

¹⁵ USOC 2001 Federal Tax Return—Form 990 Line 1(d) and Schedule B—Regulation Section 1.6033-2(a)(2)(iii)(a). Line 1(d) \$47,748,000 × 2 percent = \$954,960.

¹⁶ "USOC Cuts Spending Amid Budget Crunch," *Los Angeles Times*, January 23, 2003.

- And whatever new form of governance is arrived at for the USOC, at least half of the board should be appointed by Congress;
- An 85/15 rule that requires that 85 cents of every dollar in the USOC budget goes to the athletes;
- Becoming progressively and completely financially self-reliant within the next ten years;
- Adhering to higher standards of financial management and reporting; and
- Once a year, making a full report to the American people through Congress.

I believe that if we do these things, the next time the officers of the USOC appear before this Committee, we will all have something to be proud of, not embarrassed by.

Thank you.

The CHAIRMAN. Thank you. Just to put this in perspective, your corporation has contributed how much to the Olympics as sponsors?

Mr. D'ALESSANDRO. About \$110 million.

The CHAIRMAN. Thank you very much.

Dr. Schiller, welcome.

STATEMENT OF HARVEY W. SCHILLER, PRESIDENT AND CEO, ASSANTE U.S.; FORMER EXECUTIVE DIRECTOR, U.S. OLYMPIC COMMITTEE; CHAIRMAN, MANAGEMENT COMMITTEE FOR NYC 2012

Dr. SCHILLER. Thank you. Good to see you again. Chairman McCain, distinguished Members of this Committee, thank you for the opportunity to discuss the United States Olympic Committee, its governance and organizational structure. My name is Harvey Schiller. I am the president of Assante U.S., and I also chair the Management Committee as the candidate city for New York City for the Games in 2012.

I have had previous service as the Executive Director, now called the chief executive officer of the U.S. Olympic Committee.

The CHAIRMAN. During what period of time, Dr. Schiller?

Dr. SCHILLER. From the beginning of 1990 to almost the end of 1994, a 5-year period. I served as a volunteer before that, and have done some work since then.

The CHAIRMAN. Thank you.

Dr. SCHILLER. The United States Olympic Committee has a long record of doing lots of things well. The performance of athletes in past Olympic, Pan American, and Paralympic Games has been extraordinary. The USOC has protected athletes' rights to compete, established comprehensive drug-testing protocols, provided expert logistical support, and established national training centers among their extraordinary achievements, yet that track record is in jeopardy.

The committee stands at a crossroads, having endured more than 2 years of constant upheaval and controversy. If the committee is to meet the challenges it now faces, the internal conflict and failure of leadership which have marked the last 28 months and more must end.

I believe the problem lies in the organization's principal governing body, its board of directors, which is dominated by representatives of the diverse constituent groups that make up the committee. These range from dozens of national governing bodies

of Olympic, Paralympic, and Pan American sports to community-based organizations. As an example, a sport such as boxing and equestrian are not only different in the fields of play, but in terms of the athletes that they represent economically as well.

This diverse membership competes for the organization's limited funding, representation, and recognition. The conflicting interests and needs of the members of the board place them at odds with the primary goal of the committee, as defined by the Sports Act. I believe the solution is management restructuring aimed at achieving three goals, responsible, objective oversight, independent, unaffiliated governance, orderly transition of leadership.

The following steps by an appointed committee of this committee could put the USOC on the right path, but will only work with the appropriate leadership in place. My recommendations are as follows.

Congress create an oversight committee to which the USOC leadership must answer. This authority would have two responsibilities, ensuring propriety and staffing a new governing body. The oversight committee would ensure that the committee complies with all relevant legislation, its own code of ethics, and the IOC charter. It would also select qualified individuals, independent of both the USOC and its member organizations, to serve as a majority of the USOC's newly constituted Executive Committee.

Chief qualifications would include an ability to bring a different but complementary perspective to the committee, and to reflect the common interests of the American public.

Next, reorganize the USOC Executive Committee and make it the governing body. The most efficient way to create this new governance entity will be to use an existing framework. While a reorganized and reduced Executive Committee could include USOC officers and IOC members, it would predominantly feature individuals recommended by the oversight committee.

The Executive Committee would appoint a chairperson from its members, and the CEO of the USOC would continue to be a member. The specific responsibilities of the CEO and staff vis a vis volunteer leadership would be determined by the Executive Committee.

Next, shift and downgrade the role of the board of directors. The board of directors would become an advisory group to the reconstituted Executive Committee. Its membership should continue to represent the organization's constituent groups, and should reflect the broad objectives and purposes of the U.S. Olympic Committee. There would be appropriate changes in responsibility and voting powers.

Change the nature of the USOC's Nominating Committee. This body, on a quadrennial basis, makes recommendations to the board of directors regarding the officers and public sector members that the board will then elect.

The Nominating Committee is currently composed of members representing the USOC's various constituent groups. It should instead be peopled with individuals unaffiliated with the committee, who would more objectively consider appropriate individuals for leadership. In fact, a recent study by the conference board suggests

that independent board members comprise the Nominating Committee of all boards of directors.

Finally, reestablish the positions of first, second, and third vice presidents. A strong second tier of management would allow for orderly transition when the office of the president becomes vacant. This would eliminate the political infighting that has so often occurred during these periods of change.

The USOC and its members have been blessed with many individuals who have given much to the Olympic movement. They deserve the best from their leadership. Our athletes are entitled to an organization whose priorities are clear, and whose efforts are focused on supporting them.

In addition, America's great cities deserve to be viable competitors for future Olympic Games, and the need for change is urgent. New York is the candidate city of the United States for 2012. It needs a stable and successful USOC to have the best chance of making its bid a reality.

Congress must now move to effect the needed management restructuring. It is past the time for us to have a USOC. We need one that is befitting our Nation's stature as an international competitor, global leader, and steward of human freedom and achievement.

Thank you.

[The prepared statement of Dr. Schiller follows:]

PREPARED STATEMENT OF HARVEY W. SCHILLER, PRESIDENT AND CEO, ASSANTE U.S., FORMER EXECUTIVE DIRECTOR, U.S. OLYMPIC COMMITTEE, CHAIRMAN, MANAGEMENT COMMITTEE FOR NYC 2012

Chairman McCain, distinguished Members of the U.S. Senate Committee on Commerce, Science, and Transportation, ladies and gentlemen, thank you for the opportunity to appear today to discuss the United States Olympic Committee (USOC), its governance and organizational structure. My name is Harvey W. Schiller and I currently serve as President of Assante US, a financial services company and also as Chair of the Management Committee of NYC 2012, the United States candidate city to host the Summer Olympic Games in the year 2012. I have served as Executive Director (the position has since been renamed "Chief Executive Officer") of the USOC, as an officer of a National Governing Body (NGB) of Olympic Sport, as well as a volunteer member of the USOC's Board of Directors and Executive Committee. My bio is attached for your reference.

First, I would like to recognize the many contributions made by members of this Committee, as well as by local, state and federal governments in support of the Olympic Movement, its athletes, and the dreams and aspirations of so many Americans. From providing the services of the Armed Forces for security, to creating coin programs to help finance the training of athletes, the support of each of you and our government has helped enable our Olympians to accomplish what otherwise would have been an impossibility. My respect for Senator McCain spans decades, from my service as an Air Force pilot in Vietnam to this day. I remember a meeting some ten years ago with Senator McCain to discuss many of these same issues that faced the USOC at that time. Senator Stevens has been awarded the Olympic Order by the International Olympic Committee in recognition of his significant contributions to the Ted Stevens Olympic and Amateur Sports Act of 1978, as well as to subsequent revisions and other legislation in support of America's athletes. Senator Hollings, a fellow graduate of The Citadel, has been a long time contributor to America's Olympic efforts. I can recall discussing officiating with Senator Burns based on his personal experience as a game official. When Senator Allen was Governor of Virginia many years ago, he led a delegation to St. Louis to support the city's bid to host an Olympic Festival in his home state. Senator Breaux assisted in staging a very successful Olympic Festival in Baton Rouge and has continued to support Olympic fund-raising efforts here in Washington, D.C. Senator Lautenberg may remember a discussion regarding facilities for the New Jersey Nets and New Jersey Devils during my tenure as Chairman of the YankeeNets organization. And

of course, as an Olympian himself, Senator Campbell knows the Olympic Movement from all perspectives, and has personally assisted me in my former Olympic duties more times than I can remember.

The views I express today are my own, based on my Olympic service and my observations of the USOC since the end of my tenure as Executive Director in 1994. The USOC has a long record of doing many things well. The performance of our athletes, coaches, and officials in past Olympic and Pan American competitions has been extraordinary. The accomplishments of our disabled athletes in Paralympic and world championship competitions have been second to none. The U.S. Olympic Committee itself has done many things well. It has protected athletes' rights to compete; established comprehensive drug-testing protocol; provided expert logistical support for Olympic, Pan American, Paralympic and World University Games; established national training centers for athletes and accomplished a long list of other successes.

The USOC is an organization with a diverse membership, unique needs and limited resources. The constituent groups of the USOC range from National Governing Bodies of Olympic, Paralympic and Pan American sport to community-based organizations such as the Boys and Girls Club. These diverse membership groups compete for the organization's limited funding, representation and recognition. The diversity of interests and needs among the members of the current Board of Directors indicates a need for structural change to insure the primary goal of the USOC as defined by the Olympic and Amateur Sports Act is met, namely: "to promote and coordinate amateur athletic activity in the United States." While the USOC is obligated to oversee dozens of different sports, it does not benefit from the collegiality seen in organizations such as the NCAA and other sports associations. The National Governing Body for a sport such as Archery has little in common with the NGB of Basketball. Boxing and Equestrian are dramatically different sports, not only on their fields of play, but in their social and economic compositions as well. While the Olympic Team may appear as an integrated unit during Opening Ceremonies, the National Governing Body for each of the sports represented on that team are far fields apart. Each one competes with the others for sponsorships, media coverage, and even athletes themselves. Add to this mix the desire for non-Olympic sports to be added to the Olympic program, the special challenges of Disabled Sports Organizations, the particular needs of the armed forces, community based and religious entities, school and college communities, and state organizations. Only then can you begin to understand what differentiates the USOC from other charitable organizations, and why it needs a structure that will enable it to accommodate the needs of its members and fulfill the mission defined by the Olympic and Amateur Sports Act and expected by the American public.

The future holds even more significant challenges for this country's Olympic Committee. Today, the USOC depends heavily on Olympic Games television and sponsorship revenues for a large percentage of its income. Not only will it be more difficult for the USOC to raise sponsorship dollars in this country's current economic climate, but the organization will also be forced to compete against the growing needs of emerging nations in the world marketplace. Both of these factors will continue to reduce the pool of funds available to the USOC and its athletes. Additional stress is placed on the USOC's budget as it becomes more expensive to adequately fund sports teams and the organization's operating costs continue to rise. The current expense of operating the USOC is driven in part by the travel and meeting costs associated with volunteer committees, as well as by the costs of maintaining a large paid staff. Forbes magazine has identified the USOC as one of three non-profits that failed to meet its minimum standard for fund-raising efficiency and warned that the USOC's overhead is too high and it doesn't spend enough money on its programs. All of these factors demand careful consideration of developing a more streamlined and efficient structure of the USOC.

There have been numerous attempts in the history of the USOC to improve the governance structure of the organization. During my tenure as Executive Director, the organization eliminated the House of Delegates, a cumbersome quadrennial meeting of over 600 individuals. We established a Code of Conduct for team members, increased involvement of athletes, and even created an independent Ethics Committee. In past years there have also been additional attempts to change the organization's constitution and operating procedures, including engaging independent entities, such as McKinsey and the Steinbrenner Commission, to study and make recommendations to the governance structure of the USOC. Olympic leaders such as IOC member Anita DeFrantz have also worked hard to expand opportunities for women in sports as well as develop grass roots programs across America. However, while many valid recommendations have been made, most have not been implemented by the USOC. There is no question that change must now occur.

The involvement of the Commerce Committee and its members can lead the effort for needed change in the USOC's governance structure and help the organization to meet its growing challenges. I do feel, however, that although the USOC may need some repair of its current structure, the required changes may not be as dramatic as some would suggest. The interface of volunteers and paid staff is no different at the USOC than it is in thousands of other non-profit organizations across the nation. I personally served under three different USOC Presidents during my tenure at the USOC, witnessed numerous changes in the composition of the Executive Committee and saw an almost 75 percent change in the leadership of National Governing Bodies. However, I also found that the majority of individuals were fully dedicated to the success of the Olympic Movement. Most volunteers give much of themselves, their resources and their time to serve the needs of their respective organizations, the USOC and the Olympic Movement as a whole.

However, the many accomplishments of the USOC and the athletes it supports seem to have been obscured in recent years by frequent changes of leadership and internal conflict. There have been significant cultural changes in the USOC since my tenure as Executive Director. The role of the elected president and the duties associated with the position have certainly changed since the days of General Douglas MacArthur and William Simon. Today, the president and other officers of the USOC are engaged in much more travel both domestically and internationally and are required to commit enormous amounts of time to their volunteer positions. Defining the roles of both volunteers and staff will help eliminate extraneous expenditures of both time and financial resources. While there are certainly many changes that would help the organization move forward, no change will be effective without a sound governance structure that can support the appropriate individuals in leadership positions. The USOC must recruit, develop, and maintain quality leaders to be successful. Participation should not be based on the rewards of protocol or Olympic junkets. We all will need to work together to insure the best leaders are selected, supported, and retained, and that the focus of the organization remains on America's athletes.

As a start, I believe the following proposals regarding the governance structure of the USOC should be both examined and considered:

- Creation of an "Oversight Committee" by the Commerce Committee, to which the USOC's leadership would be required to report to on a periodic basis. This Oversight Committee would have defined powers to insure that the USOC complies with current legislation, the USOC Code of Ethics and the IOC Charter. The Oversight Committee would play an important role in helping to select qualified individuals (independent of both the USOC and its member organizations) to serve on the USOC's Executive Committee by either (1) appointing such individuals directly to the Executive Committee, or (2) proposing a list from which the USOC Board of Directors would select a certain number of individuals to serve on the Executive Committee. These individuals should be selected on their ability to bring a different, but complementary perspective to the USOC and to reflect the common interest of the American public.
- Reorganization of the existing Executive Committee, which would then function as the principal governing body of the USOC. The new Executive Committee would include USOC officers and IOC members. Officers are an integral and important part of the governance structure of the USOC. I believe those who have served sport through both NGB leadership and athletic performance deserve the opportunity to serve the organization in more significant roles. However, a majority of Executive Committee members would be those individuals recommended by the Oversight Committee. The Executive Committee would appoint a Chairperson from its members and the CEO of the USOC would continue to be a member of Executive Committee. The specific responsibilities of the CEO and staff vis a vis the volunteer leadership would need to be determined by the CEO and the Executive Committee.
- Preservation of the current Board of Directors with some changes in responsibilities and voting power of the current members. The role of the Board of Directors would be shifted from acting as the principal governing body within the organization to becoming more of an advisory group to the reconstituted Executive Committee. The members of the Board of Directors should continue to represent the diverse interests of the organization's constituent groups and should reflect the objects and purposes of the U.S. Olympic Committee.
- Restructure the USOC's Nominating Committee, which is currently appointed on a quadrennial basis to make recommendations to the Board of Directors regarding the officers and public sector members that the Board of Directors will then elect. The Nominating Committee is currently comprised of members rep-

representative of the USOC's various constituent groups, each of which brings an inherent bias to the process. The Conference Board Commission on Public Trust and Private Enterprise has recommended that such nominating committees of private corporations be comprised of individuals outside the corporation and who would be more able to objectively consider appropriate individuals for leadership positions. The USOC would benefit from following this sound practice.

- Reestablish the positions of First, Second and Third Vice Presidents to allow for an orderly transition if the Office of President should become vacant. This would help to eliminate the political in-fighting that often occurs during this period of change.

There are certainly many other changes that would help the USOC move forward and I only offer these recommendations as a start. The USOC and its members have been blessed with a multitude of individuals who have given much to the Olympic Movement. These volunteers deserve the very best from their leadership and the athletes of this country deserve the very best from their leadership. In addition, America's great cities deserve the chance to be viable competitors in the contest to host future Olympic Games. New York is the candidate city of the United States for the Games of 2012, and it needs the support of a stable and successful United States Olympic Committee to have the chance of making its bid become a reality.

Senator McCain, I stand ready to help you and the Commerce Committee in any way possible to enable America's athletes, the Olympic Movement, the USOC and its members be the best that they can be. Thank you again.

The CHAIRMAN. Thank you, Dr. Schiller, and your recommendations are important, and will be very valuable to this Committee.

Ms. DeFrantz, your complete statement will be made a part of the record.

**STATEMENT OF ANITA L. DEFRA NTZ, OLYMPIC MEDALIST;
EXECUTIVE BOARD MEMBER, U.S. OLYMPIC COMMITTEE;
VICE PRESIDENT, INTERNATIONAL ROWING FEDERATION;
MEMBER, INTERNATIONAL OLYMPIC COMMITTEE**

Ms. DEFRA NTZ. Thank you, sir. Mr. Chairman and Members of the Committee, I thank you for the opportunity to appear before you today to discuss the necessary reform of the USOC. My name is Anita DeFrantz. I am an Olympian. I share my opinions with you today as an athlete who has served as an administrator on both the national and international levels. While I am a member of the International Olympic Committee and the USOC, I serve in no capacity that provides me the formal authority to speak on behalf of either of those organizations.

I know the IOC shares this committee's concern. It respects the autonomy of the USOC in managing its affairs. It is confident a better and stronger USOC will emerge from this process. I also know the leadership of the USOC is determined to work with this committee to make sure that happens.

The USOC and its precursors owe a debt of gratitude to Congress, which provided its charter in 1950 and clarified its role as coordinator of the Olympic and Amateur Sports Movement in 1978 and again in 1998. Today, I feel Congress has yet another important role in the evolution of the USOC, that of guiding the needed reforms.

The USOC's most recent restructuring back in 1999 was on target and in some cases has begun to make a difference in the USOC. However, there are some further changes needed to the structure and scope of the organization. Those changes will go a long way toward resolving the issues that trouble us today.

I have a list of 10 proposals. I wish to focus on only six this morning. The first need is to bring the USOC's governance structure more in line with that dictated by the best practices of corporate governance. Volunteerism has a long tradition in this country, and certainly makes an essential contribution to sports on every level. However, the time has come for the volunteers to cede authority to the professional administration, and for the professional administration to find better and other ways to recognize the volunteers for their contributions.

Today's board and Executive Committee structures are much too unwieldy, as has already been recognized. I believe the board should be converted into an advisory board that meets only once a year in the form of a national assembly of sports, and with the country's sports leaders involved. The assembly would help the administration examine the issues and trends affecting sports. Its only authority would be to elect the newly configured USOC board, which would in essence be a streamline of today's version of the Executive Committee.

This new USOC board would act much like a corporate board, having no executive, day-to-day authority other than hiring and firing the CEO. The president, or chairman of the board, would then fulfill the important role of representing the organization on both the national and international levels, but would not have authority to bind the organization in any contractual manner at all. This means that all executive authority would be entrusted to the CEO and his staff.

The second element of reform is as important as the first, defining the qualifications of the people who should oversee the organization. We must demand that all persons hoping to serve on both the volunteer board and the professional administration are held to the highest of qualifications before they are even considered for those positions. Quite simply, only qualified athletes compete, only qualified directors should represent us.

The third element of the reform is a better implementation of the ethics code. The USOC has an ethics code, but it has been poorly implemented and, in order to be effective, the code's tenets must be woven into the fabric of its organization so that it becomes a part of the philosophy by which all decisions are made.

Fourth, clarity of purpose. One issue that certainly needs to be reconsidered is the USOC's wide-ranging mission, powers, and jurisdiction granted in 1978. We all agree that a 123-member board is unwieldy, and it is expensive. The USOC must interact with 78 member organizations, only 39 of which manage Olympic sports. In many ways, the USOC was chartered to act as a privately funded ministry of sports. When considering reforms, it will be important to determine whether the structure should be changed to meet this expectation, or whether the expectation remains a realistic one.

The fifth element is the enhancement of the governance of the NGB's, national governing bodies. I would urge you to consider the fact that the USOC is a reflection of the NGB's. Reforming the USOC without reforming the NGB's is like pruning a tree without examining its roots.

Sixth and most important is the focus on athletes. That should be from which all other reforms flow. One of the most important

provisions of the Ted Stevens Olympic and Amateur Sports Act is a requirement that 20 percent of all the members of each body of USOC should be recent athletes, or must be recent athletes. The fact of the matter is, if you start by asking how each decision affects the athletes, the reform would be straightforward.

In closing, I want to thank your Committee again for taking the time to urge these reforms for the USOC. The USOC should be a council of sports, not a council of sports politics. Your efforts in the coming weeks will be important in making that become a reality.

Thank you. I am ready to answer any questions the Committee might have.

[The prepared statement of Ms. DeFrantz follows:]

PREPARED STATEMENT OF ANITA L. DEFRA NTZ, OLYMPIC MEDALIST; EXECUTIVE BOARD MEMBER, U.S. OLYMPIC COMMITTEE; VICE PRESIDENT, INTERNATIONAL ROWING FEDERATION; MEMBER, INTERNATIONAL OLYMPIC COMMITTEE

Mr. Chairman, Members of the Committee: Thank you for the opportunity to appear before you today to discuss a topic dear to my heart: the health of the United States Olympic Committee.

My name is Anita L. DeFrantz, and I have been actively involved in the Olympic Movement since representing our great country at the Games of the XXI Olympiad in 1976, where my boat won a Bronze Medal in rowing. I was also a member of our 1980 Olympic team.

After my career as an athlete, I served in various positions within the Olympic Movement. I worked as a vice president for the Los Angeles Organizing Committee for the 1984 Olympic Games; I was elected to the International Olympic Committee in 1986; and I was elected vice president of the International Rowing Federation in 1993. In my professional life, I now serve as the president of the Amateur Athletic Foundation of Los Angeles, which seeks to serve youth through sport. To date, we have leveraged the portion of the Olympic legacy provided to the Los Angeles community, \$95 million, turning it into more than \$130 million worth of programs, facilities, and equipment for the youth of Los Angeles.

I share my opinions with you today from the perspective of an athlete and an administrator, on both the national and international levels. Although I am a member of the International Olympic Committee and the United States Olympic Committee, I serve in no capacity that provides me with formal authority to speak for either organization. I do know the International Olympic Committee shares this Committee's concern but respects the autonomy of the United States Olympic Committee in managing its affairs. It is confident a better and stronger United States Olympic Committee will emerge from this process. I also know that the leadership of the United States Olympic Committee is determined to work with this Committee to make sure that will indeed happen.

As for my thoughts on reform, I first wish to say we have a great and proud Olympic tradition in this country.

Our country has been the host of eight Olympic Games—more than any other country, by far—from St. Louis in 1904 to Salt Lake City in 2002. Each time, the organizers have shown the world what great hosts the United States of America can be and how dedicated we are to providing all athletes with the support they need to perform at their very best.

Our athletes, year after year, continue to achieve amazing results. They always give it their all, often earning a spot on the medals podium. They especially make our nation proud when their gold-medal performances are met with the raising of the American flag and the playing of our National Anthem. From Jesse Owens and Wilma Rudolph to “the Miracle on Ice” to Sarah Hughes—just think how many times our athletes have given the nation goose bumps or made us shed tears of joy. They truly are national treasures.

Our National Olympic Committee has had shining moments over the years, but recently our leadership has failed to attain the same kind of excellence that the athletes exhibit on the field of play. Quite frankly, I am dismayed that this Committee, which deals with so many issues of great strategic importance, has had to intercede.

The United States Olympic Committee and its precursors owe a debt of gratitude to Congress—having provided its charter in 1950, and having clarified its role as coordinator of Olympic and amateur sports in both 1978 and 1998.

Today, I believe that Congress has yet another important role to play in the evolution of the USOC: that of a guiding force behind its reform. Every reform must be examined and judged by how it helps the organization better serve the athletes. In that way, they will also serve the broader public interest.

Fighting for the rights of athletes led me into the world of sports administration. In fact, I appeared before this very Committee at a hearing Senator Stevens presided over in 1977 to defend the athlete's basic right to enter the competition of his or her choice. So it will come to no one's surprise that I believe the United States Olympic Committee must refocus on serving the athletes. I want to underscore the word *servicing*. The United States Olympic Committee must rededicate itself to the idea of becoming a *service* organization.

While *servicing* may be a word that is not repeated enough, *restructuring* has been spoken much too often. The United States Olympic Committee's most recent restructuring, back in 1999, was on target. In some cases, it has begun to serve the organization quite well. However, there are some further changes to the structure and scope of the organization that will go a long way toward resolving the issues that trouble us today. I have a list of ten such changes.

1. Corporate Governance

The first requirement is to bring the United States Olympic Committee's governance structure more into line with the processes dictated by the best practices of corporate governance.

Volunteerism has a long tradition in this country, and it makes an essential contribution to the development and operation of sport. We cannot do without the volunteers, especially at the grassroots level. They work tirelessly, giving hundreds of thousands of hours to keep sport going in this country. However, the time has come for volunteers to cede governing authority to the professional administration, and for the professional administration to develop other and better ways to recognize the volunteers for their contributions. We must incorporate stronger standards of corporate governance while maintaining the enthusiasm and spirit of the volunteers. Today's Board and Executive Committee structures are much too unwieldy, as has been already recognized. The Board, which today comprises a wide array of member organizations, should be converted into an advisory body that meets only once a year in the form of a national assembly of the country's sports leaders. The assembly would help the administration examine the issues and trends affecting sports. The assembly's only authority would be to elect a newly configured USOC Board—in essence, a streamlined version of today's Executive Committee. This new USOC Board would act much like a corporate board, having no executive or day-to-day authority, other than hiring and firing the CEO. The President, or Chairman of the Board, would then fulfill the important role of representing the organization on the national and international levels but would not have the authority to bind the organization to any contractual agreements. This means all executive authority would be entrusted to the CEO and his or her staff.

This change, by itself, will go a long way toward ensuring workable reform.

2. Qualifications

The second element of reform is just as important as the first: defining the qualifications of the type of people who should oversee the organization. Currently, the qualification criteria are lacking. The time has passed for good intentions to be considered a sufficient qualification to lead the United States Olympic Committee. We must demand that all persons hoping to serve on both the volunteer board and in the professional administration are held to the highest standards of qualifications before they are even considered for those positions. The qualification requirements must be carefully developed and designed to gather all the necessary expertise needed to manage what should be the best National Olympic Committee in the world. Quite simply: Only qualified athletes can compete. Only qualified administrators should manage.

3. Accountability

The third ingredient for the United States Olympic Committee reform should be increased accountability. In my sport, if you cannot pull your weight, you are out of the boat. Volunteers and professionals alike should be held accountable to strict performance standards. The United States Olympic Committee needs to set expectations for every major director and executive position so their performances can be evaluated on a yearly basis. The organization also should develop a mechanism to replace non-performing officers. I go back to my initial point: It should be an honor to serve—not an honor to merely hold an office.

4. Ethics

The fourth element of reform is better implementation of the Ethics Code. The United States Olympic Committee has a fine Ethics Code, but it has been poorly implemented. In order for any Ethics Code to be effective, its tenets must be woven into the fabric of the organization, so that it becomes part of the philosophy by which all decisions are made. This has yet to be fully ingrained within the USOC.

5. Orientation

The fifth element is education. The organization needs to do a better job of supporting its people. Because the Olympic world is unlike any other, all newly elected directors and executives should undergo a mandatory orientation process. That will help them fully appreciate the scope of their new roles, as well as the intricacies of the global Olympic Movement. This perspective is necessary to succeeding in the Olympic arena.

6. Clarity of Purpose

The sixth element is clarity of purpose. One issue that certainly needs study—and that will require Congressional action to change—is the rationalization of the United States Olympic Committee’s wide-ranging mission, powers, and jurisdiction granted in 1978 with the needs and circumstances of today. One ramification of this mission, for instance, is today’s large Board. We all agree a 122-member board is unwieldy—and expensive. But we must remember that, due to its mandated mission, the United States Olympic Committee must interact with its 78 member organizations—of which only 38 currently manage Olympic sports. In many ways, the United States Olympic Committee was chartered to act as a privately funded “Ministry of Sports.” When considering reforms, it will be important to determine whether its structure should be changed to meet this expectation, or whether the expectation has become unrealistic in today’s changed circumstances.

7. NGBs

The seventh element is the enhancement of the governance of the National Governing Bodies, known as NGBs. I would urge this Committee to consider the fact the United States Olympic Committee is a reflection of the NGBs. Reforming the United States Olympic Committee without reforming the NGBs is like treating the leaves of a tree without examining its roots.

I am not saying that all NGBs have governance issues, but their governance must conform to the standards of the United States Olympic Committee. In a similar way, one cannot properly reform the United States Olympic Committee without focusing on the unique structures and needs of the NGBs—one of the United States Olympic Committee’s most important stakeholders.

8. Integration

The eighth element is a need for the United States Olympic Committee to become better integrated with all its stakeholders, especially the public. One symbolic but important change would be to move the organization’s executive offices to a major metropolitan city, such as New York, Chicago or Los Angeles. Having the headquarters in Colorado Springs has served the important purpose of developing our central athlete training complex. That mission has been fulfilled, and the Colorado Springs training center will always be an important complex. At this point in its history, it is more important for the organization to be out-front and interacting with the public in a major metropolitan area on a more regular basis.

The United States Olympic Committee also must become more actively integrated with the international sporting community. We have the largest national Olympic Committee, with the best athletes in the world. Yet the United States is woefully under-represented in the international governing bodies of sport. We need to do a better job of working with, and integrating with, this global community. If we do so, it will return great dividends to our athletes since they compete in the international arena.

9. Reporting to Stakeholders

The ninth element is closely related to the previous one. There should be increased reporting to the stakeholders. Sunshine provides credibility and accountability. There is much great work being done at the United States Olympic Committee, and everyone should know that. All the same, the organization needs to be held accountable to its stakeholders’ expectations and reviews. Again, the USOC should be a *service* organization.

10. Focus on the Athletes

Last, but surely not least, is a principle from which all the reforms should flow: the focus on the athletes. The most important provision of the Ted Stevens Olympic and Amateur Sports Act is the requirement that each USOC body should include at least a 20 percent representation of recent athletes. The fact of the matter is: If you started with the needs of the athletes as your guide, you would have the best rule by which to guide your reform efforts.

Conclusion

In closing, I would like to again thank this Committee for taking the time to urge reforms for the United States Olympic Committee. The United States Olympic Committee should be a council of sports, not of sports politics. Your efforts in the coming weeks will be important in making that principle become a reality.

Thank you.

The CHAIRMAN. Thank you very much, Ms. DeFrantz. Thank you for appearing before the Committee again.

Mr. Fehr, welcome.

STATEMENT OF DONALD FEHR, EXECUTIVE DIRECTOR, MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION; PUBLIC SECTOR MEMBER, U.S. OLYMPIC COMMITTEE

Mr. FEHR. Thank you Mr. Chairman, Members of the Committee. I appear here today in my capacity as a public sector member of the USOC board. There are eight of us out of 123 on the USOC Board, with the kind of power and influence that eight out of 123 would suggest, but we are the only members of the board who are charged to represent the American public, and who do not come from and are not identified with any constituent group.

I have taken the liberty of asking my fellow public sector directors both from this term and two from the last term who are no longer in that position to review my statement, which I ask be made a part of the record. They have indicated to me that, in the main, while the words are mine, the views I have expressed are shared by all of them. That does not surprise me. We have spent a good part of our time during the 6 years I have been on the board expressing wonderment and amazement and frustration at what we have witnessed. We sit in board of directors' meetings, which are entirely formalistic affairs, wondering why we are there. We also have sat from time to time in Executive Committee meetings. No member of our group is a member of the Executive Committee, but we have attended from time to time, and in large part, those meetings have given us the same degree of frustration and wonderment, and we often ask each other why in the world we bother. We do because we think we can make a difference, but it is difficult.

It is not my purpose here to comment on the Ethics Committee report or the Executive Committee response to it, but given the questioning, there is one comment that I would make, I think, that is relevant. Whenever you ask an Ethics Committee composed primarily of outsiders (except for the athletes) and all of whom are volunteers, to make sense out of a complicated situation fraught with interpersonal rivalries in which everyone's motives are suspect and everyone they are speaking with has a personal interest, I think we can be grateful that they came out with any conclusion at all, much less a unanimous one. And, I for one, was pleased that they made all three points clear: that there were violations of the code, that there were problems with the ethics officer and that,

what I view as potentially the most serious, there was, at least in the opinion of the committee, an attempt to abuse the ethics process itself. That is difficult to do, and I think it took a fair amount of courage.

Having said that—or with that lead-in—let me suggest that the Public Sector Directors hoped several years ago, at the time the McKinsey report was completed, that the changes suggested would go a long way toward reforming the organization. We were wrong. We were wrong mostly because the organization is not committed to reform.

As a matter of fact, when I talk to people that have been involved in the committee for a long time, and around the Olympic movement, it is astonishing to me that the only strong leader—that is, within the last 15, 20 years—that is referred to is Dr. Schiller, which says, I suspect, not only something important about him, but something more important about the rest of the people that were there.

What are the problems? First, I do not think it is healthy, and it does not make a lot of sense, to compare this organization to any other. It is nonprofit, that is true. It does not pay income taxes, but it engages in a wide variety of activities which mirror precisely what a for-profit entity would do. Licensing revenue must be raised. That takes a first class commercial organization, because you are competing for the sports dollar with the likes of the NFL and NHL and Major League Baseball and all the colleges and so on.

Second, however, the USOC is not, even in the context of its nonprofit work, much like an ordinary nonprofit, which has a uniformity of purpose, that it is going to raise money and have that distributed to a given cause. Instead, what you have is a constituency which acts like a legislature. Their interests are adverse to one another. There is a limited pie, and everybody wants their piece of it, and all of the conflicts stem, in my judgment, from that difficult proposition. That is a structural matter, and it is a profound cultural matter. Until that is overcome, and people begin to strive in uniformity toward a common goal which is not limited to their individual interests, I am not sure what structural changes are going to be able to make a significant difference.

That point is emphasized, in my view, because there is not even a common understanding as to what the role of the USOC is. There are some that say its sole purpose is to raise money and give it to the NGB's and stay out of the way. There are others who say, on the farthest extreme on the other side, that the Amateur Sports Act requires us to develop and enhance amateur athletics. Well, unless you know what you are trying to do, it is going to be very difficult to get a consensus on doing it, and it is going to be even more difficult to figure out the level of funding needed.

Third, as has been spoken to, you have an enormous problem with the volunteers and the staff not understanding their respective roles and relationships. I will not dwell on it further, except to point out that in a recent article, if my memory serves me right, a former USOC president suggested that if you wanted to be president of the USOC, which is a volunteer role, you ought to be prepared to devote 20 to 25 hours a week to it. That is 1,000 to 1,300

hours a year in a volunteer role. Nobody can do that. If you do, of necessity you will attempt to micromanage, you will look over everyone's shoulder, you will engage in turf battles, and politics will be the order of the day. It has been the order of the day.

Fourth, Clearly, the board is much too large. I would suggest that the actual governing body, whatever it is called, be reduced in size, to somewhere in the 18 to 25 range, and it would not bother me if it were slightly smaller than that. There is a problem with officers and the election of officers. In the current structure, the election of officers mirrors the kind of discord and nonuniformity of purpose that you see on the board.

The officers are elected by competitions between coalitions of the constituency groups. Candidates appear before them, they answer questions, promises are sought, commitments are made, people are upset when people are not perceived to be honoring their commitments, and that affects who gets elected the next time around, not to mention that who gets to be on what committee and make what trip is often a result of who is elected.

Last, in terms of what the problems are, we have not managed, with some exceptions, to get the very best people, and we need to find a way to do that, but solving the structural problems will not do it alone. You are not going to get the best people unless they think they are walking into an organization that they want to be a part of.

I think I share the views of a number of the other witnesses about a number of the specific reforms that should be made, but perhaps with some differences. While the board should be substantially reduced, I believe it should consist in majority part of outsiders who have no interest in and do not come from any affiliated constituency group.

That may raise an issue with the 51 percent requirement of the IOC, but I believe a case can be made for it, and I am confident that if that is determined to be desirable, the IOC will find a way to accommodate us in that regard.

The problem will be that by the very nature of doing that, you will drastically curtail the power and influence of the constituent groups. That will require a major effort to get consensus. I agree that the board, even a much smaller board, should not act like an additional or substitute CEO or COO by committee.

I think that the purpose of the USOC needs to be clarified, and what I mean by that is this. If the job is only to raise money for athletes, then that is a job and we can do that. If the job, on the other extreme, is to play a substantial role in the development and enhancement of amateur athletics for young people around the country, that is a much different job, and not only does that role need to be clarified, but far more importantly, the level of funding it will take to do the latter job is vastly greater than that that it will take to do the former job.

How do we begin to address these issues? I was a member of the USOC group that was formed to investigate the Salt Lake City bribery allegations. There were five of us on that group. Three were outsiders, Senator Mitchell, Kenneth Duberstein, Roberta Ramo, the first woman to have been president of the American Bar Association, I represented the public sector directors, and there was an

athlete representative required by law, who was Jeff Benz, who is now the USOC's general counsel.

We were completely independent. We retained our own counsel. We talked to people, certainly, but all deliberations were internal. We identified a problem which was cultural, the culture of gift-giving that had pervaded the selection of bid cities to host the Olympic Games, and we wrote a series of recommendations which we hoped would go a long way toward remedying that. Those were adopted completely by the USOC and in part by the IOC.

I think a commission like that can be successful again. I would suggest it needs two things. It needs a majority of individuals on it who have no affiliation with USOC constituent groups, but it needs at least some representation—I suggest from the USOC public sector directors—of individuals who have some familiarity with how the organization has actually functioned. You need that to make sure that you are not missing critical points.

I welcome, in addition, the USOC's Executive Committee's efforts to try and do its own reform work. I think it is their obligation to do that. I think it is essential that they do it, and certainly any thoughts the Executive Committee has would be welcomed by an outside group. I do not think, however, that the credibility of the organization either to this Congress or to the public, is likely to be restored merely by an internal review.

In discussing this with some people, one of my fellow public sector members suggested that such ideas would be referred to by internal USOC constituencies as very radical surgery, and nobody likes that, and they will not like it in particular. I think it probably is pretty radical surgery. Sometimes you have to do it.

Thank you.

[The prepared statement of Mr. Fehr follows:]

PREPARED STATEMENT OF DONALD FEHR, EXECUTIVE DIRECTOR, MAJOR LEAGUE
BASEBALL PLAYERS ASSOCIATION; PUBLIC SECTOR
MEMBER, U.S. OLYMPIC COMMITTEE

Mr. Chairman and Members of the Committee:

My name is Donald M. Fehr, and I have previously testified before this Committee in my capacity as the Executive Director of the Major League Baseball Players Association. Today, however, I appear to discuss issues related to the United States Olympic Committee (USOC), and I do so based upon my experience serving as a member of the USOC Board of Directors from the Public Sector. The Committee's invitation to testify states that this hearing will "examine the current organizational structure and culture of the USOC" to determine what reforms may be appropriate to make certain that the "USOC operates more effectively and efficiently". As requested, I will focus my testimony on recommendations to improve the USOC, in light of the recent series of unfortunate events which led to this hearing being called.

EXPERIENCE AS A USOC PUBLIC SECTOR DIRECTOR I was elected as a member of the USOC Board of Directors from the Public Sector for a four year term following the 1996 Summer Games in Atlanta, and was re-elected to a second four year term following the 2000 Summer Games. My opinions about the governance and culture of the USOC stem almost entirely from my experiences these last six plus years. The USOC Constitution, Article XII(3)(J), provides that eight (six prior to 2000) Public Sector directors will be elected by the Board, who must be individuals who are "not affiliated with or associated with any amateur sports organization, who in the judgment of the USOC represent the interests of the American public in the activities of the USOC."

This charge puts a Public Sector director in a class different from that of any other of the more than 120 members of the USOC Board, each of whom is either elected or appointed directly by a constituent organization, or, in the case of an offi-

cer, usually comes from and/or is identified with a constituent organization. My colleagues and I take this difference very seriously. Although Public Sector directors do serve on various USOC committees with some significant responsibilities, no Public Sector director sits on the Executive Committee or on the Ethics Committee. I have taken the liberty of asking my fellow Public Sector directors to review this statement. While the specific words here are mine alone, I am satisfied that the views expressed here reflect, in the main, the views of all of the Public Sector directors with whom I have served. (The current Public Sector directors are Gwen Baker, Roland Betts, Bill Bradley, myself, Gordon Gund, Henry Kissinger, Donna Lopiano and Mike McManus. Charles Moore and Frank Marshall served in this capacity with Gwen, Roland, Mike and I from 1996–2000.) Throughout our tenure, as a group we can perhaps best be described as very frustrated with the operations of the USOC. We each thought we could help out, and hope and believe that from time to time we have, but it has been and remains an inordinately frustrating and trying experience. During my six years the USOC has been an organization fraught with rumor and gossip, and often consumed by internal politics. Volunteer vs. volunteer disputes abound, and volunteer vs. staff disagreements have been constant. Ethics issues continue to arise. When the current internal dispute hit the papers some weeks ago, I thought “Here we go again”. My initial foray into these matters took place mid-way through my first term, when I was asked by the then President to look into the performance of the then Executive Director, whom he thought should be replaced. I went to Colorado Springs and spent a day or two talking to staff and trying to understand the situation. I then returned to New York and contacted the other Public Sector directors, to ask for their help with what appeared to be a chaotic situation. Our conclusion was that, at bottom, there was no consensus as to who had the responsibility or authority to do what. In other words, there was no common understanding as to the basics of how the USOC was to operate. After discussing it among ourselves, we offered to coordinate the ongoing management study being done by McKinsey & Co. At the end of that process, in an effort to put the organization on the right track, we both facilitated the resignation of the Executive Director and the agreement of the President not to seek another term. We urged the adoption by the USOC Board of the report by McKinsey, which called for a more traditional corporate model of governance with clear division of roles between the professional staff and volunteer leadership. At that time we did not seek to reduce the size or change the composition of the USOC Board, hoping that would not prove to be necessary and also believing it to be a political impossibility at that time. We hoped that, with a new President and Executive Director/CEO, and the adoption of the McKinsey report, significant changes had been made, and that the USOC’s internal difficulties would be overcome. As events have conclusively demonstrated, we were unreasonably optimistic. Since that time we have seen three CEO’s and three Presidents. And, as Dr. Schiller has explained to me, what we have witnessed since 1996 is only a continuation of the previously existing pattern; it is neither new nor different. It is somewhat like a television soap opera, which runs for years and years with the same plot, although the characters keep changing. The question, then, is “Why?” What is it about the USOC organization and structure, and/or the USOC culture, which causes and/or permits this kind of behavior to continually arise? Why do we witness continual personal animosity in the organization? (We saw a glimpse of that at the last hearing.) Why have the USOC’s leaders apparently failed to recognize the stage that they are on, and the responsibilities entrusted to them? This is all the more mystifying because, so far as I can tell, everyone who becomes involved with the USOC or an NGB does so, at least initially, for the very best of motives and with the best of intentions, to be of service to our athletes and our young people. I believe that it is a combination of the structure and culture of the organization to which we should direct our attention.

WHAT ARE THE PROBLEMS? It seems to me that the current USOC structure and culture suffers from several difficulties, which can be generally described as follows. It is important to remember, however, that these factors are at work at the same time; the USOC suffers from each of them on an ongoing basis. First, one must recognize that the USOC is a bit of an odd duck of an organization. It is non-profit (that is, it does not pay income taxes), but the USOC is clearly not a non-profit organization as that term is commonly understood. In any ordinary sense, the USOC often acts like a classic for-profit entity: it receives income for the sale of licensing rights of marks, tickets for events, and broadcast of events. It protects such commercial rights vigorously. Over a four year quadrennium (the period between summer Olympic Games) such revenue amounts to several hundred million dollars. Obviously, the USOC’s commercial operations need to be first rate; savvy, well-managed and creative, and able to compete with any other entity for the sports dollar. But, that said, the USOC is not interested in making profits for the purpose

of paying dividends or increasing share prices. Rather, it generates revenue for the purpose of dividing it up among what seems like an innumerable number of constituent groups, which groups make up the USOC Board of Directors. Satisfying this amalgamation of National Governing Bodies (NGBs), community based, educational and other organizations, and the athletes is a daunting task. This is so because the various constituent groups which make up the USOC Board have interests which are adverse to one another. The various organizations contend with one another to determine policy (how will we do things) and money (which programs and organizations will be funded, to what extent, and under what conditions). Put simply, a corporate board has a uniformity of purpose, to make money for the investors. A charitable board has a uniformity of purpose: to raise funds to distribute to worthy individuals or in support of worthy causes outside of the organization. But, in the USOC's case, there is no such uniformity of purpose. Rather, the USOC is more like a legislative body, with the differing interest groups struggling with one another to protect their own and to get their piece of the pie. What this means is that, for all practical purposes, the structure of the USOC makes dispute and discord the order of the day. It is the natural and inevitable way of things given the existing governing structure. Second, there is no overall agreement or understanding as to what the role and purpose of the USOC actually is. Some believe that the USOC is a limited sort of umbrella organization, having as its sole purpose the raising of money to distribute to the NGBs for them to do with as they please. After all, the USOC doesn't produce any athletes, only the NGBs do. Others assert that the USOC's purpose is simply to win events—medals—which is used to define and measure success and serve as a source of pride for the organization and for the nation. And there is a third view, that the USOC has larger and broader responsibilities to the youth of America and the development of athletic programs at the grass roots level. The absence of an overarching view of what the USOC is supposed to be doing makes the internal decision making processes much more difficult. The USOC volunteers and staff can't be expected to march together if there is not even an agreement on where they are trying to go. A third problem is the seeming inability of the USOC volunteers and staff to sort out their respective roles and responsibilities so as to be able to work together on an ongoing basis. This role confusion is seemingly embedded in the USOC culture, as the history of disputes between the volunteer leadership and prior CEO's amply demonstrates. Throughout my tenure on the USOC Board volunteers have from time to time attempted to micro-manage day to day operations, and even direct staff. Clearly, volunteers are critical to the success of the USOC, but part-time, unpaid volunteers should not interfere with or attempt to direct staff functions; running the organization is the CEO's job. The problem that the Public Sector Directors pointed out years ago persists: there is no accepted division of authority and responsibility between the volunteer leadership and the staff; we still have no agreement on who has the responsibility and authority to do what. I recall a recent press article which I believe attributed to a former USOC President the notion that anyone seeking the position of USOC President—the senior volunteer position—should be prepared to devote 20–25 hours per week to the USOC. Consider that for a moment. What person, with a regular day job, can devote 1000–1300 hours per year to unpaid volunteer work? More importantly, can one reasonably expect that such a level of ongoing involvement will lead to anything other than turf battles with the CEO? Fourth, The USOC Board of Directors is much too large. A Board with 120+ members simply cannot be expected to function well. In my view, this Board does not function at all. The twice yearly full Board meetings are (with one critical exception noted below) entirely ceremonial affairs, albeit very expensive ones. Board meetings are not deliberative sessions; rather, they are conventions given over to formalistic ratification of decisions already made, speeches, videotaped productions extolling the success of our athletes, the giving out of awards, and the like. I and the other Public Sector members have often asked one another why we bother to come to the Board meetings, given that nothing substantive takes place. There is, however an exception. Once every four years officers must be elected by the Board. This is serious business. Candidates for such positions nearly always come from and/or are identified with distinct constituent groups. (Frank Marshall, formerly a Public Sector Director, is an exception.) They ordinarily vie for the support of the NGB's, the athletes, or others. Coalitions form and dissolve. Promises are sought and made. In short, elections for officers reflect the disparate interests of the various USOC internal groups. And one should remember that the officers make up a significant portion of the Executive Committee—the real policy making organ of the USOC—along with the directly appointed representatives of the various constituent groups. Thus the difficulties of the overall Board structure are necessarily reflected in the makeup of the Executive Committee. The Members of the Committee should understand that I am not arguing that officer

elections are bad in and of themselves, or that constituent representation on the Executive Committee is inappropriate. Rather, I submit that officer elections conducted within the current system often can and do perpetuate the internal political discord that is the predictable result of the existing governance structure. Finally, to state what may be obvious, it seems clear that all too often in the past the USOC has not had the right people in key leadership positions. The repeated leadership changes we have lived through, and the circumstances of those changes, are powerful evidence of that point. This is important notwithstanding the governance structure that is in place. Effective leadership can make an inefficient governance model work; ineffective leadership can fail even in a perfect structural setting. Given its current image, if the USOC is going to attract the best people it must demonstrate that both the structure and the culture which produced these difficulties has changed.

WHAT SHOULD BE DONE? I have been asked to make recommendations to the Committee as to what changes should be made in the USOC structure and culture. I do not today offer formal or precise recommendations, but I will offer a few ideas which may merit some consideration by the USOC and by the Congress. I will first suggest several substantive concepts, and then offer an idea as to how, procedurally, the Congress and the USOC may wish to proceed to consider what should now be done. The principle by which I am guided is that the USOC is a public trust, and the volunteers and staff of the USOC are charged with carrying out the purposes of that trust. Accordingly, the USOC should be organized and operated in a way which is consistent with that broad public purpose. First, the Board of Directors should be reduced to a manageable number, perhaps down to $\frac{1}{5}$ or even $\frac{1}{6}$ of its current size. Second, the membership of the Board of Directors should be composed largely of independent outsiders; i.e., individuals who do not come from or represent any internal USOC constituent group. In other words, the Board should consist in large part of outside directors who want nothing from the organization save the satisfaction of making a needed contribution to a good cause. Such outside, independent directors should include individuals with significant experience in management, administration, fundraising and other skills that would be helpful to the operation of the USOC. The various internal USOC constituent groups would then make their arguments re policy and budgets, etc., to this largely independent Board. (I do not have a suggestion at this time as to how such outside directors should be selected, but that is obviously a matter of considerable import.) This may well be a difficult sell to existing USOC Board members and constituent organizations. After all, the practical effect of adopting such a structure would be to limit the power and influence that such groups have traditionally enjoyed. The question which then arises is how to determine which, if any, of the internal USOC constituencies would be directly represented on the Board, and how the constituency groups would interact with the Board. Resolving such issues will not be easy. Third, the Board should be expected to act like a Board of Directors, not like an additional or substitute CEO or COO by committee. The role of the Board is to set overall policy, approve budgets, hire the CEO and perhaps other senior staff members, and meet its oversight obligations to make sure that the organization is getting the job done. The uncertainty of the volunteer / staff roles and responsibilities must be clarified so that they work together, and not at cross purposes. Fourth, the role and purpose of the USOC needs to be clarified. Whatever that role is—raising money for NGBS, winning medals, or serving the much larger purposes envisioned by the Amateur Sports Act—everyone needs to be on the same page, marching in the same direction. It seems to me unlikely that unity of purpose will be achieved in the near term absent the Congress insisting on it, and conducting periodic oversight to ensure that such purpose is effectuated. (It goes without saying that the more extensive the purpose the greater will be the need for funding. If the USOC and/or its constituent organizations are to undertake tasks beyond the current uses of funds, how the USOC will get the money for such other purposes necessarily becomes a significant issue.) Procedurally, how should the Congress and the USOC proceed to consider such of these ideas as may have merit, along with the many other ideas that have been and will be offered in response to the current situation? I note that at its meeting last weekend, the USOC Executive Committee established a task force for the purpose of making a thorough review of existing governing structures and policies. I welcome that effort. Quite apart from what the Congress or this Committee may suggest, it remains the responsibility of the USOC Executive Committee to act promptly to put things right, and I am pleased that this step has been taken. . . At the same time, however, I wonder whether the credibility of the USOC to the Congress, and, more importantly, to the American public, can be restored without some sort of independent review. For this reason, I think that an independent review commission is both appropriate and should be helpful to both the USOC and to the

Congress. I believe that we already have a proven model for such an independent commission. About 4 years ago, after the Salt Lake bid-city scandal broke open, the USOC appointed an independent commission for the express purpose of examining promptly and in detail the entire situation, and making findings and recommendations to the USOC for changes in existing bid-city practices and procedures. There were five members of that group, which came to be called the Mitchell Commission. Former Senator Mitchell was the chairman, and the other outside members were Ken Duberstein and Roberta Cooper Ramo (the first woman President of the American Bar Association). I served in my capacity as a Public Sector Director, and the athlete member of the commission (required by law) was Jeff Benz. We retained our own counsel, and insisted upon and received the complete cooperation of the USOC. We made a number of findings, including a specific finding that a "culture of gift-giving" pervaded the process by which cities were selected to host an Olympic Games. We wrote a comprehensive set of recommendations intended to break this culture and change the way that cities were selected to host the Games. Our recommendations were in turn adopted by the USOC, and significantly influenced measures which were adopted by the IOC. In short, the process worked. I believe that a commission with a similar charge can do so again. In addition to the independent members, such a commission would be helped to a very great extent by having among its members one or perhaps two individuals familiar with the USOC's history and current operations. In this regard I suggest that such a group include one or two current or former Public Sector Directors who, one will recall, neither come from nor represent any USOC internal constituency, but rather have the obligation to represent the public. As I have previously indicated, the Public Sector Directors can bring to such a group the benefit of their experiences with the USOC, frustrating as they have often been. I can without hesitation tell you that each of my seven current colleagues as Public Sector Directors, and Charles Moore, who served in that role from 1992–2000, would serve ably and with distinction in such a role. Over the last 6 years I have developed enormous respect for their integrity, intelligence and dedication. Finally, I recognize that there is a desire to move forward with dispatch. However, I would not set an artificially short deadline for the independent commission to complete its work. The job needs to be done quickly, but sufficient time must be allowed for the issues to be thoroughly examined and any proposed solutions comprehensively analyzed and considered before final conclusions are reached.

CONCLUSION In conclusion, Mr. Chairman, in this written statement I have made certain observations and suggestions for the consideration of this Committee, and for the consideration of the USOC, the purpose of which is to suggest an alternative framework for the governing structure of the USOC, which, hopefully, would operate in a way that would also modify its culture. The ideas I have offered here will no doubt seem to many like radical surgery. Perhaps so. However, this may well be a time in which radical surgery should be considered.

The CHAIRMAN. Thank you very much.

Senator Boxer has another engagement, and she would like to make a statement.

**STATEMENT OF HON. BARBARA BOXER,
U.S. SENATOR FROM CALIFORNIA**

Senator BOXER. Thank you, Mr. Chairman, very much. I have to be on the Senate floor, and I will be as brief as possible, less than 5 minutes.

Mr. Chairman, thank you very much for the series of hearings you have called here. I appreciate it. This hearing and the previous hearing you held with Lloyd Ward are about the values and principles that the USOC management and its structure should uphold. I had a scheduling conflict the last hearing. It is just so unfortunate. I wish that I could be everywhere at once.

I appreciate the fact that you are carrying forward with this. On the hearing with Mr. Ward, I shared the, I think, dismay with several of my colleagues on both sides of the aisle that the evidence indicates that Mr. Ward does not really live the values that I think

are necessary to lead the USOC, and I want to put into the record with your consent just one page of the constitution of the Olympics.

The CHAIRMAN. Without objection.*

Senator BOXER. This says that there shall be no discrimination based on a whole series of factors, including sex, and then, in regard to the employees, respect the rights of all employees to fair treatment and equal opportunity free from discrimination or harassment of any type, and this is very serious, and I think when you look at membership in the Augusta National Golf Club, a club that will not allow women as members, I believe it runs contrary to the spirit of the Olympic Games.

I am not going to ask anyone to comment on that, but it is just a view that I hold, and I know that Senator Campbell shares that very strongly, and others on this committee do as well.

We see two sports heroes here, both women. I think that their presence—it is just an honor for me to be in their presence. I know what they had to overcome in those early years, and yet it seems to me the CEO of this committee should respect not only the female athletes in the Olympics, but just females in general. I think that is the point of equality.

California has an extraordinary Olympic heritage. More current and former Olympians live, train and work in California than any other State, so this is important for us.

One more point I wanted to make to you, Mr. Chairman, because I did not have a chance to discuss it with you one-on-one, and that is, we have some concerns in California about the bid city selection process. Nobody is saying do it again, that is not what I am here to say, but I believe there were conflicts of interest with people who were having a vote here, one in particular, and I ask unanimous consent to place a news article in the record, Could Grudge Foil San Francisco's Bid, if I might ask you to put that in.

The CHAIRMAN. Without objection.

[The information referred to follows:]

The San Francisco Chronicle, September 1, 2002

COULD GRUDGE FOIL SAN FRANCISCO'S BID?

By Phillip Matier, Andrew Ross

Political campaigns always include a dash of paranoia that the fix is in—and the race between San Francisco and New York for the 2012 Summer Olympics bid is no exception.

In this case, local Olympics organizers (although they would never say so publicly) have pretty good reason to believe a member of the crucial U.S. site selection committee may be bearing a grudge against the city.

We're talking about Roland Betts—businessman, developer and old college chum of President Bush.

He's one of 10 members of the all-important Olympic site selection panel, which may well recommend to the U.S. Olympic Committee's 123-member board which city—San Francisco or New York—should get the nod Nov. 3 as the U. S. bid city to host the 2012 Games.

It's not just that Betts lives in New York, or that he heads the board of Lower Manhattan Development Corp.—the post-9/11 agency charged with replacing the World Trade Center.

No, this is about something more intensely personal—like the de-pantsing Betts got from San Francisco politicians when he put in a bid for what he thought was an

*The information referred to was not available at the time this hearing went to press.

all but (wink, wink) done deal to build an athletic mega-club on San Francisco's waterfront.

Betts, you may recall, had hoped to build a West Coast version of Chelsea Piers—his highly touted New York recreation village/health club—at Piers 27–31. But in spring 2001, after a long fight, the Port Commission awarded the site to Mills Corp. (the same folks behind the yet-to-be-built 49ers stadium-mall) and to the YMCA, which had jointly proposed a competing plan for offices, retail and a fitness club.

And now the Bay Area Olympians are worried that Betts may seek revenge.

After all, after initially encouraging Betts to come West, Mayor Willie Brown turned around and threw his weight (and Port Commission votes) behind the Mills-YMCA deal.

It didn't help Betts' mood that he shelled out \$43,000 to state Sen. John Burton for advice on how to push his plan—only to get nowhere.

"The whole experience was a nightmare," Betts recalled last week from his New York offices. "It didn't even occur to me that we were going to be bidding against somebody."

For his part, Brown (who is keenly aware of Betts' anger) said, "I don't know why he's mad at me—it was Burton he paid all the money to."

So will Betts' experience here influence his Olympic decision?

No way, says Betts.

"I have bent over backwards to be fair and objective," he said, adding that San Francisco wouldn't have made it this far if he and his fellow Olympic bigwigs didn't think the city had put in a "superb offer."

As a matter of fact, said Betts, "The whole Olympic process was 100 percent on the merits—and if the city of San Francisco had treated Chelsea Piers on the merits, we'd be under construction by now."

Ouch.

Senator BOXER. Thank you very much.

The point it makes is, there was someone on the committee that just was turned down to do a real estate deal in San Francisco. He had a deal in New York, and it is in an area where they would benefit from the Olympics. This is very discouraging. Someone like that should not really be involved in pushing for a particular venue, and so I am very hopeful, Mr. Chairman, as you determine where you want to go with this particular set of hearings, if we have an independent commission, or whether you ask the Olympics to do it, that they not only look at the issues that you have been championing, but also this issue of the bid selection process.

So I thank you very much for giving me this opportunity.

The CHAIRMAN. Thank you very much, Senator Boxer.

Ms. de Varona, did you want to say something?

Ms. DE VARONA. I just wanted to welcome Senator Boxer, as a former resident of California, and I want to thank the Committee for letting me speak. I have a plane to catch at 11:50, so I am going to have to excuse myself, but I would make myself available at any time to respond.

The CHAIRMAN. Before you go, I saw you paid attention to Mr. Fehr's statement. Do you have any disagreement, or are there some contradictions between your recommendations and his?

Ms. DE VARONA. No. My recommendations are an opening point. I think that this is a very complicated committee with a lot of responsibilities, and how we move the deck chairs around, or create a new widget to get the best and the brightest and governance that works is very important, and I do not disagree with anybody on the panel.

The CHAIRMAN. Thank you very much. Thank you for being with us.

Ms. DE VARONA. Thank you.

The CHAIRMAN. Dr. Schiller, did you have any disagreement, or agreement with Mr. Fehr's statement and his recommendations?

Dr. SCHILLER. Specifically about the nominating committee and how people are chosen, yes. I think at the same time, we have to be a little cautious that the organization does not become exclusionary by virtue of economic means. Years ago, the committee was filled with what we called the blue blazer boys, when you go back to the 1940s and earlier, because people could not afford to be part of the committee, and a lot of the expenses we are talking about were intended mainly to include athlete representation, and we ought to be really cautious that we do not exclude the people that may not be able to afford to be part of the representation.

The CHAIRMAN. Thank you. I agree with all of Mr. Fehr's recommendations, and I guess it is a given that that will then bring about some kind of financial discipline, but Mr. D'Alessandro's statement I think indicates that there is a very serious problem there. I do not know much about how big corporations work, but a fleet of 197 company cars for the staff of 350, if that is indicative of the spending that is going on, then Mr. D'Alessandro's comments about how little is actually going to the athletes is certainly understandable.

Dr. SCHILLER. You are right, sir, and I think part of the problem is the way some of these sponsorship deals are put together. They try to look big, and what they contribute are called value in kind, which really do not take care of the direct cash needs of the organization, and certainly certain organizations may want to give gas cards and automobiles in lieu of the kind of money that would be necessary to move the organization forward, so you have to be very, very careful about trying to put a deal together that does not have that much of that in its order.

Mr. D'ALESSANDRO. Thank you, Mr. Chairman.

The CHAIRMAN. By the way, Mr. D'Alessandro, as a part of your comments, have you received any response to your letter of February 20, or January 20, I believe, where you asked for a financial—

Mr. D'ALESSANDRO. I have been told, Mr. Chairman, I am going to receive tomorrow about 80 percent of the actual specifics. I was informed yesterday by Mr. Ward in writing that, indeed, the tax returns are not correct, that they do not reflect accurately all of the contributions, the federal tax returns, and that clearly the accounting is not anywhere near as transparent as needs to be. I actually have correspondence with him on that subject, and so I am looking forward to sharing all of the data that we receive.

I would like to echo Dr. Schiller's comments. In the world that I live in, in sports marketing, aside from the insurance world I live in, as Don Fehr said, there is a great deal of competition for that \$6.5 billion. It is an unfair fight today. Basically, you have a committee of marketing people trying to get money, today, that look a little bit like they came from Ted Mack's Amateur Hour.

They cannot compete with the heralded marketers that are around today, so what happens, basically, is there is a barter system that has occurred, and as Harvey says, if you take a look at where the USOC gets most of its money, it is from the IOC. That is the cash that funds salaries and some of the NGB's, but basi-

cally, when we sit in a room with the NFL, they basically say, show me the money.

When the USOC shows up in similar suits, they say things like, show me the Jello, we'll take 20,000 cases of Jello, or Kleenex. It is a bit ridiculous to try and fund what we are trying to do in this country with barter, and that is the value in kind we are talking about. The value in kind really needs to be judged, because you cannot train athletes with value in kind.

The CHAIRMAN. Ms. DeFrantz, first of all, I understand that these reorganization recommendations are the critical aspect of it, and I think that it will probably address many of the financial issues that have been raised, but has it not disturbed you that over a period of time so little money actually got to the athletes, and then when it did, as Mr. D'Alessandro pointed out, the USOC gave more money to Michael Jordan than it did to gymnasts and amateur athletes? Is there not something really wrong there?

Ms. DEFRANTZ. My understanding was that those organizations gave money back to the USOC.

The CHAIRMAN. Say that again.

Ms. DEFRANTZ. My understanding was that those organizations either had specific programs for youth, or they gave the money back to the USOC. My understanding was they were sort of a place holder to remind the USOC that they have an NGB, even though the athletes now at the games are professionals, but the athletes who represent the USOC, or their NGB, actually their NGB at other events are not professionals.

The CHAIRMAN. Dr. Schiller, has something changed since you were there?

Dr. SCHILLER. It might have. I cannot reflect since I left, but during my tenure, the eligibility rules changed most specifically for the national basketball—so professional players were allowed to participate.

David Stern, the commissioner, was forthright and really paid for all the logistical support of the team, all the travel, anything that was associated. In addition, he made on behalf of the league specific contributions, and we did realize increased funding by virtue of some of the joint licensing and sales programs we did with the league.

I really cannot comment since I have left.

The CHAIRMAN. Well, maybe I am straying a little bit, but it seems that when you have dysfunctionality, then perhaps the people who are intended to receive the benefits obviously are not getting them.

And Mr. Fehr, I understand that we have to define the purpose more clearly, and yet I would assert that it is a combination of both, it is not just money-raising, because there is an obligation to train and help athletes so they can prepare themselves for Olympic competition, in some cases that is for years, particularly in sports where they otherwise would not be able to, wrestlers, for example, so I do not think it is either one or the other. I think that perhaps it is some kind of combination of the two, with a balance of the emphasis that is perhaps not there today. Is that an accurate statement?

Mr. FEHR. I do not disagree with that. When I talk about redefining the purpose, what I was attempting to point out was that there are some members of the USOC board that will tell me that all they want the USOC to do is go out and generate money from Sponsor X and Sponsor Y and give it to them, and stay out of my business no matter what I do with it.

There are others that say no, there are some NGB's that are good, but we have to help others and direct others and staff them.

There are some who say that we are missing the point. The point is, they say we ought to be developing soccer programs for thousands and thousands and thousands of kids out there and making sure they work, not just focusing on elite Olympic athletes.

Those are different purposes, and there is no uniformity on the board on what we ought to be doing.

The CHAIRMAN. Thank you.

Let me just say it is my view, and I think that Senator Campbell can speak for himself, but I think he and Senator Stevens and I agree we have no problem with an internal review and changes being made for the better that would be implemented to improve the workings of the USOC, and perhaps reduce some of this dysfunctionality, but I think in addition to that, we need to implement the kind of recommendations you have made and others have made, and that would require some outside, qualified, knowledgeable people, a combination, as you said, some with no affiliation, but probably with some that have some affiliation, because corporate knowledge is always an important aspect of bringing about meaningful reform.

Senator Stevens and Senator Campbell and I are going to try to get out to Colorado Springs to talk to some of the people, but at the same time, we hope we can get a board moving.

There is some time sensitivity to this whole issue. As I think Mr. D'Alessandro pointed out, the people in New York have already contacted me to say that their ability to get the 2012 games is impeded at the moment by this situation, so I do not think we can afford to have a lengthy process here, and so I would like to act as quickly as possible, again with the expert advice and counsel and activity of Senator Campbell and Senator Stevens. I thank the witnesses. You have been very helpful today.

Senator Campbell.

Senator CAMPBELL. Thank you, Mr. Chairman.

While I certainly agree with many of the statements, and I certainly agree with the first part of your statement, Mr. Fehr, about we have an obligation, really, to all youth of America, regardless of where they come from, not just the elite athletes, and I have always supported that—everybody cannot be a gold medal winner, that is for sure, but I think all youngsters can certainly get some great benefits out of the Olympic movement—I certainly do not agree, however, that we cannot compare the structure of the USOC with other groups. I believe, as Ms. DeFrantz does, that we can compare it. In fact, it has been compared a number of times, and not looking very good in comparison.

You said we need radical surgery. Radical surgery is warranted, I agree. Well, how would you like to have somebody operate on your liver who has never seen a successful liver transplant? We can

use models, and we do for almost everything, and I think there are models out there that we can use.

I wanted to put a few charts up on the board, with your permission, Mr. Chairman. I cannot see all the numbers, but I have got a small one up here, but it compares, based on the Forbes Magazine study of 200 nonprofits—they did an efficiency study, I guess that is the best word to call it, and if you compare the numbers up there, you can see, obviously, that the Red Cross, which is one of the top ones, according to Forbes, for efficiency, and the U.S. Olympic Team, which was one of the bottom three for efficiency out of the 200, have some similarities and some big dissimilarities, too, numbers of employees, and look at the number of board members as an example.

And I might tell you that the Red Cross, we bounced some numbers back and forth in the computer a while ago. The Red Cross management expense is 5 percent of their annual revenues. The USOC's is 15 percent of their annual revenues. The Red Cross fundraising expense is about 4.5 percent of their annual revenues. The USOC fundraising expense is 18 percent of their annual revenues.

Now, the revenues come into nonprofits, all of them, I think very similar. They come in from sales of merchandise, they come in from donors and sponsors, they come in from in-kind contributions, and I think the Olympic Committee has a definite advantage because they get a large share of the international television marketing process that goes on that most profits do not have, but I wanted to point those out.

The average efficiency, by the way, is 85 percent, about. According to the Red Cross about 90 cents of every dollar that they raise goes to their commitment, and according to the numbers I have, I have seen everything from a high of 78 that is on that chart down to 65, the same corresponding number for the Olympic Committee.

This is the organizational chart of the Red Cross, and it is a little far for me to see. No, this one that is being put up now is the Red Cross, and the first one is the USOC, pretty similar. I mean, it does not take a rocket scientist to figure that one out. You can see, sort of lines of authority, and reading the boxes of what their mission in that area should be.

The Olympic Committee, although being much smaller, has 18 departments as opposed to 15 for the Red Cross, but I think I could read that, as most laymen could, and get a pretty good understanding about what is going on. The chain of command, the lines of communication and so on are pretty clear to me, if you can see that.

Now, look at this last chart that I am going to ask staff to put up there. I have not found any corresponding chart like this in corporate America or, in fact, even in the other nonprofits, but that is the U.S. Olympic Committee's organizational chart, basically of their board of directors, and I will tell you, if a guy designed a Rorschach test and gave it to somebody, he could use that as a model, because when I look at that and I try to follow all those lines around, it looks like a bird's nest instead of some kind of an organizational chart.

I think that is where the big problem is, Mr. Chairman, in that area of organizational, and it would seem to me as we move forward that is where we probably ought to put our emphasis, and that has been alluded to several times already by this committee, and it is not going to be an easy thing to do. I mean, people resist change, particularly if they have got a car and an expense account and they are staying in five-star hotels. I understand the deal. It is not easy, but it is something that very clearly has to be done.

Early on, the chairman alluded to other options, and clearly, one is that the United States Olympic Committee, if there is some real problem where they cannot do it because of political reasons to restructure this very clumsy group, I think most of you know, as I do, that in most countries they have a sports minister that is actually part of the government. In our case, it would be an Under Secretary of HEW, or somebody with the President's Council on Physical Fitness, or something like that.

I have always resisted that, very frankly, but it is not out of the realm of possibility that if they cannot reorganize and do it in some kind of manner that is satisfactory to the athletes—and I say that first, because without the athletes, who needs the USOC? I have mentioned that before, but also to all Americans, and certainly here in Congress, that there is always that last option, very simply, revoking your charter and doing what other countries have done, and letting the government take it over.

I do not want to do that, most of my colleagues do not want to do that, but I get the feeling in talking to some of my colleagues in the U.S. Senate that they have got a few fewer friends now than they used to have. I hope that kind of a trend does not continue, and that this problem can be straightened out.

With that, Mr. Chairman, I really have no further questions.

Mr. FEHR. Mr. Chairman, perhaps I summarized a little too quickly. Senator Campbell, let me try and respond to your initial comments.

First of all, I think if you will look at my statement, you will see that I agree with the notion that we have sort of a spaghetti bowl up there on the board of directors chart, which is a mess. It needs to be drastically cut down. There is no disagreement with that. There is no disagreement about clarifying the lines of authority, and so on.

When I said there is no model, though, I was not referring to finances. I was referring to something rather more fundamental than that. In an ordinary corporate board, the board of directors share one purpose, we are going to make money and we are going to give it back to our shareholders in some fashion, dividends, or increasing share prices, or something.

In the Red Cross, the board of directors, I suspect—I have no personal familiarity with it—has a uniformity of purpose. We are going to raise money, and we are going to distribute it for causes outside this organization that we believe should merit Red Cross support.

On the USOC board, members of the board are saying, in effect, give the money to me, give it to my organization. Do not give it to his, and do not give it to hers. That is what I mean when I say it is an odd duck of an organization, for which I know of no com-

parable model, and that is what drives me to the conclusion that governance has to get past the constituent competition that we have.

Thank you.

Senator CAMPBELL. I might also mention, Mr. Chairman, just in closing, I was just reminded, looking at some of my notes, to compare the Red Cross with the U.S. Olympic Committee and any oversight we might have, that as I understand it from asking staff to research a little bit, there are 10 committees in the U.S. Congress, House and Senate side, 10 committees that have some oversight of the Red Cross' actions.

I think the Olympic Committee just has one, and that is this committee, and perhaps a little bit in the Appropriations, because that is where they come for a lot of the subsidy money we do not give them directly, but the indirect money we put into olympiads every single year, which is going, as I remember, something like \$4 billion last time for the Salt Lake Games, so we have a real vested interest.

But one of the things that I noticed—and I do not know if the Olympic Committee does it or not. If they do not, they probably should. The Red Cross, as an example, provides a copy of their audit as well as a number of other things to every single Member of the House and the Senate. They may not get read, but they are there, so they cannot say later on that they never saw it.

Harvey, you are nodding your head. Is that done?

Dr. SCHILLER. I know we did it during my tenure. I would assume that it is still done. I do not know.

Senator CAMPBELL. Well, I am an Olympian, and I darned sure have not seen one in my office since I have been in this body, 10 years.

Dr. SCHILLER. Anita just said it has changed from every year since 1999 to every quadrennial period, every 4 years.

Senator CAMPBELL. Every 4 years.

Dr. SCHILLER. It was every year during my tenure.

Senator CAMPBELL. That means, in the case of our House friends, some of them will not even be here that long.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. D'Alessandro, go ahead.

Mr. D'ALESSANDRO. Just one more comment, Mr. Chairman. I think everybody is basically in agreement with the direction. I have to agree with Don Fehr also, because—and with Senator Campbell in this sense. We have the greatest development of athletes in the world, a lot of it, frankly, through public funding. Our universities are one of the great feeders of much of our athletes, as are public schools, as are private money from parents that are able to do so.

What we have not been able to do is, frankly, have someone, some organization actually develop and coordinate how we give more opportunity to everybody throughout the system, not just an NGB, to Don's point. It is very, very important, and frankly, there are some sports that are underfunded that are going to need to be funded, so I think that Don Fehr is right, you need some way of finding someone in the governance structure in the end who can bring together much of the resource in this country that is basically diluted because of the effort we see in Colorado Springs.

The CHAIRMAN. Thank you very much. I thank the witnesses. This has been very helpful. Thank you. This hearing is adjourned. [Whereupon, at 11:20 a.m., the Committee adjourned.]

A P P E N D I X

PREPARED STATEMENT OF FRANK LAUTENBERG, U.S. SENATOR FROM NEW JERSEY

Mr. Chairman, I commend you for holding these hearings into the operations and structure of the U.S. Olympic Committee (USOC).

The bitter dispute between former USOC President Marty Mankamyer and USOC CEO Lloyd Ward and their respective “camps” would easily rival any soap opera or “reality TV” show.

I understand that CBS is auditioning contestants for “Survivor 7”—maybe the network should just televise USOC meetings during primetime on Thursday nights.

In all seriousness, these internal problems at USOC have been played out in public, I’m sure they have caused USOC sponsors to reconsider their support, and—most important—they have undoubtedly hurt the athletes the USOC was created to help.

As I see it, the two principal issues that need to be addressed are as follows:

1. Is Lloyd Ward too “damaged” because of his ethics problems to stay on as CEO; and
2. How can the USOC be transformed from a dysfunctional bureaucracy into a leaner, more effective organization?

I find it difficult to believe that the USOC has 500 paid employees and a four-year budget of \$500 million, and that only one-quarter of that amount—\$127 million—gets paid out in grants to member sports organizations every 4 years.

It’s clear that the USOC Board is way too big. The USOC Board is so big—120 or so members—that it costs at least \$100,000 just to have a board meeting.

I’ve had plenty of experience with boards over the course of my business career, and I think they cease to be effective when they get too large.

I understand why the USOC Board has grown over the years and the inclusiveness intended is laudable. But maybe what the USOC should do is have a much smaller board and *rotate* the various eligible members through.

I use this analogy with some trepidation, but the Security Council at the U.N. has just 15 members; only five are permanent and the other 10 serve 2-year terms.

And the job descriptions for the USOC president and the USOC chief executive need to be sorted out once and for all.

I hope that all of this can get resolved for the sake of our athletes—especially our true amateur and Paralympic athletes who so desperately need the USOC’s help if they are going to keep competing and winning.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF CHARLES H. MOORE, JR., EXECUTIVE DIRECTOR,
COMMITTEE TO ENCOURAGE CORPORATE PHILANTHROPY

Query

To examine the current organizational situation and culture of the USOC to determine what reforms may be appropriate to make certain that the USOC operates more effectively and efficiently.

Introduction

I am Charles H. Moore, Jr., Executive Director of the Committee to Encourage Corporate Philanthropy. I also serve as a National Board member of the Smithsonian Institution, Commissioner of the Smithsonian American Art Museum, Regent of Mercersburg Academy and Director of The Sports Authority.

Following 40 years of senior management of multi-national manufacturing companies and of venture capital and consulting firms, I served as Director of Athletics at Cornell University from 1994–1999.

Relevant Background

I served as Public Sector Director and Chairman of the Audit Committee of the USOC from 1992–2000 and as Chairman of the USOC Bid City Evaluation Task Force in 2001–02. I was a member of the U.S. Olympic team in 1952. I presently serve on the President’s Council for Physical Fitness and Sports.

Assessment

The Board of Directors of the USOC is little more than symbolic and ceremonial. It is preoccupied with special interests seeking funds or other considerations.

The Executive Committee of the USOC meets more frequently, but has consistently operated in a reactive mode. It is “too representative” (i.e., is designed to represent *all* constituencies) and not independent. It tends to be divisive and to micro-manage. It does not effectively represent Paralympic interests.

Considerations for Overhaul

To be successful, an overhaul of the Board of Directors of the USOC must address:

1. Roles of volunteers *vs.* professionals
2. Mandated representation, if any, of National Governing Bodies (NGBs) and Athletes
3. A clear mission (is it more the oversight of Olympic and Pan American sports?)
4. Significant changes that have developed in the last decade, including
 - Commercialization of former amateur sports
 - More inclusion of Paralympic sports
 - Scope of Olympic/Paralympic and Pan American Games
 - Technology (in all areas) and media
 - IOC, International Federations and NOCs (including interaction/interdependence)
 - Sponsor needs
 - Drug use and testing
 - Escalating costs, size of staffs and management of training centers
 - Transparency
5. A sustainable financial model (should there be government support?)
6. Roles of Armed Forces and community-based organizations
7. Role of USOC in grassroots development, including fitness (should there be any relationship with the President’s Council on Physical Fitness and Sports?)
8. Sustainable leadership
9. Continuity

Recommendations

1. Start again! The culture and mistakes (even conflicts) have been *institutionalized*. This will require a government mandate. I believe that it will be impossible for the existing organization (no matter how configured) to fix itself.

2. Create a Board of Directors with a non-executive chairman (elected by the BoD) and no other elected officers (similar to corporate model except directors are not paid, other than expenses). If the NGB, Athletes and Paralympic Councils are maintained, let each elect two directors. Appoint nine independent directors. Meet at least four (4) times a year, plus Committee schedule, comprising at least Audit, Nominating/Governance, Ethics and Finance. Maintain separation from Olympic Foundation.

3. Create volunteer Committees like Games Preparation, Membership, International Relations and Development, which will report to professional staff, who will, in turn, report to the CEO. Continue other staff departments like Marketing, Public Relations, HR, Information Technology and General Counsel with clear objectives.

4. The CEO is responsible to the Board; there is likely little need for an Executive Committee.

5. Government oversight needs to be defined and may vary depending on funding role, if any. The Smithsonian Institution model of Regents could be considered, or a Minister of Sports.

Summary

The United States Olympic Committee is a *public trust* and is critical to the promotion of sport in the United States. Notwithstanding the fact that the USOC has lost the confidence of public, private and independent sectors, it should be restructured and restored to a transparent and credible organization to fulfill its mission

(however defined). These recommendations, while appearing dramatic, are straightforward, actionable and measurable. Constituencies (NGB, Athletes, etc.) can be maintained as they bring continuity, but their direct input (“feeding”) will be replaced with sustainable, transparent and independent oversight through a professional organization (led by a CEO) *and* a Board of Directors (led by a non-executive chairman), both acting in step with appropriate government oversight.

