

**ATHLETICS ADMINISTRATION
SAN DIEGO STATE UNIVERSITY**

**Audit Report 06-28
March 1, 2007**

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ABBREVIATIONS

AAF	Aztec Athletic Foundation
AATO	Aztec Athletic Ticket Office
AEMA	Athletic Equipment Managers Association
AES	Athletic Equipment Services
AIME	Athletic Injury Medical Expense
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
EADA	Equity in Athletics Disclosure Act
EO	Executive Order
EQ	Equipment
FARA	Faculty Athletics Representatives Association
FY	Fiscal Year
GC	Government Code
HR	Human Resources
ISS	Injury Surveillance System
MPP	Management Personnel Plan
N4A	National Association of Academic Advisors for Athletics
NAACC	National Association of Athletic Compliance Coordinators
NAADD	National Association of Athletic Development Directors
NACDA	National Association of Collegiate Directors of Athletics
NACMA	National Association of Collegiate Marketing Administrators
NAIA	National Association of Intercollegiate Athletics
NATA	National Athletic Trainers' Association
NCAA	National Collegiate Athletic Association
RATO	Request to Approve Trade-Out Agreement
RFIN	Resolution of the Committee on Finance
SAM	State Administrative Manual
SDSU	San Diego State University
SDSURF	San Diego State University Research Foundation

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 San Diego State University (SDSU) campus from August 14, 2006, through October 6, 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 SDSU. Certain areas of program management warranted improvement in operating controls and in measuring efficiency and effectiveness.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

PROGRAM REVENUES [8]

Cash control weaknesses were found at the Aztec Athletic Ticket Office and in handling sports camp revenues. Accountability of ticketing transactions was not appropriately localized, roll-stock tickets used for baseball, softball, and other special events were not adequately inventoried or secured, and funds were not always deposited in a timely manner. Further, sports camp revenues were not properly budgeted, deposited, recorded, and reconciled. Sports camp budgets prepared by the coaches were not always submitted to and approved by the athletics business office prior to the camp as required, the campus had not clearly established ownership of sports camps and matched revenue and expenditures accordingly, and revenue from sports camps and clinics was not reconciled to corresponding fees and the number of participants. Sports camp cashiering lacked certain revenue safeguards. For example, checks were not restrictively endorsed upon initial receipt, funds that were received for sports camps were not always timely transferred to the Aztec Athletic Foundation, and transfer receipts were not provided to the sports camp administrator when funds were delivered to the foundation. One fund-raising event lacked adequate planning documentation.

COMPENSATION AND BENEFITS [13]

Overtime was not always properly approved in advance and overtime payments were often excessive. A review of overtime paid to athletics department personnel from January 2005 to June 2006 disclosed that five personnel from event operations were not required to obtain advance management approval of scheduled overtime hours. Additionally, each of these five employees were paid an average of 222 overtime hours in 2005 and 471 overtime hours in 2006, which did not include another 120 hours of compensatory time-off that was carried forward from year to year. On supplemental compensation, the campus could not provide evidence that it consulted with the chancellor's office on payments to two athletic coaches. Appointment letters for intercollegiate athletic participants in the Management Personnel Plan were not always executed in a timely manner. In addition, athletics department personnel

received merchandise benefits through a campus contract and the campus had not documented that these distributions had been properly reported as taxable benefits.

OPERATING EXPENDITURES AND EQUIPMENT [17]

Equipment room inventory procedures were not always adequate to ensure management reporting of shrinkage, inventory valuation was not consistent, and the disposition of surplus inventory was not always adequately controlled. The inspection and maintenance of athletic facilities was not well documented. Trade-outs were not always appropriately completed and authorized according to campus policy. Further, team travel arrangements were not always properly documented, the campus lacked a policy for guests and support staff authorized to travel on the chartered team flights, and travel expense claims requested reimbursement for meal totals in excess of the institutionally allotted per diem amount of \$46.

MISCELLANEOUS [24]

Background checks were not always performed for personnel working at sports camps. Further, the campus did not formally report on the effectiveness of athletic injury prevention.

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.

San Diego State University (SDSU) is generally considered a major conference institution for athletic purposes. The main athletic conference affiliation is the Mountain West Conference that includes the Air Force Academy, Brigham Young University, Colorado State University, University of New Mexico, Texas Christian University, University of Nevada at Las Vegas, University of Utah, and University of Wyoming. Other non-Mountain West Conference affiliations include:

SDSU SPORT	CONFERENCE AFFILIATION
Men's Soccer	Pacific-10 Conference
Women's Rowing	Mountain Pacific Sports Federation
Women's Water Polo	Mountain Pacific Sports Federation

SDSU athletic teams are nicknamed the Aztecs and compete at the NCAA Division I-A level. The campus supports intercollegiate teams in 6 men's and 12 women's sports as follows:

SPORT	MEN'S	WOMEN'S
Baseball	√	
Basketball	√	√
Cross Country		√
Football	√	
Golf	√	√
Indoor Track		√
Outdoor Track		√
Rowing		√
Soccer	√	√
Softball		√
Tennis	√	√
Swimming		√
Volleyball		√
Water Polo		√

In fiscal year (FY) 2004/05, 496 SDSU student-athletes (227 men and 269 women) participated in the 18 intercollegiate athletics programs per the annual EADA report.

On-campus athletic facilities with spectator seating capacities at SDSU include a gymnasium/arena (12,414), baseball field (3,000), softball field (1,000), and a soccer/track stadium (1,000).

Athletics at SDSU is administered by a director of athletics (commonly referred to as the athletic director) who reports directly to the president's office through the vice president of business and financial affairs.

SDSU intercollegiate athletics has a close working relationship with the exercise and nutritional sciences department in the College of Professional Studies and Fine Arts, which offers an undergraduate degree in kinesiology with an emphasis in athletic training. The relationship includes shared operation of the co-ed athletic training room in the Aztec Athletic Center and availability of clinical internship opportunities in the athletic department training rooms for students in the athletic training clinical program.

The California State University Risk Management Authority (CSURMA) was created under Board of Trustees Resolution of the Committee on 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). For example, 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

PROGRAM REVENUES

ATHLETIC TICKET OFFICE

Cash control weaknesses were found at the Aztec Athletic Ticket Office (AATO).

Ticketing activities were reviewed at the AATO located at Qualcomm Stadium in Mission Valley (approximately four miles from the campus), the on-campus Cox Arena Ticket Office operated by the Associated Students auxiliary organization, and at various on-campus athletic venues such as the Tony Gwynn Stadium.

Our visit to the AATO on August 24, 2006, disclosed that:

- ▶ Accountability of ticketing transactions was not appropriately localized. Although unique employee user ID numbers had been assigned, ticket office employees used only one login ID for the two cashier terminals located in the ticket office lobby that were used by all full-time and part-time staff. Additionally, a generic password used for the approval of voids was known by the four full-time employees, which when coupled with the lack of unique ID use, had resulted in decreased accountability for the review of voided transactions.
- ▶ Roll-stock tickets used for baseball, softball, and other special events were not adequately inventoried or secured. Dozens of press-numbered roll-stock tickets were kept in unlocked drawers in the vault room (left open during business hours), were not used in any uniform order, and were not periodically inventoried to ensure accountability.
- ▶ Funds were not always deposited in a timely manner. Inspection of the AATO safe revealed that six checks totaling \$6,000 dated from June 23, 2006, to August 10, 2006, and two credit card payment authorizations totaling \$2,440 (not yet processed and no dates listed) were found in the safe awaiting further disposition from the Aztec Athletic Foundation (AAF) for recording these payments to the Aztec Business Partners program. All pending payments were processed and deposited during audit fieldwork.

The California State University (CSU) Information Security Policy, dated August 2002, states that campus policies and procedures should provide for individual unique user ID/passwords (no shared IDs).

State Administrative Manual (SAM) §8021 requires that a separate series of transfer receipts be used to localize accountability for cash or negotiable instruments to a specific employee from the time of its receipt to its deposit.

SAM §8020 requires an inventory control for press-numbered receipts.

SAM §8032.1 requires agencies to deposit receipts in a timely and economical manner. Accumulated receipts of any amount will not remain undeposited for more than ten working days.

The assistant athletic director of ticket operations stated that he did not realize that transactions always needed to be processed using unique user IDs. He further stated that developing inventory procedures for hard tickets was a higher priority than roll-stock tickets since roll-stock ticketing was to be discontinued. In addition, he stated that the Aztec Business Partners program funds were not deposited timely because the program was new and detailed deposit procedures had not been finalized.

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

Recommendation 1

We recommend that the campus:

- a. Fully implement the use of unique IDs to localize accountability for cash receipts in AATO lobby terminals and for voiding ticket transactions.
- b. Inventory press-numbered roll-stock tickets in AATO and ensure that tickets are adequately secured.
- c. Ensure that all AATO funds are deposited within ten working days of receipt.

Campus Response

We concur.

- a. The AATO has implemented the use of unique IDs in cashier terminals and has strengthened procedures for ensuring accountability for the review of voiding ticket transactions.
- b. Press-numbered roll-stock tickets have been inventoried and secured.
- c. The university has strengthened procedures to ensure that all AATO funds are deposited within ten working days of receipt.

SPORTS CAMP REVENUES

Sports camp revenues were not properly budgeted, deposited, recorded, and reconciled.

We found that:

- ▶ Sports camp budgets prepared by the coaches were not always submitted to and approved by the athletics business office prior to the camp as required.

- ▶ The campus had not clearly established ownership of sports camps and matched revenue and expenditures accordingly. For example, :
 - Sports camp revenues were deposited to the San Diego State University Research Foundation (SDSURF), classified as SDSURF revenue, and recorded on the SDSURF financial statements.
 - State funds were used to pay sports camp coaches.
 - State-owned facilities were used for a number of sports camps, however facilities rental fees were not charged for use of these facilities.
- ▶ Revenue from sports camps and clinics was not reconciled to corresponding fees and the number of participants.

The San Diego State University (SDSU) *Sports Camps and Clinics Policy* states that the athletics “sport camp/team camp budget” forms must be submitted at least four to six weeks prior to the start of the camp/clinic. All camps/clinics must have an approved proposed budget prior to the authorization of any camp expenditure.

Executive Order (EO) 919, *Policy Governing Non-General Fund Receipts*, dated October 15, 2004, requires, in part, that non-General Fund receipts be held in proper accounts and be administered in accordance with applicable laws and regulations.

SDSU Sports Camps and Clinics Policy states that a facility use fee will be charged by the university for all camp space occupied on the university grounds.

SAM §7920 states that each agency is responsible for completing any reconciliation necessary to safeguard assets and ensure reliable financial data.

The director of athletics stated that because of the nature of such camps, realistic budget numbers were difficult to provide that far in advance; therefore, the campus will be working on changes to the policy. He further stated that procedures for reconciliation were in place as part of annual compliance audit procedures, but not always conducted. The associate vice president of financial operations stated that the operation of the sports camps has evolved over the years from a summer conference activity to an institutionally managed activity integral to the intercollegiate athletics program. She further stated that much of the accounting treatment and cash handling is a legacy of the summer conference program, and has not yet been addressed for the impact of EO 919.

The absence of approved budgets and reconciliations increase the risk that errors and irregularities will not be detected and could result in inappropriate activities and a loss of funds. Placement of state funds in auxiliary accounts increases the risk that funds will be expended for inappropriate purposes.

Recommendation 2

We recommend that the campus:

- a. Strengthen procedures to ensure that budgets are prepared, facility usage fees are charged, and that documented reconciliations are prepared to reconcile sports camp revenues collected to the corresponding fees and the number of participants.
- b. Ensure compliance with EO 919 to match revenue and expenditures in appropriate accounts and ensure that all state funds, including sports camp funds, currently residing in the SDSURF be transferred to state accounts immediately.

Campus Response

We concur.

- a. The university will strengthen procedures by August 31, 2007, to ensure that budgets are prepared and approved by the athletics business office, facility usage fees are charged when appropriate, and sports camps revenues are collected and reconciled.
- b. The university policy is that all programs and activities are owned by the university. The university will review the sports camp process to ensure revenue and expenditures are in appropriate accounts. If appropriate, funds currently residing in the SDSURF will be transferred to state accounts for full compliance with EO 919 by August 31, 2007.

SPORTS CAMP CASHIERING

Sports camp cashiering lacked certain revenue safeguards.

We found that:

- ▶ Checks were not restrictively endorsed upon initial receipt by the sports camp administrator, but were instead stamped after delivery to the AAF for deposit to the SDSURF.
- ▶ Funds consisting of checks and credit card authorizations that were received for sports camps were not always timely transferred to the AAF (for subsequent deposit to the SDSURF). Instead, the funds were transferred when a sufficient batch of checks and credit card authorizations had accumulated.
- ▶ Transfer receipts were not provided to the sports camp administrator when funds were delivered to the AAF. The transfer receipts instead were later sent to the sports camp administrator after funds had been counted.

SAM §8034.1 and §8023 require checks and other negotiable instruments to be endorsed on the day they are received.

SAM §8032.1 requires agencies to deposit receipts in a timely and economical manner. Accumulated receipts of any amount will not remain undeposited for more than ten working days.

SAM §8021 requires that a separate series of transfer receipts be used to localize accountability for cash or negotiable instruments to a specific employee from the time of its receipt to its deposit.

The director of athletics stated that the campus was unaware of these cash control weaknesses.

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

Recommendation 3

We recommend that the campus:

- a. Ensure that all checks received by athletics field personnel for sports camps are restrictively endorsed by the end of the day.
- b. Ensure that all sports camp revenues are deposited within ten working days of receipt.
- c. Improve the use of transfer receipts for sports camp transactions to immediately localize accountability over funds received and transferred to other locations.

Campus Response

We concur. The university will strengthen its procedures regarding funds collected for sports camps. A review of the cashiering and funds collection process will be completed by August 31, 2007.

ATHLETICS FUND-RAISING

One athletics fund-raising event lacked adequate planning documentation.

Our review of five fund-raising events from fiscal year (FY) 2005/06 disclosed that one event held at an off-campus banquet hall was awarded without competitive bidding. The campus was under the impression that facilities usage and catering services totaling \$28,000 were to be donated by the vendor; therefore, it appeared reasonable that the campus did not solicit other bids at the time of planning the event. However, the campus lacked adequate documentation to support the initial intent to donate. The campus also lacked adequate documentation to demonstrate that the campus had pursued any indemnification of liability for any potential accidents occurring on the event premises or afterwards (as alcohol was provided at open bars from 6 p.m. to 10 p.m.).

EO 715, *CSU Risk Management Policy*, dated October 27, 1999, states that the campus risk management policy should include methods of controlling risks. The liability exposure the campus and the CSU faces for those activities, which are linked to the mission of the CSU, can be minimized by: transferring risk through third-party waivers, hold-harmless agreements, or through vendor

contracting; transferring risk through personal liability, health, travel, and life insurance; and preventing/controlling risk through training and supervision.

The senior associate athletic director of development stated that he and the vendor had a long-standing relationship and a verbal agreement reached for the vendor to donate facilities usage and catering service had been considered sufficient. He added that the campus had not obtained indemnification from liability due to oversight.

The absence of documentation for the rationale to bypass competitive bidding protocol increases the risk of the appearance of improprieties, while the absence of documentation for liability indemnification increases the risk of misunderstandings and potential legal liabilities.

Recommendation 4

We recommend that the campus document the specific terms of events held at off-campus facilities, whether purchased or donated, to include liability indemnification.

Campus Response

We concur. The university will review its procedures, by August 31, 2007, to ensure that specific terms of events held at off-campus facilities are documented and include appropriate liability indemnification.

COMPENSATION AND BENEFITS

OVERTIME

Overtime was not always properly approved in advance and overtime payments were often excessive.

Our review of overtime paid to athletics department personnel from January 2005 to June 2006 disclosed that five personnel from event operations were not required to obtain advance management approval of scheduled overtime hours. Additionally, each of these five employees were paid an average of 222 overtime hours in 2005 and 471 overtime hours in 2006, which did not include another 120 hours of compensatory time-off that was carried forward from year to year. It should be noted that the campus had, prior to the audit, identified the excessive overtime hours, and had implemented several changes from July 2006 and August 2006 in order to remedy the problem.

SAM §8540 states that as a general practice, compensation for overtime, either by cash payment or time off, should be based upon prior written approval signed by a designated supervisor. It should also be authorized and issued in accordance with bargaining unit agreements. Due to the nature of work carried out by a state agency, management can retroactively approve this compensation. Care should be exercised in recording the overtime hours on the monthly attendance reports and overtime records of the employing state agency.

The associate athletic director of operations stated that advance approval of overtime was done verbally. He added that the state form for approving overtime did not have a signature line denoting advance approval, so he was unaware of the requirement. He also stated that overtime was due to the nature of events operations and to staff limitations.

Failure to provide proper approval and documentation for the scheduling of overtime hours limits the effectiveness of employee scheduling and increases the risk of unnecessary overtime hours.

Recommendation 5

We recommend that the campus require documented management approval of monthly work schedules to include the preparation of a monthly work calendar to be signed and dated by both preparer and approver.

Campus Response

We concur. The university has strengthened its procedures to include required documented management approval of overtime.

SUPPLEMENTAL COMPENSATION

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

Our review disclosed that:

- ▶ Supplemental compensation terms outlined in the employment contract for one coach had not been approved by the chancellor's office.
- ▶ Supplemental compensation terms for another coach had been partially approved by the chancellor's office, however four additional items were added subsequent to this approval and the terms were not resubmitted for approval.

CSU directive HR 2002-20, *Management Personnel Plan – Supplemental Compensation*, dated July 1, 2002, states that the chancellor delegated authority to the vice chancellor of human resources to approve Management Personnel Plan (MPP) supplemental compensation exceptions. Approval for supplemental compensation for athletic coaches is the responsibility of the campus president in consultation with the vice chancellor of human resources and General Counsel, as appropriate. Sound business practice mandates that supplemental compensation for non-MPP athletic coaches also be approved in consultation with the vice chancellor of human resources and General Counsel, as appropriate.

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

The director of the center for human resources stated that she believed approval from the chancellor's office was sought for supplemental compensation of the coach noted, yet the campus was unable to produce a written record of such approval. She further stated that the other employee's additional terms were overlooked for re-approval when added subsequent to initial chancellor's office approval.

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

Recommendation 6

We recommend that the campus:

- a. Consult with the chancellor's office to ensure that arrangements with athletic coaches constitute appropriate supplemental compensation.
- b. Submit the two arrangements noted above to the chancellor's office for approval.

Campus Response

We concur.

- a. The university will continue to consult with the chancellor's office regarding supplemental compensation issues. The university will retain appropriate approval documentation to support that it has done so before finalizing any new athletic coach hire contracts. This has already been implemented.
- b. The university obtained chancellor's office approval for the two arrangements noted in April 2007.

EMPLOYMENT CONTRACTS

Appointment letters for intercollegiate athletic department participants in the MPP were not always executed in a timely manner.

Our review disclosed that employment contracts for three new employees were signed/dated/executed from two to seven months after the contract commencement date, which was also the documented hire date and pay date as confirmed by human resources and payroll records. The decision to hire had been made prior to ongoing contract negotiations with employees' agents and attorneys, and agreements, which contained the preliminary deal points, were documented but not retained.

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 director of the center for human resources stated that the campus was unaware of the requirement to maintain records of these agreements and that to institute this practice may result in confusion and a risk that an employee may hold the university to terms and conditions that differ from the final agreement. The director of athletics added that the campus had not deemed it necessary to retain these agreements because the final contracts specifically stated that they supersede all such previous agreements.

Untimely execution of appointment documents and an absence of payroll documentation could result in misunderstandings of employment terms.

Recommendation 7

We recommend that the campus execute employment contracts in a timely manner and document the basis for compensation until the final agreement is signed.

Campus Response

We concur. The university will continue to execute contracts as soon as diligently possible. In the rare instances when the employment agreement is not executed at the time of hire, the university will ensure that salary negotiations are more formally documented until the final employment agreement is signed. This has already been implemented.

BENEFITS

Athletics department personnel received merchandise benefits through a campus contract with no documentation to indicate that these distributions had been properly reported as taxable benefits.

The campus had one contract with an athletic apparel vendor that made merchandise available to athletic administrators and coaches. However, the campus had no means to ensure that taxable benefits were being reported by the vendor or by the employee.

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 manager of audit and tax stated that the campus considered tax reporting of apparel fringe benefits a vendor responsibility.

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

Recommendation 8

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

Campus Response

We concur. The university will establish appropriate procedures by August 31, 2007.

OPERATING EXPENDITURES AND EQUIPMENT

EQUIPMENT MANAGEMENT

Equipment room inventory procedures were not always adequate to ensure management reporting of shrinkage, inventory valuation was not consistent, and the disposition of surplus inventory was not always adequately controlled.

Our review of athletic equipment services (AES) disclosed an equipment room operation in excellent working order; however, some weaknesses were noted:

- ▶ The annual equipment room inventory process was not adequate to identify the total value of inventory shrinkage for management reporting and review purposes. The director of AES and the sport-specific coach reviewed and signed-off on inventory shrinkage quantities, however total

dollar values were not made available and reporting was also not available to athletics department management or campus administration.

- ▶ Valuation of equipment entered into the Privatech Equipment (EQ) 2000 inventory system was not consistent. The AES policies and procedures did not address the process of determining inventory value with any consistent standards. All ten of the purchase orders reviewed in detail had numerous valuation discrepancies between the per unit invoice costs and the per unit inventory cost/value entered into the EQ 2000 inventory system. Tax and shipping were not considered in most cases (but were factored in some cases); some discrepancies resulted from non-inclusion of promotional/complimentary merchandise into the cost structure; some equipment inventory costs were arbitrarily assigned.
- ▶ The disposition of surplus athletic equipment via third-party auction was not adequately supported by a contract with the auction house, Abamex, Ltd. Although the auction process seemed reasonable, the campus had not formally contracted with Abamex to ensure that the campus was held harmless of liability for the quality of the surplus athletic equipment. The campus also lacked documentation, which stated agreed upon details for payment and return of unsold equipment.

GC §13402 and §13403 require a system or systems of internal accounting and administrative controls so that reasonable assurances can be given that measures to safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies are being followed. The elements of a satisfactory system of internal accounting and administrative control include authorization and recordkeeping procedures adequate to provide effective control over assets.

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

The director of athletic equipment services stated that a dollar value was not explicitly stated in reports for shrinkage because detailed reports with cumulative listing of missing items were reviewed and documented by himself and the coaches after each season, and was considered sufficient by senior management. He further stated that procedures to establish standard methods for valuation of equipment had not been developed as a result of oversight. The director of business services stated that having no written contract with Abamex, Ltd. was also an oversight.

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

Recommendation 9

We recommend that the campus:

- a. Update reports to show the total value of inventory shrinkage and include campus administration in the annual equipment inventory reporting process.
- b. Establish consistent valuation standards for equipment inventory.
- c. Formally contract with third-party vendors for the disposition of surplus equipment inventory.

Campus Response

We concur.

- a. The university has included total value in the inventory shrinkage reports originally used and has included additional management oversight in the annual equipment inventory process.
- b. The university will develop procedures to establish consistent valuation standards for equipment inventory by June 30, 2007.
- c. The university will execute a written agreement with the third-party auctioneer vendor by August 31, 2007.

ATHLETIC FACILITIES

The inspection and maintenance of athletic facilities was not well documented.

Although some inspection and maintenance records were available for certain athletic facilities, there were variations in how well activities were documented. For planned maintenance of a facility/structure, a work order might have existed in the physical plant department. In other instances, there were communications regarding inspection/maintenance requirements (Tony Gwynn Stadium), but inspection records for all athletics facilities were not consistently documented and retained.

Guideline 1a of the 2005/06 National Collegiate Athletic Association (NCAA) Sports Medicine Handbook states that 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 physical plant stated that inspection records for all athletic facilities were not consistently documented and retained although the inspections were covered in the routine operational checks by staff.

The absence of inspection/maintenance records increases the risk of potential legal liabilities.

Recommendation 10

We recommend that the campus improve documentation for the inspection/maintenance of athletic facilities.

Campus Response

We concur. The university has a planned maintenance schedule for athletic facilities.

TRADE-OUTS

Trade-outs were not always appropriately completed and authorized according to campus policy.

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, travel on the team charter, 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 reviewed trade authorization and usage records on ten accounts and found:

- ▶ A trade agreement was not completed for one vendor account.
- ▶ One trade agreement, effective January 1, 2004, was initially signed on October 24, 2003, by a coach and another athletics employee not authorized to contract on behalf of the university. This contract was of significance because cash bonuses were paid to the coach, including an annual payment of \$2,000 on January 15, 2004. The contract was subsequently signed by an employee authorized to contract on behalf of the university on June 9, 2004.
- ▶ Two “Request to Approve Trade-Out Agreement” (RATOA) forms were not completed prior to the completion of trade agreements with the vendors.
- ▶ Seven RATOAs were not approved by the authorized employee.
- ▶ One RATOAs form was not approved.

SDSU Non-Cash Transactions/Trade-Outs Policy (January 2004) states that the trade agreement will be signed by either a senior associate athletic director or the athletic director.

SDSU Non-Cash Transactions/Trade-Outs Policy (January 2004) states that a RATO form will be submitted to either a senior associate athletic director or the athletic director for review and approval. The form includes the proposed benefits to be received by SDSU and the proposed benefits to be given by SDSU. This preliminary net economic value analysis must be prepared prior to executing the trade agreement.

The senior associate director of athletics stated that although a policy was in place to incorporate required documentation, there were instances where this was overlooked.

Incomplete records on trade increases the risk of inappropriate contracting and accusations that state resources are being given away without fair value received in exchange.

Recommendation 11

We recommend that the campus ensure proper documentation of trade-out authorization in accordance with campus policy.

Campus Response

We concur. The university will strengthen procedures to ensure proper documentation of trade-out authorization in accordance with policy by June 30, 2007.

TEAM TRAVEL

Team travel arrangements were not always properly documented, the campus lacked a policy for guests and support staff authorized to travel on the chartered team flights, and travel expense claims requested reimbursement for meal totals in excess of the institutionally allotted per diem amount of \$46.

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:

- ▶ Team travel arrangements were not always properly documented. The bids obtained for chartered flight services for the 2005 football season (five away games) were not independently obtained from the five bidding vendors. The campus did not directly contact vendors for bids, but instead utilized the records of bids obtained by an external travel agency. The bidding documentation was a cumulative listing of vendors and their respective prices and was provided to the campus on the letterhead of the travel agency. Furthermore, the campus lacked a trade agreement for the

benefits provided to the travel agent (expenses incurred by the athletic department) which included flying on the football team charter flight, lodging at the team hotel, and admission to the event.

- ▶ The campus lacked a policy for guests and support staff authorized to travel on the chartered team flights. Our review of the passenger manifest for one chartered flight disclosed that the guests invited to charter the flight included university donors and corporate sponsors, as well as the spouses of coaches/administrators. Athletic department spousal travel was specifically limited by the terms of the employment contracts of these coaches/administrators as follows: “Salary includes compensation for all spousal travel related to official university and athletic department functions.”
- ▶ Travel expense claims requested reimbursement for meal totals in excess of the institutionally allotted per diem amount of \$46 (\$9 breakfast, \$12 lunch, \$20 dinner, and \$5 incidental expenses). Our review of allotments for team travel disclosed that four team trips had instances in which meal reimbursements had exceeded the per diem allotment.

CSU Contracting and Procurement Manual: 402 Formal Solicitation for Services (Rev. 04/20/04) requires, among other things, public notice of the intent to formally request services from the open market shall be posted in a location easily accessible to any bidder who may wish to participate and the campus must also allow for public opening of bids or proposals.

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.

CSU directive HR 2005-49, *CSU Policy and Procedures Governing Travel and Relocation Expense Reimbursement*, dated December 16, 2005, states that up to \$46 for actual meal costs and incidentals may be reimbursed for each complete 24-hour period.

NCAA Bylaws 16.8.1.2.3: Meal-Allowance Limitation states that all student-athletes on the same team must receive identical meal allowances on intercollegiate trips and during vacation periods when student-athletes are required to remain on the institution’s campus for organized practice sessions or competition. Such allowances may not exceed the amount provided by the institution to institutional staff members on away-from-campus trips and may not be provided for a particular meal if the student-athlete receives that meal (or its equivalent) from another source.

SAM §0721 states that employees who receive a meal as part of state travel must reduce their per diem claim by the cost for that meal.

The director of athletics stated that the business practice for charter flight service selection had been to use an independent contractor who is an expert in the travel industry to help acquire bids from vendors for this unique service. He also stated that although not documented, the arrangement with the travel agency was for full service, which included traveling with the team on all road trips to organize and execute the travel arrangements. The director of athletics also stated that staff essential to athletics department business is authorized to travel on charter. Furthermore, he stated that although the department does not have a written policy, the philosophy is to provide the opportunity for travel to university donors and corporate sponsors in recognition of their support and to invite other guests as a means to cultivate support. The director of athletics stated that when it was necessary to arrange meals in large groups or within time restraints that would cause the per diem to be exceeded, the director of athletics or his designee verbally approved the expense on a case-by-case basis and with the verbal approval of the associate vice president of financial operations. He also stated that many times team meals are pre-arranged with a set number, which must be paid for even if meals are not consumed. Therefore, if a coach cannot make the team meal, he is required to pay for his own meal and allowed a per diem.

Inappropriate disbursement of travel per diems, and inadequate documentation requirements for the competitive bidding process, and the lack of a policy for personnel permitted to travel with teams increases the risk of excessive costs and exposes the campus to compliance issues and potential liability.

Recommendation 12

We recommend that the campus:

- a. Ensure that competitive bidding procedures are completed by obtaining and retaining all relevant supporting documentation for chartered flight services.
- b. Complete a trade agreement for the benefits afforded to the travel agent.
- c. Establish a policy for all passengers permitted to travel with athletic teams.
- d. Enforce the institutionally allotted per diem rate for meal reimbursements.

Campus Response

We concur.

- a. The university will strengthen the competitive bidding process for charter flights by June 30, 2007.
- b. The university will examine the relationship with the travel agent and determine whether those services are retained. This review will be completed by June 30, 2007.

- c. The university will develop a policy for all passengers permitted to travel with athletic teams by June 30, 2007.
- d. The university will strengthen procedures for enforcing all policies regarding the institutionally allotted per diem rate for meal reimbursements by June 30, 2007.

MISCELLANEOUS

SPORTS CAMPS

Background checks were not always performed for personnel working at sports camps.

Campus procedures required background checks only for student-athlete coaches, but did not require background checks for SDSU coaches or outside coaches. Review of one sports camp (baseball) for adherence to campus procedures disclosed that background checks were not performed for any camp personnel. 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. All sports camps and clinics were operated by the athletics department.

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 director of athletics stated that the campus had not previously recognized the expectation to perform background checks for all sports camp employees, but was in the process of finalizing a background check policy in accordance with HR 2005-10.

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

Recommendation 13

We recommend that the campus require background checks on all personnel working at sports camps and clinics conducted on the campus.

Campus Response

We concur. The university will strengthen procedures by July 1, 2007, to ensure that personnel working at SDSU sports camps and clinics undergo background checks.

ATHLETIC INJURY PREVENTION EFFECTIVENESS

The campus did not formally report on the effectiveness of athletic injury prevention.

Athletic injury prevention was a shared responsibility among team physicians, certified athletic trainers, and the strength-training program. SDSU employed certified athletic trainers, operated one large athletic training room, and had established medical policies and athletic training room procedures that addressed components of a safe athletics program.

The campus maintained injury rehabilitation logs to record athletic injuries and treatments received by student-athletes in athletic training rooms. However, the campus did not summarize athletic injuries for annual trend analysis or compare the frequency and severity of SDSU injuries to NCAA statistics.

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

2.2 THE PRINCIPLE OF STUDENT-ATHLETE WELFARE

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

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

The head athletic trainer stated that although long-time staff reviewed recurring trends in injuries, these were not reported because the campus was working on establishing a system that enables annual trend analysis and comparability to NCAA statistics.

The absence of program self-assessment and comparison with industry standards increases the risk that program improvements will not occur and athletic injury prevention effectiveness will not be maximized.

Recommendation 14

We recommend that the campus:

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

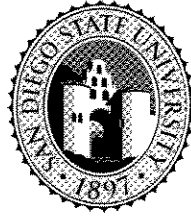
Campus Response

The university is unaware of any requirement or documented best practice to report on athletic injury information in the format as suggested by the auditor. Injury rehabilitation logs are maintained and injury statistics are regularly reviewed by athletics staff. As the recommendation is an evaluation of

business practice and therefore not a requirement, the university considers its current practice adequate. The university will conduct a best practice review by August 31, 2007, to determine if a change in our practices is warranted.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Stephen L. Weber	President
June Barreras	Cox Arena Ticket Office Manager, Associated Students
Carlos Basulto	Event Management Assistant, Athletics
Steve Becvar	Senior Associate Director, Athletics
Donna Bell	Business Office Manager, Athletics
Sherry Bertram	Assistant Director, Aztec Athletic Foundation
Sue Blair	Associate Vice President, Human Resources and Risk Management
Ben Boish	Employment Manager, Center for Human Resources
Jenny Bramer	Associate Director, Athletics
Valerie Carter	Manager, Audit and Tax
Norma Casas	Analyst, Audit and Tax
Jim Cordova	Assistant Director of Ticket Operations, Athletics
Christine Delgado	Director, Center for Human Resources
Joe Erbland	Assistant Director of Facilities and Operations, Athletics
Colleen Evans	Director, Student-Athlete Academic Support Services
Steve Fisher	Head Basketball Coach
Lesley Fong	Director of Special Projects/Campus Liaison, Athletics
Joy Francis	Director, Athletic Development
Ellene Gibbs	Associate Vice President, Financial Operations (At time of review)
Tony Gwynn	Head Baseball Coach
Susan Heiser	Associate Director, Associated Students
Ron Hostick	Turf Manager, Physical Plant
Scott Horvath	Information Technology Consultant, Athletics
Don Kessler	Head Trainer, Athletics
Linda Kimzey	Administrative Services Coordinator, Athletics
Valerie Mahoney	Work Control Coordinator, Physical Plant
Marty Malano	Administrative Assistant (Men's Basketball), Athletics
Joe Patterson	Director, Physical Plant
Lawrence Peralez	Director, Business Services
Nick Pettit	Director, Athletic Equipment Services
David Powroznik	Senior Associate Director of Development, Athletics
Mary Reading	Eligibility Coordinator, Athletics
Tim Ripke	Assistant Director, Associated Students
Sally Roush	Vice President, Business and Financial Affairs
Jeff Schemmel	Director, Athletics
Steve Schnall	Associate Director of Operations, Athletics
Jesse Stephens	Business Office Analyst, Athletics
Richel Thaler	Associate Vice President, Administration
Kathy Van Wyk	Head Softball Coach/Senior Woman Administrator, Athletics
Lisa Winters	Assistant Payroll Manager, Center for Human Resources
Al Zitlau	Assistant Director of Administration, Athletics



RECEIVED
UNIVERSITY AUDITOR

MAY - 1 2007

THE CALIFORNIA STATE
UNIVERSITY

April 27, 2007

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

Dear Mr. Mandel:

Attached is San Diego State University's response to Report Number 06-28, *Athletics Administration*. For ease of reference, the report's recommendations have been included with our responses. Documentation of policy and control changes will follow under separate cover.

Should you have any questions or require additional information, please contact Valerie Carter, Audit and Tax Director, at 619-594-5901.

Sincerely,


Stephen I. Weber
President

Attachments

cc: Sally F. Roush, Vice President for Business and Financial Affairs
Scott Burns, Associate Vice President for Financial Operations
Jeff Schemmel, Athletics Director
Valerie J. Carter, Audit and Tax Director

**ATHLETICS ADMINISTRATION
SAN DIEGO STATE UNIVERSITY**

**Audit Report 06-28
March 1, 2007**

PROGRAM REVENUES

ATHLETIC TICKET OFFICE

Recommendation 1

We recommend that the campus:

- a. Fully implement the use of unique IDs to localize accountability for cash receipts in AATO lobby terminals and for voiding ticket transactions.
- b. Inventory press-numbered roll-stock tickets in AATO and ensure that tickets are adequately secured.
- c. Ensure that all AATO funds are deposited within ten working days of receipt.

Campus Response

We concur.

- a. The AATO has implemented the use of unique IDs in cashier terminals and has strengthened procedures for ensuring accountability for the review of voiding ticket transactions.
- b. Press-numbered roll-stock tickets have been inventoried and secured.
- c. The University has strengthened procedures to ensure that all AATO funds are deposited within ten working days of receipt.

SPORTS CAMP REVENUES

Recommendation 2

We recommend that the campus:

- a. Strengthen procedures to ensure that budgets are prepared, facility usage fees are charged, and that documented reconciliations are prepared to reconcile sports camp revenues collected to the corresponding fees and the number of participants.

- b. Ensure compliance with EO 919 to match revenue and expenditures in appropriate accounts and ensure that all state funds, including sports camp funds, currently residing in the SDSURF be transferred to state accounts immediately.

Campus Response

We concur.

- a. The University will strengthen procedures by August 31, 2007 to ensure that budgets are prepared and approved by the Athletics Business Office, facility usage fees are charged when appropriate, and sports camps revenues are collected and reconciled.
- b. The University policy is that all programs and activities are owned by the University. The University will review the sports camp process to ensure revenue and expenditures are in appropriate accounts. If appropriate, funds currently residing in the SDSURF will be transferred to state accounts for full compliance with EO 919 by August 31, 2007.

SPORTS CAMP CASHIERING

Recommendation 3

We recommend that the campus:

- a. Ensure that all checks received by athletics field personnel for sports camps are restrictively endorsed by the end of the day.
- b. Ensure that all sports camp revenues are deposited within ten working days of receipt.
- c. Improve the use of transfer receipts for sports camp transactions to immediately localize accountability over funds received and transferred to other locations.

Campus Response

We concur. The University will strengthen its procedures regarding funds collected for sports camps. A review of the cashiering and funds collection process will be completed by August 31, 2007.

ATHLETICS FUND-RAISING

Recommendation 4

We recommend that the campus document the specific terms of events held at off-campus facilities, whether purchased or donated, to include liability indemnification.

Campus Response

We concur. The University will review its procedures, by August 31, 2007, to ensure that specific terms of events held at off-campus facilities are documented and include appropriate liability indemnification.

COMPENSATION AND BENEFITS

OVERTIME

Recommendation 5

We recommend that the campus require documented management approval of monthly work schedules to include the preparation of a monthly work calendar to be signed and dated by both preparer and approver.

Campus Response

We concur. The University has strengthened its procedures to include required documented management approval of overtime.

SUPPLEMENTAL COMPENSATION

Recommendation 6

We recommend that the campus:

- a. Consult with the chancellor's office to ensure that arrangements with athletic coaches constitute appropriate supplemental compensation.
- b. Submit the two arrangements noted above to the chancellor's office for approval.

Campus Response

We concur.

- a. The University will continue to consult with the Chancellor's Office regarding supplemental compensation issues. The University will retain appropriate approval documentation to support that it has done so before finalizing any new athletic coach hire contracts. This has already been implemented.
- b. The University obtained Chancellor's Office approval for the two arrangements noted in April 2007.

EMPLOYMENT CONTRACTS

Recommendation 7

We recommend that the campus execute employment contracts in a timely manner and document the basis for compensation until the final agreement is signed.

Campus Response

We concur. The University will continue to execute contracts as soon as diligently possible. In the rare instances when the employment agreement is not executed at the time of hire, the University will

ensure that salary negotiations are more formally documented until the final employment agreement is signed. This has already been implemented.

BENEFITS

Recommendation 8

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

Campus Response

We concur. The University will establish appropriate procedures by August 31, 2007.

OPERATING EXPENDITURES AND EQUIPMENT

EQUIPMENT MANAGEMENT

Recommendation 9

We recommend that the campus:

- a. Update reports to show the total value of inventory shrinkage and include campus administration in the annual equipment inventory reporting process.
- b. Establish consistent valuation standards for equipment inventory.
- c. Formally contract with third-party vendors for the disposition of surplus equipment inventory.

Campus Response

We concur.

- a. The University has included total value in the inventory shrinkage reports originally used and has included additional management oversight in the annual equipment inventory process.
- b. The University will develop procedures to establish consistent valuation standards for equipment inventory by June 30, 2007.
- c. The University will execute a written agreement with the third-party auctioneer vendor by August 31, 2007.

ATHLETIC FACILITIES

Recommendation 10

We recommend that the campus improve documentation for the inspection/maintenance of athletic facilities.

Campus Response

We concur. The University has a planned maintenance schedule for athletic facilities.

TRADE-OUTS

Recommendation 11

We recommend that the campus ensure proper documentation of trade-out authorization in accordance with campus policy.

Campus Response

We concur. The University will strengthen procedures to ensure proper documentation of trade-out authorization in accordance with policy by June 30, 2007.

TEAM TRAVEL

Recommendation 12

We recommend that the campus:

- a. Ensure that competitive bidding procedures are completed by obtaining and retaining all relevant supporting documentation for chartered flight services.
- b. Complete a trade agreement for the benefits afforded to the travel agent.
- c. Establish a policy for all passengers permitted to travel with athletic teams.
- d. Enforce the institutionally allotted per diem rate for meal reimbursements.

Campus Response

We concur.

- a. The University will strengthen the competitive bidding process for charter flights by June 30, 2007.
- b. The University will examine the relationship with the travel agent and determine whether those services are retained. This review will be completed by June 30, 2007.

- c. The University will develop a policy for all passengers permitted to travel with athletic teams by June 30, 2007.
- d. The University will strengthen procedures for enforcing all policies regarding the institutionally allotted per diem rate for meal reimbursements by June 30, 2007.

MISCELLANEOUS

SPORTS CAMPS

Recommendation 13

We recommend that the campus require background checks on all personnel working at sports camps and clinics conducted on the campus.

Campus Response

We concur. The University will strengthen procedures by July 1, 2007 to ensure that personnel working at SDSU sports camps and clinics undergo background checks.

ATHLETIC INJURY PREVENTION EFFECTIVENESS

Recommendation 14

We recommend that the campus:

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

Campus Response

The University is unaware of any requirement or documented best practice to report on athletic injury information in the format as suggested by the auditor. Injury rehabilitation logs are maintained and injury statistics are regularly reviewed by athletics staff. As the recommendation is an evaluation of business practice and therefore not a requirement, the University considers its current practice adequate. The University will conduct a best practice review by August 31, 2007 to determine if a change in our practices is warranted.


THE CALIFORNIA STATE UNIVERSITY
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

May 7, 2007

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

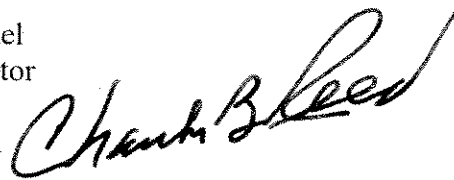
EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Audit Report 06-28 on *Athletics Administration*,
San Diego State University

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of May 7, 2007, I accept the response as submitted with the draft final report on *Athletics Administration*, San Diego State University.

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Mr. Scott Burns, Associate Vice President, Financial Operations
Dr. Stephen L. Weber, President

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS