INTERCOLLEGIATE ATHLETICS

CALIFORNIA STATE UNIVERSITY,
SAN MARCOS

Audit Report 10-47
December 15, 2010

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CONTENTS

Executive Summary ...................................................................................................................................... 1

Introduction ................................................................................................................................................... 2
  Background ............................................................................................................................................... 2
  Purpose ...................................................................................................................................................... 3
  Scope and Methodology ........................................................................................................................... 4

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Rules Compliance ......................................................................................................................................... 5

Sports Camps/Clinics .................................................................................................................................... 6

Program Revenues ........................................................................................................................................ 6
APPENDICES

APPENDIX A: Personnel Contacted
APPENDIX B: Campus Response
APPENDIX C: Chancellor’s Acceptance

ABBREVIATIONS

CSU California State University
CSUSM California State University, San Marcos
GC Government Code
HR Human Resources
IA Intercollegiate Athletics
OUA Office of the University Auditor
NAIA National Association of Intercollegiate Athletics
NCAA National Collegiate Athletic Association
UARSC University Auxiliary and Research Services Corporation
EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2009, the Board of Trustees, at its January 2010 meeting, directed that Intercollegiate Athletics (IA) be reviewed. The Office of the University Auditor had previously reviewed IA activities as part of the 2006/07 audits of Athletics Administration on ten campuses.

We visited the California State University, San Marcos campus from August 23, 2010, through September 23, 2010, and audited the procedures in effect at that time.

Our study and evaluation did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on IA activities. However, we did identify other reportable weaknesses that are described in the executive summary and body of this report. In our opinion, the operational and administrative controls for IA activities in effect as of September 23, 2010, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

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.

RULES COMPLIANCE [5]

The athletics department’s written policies and procedures for handling rules violations needed improvement.

SPORTS CAMPS/CLINICS [6]

Background checks for sports camp staff were not always completed in a timely manner.

PROGRAM REVENUES [6]

The athletics department lacked written policies and procedures to address internal controls for cash handling.
INTRODUCTION

BACKGROUND

The California State University (CSU) system supports a broad and diverse intercollegiate athletics (IA) program, with men’s and women’s teams in multiple sports at 22 of the 23 campuses. At present, CSU Channel Islands is still building an IA program.

Twenty of the twenty-two CSU campuses with IA programs are members of the National Collegiate Athletic Association (NCAA). Nine of these campuses compete at the Division I level in four different athletic conferences, and eleven are considered Division II programs and compete as members of the same athletic conference. The two campuses with athletics programs that are not members of the NCAA are affiliated with the National Association of Intercollegiate Athletics (NAIA).

According to the 2008/09 statistics in the Report on Voluntary Self-Monitoring of Equal Opportunity in Athletics for Women as presented to the July 2010 meeting of the Board of Trustees’ Committee on Educational Policy, there were 4,165 women and 3,242 men participating in IA at the 20 NCAA campuses in the CSU. This same report indicated that cumulative expenditures for the IA programs at these 20 campuses were $191 million.

Beginning in calendar year 2010, the Office of the University Auditor (OUA) audit risk assessment methodology changed, based on a fiscal year 2009/10 systemwide risk assessment. Using the new procedure, the OUA worked with CSU campus executive management to identify high-risk areas on each campus. As a result of this change in risk assessment, IA was identified as an area for review.

In the Office of the Chancellor, IA is coordinated through student academic support, which reports through the assistant vice chancellor to the executive vice chancellor/chief academic officer. At California State University, San Marcos, IA is administered by a director of athletics (commonly referred to as the athletics director) who reports directly to the campus president.
INTRODUCTION

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing IA policies and procedures and to determine the adequacy of controls that ensure compliance with relevant rules and regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

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

- Accountability for the activities, responsibilities, and monitoring of the athletics program has been clearly defined and documented.
- Goals, objectives, monitoring benchmarks, and performance measurement reporting tools have been established for certain athletic activities.
- IA is adhering to internal and external reviews and audits as required by the NCAA and NAIA legislation and CSU policies.
- IA revenues are accurately captured in financial systems and reports.
- The campus and athletic organizations have developed procedures to monitor compliance with NCAA legislation, including processes for reporting violations, performing investigations, and tracking remediation efforts.
- The campus performs appropriate IA rules education and monitors the individuals responsible for rules compliance.
- Off-campus recruiting activities are properly approved and documented.
- Coaches and staff participating in off-campus recruiting are certified.
- Off-campus recruiting activities occur within the guidelines established by NCAA and NAIA legislation and campus policies and procedures.
- The campus has adequate policies and procedures governing the operation of sports camps/clinics and the activities of athletics staff members and student-athletes involved in sports camps/clinics.
- Staff working or volunteering at sports camps/clinics have been screened and subjected to appropriate background checks.
SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment A, Agenda Item 2 of the January 26 and 27, 2010, meeting of the Committee on Audit stated that IA includes a review of athletic governance and organization, admission procedures for student-athletes, student-athlete eligibility certifications, academic support systems for student-athletes and reporting of academic performance, recruiting of student-athletes, administration of athletic financial aid, conduct of camps and clinics, compensation and benefits for athletic coaches and staff, procurement/use of athletic apparel and equipment, team travel, athletic event ticketing, institutional control over representatives of the university’s athletic interests, and student-athlete extra benefits.

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 whether 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 focused on procedures in effect since the beginning of fiscal year 2009/10. In instances wherein it was necessary to review annualized data, calendar years 2008 and 2009 were the periods reviewed.

A preliminary risk assessment of campus IA operations was used to select for our audit testing those areas or activities with highest risk. This assessment was based upon a systematic process using prior audits, management’s feedback, and professional judgments on probable adverse conditions and other pertinent information, including prior audit history in this area. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

- Institutional control of IA programs.
- Compliance with NCAA and NAIA regulations regarding rules education.
- Compliance with NCAA and NAIA regulations regarding off-campus recruiting of prospective student-athletes.
- Background checking of staff at sports camps.
- Athletic program revenues.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

RULES COMPLIANCE

The athletics department’s written policies and procedures for handling rules violations needed improvement.

We noted that the California State University, San Marcos (CSUSM) Athletics Department Manual included general guidance to the campus regarding its institutional responsibility for reporting violations, but it did not include:

 The process for reporting potential violations.
 Who has responsibility for receiving, investigating, and resolving reports of potential violations.
 Requirements for which records the campus must keep to document its response to potential violations, and how long those records must be retained.

Government Codes (GC) §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

The athletics director stated that policies and procedures were communicated verbally to athletics department personnel.

Insufficient written policies and procedures for handling potential rules violations increase the risk of inadequate identification, investigation, and reporting of rules violations and could expose the campus to issues of institutional control in the athletics program.

Recommendation 1

We recommend that the campus revise its athletics department manual to include:

a. The process for reporting potential violations.

b. Assignment of responsibility for receiving, investigating, and resolving potential violations.

c. Requirements for which records the campus must keep to document its response to potential violations, and how long those records must be retained.

Campus Response

We concur. The campus shall update its athletic policies and procedures manual and compliance manual by May 27, 2011, to clearly state the process, individuals responsible, and storage of records for reporting of potential rules violations.
SPORTS CAMPS/CLINICS

Background checks for sports camp staff were not always completed in a timely manner.

We reviewed records for the one camp that had occurred to date, and we noted that one of the four staff members did not receive a background check until after the camp was completed.

California State University (CSU) directive Human Resources (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.

CSU directive HR 2008-25, Background Checks: CSU Employees Working at Sports Camps and Clinics, dated December 24, 2008, states that background checks are required for all individuals at the time they are hired by a CSU campus to perform any work at a CSU sports camp/clinic operated by CSU, a CSU auxiliary, or an outside entity. This requirement also applies to CSU volunteers before they begin working and to all existing non-represented employees and CSU volunteers who perform any work at a CSU-hosted sports camp/clinic.

The associate director of athletics/senior women’s administrator stated that camp workers were hired through the University Auxiliary and Research Services Corporation (UARSC), which also received the results of background checks, but there was no procedure in place to coordinate with UARSC to ensure that the results were received prior to the camp employee beginning work.

Failure to complete background checks for staff working at sports camps/clinics increases the risk of liability to the CSU and the campus if inappropriate individuals have contact with minors.

Recommendation 2

We recommend that the campus ensure that background checks for sports camp staff are completed in a timely manner.

Campus Response

We concur. Regulations have been put in place requiring all camp staff to complete background checks through UARSC before working at a CSUSM camp. This was completed in November of 2010.

PROGRAM REVENUES

The athletics department lacked written policies and procedures to address internal controls for cash handling.
GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

The associate director of athletics/senior women’s administrator stated that policies and procedures were communicated verbally to athletics department personnel.

Lack of cash handling policies and procedures increases the risk of misunderstanding related to the performance of duties and functions and increases campus exposure to loss from errors or inappropriate acts.

**Recommendation 3**

We recommend that the athletics department establish written policies and procedures to address internal controls for cash handling.

**Campus Response**

We concur. The campus shall update its athletic policies and procedures manual by May 27, 2011, to clearly state the process for internal controls for handling cash.
## APPENDIX A:
### PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karen S. Haynes</td>
<td>President</td>
</tr>
<tr>
<td>Matthew Ceppi</td>
<td>Chief of Staff to the President and Director, Institutional Planning and Analysis</td>
</tr>
<tr>
<td>Linda Colker</td>
<td>Athletics Coordinator</td>
</tr>
<tr>
<td>Linda Hawk</td>
<td>Vice President, Finance and Administrative Services</td>
</tr>
<tr>
<td>Michelle Hinojosa</td>
<td>Human Resources Generalist, University Auxiliary and Research Services Corporation</td>
</tr>
<tr>
<td>Jennifer Milo</td>
<td>Associate Director of Athletics/Senior Women’s Administrator</td>
</tr>
<tr>
<td>Katy Rees</td>
<td>Director, Strategic Planning and Administrative Services</td>
</tr>
<tr>
<td>Tom Seitz</td>
<td>Director of Athletics</td>
</tr>
<tr>
<td>Todd Snedden</td>
<td>Assistant Athletic Director for Compliance and Student Services</td>
</tr>
<tr>
<td>Bhumika Talsania</td>
<td>Division Budget Analyst, Athletics, Office of the President</td>
</tr>
</tbody>
</table>
December 21, 2010

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, CA 90802

Subject: Campus Response to Audit Report 10-47, Intercollegiate Athletics
California State University San Marcos

Dear Mr. Mandel:

Enclosed is our campus response to the three recommendations in Audit Report 10-47, Intercollegiate Athletics. We anticipate sending our supporting evidence no later than May 27, 2011.

Please let us know if you have any questions or need additional information.

Sincerely,

Linda Hawk
Vice President
Finance and Administrative Services

Enclosures

cc: President Karen S. Haynes
INTERCOLLEGIATE ATHLETICS
CALIFORNIA STATE UNIVERSITY,
SAN MARCOS
Audit Report 10-47

RULES COMPLIANCE

Recommendation 1

We recommend that the campus revise its athletics department manual to include:

a. The process for reporting potential violations.

b. Assignment of responsibility for receiving, investigating, and resolving potential violations.

c. Requirements for which records the campus must keep to document its response to potential violations, and how long those records must be retained.

Campus Response

We concur. The campus shall update its athletic policies and procedures manual and compliance manual by May 27, 2011, to clearly state the process, individuals responsible, and storage of records for reporting of potential rules violations.

SPORTS CAMPS/CLINICS

Recommendation 2

We recommend that the campus ensure that background checks for sports camp staff are completed in a timely manner.

Campus Response

We concur. Regulations have been put in place requiring all camp staff to complete background checks through UARSC before working at a CSUSM camp. Completed November, 2010.

PROGRAM REVENUES

Recommendation 3

We recommend that the athletics department establish written policies and procedures to address internal controls for cash handling.
Campus Response

We concur. The campus shall update its athletic policies and procedures manual by May 27, 2011 to clearly state the process for internal controls for handling cash.
January 31, 2011

MEMORANDUM

TO: Mr. Larry Mandel  
University Auditor

FROM: Charles B. Reed  
Chancellor

SUBJECT: Draft Final Report 10-47 on Intercollegiate Athletics, California State University, San Marcos

In response to your memorandum of January 31, 2011, I accept the response as submitted with the draft final report on Intercollegiate Athletics, California State University, San Marcos.

CBR/amd