

Audit and Advisory Services
401 Golden Shore
Long Beach, CA 90802-4210

December 2, 2022

Dr. Robert S. Nelsen, President
California State University, Sacramento
6000 J Street
Sacramento, CA 95819

Dear Dr. Nelsen:

Subject: Audit Report 22-31, Athletics Fiscal Administration, California State University, Sacramento

We have completed an audit of *Athletics Fiscal Administration* as part of our 2022-2023 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which will be posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Jolene Koester, Interim Chancellor
Lateefah Simon, Chair, Committee on Audit
Yammilette Rodriguez, Vice Chair, Committee on Audit

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ATHLETICS FISCAL ADMINISTRATION

**California State University,
Sacramento**

Audit Report 22-31
December 2, 2022

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls for athletics fiscal administration and to ensure compliance with relevant government regulations; Trustee policy; Office of the Chancellor (CO) directives; and related campus and auxiliary procedures.

CONCLUSION

Based upon the results of the work performed within the scope of the audit, except for the weaknesses described below, the operational, administrative, and financial controls for athletics fiscal administration as of September 9, 2022, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

In general, we noted that the campus had an appropriate framework for the fiscal administration of the athletics department; however, we identified several areas that needed improvement. We found that athletics cash-handling practices did not always comply with campus procedures for employee access to safes and safe combinations, cash-handling training, and timely deposits. Additionally, we noted that a change in custody of the athletics ticketing change fund was not properly reported to the main cashier. Further, we found issues with tagging and locating athletics property and equipment, as well as discrepancies between the inventory system and the asset management system.

We also found that trade agreements were not reported to the campus designee for gifts to agency for review of potential personal benefits, initial and renewal conflict-of-interest (COI) and outside-employment disclosures (OED) for athletics employees were not always completed, and sponsorship agreements were not reviewed for potential conflicts of interest. Additionally, ticketing for athletic events was not captured in the implementation of the campus *Public User Fee Policy*, and two sports camps charged fees that were not approved through the public user fee approval process.

Specific observations, recommendations, and management responses are detailed in the remainder of this report.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. CASH HANDLING

OBSERVATION

Administration of cash-handling processes needed improvement.

We reviewed cash-handling practices at four locations and found that:

- Three locations did not maintain documentation of authorized employees with access to safe combinations. Further, these locations did not update safe combinations upon employee separation or on a three-year cycle as required by CSU systemwide policy.
- Documentation of cash-handling training for employees at two locations was not maintained. Further, student assistants with cash-handling responsibilities at one location did not receive cash-handling training as required by campus and CSU systemwide policies.
- One deposit exceeding \$500 was not made to the bursar's office within one business day as required by the campus *Cash Management Procedures*.

Additionally, the Hornet Ticketing Office maintained one change fund that was assigned to the ticketing manager. We found that the change fund was divided among student assistants who were managing box office collections, however, the ticketing office did not report the change in custody of the fund to the main cashier.

Compliance with cash-handling requirements reduces exposure to risk of loss, theft, or misappropriation of funds.

RECOMMENDATION

We recommend that the campus:

- a. Develop and implement a process to change safe access or combinations periodically and when employees with access to the safes separate from the campus.
- b. Develop and implement a process to ensure that all athletics student assistants complete cash-handling training.
- c. Maintain documentation of completed cash-handling training in compliance with campus and systemwide retention policies.
- d. Reiterate cash-handling procedures for timely deposits to the bursar's office to personnel involved in cash-handling activities.
- e. Report changes in custody of change funds to the main cashier and obtain proper approval.

MANAGEMENT RESPONSE

We concur. The campus will take the following actions by May 8, 2023:

- a. Develop and implement a process to change safe access or combinations periodically and when employees with access to the safes separate from the campus.
- b. Develop and implement a process to ensure that all athletics student assistants complete cash-handling training.
- c. Maintain documentation of completed cash-handling training in compliance with campus and systemwide retention policies.
- d. Reiterate cash-handling procedures for timely deposits to the bursar's office to personnel involved in cash-handling activities.
- e. Report changes in custody of change funds to the main cashier and obtain proper approval.

2. ATHLETICS PROPERTY AND INVENTORY**OBSERVATION**

Administration of property and equipment needed improvement to ensure proper recording of assets in the asset management system, completion of physical inventory, and disposal of assets.

Per the campus *Property Manual*, property management is responsible for tagging all capitalized property and equipment owned by the university with a value of \$5,000 or more, as well as non-capitalized property valued between \$2,500 and \$4,999. A physical inventory is performed once every three years on capitalized and non-capitalized property with a value of \$2,500 or more by the property management office in conjunction with department record keepers.

We reviewed 10 assets from the campus asset management system and found that:

- Four items did not contain the asset tag issued by property management. Additionally, one of these items was not assigned a tag number in the asset management system.
- One item that was purchased in 1982 with an acquisition cost of \$7,504 could not be located by the athletics department.
- One asset was not disposed of timely in the asset management system. This asset could not be located during the 2018 physical inventory and had not been removed from the asset management system as of July 2022.

Further, information maintained in the campus inventory system did not always align with information maintained in the asset management module of PeopleSoft. The campus uses the

Wasp system for recording assets and performing the physical inventory across the campus. Wasp is integrated with PeopleSoft; however, we noted various discrepancies between the two systems. We found that three of the 10 assets reviewed appeared in PeopleSoft but not in Wasp.

Additionally, we found that one equipment purchase made on a procurement card in the amount of \$2,817 was not reported to property management. Therefore, the non-capitalized property was not input into the Wasp inventory system or assigned an asset tag as required by campus policy.

Proper administration of property and equipment decreases the risk that assets may be lost, stolen, or misrepresented in the financial statements.

RECOMMENDATION

We recommend that the campus:

- a. Assign fixed asset tags or ID numbers to all athletics property and equipment and affix asset tags as necessary to resolve the issues noted above.
- b. Update inventory records to ensure that all athletics department assets are accounted for and nonexisting assets are removed from inventory records.
- c. Perform a reconciliation between the Wasp inventory system and the asset management module in PeopleSoft for athletics department assets to resolve discrepancies as noted above, and implement a process to perform ongoing system reconciliations on at least a quarterly basis.
- d. Reinforce and follow existing processes to obtain approval from the procurement and contract services department for purchases of non-capitalized property on procurement cards to ensure that assets are reported to property management for tagging and tracking.

MANAGEMENT RESPONSE

We concur. The campus will take the following actions by May 8, 2023:

- a. Assign fixed asset tags or ID numbers to all athletics property and equipment and affix asset tags as necessary to resolve the issues noted above.
- b. Update inventory records to ensure that all athletics department assets are accounted for and nonexisting assets are removed from inventory records.
- c. Perform a reconciliation between the Wasp inventory system and the asset management module in PeopleSoft for athletics department assets to resolve discrepancies as noted above, and implement a process to perform ongoing system reconciliations on at least a quarterly basis.

- d. Reinforce and follow existing processes to obtain approval from the procurement and contract services department for purchases of non-capitalized property on procurement cards to ensure that assets are reported to property management for tagging and tracking.

3. TRADE-OUTS

OBSERVATION

Administration of trade-out agreements needed improvement.

Integrated California State University Administrative Manual (ICSUAM) §1202, *Athletics Trade Usage*, requires trade usage agreements to be reported to the campus designee for gifts to agency, who determines whether the trade constitutes a personal benefit to a faculty member, staff member, or student. We found that the campus did not have a procedure to report trade agreements outside of the athletics department, to the campus designee for gifts to agency, for additional review. There were four active trade agreements at the time of our review.

Proper oversight of trade-outs decreases the risk of inappropriate contracting and accusations that state resources are being given away without the state receiving fair value in exchange.

RECOMMENDATION

We recommend that the campus implement a process to report trade-outs to a designated individual for gifts to agency outside of the athletic department.

MANAGEMENT RESPONSE

We concur. The campus will implement a process to report trade-outs to a designated individual for gifts to agency outside of the athletic department by May 8, 2023.

4. CONFLICT OF INTEREST AND OUTSIDE EMPLOYMENT

OBSERVATION

The process for ensuring that designated employees completed the required conflict-of-interest (COI) and outside-employment disclosures (OED) filings needed improvement.

We reviewed the most recently completed COI and OED forms for five designated positions, and we found that:

- Two athletics employees hired in 2022 did not complete the initial electronic filing of the COI form provided by campus human resources. Additionally, the OED form was not provided to the employees upon hire and had not been completed at the time of our review.

- One renewal COI and OED filing was not completed by an athletics employee by the 2022 filing deadline.

Additionally, we reviewed six athletics sponsorship agreements and noted that one sponsor was related to an athletics employee. The employee was not included on the campus designated position list and was not required to complete a COI disclosure. However, the campus indicated that the employee was not involved in the negotiations for or approval of the agreement.

Adequate administration of COI and OED forms and review of sponsorship agreements for potential conflicts of interest decreases the risk of noncompliance with governmental requirements and potential regulatory scrutiny.

RECOMMENDATION

We recommend that the campus:

- a. Obtain initial and renewal COI and OED forms from all athletics employees in designated positions by the annual filing deadline.
- b. Develop and implement a process to ensure that employees in designated positions are provided with OED forms for completion upon hire.
- c. Develop and implement a process to review athletics sponsorship contracts for potential conflicts of interest before approval.

MANAGEMENT RESPONSE

We concur. The campus will take the following actions by May 8, 2023:

- a. Obtain initial and renewal COI and OED forms from all athletics employees in designated positions by the annual filing deadline.
- b. Develop and implement a process to ensure that employees in designated positions are provided with OED forms for completion upon hire.
- c. Develop and implement a process to review athletics sponsorship contracts for potential conflicts of interest before approval.

5. PUBLIC USER FEES

OBSERVATION

Athletics procedures for establishing event ticket prices and sports camp fees did not comply with campus policies and procedures.

The campus *Public User Fee Policy* was implemented in 2013 and defines public user fees as "...charges made to persons or groups other than students of the University, for services

provided in conjunction with the normal operations of University departments.” Departments must obtain approval for these fees through the public user fee approval process. The university president has the authority to approve new fees, and the university’s vice president for administration has the authority to approve changes in fee levels or elimination of fees.

We found that ticket pricing for athletics events was not included when the *Public User Fee Policy* was implemented. As a result, approvals of initial ticket prices and changes in pricing were not obtained from the campus president or the vice president for administration. Instead, when the athletics department performed an internal evaluation to establish event ticket pricing, which included analysis of industry standards, market rates, and demand, approval was obtained from the athletic director. Additionally, fee increases for sports camps were not always approved in accordance with the campus *Public User Fee Policy*. We reviewed 10 campus sports camps and noted that two camps increased registration fees without approval from the vice president for administration.

Appropriate approval of athletics event ticket prices and sports camp registration fees ensures that fees charged to the public are reasonable and justified.

RECOMMENDATION

We recommend that the campus ensure that athletics event ticket prices and increases in sports camp registration fees are approved through the procedures outlined in the *Public User Fee Policy*.

MANAGEMENT RESPONSE

We concur. The campus will ensure that athletics event ticket prices and increases in sports camp registration fees are approved through the procedures outlined in the *Public User Fee Policy* by May 8, 2023.

GENERAL INFORMATION

BACKGROUND

The California State University (CSU) is the nation’s largest four-year public university system, with 23 campuses and 314 intercollegiate athletics teams. Administration and operation of athletics programs occur within the framework of regulations and rules imposed by national governing associations and the athletics conferences in which the players and teams compete. The United States Department of Education also collects data on athletics based on the federal Equity in Athletics Disclosure Act (EADA). California State University (CSU) campuses are subject to EADA because they accept federal financial aid funds.

California State University, Sacramento (Sacramento State) is generally considered a mid-major conference institution for athletics purposes. Sacramento State’s intercollegiate athletics teams, known as the Hornets, compete at the NCAA Division I (I-AA for football) level. The campus supports intercollegiate teams in nine men’s sports and 12 women’s sports as follows:

SPORT	MEN’S	WOMEN’S
Baseball	x	
Basketball	x	x
Beach Volleyball		x
Cross Country	x	x
Football	x	
Golf	x	x
Gymnastics		x
Rowing		x
Soccer	x	x
Softball		x
Tennis	x	x
Track and Field (Indoor)	x	x
Track and Field (Outdoor)	x	x
Volleyball		x

In fiscal year (FY) 2020/21, 452 Sacramento State student-athletes (250 men and 202 women) participated in the 21 intercollegiate athletics programs, per the annual EADA report.

On-campus athletic facilities with spectator-seating capacities at Sacramento State include a soccer field, softball field, baseball field, football and track stadium, beach volleyball court, and gymnasium.

At Sacramento State, the athletics department is administered by a director of athletics who reports directly to the president. Five associate athletic directors are responsible for various athletic operations including diversity, equity, and inclusion; external affairs; facilities and operations; business operations; and media relations. Each associate director oversees particular sports and acts as the direct reporting line for the head coaches of those sports. The associate athletic director of business operations oversees three business analysts who assist teams with various financial responsibilities including budgeting, revenue contracts, expense

contracts, operational expenses, and team travel. The athletics department also houses various functions that report to the director of athletics, as well as outside parties including sports medicine, NCAA compliance, the student activities resource center, academic skills, life skills, advancement, and the faculty athletics representative.

Athletic funds at Sacramento State are held in campus and auxiliary organization accounts. Funds held in campus accounts must follow requirements in the Integrated California State University Administrative Manual (ICSUAM); funds held in auxiliary organization accounts primarily follow requirements set forth in the *Compilation of Policies and Procedures for CSU Auxiliary Organizations* and Title 5 of the California Code of Regulations.

Sacramento State intercollegiate athletics has a close working relationship with the kinesiology and health science department in the College of Health and Human Services, which offers undergraduate degrees with concentrations in athletics administration, athletics care, and athletics coaching education. The relationship includes shared operation of the men’s and women’s athletics equipment rooms in Yosemite Hall and internship opportunities in the athletics department training rooms for students pursuing a degree through the department of kinesiology.

SCOPE

We performed fieldwork from July 25, 2022, through September 9, 2022. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. The audit focused on procedures in effect from July 1, 2020, to September 9, 2022.

Specifically, we reviewed and tested:

- Accountability for the athletics fiscal administration function to ensure it is clearly defined and documented.
- Athletic budgets and delegations of authority to ensure they are in place, adequate, and used effectively in various aspects of athletics programs administration.
- Processes to ensure that appropriate reviews and approvals are in place for contracting activities.
- Processes to ensure that segregation of duties is adequate, accountability is maintained, and safeguarding is adequate for cash and cash equivalents.
- Athletic salaries for administrators and coaches to ensure that they comply with CSU salary schedules, collective bargaining provisions, and requirements for supplemental compensation; and benefits provided to athletics employees to ensure they are appropriate and proper.
- Processes to ensure that athletics expenditures are appropriate, properly authorized, and processed in accordance with CSU and campus policies.
- Activities related to sports camps and clinics to ensure they comply with relevant institutional requirements, including background checks/authorizations, insurance, revenue accountability, inclusion of relevant expenditures, and reporting of income/profits.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

Our testing and methodology, which was designed to provide a review of key operational and administrative controls, included interviews, walkthroughs, and detailed testing on certain aspects of procurement. Our review was limited to gaining reasonable assurance that essential elements of the athletics fiscal administration function were in place and did not examine all aspects of the program.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance; Trustee policy; Office of the Chancellor directives; and campus procedures; as well as sound administrative practices and consideration of the potential impact of significant risks. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- Government Codes §13402 and §13403
- *CSU Administration of University Property Policy*
- *CSU Contracts and Procurement Policy*
- *CSU Travel and Business Expense Reimbursement Policy*
- Executive Order 1000, *Delegation of Fiscal Authority and Responsibility*
- Coded memorandum Human Resources (HR) 2016-06, *Management Personnel Plan (MPP) Outside Employment Disclosure*
- HR 2017-17, *Background Check Policy*
- HR 2019-02, *MPP Athletics Personnel Definite-Term Appointments*
- ICSUAM §1201, *Intercollegiate Athletics Administration*
- ICSUAM §1202, *Athletics Trade Usage*
- ICSUAM §1203, *Fringe Benefits Management*
- ICSUAM §1205, *Athletic Group Travel*
- ICSUAM §1206, *Inventory Control of Athletic Equipment, Apparel and Gear*
- ICSUAM §3103.01, *Disbursements-General*
- ICSUAM §3130.01, *Accounts Receivable Management*
- ICSUAM §6200, *Campus Administration of Systemwide Cash Management Policy*
- ICSUAM §6201, *Sensitive Positions and Cash Handling*
- ICSUAM §6320, *Petty Cash and Change Funds*
- ICSUAM §6330, *Security of Cash and Cash Equivalents*
- ICSUAM §15701, *Fundraising Events*
- *Sacramento State Cash Management Procedures*
- *Sacramento State Property Manual*
- *Sacramento State Public User Fee Policy ADM-0137*
- *Sacramento State Youth Protection Program*

AUDIT TEAM

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