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ABBREVIATIONS

CAi  Compliance Assistant Internet
CSU  California State University
GC  Government Code
IA  Intercollegiate Athletics
OUA  Office of the University Auditor
NAIA  National Association of Intercollegiate Athletics
NCAA  National Collegiate Athletic Association
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, Northridge campus from November 29, 2010, through January 7, 2011, 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 January 7, 2011, 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.

CONTROL ENVIRONMENT [5]

Access to the athletics department’s Compliance Assistance Internet (CAi) was not adequately restricted, nor were policies and procedures developed to address the periodic review of access to CAi and to define which employees should be allowed access to CAi.

OFF-CAMPUS RECRUITING [6]

Monitoring and recordkeeping for off-campus recruiting activities needed improvement.
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 CSU Northridge, IA is administered by a director of athletics who reports to the vice president of administration and finance/chief financial officer.
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

CONTROL ENVIRONMENT

Access to the athletics department’s Compliance Assistance Internet (CAi) was not adequately restricted, nor were policies and procedures developed to address the periodic review of access to CAi and to define which employees should be allowed access to CAi.

We found that two individuals had a level of access to the CAi program that was incompatible with their job responsibilities.

California State University (CSU) Information Security Policy, dated April 19, 2010, states that campus policies and procedures should provide for access privileges controlled strictly on a need-to-know basis.

Government Code (GC) §13401 states that each state agency must maintain effective systems of administrative control as an integral part of its management practices.

The director of compliance stated that when CAi was initially set up, various default settings were left in place that allowed some employees access that was incompatible with their job assignments. She further stated that the default settings had not been changed since the system was set up, and annual reviews of CAi access were not performed because no procedure for such review existed.

Failure to adequately control system access may result in a compromise of data integrity and security.

Recommendation 1

We recommend that the campus:

a. Adjust CAi system access for the two individuals who have a level of access that is incompatible with their job duties.

b. Develop and implement policies and procedures to address the periodic review of access to CAi and to define which employees should be allowed access to CAi based on their job duties.

Campus Response

We concur. Athletics has modified access for the two individuals that had a level of access that was incompatible with their job duties. Athletics has prepared a policy and procedure to deal specifically with access to CAi which includes providing access based upon the role the user holds with the university.
OFF-CAMPUS RECRUITING

Monitoring and recordkeeping for off-campus recruiting activities needed improvement.

We reviewed recruiting logs for academic years 2008/09 and 2009/10 and found that:

- Recruiting logs for all sports for academic year 2008/09 were not available for review during our fieldwork, nor were baseball recruiting logs for academic year 2009/10.
- For academic year 2009/10, 4 of 20 recruiting trips were not supported by recruiting logs and contact lists.
- Monthly contact and evaluation logs that were completed manually did not include the coach’s attestation of the completeness and accuracy of the logs and certification of compliance with NCAA rules for recruiting activities.

The CSU Northridge Compliance Handbook for Northridge Athletics states that the director of compliance, or a designee, shall perform periodic spot checks of recruiting records in addition to collecting recruiting documentation at the end of the recruiting cycle. These recruiting files will be maintained in the compliance office for a period of six years.

NCAA Bylaw 2.8.1 states that an institution shall monitor its programs to assure compliance and to identify and report to the association instances in which compliance has not been achieved.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which include 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 director of compliance stated that the complete set of 2008/09 recruiting logs and the 2009/10 baseball recruiting logs were misplaced. She further stated that the four recruiting trips could not be traced due to the misfiled recruiting logs, and that the missing attestations on the contact and evaluation logs was due to management oversight.

Failure to monitor and maintain adequate records for off-campus recruiting activities increases the risk that violations may occur and/or go unreported.

Recommendation 2

We recommend that the campus:

a. Maintain all recruiting logs in accordance with campus policy.

b. Ensure that travel claims for recruiting trips are always supported by recruiting logs and contact lists.
c. Ensure that all coaches attest to the completeness and accuracy of their off-campus recruiting logs, as well as to compliance with NCAA rules for off-campus recruiting, in their monthly contact and evaluation logs.

Campus Response

We concur. Athletics has reiterated recruiting documentation requirements to ensure all files are reviewed and maintained in accordance with the Compliance Handbook and NCAA Bylaw 2.8.1.
## APPENDIX A: PERSONNEL CONTACTED

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<tr>
<th>Name</th>
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<tr>
<td>Jolene Koester</td>
<td>President</td>
</tr>
<tr>
<td>Heather Cairns</td>
<td>Associate Director, Administrative Services, The University Corporation</td>
</tr>
<tr>
<td>Ashlie Kite</td>
<td>Associate Athletics Director, Internal Operations</td>
</tr>
<tr>
<td>Howard Lutwak</td>
<td>Director, Internal Audit</td>
</tr>
<tr>
<td>Rick Mazzuto</td>
<td>Director of Athletics</td>
</tr>
<tr>
<td>Thomas McCarron</td>
<td>Vice President, Administration and Finance and Chief Financial Officer</td>
</tr>
<tr>
<td>Janet Pinneau</td>
<td>Associate Athletics Director, Student Services</td>
</tr>
<tr>
<td>Ken Premo</td>
<td>Manager of Support Services, Associated Students California State University, Northridge, Inc.</td>
</tr>
<tr>
<td>Julie Sandoval</td>
<td>Director of Compliance</td>
</tr>
<tr>
<td>Kimberly Siemen</td>
<td>Assistant Athletics Director for Business Affairs</td>
</tr>
<tr>
<td>Chris Xanthos</td>
<td>Director of Administrative Services, Office of the Vice President, Administration and Finance</td>
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April 14, 2011

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 10-48, Intercollegiate Athletics 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 email of March 17, 2011.

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,

[Signature]

Tom McCarron
Vice President Administration and Finance and CFO

TM: mh

Enclosures

c: Jolene Koester, President
   Howard Lutwak, Director, Internal Audit
INTERCOLLEGIATE ATHLETICS
CALIFORNIA STATE UNIVERSITY,
NORTH RIDGE
Audit Report 10-48

CONTROL ENVIRONMENT

Recommendation 1

We recommend that the campus:

a. Adjust CAi system access for the two individuals who have a level of access that is incompatible with their job duties.

b. Develop and implement policies and procedures to address the periodic review of access to CAi and to define which employees should be allowed access to CAi based on their job duties.

Campus Response

We concur. Athletics has modified access for the two individuals that had a level of access that was incompatible with their job duties. Athletics has prepared a policy and procedure to deal specifically with access to CAi which includes providing access based upon the role the user holds with the university.

OFF-CAMPUS RECRUITING

Recommendation 2

We recommend that the campus:

a. Maintain all recruiting logs in accordance with campus policy.

b. Ensure that travel claims for recruiting trips are always supported by recruiting logs and contact lists.

c. Ensure that all coaches attest to the completeness and accuracy of their off-campus recruiting logs, as well as to compliance with NCAA rules for off-campus recruiting, in their monthly contact and evaluation logs.
Campus Response

We concur. Athletics has reiterated recruiting documentation requirements to ensure all files are reviewed and maintained in accordance with the Compliance Handbook and NCAA Bylaw 2.8.1.
May 3, 2011

MEMORANDUM

TO: Mr. Larry Mandel
    University Auditor

FROM: Charles B. Reed
      Chancellor

SUBJECT: Draft Final Report 10-48 on Intercollegiate Athletics, California State University, Northridge

In response to your memorandum of May 3, 2011, I accept the response as submitted with the draft final report on Intercollegiate Athletics, California State University, Northridge.

CBR/amd