

ATHLETICS ADMINISTRATION
CALIFORNIA STATE UNIVERSITY,
FULLERTON

Audit Report 06-27
February 27, 2007

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ABBREVIATIONS

AEMA	Athletic Equipment Managers Association
AIME	Athletic Injury Medical Expense
ASI	Associated Students California State University, Fullerton, Inc.
CABMA	Collegiate Athletic Business Management Association
COIA	The Coalition on Intercollegiate Athletics
COSO	Committee of Sponsoring Organizations
CSU	California State University
CSUF	California State University, Fullerton
CSURMA	California State University Risk Management Authority
EADA	Equity in Athletics Disclosure Act
EO	Executive Order
FARA	Faculty Athletics Representatives Association
FY	Fiscal Year
GC	Government Code
HR	Human Resources
IRS	Internal Revenue Service
MPP	Management Personnel Plan
N4A	National Association of Academic Advisors for Athletics
NAACC	National Association of Athletic Compliance Coordinators
NAADD	National Association of Athletic Development Directors
NACDA	National Association of Collegiate Directors of Athletics
NACMA	National Association of Collegiate Marketing Administrators
NAIA	National Association of Intercollegiate Athletics
NATA	National Athletic Trainers' Association
NCAA	National Collegiate Athletic Association
RFIN	Resolution of the Committee on Finance
SAM	State Administrative Manual
SCO	State Controller's Office
UC	University of California

EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2005, the Board of Trustees, at its January 2006 meeting, directed that *Athletics Administration* be reviewed. The Office of the University Auditor has never reviewed *Athletics Administration*.

We visited the California State University, Fullerton (CSUF) campus from July 5, 2006, through November 17, 2006, and audited the procedures in effect at that time.

In our opinion, inadequate documentation had been generated or retained for several components of athletic department operations at CSUF. Certain areas of program management warranted improvement in operating controls and in measuring efficiency and effectiveness.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

PROGRAM REVENUES [8]

Reconciliations of athletic revenues were not always properly or timely prepared. For example, reconciliations were not completed on a monthly basis and not signed or dated by the preparer or reviewer, and there was no evidence of supervisory review. Checks received at the athletic ticket office were not restrictively endorsed prior to deposit at the Associated Students, California State University, Fullerton, Inc., and accountability for cash and issued tickets received at the athletic ticket office was not localized through use of unique system identification numbers for each cashier.

COMPENSATION AND BENEFITS [10]

The campus did not consistently consult with the chancellor's office in advance on supplemental compensation for athletic coaches and administrators. For instance, supplemental compensation paid to six of the eight athletics personnel in the Management Personnel Plan differed greatly from what had last been presented to the chancellor's office for approval in 2002. Additionally, tax reporting for fringe benefits provided to athletic employees was not adequately performed. For example, courtesy cars, apparel benefits, family fitness club memberships, and complimentary tickets went unreported.

OPERATING EXPENDITURES AND EQUIPMENT [12]

The inspection and maintenance of athletic facilities was not well documented. Equipment room inventory procedures did not ensure adequate management reporting of shrinkage and dispositions, and the receipt of merchandise was inadequately documented. Trade-outs were not always appropriately managed, and significant amounts of trade were unused. Further, student-athletes were not required to complete air travel risk waivers prior to travel for team events.

MISCELLANEOUS [17]

Sports camps were not properly licensed, criminal background checks were not performed for personnel, facilities usage fees were inconsistently collected, and liability insurance was not always provided.

INTRODUCTION

BACKGROUND

Administration and operation of athletic programs occur within the framework of regulations and rules imposed by national governing associations and the athletic conferences in which the players and teams compete.

Within athletics, some of the various industry organizations include:

AEMA	Athletic Equipment Managers Association
CABMA	Collegiate Athletic Business Management Association
COIA	The Coalition on Intercollegiate Athletics
FARA	Faculty Athletics Representatives Association
N4A	National Association of Academic Advisors for Athletics
NAACC	National Association of Athletic Compliance Coordinators
NAADD	National Association of Athletic Development Directors
NACDA	National Association of Collegiate Directors of Athletics
NACMA	National Association of Collegiate Marketing Administrators
NAIA	National Association of Intercollegiate Athletics
NATA	National Athletic Trainers' Association
NCAA	National Collegiate Athletic Association

The United States Department of Education also collects data on athletics based on the federal Equity in Athletics Disclosure Act (EADA). California State University (CSU) campuses are subject to EADA because they accept federal financial aid funds.

California State University, Fullerton (CSUF) is generally considered a major conference institution for athletic purposes. The main athletic conference affiliation is the Big West Conference that includes California Polytechnic State University, San Luis Obispo; CSU, Long Beach; CSU, Northridge; Pacific University; University of California (UC) Irvine; UC Riverside; and UC Santa Barbara. Other non-Big West Conference affiliations include:

CSUF SPORT	CONFERENCE AFFILIATION
Fencing	Intercollegiate Fencing Conference of Southern California
Gymnastics	Western Athletic Conference
Wrestling	Pacific 10 Conference

CSUF athletic teams are nicknamed the Titans and compete at the NCAA Division I-AAA level. The campus supports intercollegiate teams in 7 men's and 10 women's sports as follows:

SPORT	MEN'S	WOMEN'S
Baseball	√	
Basketball	√	√
Cross Country	√	√
Fencing	√	√
Gymnastics		√
Indoor Track		√
Outdoor Track	√	√
Soccer	√	√
Softball		√
Tennis		√
Volleyball		√
Wrestling	√	

In fiscal year (FY) 2005/06, 352 CSUF student-athletes (167 men and 185 women) participated in the 17 intercollegiate athletics programs per the annual EADA report.

On-campus athletic facilities with spectator seating capacities at CSUF include a soccer stadium (10,000), softball field (1,000), baseball field (3,500), and gymnasium (4,000).

Athletics at CSUF is administered by a director of athletics (commonly referred to as the athletics director) who reports to the vice president of student affairs.

CSUF intercollegiate athletics has a close working relationship with the kinesiology department in the College of Health and Human Development, which offers an undergraduate degree with intensive focus in athletic training. The relationship includes the operation of an athletic training clinic housed in the Titan Gymnasium and also the availability of clinical internship opportunities in the athletic training clinic for students in the athletic training education program.

The California State University Risk Management Authority (CSURMA) was created under Board of Trustees Resolution of the Committee on Finance (RFIN) 11-96-13, which delegated authority to the chancellor to enter into a joint powers agreement. Pursuant to Section 9.b.iv of the agreement, the CSURMA is authorized to approve any new coverage programs. Athletic Injury Medical Expense (AIME) is one of the main CSURMA programs. AIME provides secondary coverage for medical expenses from athletic injuries not paid by the student-athlete's primary insurance.

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to *Athletics Administration* activity and to determine the adequacy of controls that ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- ▶ Accountability for the athletics administration function has been clearly defined and documented, including provisions for formulation of goals/objectives and performance measurement reporting.
- ▶ Adequate athletic budgets and delegations of authority are in place and used effectively in various aspects of athletic programs administration.
- ▶ Athletics appropriately interacts with other campus departments/offices and auxiliary organizations; and arrangements/exceptions made for athletics that are not available elsewhere are appropriate.
- ▶ Athletic agreements/contracts, policies, and procedures are current, comprehensive, and aligned with relevant federal and state laws and regulations.
- ▶ Information security in systems owned by athletics is adequate and use of social security numbers for student identification in athletic department records is controlled.
- ▶ The campus deposits athletically related receipts in accordance with Executive Order 919, and any unrelated business income generated through the athletics program is properly reported.
- ▶ The campus establishes accountability for athletic ticketing operations at the earliest possible time after receipt to prevent misappropriation of funds, and that all collections are deposited intact or otherwise safeguarded in a timely manner.
- ▶ Campus officials are maintaining effective control over athletic fund-raising activities/events.
- ▶ Athletic salaries for administrators and coaches comply with CSU salary schedules, collective bargaining provisions, and requirements for supplemental compensation; and benefits provided to athletics employees are appropriate and proper.
- ▶ Athletic facilities are periodically inspected and properly maintained, and arrangements for use of off-campus, non-state athletic facilities are adequate.
- ▶ Athletic equipment rooms are operated based on best practices and with reasonable controls over apparel, equipment, and supplies.
- ▶ Athletic trade-out agreements are reasonably valued and recorded with acceptable usage documentation.

- ▶ Athletic teams are traveling by means and at a cost that are in the best interest of the CSU.
- ▶ Activities related to sports camps and clinics comply with relevant institutional requirements including background checks/authorizations, insurance, revenue accountability, inclusion of relevant expenditures, and reporting of income/profits.
- ▶ Acceptable academic support systems for athletes have been implemented.
- ▶ There are proactive injury prevention programs for student-athletes.

SCOPE AND METHODOLOGY

The proposed scope of the audit, as presented in Attachment B, Audit Item 2 of the January 31 through February 1, 2006, meeting of the Committee on Audit, stated that *Athletics Administration* includes a review of the general control environment and control activities undertaken to assure implementation of appropriate institutional systems, policies and procedures for financial oversight and stewardship of athletics.

One of the better-known and widely recognized frameworks for organizational reporting authored by the *Committee of Sponsoring Organizations (COSO) of the Treadway Commission* categorizes the diversity of potential operational/program objectives into three broad categories as follows:

Operations Objectives

These pertain to effectiveness and efficiency of the entity's operations, including attainment of performance goals and safeguarding assets against loss.

Financial Reporting Objectives

These pertain to the preparation of reliable published financial statements.

Compliance Objectives

These pertain to adherence to laws and regulations to which the entity is subject.

In this COSO context, the audit scope for *Athletics Administration* emphasizes athletics operations objectives and a subset of compliance objectives (i.e., compliance mainly with administrative regulations not promulgated by athletic regulatory bodies such as the NCAA and various athletic conferences). Based on a February 21, 2006, *USA Today* article, compliance exclusions would include such things as regulations on the number of scholarships, roster sizes, recruiting guidelines, eligibility requirements (such as grade point average and progress towards degree), extra benefits to student-athletes, and control of athletic boosters that give college athletics some semblance of competitive equity and educational connection — issues that largely fill the almost 500-page NCAA rules manual.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustees policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review focused on procedures currently in effect. In instances wherein it was necessary to review annualized data, calendar year 2005 or FY 2005/06 was the primary period reviewed except when it was beneficial to see trends for multiple years.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

PROGRAM REVENUES

REVENUE RECONCILIATION

Reconciliations of athletic revenues were not always properly or timely prepared.

Our review of the reconciliations of athletic revenues from April 2006 through June 2006 disclosed that:

- ▶ Reconciliations were not completed with any consistent frequency and were performed on a cumulative basis instead of the completion of monthly reconciliations.
- ▶ Reconciliations were not signed or dated by the preparer and reviewer, and there was no evidence of supervisory review.

State Administrative Manual (SAM) §7800 requires that subsidiary records be reconciled to the general ledger monthly.

SAM §7901 requires monthly preparation of all reconciliations within 30 days of the preceding month.

SAM §7908 requires all reconciliations show the preparer's name, reviewer's name, date prepared, and dated reviewed.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls shall include a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.

The director of athletics stated that while periodic revenue reconciliation was performed, the athletics department was unaware of SAM §7800, §7901, and §7908.

Failure to reconcile revenues timely within the appropriate period increases the risk that errors and irregularities will not be detected.

Recommendation 1

We recommend that the campus prepare monthly reconciliations of athletic revenues and ensure that these reconciliations are formally documented by the preparer and reviewer.

Campus Response

We concur. The campus has implemented a monthly reconciliation of athletic revenues that is formally documented by the preparer and reviewer.

ATHLETIC TICKET OFFICE

Cashiering weaknesses were found at the athletic ticket office.

Our review of the athletic ticket office disclosed that:

- ▶ Checks had not been restrictively endorsed prior to deposit at the Associated Students California State University, Fullerton, Inc. (ASI), although checks were deposited at the ASI the following day after receipt. The campus began depositing to the university cashier and implemented the use of an endorsement stamp during the audit review.
- ▶ Cashier accountability was not localized through the use of unique system identification numbers for handling cash and issued tickets.

SAM §8023 requires that all checks, money orders, and warrants received for deposit will be restrictively endorsed for deposit as soon as possible after receipt, but no later than the end of the working day.

The California State University (CSU) Information Security Policy, dated August 2002, states that campus policies and procedures should provide for individual unique user ID/passwords (no shared IDs).

SAM §8021 requires that a separate series of transfer receipts be used to localize accountability for cash or negotiable instruments to a specific employee from the time of its receipt to its deposit.

The director of athletics stated that the athletics department was unaware of SAM §8023 prior to the audit review. He further stated that due to the very low volume of walk-up tickets sales, athletics had utilized a sales slip to monitor accountability regarding ticket issuance rather than having unique users for the ticket system.

Inadequate control over cash receipts increases campus exposure to loss from inappropriate acts.

Recommendation 2

We recommend that the campus:

- a. Ensure that all checks are restrictively endorsed for deposit as soon as possible after receipt, but no later than the end of the working day.
- b. Implement the use of individual user identification numbers to localize accountability for cash receipts.

Campus Response

We concur. The campus initiated use of an endorsement stamp for checks during audit fieldwork and will implement use of individual user identification numbers upon installation of the CashNet system upgrade, which is expected to be completed by July 2007.

COMPENSATION AND BENEFITS

SUPPLEMENTAL COMPENSATION

The campus did not consistently consult with the chancellor's office in advance on supplemental compensation for athletic coaches and administrators.

Supplemental compensation was paid to various athletic administrators/coaches through non-state funds in the ASI. We found that supplemental compensation paid to six of the eight athletics personnel in the Management Personnel Plan (MPP) differed greatly from what had last been presented to the chancellor's office for approval in 2002. This unauthorized supplemental compensation ranged from the provision of courtesy cars and monthly car stipends to performance bonuses for as much as an additional three months salary for various National Collegiate Athletic Association (NCAA) tournament and College World Series achievements.

CSU directive HR 2002-20, *Management Personnel Plan – Supplemental Compensation*, dated July 1, 2002, states that the chancellor delegated authority to the vice chancellor of HR to approve MPP supplemental compensation exceptions. Approval for supplemental compensation for athletic coaches is the responsibility of the campus president in consultation with the vice chancellor of HR and General Counsel, as appropriate.

The assistant vice president of student affairs stated that the campus had consulted with their campus General Counsel on issues of supplemental compensation, but had not requested approval from the vice chancellor of HR due to a misunderstanding with the chancellor's office.

An incomplete record of compensation discussions/consultations increases the risk of misunderstandings and potential legal liabilities.

Recommendation 3

We recommend that the campus consult with the chancellor's office to document existing supplemental compensation arrangements with athletic administrators/coaches in advance of finalizing contract terms.

Campus Response

We concur. The campus will consult with the chancellor's office to document existing supplemental compensation arrangements in advance of finalizing contract terms by April 2007.

BENEFITS

Tax reporting for fringe benefits provided to athletics employees was not adequately performed.

- ▶ The campus provided individually assigned courtesy cars to seven athletics employees and had not properly reported the personal usage of the vehicles to the State Controller's Office (SCO) as taxable benefits.
- ▶ Apparel benefits provided to athletics personnel were not properly reported to the SCO as taxable benefits. The baseball coach was provided merchandise in the amounts of \$1,500 from Oakley and \$2,000 from Nike while the assistant baseball coaches were each granted \$750 in Nike merchandise. The campus had not reported these fringe benefits to the SCO or obtained verification that the vendors had done so.
- ▶ The usage of a family fitness club membership was not properly reported to the SCO as a taxable benefit.
- ▶ Baseball camp T-shirts (1,300 in total) provided to the campus by apparel vendors and then given to the baseball coach at no cost (for use at his independently owned camp) were not properly reported to the SCO as taxable benefits.
- ▶ Complimentary tickets that were provided to coaches and athletics employees were not properly reported to the SCO as taxable benefits.

The SCO Payroll Procedures Manual §N127.4 and §N175.1 state that incentives provided by third parties (e.g., non-cash goods, property, merchandise, etc.) are taxable benefits.

Internal Revenue Service (IRS) Announcement 94-112 states that the value of a benefit provided to an employee in connection with the performance of services for an educational institution under either of the following circumstances is reportable/taxable income:

- 1) The benefit was contemplated during the employment process or
- 2) The benefit was provided by a third party through an arrangement with the employer (campus).

If either of these IRS conditions is met, the employer (campus) must report the value of the incentive.

The tax compliance manager stated that the courtesy cars were not properly reported to the SCO because the campus was unaware of this requirement to separately report courtesy cars as taxable fringe benefits. He added that the campus had determined the apparel benefits were not considered taxable fringe benefits under the IRS "working condition fringe benefits exclusion." He further stated that the gym membership, baseball camp T-shirts, and complimentary tickets were not reported as a result of oversight, although the campus was also reviewing these benefits for possible exclusion if they were provided in support of a job requirement/working condition.

Inappropriate reporting of benefits subjects the campus to fines and penalties for non-compliance with income tax rules and regulations.

Recommendation 4

We recommend that the campus:

- a. Report the personal usage of courtesy cars to the SCO as a taxable fringe benefit.
- b. Clarify with the chancellor's office the reporting of merchandise incentives provided to athletics department staff to the SCO or require the vendor to document legal responsibility of this reporting.
- c. Clarify with the chancellor's office the personal usage of fitness memberships, complimentary T-shirts, and event tickets to the SCO as taxable fringe benefits.

Campus Response

We concur. The campus will develop procedures to report the personal usage of courtesy cars to the SCO as a taxable fringe benefit for the 2007 tax year; clarify with the chancellor's office the reporting requirements of merchandise incentives provided to athletics department staff to the SCO or require the vendor to document legal responsibility of this reporting; and clarify with the chancellor's office the reporting requirements of personal usage of fitness memberships, complimentary T-shirts, and event tickets to the SCO as taxable fringe benefits by June 2007.

OPERATING EXPENDITURES AND EQUIPMENT

ATHLETIC FACILITIES

The inspection and maintenance of athletic facilities was not well documented.

Although some inspection and maintenance records were available for certain athletic facilities, there were variations in how well activities were documented. For planned maintenance of an athletics facility or field, a work order may have existed in the physical plant department. In other instances, there were documented performance inspections of locker rooms, training rooms, and gymnasiums, but inspection records for all athletic facilities were not consistently documented and retained.

Guideline 1a of the *2005/06 NCAA Sports Medicine Handbook* states that the adequacy and conditions of the facilities used for particular intercollegiate athletics events should not be overlooked, and periodic examination of the facilities should be conducted. Inspection of the facilities should include not only the competitive area, but also warm-up and adjacent area.

The director of physical plant stated that individual safety inspections were not consistently documented because the campus was unaware of this requirement. He added that the inspection of

campus athletic facilities had been conducted on a regular basis, primarily coinciding with the NCAA seasons and university commencement.

The absence of inspection/maintenance records increases the risk of potential legal liabilities.

Recommendation 5

We recommend that the campus improve documentation for the inspection/maintenance of athletic facilities to include the preparation of a comprehensive safety inspection checklist to be completed on some periodic schedule.

Campus Response

We concur. The campus will improve documentation for the inspection/maintenance of athletic facilities to include the preparation of a comprehensive safety inspection checklist to be completed on a periodic schedule by April 2007.

EQUIPMENT MANAGEMENT

Equipment room inventory procedures were not always adequate to ensure management reporting of shrinkage and disposition, and the receipt of merchandise was not adequately documented to ensure correct payment of invoices.

Our review of the athletic equipment room disclosed that the athletic equipment room inventory process provided inadequate accountability for equipment inventory shrinkage and disposition (whether by disposal, donation, or transfer to other departments). Differences between physical inventory and perpetual inventory records that could not be attributed to a specific student-athlete were not quantified for management reporting and review purposes, but instead the perpetual inventory was just adjusted to reflect what was physically counted.

Additionally, a review of ten invoices paid from August 2005 to June 2006 disclosed that the process to authorize payment of invoices for equipment purchased did not require any documented certification from the equipment room manager that all quantities ordered were received. It should be noted that the campus had developed a process to document the receipt of equipment for invoice payment during audit fieldwork.

Government Code (GC) §13402 and §13403 require a system or systems of internal accounting and administrative controls so that reasonable assurances can be given that measures to safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies are being followed. The elements of a satisfactory system of internal accounting and administrative control include authorization and recordkeeping procedures adequate to provide effective control over assets.

The director of athletics stated that athletics was unaware of GC §13402 and §13403 prior to the audit.

Inadequate equipment room inventory controls increase the risk of misuse of athletic resources and mismanagement of athletic program funds.

Recommendation 6

We recommend that the campus:

- a. Formally report the total value of inventory shrinkage and disposition to athletic department management prior to the adjustment of perpetual inventory.
- b. Ensure the certification that all quantities ordered were received is obtained from the equipment room manager prior to the payment of invoices.

Campus Response

We concur. The campus will formally report the total value of inventory shrinkage and disposition to athletic department management prior to the adjustment of perpetual inventory by April 2007, and has already implemented procedures to ensure the certification that all quantities ordered were received is obtained from the equipment room manager prior to the payment of invoices.

TRADE-OUTS

Trade-outs were not always appropriately managed, and significant amounts of trade were unused.

The concept of a trade or trade-out in athletics is typically a non-cash transaction with sponsors/partners. The sponsors/partners receive a combination of: a) recognition in game programs, stadium signage, or radio/television broadcasts, b) event tickets, which could also include preferred parking. In exchange for these benefits, the sponsors/partners provide products and services that they would have available in their normal course of business and which could be used to relieve the athletic program of costs that would otherwise be incurred such as what might be necessary for courtesy cars, hotel accommodations, and restaurant expenditures.

We tested trade authorization and usage records on ten accounts and found that:

- ▶ The person approving the trade agreements also was responsible for negotiating the trade agreements, with no other alternative authorization required.
- ▶ Three trade agreements were not signed/approved.
- ▶ Hotel trade benefits negotiated by the campus were not fully utilized. Each of the five hotel trade agreements reviewed was for a gold level package, which entitled the campus to 60 complimentary rooms at each hotel. The campus used only 111 of the 300 rooms that were available.
- ▶ Advertisement trade of \$25,000 was not utilized by the campus.

- ▶ One restaurant agreement contained trade benefits that could not be accounted for (20 meal coupons for \$20 each and 100 free food cards).
- ▶ One of two family fitness club memberships was not utilized by the campus.

GC §13402 and §13403 require a system or systems of internal accounting and administrative controls so that reasonable assurances can be given that measures to safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies are being followed. The elements of a satisfactory system of internal accounting and administrative control include authorization and recordkeeping procedures adequate to provide effective control over assets.

The director of athletics stated that one person had both negotiated and authorized the trade due to the limited amount of trade negotiation that had existed since many trade-out agreements were negotiated in prior years. He added that the three unapproved agreements were a result of oversight. The director of athletics stated that trade hotel rooms were not fully utilized in fiscal year (FY) 2005/06 due to the elimination of a large baseball tournament, which had previously used 135 hotel rooms. He further stated that the advertising space was not utilized due to employee turnover in the marketing department. In addition, he stated that the restaurant trade benefits were not actually provided to the campus as a result of increased catering costs for the other events negotiated by the trade agreement. Finally, the director of athletics stated that the family fitness club membership not utilized was a result of oversight.

Incomplete records on trade and the underutilization of trade benefits increases the risk of inappropriate contracting and accusations that state resources are being given away without fair value received in exchange.

Recommendation 7

We recommend that the campus:

- a. Improve documentation of trade authorization and ensure that all trade agreements are approved by someone that is not responsible for negotiating the trade benefits.
- b. Annually adjust trade agreements for any necessary contractual changes to ensure that the benefits available more closely approximate actual need.

Campus Response

We concur. The campus has implemented procedures to ensure all trade agreements are approved by an individual who is not responsible for negotiating the trade benefits and will annually review trade agreements for any necessary contractual changes to ensure benefits available more closely approximate actual need by May 2007.

TEAM TRAVEL

Team travel was not always conducted in accordance with CSU policy.

Our review of ten team trips in FY 2005/06, which consisted of seven trips by air travel, disclosed that student-athletes were not required to complete air travel risk waivers prior to travel for team events.

Executive Order (EO) 590, *Student Air Travel*, dated March 26, 1992, states that all students participating in CSU-affiliated programs which require air travel shall be informed in writing that participation in such programs is voluntary and that air travel involves risks to personal safety which could result in damage to property, injury, or death. Students participating in such travel shall be informed in writing that the CSU assumes no liability for damage, injury, or death occurring on such voluntary air travel and that the students undertake such travel at their own risk. All students participating in CSU-affiliated programs which require air travel shall be required to acknowledge that they have been informed of the risks of air travel required by such programs and to sign a statement certifying that they have been informed of and undertake such air travel voluntarily with full knowledge of such risks, and release and hold harmless the State of California, the CSU, the campus affiliated with the program requiring air travel, and each and every officer, agent, and employee of each of them, from any and all claims and causes of action that the student, or any person(s) claiming through the student, may have against any of the above institutions or persons, by reason of any accident, illness, or injuries, death, or other consequences resulting directly or indirectly from or in any manner arising out of, or in connection with, the student being a passenger on a flight.

The director of athletics stated that the athletics department was unaware of EO 590 requiring air travel risk waivers for student-athletes traveling for team events.

The absence of the completion of air travel risk waivers by student-athletes increases the risk of potential legal liabilities in the event of an accident or other disaster.

Recommendation 8

We recommend that the campus require the completion of air travel risk waivers by all student-athletes prior to the boarding of any team flights.

Campus Response

We concur. By July 2007, the campus will require the completion of air travel risk waivers by all student-athletes prior to the boarding of any team flights.

MISCELLANEOUS

Sports camps were not properly licensed, criminal background checks were not performed for personnel, facilities usage fees were inconsistently collected, and liability insurance was not always provided.

There were six different sports camps and clinics that operated on-campus, typically during the summer months. These camps were available to certain age groups, mainly 12- to 18-year-olds. Sports camps were privately owned, operated, and insured by the athletic coaches, independent from their employment at California State University, Fullerton (CSUF). A review of all six sports camps conducted in FY 2005/06 disclosed that:

- ▶ The presidential license agreements between the campus and sports camp owners for athletic facilities usage were not approved by university contracts/procurement as was required by the contract.
- ▶ Criminal background checks were not performed for employees of all sports camps that worked directly with minors.
- ▶ Facilities usage fees were not collected from one camp, although a fee of \$1,300 was stated in the license agreement.
- ▶ Liability insurance documentation was not available for one camp.

CSU directive HR 2005-10, *Background Checks*, dated March 1, 2005, states that it is the campus responsibility to perform background checks for sensitive positions, which are defined to include persons with responsibility for the care, safety, and security of people, including children and minors.

The *CSUF 2005/06 Camp/Clinic Procedures* states:

- ▶ Licensee is charged a \$2 per camper fee; licensee is charged for custodial fees (if required), as well as facility preparation (if required), and administrative fee, and a facility use fee.
- ▶ Licensee is required to provide a certificate of insurance and separate endorsement, additionally insuring the university to a minimum of \$1 million.

The director of athletics stated that the presidential license agreements were not properly approved by university contracts/procurement as a result of oversight. He further stated that the athletics department was unaware of HR 2005-10 and had thought that the owners/operators of the camps would conduct background checks on their own employees. The director of athletics added that facilities usage fees and insurance documentation were not collected as a result of oversight.

Improper approval of contractual terms for the leasing of campus facilities increases the risk of inappropriate contractual obligations. The absence of criminal background checks increases the risk of inappropriate personnel assignments for sports camps and clinics, which could potentially damage

CSU's reputation. In addition, the non-receipt of facilities usage fees and lack of insurance documentation exposes the campus to unnecessary expenses and potential liabilities.

Recommendation 9

We recommend that the campus:

- a. Ensure that license agreements are approved by university contracts/procurement as required by the campus contract terms.
- b. Require any operators of sports camps/clinics using campus facilities to certify to the campus that criminal background checks have been performed on their staff.
- c. Ensure that facilities usage fees and any other applicable fees are collected from each sports camp operator.
- d. Ensure that liability insurance documentation is provided to the campus prior to the start of each sports camp.

Campus Response

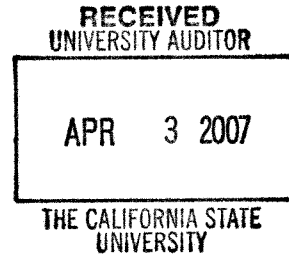
We concur. The campus has implemented procedures to ensure license agreements are approved by university contracts/procurement as required by the campus contract terms. The campus will ensure operators of sports camps/clinics using campus facilities certify criminal background checks have been performed on their staff; facilities usage fees and any other applicable fees are collected from each sports camp operator; and liability insurance documentation is provided to the campus prior to the start of each sports camp by April 2007.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Milton A. Gordon	President
Cheryl Anderson	Coordinator of Athletics Eligibility and Compliance
Mike Anthony	Manager of Facilities, Physical Plant
Bill Barrett	Associate Vice President of Administration
John Beisner	Director of University Risk Management
Jay Bond	Associate Vice President of Facilities Management
Julie Bowse	Associate Athletics Director for Compliance
Allison Broadfoot	Administration Coordinator for Administration and Finance
Joe Camacho	Equipment Manager
Paul Carey	Associate Vice President of Development/Chief Financial Officer of California State Fullerton Philanthropic Foundation
Jeff Cook	Executive Director of Advancement Operations
Steve DiTolla	Associate Athletics Director for Corporate Sponsorships
Marsha Farwick	Director of Financial Operations, Associated Students California State University, Fullerton, Inc. (ASI)
Naomi Goodwin	Assistant Vice President of Administration and Finance
Don Green	Director of Contracts and Procurement
Willie Hagan	Vice President of Administration and Finance
Glenda Hart	Director of Payroll
Cliff Hatter	(Prior) Equipment Manager
Barbara Horngren	Administrator for Athletics Business Office
Denise Johnson	Director of Human Resources Operations
Julie Max	Director of Sports Medicine/Head Athletic Trainer
Barbara McDowell	Acting Director of Athletics Academic Services
Jen McGhen	Ticket Manager
Robert Palmer	Vice President of Student Affairs
Brian Quinn	Director of Athletics
Allison Rich	Senior Associate Athletics Director/Senior Women's Administrator
Fred Sanchez	Executive Director, ASI
Carmen Santizo	Quality Control Manager, Physical Plant
Rob Scialdone	Associate Athletics Director for Business Services
Patty Sexton	Coordinator of Athletics Personnel
Scott Stow	Event Manager
Greg Sweet	Tax Compliance Manager
Aaron Tapper	Associate Athletics Director for Facilities
Steve Udell	Accounting Manager, ASI
Mike Uraine	Facilities Resource Manager
Willem Van Der Pol	Director of Physical Plant
Steve Walk	Faculty Athletics Representative
Karen Wall	Assistant Vice President of Student Affairs
May Wong	Accounts Payable Manager
Steve Yim	Director of Internal Controls



Office of the President
(714) 278-3456 / Fax (714) 278-2649



DATE: March 26, 2007
TO: Larry Mandel
University Auditor
FROM: Milton A. Gordon
President *May*
SUBJECT: Campus Response to Recommendations of Audit Report 06-27, Athletics
Administration at California State University, Fullerton

Thank you for the audit report on Athletics Administration at California State University, Fullerton. Appropriate University administrative officers have reviewed the subject report and the University's specific comments and planned corrective actions concerning the audit recommendations are attached.

Please contact Vice President Willie Hagan or Assistant Vice President Naomi Goodwin if you have questions or concerns.

Attachment

cc: Willie Hagan, Vice President, Administration & Finance/CFO
Bob Palmer, Vice President, Student Affairs
Brian Quinn, Director, Athletics
Brian Jenkins, Associate Vice President, Finance
Naomi Goodwin, Assistant Vice President, Administration & Finance

**ATHLETICS ADMINISTRATION
CALIFORNIA STATE UNIVERSITY,
FULLERTON**

**Audit Report 06-27
February 27, 2007**

PROGRAM REVENUES

REVENUE RECONCILIATION

Recommendation 1

We recommend that the campus prepare monthly reconciliations of athletic revenues and ensure that these reconciliations are formally documented by the preparer and reviewer.

Campus Response

We concur. The campus has implemented a monthly reconciliation of athletic revenues that are formally documented by the preparer and reviewer.

ATHLETIC TICKET OFFICE

Recommendation 2

We recommend that the campus:

- a. Ensure that all checks are restrictively endorsed for deposit as soon as possible after receipt, but no later than the end of the working day.
- b. Implement the use of individual user identification numbers to localize accountability for cash receipts.

Campus Response

We concur. The campus initiated use of an endorsement stamp for checks during audit fieldwork and will implement use of individual user identification numbers upon installation of the Cashnet system upgrade, which is expected to be completed by July 2007.

COMPENSATION AND BENEFITS

SUPPLEMENTAL COMPENSATION

Recommendation 3

We recommend that the campus consult with the chancellor's office to document existing supplemental compensation arrangements with athletic administrators/coaches in advance of finalizing contract terms.

Campus Response

We concur. The campus will consult with the chancellor's office to document existing supplemental compensation arrangements in advance of finalizing contract terms by April 2007.

BENEFITS

Recommendation 4

We recommend that the campus:

- a. Report the personal usage of courtesy cars to the SCO as a taxable fringe benefit.
- b. Clarify with the chancellor's office the reporting of merchandise incentives provided to athletics department staff to the SCO or require the vendor to document legal responsibility of this reporting.
- c. Clarify with the chancellor's office the personal usage of fitness memberships, complimentary T-shirts, and event tickets to the SCO as taxable fringe benefits.

Campus Response

We concur. The campus will develop procedures to report the personal usage of courtesy cars to the SCO as a taxable fringe benefit for the 2007 tax year; clarify with the chancellor's office the reporting requirements of merchandise incentives provided to athletics department staff to the SCO or require the vendor to document legal responsibility of this reporting; and clarify with the chancellor's office the reporting requirements of personal usage of fitness memberships, complimentary T-shirts, and event tickets to the SCO as taxable fringe benefits by June 2007.

OPERATING EXPENDITURES AND EQUIPMENT

ATHLETIC FACILITIES

Recommendation 5

We recommend that the campus improve documentation for the inspection/maintenance of athletic facilities to include the preparation of a comprehensive safety inspection checklist to be completed on some periodic schedule.

Campus Response

We concur. The campus will improve documentation for the inspection/maintenance of athletic facilities to include the preparation of a comprehensive safety inspection checklist to be completed on a periodic schedule by April 2007.

EQUIPMENT MANAGEMENT

Recommendation 6

We recommend that the campus:

- a. Formally report the total value of inventory shrinkage and disposition to athletic department management prior to the adjustment of perpetual inventory.
- b. Ensure the certification that all quantities ordered were received is obtained from the equipment room manager prior to the payment of invoices.

Campus Response

We concur. The campus will formally report the total value of inventory shrinkage and disposition to athletic department management prior to the adjustment of perpetual inventory by April 2007, and has already implemented procedures to ensure the certification that all quantities ordered were received is obtained from the equipment room manager prior to the payment of invoices.

TRADE-OUTS

Recommendation 7

We recommend that the campus:

- a. Improve documentation of trade authorization and ensure that all trade agreements are approved by someone that is not responsible for negotiating the trade benefits.
- b. Annually adjust trade agreements for any necessary contractual changes to ensure that the benefits available more closely approximate actual need.

Campus Response

We concur. The campus has implemented procedures to ensure all trade agreements are approved by an individual who is not responsible for negotiating the trade benefits and will annually review trade agreements for any necessary contractual changes to ensure benefits available more closely approximate actual need by May 2007.

TEAM TRAVEL

Recommendation 8

We recommend that the campus require the completion of air travel risk waivers by all student-athletes prior to the boarding of any team flights.

Campus Response

We concur. By July 2007, the campus will require the completion of air travel risk waivers by all student-athletics prior to the boarding of any team flights.

MISCELLANEOUS

Recommendation 9

We recommend that the campus:

- a. Ensure that license agreements are approved by university contracts/procurement as required by the campus contract terms.
- b. Require any operators of sports camps/clinics using campus facilities to certify to the campus that criminal background checks have been performed on their staff.
- c. Ensure that facilities usage fees and any other applicable fees are collected from each sports camp operator.
- d. Ensure that liability insurance documentation is provided to the campus prior to the start of each sports camp.

Campus Response

We concur. The campus has implemented procedures to ensure license agreements are approved by university contracts/procurement as required by the campus contract terms. The campus will ensure operators of sports camps/clinics using campus facilities certify criminal background checks have been performed on their staff; facilities usage fees and any other applicable fees are collected from each sports camp operator; and liability insurance documentation is provided to the campus prior to the start of each sports camp by April 2007.



THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

April 11, 2007

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor


HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Audit Report 06-27 on *Athletics Administration*,
California State University, Fullerton

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of April 11, 2007, I accept the response as submitted with the draft final report on *Athletics Administration*, California State University, Fullerton.

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. Milton A. Gordon, President
Mr. Willie J. Hagan, Vice President, Administration and Finance/CFO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS