

ATHLETICS ADMINISTRATION
CALIFORNIA STATE UNIVERSITY,
SACRAMENTO

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ABBREVIATIONS

AAB	Athletics Advisory Board
AD	Athletics Director
AEMA	Athletic Equipment Managers Association
AIME	Athletic Injury Medical Expense
AIP	Athletic Injury Prevention
APR	Academic Progress Rate
CABMA	Collegiate Athletic Business Management Association
COIA	The Coalition on Intercollegiate Athletics
COSO	Committee of Sponsoring Organizations
CSU	California State University
CSURMA	California State University Risk Management Authority
CSUS	California State University, Sacramento
EADA	Equity in Athletics Disclosure Act
FARA	Faculty Athletics Representatives Association
FY	Fiscal Year
GC	Government Code
HR	Human Resources
IAAC	Intercollegiate Athletic Advisory Committee
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
RFIN	Resolution of the Committee on Finance
SARC	Student-Athlete Resource Center

EXECUTIVE SUMMARY

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

We visited the California State University, Sacramento (CSUS) campus from March 27, 2006, through May 26, 2006, 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 CSUS. Certain areas of program management warranted improvement in measuring efficiency and effectiveness or reporting results.

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]

Monitoring of the fiscal year (FY) 2005/06 athletics budget through April 2006 was not formally documented and did not include projections and strategies to ensure a balanced budget. In April 2006, the FY 2005/06 athletics budget indicated a revenue shortfall of \$415,179 based on revenues of \$7,318,827 and expenses of \$7,734,006. In addition, agendas and minutes of the Intercollegiate Athletic Advisory Committee (IAAC) and its predecessor Athletics Advisory Board (AAB) did not demonstrate that their assigned advisory functions and responsibilities had been fully addressed.

PROGRAM REVENUES [10]

Revenue from sports camps and clinics was not reconciled to corresponding fees and the number of participants.

COMPENSATION AND BENEFITS [11]

The classification of compensation beyond baseline salary for athletic coaches as supplemental or additional could not be definitively determined, and some athletics department personnel received merchandise benefits from third parties that were not reported as taxable benefits.

OPERATING EXPENDITURES AND EQUIPMENT [13]

Some types of athletic operating expenditures lacked thorough documentation. There were no leases for certain athletic facility arrangements including some off-campus sites used by the campus and other on-campus sites used by third parties, and inspection/maintenance of campus athletic facilities was not systematically documented. In addition, inventory records on acquisition, use, and disposition of athletic apparel, equipment, and stock were generally maintained manually. Although a physical count was taken of athletic inventory at season end, it could not be compared to what should have been on hand because there was no tracking system or subsidiary ledger. Authorizations to use trade were not properly

authorized and significant hotel trade was unused. Further, some team travel documentation was incomplete, crucial travel forms were missing, and the campus lacked a policy on who could travel with the teams.

MISCELLANEOUS [19]

The campus had not yet begun performing criminal background checks on personnel working at sports camps and clinics. The campus lagged behind industry averages for staffing in academic advising of student-athletes, and the review and approval of data used in calculation of academic progress rates was not documented. In addition, the campus did not formally report on the effectiveness of the athletic injury prevention program.

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, Sacramento (CSUS) is generally considered a mid-major conference institution for athletic purposes. The main athletic conference affiliation is the Big Sky Conference that includes Eastern Washington, Idaho State, Montana, Montana State, Northern Arizona, Portland State, and Weber State. Other non-Big Sky conference affiliations include:

CSUS SPORT	CONFERENCE AFFILIATION
Baseball	Western Athletic Conference
Gymnastics	Western Athletic Conference
Softball	Pacific Coast Softball Conference
Men's Soccer	Mountain Pacific Sports Federation
Women's Rowing	Western Independent Rowing Association
Men's Golf	Independent

CSUS athletic teams are nicknamed the Hornets and compete at the NCAA Division I (IAA for football) level. The campus supports intercollegiate teams in 9 men’s and 11 women’s sports as follows:

SPORT	MEN’S	WOMEN’S
Baseball	√	
Basketball	√	√
Cross Country	√	√
Football	√	
Golf	√	√
Gymnastics		√
Indoor Track	√	√
Outdoor Track	√	√
Rowing		√
Soccer	√	√
Softball		√
Tennis	√	√
Volleyball		√

In fiscal year (FY) 2004/05, 471 CSUS student-athletes (231 men and 240 women) participated in the 20 intercollegiate athletics programs per the annual EADA report.

On-campus athletic facilities with spectator seating capacities at CSUS include a soccer field (800), softball field (900), baseball field (1,200), football and track stadium (20,000), and gymnasium (1,200).

Athletics at CSUS is administered by a director of athletics (commonly referred to as the athletics director) who reports directly to the president’s office through the executive vice president.

CSUS intercollegiate athletics has a close working relationship with the kinesiology and health science department in the College of Health and Human Services, which offers an undergraduate degree with an option in athletic training. The relationship includes shared operation of the men’s and women’s athletic equipment rooms in Yosemite Hall and availability of internship opportunities 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 on the Committee of Finance (RFIN) 11-96-13, which delegated authority to the chancellor to enter into a joint powers agreement. Pursuant to Section 9.b.iv of the agreement, the CSURMA is authorized to approve any new coverage programs. Athletic Injury Medical Expense (AIME) is one of the main CSURMA programs. AIME provides secondary coverage for medical expenses from athletic injuries not paid by the student-athlete’s primary insurance.

PURPOSE

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

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

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

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

SCOPE AND METHODOLOGY

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

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

Operations Objectives

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

Financial Reporting Objectives

These pertain to the preparation of reliable published financial statements.

Compliance Objectives

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

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

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

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

GENERAL ENVIRONMENT

ATHLETICS BUDGETING

Athletics administration monitoring of the fiscal year (FY) 2005/06 athletics budget through April 2006 was not formally documented and did not include projections and strategies to ensure a balanced budget.

In April 2006, the FY 2005/06 athletics budget indicated a revenue shortfall of \$415,179 based upon revenues of \$7,318,827 and expenses of \$7,734,006. No written analysis of the budget as compared to actual revenues and expenditures existed to document the plan to correct this imbalance.

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 revenues and expenditures.

The *2005-06 National Collegiate Athletic Association (NCAA) Division I Manual* states:

6.2 BUDGETARY CONTROL

6.2.1 Normal Budgeting Procedures. The institution's annual budget for its intercollegiate athletics programs shall be controlled by the institution and subject to its normal budgeting procedures.

6.2.2 Chief Executive Officer Approval. The institution's chief executive officer or an institutional administrator designated by the chief executive officer from outside the athletics department shall approve the annual budget in the event that the institution's normal budgeting procedures do not require such action.

The athletics director (AD) stated that the balance noted in April 2006 was just a snapshot and not necessarily an accurate reflection of the year-end balance. He further stated that athletics was aware of additional revenues expected prior to year-end and relied on cash balances in trust and auxiliary accounts to offset any shortfalls.

Imbalanced budgets increase the risk of misunderstandings on financial expectations, while any lack of budgetary control creates opportunities for spending that exceeds available funds.

Recommendation 1

We recommend that the campus document its monitoring plan for managing financial resources to attain balanced athletic budgets.

Campus Response

We concur. By April 30, 2007, athletics administration will document their enhanced process of budget monitoring that will improve the identification and resolution of budget short falls during the academic year.

ADVISORY BOARD

Agendas and minutes of the Intercollegiate Athletic Advisory Committee (IAAC) and its predecessor Athletics Advisory Board (AAB) did not demonstrate that their assigned advisory functions and responsibilities had been fully addressed.

The AAB had been in place since 1985. During fall 2005, the campus expanded the membership and responsibilities of this advisory group to include a name change to the IAAC. Academic year 2005/06 represented the transition year and quarterly meetings were held during spring 2006. The newly established IAAC functions and responsibilities were very specific and included similarities to the AAB such as:

- ▶ Formulate, review, and update all policies pertaining to intercollegiate athletics.
- ▶ Review the annual athletics budget and provide guidance concerning other financial matters of the intercollegiate athletics program.
- ▶ Ensure that the intercollegiate athletics program adheres to all policies, rules, and regulations set forth by university administration and the NCAA.

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 an effective system of internal review.

The former AAB chair and current faculty athletic representative/IAAC member stated that the IAAC was still new and only beginning to establish how it would operate.

Incomplete documentation of actions taken by the AAB/committee increases the risk of program irregularities.

Recommendation 2

We recommend that the campus review the functions and responsibilities of the IAAC and strengthen its process to adequately monitor and document the committee's accomplishments.

Campus Response

We concur. By April 30, 2007, the IAAC will formalize the process whereby the committee's accomplishments are monitored and documented. This process will include a long-term calendar that ensures all roles and responsibilities of the IAAC are fulfilled and documented on an annual basis with defined reporting periods.

PROGRAM REVENUES

Revenue from sports camps and clinics was not reconciled to corresponding fees and the number of participants.

The campus operated numerous sports camps and clinics. Although the athletics department prepared a balance sheet for each camp/clinic, the revenue was not reconciled to approved fees and the number of participants.

State Administrative Manual §7920 states that each agency is responsible to complete any reconciliation necessary to safeguard the state's assets and ensure reliable financial data.

The athletics department business manager stated that since her arrival in spring 2005, revenues and expenditures related to camps and clinics had been monitored; however, revenue reconciliations had not been included in this evolving process.

Lack of reconciliations increases the risk that errors and irregularities will not be detected and could result in inappropriate activities and a loss of funds.

Recommendation 3

We recommend that the campus reconcile sports camp and clinic revenues to corresponding fees and the number of participants.

Campus Response

We concur. The university will strengthen its policies and procedures for funds received from camp and clinic participants. These enhanced policies and procedures will include a process to reconcile revenues to approved fees and number of paying participants. The implementation of the reconciliation process will be completed by April 30, 2007.

COMPENSATION AND BENEFITS

COMPENSATION

The classification of compensation beyond baseline salary for athletic coaches as supplemental or additional could not be definitively determined.

The head football coach received compensation for a radio show and a sports camp from the campus. Other compensation for an automobile was previously received by the head football coach, but had been recently discontinued.

California State University (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 HR to approve MPP supplemental compensation exceptions. Approval for supplemental compensation for athletic coaches is the responsibility of the campus president in consultation with the vice chancellor of HR and General Counsel, as appropriate.

The cover memo to HR 2002-05, *Additional Employment Policy*, dated February 19, 2002, describes compensation terminology as follows:

The *Additional Employment Policy* establishes reasonable limits on the total amount of employment an individual may have within the CSU system. CSU employment is defined as any employment compensated through CSU payroll, regardless of funding source (e.g., General Fund, extension, lottery, CSU employment reimbursed by an auxiliary, or other source). Outside employment is any employment not compensated through the CSU payroll, including CSU foundation and CSU auxiliary employment. When determining additional employment under the CSU *Additional Employment Policy*, all CSU employment and all outside CSU foundation and other CSU auxiliary employment are considered together.

HR 2002-05 states:

The additional employment limitations are based on time-base, not salary. A maximum of 125% time-base is allowed under certain circumstances.

The vice president of HR stated that coach participation in camps/clinics and/or radio shows constituted additional employment, based on the coach's contract and the source of payment. He further stated that athletics administration complied with university policies and procedures and obtained appropriate level of approval.

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 determine which activities constitute supplemental compensation arrangements and which are additional employment opportunities.

Campus Response

We concur. By April 30, 2007, the university will consult with the chancellor's office to determine to the extent practicable which activities of athletic coaching staff may constitute supplemental compensation arrangements and which are additional employment opportunities.

BENEFITS

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

The campus recently signed a contract with Nike that made merchandise available to athletic administrators and coaches, in part, as follows:

Members of the football staff (to be designated by the head football coach) shall be entitled to collectively order directly from Nike and receive up to five thousand dollars (\$5,000 retail value) worth of Nike products.

The State Controller's Office *Payroll Procedures Manual*, §N127.4 and §N175.1, state that incentives provided by third parties (non-cash goods, property, merchandise, etc.) are taxable benefits.

The AD stated that the athletics administration was unaware that the receipt of merchandise from a third party constituted a taxable benefit that needed to be reported to the campus payroll office.

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.

Campus Response

We concur. Effective October 2006, the athletics department created and distributed a form to all athletic department staff required to report merchandise incentives. During November 2006, the payroll office, based on receipt of the required information from athletics, reported the merchandise incentives to the State Controller's Office for the 2006 calendar year.

OPERATING EXPENDITURES AND EQUIPMENT

FACILITY ARRANGEMENTS

There were no leases for certain athletic facility arrangements including some off-campus sites used by the campus and other on-campus sites used by third parties, and inspection/maintenance of campus athletic facilities was not well documented.

We found that:

- ▶ Procurement and contract services had no contracts for athletics department arrangements with:
 - Rio del Oro Racquet Club (used for off-campus practice and as a competition facility for men's and women's tennis).
 - Nike Baseball Camp (although the camp used on-campus fields and residential facilities, a contract only existed for housing).
 - Cordova High School and Foothill High School (off-campus synthetic turf fields used by the football team for spring practice).
- ▶ Although some inspection and maintenance records were available for certain athletic facilities, there were variations in how well activities were documented. For scheduled inspections or planned maintenance of a facility/structure, a work order might exist in the facilities services system such as the annual refinishing of court surfaces in Yosemite Hall (which also required a calendar entry to assure that everyone was apprised that the facility would be closed during the scheduled work). In other instances, there were various communications regarding inspection/maintenance requirements during meetings and discussions, but these were not consistently memorialized and retained unless someone happened to keep some type of communication such as an e-mail. Much of what occurred with respect to inspections/maintenance varied with the situation and even the persistence of the personnel involved.

Procurement and contract services at California State University, Sacramento (CSUS) is the only campus unit authorized to obligate the university in procurement related matters. Contracts and leases are initiated based on approved requisitions from campus departments. Facilities services is responsible for the university's buildings, physical infrastructure, landscape, and grounds and in this capacity, it maintained and renovated campus facilities, as needed.

The *CSU Policy Manual for Contracting and Procurement*, §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.

Guideline 1.a. of the *2005-06 NCAA Sports Medicine Handbook* states:

The adequacy and conditions of the facilities used for particular intercollegiate athletics events should not be overlooked, and periodic examination of the facilities should be conducted. Inspection of the facilities should include not only the competitive area, but also warm-up and adjacent area.

The director of procurement and contract services stated that the athletics department had not requested that contracts be written for these facility arrangements. The athletics department director of operation/facilities and the director of grounds and custodial services stated that they had weekly meetings to address inspection/maintenance of athletic facilities.

Absence of appropriate facility leases and inspection/maintenance records increases the risk of misunderstandings and potential legal liabilities.

Recommendation 6

We recommend that the campus:

- a. Ensure appropriate leases for all athletic department facility use arrangements.
- b. Improve documentation for the inspection/maintenance of athletic facilities.

Campus Response

- a. We concur. The athletics department will work with the appropriate campus departments, including space management and procurement and contract services, to strengthen its policies and procedures when leasing athletic facilities to outside groups. The revised policies and procedures will be implemented by April 30, 2007.
- b. We concur. The athletics department will work with facility services to ensure consistent documentation for the inspection and maintenance of athletic facilities. The implementation of these procedures will occur by January 31, 2007, and an annual review of documentation will occur every September 1.

EQUIPMENT MANAGEMENT

Records of athletic apparel, equipment, and stock were generally maintained manually and did not provide for effective inventory control.

The athletic equipment room at the field house was staffed principally by two attendants who maintained records through a combination of Excel workbooks and manually maintained cards of items checked out to student-athletes. Although a physical count was taken of athletic inventory at season end, it could not be compared to what should have been on hand because there was no tracking system or subsidiary ledger.

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 AD stated that the automation of equipment room operations was a cost that they had not yet budgeted.

Effective equipment room systems reduce the risk of misuse of athletic resources and mismanagement of athletic program funds.

Recommendation 7

We recommend that the campus modernize the operation of the field house equipment room by investing in computer software designed for this purpose. Such software is available through industry sources that include features such as automation of purchase requisitions, bar coding of individual items, inventory tracking, issue and receiving recordkeeping, and comprehensive reporting.

Campus Response

We concur. As of November 30, 2006, athletics administration determined that based on limited personnel and financial resources, the existing systems appeared to be adequate for current needs. However, the Broad Athletic Facility is currently under construction. As the project nears completion during spring 2008, athletics administration will review monitoring and inventory support for athletics equipment and apparel. Recommendations for enhanced systems will be made based on funding and resource availability.

TRADE-OUTS

Authorizations to use trade were not properly authorized and significant hotel trade was unused.

The concept of a trade or trade-out in athletics is typically a non-cash transaction with sponsors/partners. The sponsors/partners receive a combination of: a) recognition in game programs, stadium signage, or radio/television broadcasts, b) event tickets, which could also include preferred parking 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.

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

- ▶ Authorization for the trade arrangement with Applebee's restaurant could not be located by the campus.
- ▶ The AD did not consistently authorize trade use, but it was unofficially approved by the associate AD of marketing who processed the requests.
- ▶ Trade involved some promotional items from sponsors such as clothing. For this merchandise, there were not detailed records of recipients or use as giveaways.
- ▶ Less than 50% of the room nights negotiated in hotel trade were actually used.

The *CSUS 2005/06 Athletics Department Staff Manual* states that the AD signs off on all trade requests.

The *2005-06 NCAA Division I Manual* states:

Bylaw 16.8.1.9 Apparel for Community Service or Team Travel. An institution may provide a student-athlete with one shirt (e.g., polo, oxford style) bearing the institution's logo to be used for team travel or other events at which he or she is representing the institution. The shirt may bear a single manufacturer's or distributor's normal trademark or logo not to exceed 2 1/4 square inches in area, including any additional materials surrounding the normal trademark or logo.

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 AD of marketing stated that he had been authorized to approve some trade usage and that it was always better to have more trade than needed rather than getting caught short and not having enough.

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 NCAA regulations.

Recommendation 8

We recommend that the campus:

- a. Improve documentation of trade authorization and usage.
- b. Adjust hotel trade to closer approximate actual need.

Campus Response

We concur. By January 31, 2007, athletics administration will strengthen documentation of trade authorization and usage. Additionally, guidelines will be developed regarding acceptance of hotel trade to better approximate actual need. These guidelines will be implemented by April 30, 2007.

TEAM TRAVEL

Team travel documentation was incomplete, crucial travel forms were missing, and the campus lacked a policy on who could travel with the teams.

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 FY 2005/06 and found that:

- ▶ None of the trip documentation contained advance authorization and identification of members of the traveling party.
- ▶ One trip tested involved the football team traveling to a November 5, 2005, away game against Montana State in Bozeman. This trip was governed by conference regulations, which limited the number of players that can travel to 58 student-athletes. However, besides student-athletes, the travel party also included coaches, trainers, team physicians, equipment managers, media relations personnel, and others. The following documentation for this trip did not substantiate the number and members of the travel party and did not support the travel expenditures related to air and bus transportation, hotel, and meals:
 - Chartered buses for round trip ground transportation between the campus and the Sacramento airport and in Bozeman that could accommodate 96 people.
 - Chartered a 122-seat capacity 737-200 for round trip air transportation from Sacramento to Bozeman.
 - Paid for 78 dinners at the Bozeman hotel on November 4, 2005.
 - Reserved and used 51 rooms (43 doubles, 2 suites, and 6 singles) at the Bozeman hotel for the night of November 4, 2005, that could accommodate a minimum of 92 guests, excluding the suites.
 - Paid for 99 breakfasts at the Bozeman hotel on November 5, 2005.

Establishing precisely how many people traveled with the team and identifying travelers by name could not be done based on the records retained by the campus.

The *CSUS 2005/06 Athletics Department Staff Manual* for travel requires:

- ▶ Limiting travel to ordinary and necessary expenses.
- ▶ Submitting a separate team travel request for each trip (may be submitted at the beginning of each academic year) approved by the sport specific associate AD.
- ▶ Submitting a team travel party list and itinerary to the travel coordinator at least 24 hours in advance of the trip.

The athletics department business manager stated that documentation was incomplete due to staff turnover and an ongoing training process. The AD stated that a policy concerning who could travel with athletic teams was considered too inflexible.

Absence of acceptable travel documentation and a policy regarding who is entitled to travel with teams increases the risk of excessive costs and exposes the campus to compliance issues and potential liabilities.

Recommendation 9

We recommend that the campus:

- a. Enforce requirements for travel documentation in athletics.
- b. Establish a policy limiting the number of non-student-athletes entitled to travel with athletic teams.

Campus Response

- a. We concur. As of October 1, 2006, the athletics department, in conjunction with accounts payable, developed and implemented a comprehensive travel manual that was included in the *Athletic Department Staff Manual*. These enhanced policies and procedures included a written process regarding documentation requirements.
- b. We concur. The athletics department will establish a policy within the travel manual that clearly identifies non-student-athletes entitled to travel with athletic teams. The revised policies and procedures will be implemented by April 30, 2007.

MISCELLANEOUS

SPORTS CAMPS

The campus had not yet begun performing criminal background checks on personnel working at sports camps and clinics.

There were a number of different sports camps and clinics that operated on-campus, typically during the summer months. These camps were available to certain age groups, mainly 12- to 18-year-olds. The majority of these camps and clinics were owned by the campus and administered by the athletics department. Three exceptions included the Nike Baseball Camp and two camps/clinics operated by an assistant campus baseball coach.

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 associate vice president of HR stated that the policy had been under development and added that it had taken extra time to obtain access authorizations to systems that contained the necessary information.

The absence of criminal background checks increases the risk of inappropriate personnel assignments for sports camps and clinics, which could potentially damage CSU's reputation.

Recommendation 10

We recommend that the campus perform criminal background checks on personnel working at sports camps and clinics.

Campus Response

We concur. The university is committed to performing criminal background checks on personnel working at sports camps and clinics. The implementation of criminal background checks for university personnel working at sports camps and clinics will be completed by April 30, 2007.

ATHLETIC ACADEMIC SUPPORT STAFFING

The campus lagged behind industry averages for staffing in academic advising of student-athletes.

The Student-Athlete Resource Center (SARC) reporting to the vice president of student affairs at the campus had primary responsibility for academic advising of student-athletes.

The National Association of Academic Advisors for Athletics (N4A) regularly surveys higher education institutions concerning support positions provided for student-athlete academic advising and publishes its results in ranges based on the size of the student-athlete population. A comparison

of N4A's 2005 *Athletic Academic Support Survey* for programs similar in size to CSUS (400-499 student-athletes) to the number of CSUS positions in SARC is presented below and showed that CSUS lagged behind industry averages:

FACTOR	N4A	SARC
Average Number of Full-Time Employees*	8	3
Average Number of Part-Time Employees*	8	0
Average Number of Clerical Employees	2	0
Average Number of Graduate Assistants	3	1
Average Number of Tutors	29	20-25

* = excluding clerical employees

One measurement of academic performance of student-athletes is the NCAA's Academic Performance Program and specifically the academic progress rate (APR). The APR is calculated by measuring eligibility and retention of scholarship student athletes by team each term. In the first year of the reporting cycle, campus teams falling below a 925 APR were assessed contemporaneous penalties and loss of scholarships. In this cycle, it was widely reported in the media that 111 Division I teams, from a total of 6,112 teams at 72 schools produced failing marks under the NCAA's academic measurements and would begin losing scholarships in fall 2006. CSUS was identified as the school with the most teams affected (six) which translated into the potential loss of 2.3 scholarships.

The SARC director stated that as funds became available, staffing was increased based on the growth associated with the program and the extent of services offered. He further stated that compared with other Division I CSU campuses the SARC staffing levels were low; however, support services have continued to increase due to funding opportunities available from the NCAA and the Big Sky Conference.

An under-sized level of academic advising staffing seriously constrains the provision of academic support services.

Recommendation 11

We recommend that the campus consider increasing athletic academic advising staff.

Campus Response

We concur. CSUS recognizes the need to review and monitor staffing levels related to academic support services for student-athletes. By January 31, 2007, the vice president of student affairs will prepare a memorandum acknowledging the need to review the advising staff support levels and to recommend additions as necessary, considering funding and resource availability.

ACADEMIC PROGRESS REPORTING

The campus had not documented its review and approval of data used in the calculation of APR.

The NCAA had implemented a system for capturing and calculating APR based on input from the member institutions. CSUS had limited circulation of access rights to the NCAA system. There was anecdotal evidence that APR numbers reported externally were checked and double-checked by multiple individuals from the campus, but when this process occurred, it was done online, and there was no documentation retained or made available from the system to evidence who reviewed what.

The SARC director stated that the NCAA had not yet made available a system feature to provide an audit trail of who logged onto the system and when and what they may have reviewed, approved, or edited.

Involvement of multiple individuals can be an important internal control, but it also increases the risk of erroneous data manipulation.

Recommendation 12

We recommend that the campus document its review and approval of APR data.

Campus Response

We concur. The process of reviewing and submission of APR data will continue to be performed by SARC, in consultation with appropriate intercollegiate athletics employees. Both the SARC director and the AD will sign and date a memorandum acknowledging the review of NCAA APR data by athletics department administration and head coaches. This memorandum will serve as evidence of review and approval of submitted data. By April 30, 2007, athletics department administration will document this process for inclusion in athletic department operating manuals.

ATHLETIC INJURY PREVENTION EFFECTIVENESS

The campus did not formally report on the effectiveness of the athletic injury prevention (AIP) program.

AIP was a shared responsibility among team physicians, certified athletic trainers, and student-athletes. CSUS employed certified athletic trainers, operated three athletic training rooms, and had established medical policies and athletic training room procedures that addressed components of a safe athletics program. The campus prepared injury reports when injuries occurred and kept records on treatments received by student-athletes in athletic training rooms. For many years, the campus participated in the NCAA Injury Surveillance System (ISS) for sports treated in the Yosemite Hall training rooms, but it did not summarize athletic injuries or compare the frequency and severity of CSUS injuries to NCAA statistics.

The NCAA 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 (AIME) provides secondary insurance coverage for athletic injuries that are not covered by primary carriers.

The associate AD/senior women's administrator stated that the best source of information on athletic injuries would be the AIME reports, but AIME would not reflect injury claims paid by the student-athlete's primary insurance carrier. She further stated that extent of athletic injuries would fluctuate from year to year and that multi-year reports comparing the campus with the ISS industry statistics would necessitate additional effort to get other non-participating sports involved.

Absence of program self-assessment and comparison with industry standards increases the risk that program improvements will not occur and AIP effectiveness will not be maximized.

Recommendation 13

We recommend that the campus:

- a. Formalize accumulation of athletic injury statistics.
- b. Regularly compare injury profiles with ISS numbers and report outcomes.

Campus Response

We concur. By April 30, 2007, athletics administration will document the process of reporting, reviewing, and monitoring athletic injury statistics. This process will include data input to the ISS, a comparison with other similar institutions, and will be presented to the AD.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Alexander Gonzalez	President
Edmundo Aguilar	University Counsel
Nicole Baldasare	Administrative Assistant, Athletics Department (At time of review)
Kenneth Barnett	Chief and Director, Public Safety
Brian Berger	Media Relations Director, Athletics
Jan Berger	Senior Manager, Faculty Records and Compensation
Julie Chiarelli	Director of Finance, Capital Public Radio Inc.
Mike Christensen	Interim Assistant Vice President, Risk Management Services
Gina Curry	Director, Student Financial Services Center
Leslie Davis	Director, University Union Operations of CSU Sacramento
Paul Edwards	Director, Student-Athlete Resource Center
Jackie Fierros	Payroll Manager
Mary Ford	Benefits Manager
Stephen Garcia	Chief Financial Officer and Vice President for Administration and Business Affairs
Suzanne Green	Associate Vice President for Financial Services
Stacy Hayano	Interim Director, Budget Planning and Administration/ University Budget Officer
Steve Iwasa	Equipment Room Attendant
Susan Johnson	Director of Accounts Payable
Norman Kwong	Administrative Analyst/Specialist, Budget Planning and Administration
Mark Leisz	Manager, Customer Services (Facilities Services)
Mark Livingston	Associate Athletics Director, Marketing
Hillery Magness	Athletic Trainer (Yosemite Hall)
Lois Mattice	Associate Athletics Director/Senior Women's Administrator
Stewart McConnell	Senior Management Auditor, Auditing Services
Kathi McCoy	Director, Auditing Services
Steve McLaughlin	Ticket Operations Director
Randolph Morgan	Director of Finance and Administration, Associated Students Inc.
Donna Parenti	Director of Finance and Administration, University Enterprises Inc.
Kent Porter	Associate Vice President for Human Resources, Faculty and Management Employment
Joe Ramos	Athletic Trainer (Field House)
Dave Raske	Professor, Special Education and Faculty Athletic Representative
Elizabeth Redmond	Associate Vice President for Human Resources, Staff Employment
Karen Robinson	Accounting Technician Lead, Accounts Payable
Mario Ruiz	Director, Grounds and Custodial Services (Facilities Services)
David Shannon	Director, Procurement and Contract Services

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Joseph Sheley	Executive Vice President, Office of the President (At time of review)
Steve Somsen	Risk Manager (At beginning of review)
Kirtland Stout	Interim Risk Manager
Steve Tebbs	Director of Operations/Facilities (Athletics Department)
Caryl Vickers-Harper	Assistant Director, Student Financial Services Center
David Wagner	Vice President for Human Resources
Terry Wanless	Director of Athletics
Rose Welch	Business Manager, Athletics Department
Katherine Zedonis	Director of Student Services/Compliance Coordinator



SACRAMENTO
STATE

California State University, Sacramento
Office of the Chief Financial Officer & Vice President
6000 J Street • Sacramento Hall 272 • Sacramento, CA 95819-6038
T (916) 278-6312 • F (916) 278-5783 • www.csus.edu/admbus/

RECEIVED
UNIVERSITY AUDITOR

DEC 19 2006

THE CALIFORNIA STATE
UNIVERSITY

December 14, 2006

Larry Mandel
Office of the University Auditor
The California State University
401 Golden Shore
Long Beach, CA 90802-4210

SUBJECT: CAMPUS RESPONSE TO RECOMMENDATIONS OF AUDIT –
ATHLETICS ADMINISTRATION, REPORT #06-25

Dear Mr. Mandel:

We submit the attached document as our response to the recommendations of the audit. The campus is committed to addressing and resolving the issues identified in the audit report.

If you have any questions or require additional information, please contact Kathi McCoy, Director of Auditing Services, at 916 278-7439.

Sincerely,

Stephen G. Garcia
Vice President for Administration

Attachment

cc: Alexander Gonzalez
Joseph Sheley
Lori Varlotta
David Wagner
Terry Wanless
David Raske
Stephen Perez
Kathi McCoy
Ronald Richardson

\\Ltr to OUA Responses to Athletic Admin. Audit.Dec.2006

**ATHLETICS ADMINISTRATION
CALIFORNIA STATE UNIVERSITY,
SACRAMENTO**

**Audit Report 06-25
November 1, 2006**

GENERAL ENVIRONMENT

ATHLETICS BUDGETING

Recommendation 1

We recommend that the campus document its monitoring plan for managing financial resources to attain balanced athletic budgets.

Campus Response

We concur. By April 30, 2007, athletics administration will document their enhanced process of budget monitoring that will improve the identification and resolution of budget short falls during the academic year.

ADVISORY BOARD

Recommendation 2

We recommend that the campus review the functions and responsibilities of the IAAC and strengthen its process to adequately monitor and document the committee's accomplishments.

Campus Response

We concur. By April 30, 2007, the IAAC will formalize the process whereby the committee's accomplishments are monitored and documented. This process will include a long-term calendar that ensures all roles and responsibilities of the IAAC are fulfilled and documented on an annual basis with defined reporting periods.

PROGRAM REVENUES

Recommendation 3

We recommend that the campus reconcile sports camp and clinic revenues to corresponding fees and the number of participants.

Campus Response

We concur. The University will strengthen its policies and procedures for funds received from camp and clinic participants. These enhanced policies and procedures will include a process to reconcile revenues to approved fees and number of paying participants. The implementation of the reconciliation process will be completed by April 30, 2007.

COMPENSATION AND BENEFITS

COMPENSATION

Recommendation 4

We recommend that the campus consult with the chancellor's office to determine which activities constitute supplemental compensation arrangements and which are additional employment opportunities.

Campus Response

We concur. By April 30, 2007, the University will consult with the Chancellor's Office to determine to the extent practicable which activities of athletic coaching staff may constitute supplemental compensation arrangements and which are additional employment opportunities.

BENEFITS

Recommendation 5

We recommend that the campus report merchandise incentives provided to athletics department staff to the State Controller.

Campus Response

We concur. Effective October 2006, the Athletics Department created and distributed a form to all athletic department staff required to report merchandise incentives. During November 2006, the Payroll Office, based on receipt of the required information from Athletics, reported the merchandise incentives to the State Controller's Office for the 2006 calendar year.

OPERATING EXPENDITURES AND EQUIPMENT

FACILITY ARRANGEMENTS

Recommendation 6

We recommend that the campus:

- a. Ensure appropriate leases for all athletic department facility use arrangements.

- b. Improve documentation for the inspection/maintenance of athletic facilities.

Campus Response

- a. We concur. The Athletics Department will work with the appropriate campus departments, including Space Management and Procurement & Contract Services, to strengthen its policies and procedures when leasing athletic facilities to outside groups. The revised policies and procedures will be implemented by April 30, 2007.
- b. We concur. The Athletics Department will work with Facility Services to ensure consistent documentation for inspection and maintenance of athletic facilities. The implementation of these procedures will occur by January 31, 2007, and an annual review of documentation will occur every September 1.

EQUIPMENT MANAGEMENT

Recommendation 7

We recommend that the campus modernize the operation of the field house equipment room by investing in computer software designed for this purpose. Such software is available through industry sources that include features such as automation of purchase requisitions, bar coding of individual items, inventory tracking, issue and receiving recordkeeping, and comprehensive reporting.

Campus Response

We concur. As of November 30, 2006, athletics administration had determined that based on limited personnel and financial resources, the existing systems appeared to be adequate for current needs. However, the Broad Athletic Facility is currently under construction. As the project nears completion during spring 2008, athletics administration will review monitoring and inventory support for athletics equipment and apparel. Recommendations for enhanced systems will be made based on funding and resource availability.

TRADE-OUTS

Recommendation 8

We recommend that the campus:

- a. Improve documentation of trade authorization and usage.
- b. Adjust hotel trade to closer approximate actual need.

Campus Response

We concur. By January 31, 2007, athletics administration will strengthen documentation of trade authorization and usage. Additionally, guidelines will be developed regarding acceptance of hotel trade to better approximate actual need. These guidelines will be implemented by April 30, 2007.

TEAM TRAVEL

Recommendation 9

We recommend that the campus:

- a. Enforce requirements for travel documentation in athletics.
- b. Establish a policy limiting the number of non-student-athletes entitled to travel with athletic teams.

Campus Response

- a. We concur. As of October 1, 2006, the Athletics Department, in conjunction with Accounts Payable, developed and implemented a comprehensive travel manual that was included in the Athletic Department Staff Manual. These enhanced policies and procedures included a written process regarding documentation requirements.
- b. We concur. The Athletics Department will establish a policy within the travel manual that clearly identifies non-student athletes entitled to travel with athletic teams. The revised policies and procedures will be implemented by April 30, 2007.

MISCELLANEOUS

SPORTS CAMPS

Recommendation 10

We recommend that the campus perform criminal background checks on personnel working at sports camps and clinics.

Campus Response

We concur. The University is committed to performing criminal background checks on personnel working at sports camps and clinics. The implementation of criminal background checks for university personnel working at sports camps and clinics will be completed by April 30, 2007.

ATHLETIC ACADEMIC SUPPORT STAFFING

Recommendation 11

We recommend that the campus consider increasing athletic academic advising staff.

Campus Response

We concur. Sacramento State recognizes the need to review and monitor staffing levels related to academic support services for student-athletes. By January 31, 2007, the Vice President for Student

Affairs will prepare a memorandum acknowledging the need to review the advising staff support levels and to recommend additions as necessary considering funding and resource availability.

ACADEMIC PROGRESS REPORTING

Recommendation 12

We recommend that the campus document its review and approval of APR data.

Campus Response

We concur. The process of reviewing and submission of APR data will continue to be performed by SARC, in consultation with appropriate Intercollegiate Athletics employees. Both the SARC Director and the Athletics Director will sign and date a memorandum acknowledging the review of NCAA APR data by Athletics Department administration and head coaches. This memorandum will serve as evidence of review and approval of submitted data. By April 30, 2007, Athletic Department administration will document this process for inclusion in Athletic Department Operating Manuals.

ATHLETIC INJURY PREVENTION EFFECTIVENESS

Recommendation 13

We recommend that the campus:

- a. Formalize accumulation of athletic injury statistics.
- b. Regularly compare injury profiles with ISS numbers and report outcomes.

Campus Response

We concur. By April 30, 2007, athletics administration will document the process of reporting, reviewing, and monitoring athletic injury statistics. This process will include data input to the Injury Illness Surveillance System (ISS), a comparison with other similar institutions, and will be presented to the Athletics Director.



THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

January 29, 2007

CHANNEL ISLANDS

CHICO

MEMORANDUM


DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor 

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Audit Report 06-25 on *Athletics Administration*,
California State University, Sacramento

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of January 29, 2007, I accept the response as submitted with the draft final report on *Athletics Administration*, California State University, Sacramento.

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. Alexander Gonzalez, President
Ms. Kathi McCoy, Director of Auditing Services

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS