INTERCOLLEGIATE ATHLETICS

SYSTEMWIDE

Audit Report 10-73
June 8, 2011

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BOARD OF TRUSTEES
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ABBREVIATIONS

AOPM California State University Athletics Operations Policy Manual
CO Chancellor’s Office
CSU California State University
GC Government Code
HR Human Resources
IA Intercollegiate Athletics
ICSUAM Integrated California State University Administrative Manual
OUA Office of the University Auditor
NAIA National Association of Intercollegiate Athletics
NCAA National Collegiate Athletic Association
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 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 six campuses from July 6, 2010, through January 14, 2011, and audited the procedures in effect at that time. Campus specific findings and recommendations have been discussed and reported individually.

Our study and evaluation revealed certain conditions that, in our opinion, could result in significant errors and irregularities if not corrected. Specifically, we found that the campuses were operating without policy guidance from the chancellor’s office (CO) about background checks, and programmatic responsibilities for IA had not been clearly defined or documented in systemwide policies. These conditions are described in the executive summary and body of this report. In our opinion, except for the effect of the weaknesses described above, the operational and administrative controls for IA activities in effect as of January 14, 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.

GENERAL CONTROL ENVIRONMENT [5]

Systemwide policies and procedures for IA needed improvement. For example, the draft California State University Athletics Operations Policy Manual, dated April 28, 2009, had not been finalized and distributed to campuses. Additionally, programmatic responsibilities for IA had not been clearly defined at the CO, nor had they been documented in systemwide policies.
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 the campuses, IA is typically administered by a director of athletics (commonly referred to as the athletics director) who reports directly to the campus president.
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.

During the course of the audit, we visited six campuses: East Bay, Fresno, Long Beach, Los Angeles, Northridge, and San Marcos. We interviewed campus personnel and audited procedures in effect at the time of audit.
OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

GENERAL CONTROL ENVIRONMENT

SYSTEMWIDE POLICIES AND PROCEDURES

Systemwide policies and procedures for intercollegiate athletics (IA) needed improvement.

We found that:

- At the time of our audits, California State University (CSU) policy required background checks for only non-represented employees and CSU volunteers; the policy did not require background checks for individuals covered by collective bargaining unit agreements. At the conclusion of our audits, the chancellor’s office (CO) was developing specific background check policies for bargaining unit employees, but the policies had not yet been issued, reviewed, or implemented. This is a repeat finding from the 2008 systemwide audit of Athletics Administration.

- The draft CSU Athletics Operations Policy Manual (AOPM), dated April 28, 2009, had not been finalized and distributed to campuses, nor had it been incorporated into the Integrated California State University Administrative Manual (ICSUAM). This is a repeat finding from the 2008 systemwide audit of Athletics Administration.

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. It further states that administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

State Administrative Manual (SAM) §20050 states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or are nonexistent.

Executive Order 715, California State University Risk Management Policy, dated October 27, 1999, states that CSU programs and activities should be conducted in a manner that does not impose unreasonable risks.

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 – Update: CSU Employees Working at Sports Camps and Clinics*, dated December 24, 2008, states that background checks are required for all existing non-represented employees and CSU volunteers who perform work at a CSU-hosted sports camp/clinic operated by CSU, a CSU auxiliary, or by an outside entity.

The senior director of collective bargaining, systemwide human resources, stated that a background check policy that applies to all bargaining unit employees who are assigned to or volunteer to work at sports camps/clinics for minors that are held on CSU property has been drafted, but under the collective bargaining statute, it cannot be finalized and implemented until it has been negotiated with all the affected employee unions. He further stated that absent reaching agreement with the unions, background checks cannot be required for current represented employees. The associate director of academic affairs, student academic support, stated his belief that the AOPM had not been finalized and distributed to campuses nor incorporated into the ICSUAM because there was no process owner or steering committee for IA.

Failure to perform background checks for staff working at sports camps/clinics increases the risk of liability to the CSU and the campuses if inappropriate individuals have contact with minors, and failure to finalize and distribute the AOPM increases the risk of misunderstandings related to the performance of duties and functions, inconsistencies in complying with regulatory requirements, inconsistent treatment and handling of issues, and possible litigation.

**Recommendation 1**

We recommend that the CO:

a. Complete the bargaining process with the unions so that a background check policy that applies to all bargaining unit employees who are assigned to, or volunteer to work at, sports camps/clinics for minors can be finalized and implemented.

b. Finalize and distribute the AOPM to all campuses and determine whether it should be incorporated into the ICSUAM.

**Management Response**

We concur.

a. A systemwide policy has been developed and staff are actively engaged in negotiations with the unions regarding implementation. This should be completed by December 2011.

b. A committee of campus experts has been convened to review the draft AOPM, suggest modifications as necessary, determine if the content should be incorporated into ICSUAM, and recommend distribution to the campuses. This should be completed by December 2011.
PROGRAMMATIC RESPONSIBILITIES FOR INTERCOLLEGIATE ATHLETICS

Programmatic responsibilities for IA had not been clearly defined at the CO, nor had they been documented in systemwide policies. Specifically, we found that no process owner or steering committee had been assigned responsibility for the administration of IA policies and procedures, including the adequate resolution of issues noted in internal audit reports or external agency reports, the monitoring of campus athletics programs, the viability and maintenance of campus athletics policies, and the reporting of systemwide compliance to CO management.

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. Further, administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

SAM §20050 states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or are nonexistent.

The associate director of academic affairs, student academic support, stated that various departments at the CO had involvement in athletics administration, but a single owner or committee had not yet been defined in CSU policy.

Failure to assign programmatic responsibility for IA increases the risk of misunderstandings related to the performance of duties and functions, inconsistencies in complying with state and federal requirements, inconsistent treatment and handling of issues, and possible litigation and regulatory sanctions.

Recommendation 2

We recommend that the CO clearly define programmatic responsibilities for IA and document them in systemwide policies.

Management Response

We concur. The committee of campus experts will review and recommend an approach for programmatic responsibility of intercollegiate athletics at the CO, and that responsibility will be incorporated into system policy. This will be completed by December 2011.
**APPENDIX A:**
**PERSONNEL CONTACTED**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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</thead>
<tbody>
<tr>
<td><strong>Office of the Chancellor</strong></td>
<td></td>
</tr>
<tr>
<td>Benjamin F. Quillian</td>
<td>Executive Vice Chancellor and Chief Financial Officer</td>
</tr>
<tr>
<td>Sharyn Abernatha</td>
<td>Senior Manager, Collective Bargaining, Systemwide Human Resources (SHR)</td>
</tr>
<tr>
<td>George Ashkar</td>
<td>Assistant Vice Chancellor/Controller, Financial Services</td>
</tr>
<tr>
<td>James Blackburn</td>
<td>Interim Assistant Vice Chancellor, Academic Affairs, Student Academic Support</td>
</tr>
<tr>
<td>Bill Candella</td>
<td>Senior Director, Collective Bargaining, SHR</td>
</tr>
<tr>
<td>Ray Murillo</td>
<td>Associate Director, Academic Affairs, Student Academic Support</td>
</tr>
<tr>
<td><strong>California State University, East Bay</strong></td>
<td></td>
</tr>
<tr>
<td>Mohammad Qayoumi</td>
<td>President</td>
</tr>
<tr>
<td>Darrell Bailey</td>
<td>Athletic Business Manager</td>
</tr>
<tr>
<td>Shawn Bibb</td>
<td>Vice President, Administration and Finance and Chief Financial Officer</td>
</tr>
<tr>
<td>Debby De Angelis</td>
<td>Director of Athletics</td>
</tr>
<tr>
<td>Sara Judd</td>
<td>Senior Associate Director of Athletics/Senior Woman Administrator</td>
</tr>
<tr>
<td>David Larson</td>
<td>Faculty Athletics Representative</td>
</tr>
<tr>
<td>Marissa Parry</td>
<td>Associate Athletic Director, Internal Operations</td>
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<tr>
<td><strong>California State University, Fresno</strong></td>
<td></td>
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<tr>
<td>John D. Welty</td>
<td>President</td>
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<tr>
<td>Jennifer Barmasse</td>
<td>Compliance Coordinator, Athletics</td>
</tr>
<tr>
<td>Thomas Boeh</td>
<td>Director of Athletics</td>
</tr>
<tr>
<td>Martina Buckley</td>
<td>Associate Athletics Director for Business Operations</td>
</tr>
<tr>
<td>Richard Enns</td>
<td>Business Operations Manager, Athletics</td>
</tr>
<tr>
<td>Russell Hayden</td>
<td>Director of Ticket Operations, Athletics</td>
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<tr>
<td>Jody Jesser</td>
<td>Travel Coordinator, Athletics</td>
</tr>
<tr>
<td>John Lucier</td>
<td>Assistant Athletics Director for Compliance</td>
</tr>
<tr>
<td>Clinton Moffitt</td>
<td>Associate Vice President for Financial Services, Administrative Services</td>
</tr>
<tr>
<td>Betsy Mosher</td>
<td>Senior Associate Athletics Director for Administration and Program Integrity/Senior Woman Administrator</td>
</tr>
<tr>
<td>Diane Sanbongi</td>
<td>Assistant Director of Ticket Operations, Athletics</td>
</tr>
<tr>
<td>Cynthia Teniente-Matson</td>
<td>Vice President for Administration/Chief Financial Officer</td>
</tr>
<tr>
<td><strong>California State University, Long Beach</strong></td>
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<tr>
<td>F. King Alexander</td>
<td>President</td>
</tr>
<tr>
<td>Scott Apel</td>
<td>Associate Vice President, Human Resources Management</td>
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<tr>
<td>Vic Cegles</td>
<td>Director of Athletics</td>
</tr>
<tr>
<td>Mark Edrington</td>
<td>Associate Athletics Director for Facilities/General Manager, Walter Pyramid</td>
</tr>
<tr>
<td>Ted Kadowaki</td>
<td>Associate Vice President, Budget and University Services</td>
</tr>
</tbody>
</table>
APPENDIX A: PERSONNEL CONTACTED

California State University, Long Beach (cont.)
Randall Langejans  
Lisa Mabry  
Cindy Masner  
Stephanie Moreno  
Karen Sinaguglia  
Aysu Spruill  
Mary Stephens  
Sharon Taylor  
Mary Ann Tripodi  
Cameron Ungar  
Gene Wohlgezogen

California State University, Los Angeles
James M. Rosser  
Rene Amio  
Dan Bridges  
Lisa Chavez  
Brendan Dally  
Tanya Ho  
Sheila Hudson  
Sal Rodriguez  
Susan Varela

California State University, Northridge
Jolene Koester  
Heather Cairns  
Ashlie Kite  
Howard Lutwak  
Rick Mazzuto  
Thomas McCarron  
Janet Pinneau  
Ken Premo  
Julie Sandoval  
Kimberly Siemen  
Chris Xanthos

California State University, San Marcos
Karen S. Haynes  
Matthew Ceppi  
Linda Colker
<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Department</th>
</tr>
</thead>
<tbody>
<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</td>
</tr>
<tr>
<td></td>
<td>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>
MEMORANDUM

DATE: July 11, 2011

TO: Larry Mandel
    University Auditor

FROM: Benjamin F. Quillian
       Executive Vice Chancellor and
       Chief Financial Officer
       Ephraim P. Smith
       Executive Vice Chancellor and
       Chief Academic Officer
       Gail Brooks
       Vice Chancellor
       Human Resources

SUBJECT: Management Response to Recommendations of Audit Report #10-73,
         Intercollegiate Athletics Compliance, Systemwide

In response to the “Incomplete Draft” report dated June 17, 2011, we are providing the
enclosed management responses.

Should you have any questions, please feel free to contact any of us.

BFQ:lle

Attachment

c: Bill Candella, Senior Director, Systemwide Labor Relations
   Ray Murillo, Associate Director, Student Programs
INTERCOLLEGIATE ATHLETICS

SYSTEMWIDE

Audit Report 10-73

GENERAL CONTROL ENVIRONMENT

SYSTEMWIDE POLICIES AND PROCEDURES

Recommendation 1

We recommend that the CO:

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Management Response

We concur. A systemwide policy has been developed and staff are actively engaged in negotiations with the unions regarding implementation. This should be completed by December 2011.

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PROGRAMMATIC RESPONSIBILITIES FOR INTERCOLLEGIATE ATHLETICS

Recommendation 2

We recommend that the CO clearly define programmatic responsibilities for IA and document them in systemwide policies.

Management Response

We concur. The committee of campus experts will review and recommend an approach for programmatic responsibility of intercollegiate athletics at the chancellor’s office, and that responsibility will be incorporated into system policy. This will be completed by December 2011.
MEMORANDUM

TO: Mr. Larry Mandel
   University Auditor

FROM: Charles B. Reed
       Chancellor

SUBJECT: Draft Final Report 10-73 on Intercollegiate Athletics, Systemwide

In response to your memorandum of August 5, 2011, I accept the response as submitted with the draft final report on Intercollegiate Athletics, Systemwide.

CBR/amd