

**ATHLETICS ADMINISTRATION
CALIFORNIA STATE UNIVERSITY,
FRESNO**

**Audit Report 06-29
May 14, 2007**

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ABBREVIATIONS

| | |
|----------------------|--|
| AEMA | Athletic Equipment Managers Association |
| AIME | Athletic Injury Medical Expense |
| AIP | Athletic Injury Prevention |
| Athletic Corporation | The California State University, Fresno Athletic Corporation |
| BDF | Bulldog Foundation |
| BSP | Bulldog Sports Properties |
| CABMA | Collegiate Athletic Business Management Association |
| COIA | The Coalition on Intercollegiate Athletics |
| COSO | Committee of Sponsoring Organizations |
| CSU | California State University |
| CSU Fresno | California State University, Fresno |
| CSURMA | California State University Risk Management Authority |
| EADA | Equity in Athletics Disclosure Act |
| EBE | Employee Business Expenses |
| FARA | Faculty Athletics Representatives Association |
| FB | Fringe Benefits |
| FY | Fiscal Year |
| GC | Government Code |
| H/CTO | Holiday/Compensatory Time Off |
| HR | Human Resources |
| IRS | Internal Revenue Service |
| 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 |
| PPM | Payroll Procedures Manual |
| RFIN | Resolution of the Committee on Finance |
| SAM | State Administrative Manual |
| SCO | State Controller's Office |
| WAC | Western Athletic Conference |

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, Fresno (CSU Fresno) campus from October 16, 2006, through December 14, 2006, and audited the procedures in effect at that time.

In our opinion, athletics administration at CSU Fresno had recently been negatively impacted by employee turnover, reduction in staff, and uncertainty over future plans for The California State University, Fresno Athletic Corporation (Athletic Corporation). Although management established a priority to stabilize new staff and systems and address the Athletic Corporation issue, these activities were still in progress at the time of the audit.

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 [9]

CSU Fresno was the only campus in the California State University system that had a separate auxiliary organization (the Athletic Corporation) dedicated exclusively to intercollegiate athletics and the campus was reevaluating this structure. The campus did not have an agreement with the Athletic Corporation for certain services performed on their behalf, and some apparel/equipment was directly obtained through arrangements between vendors and coaches instead of through a purchase order/contract processed through the equipment manager and persons with delegated purchasing authority. Further, one contract was maintained by a coach, and three smaller deals were completed without any paperwork.

PROGRAM REVENUES [12]

Some athletic revenues and one change fund were inadequately secure. Some deposits were transported in an unsecure manner, a safe combination was not changed subsequent to recent employee turnover, and documentation showed that one change fund had only been counted once within a fiscal year. In addition, sports camp paperwork was incomplete and revenues from sports camps were not generally reconciled to corresponding fees and the number of registered participants. Additionally, contract prerogatives to audit the media rights payments due from Learfield Communications for Bulldog Sports Properties had not been exercised.

COMPENSATION AND BENEFITS [18]

Employees accrued large balances of holiday credit/compensatory time off (H/CTO) hours, there was no documented authorization for the holidays worked, and the head football coach who was ineligible to earn H/CTO accrued and used 40 hours. The campus and the Athletic Corporation did not ensure accurate and appropriate attendance and leave reporting. Instances were noted where Athletic Corporation employees took vacation in excess of their balances, attendance reports had not been filed for an associate athletic

director in university advancement who had taken sick leave, and neither state nor Athletic Corporation employees completed absence request forms. Current appointment letters were missing from some personnel files, others were not always executed in a timely manner or signed by all parties, and some contained language and provisions inconsistent with Title 5. Further, reporting for fringe benefits provided to athletic employees was not adequately done for courtesy cars and complimentary tickets.

OPERATING EXPENDITURES AND EQUIPMENT [27]

Documentation on trades was incomplete and some trade seemed unwarranted. Terms and conditions of trade with the same sponsor/vendor fluctuated; some trade authorization records and agreements were missing; and some trade seemed unwarranted including golf privileges without a documented business purpose and sports camp T-shirts. Claimants were not always required to sign and date travel documents or submit receipts for claims, and the campus and the Athletic Corporation lacked a policy for guests and staff authorized to travel with the teams. In addition, the disposition of surplus athletic inventory was not governed by written policies and procedures.

MISCELLANEOUS [31]

Individuals who staffed sports camps were not subjected to criminal background checks and the athletic department 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, Fresno (CSU Fresno) is of 119 schools nationwide that are considered Division I-A for athletic purposes. The main athletic conference affiliation is the Western Athletic Conference (WAC) that includes nine member institutions – Boise State, CSU Fresno, Hawaii, Idaho, Louisiana Tech, New Mexico State, Nevada, San José State University, and Utah State. Other non-WAC affiliations include:

| SPORT | AFFILIATION |
|------------|--------------------------------------|
| Equestrian | International Horse Show Association |

CSU Fresno athletic teams are nicknamed the Bulldogs. The campus supports intercollegiate teams in 7 men’s and 10 women’s sports as follows:

| SPORT | MEN’S | WOMEN’S |
|-----------------|-------|---------|
| Baseball | √ | |
| Basketball | √ | √ |
| Cross Country | √ | √ |
| Equestrian | | √ |
| Football | √ | |
| Golf | √ | √ |
| Soccer | | √ |
| Softball | | √ |
| Tennis | √ | √ |
| Track - Indoor | | √ |
| Track - Outdoor | √ | √ |
| Volleyball | | √ |

In fiscal year (FY) 2005/06, 494 CSU Fresno student-athletes (238 men and 256 women) participated in the 17 intercollegiate athletics programs per the annual EADA report.

On-campus athletic facilities with some of the spectator seating capacities at CSU Fresno include Bulldog Stadium – football and women’s soccer (41,031), the Save Mart Center – men’s/women’s basketball and women’s volleyball (16,116), Beiden Field – baseball (6,575), Bulldog Diamond – softball (5,767), Warmerdam Field – track, and Wathen Tennis Center.

Athletics at CSU Fresno is administered by a director of athletics (commonly referred to as the athletics director) who reports directly to the president with a dotted line relationship to The California State University, Fresno Athletic Corporation (Athletic Corporation) board of directors. CSU Fresno created the Athletic Corporation as an auxiliary organization in good standing in 1982. The Athletic Corporation operates under Articles of Incorporation that state a purpose “to promote the athletic and educational programs of CSU Fresno and to apply the funds and properties coming into its hands towards furthering the athletic and educational program carried on or approved by the administrative officers of the university.” No other campus in the CSU adopted the CSU Fresno business model of a separate auxiliary organization established exclusively for athletics. As an auxiliary organization, the Athletic Corporation is subject to annual audit of their financial statements and the Office of the University Auditor has also audited components of the Athletic Corporation in 2002 and 2005.

In addition to the Athletic Corporation, there is another non-profit corporation involved in athletics at CSU Fresno – The Bulldog Foundation (BDF). However, the BDF is not a recognized auxiliary organization. According to footnotes in the BDF’s audited financial statements, the purpose of the BDF is to advance the interests of CSU Fresno, to promote and assist the educational services of the university, and to establish and maintain a fund for providing athletic scholarships. The BDF is supported primarily by contributions. When a BDF contribution is made, it generally includes admission to athletic events, preferential parking/seating, and other prerequisites as follows:

The Bulldog Foundation
2006 Annual Giving Levels

| Annual Investment | Net Annual Donations | Priority Football Seating | Priority Basketball Seating | All Sports Passes | Priority Football Parking Pass Access | Priority Bowl/ NCAA Championship Tickets | Invitations To Special Events | Priority Points Toward Stadium Club | Annual Bulldog Gift Packs | Football Field Passes | Football Away Game Invite |
|-------------------------------|----------------------|---|-----------------------------|-------------------|---------------------------------------|--|-------------------------------|-------------------------------------|---------------------------|-----------------------|---------------------------|
| Green V Society Levels | | Access to Purchase | | | | | | | | | |
| Diamond \$100,000 | \$100,000 | 16 | 16 | 16 | 3 Blue Lot | 16 Bowl/ 6 NCAA | 8 | 10 | 6 | 2 to All Games | 4 to 1 Game |
| Ruby \$50,000 | \$50,000 | 12 | 12 | 12 | 2 Blue Lot | 12 Bowl/ 4 NCAA | 6 | 5 | 4 | 2 to 3 Games | 2 to 1 Game |
| Sapphire \$25,000 | \$25,000 | 10 | 10 | 10 | 1 Blue Lot | 10 Bowl/ 2 NCAA | 4 | 2.5 | 2 | 2 to 1 Game | |
| Emerald \$10,000 | \$10,000 | 8 | 8 | 8 | 1 Blue Lot | 8 Bowl/ 2 NCAA | 3 | 1 | 1 | | |
| Bulldog Levels | | Tickets Included in Membership | | | | | | | | | |
| Bulldog \$10,290 | \$7,266 | 6 | 6 | 6 | 1 Red or White Lot | 6 Bowl/ 2 NCAA | 2 | .75 | | | |
| Gold \$4,590 | \$2,858 | 4 | 4 | 4 | 1 Purple Lot | 4 Bowl | 1 | | | | |
| Silver \$2,580 | \$1,714 | 2 | 2 | 2 | 1 Purple Lot | 2 Bowl | | | | | |
| Bronze \$1,720 | \$904 | 2 | 2 | | 1 Purple Lot | 2 Bowl | | | | | |
| Slam Dunk \$1,030 | \$582 | | 2 | | | | | | | | |
| Gridiron \$690 | \$322 | 2 | | | 1 Purple Lot | | | | | | |
| Bullpups \$200 | \$200 | Two (2) tickets donated to valley youth groups with members sport designation | | | | | | | | | |
| Red Wave \$100+ | \$100* | Annual contribution to scholarship fund with no ticket benefits | | | | | | | | | |

*Bulldog Newspaper for all levels

The kinesiology department in the College of Health and Human Services offers an undergraduate degree with an option in athletic training. Internship/student assistant employment opportunities for participants in the kinesiology athletic training degree option program are available in athletic training rooms.

The California State University Risk Management Authority (CSURMA) was created under Board of Trustees resolution 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

ATHLETIC CORPORATION

The need for a separate auxiliary organization dedicated to intercollegiate athletics was not readily apparent.

California State University, Fresno (CSU Fresno) was the only campus in the California State University (CSU) system that has a separate auxiliary organization (The California State University, Fresno Athletic Corporation (Athletic Corporation)) dedicated exclusively to intercollegiate athletics.

Administration of athletics through the Athletic Corporation involved complicated contractual relationships and additional overhead to segregate costs and document the self-supporting nature of the program. For example, the campus had to keep current various agreements and operating leases due to this form of operation. The campus also has a service agreement with the Athletic Corporation to perform their accounting and purchasing functions. In addition, the Athletic Corporation has to maintain separate Athletic Corporation policies and procedures and comply with requirements such as regular meetings of the Athletic Corporation governing board and committees, retention of legal counsel, and publication of annual financial statements.

At present, salaries and reporting relationships throughout the athletic program were structured so that one person can be paid from both the Athletic Corporation and the state General Fund and state employees regularly supervise Athletic Corporation employees. The fiscal year (FY) 2006/07 budget on salaries and benefits for the athletic program contained the following breakdown:

| | ATHLETIC CORPORATION | STATE | TOTAL |
|--------------------------|----------------------|-------------|-------------|
| STAFF | | | |
| Administration | \$565,672 | \$780,641 | \$1,346,313 |
| Bulldog Shop | \$113,841 | | \$113,841 |
| Compliance | \$100,859 | \$88,400 | \$189,259 |
| Development | \$69,224 | \$188,856 | \$258,080 |
| Equipment Room | \$201,618 | | \$201,618 |
| Facilities | \$419,552 | \$72,668 | \$492,220 |
| Marketing | \$110,200 | \$74,800 | \$185,000 |
| Production Services | \$157,548 | \$65,280 | \$222,828 |
| Media Relations | \$295,361 | | \$295,361 |
| Student-Athlete Services | \$303,095 | \$81,600 | \$384,695 |
| Ticket Office | \$160,805 | | \$160,805 |
| Training Room | \$221,141 | \$125,618 | \$346,759 |
| Weight Room | \$186,389 | | \$186,389 |
| STAFF | \$2,905,305 | \$1,477,863 | \$4,383,168 |

| | ATHLETIC CORPORATION | STATE | TOTAL |
|----------------|----------------------|-------------|--------------|
| COACHES | | | |
| Baseball | \$80,810 | \$245,050 | \$325,860 |
| Basketball (M) | \$570,485 | \$484,609 | \$1,055,094 |
| Basketball (W) | \$158,625 | \$331,912 | \$490,537 |
| Equestrian (W) | \$180,950 | | \$180,950 |
| Football | \$1,526,174 | \$1,183,520 | \$2,709,694 |
| Golf (M) | \$1,110 | \$118,844 | \$119,954 |
| Golf (W) | \$80,860 | | \$80,860 |
| Soccer (W) | \$182,618 | | \$182,618 |
| Softball | \$116,599 | \$285,612 | \$402,211 |
| Tennis (M) | \$101,386 | | \$101,386 |
| Tennis (W) | \$111,421 | | \$111,421 |
| Track (M) | \$76,009 | | \$76,009 |
| Track (W) | \$88,114 | | \$88,114 |
| Volleyball (W) | \$61,843 | \$195,731 | \$257,574 |
| Wrestling | \$47,798 | \$98,588 | \$146,386 |
| COACHES | \$3,384,802 | \$2,943,866 | \$6,328,668 |
| TOTAL | \$6,290,107 | \$4,421,729 | \$10,711,836 |
| PERCENT | 58.7% | 41.3% | 100.0% |

The Standing Orders of The Board of Trustees of The CSU state in part, as follows:

VI. DELEGATION TO THE PRESIDENTS

The presidents of the CSU campuses are the chief executive officers for their campuses and have authority and responsibility, with appropriate consultation, to take whatever actions are necessary, consistent with Trustee and chancellor's policy, and applicable law, for the appropriate functioning of each of their campuses, which includes:

- a. Development of curricular and instructional plans
- b. Academic, administrative, and staff appointments
- c. Supervision, discipline, and termination of employees
- d. Oversight of business and financial affairs
- e. Oversight of student affairs
- f. Oversight and adjustment of campus fees in accord with applicable policy
- g. Oversight of the campus advancement function, including alumni affairs and community relations
- h. Oversight of and responsibility for campus auxiliary organizations
- i. Use of campus buildings and grounds

This list is not inclusive, and is not intended to limit the necessary actions of the presidents as the chief executive officers of their campuses.

The original reasoning on why the Athletic Corporation was created and whether these reasons remain valid are not particularly clear.

The university controller stated that dissolution of the Athletic Corporation would require identification and resolution of a number of significant issues. The campus also contends that the complicated relationships and added overhead are due in part to various chancellor's office executive orders.

Dual administration of the athletics program may lead to a reduction of organizational stability, program discontinuity, operating inefficiencies, and ineffectiveness.

Recommendation 1

We recommend that the campus complete an analysis of the need for an auxiliary organization dedicated to intercollegiate athletics as expeditiously as possible.

Campus Response

We concur. The magnitude of this project is large, involving many issues and persons. We will complete the evaluation by November 30, 2007.

AGREEMENTS

The campus did not have an agreement with the Athletic Corporation for certain services performed on their behalf. In addition, some apparel/equipment was directly obtained through arrangements between vendors and coaches.

We found that:

- ▶ The campus began performing Athletic Corporation accounting and purchasing functions approximately on August 1, 2006. Athletic accounts were moved from Paciolan, the former Athletic Corporation accounting/ticketing system, and setup as a business unit within the campus PeopleSoft accounting system; and the campus contracting and procurement office began processing Athletic Corporation purchase orders.
- ▶ Apparel and equipment arrangements with some vendors were completed directly with coaches instead of through a purchase order/contract processed through the equipment manager and persons with delegated purchasing authority. Further, a contract in softball was maintained by the coach. In addition, three smaller deals with Ping, TaylorMade, and Titleist were completed without any paperwork.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound

business practices. Sound business practice mandates that business arrangements be supported by complete, written agreements and executed in a timely manner.

Athletic Corporation Policy 5.04.1, *Athletic Equipment: Purchases, Maintenance, and Responsibility*, states that under no circumstances are coaches to initiate purchases directly with vendors regardless of quantity.

The university controller stated that the level of effort required by campus financial services was not known at the time that the Athletic Corporation moved to the PeopleSoft Financial system, as more data on the work effort was needed. In addition, the associate athletic director of business operations position was vacant and the skill set of this individual would have an impact on the services that would be required by campus financial services. The head equipment manager stated that others might have been responsible for initiating purchases as there had been some recent vacancies in the athletic business office, and a purchase order/contract might not be necessary if the arrangement did not obligate the campus to use products exclusively.

The absence of complete and timely written agreements by those with signatory authority for purchases increases the risk of misunderstandings and miscommunication regarding rights and responsibilities and creates an environment for potential financial irregularities.

Recommendation 2

We recommend that the campus and the Athletic Corporation:

- a. Execute an agreement for delivery and reimbursement of all services provided.
- b. Eliminate the acquisition of apparel, goods, and services without an approved purchase methodology.

Campus Response

We concur. We will complete the agreement by September 30, 2007, and we will eliminate undocumented acquisitions by issuing a clarified policy by July 30, 2007.

PROGRAM REVENUES

CASH HANDLING

Some athletic ticket revenues and one change fund were inadequately secure.

Our review disclosed that:

- ▶ Some deposits were transported in an unsecure manner between certain on-campus locations.

- ▶ The safe combination at one location had not been changed subsequent to recent employee turnover.
- ▶ Documentation was available for only one FY 2005/06 count (dated March 23, 2006) of a change fund.

At other CSU campuses, gate receipts and athletic ticket revenues are part of the state trust fund in accordance with Executive Order 919, requirements for handling campus events. As such, they are subject to provisions in state statues and the State Administrative Manual (SAM) including:

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 a plan that limits access to state agency assets to authorized personnel.

SAM §8032.4 states that whenever coin and currency to be deposited exceeds \$3,000 and armored car service is whether not available or excessively expensive, two agency employees should be assigned to deliver the deposit jointly or two or more deposits may be made to reduce the cash transported at one time. Occasionally, exceptionally large deposits may be handled by requesting an escort from the local police department or sheriff's office. A single employee will not transport more than \$3,000 in coin and currency at one time.

SAM §8024 requires the changing of safe combinations when employees leave a department and maintaining a record listing the date the combination was last changed and the names of individuals knowing the present combination.

SAM §8111.2 requires a change or petty cash count in accordance with the following frequency: (a) \$200 or less on an annual basis; (b) \$200.01 to \$500 on a quarterly basis; (c) \$500.01 to \$2,500 on a monthly basis; (d) over \$2,500 on a monthly basis, if not prescribed more frequently by the Fiscal Systems and Consulting Unit, Department of Finance.

While auxiliary organizations might not have the exact same requirements as mentioned above, Title 5 §42401 and §42402 does indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates proper administration of cash receipts and handling.

The director of ticket operations stated that there used to be an arrangement with campus public safety for escorts, but the service became unreliable and they did not want to draw any further attention to current practice. He further stated that the safe combination work order had been

requested. The business operations manager in athletics stated that additional cash counts of the change fund had been performed, but could not be located due to employee turnover.

Inadequate security of cash increases the risk of loss or misappropriation of funds and unnecessarily endangers the personal security of staff.

Recommendation 3

We recommend that the campus and the Athletic Corporation:

- a. Implement procedures to adequately safeguard employees transporting deposits.
- b. Change safe combinations when employees who have safe access leave a department.
- c. Improve cash count documentation for funds in the athletic department.

Campus Response

We concur. We have already improved the safeguarding of deposits in transit and have shared this documentation with the University Auditor prior to receiving the first draft of the audit report. We will change the combinations to athletic safes by June 30, 2007, and thereafter when employees depart who had access to safes. We will retain documentation of cash counts in accordance with the scheduled requirements.

SPORTS CAMP REVENUES

Sports camp paperwork was incomplete and revenues from sports camps were not generally reconciled to corresponding fees and the number of registered participants.

According to the Athletic Corporation *Sport Camp and Clinic Policies and Guidelines*, dated February 2006, the paperwork on every camp was supposed to include:

- A *Fresno State Sport Camp and Clinic Declaration Form* signed by the camp director and approved by the director of facilities, director of compliance/designee, and sport supervisor. The requirement also states that this form is submitted and approved prior to advertising the camp and forwarded to the athletic business office.
- Design, formatting, and approval of all camp websites and promotional materials directed by the external relations office.
- Submittal and pre-approval of any discounts provided to individuals or groups at the camp.
- Evidence of medical insurance for every camp participant and staff.
- A *Release, Waiver, and Assumption of Risk* form signed by the participant of 18 years of age or older or by participant's parent/guardian if under the age of 18.

Promotional literature and materials indicated that the following sports camps occurred in FY 2005/06 at CSU Fresno:

| SPORT | DESCRIPTION | FY 2005/06 DATES |
|----------------------|-----------------------|------------------|
| Baseball | Thanksgiving Camp | |
| Baseball | Winter Showcase | December 2-3 |
| Baseball | Junior Bulldog Camp 1 | June 12-14 |
| Baseball | Junior Bulldog Camp 2 | June 19-21 |
| Baseball | Bulldog Team Camp | June 25-29 |
| Basketball (Men's) | Summer Camp | June 30-July 2 |
| Basketball (Women's) | Summer Camp | June 12-16 |
| Football | Prospect Camp | June 3 |
| Football | Skills Camp | June 9-11 |
| Football | Team Camp 1 | June 17-20 |
| Football | Team Camp 2 | June 22-25 |
| Soccer (Women's) | Sessions 1 and 2 | June 12-15 |
| Soccer (Women's) | Sessions 3 and 4 | July 10-13 |
| Track | Camp 1 | June 27-29 |
| Track | Camp 2 | July 11-13 |
| Wrestling | Takedown | July 6-9 |
| Volleyball (Women's) | Camp 1 | July 17-19 |
| Volleyball (Women's) | Camp 2 | July 20-22 |

We found that:

- ▶ Paperwork for one of these camps was missing and paperwork for another camp lacked the necessary approval signatures.
- ▶ There was unclear documentation that three of the five coaches reviewed who participated in the profit sharing from the football camps in summer 2006 claimed enough vacation time for the number of workdays the camps were in session.
- ▶ With the exception of soccer, sports camp revenues were not reconciled. Accounting for the sports camps was performed by the Athletic Corporation through accounts assigned to the sponsoring sport.

The Athletic Corporation *Sports Camp and Clinic Policies and Procedures*, dated February 2006, also states:

- Deposits should be numbered as they are turned in. All receipts must be deposited. You may utilize a third party to process applications and receipts made through the Internet, but a list of applicants must accompany the check provided by the third party to your on-campus camp account.

- Coaches, staff, and camp directors who are 12-month employees of the state or the Athletic Corporation must claim vacation time for all hours they work during the time the camp/clinic is in session if the sessions fall on normal university workdays.

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

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, *Cash*, states that the auxiliary should receive cash in a consistent manner utilizing systems that ensure integrity of existing internal controls.

The business operations manager in athletics stated that they were unable to adequately monitor camp documentation, reconcile fees to the number of participants, and review vacation usage during camp sessions because they did not have enough resources in the athletic business office.

Inadequate sports camp accountability increases the risk that errors and irregularities will not be detected and could result in inappropriate activities.

Recommendation 4

We recommend that the campus and the Athletic Corporation ensure that:

- a. Sports camp paperwork is completed and retained.
- b. A clear policy on compensation for coaches working at summer camps is established.
- c. Sports camp revenues are reconciled to corresponding fees and the number of registered participants.

Campus Response

We concur. We will review our policies and procedures related to sports camps by August 30, including a policy on coach compensation, to improve compliance with our internal requirements for documentation and operation of our summer camps. We will reconcile the camp revenues by September 30, 2007.

AUDIT OF MEDIA RIGHTS

Contract prerogatives to audit the media rights payments due from Learfield Communications for Bulldog Sports Properties (BSP) had not been exercised.

The Athletic Corporation contract with Learfield Communications (doing business as BSP) effective July 1, 2004, as amended, contained a guaranteed rights fee of a specified amount starting at \$1.6 million in FY 2004/05 with annual incremental increases. In the contract, §5.1 (revenue sharing), it further stipulated that Learfield will pay the Athletic Corporation the greater of the guaranteed rights fee or 55% of collected adjusted gross revenue. Adjusted gross revenue was defined as “gross revenues less agency commissions and direct, out-of-pocket promotional costs (primarily tickets).”

Under §6.7 of the aforementioned contract (audit and retention of books and records), the Athletic Corporation can audit media rights payments. This section states:

CSU Fresno Athletic Corporation has the right upon seven days notice to Learfield to inspect and copy such books, records, and documents (in whatever medium they exist) related solely to this agreement as well as all accounting procedures and practices of Learfield, its agents, and subcontractors, to verify Learfield’s performance and all expenses submitted pursuant to the terms of this agreement.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates exercising contract audit provisions.

The business operations manager in athletics stated that he thought the Athletic Corporation external auditors reviewed BSP accounting records as part of the annual financial statement audit, but after further communication with the auditors, it was determined that this had not occurred.

Failure to exercise contract audit provisions increases the risk that the campus will not maximize revenues and collect what is contractually due.

Recommendation 5

We recommend that the campus and the Athletic Corporation exercise the option to audit BSP accounting records on media rights.

Campus Response

We concur. We will initiate this audit by August 30, 2007.

COMPENSATION AND BENEFITS

HOLIDAYS

Employees accrued large balances of holiday credit/compensatory time off (H/CTO) hours, there was no documented authorization for the holidays worked, and the head football coach who was ineligible to earn it was allowed to accrue and use 40 hours of H/CTO.

Our review disclosed that:

- ▶ Neither the campus nor the Athletic Corporation had a policy that addressed procedures for keeping compensatory time off balances at a minimum, although the campus did have a policy regarding the use of compensatory time off when an employee moved to a new position.
- ▶ As of December 1, 2006, 11 employees had holiday credit hours ranging from 144 to 1,554 hours. We found no documentation accompanying the attendance reports to indicate that the holiday work was authorized in advance nor was there any information to indicate why it was necessary for the employees to work on the holidays. These employees are or were in faculty positions and as such were entitled to a maximum of eight hours of holiday compensatory time off if they were authorized to work and worked on a day a holiday was observed.
- ▶ The head football coach in an exempt position erroneously accrued and used 40 hours of H/CTO. The coach earned 32 hours for December 24-27, 2004, and another 8 hours for March 31, 2005; and then used all 40 hours in April 2006.

Campus policy G-11.1, *Use of CTO When an Employee Moves to a New Position*, states that compensatory time off should be used as soon as possible (i.e., within 60 days of accrual) so that it does not accumulate over a long period of time.

Athletic Corporation Policy 10.13.1, *Holiday Credit – Administration, Exempt, and Non-Exempt Employees*, states attendance forms for which holiday credit and overtime compensation is claimed must be accompanied by a work schedule, signed by the supervisor/manager.

Athletic Corporation Policy 10.14.1, *Holiday Credit – Faculty Employees (Coaches)*, outlines when faculty coaches may claim holiday credit and explains that there must be a requirement to work.

Pursuant to the Fair Labor Standards Act and CSU policy, exempt employees such as the coach mentioned above are expected to accomplish assigned work without regard to the number of hours worked and do not receive overtime or compensatory time off.

The athletics director stated that sporting events, training, and practices often occurred over holidays and in a sport's off-season and there might be instances when coaches were required to work on holidays. The associate vice president of financial services stated that the coach in the MPP position was allowed to accrue and use holiday credit due to oversight.

Failure to minimize large H/CTO balances creates a financial liability to the campus that will typically increase over time as employees' salaries grow. In addition, failure to authorize and document the necessity of holiday work denigrates the validity of the H/CTO claimed.

Recommendation 6

We recommend that the campus and the Athletic Corporation:

- a. Expand the campus' current policy regarding the use of compensatory time off to apply in all circumstances, not just when an employee moves to a new position, and establish clear maximum carryover amounts.
- b. Document actions in accordance with Athletic Corporation policies (i.e., signed work schedules and preauthorization to work on a holiday).
- c. Take steps to reduce the current H/CTO balances by directing employees to use these balances, paying the employees for the hours, or a combination of these actions.
- d. Ensure that appropriate staff, MPP employees, and those processing/approving attendance reports are aware that MPP employees are ineligible to receive overtime or compensatory time off. In addition, recover the value of the 40 hours of improperly accrued/taken H/CTO.

Campus Response

We concur. We will update appropriate policy on CTO by September 30, 2007, to coincide with CSU policies. We will improve our documentation of schedules and preauthorizations beginning with the month of July 2007. We will begin the process of managing CTO balances by September 30, 2007. We will train employees on processing attendance by August 30, 2007, and deduct 40 hours of vacation leave (or another existing balance) by August 30, 2007, to address the processing error.

ATTENDANCE

The campus and the Athletic Corporation did not ensure accurate and appropriate attendance and leave reporting.

Our review disclosed that:

- ▶ During 2005 and 2006, three Athletic Corporation employees took vacation leave in excess of their balances, incurring deficit vacation balances ranging between 16 and 42 hours instead of being docked for the time.
- ▶ An associate athletic director of development in university advancement did not submit attendance reports for two different months in which he should have charged his sick leave balances. When we asked for the employee's attendance reports for FY 2005/06, staff in

university advancement discovered that attendance reports were not filed for the employee for January 2006 and May 2006 when he did in fact take leave that should have been charged; upon this discovery they submitted attendance reports to charge a total of 32 hours of sick leave.

- ▶ State and Athletic Corporation employees did not complete the “Request for Absence” forms.
- ▶ Dates of signatures on attendance reports were not always accurate; the administrative personnel who prepared the forms for signature filled in the date for the parties who were to sign.

The Athletic Corporation did not have a policy that addressed what to do if employees take time off in excess of their leave balances; however, vacation time away from work for which an employee does not have sufficient leave balances is not compensable. In regard to monthly attendance reports, campus policy G-06.1, *Attendance Reporting – Payroll Office Procedures*, states that the original Monthly Attendance Summary (634 Form) are to be retained in departmental files. Further, although we found no written policies that specifically addressed the usage of Request for Absence forms, the form itself states, “[T]his form must be completed and approved prior to any trip off campus or the absence will count as unexcused.” We found no policies that specifically addressed appropriate dating of attendance reports.

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 athletics payroll/benefits technician stated that it was past practice to allow employees to incur deficit leave balances as long as the deficit was not “excessive.” The administrative assistant in university advancement stated that they did not require exempt employees (including this employee) to submit attendance reports for months in which they did not take leave, and Request for Absence forms were not required by supervisors and managers.

Allowing employees to incur deficit leave balances provides them with a benefit they have not earned and could result in a loss to the Athletic Corporation if the individuals separated from employment. Not requiring employees to submit monthly attendance reports and documenting supervisory approval of attendance reports increases the risk that leave is inaccurately and incompletely recorded.

Recommendation 7

We recommend that the campus and the Athletic Corporation:

- a. Establish a clear policy that employees are not allowed to incur deficit balances and if employees need to take time off in excess of their current balances, they be docked for the difference between hours needed and hours available.

- b. Require that all employees, including exempt employees, complete monthly attendance summaries whether or not they take leave during the month.
- c. Clarify the policy regarding the use of the Request for Absence forms.
- d. Clarify to employees that when signatures and dates are required on documents, the individuals signing the forms should be the ones to indicate the date they actually signed the documents.

Campus Response

We concur. We will require all employees to thoroughly complete attendance reports, beginning with the month of July. We will clarify the other matters listed above and inform employees by August 31, 2007.

EMPLOYMENT CONTRACTS

Current appointment letters were missing from some personnel files, others were not always executed in a timely manner or signed by all parties, and some contained language and provisions inconsistent with Title 5, California Administrative Code.

We reviewed appointment documents and personnel files for 20 senior athletic personnel and found that:

- ▶ Current agreements for five of those individuals were not in their files, and as of the writing of this report, the campus had not provided them.
- ▶ Employment contracts for ten employees were signed/dated/executed from two days to four months after the contract commencement date.
- ▶ Employment contracts for two employees were not signed by all relevant parties.
- ▶ Agreements with at least four MPP employees (as noted above, current agreements were not available for all personnel) contained language that fixed specific reasons for termination and specified a multi-year term of appointment. In addition, agreements with two of these MPP employees included buy-out provisions guaranteeing a certain percentage of salary if the employee was not retained for the term specified.

For example, one such multi-year term appointment letter stated:

Termination by University for Cause

MPP employees are “at will” and serve at the pleasure of the university president. Notwithstanding, the university shall have the right to terminate this Letter of Appointment for cause prior to its normal expiration consistent with the policies and procedures for MPP employees. The term “cause” shall include, in addition to and as examples of its normally understood meaning in employment contracts, any of the following (eight things itemized).

A buy-out provision in another agreement stated:

In the event of the university's termination of employee's employment prior to the end of the term of his appointment, employee agrees that he will not obtain employment as a head coach with any school in the athletic conference of which the university is a member for the time period remaining of his appointment. It is agreed that money damages would be inadequate to remedy a breach of covenant; therefore, upon termination the employee shall be paid all compensation obligations for the unexpired remainder of employee's employment term, and the university shall have the right to obtain from any court such equitable, injunctive or other relief as may be appropriate, including a decree enjoining employee from violating this paragraph.

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 MPP program as defined in Title 5, Article 2.2 of the California Code of Regulations states that a MPP employee serves at the pleasure of the campus president or the chancellor, as appropriate. A MPP employee shall not serve a probationary period and shall not receive permanent status.

The associate vice president of financial services stated that there were significant changes among both management and the human resources staff of athletics over the past 18 months, which contributed to the incomplete processing of some of the coaches' contracts. He added that as explained in one of the agreements, the multi-year terms of service were needed to promote and support stable athletic programs.

Failure to maintain current and accurate records constitutes a breakdown in a system of internal accounting and administrative controls and undermines confidence in the campus' ability to provide effective controls over its resources. In addition, inappropriate terms in appointment documents undermine the effectiveness of the MPP program and could result in misunderstandings of employment rights and excessive monetary settlements in separations.

Recommendation 8

We recommend that the campus and the Athletic Corporation:

- a. Execute employment contracts in a timely manner, ensure that contracts are signed by all relevant parties, and maintain copies of signed agreements in the appropriate files.
- b. Consult with the Office of the Chancellor to establish appropriate appointment documents for athletic personnel in MPP classifications.

Campus Response

We concur. We will more thoroughly execute employment contracts when new contracts become drafted. We will confer with the chancellor's office to develop more consistent appointment documents by September 30, 2007, subject to receiving their advice in a timely manner.

EMPLOYER-PROVIDED CARS

Tax reporting of employer-provided cars to athletic employees was not adequate, and there was no procedure in place to ensure that employees did not use the vehicles for personal use other than commuting.

The Bulldog Foundation (BDF) trade-out program provided individually assigned courtesy cars to 27 athletic administrators/coaches who were employees of either the state or the Athletic Corporation. Although the campus reported the taxable benefit of the vehicles to the State Controller's Office (SCO), the correct valuation method was not always used to determine the amount of the benefit. Specifically, the Internal Revenue Service (IRS) has three alternative valuation methods for determining taxable fringe benefits for employer provided automobiles. The campus used the commuting valuation rule for all 27 individuals, under which \$1.50 per one-way commute (\$3 round trip) was reported as the taxable benefit. However, this method could not be used if the employee was considered a "control employee" (highly compensated executive). We found that four individuals met this definition and the amount reported as their taxable benefit was not calculated correctly. Further, in order to use this method, certain conditions must be met including that the employee did not use the vehicle for personal use. Athletic Corporation Policy 10.11.1 states that courtesy car vehicles are intended for business use, but there is no reporting mechanism on actual usage to assure that this requirement is met.

Some of the employment contracts for athletics administrators/coaches contained language on automobiles such as:

- The Athletic Corporation shall provide to the employee the exclusive use of a courtesy car including insurance, repairs, and gas. The employee is responsible for payment of gas for employee's personal use of the vehicle.
- The Athletic Corporation shall provide the employee with a courtesy car for his exclusive use representing the university. The Athletic Corporation acknowledges that employee may obtain a second automobile supplied by a local automobile dealership for providing personal services in promoting such dealership. The value of the use of one automobile will not be counted as Athletic Corporation compensation.

IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits*, outlines the fringe benefit valuation rules.

IRS Publication 463, *Travel, Entertainment, Gift, and Car Expenses*, describes recordkeeping requirements as follows:

You should record the elements of an expense or a business use at or near the time of the expense or use and support it with sufficient documentary evidence. A timely kept record has more value than a statement prepared later when generally there is a lack of accurate recall.

You do not need to write down the elements of every expense on the day of the expense. If you maintain a log on a weekly basis that accounts for use during the week, the log is considered a timely kept record.

The SCO *Payroll Procedures Manual* (PPM) §N120 states:

Fringe Benefits (FB) and Employee Business Expenses (EBE) generally represent taxable and reportable income. Unless FB/EBE are fully or partially excluded by the Internal Revenue Code or by law defined as tax deferred (employer contributions to employee retirement plans), they are taxable upon constructive receipt by the employee. Although the rules and regulations affecting the taxability/reportability of FB/EBE are complex, the employer authorizing/providing FB/EBE is responsible for insuring that all requirements, including timely, accurate, and comprehensive reporting are followed.

The SCO *Payroll Procedures Manual* §N129 states:

Taxable vehicle values, provided by a third party, are reported to SCO via form STD. 676V, per PPM Section N 172.2. When using form STD. 676V, identify these values as:

| Item Code | Item Description |
|-----------|---|
| CV | Cars – Vehicles Provided by a Third Party |

The associate vice president of financial services stated that not reporting personal auto usage properly was due to an oversight.

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

Recommendation 9

We recommend that the campus and the Athletic Corporation:

- a. Determine and utilize the appropriate method for reporting taxable fringe benefits for courtesy car usage.
- b. Clarify policies and determine procedures to ensure that employees whose taxable fringe benefits are calculated using the commuting valuation rule are not using their assigned vehicles for personal use other than commuting.

Campus Response

We concur. We will improve our reporting of vehicle usage by October 30, 2007.

COMPLIMENTARY TICKETS

Complimentary tickets provided to athletic staff were not reported as a taxable benefit.

Section 5 – Complimentary Tickets in the *Bulldog Ticket Office Manual* states:

- Any tickets specified in the employment contracts of administrators, coaches, and/or staff will be honored for the duration of the employment contract.
- Head coaches, if not specified within their contract, will receive ten (10) season tickets for their particular sport. Each assistant coach will receive four (4) season tickets for their particular sport. If the assistant coach’s immediate family is greater than four (4), then the assistant coach will receive additional season tickets for their immediate family. Spouses and children are considered immediate family. Any one assistant coach will not receive more than ten (10) season tickets.
- Graduate assistant coaches/sport operations coordinators will receive two (2) season tickets for their particular sport.
- If within the employment contract of any administrator, staff member, or coach, ticket benefits are not specified, then the athletic department will provide two (2) complimentary season tickets for football.
- All additional requests for complimentary tickets must be submitted to the sports’ supervisor for approval. The request must be submitted by using the department’s complimentary ticket request form.

Athletic event tickets provided to administrators/coaches are an employee fringe benefit that is reportable/taxable income unless specific IRS criteria for exclusions are met. Criteria for exclusion are delineated in federal and state tax codes and administrative regulations including IRS Code §132. The three types of exclusions and reasons why the complimentary tickets available to athletic administrators and staff at CSU Fresno do not qualify include:

| Exclusion Type | Exclusion Description | Disqualifying Factors |
|----------------|--|--|
| De Minimus | Any property or service provided to an employee if the value is so minimal that accounting for it is unreasonable or administratively impractical. | For athletic events, there is meticulous accounting for tickets based on numbered tickets and assigned seating. Season passes/tickets do not qualify under this exclusion – frequency is not considered occasional. |

| Exclusion Type | Exclusion Description | Disqualifying Factors |
|--------------------|--|--|
| No Additional Cost | Any property or service provided to an employee for free or at a discount that is offered on a non-discriminatory basis and the employer does not incur a substantial additional cost (including loss of revenue). | Tickets not offered on same terms to all employees of the campus. Loss of revenue is an issue when preferential seating areas are sold out. |
| Working Condition | Any property or service provided to an employee to the extent that, if the employee paid for such property or service, such payment would be allowable as a deduction by the employee. | Distribution tied to family size connotes entertainment. No detailed accounting and substantiation of business purpose maintained. |

When queried about attendance at home football games, the director of ticket operations provided information indicating that sell-outs were announced for two games in FY 2005/06 – Utah State on October 15, 2005, and Boise State on November 10, 2005. The campus ticketing system indicated that there were 41,800 plus sold distributed for both of these games.

The BSP website hosted by the campus states:

Bulldog Stadium is considered one of the most complete stadiums in the Western Athletic Conference. The stadium seats 41,031 and features 22 sky suites. The Bulldogs have sold out 12 of the last 17 games, and during that time have averaged 41,101 fans per game.

The SCO *Payroll Procedures Manual* §N153.3 states:

Taxable ticket fair market value or ticket face value is reported to SCO via form STD. 676V per PPM Section N 172.2. When using form STD. 676V, identify these values as:

| Item Code | Item Description |
|-----------|------------------|
| TK | Tickets |

The payroll manager stated that the department had been directed not to report complimentary tickets based on a study done several years ago by another campus official.

Failure to properly report complimentary tickets exposes the Athletic Corporation/state and the program participants to tax concerns and potential fines and penalties.

Recommendation 10

We recommend that the campus and the Athletic Corporation report the value of complimentary tickets to athletic administrators/coaches as taxable income.

Campus Response

We concur to the extent that coaches retain tickets for personal use. Many complimentary athletic event tickets are used for business and promotional purposes and do not qualify as reportable income. When athletic coaches retain complimentary tickets for personal use, we will report these values as income beginning with reporting for calendar year 2007.

OPERATING EXPENDITURES AND EQUIPMENT

TRADE-OUTS

Documentation on trades was incomplete and some trade seemed unwarranted.

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.

Our review disclosed that:

- ▶ There were multiple parties negotiating trade, which included the BDF and BSP. Terms and conditions of trade with the same sponsor/vendor would fluctuate. For example, with one local hotel, the BDF negotiated availability of rooms with no deadline for their use, while room nights negotiated by the BSP expired if not used before the end of the fiscal year.
- ▶ FY 2005/06 trade-out authorization records, agreements, and usage documentation for the athletic department marketing office were missing.
- ▶ Athletic administrator/coaches had golf club privileges at the Fig Garden Golf Club where they had rounds of golf available at no cost due to a trade-out agreement. If this is a valid use of trade, then the athletic administrators and coaches who receive these benefits should have the value reported on their W-2s as taxable income unless they maintain and submit documentation necessary for exclusion.
- ▶ Nike trade included the provision of T-shirts for sports camps.

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 athletic director of broadcasting and external relations stated that the department heads and parties negotiating trade-outs had not recently held their annual meeting to establish trade priorities. He further stated that the missing records were the result of turnover in the department.

Incomplete records on trade and the underutilization of trade benefits 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 and the Athletic Corporation:

- a. Consolidate trade-out authority.
- b. Improve documentation for trade usage and issue W-2s to campus administrators and coaches when exclusions from taxable income are inadequately documented.
- c. Eliminate non-essential trade.

Campus Response

We concur. We will improve our trade-out policies and procedures by October 30, 2007. We will issue W-2s when necessary, beginning with calendar year 2007.

TEAM TRAVEL

Claimants were not always required to sign and date travel documents or submit receipts for claims and the campus and the Athletic Corporation lacked a policy for guests and staff authorized to 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 order/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:

- ▶ The head football coach was given \$200 for each away game for “public relations,” but he was not required to sign for the money, explain how it was used, or provide receipts to support the expenditures.

- ▶ Various individuals on three of the trips did not sign and/or date their travel expense claims.
- ▶ There were instances when campus administrators and others traveled with the teams, but neither the campus nor the Athletic Corporation had a policy to address who may travel with the team and how those expenses were to be paid.

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.

The business operations manager in athletics stated that the omission of signatures and dates on travel claims was due to oversight.

The 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 12

We recommend that the campus and the Athletic Corporation:

- a. Enforce requirements for travel documentation in athletics, including expenditures for public relations.
- b. Establish a policy for all passengers permitted to travel with athletic teams.

Campus Response

We concur. We will improve travel documentation beginning with travel occurring during July and establish a passenger policy by August 30, 2007.

EQUIPMENT MANAGEMENT

The disposition of surplus athletic inventory was not governed by written policies and procedures.

In spring 2006, there was a sale of surplus athletic equipment conducted in conjunction with the Bulldog Shop at the annual spring football scrimmage. For this sale, the head equipment manager collaborated with the Bulldog Shop manager to devise a system for valuing, tagging, and documenting what was sold and Bulldog Shop handled the cashiering responsibilities. The Athletic Corporation receipted and deposited net sale proceeds of \$8,929 and whatever did not sell was junked.

Athletic Corporation Policy 5.04.1, *Athletic Equipment: Purchases, Maintenance, and Responsibility*, states:

Within 30 days after the end of a sport's season, an inventory of that sport's equipment and clothing will be taken by the head equipment manager or designee. Upon completion of the inventory, the head equipment manager will identify items that are obsolete or surplus, and review the list for sale or disposal with the assistant athletic director of facilities and operations.

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 head equipment manager stated that he collaborated with the manager of the Bulldog Shop on what they felt were necessary sale procedures.

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

Recommendation 13

We recommend that the campus and the Athletic Corporation collaborate on written policies and procedures for disposal of surplus athletic apparel, equipment, and gear.

Campus Response

We concur. We have already drafted improved policies and will issue them by July 30, 2007.

MISCELLANEOUS

SPORTS CAMPS

Individuals who staffed sports camps were not subjected to criminal background checks.

A number of different sports camps and clinics operated on-campus, typically during the summer months. These camps were available to certain age groups, mainly 12- to 18-year-olds.

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 *Athletic Corporation Employee Handbook* states only that the corporation may review an applicant's or an employee's credit report and criminal background, if any.

The assistant director of human resources stated that the campus policy on background checks had not been finalized because it was still being reviewed by the personnel committee of the campus academic senate.

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 14

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

Campus Response

We concur. However, before implementation, a policy needs to be developed since it relates to a condition of employment. Establishing a policy and implementing it for the 2007 camps already underway would have been difficult. We will attempt to begin with camps later this summer. Full implementation for all sports will be delayed until summer 2008.

ATHLETIC INJURY PREVENTION EFFECTIVENESS

The athletic department 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. While injury records were maintained, they were not compared to the NCAA Injury Surveillance System (ISS).

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 provides secondary insurance coverage for athletic injuries that are not covered by primary carriers.

The interim head athletic trainer stated that the campus had just changed injury reporting systems from EsimTrak in summer 2006 and up to that time, each trainer had a different system for documenting what was discussed with coaches.

The 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 15

We recommend that the campus and the Athletic Corporation formally report on the effectiveness of the athletic injury prevention program.

Campus Response

We concur that there can be more formal reporting from the athletic program to university administration on how athletics is assessing injuries, prevention measures, and trends. However, the campus is not aware of a requirement or widespread best practice on how to report on injury assessments. Athletics staff maintain injury files and they routinely review injury statistics. We will conduct an additional self-assessment by August 31, 2007, to determine if further evaluations are needed by athletics staff.

APPENDIX A: PERSONNEL CONTACTED

| <u>Name</u> | <u>Title</u> |
|-------------------------|---|
| John D. Welty | President |
| Deborah Adishian-Astone | Executive Director, Auxiliary Corporations |
| Leila Almahdy | Athletic Trainer |
| Ron Avedisian | Safety/Risk Analyst |
| Matt Babick | Internal Auditor |
| Trisha Becker | Payroll/Benefits Technician, Athletics |
| Tina Beddall | Registrar |
| Lori Benson | Director of Finance, Save Mart Center |
| Thomas Boeh | Director of Athletics |
| Robert Boyd | Associate Vice President for Facilities Management |
| Sharon Davis | Budget and Treasury Manager |
| Kelli Eberlein | Interim Head Athletic Trainer |
| Richard Enns | Business Operations Manager, Athletics |
| Clare Flores | Administrative Assistant to the Athletic Director |
| Michelle Francis | Director of Compliance |
| Vivian Franco | Director, Admissions/Records/Evaluations |
| Susan Gutkind | Assistant Athletics Director for Academic Services |
| Russell Hayden | Director of Ticket Operations |
| Anessa Ivy | Administrative Assistant to the Senior Associate Athletics Director |
| Jody Jesser | Travel Coordinator, Athletics |
| Steven Katz | Associate Vice President, Financial Services |
| Keith Kompsi | Director of Foundation Financial Services |
| John Kriebs | Assistant Athletics Director for Facilities and Operations |
| Paul Ladwig | Associate Athletics Director for Broadcasting and External Relations |
| Terry Logan | Director of Facilities, Athletics |
| John Lucier | Assistant Athletics Director for Compliance |
| Gwen Malone-Burks | Administrative Assistant, University Advancement |
| Steven Martinez | Director, Environmental Health and Safety |
| Betsy Mosher | Senior Associate Athletics Director for Administration and Program Integrity/Senior Women's Administrator |
| Pat Ogle | Executive Director, Bulldog Foundation |
| Paul Oliaro | Vice President for Student Affairs/Dean of Students and Chair, Athletic Corporation Board |
| Margie Phillips | Director, Procurement and Support Services |
| Linda Rios | Athletic Admissions Specialist |
| Chris Robinson | University Controller |
| Diane Sanbongi | Assistant Director, Ticket Office |
| Monica Shackelton | Accounts Payable Manager |
| Steve Sullivan | General Manager, Bulldog Sports Properties |
| Sarah Tackett | Athletic Trainer |
| Cynthia Teniente-Matson | Vice President for Administration and Chief Financial Officer |
| Susan Vaquilar | Payroll Manager |
| Greg Walaitis | Associate Athletics Director for Development |
| Lynn Williams | Professor, Agricultural Economics and Faculty Athletic Representative |

APPENDIX A: PERSONNEL CONTACTED

Name

Title

Eleanor Woods
Mark Younger

Assistant Director, Human Resources
Head Equipment Manager



CALIFORNIA
STATE
UNIVERSITY,
FRESNO

RECEIVED
UNIVERSITY AUDITOR

JUN 22 2007

THE CALIFORNIA STATE
UNIVERSITY

MEMORANDUM

June 20, 2007

TO: Larry Mandel, University Auditor

FROM: Ms. Cynthia Teniente-Matson
Vice-President for Administration
and Chief Financial Officer

A handwritten signature in black ink that reads "Cynthia Teniente-Matson".

SUBJECT: Responses to the audit of Athletics Administration, Report #06-29

Attached is our set of campus responses to your audit report on athletics administration. We appreciate the thoroughness by Jim Usher and Cindy Sanford in conducting the audit.

cc: Dr. John Welty
Mr. Matt Babick

Office of
the President

Thomas Administration Building, 103
5241 North Maple Ave. M/S TA48
Fresno, CA 93740-8027

559.278.2324
Fax 559.278.4715

**ATHLETICS ADMINISTRATION
CALIFORNIA STATE UNIVERSITY,
FRESNO**

**Audit Report 06-29
May 14, 2007**

GENERAL ENVIRONMENT

ATHLETIC CORPORATION

Recommendation 1

We recommend that the campus complete an analysis of the need for an auxiliary organization dedicated to intercollegiate athletics as expeditiously as possible.

Campus Response

We concur. The magnitude of this project is large, involving many issues and persons. We will complete the evaluation by November 30, 2007.

AGREEMENTS

Recommendation 2

We recommend that the campus and the Athletic Corporation:

- a. Execute an agreement for delivery and reimbursement of all services provided.
- b. Eliminate the acquisition of apparel, goods, and services without an approved purchase methodology.

Campus Response

We concur. We will complete the agreement by September 30, 2007 and we will eliminate undocumented acquisitions by issuing a clarified policy by July 30, 2007.

PROGRAM REVENUES

CASH HANDLING

Recommendation 3

We recommend that the campus and the Athletic Corporation:

- a. Implement procedures to adequately safeguard employees transporting deposits.
- b. Change safe combinations when employees who have safe access leave a department.
- c. Improve cash count documentation for funds in the athletic department.

Campus Response

We concur. We had already improved the safeguarding of deposits in transit, and had shared this documentation with the University Auditor, prior to receiving the first draft of the audit report. We will change the combinations to athletic safes by June 30, 2007 and thereafter when employees depart who had access to safes. We will retain documentation of cash counts in accordance with the scheduled requirements.

SPORTS CAMP REVENUES

Recommendation 4

We recommend that the campus and the Athletic Corporation ensure that:

- a. Sports camp paperwork is completed and retained.
- b. A clear policy on compensation for coaches working at summer camps is established.
- c. Sports camp revenues are reconciled to corresponding fees and the number of registered participants.

Campus Response

We concur. We will review our policies and procedures related to sport camps by August 30, including a policy on coach compensation, to improve compliance with our internal requirements for documentation and operation of our Summer camps. We will reconcile the camp revenues by September 30, 2007.

AUDIT OF MEDIA RIGHTS

Recommendation 5

We recommend that the campus and the Athletic Corporation exercise the option to audit BSP accounting records on media rights.

Campus Response

We concur. We will initiate this audit by August 30, 2007.

COMPENSATION AND BENEFITS**HOLIDAYS****Recommendation 6**

We recommend that the campus and the Athletic Corporation:

- a. Expand the campus' current policy regarding the use of compensatory time off to apply in all circumstances, not just when an employee moves to a new position, and establish clear maximum carryover amounts.
- b. Document actions in accordance with Athletic Corporation policies (i.e., signed work schedules and preauthorization to work on a holiday).
- c. Take steps to reduce the current H/CTO balances by directing employees to use these balances, paying the employees for the hours, or a combination of these actions.
- d. Ensure that appropriate staff, MPP employees, and those processing/approving attendance reports are aware that MPP employees are ineligible to receive overtime or compensatory time off. In addition, recover the value of the 40 hours of improperly accrued/taken H/CTO.

Campus Response

We concur. We will update appropriate policy on CTO by September 30, 2007 to coincide with CSU policies. We will improve our documentation of schedules and preauthorizations beginning with the month of July 2007. We will begin the process of managing CTO balances by September 30, 2007. We will train employees on processing attendance by August 30, 2007 and deduct 40 hours of vacation leave (or another existing balance) by August 30, 2007 to address the processing error.

ATTENDANCE**Recommendation 7**

We recommend that the campus and the Athletic Corporation:

- a. Establish a clear policy that employees are not allowed to incur deficit balances and if employees need to take time off in excess of their current balances, they be docked for the difference between hours needed and hours available.
- b. Require that all employees, including exempt employees, complete monthly attendance summaries whether or not they take leave during the month.
- c. Clarify the policy regarding the use of the Request for Absence forms.

- d. Clarify to employees that when signatures and dates are required on documents, the individuals signing the forms should be the ones to indicate the date they actually signed the documents.

Campus Response

We concur. We will require all employees to thoroughly complete attendance reports, beginning with the month of July. We will clarify the other matters listed above and inform employees by August 31, 2007.

EMPLOYMENT CONTRACTS

Recommendation 8

We recommend that the campus and the Athletic Corporation:

- a. Execute employment contracts in a timely manner, ensure that contracts are signed by all relevant parties, and maintain copies of signed agreements in the appropriate files.
- b. Consult with the Office of the Chancellor to establish appropriate appointment documents for athletic personnel in MPP classifications.

Campus Response

We concur. We will more thoroughly execute employment contracts when new contracts become drafted. We will confer with the Chancellor's Office to develop more consistent appointment documents by September 30, 2007, subject to receiving their advice in a timely manner.

EMPLOYER-PROVIDED CARS

Recommendation 9

We recommend that the campus and the Athletic Corporation:

- a. Determine and utilize the appropriate method for reporting taxable fringe benefits for courtesy car usage.
- b. Clarify policies and determine procedures to ensure that employees whose taxable fringe benefits are calculated using the commuting valuation rule are not using their assigned vehicles for personal use other than commuting.

Campus Response

We concur. We will improve our reporting of vehicle usage by October 30, 2007.

COMPLIMENTARY TICKETS

Recommendation 10

We recommend that the campus and the Athletic Corporation report the value of complimentary tickets to athletic administrators/coaches as taxable income.

Campus Response

We concur to the extent that coaches retain tickets for personal use. Many complimentary athletic event tickets are used for business and promotional purposes and do not qualify as reportable income. When athletic coaches retain complimentary tickets for personal use, we will report these values as income beginning with reporting for calendar year 2007.

OPERATING EXPENDITURES AND EQUIPMENT

TRADE-OUTS

Recommendation 11

We recommend that the campus and the Athletic Corporation:

- a. Consolidate trade-out authority.
- b. Improve documentation for trade usage and issue W-2s to campus administrators and coaches when exclusions from taxable income are inadequately documented.
- c. Eliminate non-essential trade.

Campus Response

We concur. We will improve our trade out policies and procedures by October 30, 2007. We will issue W-2s when necessary, beginning with calendar year 2007.

TEAM TRAVEL

Recommendation 12

We recommend that the campus and the Athletic Corporation:

- a. Enforce requirements for travel documentation in athletics, including expenditures for public relations.
- b. Establish a policy for all passengers permitted to travel with athletic teams.

Campus Response

We concur. We will improve travel documentation beginning with travel occurring during July and establish a passenger policy by August 30, 2007.

EQUIPMENT MANAGEMENT

Recommendation 13

We recommend that the campus and the Athletic Corporation collaborate on written policies and procedures for disposal of surplus athletic apparel, equipment, and gear.

Campus Response

We concur. We have already drafted improved policies and will issue them by July 30, 2007.

MISCELLANEOUS

SPORTS CAMPS

Recommendation 14

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

Campus Response

We concur. However, before implementation, a policy needs to be developed since it relates to a condition of employment. Establishing a policy and implementing it for the 2007 camps already underway would have been difficult. We will attempt to begin with camps later this summer. Full implementation for all sports will be delayed until Summer 2008.

ATHLETIC INJURY PREVENTION EFFECTIVENESS

Recommendation 15

We recommend that campus and the Athletic Corporation formally report on the effectiveness of the athletic injury prevention program.

Campus Response

We concur that there can be more formal reporting from the athletic program to university administration on how athletics is assessing injuries, prevention measures, and trends. However, the campus is not aware of a requirement or widespread best practice on how to report on injury assessments. Athletics staff maintain injury files and they routinely review injury statistics. We will conduct an additional self-assessment by August 31, 2007 to determine if further evaluations are needed by athletics staff.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

June 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 06-29 on *Athletics Administration*,
California State University, Fresno

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

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

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Mr. Matt Babick, Internal Auditor
Dr. John D. Welty, President

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS