

ATHLETICS ADMINISTRATION
CALIFORNIA STATE UNIVERSITY,
NORTHRIDGE

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ABBREVIATIONS

AEMA	Athletic Equipment Managers Association
AIME	Athletic Injury Medical Expense
ASI	Associated Students California State University, Northridge, Inc.
CABMA	Collegiate Athletic Business Management Association
COIA	The Coalition on Intercollegiate Athletics
COSO	Committee of Sponsoring Organizations
CSU	California State University
CSUN	California State University, Northridge
CSURMA	California State University Risk Management Authority
EADA	Equity in Athletics Disclosure Act
FARA	Faculty Athletics Representatives Association
FY	Fiscal Year
GC	Government Code
HR	Human Resources
ISS	Injury Surveillance System
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
PMCP	Policy Manual for Contracting and Procurement
RFIN	Resolution of the Committee on Finance
SAM	State Administrative Manual

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 and January 2007 meetings, directed that *Athletics Administration* be reviewed. The Office of the University Auditor has never reviewed *Athletics Administration*.

We visited the California State University, Northridge (CSUN) campus from April 16, 2007, through May 25, 2007, and audited the procedures in effect at that time.

In our opinion, inadequate documentation had been generated or retained for several components of athletics department operations at CSUN. 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.

GENERAL ENVIRONMENT [8]

A business arrangement between the Associated Students California State University, Northridge, Inc. (ASI) and intercollegiate athletics for ticketing services provided by the ASI was not supported by a written agreement. In addition, there was no facility use agreement for the ASI ticketing office located in Redwood Hall.

PROGRAM REVENUES [8]

Cash and checks were not always adequately safeguarded and timely deposited by the athletics department. For example, the inter-campus transfer of cash and checks from the accounting technician at University Hall to the Foundation business office and cash services was not adequately secure and there was no secure transfer of ticketing funds between the main ticketing office and various satellite athletic ticketing locations. Fund-raising event administration was in need of improvement. There was no formal process to approve items for events and there were instances where the campus lacked adequate documentation to demonstrate contracts were in place with the host locations for the fund-raising events.

COMPENSATION AND BENEFITS [11]

Supplemental compensation was paid in the form of a specified quarterly payment to one head coach through an agreement with the CSUN Foundation and three head coaches had use of a vehicle obtained through a trade-out agreement with a local automotive dealer. Additionally, certain athletics department personnel received merchandise benefits from third parties that were not reported as taxable benefits. For example, K-Swiss provided women's tennis head and assistant coaches with apparel, Diadora provided members of men's and women's soccer coaching staff with equipment at a retail value of \$2,000, and Easton provided the head baseball coach and head softball coach with a cash payment of \$5,000 for each year of the contract.

OPERATING EXPENDITURES AND EQUIPMENT [13]

Coaches engaged in inappropriate business arrangements directly with third parties. Coaches had arrangements with various vendors for exclusive use of apparel and/or equipment in five sports. These arrangements, based on contracts with the coaches for these sports, were without the involvement of the campus purchasing office or delegation of contracting/purchasing authority to athletics. Athletics used off-campus golf facilities without a formal lease/use agreement. Specifically, the men's and women's golf teams regularly used golf courses at eight different locations. Further, the athletic equipment room did not have a systematic methodology for checking in and checking out apparel and equipment. For example, apparel and equipment purchased by athletic personnel was not always received by the equipment room and there was no system documentation for the disposal of used athletic apparel and equipment. The administration of trade-outs was in need of improvement. There was no process to formally authorize the usage of trade for hotel rooms or to evidence that the usage of trade for recruits had been properly approved. Travel documentation for team travel trips needed improvement. A review of ten trips taken in fiscal year 2005/06 disclosed that three travel expense claims were not turned in timely, none was signed by an appropriate sports supervisor, and documentation for three trips did not include a team travel party list and itinerary.

MISCELLANEOUS [18]

Background checks were not always performed for personnel working at independently owned sports camps and coaches who owned and operated sports camps were not taking vacation during the commission of their camps. Pre-participation documentation for student-athletes was not always maintained by athletic training room staff and the campus did not formally evaluate the effectiveness of the athletic injury prevention program. A sample of ten student-athletes for verification of pre-participation documentation disclosed that there were no risk waivers in three instances, no evidence of a pre-participation medical exam in one instance, and no evidence of an updated proof of insurance form in three instances.

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

CSUN SPORT	CONFERENCE AFFILIATION
Men's Volleyball	Mountain Pacific Sports Federation
Women's Water Polo	Mountain Pacific Sports Federation

CSUN athletic teams are nicknamed the Matadors and compete at the NCAA Division I-AAA level. The campus supports intercollegiate teams in 8 men’s and 10 women’s sports as follows:

SPORT	MEN’S	WOMEN’S
Baseball	√	
Basketball	√	√
Cross Country	√	√
Golf	√	√
Soccer	√	√
Softball		√
Swimming	√	√
Tennis		√
Track and Field	√	√
Volleyball	√	√
Water Polo		√

In fiscal year (FY) 2005/06, 359 CSUN student-athletes (172 men and 187 women) participated in the 18 intercollegiate athletics programs per the annual EADA report.

On-campus athletic facilities with spectator seating capacities at CSUN include a soccer field (800), softball field (1,000), baseball field (1,200), track and field stadium (5,000), and gymnasium (1,600).

Athletics at CSUN is administered by a director of athletics (commonly referred to as the athletics director) who reports to the vice president of administration and finance/chief financial officer.

CSUN intercollegiate athletics has a close working relationship with the kinesiology and health science department in the College of Health and Human Development, which offers an undergraduate degree with an option in athletic training. The relationship includes shared operation of the men’s and women’s athletic training rooms in Redwood Hall and availability of clinical rotations in the athletics department training rooms for students in the kinesiology athletic training degree option.

The California State University Risk Management Authority (CSURMA) was created under Board of Trustees resolution 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 Trustee 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 2006 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

GENERAL ENVIRONMENT

A business arrangement between the Associated Students California State University, Northridge, Inc. (ASI) and intercollegiate athletics for ticketing services provided by the ASI was not supported by a written agreement. In addition, there was no facility use agreement for the ASI ticketing office located in Redwood Hall.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that business arrangements be supported by written agreements.

The director of athletics stated his belief that the authority in ASI's operating agreement with the campus was sufficient for the existing ticketing operations and occupancy arrangements in Redwood Hall.

The absence of written agreements increases the risk of misunderstanding and miscommunication regarding rights and responsibilities.

Recommendation 1

We recommend that the campus establish written business and facility use agreements with the ASI for services provided to athletics.

Campus Response

We concur. The university has prepared the memoranda of understanding with ASI to address business arrangements and facility usage.

PROGRAM REVENUES

SAFETY AND DEPOSIT OF FUNDS

Cash and checks were not always adequately safeguarded and timely deposited by the athletics department.

We found that:

- ▶ The inter-campus transfer of cash and checks between the accounting technician at University Hall and the Foundation business office and cash services was not adequately secure.

- ▶ The inter-campus transfer of ticketing funds between the main ticketing office and various satellite athletic ticketing locations by ASI ticket sellers was not adequately secure.
- ▶ Checks were not always deposited within ten working days of receipt at the athletic business office and were not restrictively endorsed on the day received. We found four checks dated from February 24, 2007, to April 16, 2007, totaling \$500, \$500, \$750, and \$500, respectively for various sponsorships that had not been deposited.

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.

State Administrative Manual (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.

SAM §8032.1 requires that receipts be adequately safeguarded until deposited. When such funds are not in use, they will be locked in a desk, file cabinet, or other mechanism providing comparable safekeeping. It further requires agencies to deposit receipts in a timely and economical manner. Accumulated receipts of any amount will not remain undeposited for more than ten working days.

The controller stated that the unsecure transfer of currency and checks was due to oversight. The ticket office manager stated his belief that the transfer of funds between athletic fields and the ticket office was adequately secure as athletic games take place in the afternoon hours and the student sellers are undistinguishable from the general student population. The athletics business manager stated that checks in the safe were being held pending resolution of endorsement and deposit issues for sponsorship payments.

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

Recommendation 2

We recommend that the campus:

- a. Ensure funds are appropriately secure when transferred from University Hall to the Foundation business office.
- b. Ensure funds are appropriately secure when transferred between the main ticketing office and various satellite athletic ticketing locations.
- c. Ensure that all checks received by the athletics business office are restrictively endorsed by the end of the day and that receipts are deposited within ten working days.

Campus Response

We concur.

- a. Athletics has prepared a policies and procedures manual that includes a requirement for a business office employee to lock cash in a bank bag and then transfer it to university cash services or the Foundation, as appropriate.
- b. The ticket office has implemented procedures to improve the safeguarding of deposits in transit.
- c. Athletics staff will deposit receipts in a timely and economical manner while adhering to the following:
 - i. Accumulated receipts of any amount must be deposited within five (5) business days.
 - ii. The athletics business office endorses all checks upon receipt.

ATHLETICS FUND-RAISING

Fund-raising event administration was in need of improvement.

We found that:

- ▶ There was no formal process in place to approve such items as budgets, location of events, and promotional materials for fund-raising events put on by the athletics administrators and coaches for the benefit of intercollegiate athletics.
- ▶ The campus lacked adequate documentation to demonstrate contracts were in place with the host locations for the fund-raising events. These contracts would outline consideration of payment for use of premises and address any indemnification of liability for potential accidents occurring on the premises.

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.

Executive Order 715, *California State University Risk Management Policy*, dated October 27, 1999, states that the campus risk management policy should include methods of controlling risks. The liability exposure the campus and the California State University (CSU) faces for those activities, which are linked to the mission of the CSU, can be minimized by: transferring risk through third-party waivers, hold harmless agreements, or through vendor contracting; transferring risk through personal liability, health, travel, and life insurance; and preventing/controlling risk through training and supervision.

The director of athletics stated that formal approval of events and contracting related to fund-raising activity had not consistently occurred due to the ongoing vacancy position for director of development.

The absence of a formal approval process for fund-raising events increases the risk of inappropriate activities and potential loss of funds and the absence of documentation for liability indemnification increases the risk of misunderstandings and potential legal liabilities.

Recommendation 3

We recommend that the campus:

- a. Establish and implement a process to approve fund-raising events.
- b. Document the specific terms of events held at off-campus facilities, including liability indemnification.

Campus Response

We concur.

- a. Fund-raising activity processes have been added to the athletics policies and procedures manual. All fund-raising activities require advance approval.
- b. Documentation is required for events held at off-campus facilities, including obtaining appropriate liability indemnification.

COMPENSATION AND BENEFITS

SUPPLEMENTAL COMPENSATION

The campus could not provide evidence that it consulted with the chancellor's office in advance on supplemental compensation for athletic coaches.

Our review disclosed that:

- ▶ Supplemental compensation was paid in the form of a specified quarterly payment to one head coach through an agreement with the California State University, Northridge (CSUN) Foundation.
- ▶ Three head coaches had use of vehicles paid through a trade-out agreement with a local automotive dealer.

CSU directive HR 2002-20, *Management Personnel Plan (MPP) – Supplemental Compensation*, dated July 1, 2002, states that the chancellor delegated authority to the vice chancellor of Human Resources 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 Human Resources and General Counsel, as appropriate.

The assistant vice president of human resources stated that the head coach receiving supplemental compensation through his agreement with the Foundation had been with the campus for several years and they assumed that the supplemental compensation approval had been completed previously. In addition, he stated that the new athletic administration leaders continued a prior arrangement to offer courtesy vehicles to coaches.

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

Recommendation 4

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

Campus Response

We concur. The campus has consulted with the chancellor's office to document existing supplemental compensation agreements and will obtain concurrence in the future, prior to finalizing such agreements.

BENEFITS

Certain athletics department personnel received merchandise benefits from third parties that were not reported as taxable benefits.

The coaches had contracts in place with four vendors, which provided merchandise or cash payments as follows:

- ▶ K-Swiss provided women's tennis head and assistant coaches with apparel (i.e. shoes, shorts, shirts, warm-up suit, sweatshirt, etc.).
- ▶ Asics provided head men's volleyball coach with apparel (i.e. shorts, shirts, warm-ups, bags, sweatshirts).
- ▶ Diadora provided members of men's and women's soccer coaching staff with equipment at a retail value of \$2,000.

- ▶ Easton provided the head baseball coach and head softball coach with a cash payment of \$5,000 for each year of the contract.

The State Controller's Office *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.

The director of athletics stated that the items were not reported to the State Controller due to lack of knowledge that they were considered taxable benefits.

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

Recommendation 5

We recommend that the campus report merchandise incentives provided to athletics department staff to the State Controller or require the vendor to document legal responsibility for this reporting.

Campus Response

We concur. The university is now party to such contracts, not the coach.

OPERATING EXPEDITURES AND EQUIPMENT

ATHLETICS PROCUREMENT

Coaches engaged in inappropriate business arrangements.

Coaches had arrangements with various vendors for exclusive use of apparel and/or equipment in five sports — men's volleyball (Asics), men's and women's soccer (Diadora), baseball (Easton), and softball (Easton). These arrangements, based on contracts with the coaches for these sports, were without the involvement of the campus purchasing office or delegation of contracting/purchasing authority to athletics. In addition, one arrangement with K-Swiss included a provision, which obligated CSUN to purchase 200 T-shirts for the women's tennis head coach's summer camp. This camp is independently owned and operated by the head coach.

The *CSU Policy Manual for Contracting and Procurement (PMCP)*, §210.04, Conflict of Interest, states that no CSU employee may make or participate in the making of any decision in which the employee has a personal financial interest.

The *CSU PMCP* §102 states:

Campus presidents have received delegated authority from the chancellor to purchase, sell, lease, or license personal property in accordance with Trustee policy and law. Responsibility for the

preparation of campus internal policies and procedures consistent with the provision of this manual remains with the campus presidents. Should campus presidents choose to further delegate their purchasing authority, campuses must maintain documentation of such delegation.

GC §8314 states that it is unlawful for a state employee to use or permit others to use public resources for personal or other purposes which are not authorized.

The associate director of athletics stated that these agreements were viewed as sponsorship agreements and were made between the vendor and the coach with approval by the former athletics director.

Inadequate control over athletic procurement activities could potentially damage the campus reputation, create the appearance of impropriety and inappropriate activities, and increase the risk of inappropriate expenditures.

Recommendation 6

We recommend that the campus establish controls to preclude inappropriate involvement of coaches in athletic procurements.

Campus Response

We concur. Athletics now requires that all contracts be signed by the manager of purchasing and contract administration.

ATHLETIC FACILITIES

Athletics used off-campus golf facilities without a formal lease/use agreement.

We found that:

- ▶ The men's golf team regularly used golf courses at eight different locations.
- ▶ The women's golf team regularly used golf courses at eight different locations.

The *CSU PMCP*, §203, states that when choosing a solicitation methodology, the campus should consider the procurement objective, including, but not limited to, the requirements of the goods or services being procured, the estimated dollar value of the resultant contract, the legislative and policy requirements, and what is in the best interest of the CSU.

The associate director of athletics stated that although verbal agreements existed with golf courses, no written agreements were executed due to oversight.

The absence of appropriate facility leases increases the risk of misunderstandings and potential legal liabilities.

Recommendation 7

We recommend that the campus ensure appropriate documentation for all athletic department facility use arrangements.

Campus Response

We concur. Policies and procedures have been implemented that require contracts be in place for all athletics department facility use arrangements.

EQUIPMENT MANAGEMENT

The athletic equipment room did not have a systematic methodology for checking in and checking out apparel and equipment.

We found that:

- ▶ Apparel and equipment purchased by athletic personnel was not always received by the equipment room.
- ▶ There were no inventory procedures for checking out and checking in of apparel and equipment to student-athletes.
- ▶ There was no system documentation for disposal of used athletic apparel and equipment.

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 associate director of athletics stated that due to security concerns within the equipment rooms, coaches were storing apparel and equipment at other locations and since not all equipment/apparel was physically stored in the equipment room, no system of inventory for issuing equipment/apparel was in place. She further stated that the process for the disposal of equipment and apparel had not been formalized due to oversight.

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

Recommendation 8

We recommend that the campus develop and implement:

- a. An inventory system for the athletic equipment room.
- b. Written policies and procedures for the disposition of used athletic apparel and gear.

Campus Response

We concur. Policies and procedures have been added to the athletics policies and procedures manual that address equipment inventory and disposition of used equipment.

TRADE-OUTS

The administration of trade-out agreements was in need of improvement.

We found that:

- ▶ The usage of trade for intercollegiate athletics hotel rooms had not been properly approved.
- ▶ There was no process in place to evidence that the usage of hotel rooms obtained via trade, and used for recruits, had been properly approved.

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 and access to hospitality areas, and c) other perquisites such as athletic clothing with a campus logo. 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.

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 associate director of athletics stated that the process of authorized usage of hotel rooms was issued in various electronic memorandums and not formalized in the department policies and procedures handbook. She further stated that there was no evidence that hotel rooms used by recruits were approved because a visual check on the compliance database confirms approval and no written procedure for confirming that approval had been developed.

Incomplete records on trade increases the risk of inappropriate usage, accusations that state resources are being given away without fair value received in exchange, and potential violations of National Collegiate Athletic Association (NCAA) regulations.

Recommendation 9

We recommend that the campus establish written policies and procedures for the authorized usage of trade.

Campus Response

We concur. New policies and procedures have been written in regards to trade-outs for hotel rooms.

TEAM TRAVEL

Travel documentation for team travel trips needed improvement.

Travel in athletics was different from other travel within the university and included travel by groups consisting of staff and student-athletes (the team traveling party) and travel advances issued to coaches for disbursement to student-athletes during trips for meal money. Travel costs were paid through a combination of purchase orders/invoices, business and travel account card transactions, and travel expense claims.

We reviewed expenditures from ten team trips taken in fiscal year 2005/06 and found that:

- ▶ Three of the travel expense claims were not turned in timely.
- ▶ None of the ten travel approval forms and travel expense claims was signed off by an appropriate sports supervisor.
- ▶ The travel approval documentation for three trips did not include a team travel party list and itinerary.

The *CSUN Athletics Department Policies and Procedures Manual* for travel requires:

- Submitting a travel expense claim to the athletic business office immediately upon return to campus.
- The appropriate divisional sports administrator must approve all travel.
- A list of the entire travel party must always be included with the trip itinerary.

The director of athletics stated that the previous interim athletic director had informally delegated responsibility for approval to the business manager and that the delayed completion of travel claims and absence of travel itineraries were due to oversight.

The absence of acceptable travel documentation increases the risk of excessive costs and exposes the campus to compliance issues and potential liabilities.

Recommendation 10

We recommend that the campus enforce requirements for travel documentation in athletics.

Campus Response

We concur. The athletics policies and procedures manual has been revised to require that the requests for travel will be forwarded to the appropriate administrator, the athletics business office, and finally, to the athletics director for review and approval. The athletics travel coordinator is required to ensure that all appropriate approvals are obtained before forwarding to accounts payable.

MISCELLANEOUS

SPORTS CAMPS

Background checks were not always performed for personnel working at independently owned sports camps run at CSUN, and coaches who owned and operated sports camps were not taking vacation from the campus during the period of their camps.

A number of different sports camps and clinics operated on-campus typically during the summer months. These camps were available to certain age groups, mainly 12- to 18-year-olds.

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 CSUN *Sports Camps and Clinics Compliance Guidelines* states that any CSUN athletics department staff member working a private camp must take vacation time during the hours engaged in the camp.

The associate director of athletics stated that even though formal written sports camp procedures were developed and implemented several years ago, no provisions for background checks were identified since the camps were owned by intercollegiate athletic coaches as an independent non-campus operation or owned by other outside entities. The director of athletics stated that failure of coaches to take vacation was due to inadequate monitoring.

The absence of background checks increases the risk of inappropriate personnel assignments for sports camps and clinics, which could potentially damage CSU's reputation and the inadequate monitoring of time reporting increases the risk of misuse of athletic resources.

Recommendation 11

We recommend that the campus:

- a. Perform background checks on all personnel working at sports camps and clinics conducted on the campus.
- b. Ensure athletics staff takes vacation time while working at private sports camps or clinics.

Campus Response

We concur.

- a. Licensing agreements have been revised to include a requirement for background checks.
- b. Effective July 2007, all coaches operating a sports camp or clinic have been required to take vacation time during the hours engaged in the camp.

ATHLETIC INJURY PREVENTION EFFECTIVENESS

Pre-participation documentation for student-athletes was not always maintained by athletic training room staff. In addition, the campus did not formally evaluate the effectiveness of an athletic injury prevention program.

We sampled ten student-athletes for verification of pre-participation documentation and found:

- ▶ There were no risk waivers for three student-athletes on file.
- ▶ For one student-athlete, there was no evidence of a pre-participation medical exam.
- ▶ For three student-athletes, there was no evidence of an updated proof of insurance form.

Athletic injury prevention was a shared responsibility among team physicians, certified athletic trainers, and the student-athlete. CSUN employed certified athletic trainers, operated one large athletic training room, and had established medical policies and athletic training room procedures that addressed components of a safe athletics program. While injury records were maintained, they were not compared to the NCAA Injury Surveillance System (ISS) to benchmark performance against industry standards.

The CSUN *Medical Policies and Procedures* state that the following forms must be filled out completely and turned into the athletic training staff before the student-athlete is allowed to participate in team practices and games:

- Injury awareness statement (risk waiver).
- Athletic health clearance form.
- Health insurance information form.

The NCAA's ISS was developed in 1982 to provide current and reliable data on injury trends in intercollegiate athletics. The *2005-06 NCAA Division I Manual* states:

2.2 THE PRINCIPLE OF STUDENT-ATHLETE WELFARE

Intercollegiate athletics programs shall be conducted in a manner designed to protect and enhance the physical and educational welfare of student-athletes.

The California State University Risk Management Authority program entitled Athletic Injury Medical Expenses provides secondary insurance coverage for athletic injuries that are not covered by primary carriers.

The director of sports medicine stated that the policy for updating student-athlete information on an annual basis was not implemented until the 2006/07 academic year. He further stated the risk waiver forms may have been misplaced as records were also reviewed by the university health center.

The absence of required pre-participation documentation from student-athletes increases the risk of potential liabilities to the campus and the absence of program self-assessment and comparison with industry standards increases the risk that program improvements will not occur and athletic injury prevention effectiveness will not be maximized.

Recommendation 12

We recommend that the campus:

- a. Ensure student-athlete pre-participation documentation is maintained.
- b. Utilize industry statistics such as those available through the NCAA ISS to regularly evaluate the athletic injury prevention program.

Campus Response

We concur.

- a. Athletic trainers are now required to conduct a review of their team files to ensure that all physical exam forms, insurance forms, and risk waiver forms are on file in the training office.
- b. The athletics training department will use industry statistics to regularly evaluate the athletic injury prevention program.

Expected completion date: November 1, 2007

APPENDIX A: PERSONNEL CONTACTED

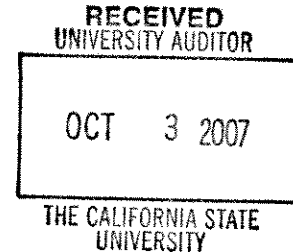
<u>Name</u>	<u>Title</u>
Jolene Koester	President
Mark Adamiak	Facilities Manager
Bob Barker	Associate Vice President, Financial and Accounting Services/University Controller
Lee Anna Berkeland	Accounting Technician, Business Management
James Bracken	Head Coach, Men's Golf
Greg Buesing	Director of Planned Giving
Patricia Crespo	Athletics Business Manager
Colin Donahue	Director of Facilities Planning
Fred Dukes	Executive Assistant to Vice President of Administration and Finance
Ken Etter	Ticketing Manager, Associated Students CSUN, Inc. (ASI)
Rick Evans	Administrative Services Manager, University Corporation
Lauree Floback	Executive Assistant to Director of Athletics
Robert Foldesi	Assistant Vice President of Human Resources
Chet Galland	Assistant Director of Engineering Services/Physical Plant Management Director
Howard Garcia	Athletics Events Manager
Phyllis Gilson	Veteran's Coordinator, Admissions and Records
Isidore Gold	Equipment Manager
Steve Grech	Director of Sports Medicine/Head Athletic Trainer
Randy Harris	Vice President for Administration and Finance/Chief Financial Officer
Diane Hartjen	Director of Accounting and Financial Services, ASI
Ashlie Kite	Associate Director of Athletics
Karla La Rosa	Manager of Facilities and Trademark Leasing, University Corporation
Howard Lutwak	Director of Internal Audit
Karen Mariglia	Administrative Support Assistant, Athletics
Rick Mazzuto	Director of Athletics
Mandie McConkey	Coordinator of Academic Services
Yvonne Monreal	Payroll Specialist
Valerie Myers	Human Resources Manager
Janet Pinneau	Associate Director of Athletics
Judith Reyes	Accounts Payable Manager
Cynthia Roseman	Accounts Payable Coordinator
Mary Rueda	Manager of Purchasing and Contract Administration
Ali Sadri	Manager of Advancement Resources, California State University Northridge Foundation
Joyce Scanlin	Accounting Technician, Accounts Payable
Ellen Steinberg	Procurement Card Coordinator
Don Strametz	Head Coach, Track and Field
Renee Venezia	Payroll Manager
Gary Victor	Head Coach, Women's Tennis
Crystina Wall	Gift Processing Coordinator, University Advancement
Kevin Zihlman	Director of Compliance

California State University
Northridge

Office of the Vice President
Administration and Finance

September 28, 2007

Mr. Larry Mandel, University Auditor
Office of the University Auditor
The California State University
401 Golden Shore, 4th Floor
Long Beach, CA 90802



Subject: Campus Response to Recommendations of Audit Report Number 07-36,
Athletics Administration at California State University, Northridge

Dear Larry:

Enclosed please find the California State University, Northridge (CSUN) response to the recommendations of the audit, as requested in your letter of September 7, 2007.

We have read the report including the observations and recommendations, and agree with them. Corrective action to implement all of the recommendations has been taken. By separate correspondence, the applicable documents evidencing completion of our implementation process and corrective action for each recommendation will be provided.

Should there be questions regarding the contents of the response, they may be addressed to Howard Lutwak, CSUN Internal Audit Director at (818) 677-2333.

We appreciate the recommendations to improve CSUN's systems of internal control.

Sincerely,

A handwritten signature in black ink, appearing to read "Randy J. Harris".

Randy J. Harris
Vice President for Administration and Finance
and Chief Financial Officer

RJH:mh

Enclosures

cc: Jolene Koester, President
Howard Lutwak, Director, Internal Audit

**ATHLETICS ADMINISTRATION
CALIFORNIA STATE UNIVERSITY,
NORTHRIDGE**

**Audit Report 07-36
August 30, 2007**

GENERAL ENVIRONMENT

Recommendation 1

We recommend that the campus establish written business and facility use agreements with the ASI for services provided to athletics.

Campus Response

We concur. The University has prepared memoranda of understanding with Associated Students to address business arrangements and facility usage.

PROGRAM REVENUES

SAFETY AND DEPOSIT OF FUNDS

Recommendation 2

We recommend that the campus:

- a. Ensure funds are appropriately secure when transferred from University Hall to the Foundation business office.
- b. Ensure funds are appropriately secure when transferred between the main ticketing office and various satellite athletic ticketing locations.
- c. Ensure that all checks received by the athletics business office are restrictively endorsed by the end of the day and that receipts are deposited within ten working days.

Campus Response

- a. We concur. Athletics has prepared a policies and procedures manual that includes a requirement for a business office employee to lock cash in a bank bag and then transfer it to University Cash Services or the Foundation, as appropriate.
- b. We concur. The Ticket Office has implemented procedures to improve the safeguarding of deposits in transit.

- c. We concur. Athletics staff will deposit receipts in a timely and economical manner while adhering to the following: Accumulated receipts of any amount must be deposited within five (5) business days. The athletics business office endorses all checks upon receipt.

ATHLETICS FUND-RAISING

Recommendation 3

We recommend that the campus:

- a. Establish and implement a process to approve fund-raising events.
- b. Document the specific terms of events held at off-campus facilities, including liability indemnification.

Campus Response

- a. We concur. Fundraising activity processes have been added to the athletics policies and procedures manual. All fundraising activities require advanced approval.
- b. We concur. Documentation is required for events held at off-campus facilities, including obtaining appropriate liability indemnification.

COMPENSATION AND BENEFITS

SUPPLEMENTAL COMPENSATION

Recommendation 4

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

Campus Response

We concur. The campus has consulted with the chancellor's office to document existing supplemental compensation agreements and will obtain concurrence in the future, prior to finalizing such agreements.

BENEFITS

Recommendation 5

We recommend that the campus report merchandise incentives provided to athletics department staff to the State Controller or require the vendor to document legal responsibility for this reporting.

Campus Response

We concur. The University is now party to such contracts, not the coach.

OPERATING EXPEDITURES AND EQUIPMENT

ATHLETICS PROCUREMENT

Recommendation 6

We recommend that the campus establish controls to preclude inappropriate involvement of coaches in athletic procurements.

Campus Response

We concur. Athletics now requires that all contracts be signed by the Manager of Purchasing and Contract Administration.

ATHLETIC FACILITIES

Recommendation 7

We recommend that the campus ensure appropriate documentation for all athletic department facility use arrangements.

Campus Response

We concur. Policies and procedures have been implemented that require contracts be in place for all athletics department facility use arrangements.

EQUIPMENT MANAGEMENT

Recommendation 8

We recommend that the campus develop and implement:

- a. An inventory system for the athletic equipment room.
- b. Written policies and procedures for the disposition of used athletic apparel and gear.

Campus Response

We concur. Policies and procedures have been added to the athletics policies and procedures manual that address equipment inventory and disposition of used equipment.

TRADE-OUTS

Recommendation 9

We recommend that the campus establish written policies and procedures for the authorized usage of trade.

Campus Response

We concur. New policies and procedures have been written in regards to trade-outs for hotel rooms.

TEAM TRAVEL

Recommendation 10

We recommend that the campus enforce requirements for travel documentation in athletics.

Campus Response

We concur. The athletics policies and procedures manual has been revised to require that the requests for travel will be forwarded to the appropriate administrator, the athletics business office, and finally, to the athletics director, for review and approval. The athletics travel coordinator is required to ensure that all appropriate approvals are obtained before forwarding to accounts payable.

MISCELLANEOUS

SPORTS CAMPS

Recommendation 11

We recommend that the campus:

- a. Perform background checks on all personnel working at sports camps and clinics conducted on the campus.
- b. Ensure athletics staff takes vacation time while working at private sports camps or clinics.

Campus Response

- a. We concur. Licensing agreements have been revised to include a requirement for background checks.
- b. We concur. Effective July 2007, all coaches operating a sports camp or clinic have been required to take vacation time during the hours engaged in the camp.

ATHLETIC INJURY PREVENTION EFFECTIVENESS

Recommendation 12

We recommend that the campus:

- a. Ensure student-athlete pre-participation documentation is maintained.
- b. Utilize industry statistics such as those available through the NCAA ISS to regularly evaluate the athletic injury prevention program.

Campus Response

- a. We concur. Athletic trainers are now required to conduct a review of their team files to ensure that all physical exam forms, insurance forms, and risk-waiver forms are on file in the training office.
- b. We concur. The athletics training department will use industry statistics to regularly evaluate the athletic injury prevention program.

Expected completion date: November 1, 2007.


THE CALIFORNIA STATE UNIVERSITY
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

October 12, 2007

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FROM: Charles B. Reed
Chancellor

FULLERTON

HUMBOLDT

SUBJECT: Draft Final Audit Report 07-36 on *Athletics Administration*,
California State University, Northridge

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of October 12, 2007, I accept the response as submitted with the draft final report on *Athletics Administration*, California State University, Northridge.

MONTEREY BAY

NORTHRIDGE

CBR/jt

POMONA

Enclosure

SACRAMENTO

SAN BERNARDINO

cc: Mr. Randy J. Harris, Vice President, Administration and Finance/
Chief Financial Officer

SAN DIEGO

Dr. Jolene Koester, President

SAN FRANCISCO

Mr. Howard Lutwak, Director of Internal Audit

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS